

SUPPLY CHAIN MANAGEMENT

Unilever builds healthy market presence in Puerto Rico by streamlining supply chain

Challenge

- On-time delivery to customers
- High employee overtime costs
- Inadequate inventory and staffing controls
- Inefficient transportation system

Solution

- Improved transportation processes
- Enhanced integration of logistics, sales and marketing
- Deployed advanced warehouse management system
- Improved employee hiring and training programs

Results



99.99% on-time deliveries



Transportation costs



Customer returns



Employee retention and satisfaction



With a population of more than 4 million, Puerto Rico is an attractive market for consumer products companies such as Unilever, a leading global provider of products that meet everyday needs for nutrition, hygiene and personal care. From Hellman’s mayonnaise and Skippy peanut butter to Axe body spray and Dove detergent, Unilever brands have been popular with Puerto Ricans for years.

However, serving this densely populated island that’s approximately 1,000 miles south of Florida presents unique supply chain challenges given its location and limited warehouse capacity. Developing a reliable, streamlined transportation, warehousing and retail replenishment strategy was essential to enhancing customer service and efficiency in the market.

→ The Challenge

On-time delivery to customers was a key challenge for Unilever for multiple reasons. First, shipping times are typically five to seven days because 90 percent of Unilever’s products come from the mainland United States. Second, additional time is required to ensure that products are properly entered into inventory and transported to the right store locations once on the island. So, the company was often not meeting immediate customer demand for replenishment.

Unilever also struggled to balance inbound and outbound shipments at the port. When product arrived at the port, ineffective transportation systems caused delays in picking up containers, which created disruptions throughout the supply chain. It also added costs because of demurrage and detention fees assessed by the port.

Inadequate staffing and inventory controls at the distribution center created problems in handling supply and demand peaks and valleys. Costs for overtime labor were unacceptably high. Use of untrained temporary workers to meet peak demand caused order errors and damaged shipments that resulted in a high rate of customer returns.

The company also lacked a warehouse management system – essential technology for providing visibility into the status of orders. As a result, it was difficult for employees to track orders and keep retailers informed regarding delivery dates.

To address these challenges, Unilever turned to long-time partner Exel to develop and implement a supply chain management solution appropriate for the Puerto Rican market.

→ The Solution

Working in partnership with Unilever’s team in Puerto Rico and the mainland United States, Exel focused on process, integration and technology.

First, to improve inventory control and product availability, Exel and Unilever addressed overall transportation processes. Unilever retained responsibility for replenishment from its U.S. base, while Exel took over once the product reached Puerto Rico. Exel’s end-to-end services included picking up containers at the port and delivering products to retailers.



Consumer

Supply Chain Management

“When we started working with Unilever in Puerto Rico, they were experiencing significant challenges because of the unique nature of the marketplace. Working together, we addressed those challenges to ensure excellent customer service and efficient operations.”

- Ewar Rivera,
director of operations,
Exel

Exel also improved employee hiring, training and retention programs. For instance, it required all new employees to complete three days of training before they could pick their first case in the distribution center. During a 90-day introductory period, new employees were also teamed up with a supervisor for skill development and re-tested on a weekly basis to ensure understanding of policies and procedures.

To improve integration, the team facilitated ongoing communications among sales, marketing and logistics teams. It initiated highly detailed, weekly reporting focused on eight key performance indicators and other operational priorities, such as monthly transportation costs, special trips required to fill orders, and others. The reports prompted one Unilever executive to comment that he had “never seen that amount of information collected and shared with a customer.”

Exel also targeted integration and process improvements through a series of continuous improvement workshops. “Our Six Sigma experts spent several days with teams to address specific issues, such as reducing returns and improving reverse logistics,” said Ewar Rivera, director of operations for Exel in Puerto Rico. “Through these workshops, sales, marketing and logistics teams could look at an issue to determine the root causes of problems and identify solutions.”

From a technology standpoint, Exel worked with Unilever in the early stages of the relationship to implement a warehouse management system (WMS). Exel’s WMS provided easy access to critical information that helped facilitate the efficient flow of goods from the port through the warehouse and to the customer’s stores.

→ The Results

Working together, Exel and Unilever:

- Improved on-time customer deliveries from 96 to 99.99 percent
- Enhanced return logistics processes that saved Unilever \$260,000 in an 18-month period
- Reduced lost sales due to returns to less than \$500 per month
- Reduced overtime costs by 4 percent
- Eliminated high demurrage and detention charges related to delays at port

Exel’s efforts to improve the work atmosphere and reduce employee turnover were key to improving efficiency and order accuracy, and results have been recognized by third parties as well. Unilever earned the top position in the 2008 Performance Monitor Study, which measures the top 20 consumer companies in Puerto Rico in areas such as effectiveness of sales force, supply chain, customer service, logistics and distribution, and technology. Exel/DHL Supply Chain was also recognized as a 2009 Top 20 Employer in Puerto Rico by El Nuevo Dia.



Contact our
Consumer experts:
800.272.1052
consult.consumer@exel.com
www.exel.com

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