



Kuehne + Nagel Helps High-Performance Fila Tune Up Transportation with Visibility & Control

Expertise, infrastructure enables earlier control over shipment process, avoiding previously “hidden costs”

SITUATION

Italy's Fila has a worldwide reputation for high-performance sports footwear, apparel and fashion accessories. As its markets and product lines grew, Fila faced the challenge of managing an increasingly complex supply chain. Historically, Fila's supply chain function in Italy controlled the Asia shipping department, selected the freight forwarder, and managed all aspects of Asian outbound freight to its subsidiaries, including Fila USA.

When it came to the supply chain, cutting costs was the top priority. However, lowest cost at origin often didn't result in the lowest total supply chain cost. Delays and inaccuracy in customer orders created cost on the destination side. Lack of visibility was also a problem, with information often not available until close to final customer delivery dates. Variety of product and range of clients brought additional complexities.

Working with headquarters in Italy, Fila USA issued an RFQ in Spring 2003 focused on re-engineering Fila's supply chain model to one that was Fila USA-centric, rather than the previous model with the Fila sourcing center in the middle, making decisions for the regions. Fila USA selected Kuehne + Nagel as its new freight forwarder in July, and the two companies mobilized to make the change in August.

SOLUTION

Dedicated teams from both sides immediately began tackling the complex implementation process. The joint project team met for two intensive weeks of planning, mapping out the “as is” processes and developing the “to be” processes that would form the basis and direction of transition and implementation.

Under the “as is” model, Fila designed and ordered products based on anticipated volumes, then executed against the forward plan. The flexibility and visibility of the “to be” model would allow Fila to revisit and redefine the forward plan as the product was being manufactured, improving inventory management and service while cutting costs.

Under the “to be” model, Kuehne + Nagel would start managing orders some 30 days before they are ready to be shipped, managing against the date product is needed in the U.S. rather than against a shipping date. The project also included building a direct information exchange between Fila and its partner, and automating the massive amounts of documentation required for global trade through the use of Kuehne + Nagel's web-based visibility tool.

The project team developed, presented and gathered feedback on a joint project plan. The final model was presented at a supplier conference held in Hong Kong, which was attended by some 40 to 50 factories from all over Asia.

The new model changes suppliers' responsibility for the product, thus influences when they can invoice Fila. This new model is being phased in, with some changes being made immediately, and others taking effect in the first quarter of this year.

The first step was to transfer freight from Fila's previous freight forwarder to Kuehne + Nagel. The new model was rolled out country by country, starting in Hong Kong, then



moving to China, Indonesia, Mauritius, Cambodia, Bangladesh, and other countries where Fila sources product. Kuehne + Nagel had one-to-one meetings with the factories in each origin, and trained them on new systems and processes, adapting the standard operating procedures to local requirements.

Kuehne + Nagel replaced manually produced Advanced Shipment Notifications with those generated automatically, improving timeliness and accuracy of information. Kuehne + Nagel's information system automatically captures and provides more transportation data, reducing the need for data entry by Fila's logistics operation. Document management has also been automated, with external documents scanned into the system when they are produced, made visible in a "push" fashion as needed.

In addition, Kuehne + Nagel-produced documents are digitally imaged automatically from operating systems, which accelerates the paperwork flow. Documents are now immediately available for anybody who needs them, including Fila inbound and outbound, customer service, the distribution center, and our broker. As a result, Fila has immediate visibility and tracking capability and the ability to manage by exception.

On-demand Web access to purchase order and shipment information is available on a secure platform. In the event of a disruption to planned timelines or quantities, simultaneous multi-party alerts with exception routines keep product managers, the customs broker, the DC, and inbound logistics informed of the problem.

Kuehne + Nagel is also optimizing transportation, merging multiple shipments from the same origin to build a full container. This has enabled Fila to reduce shipping costs and increase space utilization while meeting customer requirements.

RESULTS

"Despite its aggressive timeline, implementation of this complex project has been very successful. We haven't missed any major deadlines in terms of getting product to the customer," said Andrea Greco, Vice President, Global Supply Chain, Fila USA.

