

# Case Notes



## A smooth result for razors

### The objective

Gillette manufactures a relatively small number of distinct types of disposable razor but when these are packaged to account for all the languages and promotional activities of the European market, there are almost a thousand varieties. In order to improve its inventory control and improve its market response, Gillette decided to adopt a policy of packaging postponement. This would mean that a central packaging facility would be set up in Europe to receive deliveries of finished, but unpackaged razors from the European factories. It would then call off razors as required for packaging to meet the demands of its regional distribution networks. The objective therefore was to establish central facilities to manage the storage and picking of razors both before and after packaging in the adjacent packaging centre.

### The Logistics Business approach

The initial task was to understand the volumes flowing from the European factories and back to the regional distribution warehouses, and hence determine where best to locate the facilities. A comprehensive supply chain cost model was built to evaluate this. The second task was to understand the storage and throughput requirements for the central operation and thus establish its size and configuration. Again detailed analysis and modelling was undertaken. Finally, a cost benefits analysis was undertaken on a range of options covering automated, semi-automated and manual operations to provide the basis for investment decisions at Gillette's HQ in Boston, USA.

### The solution

A new distribution and packaging centre was established in Hemel Hempstead, UK. The storage and retrieval facilities were based on very narrow aisle technology managed by a warehouse management system. The procurement, fit out and commissioning of the equipment and systems was managed by THE LOGISTICS BUSINESS. We also prepared the specifications and Invitations to Tender for the outsourced management of the facility. We then managed the tendering process and worked with the selected service provider to see the whole operation up and running. Finally we provided an interim manager to help develop the operational interfaces between the distribution centre and the packing centre.

### Successes and Benefits

- A logical and thorough approach to analysis and modelling early on in the project provided a sound basis for comparison of various options. This was particularly valuable when cost benefit analyses were required for investment approval.
- Over a three year period consultants from THE LOGISTICS BUSINESS worked alongside the Gillette team. The combination of our experience in supply chain modelling and of new facilities development complemented Gillette's knowledge of their business and what they were trying to achieve overall. The result was an effective team and a successful project outcome.
- Gillette have continued to benefit from the success of the project. The facilities have since been expanded to take on other aspects of Gillette's business.

#### ***Using postponement to improve service.***

The postponement of part of a manufacturing process until demand is known can have significant benefits both for inventory levels and for customer service.

Gillette could predict annual volumes with reasonable accuracy but month by month and week by week variations were much more difficult. By postponing and centralising the packaging it was able to maintain level loaded local production and use central capacity to flex output against much shorter term forecasts.

The key to adopting a postponement strategy is the identification of the point in the production process where the product is at minimum complexity and hence maximum demand predictability.

