

Case study: Kirkland's



Specialty retailer takes innovative approach to its supply chain with integrated solutions from Körber.

Company profile

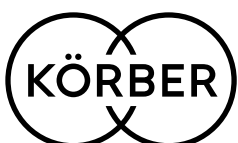
Kirkland's Home is a leading specialty retailer of home décor in the United States, operating more than 340 stores in 35 states. Its stores present a broad selection of distinctive home décor merchandise, including framed art, mirrors, candles, lamps, picture frames, accent rugs, garden accessories and artificial floral products. Kirkland's engages its customers by offering a diverse, ever-changing merchandise selection at attractive prices.

Challenge

To meet its aggressive growth plans, Kirkland's identified improving its supply chain as a critical initiative. Visibility into inventory movement worldwide was nearly nonexistent, leaving management with little information to make major decisions. The company began overhauling its distribution network by moving from a direct-to-store model to a centralized distribution network. With the new strategy in place, the company launched its search for a warehouse management system (WMS) that would be the

Quick facts: Kirkland's

- **Distribution Center:** Jackson, Tennessee
- **Total DC size:** 771,000 sq. ft.
- **SKUs:** 2,200
- **Solution:** K.Motion Warehouse Advantage; K.Motion Yard Advantage



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backbone of its IT infrastructure. "We had little or no visibility into our supply chain," said Todd Weier, senior vice president of logistics at Kirkland's. "Our goal initially was to have good real-time visibility within the four walls [of the warehouse]."

Kirkland's secondary objectives included extending visibility into its yard and supplier network. Ninety-five percent of Kirkland's products are imported from overseas and arrive in 8,000 40-foot containers annually. Without knowing what was going to arrive and when, planning for distribution center labor, store promotions and shipments to stores was a challenging, reactive process.

Solution

In the warehouse: Kirkland's implemented K.Motion Warehouse Advantage in its new Jackson, Tenn., distribution center. Kirkland's operates complex, high-volume operations on a flow-through model to route inbound shipments rapidly to stores. Thirty-five thousand cases arrive daily, and 60 to 70 percent of SKUs in inventory are new at any point in time. The WMS integrated seamlessly with Kirkland's host system and a conveyor system. Results came quickly, including measurable efficiency improvements in throughput, accuracy, unit costs and cycle times.

In the yard: After achieving strong results in the warehouse, the Kirkland's team extended its optimization to its yard with the K.Motion Yard Advantage. This yard management solution provides Kirkland's real-time information, intelligent work direction and complete visibility into trucks, trailers, drivers, goods and materials from the moment the trailers and containers arrive at the gate to the moment they leave the facility.

Across the supplier network: Kirkland's also implemented the Körber supplier management system to get better control and visibility into inbound shipments from overseas. A secure web portal provides Kirkland's the foundation for collaboration between its distribution center and supplier network through real-time communication of demand, order status and potential exceptions. The solution also enables Kirkland's to implement a paperless method of exchanging electronic documents, such as purchase orders (POs) and advance shipment notices (ASNs), to and from vendors. One hundred eighty-eight vendors are currently active on the system.

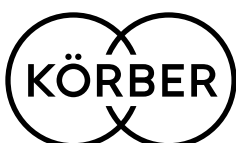
Kirkland's is utilizing the supplier management system to send ASNs to its stores, giving each store visibility into forthcoming shipments. "A lot of companies talk about wanting to have this full-scale visibility, from suppliers in Asia all the way to stores. What we're doing by pushing information from our DC to our stores is groundbreaking," said Dale Cole, director of logistics, Kirkland's.

Since Kirkland's first implemented its Körber solutions, the company's logistics operations have had to react to market changes and other new business requirements. Kirkland's product profile shifted from 15 percent to 30 percent non-conveyable items, requiring additional inventory handling measures. The company's retail locations also changed from malls to strip malls or stand-alone stores and doubled in size – all while the company entered new markets. "All of this, coupled with high fuel costs, had to make us change how we delivered to stores – from multiple to single weekly shipments. We've literally changed almost every supply chain process to accommodate our new business needs," Weier said.

Results

Kirkland's adjusted its Körber solutions quickly and easily in order keep up with its fast-changing retail business. The flexibility of the system coupled with strategic business initiatives yielded impressive results. "We've seen a significant reduction in freight costs," Weier said. "Today we're shipping to 100 more stores than we were four years ago, and our total freight spend is less despite the higher cost of fuel. We used to shotgun load trailers and ship at the end of the day; now we use timed waves and load in store sequence. If we hadn't had the Körber system and its flexibility, we wouldn't have been able to do this. That's been our biggest accomplishment – meeting the changes brought on by business and economic factors."

Kirkland's has also seen tremendous business benefits since implementing its Körber solutions. "We have lowered overall supply chain costs," said Weier. "There have been many intangible benefits. We have more information that allows us to work smarter. We can better plan promotions and allocate labor."



Kirkland's has also achieved a reduction in early and late shipments, shortened lead times and improved management of inventory levels and cash flows. In addition, the company has been able to eliminate physical inventories with its Körber system. And Kirkland's has made great strides toward its goal of greater visibility. "We now have complete visibility from Asia to the back rooms of our stores," said Weier.

Future plans

Going forward, Kirkland's wants to utilize its Körber solutions to optimize its supply chain even further. "We need to leverage this new information to streamline additional components of our supply chain, lower costs, increase inventory turns and make information available to all areas of the company – buyers, planners and store associates," Weier said. "This way we can reduce out-of-stock situations."

The company is also planning to implement a DC bypass system to service its West Coast stores. Currently, everything comes into the Port of Long Beach in California and travels by rail to the DC in Jackson. "It doesn't make sense to receive it in Tennessee and then ship it back to the West Coast. That wastes two weeks," Weier said. "If we can load the container in Asia with the appropriate products, we can get the goods to these stores much more quickly. Our company is all about newness of product. We need to keep up. I'm confident that our Körber solutions can take us in the direction we need to go."



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