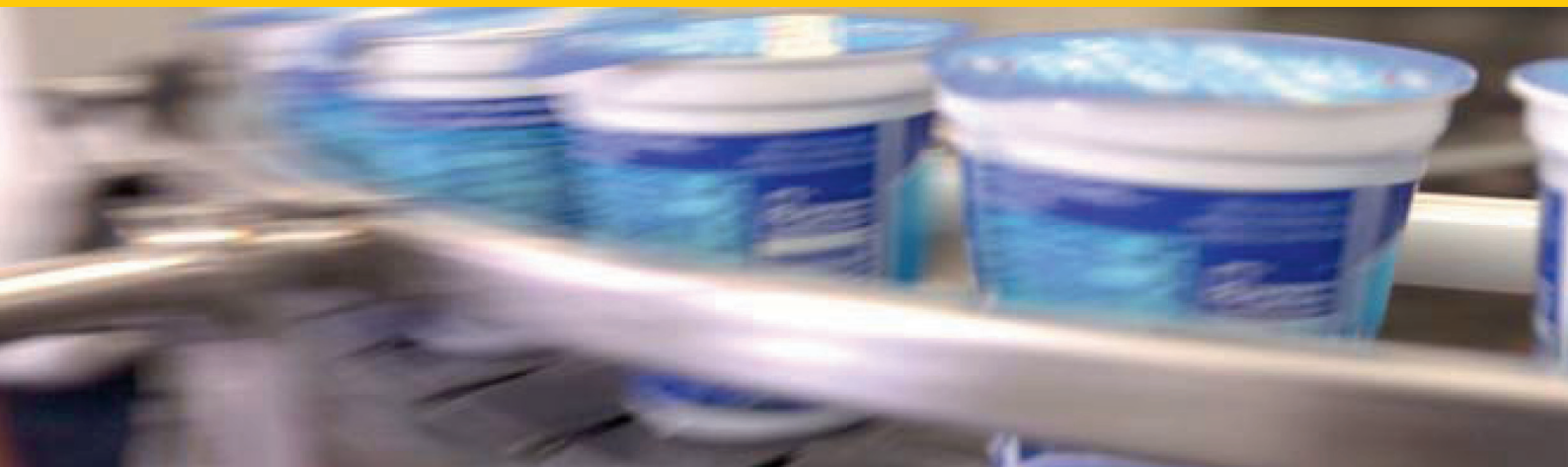


# STAND-ALONE DISTRIBUTION CENTER START-UP



## SEAMLESS EXECUTION SMOOTHES THE WAY FOR LEADING YOGURT MANUFACTURER TO MEET GROWING MARKET DEMAND

The market for yogurt is experiencing dynamic global growth. Recent double-digit annual growth rates are driven by new product development including drinkable yogurt, exotic flavors, functional ingredients such as probiotics, and an overall focus on health and wellness. While Americans consume less yogurt per capita than Western Europe and Canada, U.S. demand is catching up rapidly. So rapidly, in fact, that between 2005 and 2010, one leader in fresh dairy products significantly increased the volume produced at one of its yogurt plants.

### CUSTOMER CHALLENGE

The company's west coast plant primarily serves markets such as the Rocky Mountain states and Texas. According to sales projections, product volume is expected to double by 2015. To sustain this growth, the company expanded its plant to support a wider range of production and a broader SKU (Stock Keeping Unit) base. While product was shipped directly to customers from the plant, the facility's limited storage space simply couldn't support growing market demand.

Exel, part of DHL Supply Chain operating in the United States and Canada, started up and had been managing a distribution center for this company in the Midwest for many years. When the two organizations began discussing the need to expand storage capacity on the west coast, the customer was considering public warehousing near the plant. Exel did not have an existing and substantial presence in the area. However, extremely high product velocity and limited product shelf life required absolute operational control. Meeting the company's strict, complex inventory management requirements (compared to less perishable or

Deutsche Post DHL – The Mail & Logistics Group

#### Customer Challenge

- Add west coast warehousing to support rapid market growth
- Facility in a location not near other Exel operations
- Achieve a seamless, predictable transition
- Meet compressed timeframe
- Deliver the project on-budget

#### DHL Supply Chain Solution

- Leveraged knowledge of customer to develop start-up plan and budget
- Employed Exel's proprietary DePICT® project management methodology
- Engaged Exel teams to meet functional needs quickly and successfully
- Used existing Midwest distribution center as a training ground and resource base

#### Customer Benefits

- Met start-up budget
- Start-up completed in nearly half original timeframe
- Exceeded productivity targets
- Expedited incremental volume at no additional expense
- Met KPI objectives for damage and inventory accuracy

ambient foods), demanded the high service level available in a dedicated operation managed by Exel.

Based on its extensive customer knowledge, Exel developed an achievable budget and plan to start up a new distribution center in an existing and available warehouse identified by Exel's real estate team. The new chilled facility would encompass 59,000 square feet. In addition to being close to the plant, the location west of the Rocky Mountains reduced the potential for weather-related supply chain interruptions. Goals for the project included:

- A seamless, predictable transition
- Low capital investment
- Ongoing excellent operational performance

## DHL SUPPLY CHAIN SOLUTION

All start-ups are challenging, with many bases to cover during the discovery phase – physical, operational, financial and more. In this case, Exel's substantial knowledge of the customer's business from years of successfully operating the Midwest distribution center would play the key role in delivering a seamless transition.

To meet the tight timeline and coordinate diverse work streams associated with this start up, Exel leveraged one of its core competencies, project management. Exel followed its proprietary DePICT® (Definition, Planning, Implementation, Control, Transition) project management methodology and began by establishing a project team and project manager to oversee the building start-up, transition of product, warehouse management system (WMS) installation, and initial product distribution. Together, Exel and its customer established and agreed to a project plan, roles and responsibilities, and project objectives. Weekly team meetings guaranteed that work streams were progressing to plan.

To ensure its customer knowledge was transferred appropriately, the Exel supervisory team from the Midwest location was embedded in the start-up process. This included relocating the general manager to the west coast to lead the start-up. The team also leveraged resources from Exel's Western region campus in Southern California, and was able to tap Exel's broad functional resources to support various start-up activities. For example, without an established presence in the local market, it could be challenging to hire quality hourly associates. To address the issue, Exel's human resources team employed best practices used at other remote facilities in Exel's network of warehouses to secure the right workforce, exempt and hourly.

Systems were also an important component of the start-up. Using the same WMS as was used in the Midwest distribution center would reduce cost and risk, and improve service. Exel's IT team successfully performed four upgrades

to the existing WMS at that site, while starting up the west coast operation. "This meant the enhancements would have to be implemented in both sites before go-live on the west coast, adding more complexity to the start-up process. Both companies agreed to proceed with the modifications because they provided better visibility for lot control and product rotation, which ultimately would help the customer ensure product reached consumers within optimal timeframes and also avoid out-of-date products." said Joe Puleo, Exel's Vice President of Business Development for the Consumer Industry.

During the start-up, another challenge arose: the planned 16-week operational ramp-up timeline was shortened significantly. At the customer's request, Exel first agreed to compress it down to 12 weeks to better meet their needs. A phased ramp-up plan was developed to accommodate the new goal, gradually increasing product volumes in the facility. Then, as the opening date neared, higher than anticipated volume forecasts further accelerated the process and required the facility to be fully operational within only nine weeks. The two companies worked to revise the plan again to accommodate the volume, recognizing that a faster implementation could result in an increase in start-up costs. Ultimately, by working closely together, the team met the nine-week start-up at no additional cost, resulting in an \$80,000 cost avoidance for the customer.

## CUSTOMER BENEFITS

The project met or exceeded all objectives, and the west coast facility start-up was seamless. The customer was able to meet increasing consumer demand and now is positioned to capitalize on future growth expectations. The start-up's aggressive timeline was achieved — in nearly half the time than originally anticipated — at no additional cost to the customer. The west coast team delivered on all KPIs including inventory, damage and achieving a superior AIB rating for food product protection.

"Once we reached an agreement for a deliverable with our customer, both companies rallied together to meet the high expectations. The service and professionalism reflected was extremely positive and helped us achieve our goal. We established a start date and goal, and it was delivered on time with no service disruption. Excellent job by all teams"

Joe Puleo

Exel's Vice President of Business Development  
for the Consumer Industry

### For further information

Contact our Consumer Experts:  
supplychain@dhl.com  
www.dhl.com/supplychain

Deutsche Post DHL – The Mail & Logistics Group