



Brake manufacturer brings fulfillment inefficiencies to a screeching halt.



Case Study: R1 Concepts

R1 Concepts is a manufacturer and retailer of custom-performance rotors, brake pads and braking solutions. They offer one of the industry's most comprehensive catalogs of brake components for foreign and domestic vehicles. Since 2004, R1 has built its reputation around delivering the highest quality products at low prices with speedy turnaround time.

Challenge

R1 was growing at a breakneck pace, but operations couldn't keep up. Inefficiencies in production, warehousing and fulfillment caused delays and errors that put customer satisfaction and profitability at risk.

Solution

UPS helped R1 reengineer its receiving, warehousing, inventory management and pick-and-pack operations to dramatically improve efficiency and productivity.

Results

The new process reduced on-hand inventory by 50%, cut order fulfillment time in half, reduced labor costs by nearly 40%, improved order accuracy to better than 99% and dramatically increased gross profit margin.

How UPS overhauled a brake retailer's warehouse operation.

When R1 Concepts, a family-owned business in La Habra, CA, evolved from a machine shop for larger brake companies to a direct-to-consumer retailer of exceptional brake products, it didn't take long to generate a passionate following. Orders poured in from do-it-yourself car enthusiasts worldwide, leading to five years of triple-digit growth. Which was both good news and bad news.

"We were growing rapidly, packing and shipping thousands of packages daily," recalled Dan Nguyen, R1's Chairman. "The rapid growth caused many problems. The warehouse design was inefficient. We had racks and bins of every imaginable size. And picking items was a nightmare, because products were all over the warehouse, without any form or organization."

A pick-and-pack process that worked fine in R1's startup days couldn't keep up with an enterprise that was now partnering with Amazon and eBay, selling 10,500 SKUs. "It wasn't unusual for an employee to multi-task from receiving to picking to packing to shipping," said Dan. "Not surprisingly, our people were exhausted and we were shipping a lot of wrong orders. Plus, we were paying tons of overtime, including Saturdays, and adding part-time people."

R1's customer service team took the heat for that. Dan estimated that 70% of calls were "Where's-my-order?" calls. "And we didn't just correct their orders," he said. "We gave away discounts, upgrades, and, at times, we even ate the cost of the whole order. To us, the customer matters most, so we did anything to make it right."

"R1 had won an eBay top seller award three years running," said Robert Orantes, UPS Customer Solutions Resource Supervisor. "But growing pains were hurting their customer satisfaction rankings."

Then Dan got help from a very unexpected source. "We could see they had some issues that were hurting order accuracy, customer satisfaction and profitability," said Sheila Masuno, UPS Senior Account Manager.

"We were skeptical when Sheila said UPS could help us," Dan said. "We never expected that from UPS. They just do shipping, right?! Not warehouse solutions and best practices?"

Orantes led the UPS team that analyzed R1's warehouse logistics and benchmarked productivity. They found that product wasn't being inbounded, inventoried or stocked in a systematic way, which compromised fulfillment speed and accuracy.

"UPS designed a racking and flooring system that really increased floor space," Dan said. "They re-organized inventory by putting our best-selling products within easy reach. Now our employees don't have to run all over the place to track products down."

UPS also found that shelves were filled with too many unneeded items. "R1 had little guidance on what to carry, and no real visibility into inventory levels," Sheila recalled.

To better coordinate inventory, order fulfillment, customer communication and financial management, UPS integrated a WorldShip® shipping system with R1's business software. This included UPS Quantum View® Notify to keep customers apprised of their order status, which reduced the where's-my order calls.

Today R1 delivers more products in half the time, with a significantly improved customer experience, higher profitability and much happier employees.

"There was pushback from employees when we engaged UPS to help redesign the warehouse layout and processes," Dan said. "They were worried that the changes could negatively affect productivity. However, since the implementation, we've seen productivity and profitability increase in the double digits."



"We were just managing fires, not preventing them. Today, thanks to UPS, we're a lot more educated about warehouse processes and efficiency. As entrepreneurs, we didn't have any expertise in this kind of stuff. We were experimenting and learning as the business evolved. I suspect there are a lot of people out there who don't do warehousing right, because they just don't know or don't have the expertise."

- Dan Nguyen
Chairman, R1 Concepts

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