



Nationwide Pool Point System for Build-A-Bear Workshop – Case Study of a Distribution Solution

“The HA Logistics team provides great service.”
-John Matthews, Director of Logistics, Build-A-Bear Workshop

Build-A-Bear Workshop provides a *make your own stuffed animal* interactive retail-entertainment experience, with 165 stores in 39 states and Canada as of October, 2004. Recently, Build-A-Bear has expanded to event and sports venues, with the “Make Your Own Phanatic” concept for sports fans in Philadelphia.

In November, 2001 Build-A-Bear was growing rapidly, with revenues increasing to \$106 million for the year. The executive team focused on growth with great success, adding 32 new stores. With exponential growth in the plans for the future, Build-A-Bear needed to gain better control of its supply chain so the executive team could stay focused on growing the business. After intense discussions with a number of logistics providers, Build-A-Bear contracted with HA Logistics to manage distribution logistics for all its stores and to handle new stores openings, which would include 37 locations in 2002. HA’s expertise in setting up pool points and its consistent performance levels were the deciding factors for Build-A-Bear.

Distribution Situation

Build-A-Bear locates its workshops in malls. The stores themselves, averaging only 3,100 sq. ft. are focused on “etailing” (entertainment retailing). As with most mall sites, little or no back-room warehouse storage is available. One of the hallmarks of Build-A-Bear is its wide selection of customizable elements so a customer can create a unique bear. Build-A-Bear challenged HA to deliver a complete inventory of elements at each retail outlet, yet stay within each store’s limited stocking area and make deliveries outside of retail operating hours. Part of the solution was pre-positioning inventory amongst the 56 pool points. And as Build-A-Bear grew, over 30% of their transactions were bear accessories for previously purchased animals. Therefore, a complete line of inventory both on-hand and on-display was critical for the revenue growth of the company.

Distribution Solution

HA Logistics designed a supply chain process to achieve seven specific objectives, based on Build-A-Bear’s needs. The key to the supply chain for Build-A-Bear was a pool point approach. Pool points create the opportunity to minimize outbound supply costs by shipping truckload shipments to regional sites and then deliver product locally through agents. This process reduces

internal distribution costs to local outlets by minimizing the delivery distances and consolidating shipments to retail locations.

Objectives for Distribution Solution

- Assure weekly deliveries of all items to every Build-A-Bear outlet.
- Contain inventory for each outlet within the limited retail and display space available.
- Schedule all deliveries within 30 minute windows, outside of retail operating hours.
- Provide delivery teams which will put away and stack items directly into the outlet, including bales of stuffing, weighing 650 lbs.
- Provide national coverage.
- Stage and stock inventories for new outlets prior to their opening, so the store has complete inventory for the opening event.
- Constantly reduce freight costs on a per pallet basis.
- Accommodate new outlets on a nationwide basis as added.

*Key Learning: Design the distribution solution to meet the client's specific requirements.
Don't simply paste an existing solution onto a new set of needs.*

To achieve these objectives HA designed a pool point solution for Build-A-Bear that assured guaranteed time critical weekly deliveries to each outlet and minimized delivery costs through shipment consolidation.

Critical Components of Distribution Solution

With its experience in setting up distribution networks, HA located regional pool points at strategic sites nationwide to meet the needs of Build-A-Bear. Given the client's headquarters location in St Louis, Missouri, HA dedicated a national account manager locally to assure direct, on-site, personal supervision and personal service.

Critical components of the distribution solution include:

- On-site account manager with direct responsibility for downstream supply chain operation.
- Regional pool points located to minimize line-haul and local hauling costs.
- Sailing schedules to minimize truck load expense
- Staging inventory and fixtures for every store opening, a total of 112 new stores from 2001 through 2003.
- Constant reviews at the operational level and at the business level.

Currently, HA manages 56 pool points for Build-A-Bear nationwide from Hawaii to Boston. As Build-A-Bear's expansion creates the need for a new pool points to maintain service levels and minimize costs. HA handles the entire process of locating the facility, contracting with the local pool point, and resets all the local delivery schedules to assure on-time performance to every local site.

Ongoing Reviews at Operational and Business Levels

The HA operations team meets with Build-A-Bear monthly to review operational results. The HA team presents summary charts of critical metrics, as shown below, as well as detailed

operations reports. The business teams from both companies meet quarterly to review business objectives and to adjust operational objectives, based on performance. Annually, the business and operations teams meet to understand Build-A-Bear’s strategic goals for the next year. The HA team then adjusts the supply chain solution to meet Build-A-Bear’s strategic objectives and establishes performance targets that will measure how well the supply chain solution achieves the strategic objectives.

At the business review held in December, 2004, the team concluded that Build-A-Bear needed to review the possibility of dynamic deliveries. This process will allow increased truckload pool point optimization and reduce distribution costs even more. HA is developing a strategic transportation model to present to the Build-A-Bear executive team early in 2005.

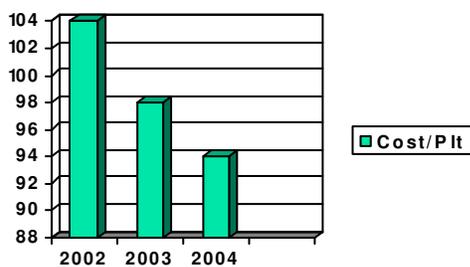
Results – Constant Improvement over Three Years

Over three years of operation, HA has constantly improved performance and reduced the costs for every aspect of the outbound supply chain:

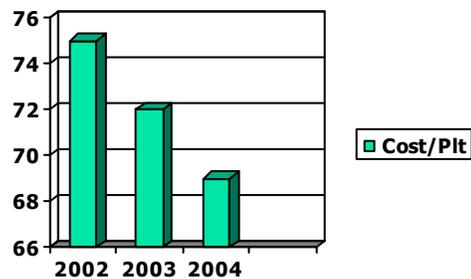
- 98.9% on-time delivery.
- 99.9% inventory accuracy.
- 9.6% decrease in line haul cost per pallet (from \$104 to \$94 per pallet).
- 8% decrease in local shipment costs from pool points (from \$75 to \$69 per pallet).

***Key Learning: Customize the solution constantly to meet the client’s needs.
Model and optimize the supply chain frequently to assure low-cost of the solution.
Change the DC map as needed to assure low-cost of the total supply chain operation.***

To assure that the pool point and delivery solution meets Build-A-Bear’s changing needs, HA models shipment patterns every time Build-A-Bear opens a new outlet. The supply model assures a lowest-cost delivery schedule based on Build-A-Bear parameters and identifies optimal sites for new regional pool points whenever Build-A-Bear opens a new outlet. The following charts show the annual improvement in key performance indicators. Overall, HA has achieved freight rates for Build-A-Bear that correspond to a company with \$4 billion in revenues.



Line Haul Costs Per Pallet



Local Delivery Costs Per Pallet

Key Learning: MEASURE RESULTS EVERY DAY!
Identify the key performance indicators.
Measure them frequently to assure constant improvement.

Ongoing Improvements

The major objective for Build-A-Bear for 2005 is to continue its retail expansion, opening another 30-40 retail outlets. To support that growth, HA will open additional regional pool points and develop new weekly delivery schedules to improve the 98.9% on-time delivery record. Additionally, HA will develop a strategic transportation model solution for Build-A-Bear with cost savings based on dynamic (rather than static) store deliveries. With these changes HA will continue to provide cost reductions and outstanding service to support Build-A-Bear's growth.



HA Logistics provides supply chain management solutions – execution and visibility of when, where, and how product is shipped and delivered, from dock-to-dock. Established in 1984, HA Logistics has led the way in providing seamless transportation and supply chain services for high-growth companies. With the corporate office in Pleasanton, California and key locations across the U.S., the Company has grown over 25% annually by providing a one-stop source for all supply chain needs. HA Logistics has a proven management team with over 50 years of executive management experience in all areas of supply chain management. Our dedicated staff of supply chain experts provides 24/7 support for our clients.

We convert supply chain movement from an external, hidden (and unmanageable) cost to an internal, visible, controllable expense.

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