



Growing Pains



Hamleys, one of the world's best-loved retailers of toys, extended its partnership with Kuehne + Nagel in 2012 to support its international expansion plans by integrating Hamleys' international franchisees into a streamlined global supply chain.

QUICK OVERVIEW

BACKGROUND

Significant recent growth with further openings planned for the next few years

CHALLENGE

Implement an efficient robust supply chain that reduced lead times, import duty & costs, and increased visibility of stock

SOLUTION

A new hub, optimal route-to-market processing, relationship management and careful management of paperwork

RESULTS

Cost reduction, service improvements, removal of complexity and protection of documentation integrity and confidentiality.

BACKGROUND

In recent years, the company has undergone significant growth. Since 2008, Hamleys has opened stores across the globe in the United Arab Emirates, Jordan, India, Russia, Saudi Arabia, Scandinavia and other key locations. Hamleys' international growth has been achieved thanks to a successful franchise business model, and an aggressive growth strategy will see further store openings in the next few years.

CHALLENGE

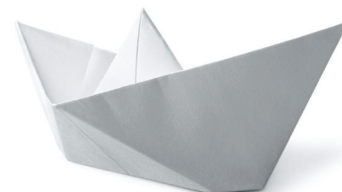
An extremely robust supply chain is required to support such rapid global growth. Hamleys recognised that while it planned to increase its global reach further, its existing supply chain was no longer fit for purpose. The model involved franchise orders being consolidated in the United Kingdom, consequently incurring unnecessarily long lead times, an inability to react to spikes in demands, expensive import duty and a long cash-to-cash cycle. Visibility of stock, service levels and cost also needed to be closely managed.

Working together with Kuehne + Nagel, Hamleys' challenge was to re-engineer its supply chain to support the franchise network more efficiently, and more importantly, implement a scalable platform to facilitate growth.

SOLUTION

A 'centre of gravity' analysis identified Yantian, in south China as a potential new hub. Orders could be raised in the same manner as before, but stock would now be routed via the hub operation, enabling optimal route-to-market processing. All international store orders would be assembled and relabelled according to their local destination requirements, for example with regard to local language labels or pricing.

continued overleaf



Kuehne + Nagel identified various challenges in implementing the Yantian solution. Maintaining relationships with Hamleys' suppliers was a critical success factor. They needed to be handled with great sensitivity to ensure service levels were maintained as the new supply chain analysis and implementation was carried out.

Due to the nature of the movement of goods and Chinese customs, Kuehne + Nagel had to ensure that packing lists, commercial invoices and certificates of origin were very carefully managed and the necessary processes adhered to in order to create a cost effective solution.

RESULTS

The Far East hub operation in Yantian has provided Hamleys with a robust and efficient supply chain platform to support its international growth plans.

Cost reduction:

- Reduction in cost through duty validation process (import duties are only paid once)
- The removal of "double handling" has reduced pressure on the UK logistics infrastructure, with seasonal orders for franchise stores now being routed via the Yantian hub

Service improvements:

- Shorter lead times have resulted in Hamleys being able to fulfil franchise orders more quickly. This has allowed Hamleys and its franchise partners to react faster to individual market trends and flex order quantities based on local demand
- This improvement in speed to market has improved the cash-to-cash cycle

Removal of complexity:

- Sea freight operations have now been optimised. Previously, costly Less-than-Container-Load (LCL) shipments were being routed directly from the Far East to the UK. Now, these shipments are routed via the Yantian hub operation where loads are consolidated and more cost efficient Full-Container-Load (FCL) shipments sent to the UK.
- The Yantian hub operation can now be adjusted to meet franchise partner's specific requirements. Stock can be relabelled as per end market requirements

Protection of documentation integrity and confidentiality:

- Document integrity ensures franchise partners can import goods quickly and easily, while re-cutting of documentation, such as the Certificate of Origin, ensures that they benefit from any preferential customs agreements in place between the destination country and the source country.