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Bergur Bergsson, Project and IT Manager, Aðföng



Distribution centre: Reykjavík

Manhattan solutions: Warehouse Management and Supply Chain Intelligence

The heartbeat of Iceland's market leading retailer



From Reykjavík in Iceland, Aðföng provides both wholesale and logistics services including purchasing, inventory management and distribution operations for its parent—retail group Hagar. Hagar has a portfolio of retail and wholesale companies in Iceland, each run individually. In addition to a sports goods store and department store franchises it operates on behalf of retailers such as Debenhams, Zara and TopShop, the group includes three separate food retailers for whom Aðföng provides distribution services: budget/high volume grocery chain Bonus; Hagkaup, a hypermarket chain with a wide selection of food and non-food products; and the 10-11 convenience stores.

Delivering all food items from a common distribution centre to a fixed number of stores for these retailers, Aðföng plays a central role in Hagar's success. Because Aðföng operates as both a wholesale and distribution operation, it imports food items and sources locally then carries out deliveries to the three grocery retail chains.

For some 20 years Aðföng had been managing all of this using the Navision Navigator ERP system. This open sourced backbone, well known for being easy to customise, was a convenient solution at the time and included simple yet efficient warehouse management functionality. However, as the company developed over the years the warehouse module underwent a great deal of customisation and Aðföng found itself locked into the ERP solution because the application had become so specific, making an upgrade to a modern ERP system a costly and complex process.

Best of Breed Functionality

To replace the warehouse functionality of the legacy system, Aðföng decided to purchase a best of breed WMS from a respected vendor and a trusted source. Aðföng needed a flexible, future proof solution that would be functionally rich enough to implement with as few modifications as possible. Aðföng opted for Warehouse Management for Open Systems (WMOS) from Manhattan Associates, through Manhattan's Geopartner in Iceland, Nobex.

“Manhattan is a big company in the sector and one that we can rely on. The WMS in its standard form was the most modern and functional system that we looked at.” says Bergur Bergsson, Project and IT manager at Aðföng.

Challenge:

Aðföng needed to upgrade the highly customised WMS module of its legacy ERP backbone and implement a state-of-the-art, future-proofed WMS to provide high levels of functionality in its standard form without modification.

Solution:

Implementation of Manhattan's [Warehouse Management](#) solution for Open Systems and [Supply Chain Intelligence](#) solution replaced WM functionality of legacy ERP system and made Aðföng's later upgrade to a new ERP backbone a more straightforward process.

Result:

Pick speed has doubled whilst receiving, put-away and inventory accuracy rates have increased significantly.



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Bergur Bergsson, Project and IT Manager, Aðföng



This best of breed solution is designed to function beyond the walls of the warehouse and interface to other systems to gain visibility across the wider operational aspects of an enterprise. Manhattan was therefore able to create an interface between its WMS and Navision Navigator.

Nobex was able to help break down and eliminate the legacy functionality in the old ERP platform and introduce the Manhattan solution while allowing Aðföng to maintain a full level of service to the retail stores. Having replaced the WMS functionality within Navigator the residual complexity in the ERP system was reduced to that of a standard financial package. This meant that when Aðföng was ready to make its decision on upgrading its ERP solution, the implementation would be relatively straightforward.

This project marked the first implementation of the Nobex Supply Chain Broker tool, which provides a standard means to use more than one WMS solution concurrently. By allowing use of two WMS systems during the migration, the Nobex Supply Chain Broker system helped smooth the process. This was vital as Aðföng's 108,000 square foot DC is a big warehouse on an Icelandic scale and with deliveries up to three times a day during peak periods, any interruption in the DC's operation could have serious repercussions for the service level provided to the group's stores.

Nobex levers the Supply Chain Broker tool to create a migration path for companies looking for a way to upgrade from old ERP platforms, such as Navigator, often with built-in custom WMS functionality, to modern systems such as Dynamics AX or Dynamics NAV. "There is often an absence of a roadmap for these migrations, however our methodology offers an interesting value proposition while addressing phased roll-outs/go-lives, resource/effort management and risk minimisation," comments Thorir Magnusson, managing director at Nobex.

Staged Implementation

Aðföng initially went live in its 'frozen' zone and this was followed by a go-live in chilled storage. A few months later, the more complex full facility go-live took place and the Navigator WMS was shut down.

Commenting on the new WMS, Bergur says, "Manhattan's WMS offers great benefits over our old system. We now have much better visibility of our stock and the new system is more efficient in the way it processes data and controls operations. The system has increased the velocity of the warehouse—pick speed has doubled and our receiving and put-away rates have increased, as has accuracy of shipments, which saves us a lot of money. Furthermore, with Manhattan's WMS we also benefit from a greater range of reporting possibilities from the [Supply Chain Intelligence](#) solution."

At this point Nobex implemented a BizTalk based Broker between Manhattan's WMS and Aðföng's new ERP system Dynamic AX which was implemented successfully without disruption to the warehousing process.

Upgrades

Despite outsourcing the frozen and chilled operation, continued growth at Aðföng meant it was again reaching capacity as volumes continued to grow. Aðföng decided to add a new warehouse, close to its original building, to locate its bulk storage in addition to its frozen and chilled goods.

As Aðföng was already considering an upgrade from the earlier release of Manhattan's WMS implemented at the original warehouse, the new warehouse presented an opportunity to embark on a phased upgrade of the system—centre making use of its active maintenance contract with Manhattan Associates.

In order to minimise risk and distribute the load on resources, the new warehouse went live with the new release of [Manhattan's WMS](#) whilst the main DC was still running the original version. The parallel usage of the two different versions, without any specific arrangements on the ERP side, was facilitated by the Nobex Supply Chain Broker.

Once the new release had proven itself at the new warehouse, Aðföng upgraded its main warehouse to the new release.