



Kuehne + Nagel Opens New Dedicated Warehouse and Saves Over 11% in Logistical Costs

Multiple customized deliveries per day provides supply chain optimization for leading France retailer

SITUATION

Based in France, this company is the country's leading retailer of duty-free products. In total, the group operates 3,600 outlets in 19 countries.

The company's operations are relatively unique in that the customer population is largely transient and arrives at the outlet in distinct "waves" driven by the departure and arrival schedules of the large airlines. In addition, available retail space is both limited and expensive.

Prior to the retailer's re-branding in 1997, a tender for an outsourced logistics solution was issued. The tender set a number of challenges:

- Management of duty-free product supply chain
- Multiple, customized deliveries per day to coincide with shelf layout and demand
- Cut lead-time between order and delivery to hours as opposed to days
- Product to be packaged, detailed and secured
- Supply is handled by single case or pallet
- Product is subject to Customs control, documentation and reporting

In 2001, a second tender was issued to consolidate the retail brands after an acquisition. Kuehne + Nagel was successful in winning this tender, and the existing operations were extended to include new product lines.

SOLUTION

In 2002, Kuehne + Nagel set up a new, dedicated 12,000 m² (130,000 ft²) warehouse facility in Compans, near the Charles de Gaulle airport. The operation serves the company's duty free outlets and export operations with a wide range of high-value items. The items are organized in both mezzanine walk-way areas for "singles" storage and traditional palletized racks. The warehouse also has a temperature controlled chamber for storing high-value, sensitive products.

Given the limited shelf space in the outlet and the high volume of sales, store orders are picked, packed and delivered to be fully synchronized with customer demand and supplier procurement. All media is product specific and tracked to minimize waste/loss. On average, Kuehne + Nagel processes four deliveries per each of the 160 stores, per day. Kuehne + Nagel also provides customs clearance services.

The solution is supported by a hosted supply chain management system developed by Kuehne + Nagel. The system provides comprehensive product management that allows orders to be prepared as "bulk" by a product sector or at a single box or pallet level. Priority weighting can be used to fast-track orders. Barcode label-based packing controls the movement of each item into sealed cases and all cases into sealed cages. The labels make up lists that provide details about the outlet, sales order and contents. The product sector corresponds with the specific layout of the retail outlet, allowing rapid transfer of product from the cage to shelf with minimum handling and less time.

RESULTS

The main benefit of the Kuehne + Nagel supply chain management solution is the synchronization to the company's fluctuating supply and demand and has resulted in an error rate of less than one percent on order fulfillment. The company has saved at least 11 percent in logistics costs due to inventory consolidation within Kuehne + Nagel's new dedicated warehouse and its close proximity to the CDG airport in France. The value-added services provided have also been key contributors in total cost-savings.

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