

KANE Helps Club Store Chain Implement Cross Dock Strategy for Store Distribution

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Situation

A major U.S. club store chain runs a high-velocity distribution network where all but one of the 22 distribution centers are cross dock facilities. These DCs receive vendor freight and immediately load product onto trailers for same-day delivery to club stores.

The retailer instituted the cross dock strategy KANE was chosen to operate its first cross dock center. This facility is 66,000-square-foot with 84 dock doors and serves 36 stores in the Northeast to the Canadian border. Products range from kayaks to car ties to cereal. With 450 outbound loads per week, this is the retailer’s largest U.S. cross dock operation.

Strategy

About half of the cross dock operations are owned and operated by the retailer. KANE’s objective is to operate the business as if its staff were the customer’s staff. Phones are answered using the retailer’s name and most visitors assume the KANE-managed operation is part of the club store chain’s owned network of DCs

The cross dock strategy eliminates the time and expense of warehousing. Product arrives from all over North America according to strict arrive-by dates. Once a shipment is verified and linked to an active PO, it is immediately loaded onto a waiting trailer.

In addition to reducing distribution costs, cross docking aids the retailer’s merchandising strategy. At one time, club stores contained many multi-tiered steel racks. When a pallet

of product sold out, a replacement pallet dropped down. But the retailer has eliminated much of the racking from store floors to improve site lines. This put pressure on the distribution function to meet a 4-day window for replenishment.

Distribution strategy contributes to store-level efficiency

Much of KANE’s strategic role for this club store chain relates to improving store-level efficiency and sales. “We want store-level staff to receive a pallet, take the shrink-wrap off and sell it,” says KANE distribution center manager, Bill Gerrity.

- **Case pick operations replenish less-than-pallet quantity orders.** KANE handles this labor-intensive process at the cross dock and sends consolidated, mixed vendor pallets to the store to reduce local labor.
- **Store-level quality checks eliminated.** Upon receipt, KANE scans one item off each pallet to verify that contents match the P.O. For years, this process was duplicated at the store as an added check. But KANE’s initial quality check proved so accurate that the retailer decided to eliminate this step at the store, eventually implementing the new process nationwide and saving \$14 million in labor costs.
- **Bar code speeds store-level receiving.** Prior to shipment, KANE generates a bar code label using the customer’s WMS system that affixes a dollar amount to the load and, upon receipt, the information downloads into the store’s local inventory system.

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Results

- KANE has received the retailer’s Distribution Center of the Year award for 9 out of the 14 years it has been given.
- On a yearly volume of \$1.4 billion in freight handled, KANE recently reported just a \$32 dollar credit in its shrink account.
- KANE’s success managing the retailer’s first cross dock facility led to KANE being awarded the operation of two additional cross docks.



KANE is a third-party logistics provider that helps consumer packaged goods (CPG) companies warehouse and distribute goods throughout the U.S.