



Urban Outfitters improves efficiency, customer service and lowers operating costs with new distribution center

Vanderlande Industries integrates automated material handling system in new Reno E-commerce facility

E-commerce has become a booming business with sustained 20-30% growth each year. The Fashion industry is expected to become the largest subsection of this e-commerce market growth which already attributes 10% of the total Fashion market to on-line sales. Within the Fashion industry, Urban Outfitters Inc is a well-known, innovative specialty retailer which offers a variety of lifestyle merchandise to highly defined customer niches. Headquartered in Philadelphia, Pennsylvania, it operates in the USA, Canada and Europe through various sales channels, such as stores, catalogs and online store fronts. The company's brands Urban Outfitters, Anthropologie, Free People, Terrain and BHLDN are experiencing strong growth in its Direct-to-Consumer business and Urban Outfitters' logistics processes needed adapt to meet the increase in orders from their growth in e-commerce sales. In order to meet this demand, Urban Outfitters reached out to Vanderlande Industries to design and install their new e-commerce distribution system located in Reno, Nevada. Vanderlande is an OEM and system integrator of material handling solutions. They bring years of knowledge and experience to designing and implementing automated order fulfillment systems for Direct-to-Consumer logistics processes within the e-commerce market.

The Challenges

Challenge 1:

Urban Outfitters (Urban) operates a distribution center in Trenton, South Carolina, which was primarily responsible for serving their expanding Direct-to-Consumer market. The Trenton warehouse logistics flow was not originally designed to handle the modern day order profiles and the associated capacity requirement increases generated from a successful Direct-to-Consumer business. Urban was faced with either renovating an outdated facility or investing in an entirely new facility. The warehouse also needed to account for unique processes, which other legacy distribution centers may not face on a regular basis, such as short delivery times for a wide range of customers, high accuracy, efficient returns handling and significant peaks during the year, especially during the holiday season.

Challenge 2:

The e-commerce, on-line shopper is increasingly demanding. Shoppers expect multiple product choices, good pricing and fast delivery of their selected products. To compete in this demanding market Urban Outfitters offers its customers a wide variety of goods with drastically different product characteristics at competitive prices. Internally, the Urban logistics group requires a high level of attention in order to support this business model. So, their distribution channels must operate not only in a way to support the vast array of products with unique characteristics, but must also allow for the necessary value-added logistics processes required to remain competitive.

Challenge 3:

Another important aspect of serving the Direct-to-Consumer market is the footprint of the customer base and how it matches against small package carriers' capabilities. Since Direct-to-Consumer orders go to many more destinations than one might see in a traditional retail distribution network, a successful e-commerce distribution center is strategically located close enough to its targeted customer base as to optimize next day or 2-day small package carrier delivery footprints.



Challenge Summary:

Urban's Direct-to-Consumer logistics network, like many companies, was facing unique challenges that cannot be solved through existing legacy warehouse logistics strategies. A legacy solution designed for large clothing orders is not suitable for small orders of fragile items. Emerging business units require unique packaging. At the same time these significant changes are sweeping through the marketplace, more performance is expected from an automated material handling system and legacy systems struggle or are not suited to keep up.

The Solution:

Faced with multiple logistics challenges, Urban Outfitters quickly realized they needed to take steps to optimize their existing logistics model in order to meet their growing e-commerce business. Urban turned to Vanderlande Industries to develop a solution for their challenging logistics model. Urban chose to partner with Vanderlande on this project, firstly because of their vast experience in designing and implementing order fulfillment systems for other Direct-to-Consumer businesses, such as Amazon and Tesco, and secondly, because of Vanderlande's previous success on two other new Urban facilities in the UK. These two other facilities were a Direct-to-Consumer order fulfillment center, one being a retail fashion DC. Both facilities exceeded expectations and went operational in 2011.

"We preferred Vanderlande because they demonstrated that they clearly understand complex logistics challenges, are able to design appropriate solutions through mixing and matching their proven sub-systems, and are able to provide full scope integration," says Ken McKinney, Executive Director of Logistics for Urban Outfitters, Inc.

"Vanderlande used a very flexible approach and demonstrated a desire to understand our business needs and culture and to provide us with the appropriate end-to-end automated material handling solution that meets our needs. Their engineers took our preliminary conceptual design and substantially improved it, providing increased performance levels and aligning the different elements of the system with our strategic business objectives. "

"Our design team uses a philosophy of maximizing ROI (Return on Investment) by providing unique conceptual solutions and a pragmatic approach towards investment," says Andy Williams, Business Development Manager for Warehouse Automation, Parcel & Postal in the US. "Our warehousing and distribution experience with fashion and e-commerce companies allows Vanderlande to provide material handling solutions that match the unique distribution requirements of companies like Urban Outfitters, wanting to expand their Direct-to-Consumer offering. We use our understanding of the industry's challenges and the client's strategic objectives to enhance the final solution and provide value to all stakeholders."

Vanderlande specializes in designing and building intelligent IT-driven material handling systems and related services, which cover the entire distribution center process, from receiving to shipping. The company's solutions include: order picking/order fulfillment systems, automated storage and retrieval systems (AS/RS), sortation systems, conveyor systems/internal transport systems and Warehouse Management and Control Systems (WMS/WCS). Vanderlande has automated well over 1,000 warehouses and distribution centers in a wide range of industries.

Urban Outfitters and Vanderlande developed a new distribution center that is strategically located in Reno, NV and utilizes state-of-the-art picking and sortation technologies, specifically designed and optimized for the Direct-to-Consumer market. The new system takes care of all warehouse processes,



from receiving to shipping. It is a tote based picking and transport system with unique features allowing for high operator performance and maximum efficiency. It allows for maximum flexibility while accommodating all of the unique products that Urban Outfitters sells. Everything from small glass products to large clothing items are handled on the system. Both single piece and multi piece orders can be sorted, consolidated and shipped in the most cost effective, streamlined method possible. The system is based on a batch picking concept optimized for Urban Outfitters specific requirements. Picking is done in totes, which are subsequently transported to infeed workstations at a packing sorter where the products are manually placed on the sorter. The sorter then sorts pieces to the corresponding order chute. Once all the pieces for a batch have been sorted, the pieces are packed per order by an operator into poly bags or cartons. Value added services, such as inserting promotional flyers can be done here as well. A conveyor system transports the packages to a shipping sorter. The material handling system is managed by Vanderlande's VISION Warehouse Control System, which is integrated into Urban Outfitters' Manhattan Associates WMS system. VISION dynamically assigns orders to chutes and directs orders to the appropriate areas for consolidation.

The Benefits

Urban Outfitters is aiming to see significant benefits from the new project. Compared with previous design iterations, the Vanderlande solution offers a faster Return on Investment. The new facility also has commonality with another system in Urban's network (a Direct-to-Consumer order fulfillment center in Rushden, UK which went into operation fall of 2011), enabling the company to compare and benchmark logistics performance indicators. Vanderlande's worldwide presence allows companies to achieve synergies that are not possible with regional providers. The new warehouse process also brings significantly improved performance in terms of operating costs, efficiency and customer service levels.

Outlook

The new Reno, NV facility went live in September 2012 but this is not the end of the partnership between Urban Outfitters and Vanderlande.

"Their life cycle management approach is very appealing to customers like us, looking for a one-stop shop," says Ken McKinney. "The whole system is scalable, and is designed in a way to easily allow expansion to accommodate future growth. Once the system has become operational, Urban Outfitters and Vanderlande will continue to work together to improve operating efficiency and system performance, maximize availability and to help Urban Outfitters' operations team to achieve its goals".

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