

# ETALES

## E-Commerce and Warehouse Expansion: It's in the Cards

### THE CUSTOMER

MJ Holding Company, based in Bedford Park, Illinois, is the largest North American distributor of gaming, sports, and entertainment trading cards, related trading card supplies, collectibles, toys, and hot trend items.

### THE PROVIDER

Alpine Supply Chain Solutions, based in St. Charles, Illinois, is a consulting company that offers personalized supply chain solutions using a data-centric approach.

*by June Allan Corrigan*

When MJ Holding Company, LLC, the largest North American distributor of trading cards and novelties to retail stores, set out to build a new warehouse in 2019, it decided to augment its ability to ship directly to consumers.

The strategy delivered an unexpected boon in 2020 when the pandemic struck and interest in trading cards suddenly soared. When old and new collectors alike couldn't leave home to make purchases, MJ Holding Company was well positioned to help its retail partners meet demand.

Expanding its e-commerce operation was one of four objectives MJ Holding hoped to achieve in its new 360,000-square-foot facility. The primary goal was to reduce the company's reliance on outside storage. Plans to streamline and improve both its pick-and-pack and assembly operations were high priorities as well.

### AT FIRST AN AFTERTHOUGHT

Bolstering its e-commerce capabilities was a bit of an afterthought but, as it turned out, it was an excellent decision.

"We were conducting business out of five buildings and that needed to change," says Mark Zabloudil, chief operating officer for MJ Holdings.

Initially, he turned to Scott Lee, president of Conveyor Solutions Inc., a materials handling and storage system integrator, to assist with consolidating operations under a single roof. Lee

soon brought in Alpine Supply Chain Solutions to optimize the facility's storage methodology as well as its workflows and efficiencies.

### FILLING A VITAL GAP

In business since 1993, MJ Holding's retail distribution footprint extends across 8,000 retail store locations in the United States and Canada. It includes chains such as Walmart and Target. Trading cards and related merchandise are a unique category subject to specific retail waves and promotions. It's not unusual for more than 550 new products to be released annually.

"Traditional supply chains for our retail partners are not built for quick turn and/or quick change items, explains Zabloudil. "We fill a vital gap for them."

MJ Holding manages space in the stores under its distribution wing, gets product out to them and removes it as it sells through its life cycle.

The sheer depth of MJ Holding's inventory and the subtleties of its supply chain called for a thorough data analysis before the first materials handling equipment or storage system could be installed in its new warehouse space.

Data drives every service Alpine Supply Chain Solutions provides. The consulting company began by analyzing MJ Holding's sales data (retail and e-commerce) and performing a storage type analysis (STA) to produce an ideal layout for its picking operations.

Alpine then scrutinized MJ Holding's on-hand inventory to determine the right rack types for its reserve storage and the right location for all their stock-keeping-units (SKUs).

The results of the STA identified that 35% of MJ Holding's inventory moved too slowly and 5% of it moved too quickly for the planned case flow picking set up. "It could have led to significant replenishment issues," says Michael Wohlwend, managing principal for Alpine Supply Chain Solutions.

#### PLAYING THE REPLENISHMENT CARD

For a business such as MJ Holding, which so frequently revolves around promotions, as well as the cyclical nature of its products, replenishment is key.

Alpine subsequently performed a sensitivity analysis on the top 5% inventory items to determine the right layout for the area and ultimately developed a three-level pick module. Each level and each side of the pick module has a zone. There are four zones per level for a total of 12 zones.

"MJ Holding's goal was to make sure each employee in each zone gets a full day's worth of work," explains Wohlwend. "So, our initial slotting was to help them balance the workload."

The three-level pick module has resulted in reduced replenishment time and labor involved. It has created the ability to pick the equivalent order volume in just 57% of the original time and achieved a 43% reduction in labor for peak one-day order file.

The results of the STA for reserve storage indicated the top 5% inventory items had several pallets in storage, so a new design was developed that included six- and three-deep pushback racks, along with a double-deep pallet rack, and a single-deep selective rack.

#### CASEBOOK STUDY

## Changing the Game

#### THE CHALLENGE

MJ Holding Company, the largest North American distributor of trading cards and novelties to retail stores, wanted to consolidate its operations under one roof. Having decided to build a new warehouse space, it sought to optimize storage methodology as well as its workflows and efficiencies.

#### THE SOLUTION

MJ Holding first turned to Conveyor Solutions, Inc., a material and storage system integrator, to assist with the consolidation process. Conveyor Solutions soon brought in Alpine Supply Chain Solutions, a consulting company whose data-centric approach educated and informed the entire warehouse build-out. Input from both companies helped MJ Holding achieve its goals and more.

#### THE RESULTS

By consolidating operations under one roof, MJ Holding realizes an annual savings of approximately \$3 million. A recommended and installed three-level pick module with 12 zones has reduced picking cost per unit by 10%. Improved capacities have resulted in the company being able to handle up to 30,000 orders on any given day compared to the 10,000 to 12,000 orders it could handle previously. Orders that used to take three to four days to process are now completed in just one to two days.

#### NEXT STEPS

The inherent flexibility built into the warehouse concept that Alpine designed and Conveyor Solutions installed leaves plenty of room for adjustment. MJ Holding considers both companies to be trusted partners and going forward all three will continue to analyze, grow, and understand MJ Holding's business requirements to determine how it can be responsive and nimble for the market.



MJ Holding distributes trading cards and other novelties to retail stores. A timely e-commerce expansion ahead of the pandemic helped meet increased demand.



When MJ Holding expanded to a new warehouse facility, it partnered with a materials handling and consulting firm to ensure the warehouse could accommodate its inventory storage and distribution needs as well as expand its ability to meet e-commerce orders.

“The storage methodology that Alpine recommended eliminated our dependency on those five outside warehouse locations,” says Zablouil.

In the midst of analyzing MJ Holding’s sales data, Alpine noticed something interesting. In 2018, the company handled 86,000 e-commerce orders. By 2019, that figure had practically doubled.

Initially, the news did little to alter MJ Holding’s laser focus on the retail side of its business but Wohlwend soon convinced Zablouil it was worth investigating. The growth factor just couldn’t be ignored.

Alpine performed another STA into MJ Holding’s e-commerce proceedings, which ultimately led to the creation of what was at first a small area dedicated to e-commerce orders in the new warehouse. “When the pandemic hit, we expanded that area out to meet demand so it was very timely,” says Wohlwend.

MJ Holding doesn’t have an e-commerce website it can perform transactions on in the true sense. The company is limited to distribution agreements with its suppliers—world renowned brands such as Topps, Panini, Pokemon, Magic, and Yu-Gi-Oh.

“Any of those distribution agreements

are intended to identify segments that we can service and how we should service them,” Zablouil says.

However, MJ Holding has e-commerce abilities because the company does business with Walmart, Amazon, and other retailers like them and is able to do fulfillment for them.

“Expanding the capabilities for us to fulfill direct orders, the business-to-consumer orders became a critical element of our decision making,” Zablouil says.

Because Alpine’s data analysis spotted the growing e-commerce activity, MJ Holding wisely decided to ramp up its capability to meet a changing world.

“We were right in front of the pandemic,” Zablouil notes. “We went live with our e-commerce platform in fall 2019. Then, when the pandemic hit in March 2020, we were in a good position to continue to handle and manage the growth on that platform from B2C customers.”

#### DRAWING CARD

MJ Holding continues to process B2C e-commerce orders for companies like Walmart even though many people have resumed shopping in brick-and-mortar

stores. Certainly, the volume of orders increased during the height of the pandemic but, according to Zablouil, they are now at a consistent level that is elevated and still driven by new item releases. “Buying behaviors have been forever changed by COVID,” he adds.

Zablouil points to another dynamic at play as well. There is a cyclical nature to MJ Holding’s primary product, which is trading cards. During the height and waves of the pandemic, people were digging out and going through their trading cards and looking at what they had. Not only did MJ Holding’s business take off, but the businesses that grade cards, the online auctions, the trading, the selling, all boosted interest in the category.

That interest shows no sign of abating. In fact, MJ Holdings predicts card collecting will continue to be as dynamic a process as it has been over the past two years. The company foresees the trend continuing for at least the next five to seven years.

MJ Holding’s partnerships with Conveyor Solutions and Alpine Supply Chain Solutions, and its savvy investment in automation, prepared it for the change in consumer behavior and whatever else is in the cards. ■