

## *Development of a 5 year Logistics Strategy for Europe*

Costs reduced through the centralisation of European distribution operations



A multi level marketer of cosmetic and healthcare products, with logistics operations mostly localised in individual market territories, required an independent recommendation for their Logistics Strategy to support their 5 year business plan.

### The Client

- Nu Skin Europe, the European subsidiary of a \$1 billion parent
- Distribution of cosmetic and healthcare products to multi level market (MLM) customers
- Operations in Scandinavia, Western and Eastern Europe

### The Objective

- To develop a logistics strategy for the European business, to meet the planned increases in sales revenues and new markets over the next 5 years
- To identify opportunities to reduce costs in the existing logistics network
- To evaluate the significance of new routes to market on the performance of the existing operation
- To provide a scaleable and deployable solution to satisfy the requirements of new markets, potentially in the Middle East and Russia
- To identify cost reduction opportunities in other areas of the supply chain, particularly in the sales and administration functions

### The Solution

- Through operational reviews (across Europe) and the construction of network and profitability models, a clear business case to consolidate the decentralised logistics operations into an existing facility in Holland was made
- Analysis of freight charges clearly indicated that the cost of outbound freight, which was thought to being recovered, was not, and the imperative to alter existing “free shipping” arrangements and a new rate card developed

### The Client Benefit

- The revised logistics network, projected a reduction in operational costs by over 4 million Euro, over the 5 year horizon
- The identified under-recovery of annual freight charges, equivalent to 800K Euro, ceased
- Opportunities to reduce the cost of sales order processing through consolidation identified and equivalent to 500K Euro pa