

MCX + COVENANT

CASE STUDY



Ensuring that the Marines and their families have access to the latest products from food to televisions in a cost-effective manner is the mission of the Marine Corps Exchange (MCX). Headquartered in Quantico, VA, MCX services military bases throughout the US as well as international locations. In the US, it operates a network of 130 retail stores on 17 Marine Corps bases to support everyday needs for the Marines.

Managing the MCX delivery network efficiently is a daily challenge involving the coordination of pickups from over 1,800 vendors, managing fast-moving consumer goods warehouse operations, and making the final delivery to stores on Marine Corps bases. In 2009, MCX recognized opportunities to improve supply chain efficiency. In what had previously been a decentralized environment, they developed a strategic plan to build a centralized logistics operation managing an integrated supply chain network. In 2011, MCX selected Covenant, previously Landair, as its partner to manage the full chain of activities from picking product up at the supplier to final delivery at the on-base store. The relationship involves a broad suite of services offered by Covenant, including Transportation Management, Warehouse Management, Dedicated Contract Carriage, Supply Chain Network Design, and a Vendor Compliance Management program.

WHY COVENANT?

MCX's multi-phase journey to process improvement started with a focus on the inbound transportation of products from suppliers to MCX retail locations. Freight costs were high, and the lack of visibility made it difficult to know when shipments would arrive at the stores or to measure vendor accuracy with the orders they were shipping. To address these challenges, MCX selected Covenant in the first phase of the transformation to implement its transportation management (TMS) solution integrated with a vendor compliance management program. Covenant developed a web interface for MCX's vendors to enter pickup requests when orders are ready to be shipped. This additional visibility helped MCX reduce costs by eliminating multiple shipments through route and mode optimization. With this improved visibility, Covenant has been able to consolidate shipments, and reduce freight costs by almost 15% since the beginning of the program. In addition, integrating Covenant's TMS solution with a vendor performance management program enabled MCX to measure vendor shipments for accuracy and compliance with their purchase orders. This vendor and carrier compliance achieved through the integrated program achieved additional cost reductions.



Covenant



Covenant's TMS solution delivered a much more detailed understanding of MCX's network and provided the data necessary to support a supply chain network analysis, phase two of the improvement process. MCX's distribution network had been very decentralized, utilizing on-base warehouses to receive and store inventory prior to delivery to the retail locations. These facilities led to increased handling costs and inventory levels across the network. With Covenant, MCX was able to analyze the most efficient flow of product from the suppliers to the end-point deliveries. The results of the analysis assessed that a dual warehouse strategy, one warehouse on the west coast and one on the east coast, would streamline the flow of inventory. With the dual warehouse strategy, MCX was able to reduce the number of inventory storage locations throughout their network, and significantly reduce duplicate handling costs.

In its most current improvement phase, MCX expanded the relationship to implement Covenant's warehouse management system (WMS) as well as manage their warehouse operations. The customized WMS solution has improved the efficiency of receiving, picking, and shipping orders. Since Covenant has assumed the management of MCX's operations, the visibility and tracking enabled with the WMS has increased the level of inventory and reduced warehousing and inventory costs by over 15%. Additionally, when compared to the decentralized model, MCX has been able to trim more than \$5,000,000 in personnel related costs.

By managing MCX's supply chain activity from vendor to retail store, Covenant is able to identify inefficiencies in the supply chain and initiate continuous improvement opportunities, which not only reduce MCX's costs, but also improve the overall delivery of services. The integrated suite of technology tools - Transportation Management, Warehouse Management, and Vendor Compliance - provides improved supply chain visibility and data that Covenant and MCX use on a routine basis to drive further levels of continuous improvement.

Ultimately, the key to the successes of this improvement process is the depth of the partnership and open relationship between MCX and Covenant. Both sides have made a significant investment in regular meetings and quarterly reviews to measure the performance of the network, challenge each other on opportunities to improve, and establish annual goals and objectives for the partnership and network to achieve its next level of improvement. MCX's challenges became Covenant's, and together, we created a real-time comprehensive view of freight and logistics processes with the customization and flexibility to optimize all aspects of the operation.

