

Tools of the Trade: Solving Inventory Shortages with Custom Canadian Distribution

Introduction

When a Tennessee-based manufacturer of industrial-grade tools and equipment decided to close its Canadian Distribution Center (DC), it thought it had a workable solution in place to ensure adequate inventory levels to meet the needs of its growing customer base. However, the manufacturer soon learned that it had misjudged the volume of inventory that would be needed. Rather than reestablish the DC, the company turned to Purolator for help in finding a solution. Purolator came through with a unique LTL solution that ensures adequate inventory levels to warehouses across Canada. Today, the company enjoys a highly efficient, streamlined distribution process and the peace of mind of having sufficient inventory in place to satisfy customers.

The Goal: Adding Efficiency to Canadian Distribution Process

This manufacturer has built a global reputation for producing high-quality, durable products. From industrial saws and vises to precision woodworking tools, the manufacturer's products can be found in all manner of industrial job sites, factories, and home workshops across the globe. It was no wonder, then, that when the company introduced its portfolio of brands to the Canadian market, the response was very strong. From the start, the manufacturer had a steady flow of orders from its Canadian customers and developed what it felt was an appropriate transportation and distribution plan.

All Canada-bound inventory is sourced in the company's warehouse located just outside of Nashville. As originally envisioned, products would be transported to Canada and then sent to the

manufacturer's DC. From there, inventory would be sent to one of several warehouses located across Canada. Product would be held in a warehouse and then transported to a retail store as needed.

The manufacturer had an inkling that the company could do better. Technology has revolutionized so much about today's logistics strategies — from route optimization to inventory forecasting to supply chain visibility — it's largely a new world in terms of finding efficiency and improving processes.

This is what this manufacturer had in mind in deciding to close its Canadian DC and rely instead on an adequately stocked network of warehouses. A worthy goal, but as the manufacturer quickly learned, without a solid transportation plan to keep those warehouses stocked, that goal seemed beyond its grasp.

The manufacturer soon faced the problem of chronic inventory shortages. Inventory never seemed to be in the right warehouse at the right time, nor could it keep up with demand. The company was sending nearly full truckloads from its Nashville warehouse, but more than half was going directly to satisfy back orders. In other words, there was an ongoing inventory shortage, and the manufacturer couldn't seem to find a way to get ahead of its inventory needs.

This is certainly a nice problem to have, but the manufacturer was concerned that customers would soon lose patience. In fact, some sales force members, who were on the front lines and had a good sense of the growing customer angst, began to lobby for bringing back the now-shuttered DC. The manufacturer realized a change needed to be made but needed help finding the right solution.

Purolator Canadian Distribution Network Ensures Proper Inventory Levels

Purolator's team went to work to develop a customized plan to address this business's unique issues. Recognizing the economic value of keeping the manufacturer's DC closed, Purolator focused on utilizing its own Canadian distribution network. As the U.S. subsidiary of Purolator Inc., an iconic Canadian company and that country's largest source of courier solutions, Purolator International is able to draw upon experience and expertise that its competitors simply do not have.

Purolator worked with the manufacturer to understand precisely where its inventory replenishment processes were breaking down. From there, a solution was developed that relied on daily line-haul service to Canada combined with use of Purolator's Ontario DC. More specifically, products leave the manufacturer's Nashville warehouse each day via an LTL freight pickup. Products are sorted at a nearby Purolator processing center and then travel directly to the Canadian border. Important to note is that shipments are consolidated in two ways: (1) Shipments share truck space with products from other companies for reduced freight costs; and (2) Larger combined shipments clear customs as a single unit, thereby reducing clearance costs and border wait times.

Once in Canada, the manufacturer's products are brought directly to Purolator's DC in Martin Grove, Ontario. From there, shipments are broken down and transported, usually via a courier service, directly to the manufacturer's warehouses. But a supply of inventory remains behind at Martin Grove, held in reserve until it is needed.

Technology plays an important role in ensuring that inventory is transported to the correct warehouse precisely when needed. Purolator maintains a unique Beacon portal system, which allows its customers' data systems to integrate directly with its own. This enables data to seamlessly flow between the two systems and supports visibility into the manufacturer's entire process. By having insight into where inventory is located, and where it is needed, Purolator is able to schedule deliveries appropriately.

No More Back Orders

Purolator's freight solution, along with use of its Martin Grove DC, solved this manufacturer's inventory management problem. The company no longer faces a perennial backlog, and talk of reopening its Canadian DC has fallen by the wayside.

The company recognizes, though, that Purolator's solution was only possible because of its deep entrenchment within the Canadian market. Few, if any other, U.S.-based carriers could provide access to a Canadian DC or courier services to seamlessly transport inventory across Canada.

The manufacturer is pleased by its highly efficient Canadian operations and very satisfied to have successfully eliminated its own Canadian DC.