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DCSOLUTIONS



I kid you not – children's clothing retailer Gymboree installed a new high-speed sorter during its busy holiday season. Now the company is back on its game.

Revamp a DC During Holiday Season? Child's Play for Gymboree

by Amanda Loudin

In retail, the holiday shopping season can make or break a company's annual report. At this time of year, logistics operations have to function like clockwork.

That's why installing new equipment or making major changes to a distribution center during the holiday season is practically unheard of in retail. But that's exactly the challenge children's clothing retailer The Gymboree Corporation faced – and successfully met – this past holiday season.

The Gymboree Corporation, based in San Francisco, is an international family of specialty retail brands, including Gymboree retail and outlet stores, Janie and Jack shops, Janeville stores, and online stores gymboree.com and janeandjack.com. There are more than 537 Gymboree stores, 64 Janie and Jack stores, and 17 Janeville stores in the United States and Canada. In addition, the company offers directed parent-child developmental play programs at 545 franchised and company-operated centers in the United States and 25 other countries.

The Gymboree Corporation serves all its U.S.-based businesses from one distribution center in Dixon, Calif. The 270,000-square-foot DC recently underwent expansion to accommodate the company's growing logistics needs.

Like many retailers, Gymboree's recent growth spurt can be tied largely to its direct-to-consumer business, which experienced a six-fold increase between 2000 and 2005. In 2004, that growth caught up with the DC.

SERVICE STARTS TO SLIDE

"We ran into problems because we were unable to increase our staff adequately to maintain service levels," says Dan Allison, Gymboree's vice president of logistics. "We aim to ship all orders received by 9 a.m. PST the same day, but we reached a point where we had to put disclaimers on orders regarding delivery times. That level of service was becoming unacceptable."

Making matters worse, the DC staff found that as they fell behind, out-of-stocks increased. "We began to question whether or not we could manage our

DC SOLUTIONS

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business from the existing facility," says Allison.

To address its growth issues, Gymboree enlisted the help of supply chain consultancy Sedlak, based in Highland Hills, Ohio.

Sedlak consultants examined Gymboree's entire business. "We wanted to understand all aspects of the corporation, as well as its DC," says Jeff Mueller, vice president, Sedlak. "We focused on developing a cost model for the DC."

Sedlak considered Gymboree's SKU base, its future plans, and the DC's size and location, among other factors. After meeting with Gymboree's management team, Sedlak determined the company was "attached" to the DC's location.

The consultants put all the hard and soft data they collected into a model to test various scenarios, including relocating the DC, expanding it, or keeping it intact.

"After testing the data and the potential scenarios, we determined that, for now, Gymboree should stay in its Dixon

"This was the worst time of year to implement new equipment, but I'm thankful that we did."

— Dan Allison

Vice President of Logistics, Gymboree

distribution facility," says Mueller.

Still unresolved, however, was the issue of improving the direct-to-consumer portion of the business. Most of the operation was still manual. In addition, the DC was dependent on a retail software package that included its warehouse management system (WMS).

"The old system worked around a put-to-store strategy," says Allison. "Using radio frequency handheld devices, the system directed pickers to a location. Pickers then selected an item and moved it to the next location. When an order was filled, they sent their cart to packing

and the orders went to shipping."

Ultimately, Sedlak determined the best solution was to expand the Dixon DC and add a high-speed sortation system. But the expansion plan was not approved by Gymboree's corporate office, so Sedlak had to develop an alternate solution.

Back at the drawing board, Sedlak devised a solution that allowed the company to remain in its original DC by adding a high-speed sorter with a smaller footprint.

The EuroSort ESF sorter fit the bill. By installing the flat-tray sorter – with a dual split-tray and an innovative chute design – instead of expanding the facility, Gymboree saved some 10,000 square feet of space. EuroSort, based in Owings Mills, Md., was able to provide a fast installation, which was imperative.

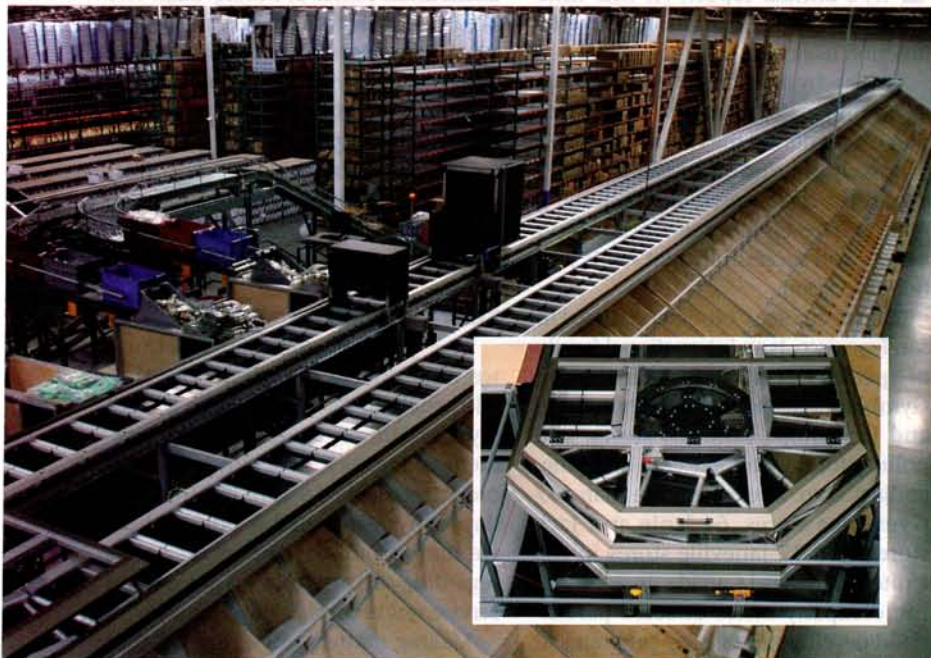
The installation process took 26 weeks, according to Allison. "We had to phase the equipment into our operations," he explains. "The first phase focused only on our direct-to-consumer business."

To meet the needs of Gymboree's direct-to-consumer business, EuroSort designed the equipment to sort up to 22,000 orders per day, or 14,400 pieces per hour at peak capacity. Gymboree's average, however, is close to 4,600 orders per day, a number the sorter can easily handle.

The ESF sorter has 372 destinations, one induction area, four manual induction stations, an omni-directional scanner and vision detection system, a double/double chamber consolidation chute, and 372 distinct sorter chambers and packing out chambers.

The sorter receives its instructions via Gymboree's WMS system, which communicates with middleware software provided by AL Systems, Rockaway, N.J. The WMS sends a wave sort for 1,400 orders at a time.

"The wave criteria sets orders, then launches a wave to the AL Systems application," says Allison. "The system calculates where the orders should go



EuroSort's ESF sorter provides Gymboree with the ability to sort 14,400 pieces per hour while saving more than 10,000 square feet of facility work space. An overhead turn radius (inset) also helps save space.

based on dimensions.”

From there, products move through six scanners for identification; EuroSort reports back to AL Systems what it “sees,” and the AL Systems software tells the sorter which chute to send orders to.

“Once orders are complete, the sorter makes sure products have been inducted, then closes the chute. The software tells pickers what size box to use. Pickers scan the bar code on the box and send it to the packing lane,” explains Allison. “Orders are cycled out in about an hour, then the next wave of orders comes through.”

The EuroSort installation was successful because all three parties involved worked together effectively, says Howard Eisenberg, president, EuroSort. “Bi-weekly meetings lent an air of cooperation,” he notes. “This project was a textbook install – all the components fell into place easily.”

The new sorter turned out to be exactly what Gymboree needed to keep up with its rapid growth. “Over the past year, we’ve seen a 19-unit-per-hour increase in productivity, which amounts to a 70-percent improvement,” says Allison. “And our cost per unit decreased by about 70 percent.”

Still, the project was not without

its nail-biting moments. Initially, the team planned to be up and running by August 2005, but pre-launch tasks

without it. “It was a risky move,” Allison admits, “but we knew the method we were using before wasn’t cutting it.” ■

delayed installation until November.

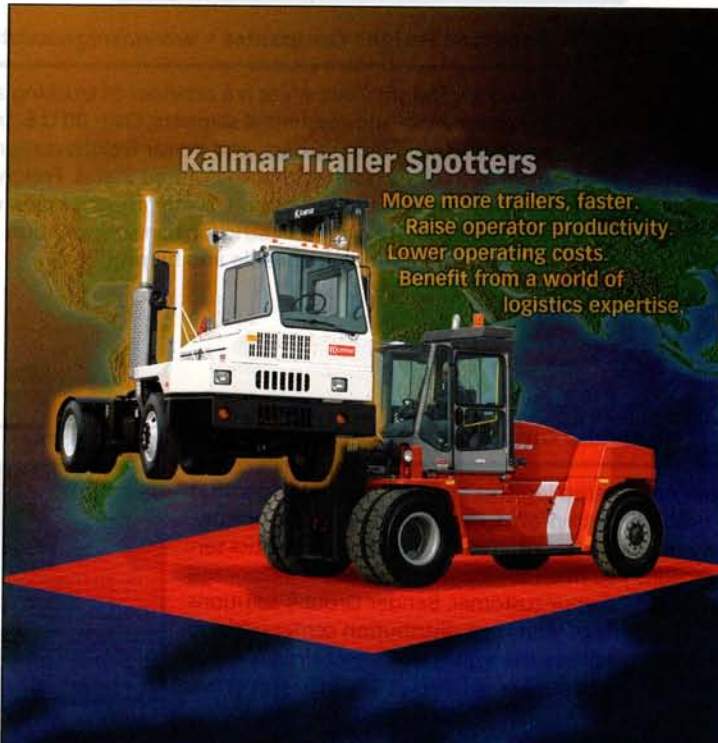
“We spent most of November working out bugs, but by December we were operating at 60-percent efficiency,” says Allison. “By January, we were up to 80-percent efficiency; we’re still working to balance out our line properly.”

Having the project run into the busy holiday season posed a challenge for the company, but Allison says it actually saved the day. “This was definitely the worst time of year to implement new equipment, but I’m thankful that we did,” he says.

The project timing wasn’t ideal and added pressure to the project, agrees Eisenberg. “In the end, however, it fell back on Gymboree to complete training and hit the ground running,” he says. “They took necessary steps to ensure they would be ready – not all companies are that proactive.”

Gymboree is so pleased with the new sorter’s results, it held a contest to name the equipment. The winner? “GUSS” – Gymboree Corporation Unit Sortation System.

So while the holiday season wasn’t an ideal time to bring GUSS on line, Gymboree can’t imagine operating




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