



Value Creation through Process Innovations!

GENEX LOGISTICS 3PL SOLUTION FOR A LEADING ORGANIZED APPAREL & FASHION RETAILER IN INDIA

- A CASE STUDY!

Genex Logistics Research & Solutions Team



Beneficiary profile

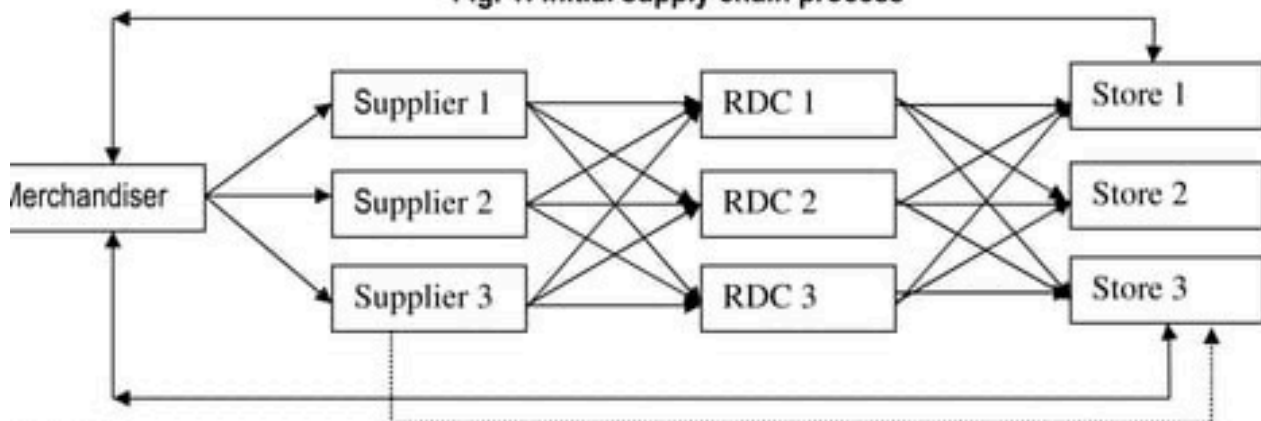
The beneficiary was one of the leading organized retailers in India. The retailer had more than 200 stores across the country which included both hypermarkets and stand alone supermarkets. Each hypermarket ranged around 40,000 sq. ft., while supermarkets ranged from 8,000 – 10,000 sq. ft. The range of product assortment was similar in both hypermarket and supermarket. They faced challenge in streamlining the supply chain for their apparel category. This retailer sourced apparel from clusters in India where they are manufactured. The sourced material then had to be redistributed to their stores across India.

The dilemma was either to send the stock directly from suppliers to the respective stores of the client across India, or route them through regional distributions centers or to source all stock from different suppliers to a central location and then redistribute the stock to the respective stores based on their requirements.

Initial supply chain process

Retailer sourced from its suppliers who were based at major apparel manufacturing hubs in India, viz. Tirupur, Coimbatore, Ludhiana, Bangalore, NCR and Kolkatta etc. The Merchandisers of specific apparel brand placed order for specific type of SKUs, based on the forecast as well as sales trend from various Retail store outlets across India. Merchandisers tried assessing the trend and customer behavior for each type of SKU and forecasted demand. The forecasted demand was forwarded to suppliers who required 2.5 – 3 months of lead time to manufacture the apparels. Once the goods were ready, it was suppliers' responsibility to deliver the apparels SKUs to different Retailer outlets / Regional DCs across India, based on the periodic pulls that were being sent by the replenishment team of the retailer. This involved a complex supply chain, for example, if Retailer sourced from 20 suppliers and each supplier had 15 SKUs to produce, these 20 suppliers had to distribute each of their 15 SKUs to different RDCs as well as back end of Hypermarkets. This involved multiple levels of complications and involved higher error rate as inventory was spread across RDCs and Stores without proper incoming documentation / system entries (Fig. 1).

Fig. 1: Initial supply chain process



Issues

Product shelf life

The customer needs in the apparel category are very dynamic and Retailer had to respond to change in demands in an impromptu manner. In order to ensure sufficient customer satisfaction, seamless supply chain solution was needed to ensure entire range of activities from sourcing to sales was synchronized well and within shortest possible time. This high level service efficiency was to be coupled with least possible operational costs, which was a great challenge for Retailer.

Complex forecasting

Forecasting in apparels is very difficult, because customer's moods and fashion lifecycle changes very fast. Hence, the backward supply chain needs to be very responsive to the impromptu requirements of the front ends. For instance, when a store notices that the stock of a particular SKU has reached a minimum threshold level, it is expected that the stock is replenished immediately, so the affordable lag between order and replenishment is minimum.

Store space cost

Moreover, the retailer had to consider the fact that they were paying premium rent to the space in the malls and hence they could never afford the space to remain empty. Similarly, they could not afford to use the premium space for storage.

Reduced commitment from suppliers

It was not main focus for suppliers to ensure timely and error-free delivery to the RDCs / stores, as their focus was to produce stock of desired quality at given time schedule. Further, this complexity increased when even after deliveries of their stock at different RDCs and Stores, they were facing delays in their payments due to issues of delayed GRNs or even non-GRNs etc. Their interest started dwindling as they were finding it easier to supply to other retailers to maintain their cash flows. This was reducing the commitment levels of the suppliers towards the retailer.

Pilferage & Shrinkage

There are high chances of pilferage in this product category and it was difficult to track every other supplier network. It was also difficult to ascertain the shrinkage points due to lack of visibility and GRN issues. Hence, the pilferage costs were high.

Communication issues

A lot of time was spent in communicating with multiple suppliers, multiple stores to ensure correct requirements were delivered to the desired locations. The communication processes were complex and yet it was difficult to ensure accurate stock procurement and replenishment.

System & Network Issues

Due to the spread out RDC network and the locations these RDCs were placed, the IT network issues were prevalent. This was resulting in poor data capturing and reduced productivity of the deployed staffs. As a result stock visibility, delayed stock receiving and stock replenishment were issues.

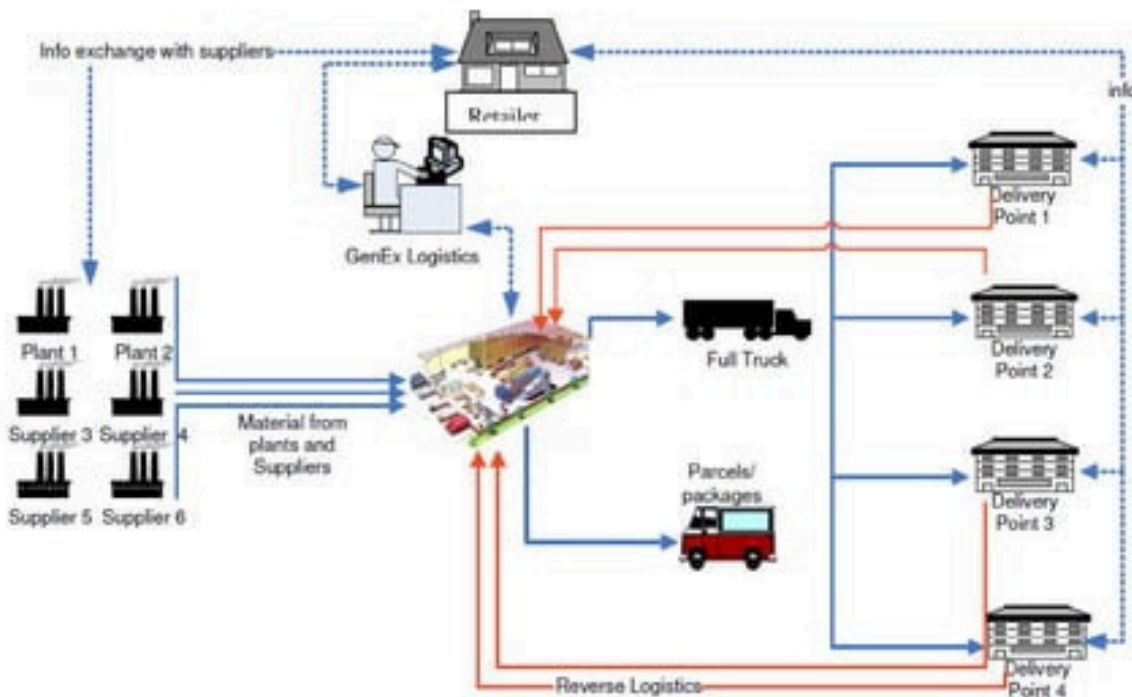
Considering the Retailer's scale of operations, it would have been a tough challenge for them to manage such complex activity in-house.

Why was Genex Logistics an appropriate partner?

- Sufficient and Rich experience of Genex Team in 3PL services.
- Tremendous IT capability of team Genex.
- Genex Teams specialist knowledge about Apparel & Fashion Industry and its dynamics.
- Genex team's ability to capture the issues in the prevailing set up and thereby offering a solution.
- The knowledge accumulated by Genex through their past experience in the logistics arena ensured successful strategizing and implementation of the project.

Proposed Solutions

Fig. 2: Proposed solution



Activities Undertaken

Strategic

- Detailed deliberation of the proposed solution and its possible impacts / ramifications on the clients business.
- Identification of appropriate warehouses mapped to the supply bases as well as delivery points.
- Resource Planning, Approval and Deployment plan

Tactical

- The warehouse layout and internal infrastructure placement.
- Defining Sub-processes viz. Receiving, Unloading, Visual inspection, Scanning-in, GRN, Put Away, Picking, Dispatch, Tracking, and Stock Audit etc.
- KPI definition and measurement mechanism
- Productivity Management
- Complementary system modules to reduce 'down time' at the MDC.
- MIS

Benefits

- Visibility to Suppliers about their merchandise, resulting in their timely payouts.
- Timely delivery of Products to the stores.
- Enhanced communication
- Reduced Shrinkage as well as GAD
- Better Tracking of in-transit goods



Key Performance Indicators & Performance

Performance Overview					
Area of Operations	Parameter	Target	Achievement		
			Q1	Q2	Q3
Throughput	Total Throughput (No of garments handled)		1 Million +	1 Million +	1 Million +
	Stock Shrinkage		0	0	0
	% Delivery Shrinkage		0.001%	0.002%	0.003%
Inbound	Average Lead-time For Inbound (GRN) - Days	2	1.26	1.31	1.31
	%Productivity for Inbound (GRN)	97%	100%	100%	100%
Outbound	Average Lead-time For Outbound (Stock Transfers) - Days	2	1.84	1.15	1.50
	%Productivity	95%	100%	100%	100%
	Average Lead-time For Outbound (Sales Orders)	2	1.45	1.4	1.5
	%Productivity	95%	100%	100%	100%
Reverse Logistics	Average lead-time for Reverse Logistics Activities - Days	4	2.9	1.5	2.71
In Transit	In Transit Visibility		100%	100%	100%

About Genex Logistics

Genex Logistics (Genex LogiSolutions Pvt. Ltd.) is New Delhi, India based supply chain and logistics firm with focus on *value creation through process innovations*. The diverse and widely experienced team at Genex holds proficiency in handling Supply Chain Strategy, Logistics Operations, Core Transportation, International Freight Management, Freight Forwarding, Contract Logistics, 3PL, 4PL, Warehousing & Distribution, Project Logistics and Customer Relationship Management. Genex Logistics spans across India and has been at the forefront setting benchmarks for Logistics, Transportation, Freight Forwarding and Project Logistics industry in the country.

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