

SIMON & SCHUSTER GETS A COMPETITIVE BOOST

OPERATIONS

Headquarters: New York, New York

Distribution centers: 2

MANHATTAN SOLUTION

Warehouse Management,

Supply Chain Management



CHALLENGE

Broad range of retail customers and inefficient processes made it difficult to meet customer requirements.

SOLUTION

Manhattan's Warehouse Management solution selected based on Top 100 retailer guarantee and best practices approach.

PROGRESS & RESULT

Over 10% improvement in variable labor productivity; 20% reduction in overtime; more accurate cartonization reducing carton usage by 10% and dunnage by 20%.

"One of the main reasons we chose Manhattan was because of the Top 100 Retailers guarantee since we deal with almost all of them. Manhattan's experience with specialty retail also helps us meet our customers' varied requirements."

DAVE SCHAEFFER, VICE PRESIDENT OF LOGISTICS OPERATIONS
SIMON & SCHUSTER

A MORE COST-EFFECTIVE DISTRIBUTION NETWORK

at Simon & Schuster

SIMON & SCHUSTER SEEKS TO INCREASE CUSTOMER SERVICE CAPABILITY AND MINIMIZE WAREHOUSING COSTS

Simon & Schuster, Inc., the publishing arm of CBS Corporation, is a global leader in the field of general interest publishing, dedicated to providing the best in fiction and nonfiction for consumers of all ages, across all printed, electronic and audio formats. Simon & Schuster publishes approximately 2000 titles annually and can distribute its titles in more than 100 countries and territories around the world. The company's green publishing initiative includes an industry-leading paper policy to promote the use of recycled fiber and paper sourced from FSC certified forests. Simon & Schuster is the only publisher using 100% recycled, post-consumer recycled corrugate in its boxes.

Simon & Schuster offers a wide range of books to all types of retailers—from bookstores, gift shops and card stores to supermarkets, warehouse clubs and specialty retailers, which results in a number of distribution challenges. According to Dave Schaeffer, Simon & Schuster's vice president of logistics operations, "You probably couldn't name a store that we haven't sold to, whether its fiction, nonfiction, children's books or audio CDs. And selling to specialty retailers opens up a new set of challenges since we provide a high level of service to these customers. Almost any specialty retailer will sell a few books that we try to get placed—for example, a decorating book in a furniture store."

In addition, Simon & Schuster distributes product for other publishers, such as Reader's Digest Children's Books, Andrews McMeel, Viz, Kaplan Test Prep and World Almanac.



Simon & Schuster services a broad range of customers from big box retailers to mom-and-pop bookstores—shipping orders from each picking to multiple truckloads. Its Riverside, New Jersey distribution center (DC) ships 110 million books a year, and a second DC in Bristol, Pennsylvania ships about 55 million books a year, which equates to between 40 and 60 tractor trailer trucks a day. Schaeffer explained, "You can go into a small bookstore in Saskatchewan and they may be getting a small shipment from us and then you go into a big retailer and they could be receiving five truckloads of books—all from the same warehouse."

A key goal for Simon & Schuster is to keep unit costs for warehousing down. "It's a competitive advantage to have a cost-effective distribution network, and our reputation for efficiency and a wide reach in sales and distribution makes us attractive to many authors and external publishing clients."

The company strives to not increase its cost per unit year over year, which can be made difficult due to rising fuel prices and other costs.

MANHATTAN SELECTED BASED ON TOP 100 RETAILERS GUARANTEE AND BEST PRACTICES APPROACH

Starting with a list of 15 potential supply chain vendors, Simon & Schuster went through an extensive three-phased process including a request for information, a request for proposal and interviews before selecting Manhattan Associates.

"One of the main reasons we chose Manhattan was because of the Top 100 Retailers guarantee since we deal with almost all of them. Manhattan's experience with specialty retail also helps us meet our customers' varied requirements," said Schaeffer.

Simon & Schuster previously managed the code for its warehouse management system but constantly updating the software in-house created a number of issues. "It wasn't our expertise and we were limited in what we could do, whereas Manhattan offered us a best practices approach and functionality we couldn't have accomplished otherwise."

“We have the ability to meet specific customer requirements—such as labeling every carton, one SKU per carton, etc. We also believe we’ve avoided significant customer compliance charges because we were better able to meet their requirements.”

According to Carlos Rodriguez, manager of automations, “Manhattan gave us an opportunity to take a look at how we operate and what we need to change to improve our business processes.”

“One thing that sets us apart from other publishers is our speed to market—we can bring a book to market faster than a lot of our competitors, from acquiring the manuscript through the editorial, production, manufacturing and distribution processes,” explained Schaeffer. This is a strategic advantage because in today’s fast-paced world, some topics are only hot for a limited time. For certain kinds of books we are very focused on producing product that people want to read today.”

An even distribution is also important, particularly as it relates to publicity or marketing. “We want to ship the books so they arrive at just the right time. The goal is to make sure that the book is available when the story breaks and the marketing is taking place so we get maximum sales opportunities from our publicity efforts and marketing dollars.”

IMPLEMENTING THE MANHATTAN SOLUTION PROVIDES INTEGRATION BETWEEN SYSTEMS AND NEW LEVEL OF DISCIPLINE IN THE WAREHOUSE

Simon & Schuster runs two distribution centers (DCs), one in Bristol, Pennsylvania and one in Riverside, New Jersey. According to Young Yoo, director of logistics, the team’s strategy for implementation was based on volume and risk. “Since Bristol is a smaller facility from a buying standpoint, it was less risk, so this facility was implemented first.”

Schaeffer added, “Having a new warehouse management system brings a level of discipline—and that discipline supports a more intensive use of capacity to increase our efficiency and customer service capability. Working with Manhattan helped us determine how we should address our capacity issues, which ultimately resulted in capital investments in our facility.”

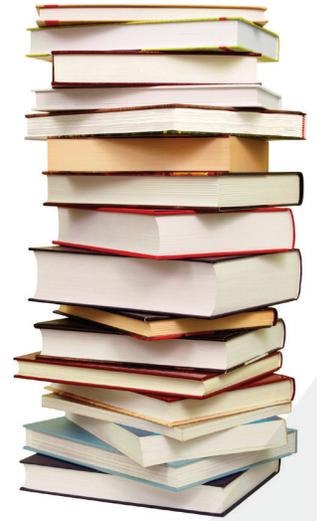
“Another big benefit of the project is the integration we now have between our warehouse control system (AL Systems) and Warehouse Management. The working relationship that was developed between the two companies will be invaluable as we pursue future enhancement projects.” The Warehouse Management system is also seamlessly integrated with Simon & Schuster’s order management system.

“Today, the Manhattan solution runs our entire warehouse.” The company does wave orders to the floor and the Warehouse Management system controls all the internal moves within the warehouse, all replenishment, all picking, etc. Manhattan’s system interfaces with the warehouse control system that manages the conveyor systems and voice picking operation. All movements within the warehouse are tracked through the system—when orders come down and when they get sorted to dock spots, when pallets are closed and manifested and trucks are loaded.

“We can put more books in a box than we did before because Manhattan is able to cube by dimensions. This has saved a lot on carton usage, which is important because paper usage is a big thing in the publishing business.”

SIMON & SCHUSTER ACHIEVED RETURN ON INVESTMENT IN UNDER TWO YEARS AND EXCEEDED BUSINESS CASE PROJECTIONS BY 14%

Manhattan is an all-encompassing system that handles everything from receiving to shipping; whereas before, we handled the various operational functions using multiple systems so there was duplicate entry. By integrating with our host system and letting Warehouse Management handle everything, and not duplicating efforts, we have resources that are freed up to handle other tasks,” said Schaeffer.



"An additional benefit is greater control of orders and the ability to better serve our customers," Yoo added. "With our old system, we would drop orders and just have to deal with it. The warehouse had to manually track down labels and we had piles of labels everywhere. We now have the ability to wave orders."

"We have the ability to meet specific customer requirements—such as labeling every carton, one SKU per carton, etc.," said Rodriguez. "This information is fed from our host system to Warehouse Management so there are fields we can populate with information to meet specific customer requirements. We never had the flexibility to do that in our old world—if we did, it was all manual. We also believe we've avoided significant customer compliance charges because we were better able to meet their requirements."

Simon & Schuster has achieved cost savings in a number of areas based on the new functionality. According to Tim McGarry, automations specialist, "We can put more books in a box than we did before because Manhattan is able to cube by dimensions. We profile every book based on unit length and width. The system calculates the volume, we run a wave and it starts to allocate. The system takes all of the units the customer ordered, calculates the volume and maximizes it to the best-fit carton. This has allowed us to save a lot on carton usage, which also has obvious environmental benefits."

The company has also achieved savings in label creation.

"Previously, our conveyor control system vendor created all the labels for us so any time we had to go with a new label format, there was a cost involved," said Schaeffer. "The Manhattan solution is also capable of driving heat-transfer printers and laser printers so we don't use preprinted forms—everything is on standard 8½ x 11 paper. We've eliminated all of our costs for preprinted forms simply by using the Manhattan system—which adds up to a lot of money."



"The flexibility we have to tweak things in Warehouse Management to gain additional efficiencies—whether it's a pick path or how the system allocates—is a benefit in itself so we don't need to rely on outside resources. The system provides the flexibility to change things without the need to touch the code and it's real-time so we can test it in-house and immediately see the results."

Simon & Schuster forecasted a little over a two-year payback and actually achieved return on investment in less than two years. The company also reported that they have been able to ship more books without increasing staffing levels. Overall, the actual benefits exceeded the company's projections in the business case by 14%. These benefits include:

- A greater than 10% improvement in variable labor productivity
- A greater than 20% reduction in overtime
- Reductions in fixed staffing requirements
- More accurate cartonization (more books in the box) reduced carton usage by about 10% and dunnage by about 20%

Rodriguez added, "The flexibility we have to tweak things in Warehouse Management to gain additional efficiencies—whether it's a pick path or how the system allocates—is a benefit in itself so we don't need to rely on outside resources. The system provides the flexibility to change things without the need to touch the code and it's real-time so we can test it in-house and immediately see the results."

Simon & Schuster plans to continue expanding its use of the functionality available in the Warehouse Management solution. "A key opportunity lies in the load planning and carrier selection capabilities, which will provide considerable freight savings," said Yoo.

According to Schaeffer, "We're always looking for new clients—or other publishers whose lines we can distribute that complement our products. It's tough to tell in this business what's going to happen next. With ebooks, print-on-demand and other trends, the profile of what we do is certainly going to change."