

CUSTOMER INNOVATION STUDY

McNaughton-McKay Electric Company

Enhances logistics strategy, improves customer service, and increases operational efficiency with Infor Distribution SX.e

“ Infor Distribution SX.e gave us visibility into the total McNaughton-McKay inventory which allowed us to implement several very strategic initiatives”.

Scott Sellers

Executive Vice President, Operations,
McNaughton-McKay Electric Company



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McNAUGHTON-McKAY
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McNAUGHTON-McKAY
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Facts at a glance



HEADQUARTERS

Madison Heights, Michigan



NUMBER OF SKUS SOLD

Approximately 45,000



LOCATIONS

Michigan



INDUSTRY

Distribution



WEB SITE

mc-mc.com



INFOR PRODUCTS

Infor® Distribution SX.e,
Total Warehouse Logistics (TWL)

Executive overview

Situation analysis

- Change processes to realize newly accessible economies of scale from rapid growth and numerous acquisitions.
- Balance customer service levels with operational cost reductions with an enhancement of the logistics operating model.

Innovation strategy

- Migrate from seven disparate business systems accumulated through acquisitions to Infor® Distribution Sx.e.
- Change the logistical model anchored by four key customer fulfillment centers (CFCs) (Madison Heights, Michigan; Columbus, Ohio; Norcross, Georgia; and Greenville, South Carolina) to increase customer fill rates and reduce inventory.
- Optimize operations at four CFCs with velocity picking and wave picking.
- Take advantage of Infor Dynamic Science Labs™ to help create models that maximize both customer loyalty and organizational efficiency.

Results

- Reduced labor costs and increased labor efficiency. Realized a 17.5% reduction in man-hours in the Columbus CFC, and an 18% increase in McNaughton-McKay's efficiency factor.
- Reduced the inventory level required to run the business by 15% (inventory is the organization's largest asset).
- Minimized logistics costs by increasing the overall customer fill rate and reducing the number of backorders.

High level impact

2.12%

increase in customer fill rate
(from 94.5% to 96.5%)

18%

increase in lines shipped/
man-hours (McNaughton-McKay's
efficiency factor)

15%

reduction in inventory—the largest
asset on the company's balance sheet

From a regional presence to 5 states and 24 locations



Growing means changing

Established in 1910 in downtown Detroit, Michigan, McNaughton-McKay Electric Company has over a century of experience as an electrical distributor. While the first 72 years of its operation was confined to the Detroit marketplace, today McNaughton-McKay has 24 locations in 5 states across the US and 2 locations in Germany. The organization grew at a rapid pace from 1982, when it had only 1 location, to 1998 with 20 locations up and running. As a result of such fast growth and the acquisition of so many companies, McNaughton-McKay was using 7 different business systems to run all of the disparate businesses by 1999.

Before Infor Distribution SX.e was introduced as the business system at McNaughton-McKay, the company could not share inventory or take advantage of the mutual buying power across its divisions because it lacked visibility into its enterprise wide inventory. Something as simple as consolidating an income statement was done manually.

With a larger operational footprint, McNaughton-McKay needed to implement changes to its processes. Solutions to support those processes were required to help the organization realize newly accessible economies of scale. McNaughton-McKay recognized

that consolidating inventory could result in reduced inventory and working capital, but the organization didn't want to sacrifice its value proposition of superior customer service in doing so. As a result, the organization looked at both customer service levels and operational costs when making the decision to revamp its logistics model and optimize the efficiency of its warehouse operations with Infor Distribution SX.e.

Centralizing inventory and optimizing delivery



Rather than keeping wide and deep levels of inventory at McNaughton-McKay’s walk-in branches, the company decided to instead centralize inventory in four customer fulfillment centers (CFCs) spread strategically across the US, and to make daily deliveries to branches for their needs for that day. All of McNaughton-McKay’s customers are close enough that they are within a two-and-a-half-hour drive, which means that customers can get same-day delivery service for their urgent needs. Smaller branches without a wide breadth of SKUs now benefit from the effects of pooled inventory from a group of branches, which helps

to reduce the occurrence of non-stock items and duplicated inventory required to adequately fulfill customer demand. While the CFC initiative was a strategic decision, Gregory Chun (VP of marketing and former VP of IT at McNaughton-McKay) commented, “it could not have been implemented without the support of Infor Distribution SX.e.”

“ We continue a long-term business relationship with our customers by providing exceptional customer service. Infor Distribution SX.e’s Total Warehouse Logistics reduces warehouse errors and helps improve the customer experience.”

Greg Chun
VP Marketing,
McNaughton-McKay



Increasing efficiency in warehouse operations

McNaughton-McKay uses Total Warehouse Logistics (TWL), a module of Infor Distribution SX.e, to optimize warehouse processes. The CFC in Detroit has roughly 100,000 square feet of warehouse space; and like many other distributors, before the implementation, the company's warehouses were organized alphanumerically by product line. Now, the 10,000 feet of the warehouse that's closest to the docking area can fulfil 65% of the total orders that are picked.

This set-up reduces dock-to-stocking time and enables velocity picking which reduces the amount of time it takes to pick an order. Wave picking, the operational strategy of having workers pick multiple orders as they move throughout the warehouse, was also introduced. This helps minimize the average distance workers need to travel to pick orders and helps increase McNaughton-McKay's efficiency factor (lines shipped/man-hours).

RESULTS

Warehouse and logistics efficiencies

Value realized

Infor Distribution SX.e has helped McNaughton-McKay decrease labor costs and increase labor efficiency, which help reduce the amount of inventory required to run the business, as well minimize logistics costs. Logistics costs are cut because the number of back orders is reduced by increasing the overall customer fill rate by 2.12%. With 166,000 orders processed every month, that increase in customer fill rate would account for 45,749 fewer orders shipped each year. With the average total cost of managing sales orders per sales order placed of \$24.21, this would represent an annual savings of \$1,107,583. Also helping to reduce logistics costs is Infor Distribution SX.e's back order ship-complete function, which allows an order to be held until all the material for the order is together. This results in 20% to 25% fewer back orders created.

Increasing efficiency, accuracy, and customer service all at once

By adopting the CFC model, work that was previously done in multiple locations is now done in one place. Because more work can be done in one location, the operation can run around the clock. This allows McNaughton-McKay's operation to wait until after normal business hours—when daily business activities have subsided—to pick orders that will be shipped the next morning. With McNaughton-McKay's most recent implementation of Total Warehouse Logistics at the Columbus CFC, warehouse errors decreased by 79%. This reduces the number of times a customer receives an order with incorrect parts, quantities, or both, and the number of times an order is shipped to close out the revenue attached to the order. The scheduled labor for a given shift can be more closely aligned with the actual work required, so employees can develop expertise in their roles, which has increased productivity.

Detailed impact

79%

reduction in warehouse errors at the Columbus CFC

183%

increase in line count in the Madison Heights CFC

17.5%

reduction in man-hours at the Columbus CFC

20-25%

reduction in back orders as a result of the use of the back order ship-complete function

LOOKING AHEAD

Taking advantage of new offerings

Infor Dynamic Science Labs is a group of scientists, mathematicians, economists, and engineers whose goal is to help organizations make smarter, better-informed, data-driven decisions. The team uses the scientific method—proposing and testing falsifiable hypotheses so that opposing questions can be tested and verified. Infor Dynamic Science Labs is currently working with McNaughton-McKay to help create models that maximize both customer loyalty and organizational efficiency.

“

We are really encouraged by the formation of Infor Dynamic Science Labs and some of the things they have been talking about with us. The process they are using is impressive and we are looking forward to finishing the projects we have underway with them.”

Scott Sellers

Executive Vice President, Operations,
McNaughton-McKay Electric Company

Learn more

A workflow improved

Learn more about McNaughton-McKay's growth story and how the organization centralized seven business systems with Infor Distribution SX.e to manage its business.

[Watch video >](#)



The next generation of enterprise software won't just collect, report, and distribute information

Infor M3 is a Java-based ERP solution that can run on a number of major databases, hardware platforms, and operating systems. Infor M3 empowers your organization to adapt to changing business needs, with flexibility to manage mixed-mode and complex environments—and the agility to make quick adjustments at any time.

[Read more >](#)

Are you an Infor Distribution SX.e customer?

Take a look at the Infor Distribution SX.e customer community page. You'll find the most recent information on the latest release and other resources to help you access support and education, get involved in customer events, upgrade your solution, and more.

[Read more >](#)

Infor Distribution SX.e helps all types of distributors

Increase productivity and adapt quickly to an evolving market. Providing broad visibility across your entire organization, this powerful solution delivers unparalleled control in managing thousands of transactions, suppliers, and customers, while simultaneously tracking millions of inventory items.

[Read more >](#)



Infor builds business software for specific industries in the cloud. With 15,000 employees and over 90,000 customers in more than 170 countries, Infor software is designed for progress. To learn more about Infor, please visit www.infor.com.



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