

Savings to Dye For

By Jim Galligan

Burned by outsourcing, this personal-care-products company brought distribution in-house and saved — big time.



Schoeneman Beauty Supply illustrates how a fundamental change in a distribution philosophy, including the incorporation of a routing system, can improve a company's bottom line.

The Pottsville, Pa.-based company delivers a range of beauty products to more than 4,000 beauty parlors and salons throughout sections of Pennsylvania, New Jersey and West Virginia. About 95% of Schoeneman's business comes from independent, mom-and-pop salons.

Prior to the driver strike two years ago, United Parcel Service handled most of Schoeneman's distribution. That's an expensive distribution network, but the company was still able to clear a profit, thanks to the traditionally huge markups for beauty products sold through hair dressing salons.

The strike, however, hurt Schoeneman's business and caused them to think about how to reduce the impact of a potential future strike, said Paul Baddick, director of transportation. "It was terrible what we had to do and what our business went through then. We decided that we didn't want to be in that position again. We didn't want to use [UPS] if we could avoid it."

That prompted the company to bring all its distribution in-house, he said.

Home grown fleet

Schoeneman already had three Ford E-250 vans which it used for deliveries to nearby customers. It added six more, expanded its delivery network and now uses the nine vans to handle all their peddle runs, except for a few of the remotest deliveries which are still given to UPS.

Baddick said he estimates the company will save about \$186,000 the first year with their system.

"In one recent week we saved \$4,073. Now, that may go up and down from week to week, but it's pretty typical," he said.

In that week, Baddick said Schoeneman shipped 1,285 orders on their trucks with a total of 2,624 cartons. Working in all the expenses, including vehicle costs, driver-related expenses, insurance, uniforms, et cetera, Baddick said he saved roughly \$1.82 per carton over the cost of shipping the same products via UPS.

To organize the deliveries, Schoeneman bought the TruckStops routing system from MicroAnalytics. The Windows-based system is blended seamlessly with Schoeneman's own in-house order entry system running on an IBM AS/400 computer.

Orders received up to 4 p.m. will go out on the next day's trucks. All of the routes run no more than 95 miles out from the 134,000 square-foot warehouse in an organized loop out and back, with deliveries all along the way.

Apparently, it wasn't love at first use between the drivers and the new routing system, according to Baddick.

"In the first month, they were ready to kill me," he said. "They were used to running out and making their deliveries, then running back almost in a straight line. This program changes their routes every day based upon our orders and the most efficient routing. But, after a while, (the drivers) began to believe in the system, and now they love it."

Each driver will make a minimum of 35 stops a day, but most of the time they run more, said Baddick. They operate on a four-day, 40 hour work week to accommodate customer delivery windows. "Many salons aren't open on Mondays, and they don't want deliveries on Saturdays, their busiest days," he said.

Updating the fleet

The routing package is just part of an overall updating Baddick said has been going on at Schoeneman's for several years.

"When I came here four years ago, they were still handling all orders by paper," he explained. "Now, we've computerized the entire warehouse and distribution operation. We really believe the systems we've put in place give us that little edge over our customers."

"Distribution and transportation have always been the bastard division of every industry because they usually don't show a profit," said Baddick. "Instead, everybody tends to focus on sales because that's bringing the money in. It took me a long time to explain that if you invest money in distribution and transportation, you'll save money. We believe we've done it the right way here." ■

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Tel: 703.841.0414

Fax: 703.527.1693

www.bestroutes.com