

Longs Drugs Increases Picking Efficiency by Shortening Pick Path



Manhattan Associates

Customer Success Story
Longs Drugs, Inc.

Facts at a glance:

- Number of warehouses: Three – Northern California, Southern California and Hawaii
- Size of warehouses: 300,000 sq. ft.
- Number of SKUs: 10,000 per warehouse
- Manhattan Associates Solution: Slotting Optimization

Retail

The Challenge

The Longs Drug Stores’ tradition of caring began in 1938 when brothers Joe and Tom Long opened the first Longs store and helped institute the idea of self-service in the retail drug industry. Low prices, excellent service and a tradition of “treating others as we, ourselves, would like to be treated” brought quick success to the first Longs Drug Store.

Today, Longs is a leading drug store chain with 470 stores in the western U.S. and Hawaii that continues to pride itself on customer service. Each store carries a unique selection of merchandise popular in the neighborhood it serves. This enables the company to surpass the industry average when it comes to selling higher-margin, front-store items such as cosmetics, food, greeting cards and over-the-counter medications.

The dynamics of the retail chain drug market have changed dramatically over the past few years. A number of mergers and acquisitions have resulted in formidable competition for Longs. For the company to continue its success, it must stay focused on winning the price war by lowering operating costs and increasing brand loyalty by delivering the right mix of merchandise and superior customer service.

Like most retailers, Longs supplies its stores from strategically located, regional distribution centers (DCs). The majority of outbound activity in the company’s DCs involves picking cases from variable-height, first-level pallet racks to pallets. The “serpentine” nature of such a pick operation, however, can mean extensive travel for order selectors and increased labor costs for Longs.

Longs’ warehouse operators must also maintain a high level of customer service for its stores. Each shipment must be organized so that heavier, less crushable items are at the bottom of an outbound pallet. Furthermore, outbound contents should be grouped by department to make it easy for store staff to receive goods and stock shelves. This allows Longs’ store operators to focus on customer service—not on “back-room” operations.

“Manhattan Associates’ Slotting Optimization solution enabled us to re-slot based on product family groups. We now place fast movers towards the front half of pallet aisles and slower movers in back. Our re-slotting effort increased overall case picking productivity by 35% and improved pallet building tremendously.”

Earl Randall
Project Manager
Longs Drug Stores, Inc.



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The Solution

In order for Longs to increase its average pick rate, reduce mis-picks and improve the organization and stability of its outbound pallets, the company decided to implement Manhattan Associates' Slotting Optimization solution. The solution enables Longs to determine the best location for each item within the forward pick area in its warehouses. The resulting optimal product placement helps streamline distribution processes and keep Longs ahead of its competition.

The Implementation

The task of minimizing travel distance at Longs was subject to several constraints including the need to build effective pallets, slot by store layout and separate "like" items. Accommodating these requirements involved the creation and maintenance of two logical pick zones, high and low density. The physical implementation of such a division makes use of a racking tunnel that runs the length of the warehouse and intersects each aisle in the middle. High-velocity SKUs are slotted in front of the racking tunnel, close to the shipping doors in an area now known as the high-density pick zone. Lower velocity SKUs are slotted in an area behind the racking tunnel, now known as the low-density pick zone.

Once the new configuration was set, the Slotting Optimization re-profiling process generated daisy chained moves for a number of the SKUs. Longs invested two weekends working to implement the new zoning configuration, and upon completing the moves, the company configured its warehouse management system to break pick assignments by pick density zone. Today, most order selectors pick exclusively in the high-density zone and never travel beyond the tunnel dividing the logical zones.

Like many general retailers, Longs carries a wide variety of SKUs and the weights and packaging types of these SKUs vary greatly. To ensure order selectors travel the shortest distance and build stable pallets that reduce damage to outbound goods, Manhattan Associates' Slotting Optimization solution slots SKUs according to their crushability factor. The solution also considers departmental attributes when assigning it a pick location. This guarantees that like merchandise can be grouped together onto pallets in order to simplify the store receiving process.

Additionally, while the merchandise mix at Longs is highly varied, the labeling on its inbound cartons does not always indicate such. Therefore, to minimize mis-picks, Longs decided to keep items that could appear alike at least one bay apart. To achieve this, a "like attribute" was added to each

SKU record in Longs' warehouse management system. With this detail, Manhattan Associates' Slotting Optimization solution successfully separates SKUs with like attributes—reducing the largest cause of SKU mis-picks: visual misidentification.

The Benefits

Since implementing Manhattan Associates' Slotting Optimization solution, Longs has successfully grouped picking activity into concentrated areas and improved the management of their staff. The company's calculations indicate a 34.6% increase in the number of cartons picked per hour.

While the financial impact of increased efficiency is evident, increased throughput was especially welcome across Longs' facilities where capacity is perennially strained during the busy holiday season.

Utilizing the integration adapters provided with Manhattan Associates' Slotting Optimization solution, Longs enjoys the benefits of real-time item and slot integration with its third party warehouse management provider. This level of integration enables two key operating differentiators: 1) automatic task creation within the warehouse management system using the moves generated in the Slotting Optimization solution and, 2) real-time optimal forward pick location assignment for new items entering the DC. These integrated capabilities reflect that the slotting process doesn't end at location assignment or move generation, but at the successful physical relocation of an item to its optimal location.

The Future

The retail drug industry has changed dramatically over the past 67 years, but Longs' focus on "treating others as we, ourselves, would like to be treated" has yielded continued success for the chain. After achieving considerable operational gains with Manhattan Associates' Slotting Optimization solution, Longs decided to launch an additional slotting initiative.

The new effort will involve utilizing the Slotting Optimization solution in areas reserved for allocation merchandise. Due to the short distribution lifecycle of allocation SKUs, slotting optimization will be performed weekly to identify SKUs needing assignment, calculate their projected velocities and assign them to efficient locations within the allocation areas. Using Manhattan Associates' Slotting Optimization solution in this capacity will eliminate labor-intensive, manual activities and improve slotting in the allocation areas.

