



## Case Study, Retail

Target Corporation taps EGL Eagle Global Logistics to develop a host of supply-chain solutions



From humble beginnings as a Minneapolis department store, the Target Corporation has grown into the fourth largest retailer in the U.S. Along the way, the company has stood at the forefront of customer-friendly innovations such as storewide electronic cash registers, nationwide electronic scanners, and the convenience of on-line shopping.

So when Target identified a problem with its non-retail supply chain, it called on EGL Eagle Global Logistics to help develop an innovative solution.

The result has been both a resolution of the immediate inefficiencies and a streamlining of other logistics systems beyond the original challenge.

### The Problem: Multiple Vendors, Multiple Deliveries

Supplying over 1,000 stores in 47 states, Target's own sophisticated supply network moves retail goods from vendors to stores. Moving non-retail products through that system, however, proved troublesome.

Like any large business, Target provides non-retail goods such as shopping bags, paper products, and cleaning supplies to its stores at a corporate discount. More importantly, the company produces in-store marketing materials, signage, and displays that coincide with and enhance national marketing efforts.

But these and other non-retail products were finding their way to the stores in a somewhat piece-meal fashion.

Some were shipped to the stores directly from vendors via small package carriers. Other items piggybacked onto retail shipments as second-class passengers.

The resulting inefficiencies were myriad, explains Brad Dockter, Target's operations manager for non-retail supply chain.

"What we had was many different shipments, coming from multiple locations into the store, arriving at different times. We had additional payroll at stores to handle the deliveries, lost product, and a number of replacement orders. And sometimes, because our stores are so large, the product was actually in the store, but the staff couldn't find it. All of that makes an impact when you're talking about more than 1,000 stores," he said.

In fact, some Target stores were receiving up to 55 small-package deliveries every day. One marketing project in particular had 79 different parts. Although all components of the same project, the parts were purchased from a number of different vendors and shipped directly to the stores. Few arrived together or on the same day, and some just got lost. When the time came to build the display, some stores had to reorder.

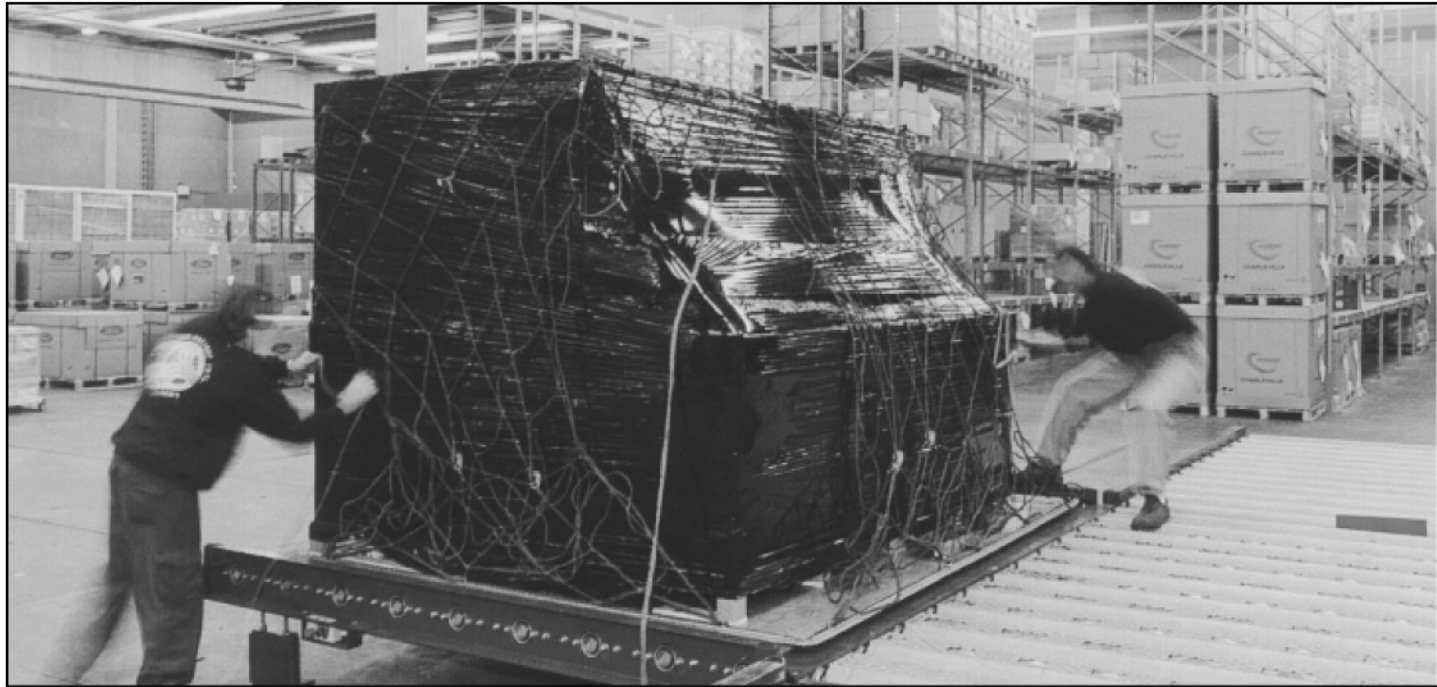
"Also, the company was spending a tremendous amount of money in the small package arena, which has a higher cost per pound than consolidated, heavyweight shipments," said Kristie Hjort, EGL director of global sales, retail sector. "Some parts were being air

### PROJECT SUMMARY

- **Problem:** Target stores were swamped with up to 55 small-package deliveries per day for non-retail items. With multiple vendors and multiple carriers involved, goods were difficult to track, organize, and handle.
- **Objective:** Create a non-retail supply chain that would be predictable, visible, less expensive, and reliable.
- **Solution:** Eagle bundled services to create a customized logistics network dedicated to Target's non-retail sector. Instead of multiple small-package deliveries, stores receive one weekly shipment, complete with an inventory list, on-line visibility, and products from every vendor in the chain.
- **Outcome:** Target has reduced shipping costs, staffing, lost product, and stress on stores. The company has also gained a measureable indicator of this important business sector.



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**At Target's consolidation site in Minneapolis, EGL Eagle Global Logistics bundles what was once hundreds of small-carrier packages into one, on-time weekly shipment.**

freighted when they didn't have to be. And, buyers within the organization were using a number of different carriers, so there was no consolidation of buying power with one carrier.

"Sometimes they were using air freight to get supplies to stores on time, not realizing that there were 10 other internal Target customers with the same in-store date for products that could ship together. Everything was going out by itself, even though it all ended up at one of 1,089 stores."

Another problem was that the stores had no way of knowing when the freight was coming or which carrier would bring it. With no way to track shipments, stores tended to reorder if something didn't arrive within a certain period of time.

#### **Objective: Logistics Wish List**

The task before EGL was to make Target's non-retail supply chain as efficient as its retail system. The company wanted stores to order supplies on Monday and receive them the following Monday. They also wanted predictability, a way to track shipments, and reduced costs for the whole sector.

Hjort says Target turned to EGL because they knew the company would use its "outside-the-box" philosophy to turn a concept into a reality. "Most carriers simply sell their stan-

dard service levels," she said. "But our approach was to start with a blank sheet of paper, write down all of Target's needs and return with a solution.

"It wasn't a standard service offering – more of a bundling of several services. We created a logistics solution tailored to meet all of their needs, and the key to our being able to do that was our flexibility and availability of different service options."

#### **Solution: Organization and Consolidation**

After studying Target's situation, EGL proposed a solution based on establishing a consolidation center that could process all of Target's non-retail freight and consolidate it into precise bundles for each store.

With some research, the company found that most of its signage and store supply providers were located in Minneapolis, near Target headquarters. Since most of the volume originated locally, the choice for the site of the center was easy.

Once the center opened, EGL's role was to develop a dedicated, time-sensitive delivery network that was consistent, cost-effective, and based on the consolidation logistics method.

EGL placed personnel on-site to help with the consolidation process and direct the network. In addition to sup-

plying all the vans, trucks, and planes, EGL provided logistics expertise for the supply chain, which included receiving, staging, checking quality, packaging, labeling, and finally, shipping.

Today, all of Target's non-retail product comes through the new consolidation center, where it is gathered, allocated based on each store's weekly order, and then delivered to the stores – in one shipment that arrives on the same day each week. In addition, each shipment has its own complete inventory list, so stores can track every item in their order.

"We run the network," says Hjort. "It's dedicated to Target's freight, but they don't have to manage it or incur the costs of operating it. And it's a big job to provide 99 plus percent on-time service level for a company with this kind of flexibility."

Indeed, EGL's logistics network had to be flexible enough to process anywhere from 60 to 125 trucks each week, without really knowing from week to week how much the stores were going to order. For such a dynamic task, EGL dedicated a team of logistics professionals to work exclusively on the project.

Since operations started, EGL has taken efficiencies a step further. After one quarterly supply chain meeting with all of the vendors in the network, EGL asked if it could tell the vendors

how to pick orders. They agreed, and EGL provided its pick sequence.

"Now, even though there are four vendors, they're all picking in our sequence," said Hjort. "The product comes into the logistics site in the same sequence it ships out. If our first shipment is to Salt Lake City, all four vendors pick Salt Lake first; it comes to the logistics site at the same time and leaves for Salt Lake at the same time. Everyone is working on the same schedule."

#### **Outcome: The Payoff**

The advantages of EGL's solution are many. Target has reduced its non-retail shipping costs, reduced staffing levels at stores, reduced the amount of replacement orders, and provided its stores with an accurate, on-time delivery of the non-retail items they order each week.

Shipments that used to take 14 days now arrive at some nearby stores overnight. And because of consolidation, Target enjoys bulk rates, even though the service sometimes feels like overnight. In addition, EGL's current 99 plus percent on-time record allows stores to predict delivery times and volume to staff accordingly.

And consistent on-time shipments are of no small consequence to this retailer, especially regarding seasonal marketing campaigns the company calls transitions. Back to School, Fall Brands, Halloween, Christmas, and Easter for example, represent a critical marketing window when the company needs promotional materials in the stores on time.

EGL's team of dedicated Target personnel meet monthly with the company and its vendors to plan for these peaks and ensure that every store in the country meets national marketing standards.

"Transitions are very critical in establishing the Target brand," says Dockter. "They've got to be timed perfectly. In-store dates across the whole company drive different departments within Target for other projects. Each transition involves hundreds of hours of payroll in every store, and if the product is not there, we're moving in the wrong direction.

"But this dedicated network has

eliminated a lot of rework. The stores are telling us, 'Don't take this service away. We want all of our transitions handled like this.' (EGL currently provides logistics for about 15 percent of the transitions.)

"I like the way EGL has staffed their group and the way they view Target," continues Dockter. "They don't view us individually at each location then measure their profit and loss. They're looking at Target as a whole entire customer, so they're not going to make a dumb decision in one area that impacts us negatively somewhere else -- which is something we've run into with other carriers."



pressure on Target's retail distribution centers. He says it was like pulling the air conditioner out of a sports car, "Our retail distribution center performed better, and we like that speed."

#### **Bonus Points**

Dockter and Hjort have recently uncovered a logistics bonus that had been hiding under all the small-package deliveries of the past. Since EGL visits every Target store once a week, why not have the drivers handle return merchandise as well?

"Now we're doing the reverse," explains Hjort. "After we deliver supplies, we're picking up Target's back calls. When the merchandise gets to our facility, we consolidate it and ship it anywhere Target wants. It's a huge service because back calls were a major headache for the stores: each one used a different carrier, with different bills of lading, and different allocations.

"Now the stores have one carrier they're used to," says Hjort. "We invoice Target per their specifications, and we make it very easy for the stores."

After starting with the four big internal vendors, Hjort says EGL continues to find more and more vendors that ship direct to the stores who see value in becoming part of the network. And since creating this system for Target, there are a whole host of other retailers who want the same type of solution.

With such a successful beginning, it seems apparent that innovative solutions will continue to flow along the network between these two companies. Certainly thus far, the relationship has been right on target. **EGL**

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— Brad Dockter  
Target Operations Manager  
Non-Retail Supply Chain