

16 Last Stop

Factory-to-store Strategy pays off For US retailer

Driving efficiencies via supply chain management improvement is making or breaking retailers these days. Kmart has suffered due to poor practices, while mega retailers such as Wal-Mart and Target Corp have thrived. Houston-based Garden Ridge, a specialty regional retailer serving the home, garden and craft markets, has taken a cue from the logistics-savvy retailers.



After a trial run in the 2004 holiday season, in 2005, Garden Ridge began importing full containers directly from its China-based suppliers, as "floor-ready" merchandise, into its 36 stores across 13 states in the Midwest and Southeast. US Christmas trees, giant inflatable snowmen, boxed decorations and an array of holiday seasonal items kicked off the programme, said Ron Swenson, director of logistics at Garden Ridge.

With the help of UPS Supply Chain Solutions, we went from 200 to 500 direct-to-store containers in one year. This is big for us because we're not a big company,' Swenson said, noting the privately-held retailer had US\$460 million in 2005 revenues.

The direct-to-store programme currently represents" only about 10 percent of the retailer" annual container imports, which are primarily ""sourced out of the Yantian port in Shenzhen to the port of Long Beach, California. Under the direct-to-store programme, containers transit by rail from Long Beach to the city in which the stores are located and then moved by trucks to the stores.

"UPS helps manage the overall process, making sure paperwork and brokerage documents are in place, and does the Customs clearance," Swenson said. UPS receives Garden Ridge products two to six weeks before the scheduled shipment date at its Yantian facility and builds the containers using load plans specified by the retailer.

In past years, holiday shipments were dispersed from the warehouse to the stores over a few months period, resulting in high labour costs. The old way involved seasonal orders being stored at its two warehouses as early as spring. "As a result we started receiving goods in April for October and November deliveries. In September we would open the flood gates and start shipping out. Now we bring in containers direct to the stores in three big waves -mid-August, mid-October and mid-November. This merchandise never touches the warehouse."

The direct programme means smartly timed shipments, such as Christmas trees before Labour Day to give Garden Ridge a competitive edge. "On Thanksgiving weekend we'll sell three or more containers per store of artificial trees alone," Swenson said.

This year, Swenson has expanded the programme from holiday merchandise to include furniture and artificial flowers. "Everything I see that makes sense to import direct, I go to the merchant, and if it makes sense we do it," he said, noting commodity items for large purchases scheduled to be in stores for a specific date are the best candidates, such as patio sets and chairs.

Swenson devised the programme, after joining Garden Ridge more than three years ago. He's made other improvements to the decor retailer's supply chain, such as eliminating its second warehouse nearly two years ago. "We realized we could take \$3.5 million out of the supply chain by closing the facility in Statesville, North Carolina. Swenson said, now it ships to stores from a single 700,000 sq ft facility in Dallas. Texas

Containers are typically held at stores for 10 to 12 days, stored on site, and essentially serve as a JIT (just-in-time) warehouse. Carrier relations help." "We're on good terms with the steamship lines and they allow us extra days to hold the containers for longer periods of time", Swenson said, noting transits from Long Beach to Dallas run at around 17 days.



Garden Ridge uses MOL for all its direct import moves, for which a full-time MOL representative in Dallas manages the programme. Garden Ridge also uses OOCL and K"Line for its regular shipments into its Dallas distribution centre.

Big gains have come from the direct-ship method - eliminating up to three months of storage time and reduced processing and shipping time by up to two weeks. Garden Ridge also significantly increases efficiencies because of reduced time and labor in receiving and setting up merchandise. Swenson said savings per direct import container is roughly \$1,500. Overall, the retailer has reduced the cost of sourcing this type of merchandise by as much as 21 to 25 percent.

Next up, Swenson is looking to strengthen the retailer's supplier base, recently tightened as a result of the Customs- Trade Partnership Against Terrorism (C- TPAT) programme. Swenson is in the process of making on site visits to assist suppliers in China, Vietnam and Thailand to be-come C- TPAT certified.

As importers, we're not required to be C-TPAT certified, but if you are you're less likely to face delays from container inspections, among other benefits of the programme, Swenson said, noting Garden Ridge plans to have 30 percent of its vendor base certified by year-end.

Garden Ridge is on the cusp of a trend in the United States as smaller retailers emulate "big box" retailers, even the likes of warehouse-club operators Costco Wholesale Corp of Issaquah, Washington, which places off-the-truck merchandise directly on its floors. The improved supply chain measures are particularly important to Garden Ridge because it emerged from bankruptcy protection in mid-2005. Since then sales have been performing well.

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