

EVOLVING FROM GOOD TO GREAT

A Large U.S. Omnichannel Retailer Success Story

BUSINESS CHALLENGE:

One of the largest omnichannel retailers and B2B distributors in the world operates over 600 club store locations in the US, serving over 50 million members annually. This large-scale retailer (LSR for purposes of this success story) and B2B distributor is a longstanding client for whom LEGACY operates multiple dedicated warehousing and fleet operations across the United States.

An opportunity arose in Q1 2016 to assume operational management of LSR's omnichannel West Coast B2B distribution center operations in California's Inland Empire. The facility had been a high-performing operation in LSR's network; however, the incumbent provider lacked depth and working knowledge within LSR's greater supply chain network and had plateaued from a performance standpoint. Based on the growth trajectory of LSR's Western US region, they knew they needed to make a change.

Adding to the challenge was a requirement for a very short startup timeframe — less than 3 months, based on timing within LSRs 2016/2017 fiscal calendar.

KEY CHALLENGES:

- ✓ Improving upon performance metrics
- ✓ Lack of strategic alignment and network synergy w/ incumbent provider
- ✓ Omnichannel supply chain strategy within volatile retail sector
- ✓ Achieving profitable growth in rapidly expanding eComm business



OMNICHANNEL OPERATIONS OVERVIEW:

LSRs Inland Empire 450,000 sq. ft. B2B distribution center houses two distinct operating units. The Import DC operation provides high-volume fulfillment and cross-dock flow services to LSR's West Coast Retail DCs. An added benefit to LSR is the fact that LEGACY operates two of LSR's Retail DCs, providing a seamless service connection for goods arriving from offshore all the way through to retail club stores. The Inland Empire operation also serves LSR's direct-to-consumer eCommerce fulfillment for the Western US region.

The two high-volume operations handle nearly 400 inbound container loads per month, while churning out approximately 250 outbound trailer loads and 5000 direct-to-consumer eComm orders. Both operations require performance metrics to be well above industry standards in order to serve LSR's high-volume/high service direct-to-DC and direct-to-consumer demand.

WHY LEGACY:

Ultimately, LRC chose LEGACY over other 3PL providers based on our track record of cost-to-serve performance within the company's network and our demonstrated ability to quickly turn around operations facing performance challenges. The synergy created by LEGACY's working knowledge within other parts of LSR's B2B distribution and transportation network and the trust we built over years of strong performance provided LSR leadership the level of trust they were looking for. LEGACY's proven ability to execute startups on-time and on-budget and our strong presence in the Western US market played a role, as well.

"The precision with which this startup was executed, with zero disruption to the business, speaks to the collaborative partnership between LSR and LEGACY."

- Mike Glodziak,
President & CEO, LEGACY Supply Chain

OMNICHANNEL SOLUTION:

Requirements: Minimize turnover, ensure seamless transition, improve cost/service/productivity performance metrics across direct-to-retail store, B2B distribution and direct-to-consumer channels.

Precision Startup: LEGACY was given fewer than 90 days to execute a comprehensive startup project plan to fully transition operational control of both Inland Empire operations, including all aspects related to people, processes and systems. LEGACY deployed a team of dedicated project management, operational and human resources leaders and technology resources. LEGACY President and CEO, Mike Glodziak, was also involved at the executive level to ensure that startup was executed with the precision that LSR required.

Mitigate Business Disruption: The strategic nature of the operation within LSR's West Coast B2B distribution network made a seamless transition with zero disruption a top priority. To mitigate impact to LSR's operations, LEGACY took a holistic approach to the transition.

The backbone of any LEGACY operation is strong leadership culture; therefore, LEGACY first focused on the people within the operation. We took a highly engaged boots-on-the-ground approach to build trust between LEGACY and the entire LSR team. Operational and human resources collaboration



between LSR and LEGACY centered around transparency and frequent communications to ensure the staff was comfortable throughout each step in the transition. LEGACY deployed leadership from other operations within our network, as well as LSR's, to support the project. A comprehensive project plan was built to transition inventory, shipping and order fulfillment processes, as well as human resources systems.

Maintain & Improve Performance Metrics:

The facility had a history of performance within LSR's network. However, the high volume handled by the Import DC operation coupled with the rapidly expanding volume of the eComm Fulfillment operation required a new level of cost-to-serve performance. LEGACY was tasked with building on the track record of the past and driving improved performance into the future. Operational continuous improvement opportunities were identified to help get a head start on driving performance improvement from the outset.

IMPACT:

The successful startup execution within LSR's <90 day timeline was achieved. All key project milestones — including recruitment and onboarding of site leadership, transition of operations staff, integration of systems and processes and startup budget — were met with a 100% compliance score from LSR.

Minimizing disruption to the business during transition is often a result of how well a provider manages the people within the operation. The transition resulted in less than 5% turnover of existing staff, which speaks to the highly collaborative and engaging nature of the startup process. Low turnover and high engagement metrics have fueled the facility's continued performance improvements in service of LSR's business.

KEY SUCCESSES:

MINIMIZED TURNOVER:

<5% turnover upon transition, maintained 1 year into partnership

ON-TIME/ON-BUDGET STARTUP:

Successful execution of startup plan in less than 90 days

ELEVATED PERFORMANCE METRICS:

- ✓ Cost: Cost/CBM — Top 3 in LSR network
- ✓ Service: Exceed MABD goal by 4.4%
- ✓ Quality: Exceed DPMO goal by 2.3%
- ✓ Inventory: Improved Flow Dwell metric by 30.5%
- ✓ Productivity: Exceed eComm picks/hr by 13.9%

2016 IMPORT DC OF THE YEAR AWARD WINNER:

In April of 2017, LEGACY was named LSR's Import DC of the Year Award Winner for warehousing excellence and overall metrics performance. This award is testament to our ability to seamlessly execute an expedited startup timeline, mitigate disruption to LSR's business and continually improve upon already-strong operational metrics.

Today LEGACY's omnichannel solution is a strategic advantage for LSR as they focus on profitable growth in their online fulfillment business and the continued high-volume demands of their store network.

“This award is testament to LEGACY's understanding of our business, and enhancement of LSR's supply chain through increased quality, level of service, and cost optimization.”

- LSR VP of Operations

