Conn's HomePlus®

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TrueCommerce VMI Helps Optimize Hub-and-Spoke Distribution for Next-Day Delivery

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Michael H. Luckett II, Conn's HomePlus

BENEFITS
More Connected. More Supported. More Prepared for What's Next.

➤ Better store replenishment forecasting resulting in fewer product returns and stock-outs, helping to increase sales

➤ Radically improved full truckload building at the Regional Distribution Centers (RDCs) and Hub-Spoke Distribution Centers (DCs), leading to more efficient truck utilization and lower truck counts

OBJECTIVE

➤ Improve store replenishment forecasting, eliminate manual effort, and support a next-day delivery promise by replacing a legacy approach with a state-of-the-art, automated solution

SOLUTION

➤ Collaboratively implement and extend TrueCommerce Vendor Managed Inventory (VMI) to optimize store replenishment allocation and truck building

BENEFITS

➤ Fewer allocation change requests from stores, reducing demands on IT

➤ On-demand inventory visibility at the RDCs and Hub-Spoke DCs

➤ More efficient product movement with fewer touch points and opportunities for damage

➤ Rapid, sustained and compounding ROI thanks to automation-driven efficiencies in multiple business areas

BACKGROUND

Headquartered in The Woodlands, Texas, Conn's HomePlus is one of America's leading furniture, mattress, electronics, and appliance store chains, with almost 150 retail locations across 15 southern and western states. With a mission to make it possible for everyone to purchase quality, long-lasting products for their homes, Conn's is famous for their "buy it today, get it tomorrow" delivery promise. They also offer in-house retail installment financing programs.

According to Michael H. Luckett II, Executive Director of Logistics and IT Management, Conn's started looking into Vendor Managed Inventory (VMI) solutions in 2019, as a way to "help our merchant teams get ahead of the buys."

"Conn's claim to fame is our next-day delivery model. That drives a lot of complexity in ensuring we have the right products in the right places at the right times to support that benefit to our customer base," Mr. Luckett explained. "We were looking to arrive at something that would allow us to see inventory more clearly and move inventory without a lot of manual intervention."

FROM "MIN/MAX" TO MAXIMUM COLLABORATION

Conn's uses an efficient "hub-and-spoke" distribution model, with product replenishment moving from a distribution network involving two Regional Distribution Centers (RDCs), 11 Hub-Spoke distribution centers (DCs) and on to 146 retail locations. For almost 40 years the team had managed store replenishment allocation on a "vintage" IBM AS/400 business system that was short on modern analytics capabilities. Conn's replenishment forecasting involved considerable manual effort, with help from spreadsheets and a traditional "min/max" replenishment method.

"As a product got down to the min it would buy back to the max," described Patrick Wehby, Industrial Engineer. "It's very much a feast or famine mindset that isn't great for truck utilization, and also you're touching the product more often because you're picking fewer items at any one time."

Conn's was already investing in an EDI solution from TrueCommerce. As that conversation evolved other TrueCommerce solutions came into the picture—especially potential synergies with VMI.

"We wanted somebody that was ready to grow with us and flexible enough to handle our unique model," reflected Mr. Luckett. "Our next-day delivery promise required a partner that was able to look at some of the unique demands that puts on us."

Conn's had a strong business need to optimize both store replenishment and truck utilization, especially truck rounding at the warehouse. But they offered VMI providers a further challenge: what they wanted wasn't "really" VMI.

"In our implementation the inventory is going out to our own facilities, not coming in from vendors," Mr. Luckett clarified. "TrueCommerce is a partner that's willing to flex to get to where we need them to be. We'd ask for something and their team would say, 'Let us take that back and think about it,' and the next thing you know they had something we could try."

IMPLEMENTING NEW SOFTWARE AND A NEW VIEW OF REPLENISHMENT

Implementing new software can require not just training but also a mindset shift.

"Once all the IT feeds were set up it was just a matter of getting the team members trained, asking a lot of questions, and making sure everyone was familiar with the new reporting and metrics," Mr. Wehby stated. "Overall, the implementation and the changeover went very smoothly. Managing the mindset change from min/max to a true calculated forecast and an order point management system was probably the most difficult thing."

VFR Increases With VMI

Low VFR With No VMI	Better VFR With Good VMI	Best VFR With Best VMI
		➤ Utilize Advanced Truck Building Capabilities
		➤ Provide Visibility Of Shortages
		➤ Provide Multi-Stop Truck Building
		➤ Provide Cross-Dock Truck Building

The first implementation step was a controlled rollout to Conn's RDCs and 11 Hub-Spoke DCs, where the new, user-friendly solution was readily embraced by managers whose lives were now much easier. After a couple of months to shake out issues, Conn's expanded the new replenishment solution to their retail stores.

"From the DC operational perspective, we automated a very manual process for how they were building trucks and releasing orders," highlighted Mr. Wehby. "Now the DCs don't have to do all that guesswork and fumbling back and forth between a bunch of different transfer numbers, because everything is consolidated within TrueCommerce."

The VMI solution automatically rounds out each truck so that the relationship between trucks and transfer numbers is straightforward, and all the items fit in the truck. This greatly reduces labor and management oversight requirements at the central warehouse and DCs, while also making both picking and truck utilization much more efficient.

RADICALLY IMPROVED TRUCK UTILIZATION

Before implementing TrueCommerce VMI, Conn's relied on a manual approach to truck building across its distribution network. This led to time lags and inefficient use of trucks.

"The VMI system's truck rounding automation is its top feature for us," Mr. Wehby offered. "This enables us to round out trucks and cube space and even multiple trucks, to use build-to thresholds and to reprioritize the product based on our truck schedule. We rely on the truck rounding capability constantly throughout the day to maximize efficiency, especially with all our large cube items like furniture and appliances."

"The truck rounding feature immediately started impacting our truck counts," echoed Mr. Luckett. "That's hard, obvious dollars saved every day."

Conn's began seeing positive ROI from their TrueCommerce investment just weeks after they began using the solution in their DCs. Mr. Wehby estimated that about 75% to 80% of the benefit from TrueCommerce

VMI for warehouse operations comes from truck building automation alone.

"As the truckload builds out of our DCs became more efficient, we started seeing a decrease in transfer trucks by week three," recalled Mr. Luckett. "Shortly after that we started to ask, 'Are you moving the right stuff? And when you have space, are you moving the right extra stuff to prevent moves later?' That payback has built on itself very quickly."

LESS SENT-BACK PRODUCT, FEWER CHANGE REQUESTS, MAJOR TIME SAVINGS

Another major advantage of TrueCommerce VMI is more automated and accurate replenishment, including the ability to adjust for seasonal peaks. Plus, the new system eliminates considerable manual effort and ad hoc data manipulation.

"With seasonal items, we used to pull all the sales data manually, group the stores by volume and say, 'A stores get this much, B stores get this much,' then manually make the allocations through the min/max system," Mr. Wehby related. "Now we just apply a 'sales lift' and specify the category and the amount. The lift expires and falls back down automatically, and it adjusts automatically as sales trends change."

Increased replenishment accuracy compounds the solution's tangible value in multiple ways, including:

➤ A significant decrease in product returns

➤ A reduction in transfer movement and product damage thanks to reduced returns

➤ Fewer out-of-stocks and lower not-in-stock numbers, helping to boost product availability and sales

Another win with the VMI system that Mr. Wehby's team especially appreciates is a big decrease in questions and other demands on IT from retail stores around adjusting their min/max allocations.

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SUPPORT THAT'S A STRATEGIC ADVANTAGE

Because of Conn's custom implementation, TrueCommerce support goes "above and beyond" user onboarding and training, bug fixes and the like. It's part of a collaborative effort to extend the TrueCommerce VMI solution in a new direction that is benefiting not only Conn's but also other retailers and distributors with "hub and spoke" distribution models.

"TrueCommerce support has been outstanding from day one," Mr. Wehby reported. "In fact, I sent a support email earlier today and got an email back in about 15 minutes. Our account manager and her team are always very responsive and helpful. They have no problem picking up the phone and doing a Teams call, or screen-sharing to walk me through a new feature. I've had only great experiences with them so far."

"From a strategic standpoint, it's the engagement of the senior leaders and developers and designers that I really value," emphasized Mr. Luckett. "I don't think I've ever come out of a meeting with TrueCommerce where I didn't feel like our asks were heard. They consider what we're asking and then come back and talk very candidly about, 'Here's what we can do now, and this will be further out.' Or, very rarely, 'This doesn't fit with where we're trying to go.'"

"That commitment by the senior leaders in the TrueCommerce organization to drive our business forward has made this a great relationship for us," Mr. Luckett validated.

FUTURES

Conn's HomePlus and TrueCommerce both look forward to expanding the scope and value of their partnership.

"I'm super positive about the TrueCommerce relationship," Mr. Luckett shared. "Their team has so many great ideas on tap for us. Not to mention, we still haven't begun utilizing the solution to streamline how we order from vendors."

"Based on our work with TrueCommerce so far I don't see any problems for the future," added Mr. Luckett. "We're growing as a business and we're expecting TrueCommerce to grow right along with us."

ABOUT TRUECOMMERCE
TrueCommerce is the most complete way to integrate your business across the supply chain, integrating everything from EDI to inventory management, to fulfillment, to digital storefronts and marketplaces, to your business system and to whatever comes next. That's why thousands of companies across various industries rely on us.

TrueCommerce.
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THE TRUECOMMERCE TEAM IS HERE TO HELP!
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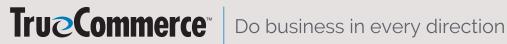
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