

RETAIL

Retailer employs new standards to achieve significant savings

Supply chain optimization and departmental restructuring brings 10% cost saving, 12% productivity improvement and 23% overtime reduction to a leading national retailer.

Against the background of an increasingly pressurized and competitive market, a leading specialist retailer asked Alexander Proudfoot to conduct a thorough analysis of its supply chain and to review and re-configure the structure and relationship between the Source & Buying and Merchandising departments.

The retailer had a network of more than 270 outlets, ranging from shop units and factory outlets to specialist theme stores and major visitor centers.

During the business review various issues were identified, which were having a negative impact upon the retailer's ability to implement its current strategy and adversely affecting sales and profitability:

- growing number of SKUs added complexity and cost
- inherent weaknesses existed within the existing supply chain
- need identified for fundamental infrastructure enhancement.

On the people side, a number of issues emerged and in particular:

- overall lack of clarity and understanding of the strategic plans and lack of connect

with operational delivery and measurement

- behavior and culture identified as "symptoms fixing" rather than "problem solving"
- system disconnects and the separation between accountability and measurement resulted in task duplication and overall lack of focus.

Through close team working, the supply chain issues were resolved. New warehouse standards were introduced to improve product availability, flow and accuracy of delivery to stores. A new Management Operating System was developed and installed to improve the effectiveness and efficiency of the distribution system. This system introduced forecasting and resource planning tools and, combined with the setting of KPIs and tools for measuring and reporting, delivered greater efficiency to this critical area of the business. The combination of these two changes improved product delivery (strike rate), productivity and reduced overtime.

The Buying & Sourcing and Merchandising Departments were amalgamated into a single Merchandising Division. The critical path was redesigned and a new supplier management system was developed. The supplier base was reduced through the design and use of supplier evaluation tools, and best practice was installed to enhance product replenishment and allocation. This achieved significant cost savings and improved efficiencies.

The project had significant results:

- 10% cost saving
- 12% productivity improvement
- 23% overtime reduction
- strike rate increased from 90% to 99.5%
- 26% lead time reduction
- 18% reduction in supplier base.

The project not only developed systems and processes to enhance performance but also developed a structure with clearly defined roles and responsibilities and eliminated disjointed activities.

