



# The Challenges and Opportunities of a New, Upscale Brand

DSTLD (pronounced “Distilled”) is an online retailer that launched in August 2014 to provide luxe essentials with no retail markup. By cutting out the wholesale middle man, DSTLD is able to offer customers luxury items at one-third the cost. The company originally launched as 20jeans.com to serve a lower price point, but quickly pivoted the brand in order to better address market demands for higher quality apparel and accessories. Success and growth followed, but also brought along some new challenges.

Before re-launching as DSTLD, all inventory was kept in the retailer’s own warehouse where it handled fulfillment, shipping and returns processes itself. However, after investing the time and effort to install its own systems and develop its own processes, the company still faced challenges with inventory management that led to fulfillment issues. The actual inventory didn’t always match what customers saw online, creating confusion for workers trying to fulfill orders in the warehouse and — ultimately — unhappy customers.

**D S T L D**

## CHALLENGE

- » The complexity of operating a private warehouse created inventory management challenges and led to fulfillment issues
- » Lengthy delivery times of up to two weeks made it difficult to compete with the instant gratification of the brick and mortar experience
- » Competing against the in-store experience of seeing and trying jeans before making a purchase caused customer hesitation

## SOLUTION

- » Outsource inventory warehousing and fulfillment to a Newgistics facility
- » Diversify shipments through contracts with both regional and national carriers to cost-effectively reach customers in different locations
- » Offer free shipping and returns to eliminate the hassle sometimes associated with buying jeans online

## RESULTS

- » Streamlined inventory management and fulfillment: efficient new processes allow DSTLD’s leadership to focus on other business priorities
- » Expedited shipping: all shipments arrive to the customer within two to four business days, regardless of the customer’s location
- » Improved customer experience: free and fast returns ease any hesitation of purchasing jeans online

In addition to its inventory management challenges, the company struggled with a number of logistical issues that made it difficult to compete with brick and mortar retailers. Despite negotiated contracts with the U.S. Postal Service to balance speed and costs, deliveries could take up to two weeks to reach customers. Returns processes were similarly challenging. Plus, the personal nature of buying jeans for fit and fashion is something that's hard to compete with when compared to the in-store experience where customers can touch and try the product.

"Despite our challenges, we were doing quite a bit of business in the old days," said Kevin Morris, CFO and COO of DSTLD. "But when we switched over the brand, we almost had to start and grow the business from scratch. The last thing we wanted to do was have to worry about fulfillment and inventory management. We really wanted to focus on product marketing and building the brand."

### **A Logistics Partner to Handle Strategy and Execution**

After re-launching as DSTLD to focus more on luxury apparel and accessories, the company knew that its customers would have much greater expectations for service and convenience. As a result, the company partnered with Newgistics as a full third-party logistics (3PL) partner to handle everything from warehousing and fulfillment, to shipping and returns. All of DSTLD's inventory is now housed at a Newgistics facility in Commerce, California where the Newgistics team handles the pick, pack and ship process and receives and inspects returns.

In order to improve delivery times for customers nationwide, Newgistics also helped develop a strategy to diversify shipments with multiple carriers. The large volume of products Newgistics ships on behalf of its customers enabled it to negotiate favorable contracts with both regional and national carriers that separately offer benefits to ship to customers on the West Coast, in the Midwest and on the East Coast.

### **Successfully Competing with the Brick and Mortar Experience**

Since transitioning the fulfillment process from its own warehouse to Newgistics' facility, operations have become more streamlined and reliable. Despite steady growth and order volume increasing nearly 200 percent in the first nine months, the company no longer faces any of the previous inventory management challenges. Physical inventory now

matches what customers see online, and all orders sent to Newgistics by 9 a.m. will be shipped from the warehouse and on their way to customers that day.

"It was a great decision to bring in Newgistics to help support our new brand," continued Morris. "They've scaled along with us as we've grown rapidly over the past year, and the efficiencies they've provided have helped us offset the costs of offering free shipping and returns to our new customer base. Plus, outsourcing logistics and relying on Newgistics' expertise has freed up our team to focus on other priorities that will help the business grow."

Diversifying shipments is one of the areas that helped DSTLD achieve the right balance between better service and a more efficient cost structure. By using different carriers, all shipments now arrive to the customer within two to four business days, regardless of their location. By enabling Newgistics to negotiate contracts on its behalf, DSTLD avoided the hassle of the negotiation process while achieving better rates than the small retailer would have been able to secure itself.

Ultimately, faster and more dependable delivery has helped DSTLD compete more effectively with the instant gratification of brick and mortar stores. The company now offers free shipping and returns for all U.S. customers, and the fee for international customers is only \$10 USD. With free shipping and returns, DSTLD customers are less hesitant to buy a pair — or several pairs — of jeans online to try on at home, as they know they will be able to return or exchange items at no cost.

Additionally, Newgistics has helped DSTLD increase the speed at which returns are processed. Thanks to Newgistics SmartLabel technology, the retailer knows immediately when a customer puts a return package in the mail and can issue a credit or ship replacement items right away. Newgistics SmartLabels® also offer tracking capability to both the customer and DSTLD, making the delivery and returns process smoother, more transparent and more efficient for everyone involved. For DSTLD, this means lower call volumes to customer service representatives, and advance visibility into what is returning and when it will arrive.

As every retailer knows, free shipping and returns are never really free. But these new efficiencies have helped DSTLD offset those costs, compete more effectively with others in the market, and bring a higher level of service and convenience to its new, upscale customer base.