

SMITH DRUG

What happens when a wholesale and distribution company grows exponentially? Over the past decade, Smith Drug Company found out when it experienced enormous growth.

CLIENT SUCCESS STORY

The company knew that it would soon push the limits of its enterprise resource planning (ERP) software. In order to maintain its growth potential, remain competitive, respond to the dynamically changing industry and supply its customers with unparalleled service, Smith Drug Company developed an aggressive initiative to enhance its technology.

Customer Profile

Smith Drug Company (www.smithdrug.com) is a \$2.5 billion pharmaceutical wholesale/distribution firm that services over 1,000 independent pharmacies and long-term care facilities in 18 states throughout the southeastern U.S. Established in 1944, Smith Drug Company is headquartered in Spartanburg, S.C., and has two other distribution centers in Paragould, Ark., and Valdosta, Ga. Its inventory includes prescription

and over-the-counter drugs, beauty supplies and medical equipment.

Problem-Context

As a 66-year-old company, it was inevitable that Smith Drug Company would need a new ERP system possessing features essential to a growing business with an expanding customer base. "The company's legacy system, written in-house, was no longer able to accommodate the business' needs, especially in the areas of inventory management and customer service," said Claudio Gallina, Project Manager, VAI. Smith Drug Company had simply outgrown its technology.

Without ERP software that improved inventory accuracy, distribution operations and customer service, the continuously growing company was confined to just two warehouses and unable to reach its potential. The primary

reason for this was that employees had to manually enter inventory information—a time consuming task considering the high volume of orders received. Manual data entry also impeded Smith Drug's replenishment process. This made it difficult for users to determine exact quantities of product in the warehouse.

Objectives

Smith Drug Company aimed to implement a solution that would streamline the inventory management process and help the company achieve its growth capability. The ideal solution would be highly functional and capable of interfacing with existing modules, while adhering to industry regulations.

With a strong need to expand beyond its two warehouse facilities, Smith Drug Company understood that investing in a



state-of-the-art ERP system would allow the company to do this. With the ability to scale its technological resources to an ever-growing client base and product portfolio, Smith Drug Company was proactively preparing for the future and its anticipated growth.

Finding the Right Partner

Smith Drug Company found a reputable, knowledgeable ERP vendor in VAI (Vormittag Associates, Inc.) (www.vai.net). VAI's S2K product line offers leading edge, customizable technology solutions that can easily interface with existing systems.

Solution-Process

In order to best meet Smith Drug Company's needs, VAI recommended its S2K Enterprise for Distribution Software. S2K for Distribution provides integrated applications for warehouse, wholesale, purchasing and customer service management.

Smith Drug Company realized that using an ERP with a robust, integrated warehouse management system (WMS), and incorporating this into other key aspects of the business would maximize the solution's potential throughout the organization. This initiative included automating Smith Drug

Company's warehouse operations with voice picking software and automated and semi-automated picking machines. These were integrated with an intelligent warehouse control system (WCS). The software, installed on an IBM Power System™, was also customized for Food & Drug Administration (FDA) and Drug Enforcement Agency (DEA) compliance.

Using the Solution to Solve the Problem

Upon implementing a customized version of VAI's S2K for Distribution, Smith Drug Company began to experience an improvement in the efficiency and simplicity of its everyday processes.

S2K fulfilled Smith Drug Company's need for inventory accuracy by alerting employees of errors as they occurred and by tracking inventory movement more closely. With S2K, Smith Drug Company can easily check received item quantities during the put away process, and also check return quantities processed through its restock program. S2K also provided Smith Drug Company with the ability maintain infinite locations for one particular item in the same warehouse facility. This was

important because the previous solution only had the capability to accommodate two locations for each piece of inventory.

Additionally, S2K gave Smith Drug Company the ability for automated replenishment, eliminating the mistakes that can come with manual data entry. Moreover, the system schedules purchases before products runs out, ensuring that the company always has adequate inventory on hand to service its customer base.

Another issue solved by S2K was the accessibility of information, such as customer and shipping data. Such information is now readily available at employees' fingertips, consequently improving customer service and virtually eliminating the need for employees to consult the IT department.

Evaluation-Results and Benefits

By implementing VAI's S2K for Distribution, Smith Drug Company enhanced existing, and acquired new and valuable technological capabilities. Due to S2K's user-friendly interface, employees can quickly create reports and retrieve customer and order information. As a result, calls to Smith Drug Company's IT department dropped 75 to 80 percent, noted Isaac Rogers, Vice President of



Operations. This allows personnel to make better use of time, focusing on exceptional customer service and accurate inventory management.

However, the most significant result has been in the addition of Smith Drug Company's third warehouse in Valdosta, Ga. The new location is a major step forward in the

company's expansion, allowing it to reach additional customers and drive more business. By enhancing its efficiency and inventory accuracy, Smith Drug Company now has room to grow and is poised for continuous expansion in the years to come.

Customer Quote

Isaac Rogers, Vice President of

Operations, Smith Drug, said, "VAI worked to fully customize S2K to meet our needs and interface with our existing modules. The solution has helped improve the company's efficiency in warehousing and distribution operations, thus allowing us to open a third location, one of our primary goals."

