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LOGISTICS REPORT

True Value Retools Hardware Supply Chain

The supplier is revamping its distribution network and adding technology to become nimbler in a competitive home-improvement market

By Jennifer Smith

Hardware wholesaler True Value Co. is retooling its supply chain in an effort to respond more nimbly in a home-improvement market that is being buffeted by e-commerce and competition from big-box retailers.

The company, which supplies thousands of independent hardware stores around the U.S. with tools, lawn-care equipment and other home-improvement goods, is in the midst of a \$150 million initiative to overhaul its distribution network and add new software to improve how it manages inventory and forecasts demand.

The update comes as True Value is expanding the number of businesses it serves after moving away from its historic roots as a member-owned cooperative through the 2018 sale of a majority stake to private-equity firm Acon Investments LLC.

True Value and rival Ace Hardware Corp. also are rolling out enhanced e-commerce offerings as the local retailers they serve compete with Amazon.com Inc. and big-box stores such as Home Depot Inc., which are investing billions in digital commerce and supply-chain improvements.

Based in Chicago, True Value distributes goods to more than 4,500 stores and businesses in the U.S. and abroad. It operates 13 regional distribution centers in states including California, Ohio, Texas and Pennsylvania.

The company is revamping that network to deliver goods along a “hub-and-spoke” model to use inventory more efficiently so that seasonal items like patio furniture don’t take up space where faster-moving products such as hand tools and plumbing supplies could be stored.

Instead of stocking each warehouse with every product, the wholesaler is placing slower-moving goods in large central locations and pushing inventory that turns over more quickly out to satellite facilities closer to customers. Orders drawing from the hub are sent out to the spokes, where they are matched up on the loading dock with items pulled from those distribution centers.



A True Value distribution center under construction in eastern Pennsylvania will serve as a hub supporting more than 1,000 stores in the Northeast. PHOTO: TRUE VALUE

“Instead of having everything everywhere, we have all the things we need, in the right place,” True Value Chief Executive John Hartmann said in an interview. The company’s two-day window for fulfilling orders hasn’t changed, but “having larger quantities of the faster-moving items allows us to have higher fill rates on the products that are most important to our customers.”

True Value also is opening its first entirely new purpose-built distribution center in more than 30 years, a 1.4 million-square-foot facility in Hanover Township, Pa. Set to open this fall, it will serve as a hub supporting more than 1,000 stores in the Northeast and a handful of international retailers.

The hub-and-spoke model will next be rolled out in the Southeast and other markets.

To improve the way it predicts demand, True Value is adding technology from JDA Software Inc. so it can adjust inventory levels

more quickly, particularly for goods with highly variable demand like seasonal, promotional and weather-related goods. The software incorporates detailed information daily so the company isn’t relying on monthly forecasts.

In the Midwest, where the hub-and-spoke model went live at the end of last year, the software has helped boost the first-time fill rate to 99% from 97%.

“The tool allows us to look at the demand, look at the timing of the orders and replenish more effectively,” Mr. Hartmann said. “If a customer orders 100 products, not having one [item] is way better than not having three.”

More accurate forecasting also helps regional managers better predict how many people they will need to pick, pack and ship orders, he said, a key issue in a tight labor market where warehouse operators report difficulty recruiting and retaining workers.