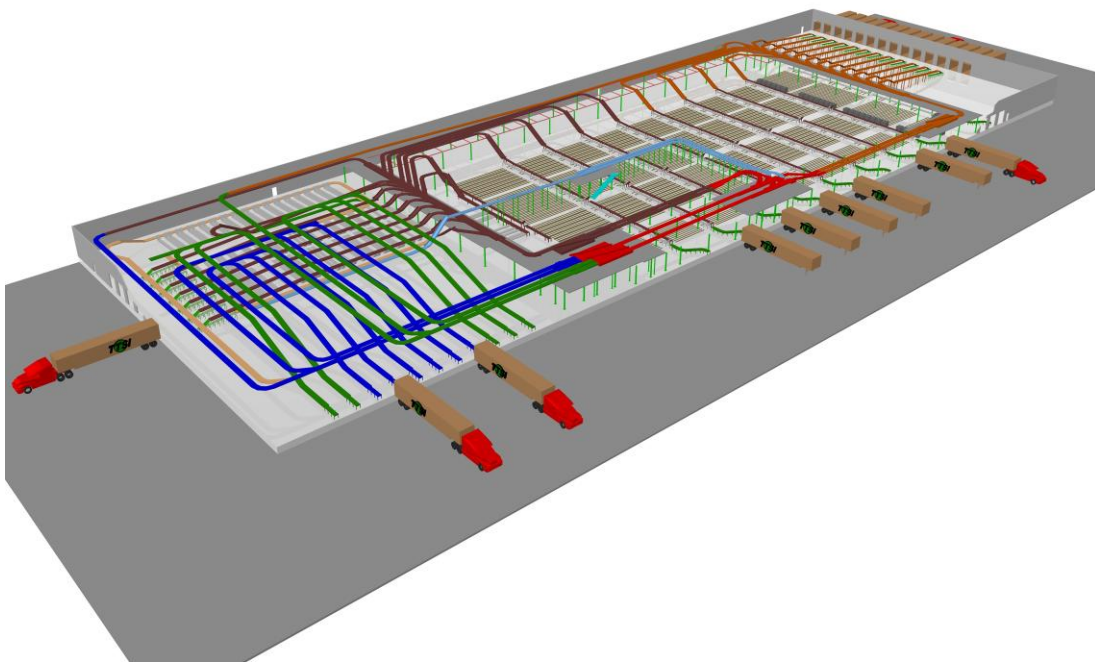


Belk

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Cross Docking Speeds Up Belk's Distribution Center and Lowers Distribution Costs!

With 215 stores in 14 southeastern states and \$2.3 Billion in sales, Belk, the largest privately held department store chain in the United States, faced a logistical challenge – 97 merchandise receiving points and multiple manual handlings of merchandise were slowing down its supply chain.

“Our logistics network was very lethargic, fragmented and extremely costly,” says Belk EVP James Harvey, a 28-year operations veteran of retail chains who has been with Belk’s since 1994. “We were very slow to get merchandise from our vendors to the store shelves.”

The Need for Speed

“Competitors were getting the same merchandise from the same vendors to their stores before we were,” says Harvey. “We needed to speed up the logistics chain and drive our operations to a floor-ready environment.” Belk, a 130-year-old, moderately – to better priced chain, does about 85 % of its volume in men’s, women’s, and children’s soft goods that are primarily apparel. The chain also features smaller bridal, home, shoes & accessories departments.

After some research, Harvey and a team of Belk executives concluded that one highly automated, cross-docked distribution center, located in an area central to all 215 stores, would make the distribution process faster and more efficient.

Benefits: Saving on freight costs and minimizes merchandise handling.

The company chose Blythewood, SC as its distribution location, its decision influenced by local government cooperation and the availability of an abundant, high quality workforce that was located there.

Lowering Freight & Inventory Costs

In the pre-Blythewood environment, merchandise from around the world was shipped to Belk's deconsolidation facility in Charlotte, N.C. Shipments were unloaded and reorganized into 215 store piles for store delivery, then reloaded on delivery trucks for shipment to the 97 receiving stations (91 stores received goods directly and six small DC handled the rest). Shipments were again loaded and manually processed when they arrived at stores, where they were received, checked, marked, and put on store fixtures. "That would mean a carton could be handled as many as eight to 12 times before getting to the store floor," notes Harvey.

Checking Out the Competition

To begin the process of selecting vendors for the 300,000 square foot facility, Harvey drew from his retail background, using consultants to sort through the capabilities of half-dozen-material handling system vendors. "I also spent a lot of time looking at how other companies were doing this, including some of the best in the business – Macy's, Wal-Mart, Best Buy, Kohl's and Saks Fifth Avenue," says Harvey, who chose Atlanta-based engineering consultants DCB & Company as his Supply Chain Consultant and Material Handling System vendor qualifiers. DCB recommended NJ based W&H Systems, Inc. as the project's material handling vendor and Integration partner.

"Belk has gone from minimal cross-docking to a totally new environment, where over 90%



of their inbound goods are directly cross-docked, greatly increasing the service level to their stores," notes Ron Quackenbush, Executive Vice President of W&H Systems. The Belk installation features two FKI Logistex Unisort X sliding shoe sorters with 33 diverts, and almost 35,000 total feet in conveyor, including 26,000 feet of gravity roller conveyor and 3,500 feet FKI Logistex Accuglide zero pressure accumulator conveyor.

A Flexible Solution

Harvey knew that consolidating his 97 receiving locations into one would not be an overnight job. He decided that flexibility was a key to the project's success. "I wanted a flexible and adaptable system that could interface with our existing systems," says Harvey. Those systems included warehouse management software from Manhattan Associates and legacy Belk systems.

"Cross-docking is a flow through process that also reduces freight costs, since it enables distribution centers to consolidate and ship merchandise right from their vendor delivery trucks virtually straight to their stores."

W&H also had to design a flexible receiving dock able to receive both conveyable and non-conveyable merchandise. On the conveyable side of the equation, the goal was to design an automated inbound sortation that would allow cartons to flow directly from the trailer to either processing or cross docking to shipping.



Getting Floor-Ready

Harvey also decided that it was important for Belk to do everything to move its supply chain as close to a 100 percent floor-ready environment. Using standards passed by the retail industry in the early 1990's, floor-ready vendors transmit their goods detail information electronically in advance, and also provide necessary additions, such as correct hangers and human readable price tickets. While some industry leaders, such as Wal-Mart, receive as much as 97 percent of their goods floor-ready, Harvey is very encouraged by the progress Belk is making. "Three years ago, three percent of our goods were floor-ready, notes Harvey. "Now, 90 percent are."

With Belk's new distribution center, all the company's retail merchandise now comes to Blythewood from its worldwide vendor base. In the new, highly-automated environment, shipments are unloaded quickly – floor ready vendor shipments flow through the facility in seven minutes and are staged for the next store delivery.

"In the previous environment, the time from the vendor to the fixture was approximately 18 to 19 days," says Harvey. "In the new environment, it's less than seven days."

Improving "Cycle Time"

In the old environment, Harvey says, cartons were opened at the store for inspection; merchandise was checked off a manifest list in the carton: hangers were either added or changed; and then the item probably had to be price marked. Each of those steps involved some manual handling of the merchandise that as since been eliminated. "Each carton used to be touched 10 to 12 times before it hit the floor," says Harvey. "Now, we have that down to four or five touches."

Cross docking floor-ready merchandise certainly reduces the number of touches to a product. But there is another import benefit to removing nearly 12 days from the cycle time. "We're getting at least one additional week of selling time at full retail before any markdowns of the price," says Harvey.



"The ROI on the initial investment was a pleasant surprise to everyone, and the actual ROI has fully exceeded anyone's expectations. We're in a much better position now than we were three years ago," says Harvey. In fact, Harvey adds, the new facility has been so successful that Belk intends to open a second 174,000 square-foot, cross dock facility in Jackson, MS in May 2006.