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Mid-Sized Consumer Goods Companies

Go Global

A New Breed of Logistics Outsourcer Helps Consumer Goods Suppliers Act Like A Channel Master - Even When They Are Not

Establishing efficient distribution is a considerable challenge when entering new countries where a brand is less proven among retail buyers and consumers. Lower prices come with critical mass, and mass is something international brands lack in a new market. For many manufacturers, the solution is finding a specialty distributor. But marketing and distribution services from these providers come at a cost, and the resulting higher prices can turn off the customer.

That dilemma has given rise to a cohort of third party logistics providers (3PLs) specializing in helping their clients gain global distribution at an affordable price. Strong relationships with carriers and retailers, the collective muscle of multiple brands with similar distribution needs, strong technical infrastructure, and global logistics expertise are some of the tools these 3PLs use to help both domestic and international mid-sized consumer goods manufacturers make the difficult leap from being providers of niche, limited-distribution products to being developers of up-and-coming brands.

Going global doesn't automatically mean going outside the US, of course. Many mid-sized international brands are eager to capture

US market share and serve the country's ever-diversifying population. Among those catering to this niche is CaseStack, a fast-growing, seven-year-old logistics outsourcing provider based in Los Angeles, California that leverages advanced Web-based technology and a network of partners' warehouse facilities to help mid-sized consumer goods companies mimic the supply chain infrastructures of their larger competitors.

"People used to look at warehousing as a place to reduce costs, and in transportation, they



wanted the cheapest," says CaseStack President Dan Sanker. "But we take a more holistic look at how to run the supply chain more efficiently. We collaborate with trading partners, collaborate with retailers, and look at the supply chain in a different way."

CaseStack combines its specialty in retail-driven consolidation and retail compliance fulfillment with Web-based logistics technology, a national warehousing network, and transportation consolidation programs. The company's Web access makes it easy for international consumer goods brands to manage global distribution remotely, and having one view of a unified distribution network avoids the complexity of maintaining multiple warehouse relationships.

At A Glance: CaseStack

FOUNDED: 1999

OWNERSHIP: Private

HEADQUARTERS: Los Angeles, CA

ANNUAL REVENUE: Not Disclosed

PRODUCT ASSORTMENT: Global logistics, multi-vendor consolidation, warehousing, transportation, technology

“They get full national distribution capability at a pretty high level and make no investment to do it,” Sanker says. This level of infrastructure would cost a manufacturer significant capital and three to five years to execute on its own.

Helping Fabrica Conquer the US

One mid-sized consumer goods manufacturer taking the outsourced logistics route is Mexico-based Fabrica de Jabon la Corona. The 86-year-old maker of popular Mexican household product brands such as Foca and Roma laundry detergents, Briden toothpaste, and Monarca corn oil enjoys a premier market position in Mexico. In 1986, recognizing growing demand outside Mexico’s borders, the company began exporting its products, eventually expanding to North America, the Caribbean, and Central and South America.

The United States represents 80 to 85 percent of Fabrica’s export activity. But tackling a market such as the US presents geographic as well as cultural challenges. The company has a number of smaller US-based customers that it continues to serve through specialty distributors. But Fabrica also wanted to win business from large American chains, a task that required convincing buyers that demand warranted large orders for many stores and that the products deserved to be stocked in their own categories, rather than in an ethnic section. Selling into the US also required reworking labels with English-language copy and complying with US labeling laws.

Statistics helped win buyers’ attention. The Hispanic population in the U.S. grew 100 percent in the last decade, and its spending, which exceeds \$686 billion, is estimated to hit \$1 trillion by 2010.

To effectively serve large customers, Fabrica needed to be able to perform rapid replenishment in large volumes, particularly when promotions do well. While Fabrica typically ships regular orders directly from Mexico City to large retailer DCs or right to their stores, the company needed a solution that could meet high replenishment volume demands. But it often takes Fabrica 10 days to move goods over the border, an unacceptable delay.

Fabrica’s first step toward meeting the need for rapid replenishment came from opening a single company warehouse in Texas. That helped the manufacturer avoid heavy reliance on specialty distributors and the markups that would cause its products to cost much more in the US than in Mexico, and more than similar US products.



Enter CaseStack

However, as the Hispanic market began to spread beyond its traditional enclaves and brand awareness among both Hispanics and Anglos increased, Fabrica needed more national US distribution. As the new millennium began, the company searched for a logistics partner to enable retailer replenishment across the US.

“We needed more space and warehouses around the US because we had more customers,” says Fabrica International Sales Manager Gunnar Hallgrímsson. “Now (our customers were) everywhere in the US. One (warehouse) was not enough, and there was no tracking in or out.” Fabrica wanted to be able to track inventory movement remotely and execute tasks such as monitoring inventory level and shipment status and issuing instructions. The company chose CaseStack, whose clients include several other mid-sized Mexican CPGs.

Most regular orders still ship directly out of Fabrica’s Mexico City facilities. The company ships 20 to 30 truckloads a day into the US. The 10-day period it takes to move those goods across the border used to be longer; in 2004 Fabrica began work with US Customs that ultimately resulted in its attaining Customs–Trade Partnership Against Terrorism (C–TPAT) status. C–TPAT is a joint government–business initiative to build cooperative relationships that strengthen overall supply chain and border security. Without those privileges, shipments would take 15 to 20 days to cross the border. The certification “gives more confidence to our customers, knowing they will receive in time,” says Hallgrímsson.

At A Glance: Fabrica de Jabon la Corona

FOUNDED: 1920

OWNERSHIP: Private

HEADQUARTERS: Mexico City, Mexico

ANNUAL REVENUE: Not Disclosed

PRODUCT ASSORTMENT: Consumer packaged goods including bar soaps, cooking oils, detergents, and toothpaste

However, for immediate replenishment on advertised goods and best-sellers, retailers and distributors source from CaseStack, enabling Fabrica and its retailers to keep the revenue stream flowing. CaseStack’s domestic transportation program allows the retailers to be replenished in less than 24 hours in many cases. Most customers pick up their own replenishment orders from CaseStack warehouses in Atlanta, Chicago, Dallas, and Los Angeles.

Some Fabrica customers source all of their goods from CaseStack. Wal-Mart and Dollar General are the company’s largest US customers, each picking up one or more TL orders at CaseStack warehouses every day.

“If they pick up a full truckload, it’s the same price as if we ship from here,” says Hallgrímsson. “Depending on where they’re located, we try to find the best way and the best cost on freight.” Fabrica monitors all of that activity via Web interface.

“We can check every order coming in or going out, and our US personnel know what inventory they’re selling full truckload versus one pallet or one case,” says Hallgrímsson. Needless to say, they prefer the former. Fabrica receives replenishment orders from customers and enters them into the CaseStack system via the Web. Monitoring that data also helps shape production decisions.

“For me, it’s not good business when they pick up one case,” Hallgrímsson says. “That costs me more than a full pallet. We’ve been working during the past two years to only have them pick up pallets.” Specialty distributors fill that void by ordering by the pallet and managing delivery to case-level stores. “There are still stores we work with that don’t want to not have the product, so they have to go through distribution,” continues Hallgrímsson. “It’s not easy because those stores are small.”

As Fabrica moves ahead, the company is eyeing even more robust US sales volume. “We’re not looking only at the Hispanics – we’re looking for everybody to use our products and like them,” Hallgrímsson says. Fabrica and CaseStack are currently working on compliance with new Wal-Mart case labeling requirements.

Hallgrímsson is satisfied with the role CaseStack has played in enabling Fabrica to attain cross-border distribution and satisfy its US retailers. “Working with CaseStack has [given] us a better relationship with customers, as we have had no problems in delivering to them the products that they need,” he says. “Our job is much easier since we’ve worked with them.” **ERI**