

In looking for ways to finance cutting-edge warehouse distribution technology, AG turned to their fleet and found...

# A POUND OF CURE



## AT A GLANCE

### CHALLENGE

Pressing need to invest in distribution technology and other operational areas when resources are invested in aging company-owned fleet and maintenance.

### SOLUTION

Shifting to a full-service lease package gave Associated Grocers a highly reliable truck fleet and the capital to fund warehouse management systems.

### BENEFITS

Advantageous cash flow; dramatic improvements in warehouse productivity; greater fleet reliability; and predictable distribution costs.

ASSOCIATED GROCERS OF MAINE, PLAYERS IN A HIGHLY COMPETITIVE INDUSTRY WHERE SURVIVAL CAN TURN ON A DAY'S RECEIPTS, MOVED BOLDLY TO REDIRECT FLEET CAPITAL AND INVEST IN LEADING-EDGE TECHNOLOGY. THEIR REWARD – A BRIGHT AND PROFITABLE FUTURE.

The direct savings alone often justify the switch from company-owned and -maintained equipment to a full-service lease. But, experienced managers know that the indirect benefits of that decision can have just as profound an impact on a company's fortunes.

Associated Grocers of Maine's (AG) decision to move from private fleet management to a full-service lease/on-site maintenance solution allowed it to upgrade its fleet and redirect capital to a sophisticated warehouse management system. The result: a significant competitive edge in a business known for notoriously thin margins.



TECHNOLOGY IN THE WAREHOUSE AND ON THE ROAD IS KEY TO SUCCESS IN THE GROCERY BUSINESS. AG MANAGEMENT PUT THEIR MONEY ON RYDER TO HANDLE THE FLEET.

AG was formed in 1953 as a cooperative of 35 independent retailers. Starting out with dry grocery items, the co-op gradually expanded into a wide range of products, including perishables and health and beauty aids. Today, AG is a full-service grocery retailer that delivers to nearly 300 independent retail shareholders throughout Maine and New Hampshire, and into Massachusetts and Vermont.

Leading up to the 1986 opening of its Gardiner, Maine, distribution center, AG depended on a company-owned fleet to handle its outbound needs. As the business grew, the need to increase efficiencies at the warehouse level intensified. The technology required to accomplish this goal was available; however, in the years that followed the Gardiner opening, management faced a considerable capital crunch.

Bill Hoskins, AG chief executive officer, was looking for a solution. He and his team understood that while solid, dependable transportation was key to the success of their overall operation, AG was not in the business of fleet management. He also knew that with the expected introduction of more sophisticated engine technology, maintenance training requirements, and shop tool and system investments, the demands of managing and

maintaining a large fleet would accelerate over time. The capital it would take to keep up with these changes would hamper the company's ability to invest in their core operation and much-needed warehouse distribution technology.

Hoskins' solution was a full-service lease/on-site maintenance agreement with Ryder that got AG out of the fleet management business and opened the door to a technology upgrade.

AG sought requests for proposals from three leading full-service lease providers. The requests covered the standard fleet and maintenance concerns, but management was just as interested in the breadth of expertise and quality of partnership their future partner would bring to the table.

"We looked outside of the box in terms of what other functionalities a full-service lease provider could provide, such as networking on inbound freight," recalls Richard Houdlette, director of operations for AG.

"Proposals were received and evaluated, numbers were crunched and dozens of telephone calls were made to references."

The entire process took seven months and ended late in 1990 with the selection of Ryder to take over the maintenance shop in Gardiner and to provide vehicles through a full-service lease contract.

"Ryder's program enabled us to substantially upgrade our fleet operation," Houdlette says, "but the most important benefit it provided was that it freed up capital needed to invest in technology for our new distribution center."

"By shifting fleet expenses to the operating side of the ledger," he says, "we were able to implement a state-of-the-art warehouse management system with radio frequency (RF) technology as well as directed selection and put-away capabilities. In our business, we need that level of efficiency to remain competitive."

With fleet management and maintenance under control, AG invested in the Acquitec WMS, formerly known as IBM's Worldwide Chain Stores (WMS) Product. Originally designed for the grocery business, the software has migrated to other industries where stock rotation and RF applications are required.

When inbound shipments hit the distribution center today, a worker using a Symbol PDT 6840 handheld device

scans the bar code of each case or carton and receives specific put-away instructions from the WMS via RF transmission. For outbound customer shipments, orders come to the distribution center via the WMS and are transmitted via RF to the appropriate employee. Consequently, instead of referring to a paper pick list, the employees now consult their handheld units, which direct them to the next task.

The WMS/RF system eliminates the hazards associated with sloppy handwriting or erroneous keystrokes. It arranges each pick list sequentially, minimizing travel time and distance between each item on the pick list. Employees also can strap the handheld device to their belts and use a ring scanner (an RF reader device that slips onto the ring finger), enabling them to use both hands to move cartons.



"OUR FULL-SERVICE LEASE PROGRAM WITH RYDER ENABLED US TO SUBSTANTIALLY UPGRADE OUR FLEET OPERATION, BUT IT ALSO GAVE ASSOCIATED GROCERS THE ADDITIONAL CAPITAL TO INVEST IN TECHNOLOGY WITHIN OUR NEW DISTRIBUTION CENTER."

RICHARD HOUDLETTE  
Director of Operations, Associated Grocers of Maine





A MODERN WAREHOUSE MANAGEMENT SYSTEM ENSURES OPTIMUM INVENTORIES AND HAPPY CUSTOMERS. FOR AG, IT WAS A MATTER OF SURVIVAL.

Providing a big plus for the co-op, the WMS directs each pick on a first-in/first-out basis and instructs employees to rotate stock to ensure optimal freshness. "Anything we have that is date-sensitive — whether it's produce or a dairy product — the system alerts us when that product comes through the door and lets us know whether we should accept it or not," says Houdlette. "It makes a tremendous difference for our operation, as we haven't had a retailer complain in a long time that they received a product that was outdated."

Today, all inbound and outbound freight moves through the 240,000-square-foot distribution center in Gardiner. AG sources products from Connecticut to the Carolinas and participates with other purchasers to buy produce and beef from suppliers in the western United

States. The co-op has nine buyers and a transportation department that schedules all inbound freight not purchased vendor-direct. The routing of outbound shipments is planned and executed by RoadNet software package and moves on the co-op's fleet of 25 Ryder-maintained tractor-trailers — driven by 27 AG drivers.

There was a time when some AG drivers chuckled at the age of the older company-owned equipment and management wondered where they would find the capital they needed to remain competitive. Today, those drivers are running tractors equipped with air-ride suspensions, onboard computers and 48-foot trailers outfitted with lift gates. And now, management is looking for new markets to conquer. **e**



AG DRIVERS LIKED TO JOKE ABOUT THE AGE OF THE OLD FLEET. TODAY, WITH A MODERN SHOP, FULLY TRAINED MECHANICS AND 25 NEW TRACTOR-TRAILERS, THEY'RE ALL SMILES.