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New Concepts in Warehousing in the 1970's

Volentary Wholesaler

Food 70's

The small order wholesaler may need to take a conservative view of automation

O. Dean Hubbard
Vice President
Kimball Grocery Company

What we've done at the Kimball Grocery Company is nothing new, on the other hand it's been said that there have been very few new ideas and very few new things invented or ever developed; merely a recombination of those which are in existence. At any rate, Disraeli once said "the more extensive a man's knowledge of what has been done the greater will be his power to know what to do." Perhaps on this basis the benefit of our experience will be of some value to you.

We operate a warehouse, one of twelve warehouses, in Albuquerque, New Mexico, and in December 1968 we moved into a new dry grocery distribution house of 121,600 square feet. We made the move from a warehouse of 76,000 square feet with a 16 foot clear ceiling height. Into this vacant 76,000 square feet warehouse we moved our New Mexico grocery, which is our institutional company, which occupied 28,200 square feet and Sandia Mercantile, our Non-Foods Company, which took 38,400 feet. Included in this was the freezer, the cooler and the office of the institutional division. There are some prints being passed out that show before and after plans. The Institutional Division now occupies a total of 24,400 square feet of space. The new grocery house is shown in the drawing which you will get. It is constructed on a width of 8 bays at 38 feet per bay or 304 feet, by a length of 10 bays at 40 feet per bay or 400 feet and a clear ceiling height of 25 feet. All we handle in this warehouse is dry groceries and frozen food. Therefore it is not necessary for us to make provisions for produce or meat. We do however have an 11,200 square foot freezer at 10 below and a 35 degree cooler included in this area with a 25 foot ceiling. We don't know yet whether we made a mistake or not but we originally planned the building to be spaced on a 40 x 40 foot bays. However, we reduced this to 38 feet width in order that we might maintain a 12 foot aisle width. In some instances it exceeds 12 feet. This helped us incorporate into it the flexibility of pulling in the aisles to about a 7 or 7-1/2 feet at some future time. In the dry grocery house we eliminated virtually all floor slots and have gone to a 3 deep drive in rack with 5 pallets high. I'll be honest with you, we have experienced some difficulty at this point in utilizing the full cube

capacity of the warehouse. On the other hand this is a relative measure since the warehouse we were operating in had a 16 foot ceiling. Our present experience shows 100% improvement and we are extremely pleased with it.

To describe how we operate in this warehouse, perhaps it is no different than the other warehouse, we are utilizing a 48" x 40" - 4 way entry pallet except in the handstack area where we are using a 40" x 32" two way pallet. The selectors are using Barrett electric tuggers pulling what we call a floor line grocery cart like you saw some illustrations of this morning. It is similar to the Techno cart with the same dimensions. We pull these in Tandem and selection is made directly onto the carts. The carts are loaded 3 wide into the trailer and on a 40 foot trailer we get 24 carts. At this point we are utilizing these primarily for corporate owned stores of which we operate, I believe it's 31 stores out of the Albuquerque house. We have in addition some 80 independents. We are having a great deal more success in our own stores with the carts because in the new stores we're building we're building in truck bed height unloading docks so we can merely roll the carts off onto the dock. In other instances we had existing investments and it was not economically feasible or physically possible to build a dock. I am talking about a store we anticipate moving within a relative short period of time. Where we cannot build a dock, we've employed power lift tailgates. Our volume out of one warehouse is approximately $20 million wholesale per year. We employ 39 people and we have 1400 of these unit grocery carts, 4 fork lifts, and we make our delivery utilizing 7 diesel tractors and one gasoline tractor. We have ten trailers; 7-40 foot long and 3 - 35 feet long. Six of these have the power lift tailgate.

A bit about our production ratios - our average case movement per shift is approximately a high of 30,000 cases and it will run as low as 20,000 on a slow evening. The production of our selectors at this point runs from a high of 240 cases down to about 110 cases per man hour. Our labor cost for operating a warehouse including the office, data processing people and the manager's salary and on the basis of 10,000 cases per shift runs from 1.75% to 2.0% of sales.

You might be interested in the construction of the building. As I said, the ceiling is 27 feet high, we have 25 feet of it in the clear, the first original 12 feet of the building was concrete block and the remaining 15 feet was insulated sheet metal. I think maybe some of you would be surprised at the cost of the building, which including all dock levelers, full paving, electrical, all yard work, etc., was $3.80 a square foot. If we include in this the architectural engineering & supervision fee which adds another 15¢, you can obviously see it's $3.95 a square foot, which we think is reasonably inexpensive construction.

This would leave me to make a comment with regard to what we said last night. We have talked a great deal here about technology. Lou Fox spent several minutes talking about technology. If we look at technology and the cost of technology in warehouses of 100,000 square feet, we're looking at a real problem. But, if we look at a wholesaler in the true sense, not just merely a ware-

houseman but a real wholesaler who serves a large number of relatively small accounts he would be in serious trouble if he tried to keep up with the people who can by sheer volume generate economic payout over a relatively shorter period of time. There is going to be a real problem here of some of the wholesalers benefiting from some of our technology. I think our warehouse is an example. I would tend to agree that we tend to be conservative. The law of economics says that he who first takes advantage of an innovation is the one who benefits to the greatest extent from it. But the corollary of that is also that he who suffers the loss from initial innovation which is not successful suffers the greatest. Our basic philosophy has been that we will stand back and have a look at some things first. We are not ready to pay the full development costs but we are willing also to forego the full benefits of these kind of innovations in order that we might know precisely what we are doing and how we are doing all the time.

In our non food operation we operate on a semi-automated basis using a Barret-plan item retrieval system with random slot locations. We operate this part of the company separate from the remaining part of the company, this division makes delivery in its own trucks. We are however making an attempt to incorporate them into the regular grocery delivery. You will recall that the non foods division operates in the old warehouse which has a 16' ceiling. Out of this we are doing approximately $1.5 million a year and we operate the total warehouse with four people. We are not including data processing people in this because we all use the same data processing equipment, a 1440 system. We have combined our repack items into the non food area and they will be shipped on the same truck.

Now let me give you a little background about our total company. We operate numerous warehouses located throughout Texas, Oklahoma and New Mexico. Our largest warehouse, located in Fort Worth, is about 300,000 square feet from which we serve about 175 corporate stores and about 400 independent stores. We are utilizing the grocery Kart system there to a great advantage. Again we are not bothered with produce or meat because we have a separate operation that supplies the perishables. We have our own slaughter house for meat and a central redistribution point using the Cryovac system. Delivery of all the meat products are made to all of our stores on special meat vehicles. We have our own produce warehouse in Forth Worth which makes separate produce runsfor our corporate owned stores. We do not serve our independent stores meat or produce. I suspect that we are remiss in not supplying our customers these products. On the other hand there is a limit to what we can do. We're going through the agony of trying to decide how we want to build or rebuild our Fort Worth operation which at this point does about $75 million a year in dry groceries and frozen food.

From the things that have been said here you can see that there are people doing some things from which we stand to benefit. I would indicate my full agreement in terms of the automation, I'm not sure we have a choice. I

think perhaps we have no choice with what Clancy Adamey said last night when he was talking about inflation. There is a current philosophy going around that we will never again return to the one and a half percent per year or lower annual rate of inflation. This philosophy says that we should be satisfied with the 4 to 5 percent inflationary rate. If you take this in the light of what was said last evening, do we have a choice except to automate?