

MATERIAL ISSUES

THE NEWSLETTER OF THE LOGISTICS BUSINESS

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M and M gears up for future growth



E-retail success story M and M Direct can look forward with added confidence to the next stage of rapid growth after a significant boost to its infrastructure.

With its sights firmly set on growing annual sales from £74m to £200m, the Herefordshire-based company called in The Logistics Business to help transform the distribution side of the operation.

Since its foundation more than 20 years ago, M and M Direct has developed into one of the UK's top online fashion and sports retailers specialising in discounted end of range and last season's products from leading brands including

Nike, Adidas and Timberland.

M and M Direct Chief Executive Steve Robinson recognised that the next step in the development plans relied on increasing capacity and acquired a 210,000 sq ft ex-MOD warehouse on the outskirts of Leominster. The Logistics Business was commissioned as consultants and project managers. The challenges included:

- ↳ A complex re-fit of an existing building
- ↳ Planning in flexibility to

- ↳ handle future demands of new product lines and projected growth
- ↳ Meeting the requirements of the Health and Safety Executive's Construction (Design and Management) regulations (CDM)
- ↳ Co-coordinating the actions of diverse contractors to deliver the project on time and on budget.

For Steve and his management team, the involvement of The Logistics

Business meant that they could get on with the core business of e-retailing confident in the knowledge that the development of the new distribution centre was progressing efficiently.

Steve said: "We successfully opened the distribution centre on time, on budget and with very few complications. The Logistics Business helped us to achieve all our objectives and took away any burden the CDM regulations would have put on our internal team."

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Driving down the cost of distribution

With many organisations facing tougher market conditions, it is more important than ever to ensure that distribution centres are operating as efficiently as possible. Continuous improvement is something we all aspire to, but few achieve.

To answer these strategic challenges, The Logistics Business has developed a four-stage process for generating improvements in warehouse performance which are both measurable within days and sustainable over the long-term.

Stage One

Scoping

We carry out a simple benchmarking exercise to assess the scope for improvement. Results are delivered to clients within five days.

1

Stage Two

Warehouse model

Working with clients and using rated activity sampling and other industrial engineering techniques, we develop a model to measure performance and accurately assess potential areas for improvement. Different options can be tested and client priorities incorporated. The result is an action plan including a credible calculation of savings and benefits. Typically, this exercise takes around four weeks.

2

Stage Three

Performance Management Programme

The action plan to deliver improved performance could include:

- Regular reporting to measure individual and overall productivity
- Workload planning to assist and support operational decisions
- Cost to serve reporting
- Process improvement programmes to find the most productive ways of working
- Coaching for individuals and teams.

Improvements start almost immediately leading to reduced costs in year one of the new operation.

3

Stage Four

Continuous improvement

Good performance will become a priority and a shared responsibility. The change in culture means that the performance management programme will continue to deliver benefits year after year.

To ensure its success we offer a performance management service to keep activity times up to date and adapt processes to meet changing company and client needs.

4

Outcomes

Our experience is that organisations who follow the four-stage plan can typically expect warehouse performance to improve by between 20 and 30 per cent.

Those improvements will reap rewards well into the future as a result of the new ethos of performance management.

To find out how a Performance Review can improve your business, please contact Helen Morris on 01527 889060 or email helen.morris@logistics.co.uk

Under the skin at L'Oreal

New product launches are among the most testing of times placing pressure on every part of an organisation's structure and processes. A key factor for success is the ability to convert the energy burst of the launch itself into new sales orders that are manageable and deliverable. Cosmetics giant L'Oreal turned to The Logistics Business to help it achieve just that.



The client

A leading light in the cosmetics industry for around a century, L'Oreal owes its very existence to research and innovation. Founder Eugene Schueller developed the world's first synthetic hair colorant.

Today, L'Oreal still invests heavily in research and development creating up to 4,000 new formulae each year covering a wide range of products including skin care, sun protection, make-up, hair styling and fragrances. The result is that L'Oreal is constantly refreshing its consumer offer, listening to its customers and bringing new products to market which meet new demands.

It's a winning recipe - around 67 per cent of UK women use at least one L'Oreal product.

The challenge

The Logistics Business was commissioned to investigate the way the Luxury Products Division of L'Oreal UK launched new products and, particularly, the way that resulting sales orders were handled.

There were issues relating to the speed at which sales orders were processed and the flexibility and ease of use of L'Oreal's existing software tools.

The real risk was that the maximum benefit from new products would not be gained because of delays in processing orders.

The solution

The Logistics Business consultancy team undertook a detailed process mapping exercise to understand how L'Oreal was operating.

The exercise involved gathering information from different parts of the organisation including sales, marketing, logistics, customer service and finance.

This "under the skin" approach was vital in the subsequent identification of areas for potential efficiency improvements.

The Logistics Business produced a series of recommendations for actions to simplify and speed-up the process including new software tools.

The results

L'Oreal has reported that its performance in planning and executing promotions and launches has "improved considerably" and that those results have proved to be sustainable.

Christophe Albenque, Head of Customer Service and Supply Chain at L'Oreal Luxury Product UK, said: "The mapping of the processes helped to make all teams aware that the solution would not be found in a heavy IT tool to manage the complexity of the operations but in the simplification of our processes.

"As it was a cross-function approach, it was important to have someone neutral with no pre-conceived ideas. This was crucial to the acceptance of the conclusions by all parties."

New realities for supply chain strategy

The light at the end of the tunnel is still only a glimmer but it is already apparent that life after the crunch will not be the same.

One of the most important lessons to be learned in this age of new realities is that fuel prices and transportation costs will not return to previous levels.

According to Simon Tomlinson, of The Logistics Business, this means that companies need to reconsider their supply chain strategy away from centralised operations.

Simon explained: "We've been predicting for some time that the move to increased centralisation will have to reverse as transport costs rise.

"Historically, transport costs for most businesses have been relatively low compared to other operating expenses and supply chains have tended to be influenced more by other factors such as labour costs and economy of scale.

"Over recent years we have seen a move towards centralising production to manufacture one product on one site for distribution across the world.

"It's often cheaper to transport raw materials than the final product and in any case most raw materials can be sourced locally meaning

that the higher cost of distributing the manufactured product has been outweighed by increased manufacturing efficiency, ease of planning and in some cases reduced safety stock.

"A similar move has been taking place in retail distribution. Although often more sensitive to transport costs, it has still been more cost effective for retailers to centralise some or all of their distribution thanks to the economies of scale and the stock savings that result.

"The current increases in fuel costs should not be seen as a temporary blip soon to

be reversed. Governments have been trying for years to price transport off the road but keep being fought back by fuel protests and the like. Eventually though they will succeed and companies will have to find ways of locating sources of supply closer to demand.

"Manufacturers and retailers alike will have to develop supply chain strategies to redress the balance with a renewed emphasis on localisation. Armed with these, companies can start to plan for transition and in so doing create a greener business model."

FUTURE SCOPE



**Editorial by
Simon
Tomlinson**

Flexibility - business imperative or costly excuse

We all want flexibility in our lives. Flexibility enables us to respond quickly to ever changing business needs and take advantage of new opportunities.

However, when developing new solutions, we have to make sure that the flexibility we are looking for is all for this reason and not just an excuse to avoid making a decision.

Flexibility generally costs money for a number of reasons.

By paying for functionality

- By paying for capacity that you may not need
- By losing the opportunity to improve efficiency that might exist in a new process that is not considered sufficiently flexible
- By not enforcing more rigid processes and hence running the risk of misunderstandings and errors.

These costs may be worth paying if they are genuinely

required to enable you to respond quickly to changing customer demand or new business opportunities. Too often they are being incurred unnecessarily as companies use this excuse for not making clear decisions and properly planning their future needs. Make sure you are not one of them.

The Logistics Business has a range of tools and techniques for planning new solutions and designing in just as much flexibility as is really needed. Please contact us today.

SUPPLY CHAIN STRATEGY

WAREHOUSE & DISTRIBUTION PLANNING

PROJECT MANAGEMENT

INFORMATION TECHNOLOGY

CONSTRUCTION LOGISTICS

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