



A problem-free supply chain for duty-free shopping.

DFS, the world's leading luxury retailer catering to the traveling public, shares how Pacer helped reduce total logistics costs and replenishment cycle time, improving merchandise assortments and increasing inventory turns.

Call our business development team today at **1-800-837-7584**.

The Client

Duty-free shopping was in its infancy in 1960 when two American entrepreneurs launched what is now DFS Group Limited—opening first in Hong Kong, then spreading to Europe, North America and other destinations around the globe. Originally known for its airport stores, the company operates more than 150 stores worldwide and has expanded into downtown and resort locations through its DFS Galleria retailing concept. DFS is now the world's leading luxury retailer catering to the traveling public. Their expertise is bringing world- renowned brands together in inspiring shopping environments, coupled with strength in strategic brand partnerships, product development, and target marketing programs to customers, wherever they may be.

Challenge Faced

From the early days, DFS has forged tight relationships with its vendors to ensure uninterrupted sourcing of goods to its expanding store base. With increased turmoil of world events beginning in 2001, the company had to deal with supply chain challenges and disruptions for one of the most complex, bonded, high-value, time-sensitive retail environments imaginable. Strategic emphasis turned to:

- **Reducing cost of logistics and working capital requirements.**
- **Improving merchandise assortments and accommodating spot shipping requirements.**
- **Addressing in-transit loss and damage that plagued the replenishment process.**

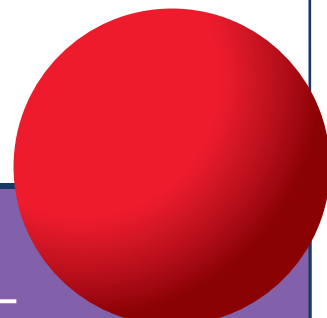
Solution Delivered

Several years after their business relationship was established, DFS Group Limited contacted Pacer with a request to help DFS devise a more robust global supply chain infrastructure. Asian and European-sourced product flowed to DFS regional distribution centers via airfreight and ocean container, some destined for U.S. markets, but most of it going elsewhere worldwide. Specifically, DFS wanted more efficient market growth—supported by reduced logistics cost and replenishment cycle time, expanded merchandise assortments, and increased inventory turns.

Insights

In its initial logistics assessment, Pacer determined that enhancing transactional data management would systematically improve overall performance at every step—from supplier to store. Although freight savings could follow—from core carrier programs already in place—the greater yield would come from more efficiently conveying key information throughout the DFS network. The impact? Better information and more effective planning, to drive more efficient execution and performance improvement:

- **Process reengineering—to increase efficiency and collaborative data sharing.**
- **Transactional data mining—to evaluate dynamic conditions.**
- **Dedicated attention to vendor shipment coordination—to increase order management flexibility and reduce delays.**



“Pacer has set a new global standard for logistics management excellence—and transformed freight management from a ‘cost of doing business’ to a ‘value-add’ to the marketplace. Their collaborative business model is working exceptionally well not only for DFS, but also for DFS suppliers who have come onboard. Pacer offers tremendous supply chain improvement potential for a wide variety of shippers.”

John Rutherford, Vice President of Global Transportation, DFS Group Ltd.

Methodology

Working closely with the DFS global transportation team (U.S. based), Pacer devised and facilitated core process changes creating the new lead logistics management information infrastructure. The core solution was built around a vendor-friendly purchase order management system—an application that allows both large and small DFS vendors to enter P.O. data and pick-up requirements—linked to a transportation management system that coordinates shipment planning and execution. These customized systems are supported by detailed process documentation, jointly developed by Pacer and DFS, configured with vendor and carrier input.

With the information infrastructure in place, Pacer assumed primary responsibility for network freight operations, overseeing shipment planning and execution. Today, carrier and service provider performance is monitored daily and reviewed monthly, with thorough network reviews conducted quarterly. Global network metrics—cycle time, freight expense and security—are also reviewed. Improvement opportunities are easily identified and quickly assessed through comprehensive vendor-to-store transactional supply chain data captured and analyzed in the Pacer management information systems.

Service Scope

Today, Pacer manages multimodal global freight for DFS—overseeing carrier and service provider relationships that include customs brokers, large transportation companies and specialist firms. Across all modes, contexts, and time zones—shipment scheduling, carrier assignment and tracking, customs documentation and handling.

DFS operates in a 24/7 world—where English may be the lingua franca of global business, but relationships build on understanding vendors' native languages. By positioning personnel close to vendors, Pacer can better anticipate needs and understand local conditions. Moreover, Pacer has become an extension of the DFS global transportation organization and a value-added contributor in each region's distribution planning. The value is much more than transactional support—and possible services integration beyond freight management is now under discussion.

Expertise

The business environment today pressures companies to reduce logistics cost (and headcount), yet requires intensive knowledge and expertise to run global logistics operations smoothly. The lead logistics model enables DFS to simultaneously achieve both cost management and logistics management capacity without sacrificing service quality that is essential for growth.

To manage air, ocean and ground freight worldwide, Pacer staffs a dedicated team near the DFS global transportation headquarters (San Francisco, CA), complemented by tactical support personnel at the Pacer office in Dublin, OH and regional field reps. Working directly with the DFS Merchant and Planning Team, the Pacer staff is ombudsman between suppliers, customers and service providers. Their expertise is diverse; the staff includes experienced operations managers, multilingual customer service reps, region-specific traffic coordinators, and analysts. Consistent attention to individual vendor relationships and aggregate tactical knowledge about unique geographic conditions has had an immense impact in arranging spot shipping and accommodating special needs as they arise.



Benefits Realized

Since implementation, this collaborative lead logistics model has proven to be both scalable and flexible to meet all DFS dynamic business needs. The decision support and information tools have helped DFS optimize complex variables—and achieve year-over-year savings from reduced total logistics cost, faster replenishment cycle time, improved merchandise assortments and increased inventory turns. The smoother supply chain links have increased DFS business operations efficiency—and, given increased velocity of high-value goods, working capital requirements have been cut dramatically.

A snapshot look at the 2005 DFS Key Performance Indicator scorecard—which measures service providers against pre-established goals—illustrates the lead logistics model dimensions of value:

Freight expense down 17% year-over-year. Purchased freight savings accrue despite a 5% increase in air cargo shipments over the prior year; spot rates and load optimization also produced substantial transportation savings.

Shipping claims down to .002%. With better information and more secure processes, freight claims hit an all-time low and are resolved within 90 days, virtually eliminating losses that had plagued the replenishment processes. Under Pacer management, freight claims dropped to 198 incidents in 2005 on a base of over 120,000 freight movements—in other words, DFS freight arrived without issue 99.998% of the time.

Billing and freight payment accuracy of 99.9993%. Freight bill audit and processing now has less than one error per thousand and is meeting the DFS KPI of entry to ensure a smooth flow of payments to the carriers Pacer manages on behalf of DFS.

Inventory dwell times reduced as much as 75%. Proactive information management has increased document accuracy and handling efficiency at DFS distribution centers.

Measured level of service improvement in carrier performance of 120% over a two-year period. The lead logistics approach enhances service quality and helps all parties achieve more efficient operations.

“Working with Pacer allows DFS Group to focus on what we do best—merchandising and retailing—and enabled us to expand our business with the confidence of a smooth supply chain.”

Call our business development team today at [1-800-837-7584](tel:1-800-837-7584).



www.pacer.com