

Levi Strauss shifts Ohio logistics work to Maersk

Advanced facility supports retailer's new hybrid fulfillment strategy, direct-to-consumer sales

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Levi Strauss & Co. has a global footprint of about 3,200 dedicated stores and shop-in-shops. (Photo: Shutterstock/Chere)

Levi Strauss & Co. is outsourcing operation of a huge omnichannel fulfillment center in Ohio to logistics giant Maersk, part of the retailer's transition to a hybrid distribution strategy.

Maersk announced Wednesday that its warehouse and distribution services unit in August began operating a 1.2 million-square-foot distribution center in Groveport, Ohio, for the apparel company. Maersk recently leased the building and took over processing wholesale, retail and e-commerce shipments that were previously handled at another location by Levi's (NYSE: [LEVI](#)) itself, according to a Maersk spokesperson.

The facility is a key cog in Levi Strauss' push to make direct-to-consumer its primary sales channel and modernize supply chain operations. It is the 10th global facility operated by Maersk for the retailer. Maersk, one of the world's largest ocean shipping companies, has expanded to become an integrated logistics provider to multinational businesses like Levi's. Among the services it provides Levi's is consolidating orders at overseas points of origin for air and ocean transport.

D2C, both through its own stores and e-commerce site, is Levi's fastest growing segment as the company deemphasizes its wholesale business.

Management said on the second-quarter earnings call that it has decided to move from a primarily self-owned and -operated distribution and logistics network in the United States and Europe to one that is more balanced between company facilities and those of 3PLs. The D2C strategy also requires investments to upgrade existing capacity with omnichannel capabilities. Outsourcing fulfillment

activity will reduce per-unit costs and deliver more than \$90 million in savings this year, primarily by not having to build a planned distribution center in Germany, said Harmit Singh, the retailer's chief financial and growth officer.

In Europe, Levi's has contracted with GXO Logistics as a 3PL.

"We are in the process of re-aligning our network to better position LS&Co. to meet customer demands, drive our DTC-first ambitions and sustain future growth," said Craig Jones, the company's senior vice president of global distribution and logistics operations, in a news release. "This Maersk-designed and operated facility is an important step in our strategy to transition to a hybrid distribution and logistics network that balances omni-capable owned-and-operated facilities with technologically advanced 3PL facilities like this one. Collectively, this will improve customer experience, capacity, on-time performance, and efficiency across our business."

The new facility will help lower Levi's costs while reducing container handling time and enhancing speed and efficiency, according to the announcement. Groveport is near Columbus, Ohio, an area with a heavy concentration of retail distribution centers and good access to highway networks that allows the company to reach more U.S. consumers faster.

During the next several months, Maersk will install high-speed sortation systems from EuroSort capable of processing 100 million outbound units annually. The facility will feature the latest implementation of Maersk's proprietary warehouse management system to improve efficiency.

Maersk operates more than 85 warehousing facilities across North America.