

Case study

Warehouse Management

El Palacio de Hierro

Supporting Rapid Growth at El Palacio de Hierro

30%

Improvement in customer delivery response times

25%

Improvement in store delivery response times

30%

Improvement in DC labor productivity

Supporting rapid growth

With growth predicted to hit 521 percent, Mexico City-based upscale department store chain El Palacio de Hierro realized they needed a new warehouse management system (WMS) to support business continuity and customer service goals during this rapid growth. Their out-of-date software and infrastructure, with frequent down time, was no longer viable. They selected Blue Yonder's Luminare™ Logistics warehouse management capability to support growth and provide stability.

Challenges

- El Palacio de Hierro was supporting deliveries of omni-channel orders to customers and its well over 200 stores from a 430,000 sq. ft. DC in Mexico City. Their out-of-date WMS, servers and data base resulted in capacity and response time issues, as well as frequent down time, that impacted service to customers and stores.
- With predicted rapid growth and goals for improved customer service, including delivery of everything from e-commerce orders to major appliances, El Palacio de Hierro wanted a WMS to support all DC functions efficiently with 100% product availability and 99%+ order accuracy.
- The most significant goal for El Palacio de Hierro was to achieve operational stability.

Managing hectic operations

El Palacio de Hierro is challenged with increasing customer demands for 100 percent product availability and fast, accurate delivery of their orders. Add in the company's rapid growth and wide selection of merchandise and it is clear why their DC operations can be hectic.

Their Mexico City DC receives shipments from suppliers via scheduled appointments, as well as imported goods, and provides inventory





storage, store replenishment, and cross-docking functions. It also ships direct to customers and stores and processes store and customer returns. There are over 19,000 floor and rack stock locations for picking orders for home delivery and store replenishment. Blue Yonder's warehouse management capability supports all of these operations, providing significant cost and throughput benefits.

“The supply chain department at El Palacio de Hierro has significantly improved service and fulfillment levels on the product delivered to our customers and stores by implementing the Blue Yonder solution.” - Director of Logistics and Special Services, El Palacio de Hierro

Business continuity

The number one goal for the WMS implementation was to create business continuity by eliminating system downtime. “The most significant benefit for our organization is achieving operational stability, thanks to the Blue Yonder tools. In the past, we used to experience significant operational breakdowns that led to very long wait times for our providers and brought operations to a halt. We have achieved this stability since the implementation.”

Improving customer service

Another goal for El Palacio de Hierro was to increase operational efficiency and accuracy across many functions to improve customer service while supporting an aggressive five-year growth plan. The implementation resulted in significantly improved inventory visibility and accuracy, increased labor

productivity and substantially improved order delivery times to customers and stores.

Solution benefits

- 100 percent inventory visibility reduced inventory errors by 75 percent and increased inventory accuracy to 99.96 percent
- Labor productivity increased 30 percent, resulting in US\$ 580,000 in annual saving
- Order picking accuracy improved to 99.78 percent
- Order response times improved substantially, with delivery times for customer orders improving 30 percent and store deliveries improving 25 percent

Blue Yonder expertise

El Palacio de Hierro did not achieve its significant savings and improvements simply by implementing a WMS. It took a partnership between the retailer, Blue Yonder Alliance member netLogistiK, and Blue Yonder services. Blue Yonder provided consulting and education services that continue to bear fruit.

“Software training and education for our associates is very important for us because, thanks to Blue Yonder's training support, over a year after its implementation, we are still experiencing improvements that have resulted in operational benefits. Blue Yonder provided us excellent service.” - Director of Logistics and Special Services, El Palacio de Hierro



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