

Case study

Arthur Schuman, Inc.



At a glance

Industry: Cheese Distribution

Application: Inventory Management

Arthur Schuman, Inc. holds lead in cheese distribution with help of ADC

Customer Overview

Founded in 1946 in northern New Jersey, Arthur Schuman Inc.'s leadership in the cheese industry has spanned three generations, and is marked by an unmatched knowledge of world dairy market conditions and a long-standing ability to introduce and market premium brands. Today, Arthur Schuman is the country's largest importer of Italian-style hard cheese.

The Challenge

In 2000, Arthur Schuman was managing a high volume of inventory, but was still relying on paper-based systems for inventory information. Its old proprietary, AS/400-based inventory management system was simply devoid of data collection and inventory tracking functions. The company's 60,000 sq. ft. refrigerated warehouse, located near Edison, NJ, housed tons of cheeses in dozens of varieties – but featured no automated capabilities for personnel to locate and process specific cheeses to fulfill customer orders.

According to Vice President of Finance, Kevin Lehoullier, the lack of automation and real-time data made it difficult to track the “time in inventory” of the company's perishable products, and it created order-processing problems. “Our people routinely had to conduct a difficult hunt to find the right product to fill an order. Products were often labeled with abbreviations of the cheese type, which demanded a lot more knowledge of cheese than should have been required of warehouse personnel,” said Lehoullier. “It was time-consuming and it led to occasional errors and expensive rework.”

With the company straining under severe growth pressures, Lehoullier didn't want to perpetuate an inefficient system by simply hiring additional personnel, nor did he want to bear the time and expense required to develop a new AS/400 solution from scratch. Highly featured automated data collection (ADC) was a must, and time, budget and flexibility were of concern; so he decided to seek a short and certain path to an entirely new, integrated system.

The Solution

After examining and rejecting a number of options as incomplete or too complex, Lehoullier turned to Microsoft Business Solutions, which had already supplied the company's financial and manufacturing systems, and to Maximum Data Solutions, a Microsoft Business Partner specializing in ADC systems. The two organizations provided a smoothly integrated solution that featured all the required functionality that Schuman required.

System deployment, which was managed by Maximum Data, began in February of 2001 and took approximately five weeks, including training for about two-dozen warehouse employees. The solution included a complete inventory management system with automated data collection and order fulfillment modules; as well as receiving and picking enhancements for the manufacturing system.

The Results

With its new integrated system in place for more than two years, Arthur Schuman has seen measurable improvements on multiple fronts.

Warehouse personnel are now armed with wireless handheld Intermec barcode scanning systems that are linked to the rest of the enterprise via a barcode interface developed by Maximum Data. The integrated bar-coding system includes standardized label formats, which makes training fast and simple. Pick orders

transmitted directly to the handheld devices provide workers with precise zone and bin location, so the old "scavenger-hunt" picking method was eliminated. This "directed" picking capability has led to a quantum leap in worker productivity: a large order that once took six hours to pick can now be completed in only one hour.

Accuracy was vastly improved as well. Instead of trying to interpret product labels, workers now scan bin and product labels to instantly identify correct products; and because items are weighed and bar-coded in real time prior to shipment to customers, the invoice acceptance rate of catch-weight items is now over 99%. Also, all products are automatically dated as they enter inventory, so the Intermec scanners insure that workers pick the oldest lots. This capability has vastly improved enforcement of Schuman's critical "first-in, first-out" inventory management policy.

Automated data collection and the real-time sharing of data have also made many other aspects of inventory management more efficient for Schuman. For instance, physical inventory of bulk products at the manufacturing facility once took a team of four people and required that the plant be closed down for 4 days – all at an estimated cost of \$1.2 million. This task is now accomplished in only eight hours, with no plant closure. And the physical inventory task at the company's Edison distribution center has been eliminated

altogether: tracking there is now so automatic that inventory updates are continuous, with an inventory accuracy rate consistently greater than 99%.

"Clearly, the system has made us far more efficient, which greatly reduces costs," said Lehoullier. "Our cost per pound picked has been slashed by 30%, our inventory turns have nearly doubled, and we've reduced errors." In addition, the company has become far more responsive to customer inquiries. "Before, when a customer called about the status of an order, the best we could do was go track it down manually and call back," said Lehoullier. "Now, with access to accurate, real-time data, we can answer most customer questions on the initial call – and that's just one more way that automation has made us more competitive."

Highlights

- Reduction in per-order processing costs: 30%
- Increase in top-line revenue growth: 10%
- Increase in inventory turns: from 3.5 per year to 5 per year
- Time and cost reduction for physical inventory: from 4 days to 8 hours, saving over a million dollars
- Improved customer service: greater than 90% "first-call" resolution rate for customer inquiries
- Reduction in average order processing speed: from hours to minutes
- Elimination of low-yield products

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