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Logistics News: Moving Up? New Whirlpool DCs, Warehouse Management System Make Wall Street Journal

Whirlpool Goes from 41 to 10 DCs; $600 Million Total Investment

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Clearly Wall Street pays much more attention to supply chain issues than ever before, but usually the focus is on topics such as inventory reduction and broad changes in supply chain network strategies.

So it was interesting to see a prominent feature story in the Wall Street Journal this week on a build out of new distribution centers by home appliance giant Whirlpool.

In general, there is nothing especially noteworthy about the story, with one exception – Whirlpool has continued to invest in distribution assets and technology despite a 20% sales decline stemming from the recession.

Whirlpool, like many companies, recently discovered that it was operating an inefficient and high cost logistics network, stemming in part from its 2006 acquisition of former competitor Maytag.

The logistics network redesign started the year before that, actually, soon after Brian Hancock took over as head of Whirlpool's North American supply chain. That led to plans for a four-year, $600 million project to optimize the Whirlpool DC network. At that level of investment, Wall Street certainly takes notice.

Whirlpool's logistics network has been transformed, moving from 41 outdated sites to 10 huge regional distribution centers, with upgraded warehouse management software (WMS) and materials handling equipment. Not long ago, Whirlpool order pickers drove back after each pick to a central station to receive their next assignment; now, of course, drivers receive instructions via RF terminals on their fork trucks.

The Whirlpool DCs are divided into four nearly identical quadrants, with SKUs putaway in a balanced way in all four quadrants. With shipping docks running the length of the building, it means order pickers can complete orders without leaving a quadrant, significantly reducing travel time.

Appliances such as washers and dryers are obviously a different type of product to manage in a DC, with a single unit taking up as much cube as a pallet load of cartonized product. The result of that plus the network consolidation is a mega DC footprint, such as Whirlpool's one year old facility near Columbus, OH, that clocks in at 1.56 million-square-feet with 172 trucking docks.

The Wall Street Journal article called out such capabilities as having the WMS determine the putaway location based on SKU velocity – standard fare in WMS software for many years, but apparently not a capability that even some giants such as Whirlpool may have, at least until recently.

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Not only are their tremendous labor and inventory savings from the new network and DC strategy – some $100 million annually - customer service has also improved from the strategy. Prior to the new network, it usually took Whirlpool 5-10 days to fulfill customer orders. That cycle is down to 48-72 hours in the new model.

The WSJ notes, "Whirlpool's logistics makeover shows how a recession can leave the biggest, best capitalized companies better positioned than ever to scoop up both market share and profits as the economy rebounds."

This all sounds like good stuff, but not especially innovative versus the systems many other companies have had for years. What is noteworthy is that it may be that Wall Street is focused enough on supply chain today that they are interested in putaway rules and WMS implementation.