



## Retail

### Kuehne + Nagel Helps U.K. Retailer Drive International Supply Chain Initiatives with Right Visibility & Control Tools

***Expertise, infrastructure enables earlier control over shipment process, avoiding previously “hidden costs”***

#### SITUATION

In 2000, a major UK retailer decided to take advantage of lower product costs and greater product availability, significantly ramping up the volume of its direct Asian sourcing.

It needed to be able to control this new extended supply chain, however, balancing supply chain costs against product availability, to ensure merchandise was in its stores when customers wanted it. It chose Kuehne + Nagel to help it manage this new supply chain. Both organizations embarked on a business partner relationship, built on mutual trust, collaboration on ideas and information sharing.

Having built a level of trust on both sides, the retailer shared open visibility to stock levels and new product sales planning, a critical factor in ensuring Kuehne + Nagel's effectiveness.

#### SOLUTION

To improve serviceability, Kuehne + Nagel implemented a solution that prioritized product lines to speed or slow product movement, as necessary, and improve availability for the retailer. By monitoring stock levels, Kuehne + Nagel was able to expedite containers with fast-moving stock to the distribution centers, while using a “warehouse on the water” approach that placed slow-moving product on slower vessels.

The retailer needed its direct import products to flow through the extended supply chain in a far more optimized way. Kuehne + Nagel implemented an innovative process, extending container storage options and continuously re-allocating “buffer” stock to ensure level, cost-effective product throughput, monitoring stocks against product location and availability.

Additionally, through close collaborative information exchange with the retailer, Kuehne + Nagel significantly reduced the time to expedite the product from the arrival port, resulting in a more responsive, compressed supply chain.

Kuehne + Nagel embarked upon a strong vendor management program on behalf of the retailer with full empowerment to monitor and measure performance. Kuehne + Nagel checks on-time performance, for example, to determine if all product was delivered within the specified timeframe and with proper paperwork. These reports were provided to the retailer, who determines if vendor penalties should be levied. The results: Improved container utilization – measuring actual fill rates against those declared by vendors – and improved on-time vendor deliveries with complete, accurate documentation.

#### RESULTS

Kuehne + Nagel and the retailer estimate their joint initiatives have taken nearly GBP 500,000 in surplus costs out of the supply chain. Results include:

- Improved from 88.6% (2000) to 94.7% (2001) the in-store availability of all direct import products
- 18-day overall reduction in the direct import supply chain as confidence in data increased and inventory holding stocks could be reduced
- 20% administrative headcount reduction as KNLogin's on-line capabilities eliminated previously manual process for tracking inventory location information
- 51% reduction in time between port of arrival clearance and delivery
- Annual demurrage costs dramatically reduced by 70%, despite direct import product volumes increasing 78% between 2000 and 2001

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