Dixie Warehouse

Success Story

Manufacturing & Distribution

LEXMARK

SUMMARY

Dixie Warehouse improves parts returned to stock by 54 percent and saves $900,000 in the first year by eliminating parts testing with Lexmark technology.

Lexmark takes its own advice and solves a costly manufacturing problem

The Organization

Lexmark's largest parts distribution center is located in Louisville, Ky., about 60 miles from its corporate headquarters. The facility is managed by Dixie Warehouse Services and employs about 60 workers.

The distribution center is responsible for shipping new parts to service providers, who in turn resolve customer issues with Lexmark products. The facility ships hundreds of parts to service providers in the U.S. and abroad every business day.

The Challenge

When Rick Kallop, a Lexmark Manufacturing Consultant, visited the plant, he noticed an overwhelming problem.

"I couldn't believe the amount of paper being produced in this distribution facility," said Kallop. "Even more amazing than the sheer volume, however, was the lack of appropriate information to properly document the receipt of returned parts."

Kallop and team immediately recognized the opportunity to improve this process, but first needed to fully understand the workflow. The team spent countless hours studying the flow of parts into and out of the Louisville center and on the documentation that accompanied those parts.

When parts arrived back at the facility, it was difficult to determine which parts belonged to which service call. The documentation provided few clues as to whether the part was good or defective, especially when the part had been removed from its original packaging.

"Half of the time, we wouldn't have a claim number on the package," said Marsha Walden, a Processor at the plant. "We wouldn't know where it came from or if it was good or broken." This is also where the process became expensive.

> "The old process required double the amount of work. Some days my job was very frustrating. But with the new process, I get a lot more done. I'm not always frustrated, so I enjoy my job much more."
>
> —Marsha Walden
> Processor
> Dixie Warehouse
> Louisville, Ky.
> www.dixiewarehouse.com

If a part is thought to be defective, it is shipped to the vendor for testing. The vendor will determine why the part failed and if it can be reworked for future use. The testing of defective parts is costly but necessary.

Where the distribution center was running into problems was mistaken parts. Often, new parts would be mistaken for defective parts and would get sent for testing.

The facility was spending millions of dollars annually to test and rework parts. The Lexmark team knew a large portion of that budget could be reduced with better documentation.

"Because we didn't know where the parts came from, it was frustrating trying to process their return," said Jim Cohrs, Manager of the Parts Center. "It was a problem we thought was just a part of doing business."

> "Within the first few weeks, we noticed a significant difference in our ability to handle shipments."
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> —Jim Cohrs
> Manager, Parts Center
> Dixie Warehouse

Productivity levels at the center were low, and the frustration level was quickly rising. "We knew we were wasting a lot of time and resources," said Cohrs. "We needed a better way of doing our jobs, and that's where Lexmark came in."

The first step toward a solution was to consolidate information and reduce the amount of paper being printed.

"We had the ability to eliminate the biggest problem by designing a new integrated label, complete with a bar code," said Kallop. "We knew that would eliminate several sheets of paper and provide more valuable information."

By scanning the bar code, the facility would drastically expedite the receiving process. The information contained in the bar code automatically linked the returned parts to the service order.

The facility would also benefit by upgrading its technology. Dot matrix printers were outdated and incapable of handling complex media. The move to laser technology was inevitable and would provide higher speeds, improved legibility, less maintenance and multiple options for paper sizes and types, including labels.

The team was challenged to build a solution that was customized to easily integrate with the existing infrastructure. Their goals were to improve productivity and workflow efficiency, increase the percentage of parts returned to stock and reduce the number of parts being unnecessarily tested.

The Solution

The Lexmark solution included an integrated label designed with Lexmark OptraForms software.

When an order is sent from the mainframe to the printer, OptraForms automatically prints the correct shipping documentation customized for each service provider. The new label contains a wealth of information that gives immediate benefits to processors at the facility and service providers in the field.

The label includes:

- Bar codes that link claim number, part and service
- Peel-off color-coded stickers to easily identify new parts that should be returned to stock and defective parts that should be tested and reworked
- Defective part information label

The Results

- The percentage of parts returned to stock improved 54 percent
- Expected savings of about $900,000 in the first year by eliminating parts testing

"Our employees were able to quickly identify which service provider returned the part and which parts were functional so that they could go back into stock," said Cohrs. "That saved us the cost of having the parts tested."

In addition, service providers no longer have to come to the warehouse to match the returned parts with the service orders, and they receive reimbursements much faster.

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