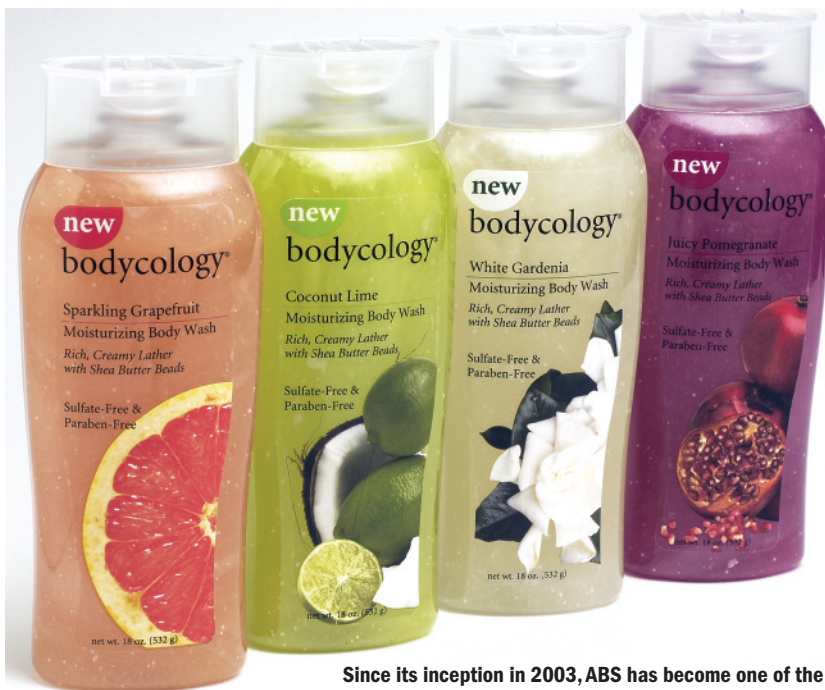


## Logistics Makeover

ADVANCED BEAUTY SYSTEMS FOCUSES ON INCREASING REVENUE WITH OUTSOURCED LOGISTICS



Since its inception in 2003, ABS has become one of the fastest-growing consumer products companies in the world.

A key mission for **Advanced Beauty Systems** (ABS) is to help women live better and feel better every day. The company's unstated business goal is to create products and grow markets that will allow it to become a leader in the highly competitive cosmet-

ics industry. ABS is succeeding in both endeavors. Since its inception in 2003, ABS has become one of the fastest-growing consumer products companies in the world. In just three years, ABS went from distributing a limited line of products in less than

caseload quantities to beauty supply stores to marketing volume shipments of multiple products through major retailers.

### ADJUST TO SCALE

This accelerated growth path required ABS to rapidly develop better, more sophisticated logistics capabilities. When it sold only through beauty shops, ABS relied on its contract manufacturers to stock inventory, fulfill orders and ship the product. Even with this limited distribution, logistics was a problem.

According to Chris McClain, chief executive officer of the Dallas-based cosmetics company, orders were often incomplete, deliveries were late and freight was damaged or trapped at regional truck terminals. "The quality of our logistics did not match our products," says McClain.

In order to expand and develop ABS' share of the health and beauty supply market, the company needed logistics help far beyond existing internal capabilities. "We are primarily a sales and marketing company," says McClain.

In fact, ABS was in the process of changing its mix of products to allow it to distribute through Wal-Mart, Walgreens and other large retailers. To meet the demands

**"We used to spend hours tracking our freight. Since CaseStack has taken over ABS's logistics, those problems have gone away, leaving us free to deal with other challenges and take advantage of additional opportunities." —CHRIS MCCLAIN, CEO, ABS**

of these customers, ABS needed a very different operational solution. Neither its contract manufacturers nor its own capabilities were up to the task. "Outsourcing logistics was the only way to go," says McClain, who began a search for a third-party logistics provider that could:

- Reduce overhead by increasing the accuracy of its order fill-rate
- Provide on time delivery and a reduced level of loss and damage on less-than-truckload (LTL) shipments
- Consolidate product inventory in one storage location rather than several warehouses scattered around the country
- Meet the very specific operational and technical requirements of its most important retailer, Wal-Mart
- Integrate with ABS's IT system and provide value-added technology capabilities.

### MAKING A MATCH

In the spring of 2005, ABS selected **CaseStack**, a third-party logistics (3PL) provider that specializes in warehousing and distribution for fast-growing, mid-sized companies. CaseStack also had a warehouse near ABS's headquarters in Dallas, so the company could consolidate all of its inventory and distribution operations in close proximity to where incoming product from contract manufacturers could be inspected at any time.

CaseStack has a long history of working with Wal-Mart's very specialized consolida-

tion and receiving requirements. Wal-Mart requires several highly sophisticated technologies and processes, including advanced shipping notification, electronic data interchange and radio frequency identification. CaseStack is fully equipped to handle these requirements and has long participation in Wal-Mart's "remix" consolidation program for many of its other clients.

ABS was already running a sophisticated inventory control and tracking system and needed a logistics provider that could integrate with its system. CaseStack offered a variety of web-based logistics software that easily integrated with ABS's inventory control/tracking capabilities.

"Ease of integration was a major factor in choosing to work with CaseStack," says McClain. "ABS and CaseStack's systems work together very smoothly."

Once the computer systems were integrated, CaseStack began the job of transferring inventory from a warehouse in Chicago to the 3PL's distribution center in Grand Prairie, Texas, outside of Dallas. Within seven days the transfer was complete and CaseStack assumed responsibility of all ABS logistics functions.

Now every product from contract manufacturers comes into CaseStack's Grand Prairie facility. When ABS receives orders from retailers, employees enter them directly into the CaseStack Web site. CaseStack then manages the process of transferring the product from its Dallas warehouse to its final destination.

The procedure is completely transpar-

ent. At any time during the customer order-to-fulfillment process ABS can use CaseStack's Web site to monitor the shipment and check the inventory in real time, which dramatically increased supply chain visibility and vastly improved inventory management efficiency.

For outbound shipments to Wal-Mart and other large retailers, CaseStack consolidates ABS orders with those of other Wal-Mart suppliers handled in the same warehouse.

"For my LTL shipments, I have cut transportation cost by 3 percent, and for the consolidations the costs have dropped 5 percent," says McClain.

Since working with CaseStack, freight claims have been reduced by 80 percent, while its "must arrive-by date" compliance rate has risen nearly 20 percent. Additionally, fill rates consistently exceed 95 percent.

The most significant benefit ABS has gained by outsourcing its logistics, according to McClain, is the ability to grow its business more rapidly because of the scaling capability of its 3PL.

"We are now focusing on how to increase revenue rather than looking for ways to reduce costs," says McClain. "We used to spend hours tracking our freight. Since CaseStack has taken over ABS' logistics, those problems have gone away, leaving us free to deal with other challenges and take advantage of additional opportunities." **CG**

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