

Case Notes

ESTÉE LAUDER

The essence of success in a new distribution centre

The objective

The Estée Lauder UK distribution network stores and distributes many hundreds of product lines and samples covering many different brands. Growth in the business had resulted in operations becoming spread over several sites and it was decided to bring these together into a single, new DC. This development needed specialist support and hence THE LOGISTICS BUSINESS was appointed to assist with the planning and design of the building, materials handling equipment and operational processes. The programme of work was to examine different options and to provide a cost-benefits analysis in sufficient detail for the U.K. management team to submit fully costed proposals to the Estee Lauder parent company in the U.S.A.

The Logistics Business approach

A project plan was agreed, which divided the task into three stages:

- ∞ Data gathering and analysis to define the business requirements.
- ∞ Examination of options for equipment, layout and operating processes to support the unique characteristics of the business.
- ∞ Development of the preferred option and preparation of costs estimates.

This phased approach ensured that the challenges and opportunities were identified against the background of a clear understanding of the unique business characteristics. At the completion of each stage the client had the opportunity to monitor progress and agree any decisions and assumptions before commencement of the next phase. Throughout the project we worked closely with the Estée Lauder team and provided the opportunity for the client to influence the course of the project as it developed.

The solution

We used '*i-flow*', our in-house data modelling tool to analyse the requirements for the business, based on various growth possibilities and changes to product range. This was invaluable in establishing the varied stockholding and throughput characteristics and also the effects of growth for the different brands within the U.K. business. Using '*i-flow*', we were able to examine the seasonal trends within each of the brands in relation to a variety of growth scenarios. The output of the model was used to identify the operational processes and the storage and handling equipment best suited to the business projections for the next eight years. This then led us on to specify requirements for the new building in terms of footprint, height and fit out.

A number of fully costed options were presented, with differing degrees of productivity benefit and flexibility. We compared these and recommended two options which were developed into a more detailed schemes. One of these was more capital intensive with a level of automated handling whilst the other required lower capital and was based on more conventional systems. This enabled the Directors to make final decisions based on internal investment criteria.

Successes and Benefits

Through interactive data modelling and detailed analysis, The Logistics Business was able to provide Estee Lauder with a range of alternative practical solutions to meet the distinct characteristics and varied requirements of the different brands. The costs and benefits of each solution could be set against other, more subjective, business requirements and 'what if' scenarios, to ensure that the chosen scheme was the best fit with all current and anticipated business aims, while also offering a degree of flexibility with which the client felt comfortable.

Distribution Centre Design.

Good distribution centre design requires a combination of analytical skills, practical experience and an understanding of a range of often conflicting commercial requirements.

Analytical skills and good modelling, such as that available through our *i-flow* model enable current and future requirements to be properly understood and "what-if" situations to be reviewed. The practical experience is needed to understand what works best in any given environment and what options might be considered to meet the business requirements. The commercial requirements will vary from company to company and it is important, in our consultancy role, that we have the skills to take these into account.

THE LOGISTICS BUSINESS has shown time and time again that its practical approach, combined with sound analytical techniques can bring excellent value to distribution development projects.