

“We were looking to change from a warehousing operation to a true distribution center.”

Background

Headquartered in Warrendale, PA, American Eagle Outfitters (AEO) is a leading lifestyle retailer of casual, fashion-right clothing for 15 to 25 year-old young adults. AEO currently operates 760 AE stores in the U.S., 68 AE stores and 107 Bluenotes/Thrifty's stores in Canada with total sales exceeding \$1.5 billion.

Challenge

As AEO transitioned to a mall destination apparel retailer from a catalog and outlet store retailer, the management of AEO asked Vargo to evaluate the material handling equipment and methodology of their Warrendale distribution center. Business and distribution practices were reviewed and some immediate changes in methodology and equipment produced a 40% increase in packing productivity. Based on the success of this phase, the decision was made to conduct a study to determine the growth and further increase distribution efficiency. The study included the review of AEO's business philosophy, value added services, distribution practices, equipment analysis needs, comparisons, shipping practices and finally a return on investment of the finalized plan.

Solution

The major elements of the five year plan that were presented to and accepted by AEO are as follows:

- Projected store and volume growth
- Elimination of outlet stores and garments on hangers
- Implementation of stores replenishment and shipment to pools in lieu of staging
- Creation of packaging and ticketing standards and shifting value added services to vendors
- Collaboration of marketing, allocation and distribution to level the distribution throughput

These key elements prompted several physical changes. A major material handling system was implemented while maintaining production, as well as an addition to the facility to accommodate the changes from a warehousing organization to a true distribution facility. The renovation and additions included:

- Four replenishment pick modules and a new shipping sorter with direct lines from packing
- Elimination of every piece receiving and ticketing
- Installation of an automated put-to-light packing system
- System changes to automatically credit and track carton and trailer manifests

As volume increased a second packing system was added along with an inbound sorter and put-to-light technology. Continued growth prompted planning efforts to create an automated receiving system based on Advanced Shipping Notices (ASN) and pre-allocations with automatic sortation to cross dock, packing, break case or pallet build for storage.

Results

The successful completion of this project greatly increased the receiving efficiency and the speed with which the carton contents reached shipping and ultimately, the stores. A second distribution center was added in Kansas to serve the West and Southwest. This latest facility is a model of apparel distribution efficiency with state-of-the-art equipment and technology performing the tasks assigned by Allocation and WMS host systems in Warrendale.

