



GROENEWOUT

## Outsourcing identified as best solution to achieve Loavies' growth ambitions

*Interview with Jorn van Klooster, co-owner of Loavies, by Marcel te Lindert*

# LOAVIES.COM

**In spring 2017, following rapid revenue growth, e-tailer Loavies faced an important**

**decision: should it outsource the logistics operation, or would a DIY approach be the best option? Consultancy firm Groenewout helped the online fashion store to find the solution. Less than six weeks, the conclusion was clear: outsourcing still makes the most sense. Loavies' founder Jorn van Klooster: "A good fulfillment partner makes it easier for us to expand abroad."**

Loavies is an online fashion store selling clothes developed and produced under its own label. The approach is entirely based on 'fast fashion' principles: a new style becomes available online within a month of being designed. If an item exceeds expectations in terms of sales, extra stock can be added within the space of ten days. "We are completely trend-driven, in other words we don't work with collections that change at fixed times of the year, for example. Our items remain available for as long as they continue to be popular. That approach means that we offer between 1,200 and 1,500 different styles through our webshop at any one time," says co-owner Jorn van Klooster, who founded Loavies five years ago.

The retail formula is a hit with the target group, which comprises young women aged 18 to 28. In 2017 Loavies is on track to achieve 105 percent revenue growth, and Van Klooster expects the turnover to double again in 2018. Most of that growth will have to come from abroad. "We currently generate around 25 percent of our sales outside of the Netherlands – mainly in other European countries, but we also ship to customers in the USA and Australia," explains Van Klooster.

### **Cheaper is not always better**

That success presents Loavies with a number of logistics challenges. "We initially handled the logistics ourselves, but by the end of the first year we already had too many orders to keep up with so we went in search of – and found – a fulfillment partner: Active Ants," says Van Klooster. Despite being satisfactory, the partnership with Active Ants was short-lived. Loavies allowed itself to be lured away by a more competitive offer, but soon discovered that cheaper isn't always better – far from it, in fact. "For an online fashion store like Loavies, returns handling is a time-consuming, costly but extremely essential process. The new fulfillment partner didn't live up to our expectations in terms of making returned items suitable for resale, and didn't always manage to dispatch orders on time either."

Those experiences caused Loavies to reassess the best way to facilitate its rapid growth – by outsourcing the logistics activities elsewhere or by setting up its own logistics organization?

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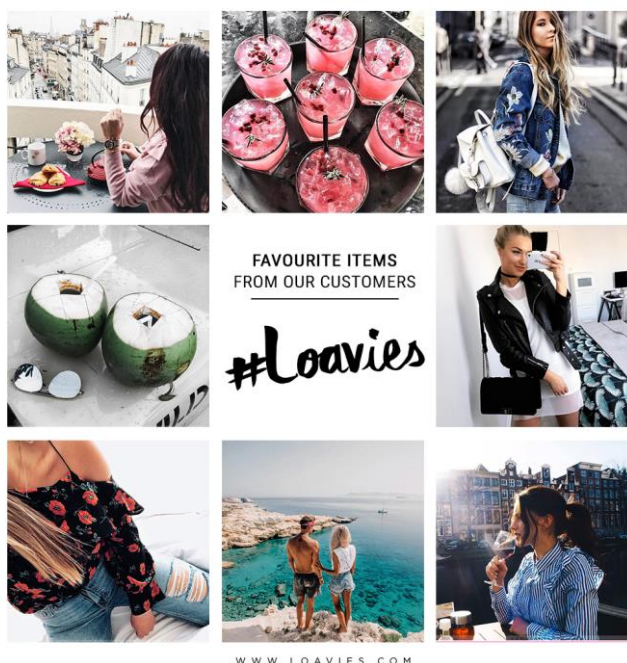
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Loavies enlisted the help of consultancy firm Groenewout to find the answer. "In 2015 we reached the finals of the Dutch Logistics Webshop of the Year awards and won the public vote. That brought us into contact with Paul Haagh, senior consultant at Groenewout, who was a member of the judging panel. We stayed in touch by phone afterwards and called each other regularly to bounce ideas around, so Groenewout was the logical choice when we needed external logistics expertise. Unlike companies such as Bol.com, we don't have a large logistics department, whereas Groenewout has many years of specialized experience."

**Cost estimate**

Two analytical sessions helped to identify the solution. In the first session, Loavies and Groenewout worked together to map out the existing logistics processes. Loavies also provided the necessary operational data: How many orders are received per day? What is the returns percentage? How big is the product range? How much inventory does the company hold? And, perhaps the most important question in view of the growth, what are the future expectations?

Based on all that data, Groenewout estimated the operational logistics costs and also made a sketch showing how much space would be needed for product storage, picking and packing. Groenewout then used that to calculate the level of investment required for Loavies to insource its logistics operation again. In the meantime, Loavies met with various fulfillment specialists.



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The findings were discussed in the second analytical session, and it didn't take long for Loavies to conclude that outsourcing the logistics still makes the most financial sense at the moment. A DIY approach to logistics would push the cost per order too high, partly due to the substantial investments required. Furthermore, outsourcing offers scalability benefits. "Our volumes aren't yet big enough to justify us setting up our own logistics operation, not least due to the shipment costs. A fulfillment specialist that works for several webshops can negotiate lower rates than we would be able to. That's especially true in the case of orders shipped beyond the Netherlands since our international volumes are still pretty low. A good partner makes it easier for us to expand abroad."

#### **No-nonsense mentality**

In the end, Loavies decided to outsource its logistics to Active Ants again – the same supplier it had worked with four years earlier. "Active Ants is a forward-looking partner where they are continually on the lookout for innovative technologies in order to improve their processes and meet customers' wants and needs even more effectively. Besides that, the company's no-nonsense mentality really appeals to us. They deliver on their promises, and we now know from experience just how important that is in logistics." According to Van Klooster, however, it is quite possible that the question of whether or not to outsource will arise again in the longer term. "The advantage of doing it ourselves is that we would have more control over how we can add value, whereas that currently depends on which possibilities our fulfillment partner offers. But outsourcing is the best approach for us for now. It allows us to focus our full attention on marketing and on achieving our growth ambitions. A completely new logistics organization would have been too much of a distraction from our objectives right now."

#### **Quick to act**

Van Klooster is very happy with how the project went, especially in view of the short lead time. The whole process, including the two analytical sessions, was completed within less than six weeks. "That was important, because we were keen to act quickly, especially after our experiences with our previous fulfillment partner. Thanks to the efforts of all our employees, we moved the entire stock to the new facility over a single weekend. Active Ants could restart the operation on the Monday morning without our customers noticing a thing," adds the co-owner.

Van Klooster praises Groenewout's role: "The collaboration ran flawlessly and Groenewout's work was extremely thorough. In view of the urgency of the project, it was very good that both sides were so very quick to act. Whenever we had any questions, we always received a rapid response. If we supplied extra data, they were able to integrate it almost immediately. If we had to do it all over again, I would definitely choose Groenewout again."

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**Text by Marcel te Lindert**

Marcel te Lindert is a journalist with over 13 years of experience in logistics. He was editor-in-chief of the Dutch magazines *Transport+Opslag* and *Logistiek*. Nowadays he works freelance for trade magazines including *Supply Chain Magazine* and *Warehouse Totaal*.

**More information**

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