



CASE STUDY



THE TRANSPORTATION LOGISTICS COMPANY



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The Home Depot (NYSE: HD) is the world's No. 1 home improvement retailer. The company has been named to the Top 10 Most Admired Companies in America by *Fortune* magazine, which has also ranked it as America's Most Admired Specialty Retailer for eight consecutive years. The company's transportation and logistics team oversees 47 distribution centers, which service the company's more than 1,450 stores in 49 states, Canada, Mexico and the Caribbean.

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— **Lenny Kapiloff**, Director of Logistics, The Home Depot

THE PROBLEM

To accommodate the expansion of its business in the Northeastern United States, The Home Depot operated three logistics facilities in the region: a transit facility, an import distribution center and a carton goods distribution center. The facilities were all within 60 miles of each other, yet each operated as an independent operation with its own management teams, equipment and drivers. J.B. Hunt Transport Services provided the dedicated contract services needed by the company at all three facilities. While each operated as efficiently as possible, The Home Depot's transportation team along with J.B. Hunt recognized opportunities to reduce costs by combining the operations. According to Lenny Kapiloff, The Home Depot's director of logistics, all three fleets were experiencing inefficiencies such as empty miles. "Our goal was to save money and make those lanes as efficient as possible."

THE SOLUTION

Since J.B. Hunt's Dedicated Contract Services (DCS) team was already present at all three facilities, The Home Depot utilized the transportation provider's expertise in network design to create an integrated operation that would achieve the company's goals. Working closely with Kapiloff's team, J.B. Hunt DCS looked at every single lane, identifying opportunities to reduce activities and related costs among the three facilities and increase efficiency in the integrated system. Details of the new plan included everything from a reworked delivery schedule for each store to a finely tuned drop-and-hook utilization program that would maximize the use of every trailer. The team also identified the costs associated with the integration as well as the expected savings for The Home Depot. Finally, the two teams met with the transportation management personnel of each division at The Home Depot and gained the support of those who would benefit from the new approach.

THE RESULTS

During the fall of 2001, the three facilities integrated. The challenge for the integration team, according to Brad Hicks, director of client services for J.B. Hunt DCS, was to make sure their ideas could be operationally executed. After some initial modifications, the integration model began operating on a consistent basis and results of the new strategy became clear. "J.B. Hunt understood our business and what we needed to achieve," said Kapiloff. "They responded to our needs and helped put into place the right solution for us."

Cost-savings - Using their proprietary Customer Value Delivery (CVD) process, J.B. Hunt has helped The Home Depot reduce year-over-year cost per load by nearly 10%, according to Hicks. Specifically the team found ways to reduce costs by increasing efficiency through integration of outbound freight, thus reducing empty miles and added expenses such as tolls. They also explored opportunities to optimally combine deliveries to stores with vendor pick-ups whenever a truck would be near a vendor's facility. In addition, the new synergies allowed total head count and equipment to be reduced without sacrificing productivity. Monthly reporting helps the team compare savings realized in the integrated approach with the old method and identify ways to continue increasing efficiency.

Drop-and-hook utilization - A key strategy designed to maximize utilization of trailers making multiple store visits each week was the drop-and-hook delivery. A driver's time is reduced by as much as 1-1/2 hours when a live unload is not required. Consequently, trucks are moving rather than sitting and overall productivity goes up. "The on-time delivery J.B. Hunt provides is essential to keeping this strategy operating with the intended result," said Kapiloff.

Internal collaboration - The three units pool their expertise and equipment to achieve optimum efficiency for the integrated fleet. Integration has helped all three operations focus on what's best for the overall transportation network and work together to respond to the needs of the stores they serve. For example, equipment and drivers are shifted between the three facilities to accommodate seasonality or changing demands. Quality people can move between the units as well, added Kapiloff, to share best practices learned and maintain consistency in procedures and operations.

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