IBM

DB2® Information Management Software

Axfood transforms inventory management process with DB2 data warehouse.

Overview

- **Application**
  Centralized data warehouse that supports just-in-time business model and automates inventory management process for hundreds of retail outlets across Scandinavia

- **Business Benefits**
  100% ROI expected in 2-3 years; decreased warehouse maintenance costs; enhanced responsiveness to customers; strengthened leadership position through availability of timely data at lower costs; ability to support anticipated aggressive growth with highly scalable, resilient solution; ability to focus on core competencies due to support from IBM Business Partner Svensk IT Function

- **Software**
  IBM DB2® Universal Database™ Enterprise Server Edition for AIX®, Version 8.1

- **Hardware**
  IBM @server® pSeries® 670; IBM TotalStorage® Enterprise Storage Server™

- **Business Partner**
  Svensk IT Funktion; Ascential Software

- **Services**
  IBM Global Financing

A major player in the Scandinavian retail food market, Axfood has gained substantial market share in Sweden and Finland through wholly-owned brand stores such as Willys, Hemköp and Spar Finland.

In the retail foods industry, understanding customer preferences is the key to success. Unfortunately, gathering accurate and timely information from grocery shoppers is no easy task. For an expanding company like Axfood, a major grocery store chain with hundreds of retail outlets throughout Scandinavia, the challenge is doubly hard.

Based in Stockholm, Sweden, the 8,000-person, €3.2 billion (US$4.0 billion) company had one long-term goal: secure a leadership position in the Nordic retail food market through clear and unique customer offerings.

"The robust functionality of DB2 software empowers us to respond more rapidly to the demands of our customers."

– Rolf Norén, Data Architect, Axfood

By assuring that shoppers could always find exactly what they were looking for, Axfood could realize its business objectives for years to come.

Of course, the concept of gathering point-of-sale (POS) data to support its goals wasn't new to Axfood. Previously, the retailer had two data warehouses, one based on Oracle and the other on Microsoft SQL Server, for aggregating POS information. "However, they were only capable of presenting results on a weekly basis," recalls Rolf Norén, data architect, Axfood. "And they could not scale to support our growing volumes of data."

Ideally, Axfood needed to know about customer buying decisions within an hour or so of the actual purchase. If its hundreds of outlets suddenly experienced a run on a particular brand of laundry detergent,

Thanks to its DB2 data warehouse, Axfood stocks its store shelves with goods pre-determined by customer preferences.

for example, Axfood could replenish store shelves by the next day. By the same token, having goods go unsold is ruinous for any business, so Axfood also wanted to eliminate as much overstock as possible.

"Given the competitive nature of our business, this level of responsiveness is the only way to maintain customer loyalty," says Norén. "And, by having a better grasp on customer buying activities, we could make more targeted purchasing decisions, which would ultimately save us money and generate more revenue."

Another issue was total cost of ownership. Axfood determined that it could reduce the direct and indirect costs of owning a data warehouse if it consolidated on a single platform that was more resilient, scalable and easier to manage than its Oracle and Microsoft systems.

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>
> _–Rolf Norén_

Axfood needed an information management infrastructure more powerful than its existing environment, one that could automate its inventory management process based on POS information. "To support our just-in-time business model, we turned to IBM DB2 Universal Database Enterprise Server Edition for AIX, Version 8.1, running on an IBM @server pSeries 670 system," says Norén, noting that the lower maintenance cost of DB2 and the resiliency of the pSeries system were deciding factors.

Today, the company is rolling out a data warehouse that is expected to reach 1TB in volume within six months of implementation. The new IT infrastructure will help Axfood penetrate even deeper into the Swedish retail foods industry, where it already holds a 20 percent market share. "The robust functionality of DB2 software empowered us to respond more rapidly to the demands of our customers," says Norén. "By choosing DB2, Axfood has positioned itself for success well into the future."

Axfood sets out to transform its business processes
High scalability was a key criterion in choosing DB2 software. Axfood determined that by 2005, it would need 10TB of storage. That was well within the range of DB2. By comparison, its old database did not provide sufficient scalability.

Axfood leverages sales information gathered from in-store POS terminals to stay ahead of the competition through strategic inventory planning.

During its evaluations, Axfood ruled out Oracle and Teradata. "We felt that Oracle and Teradata didn't have the depth of experience that IBM has in providing total data warehousing solutions," explains Norén. "Plus the solutions were too expensive in terms of TCO."

In its new data warehouse environment, Axfood uses DataStage from IBM Business Partner Ascential Software to extract, transform and load sales information into DB2, which acts as a central hub for storing and consolidating all merchandise, stock and purchasing data. "One of the prime reasons Axfood decided on DataStage was its ability to manage metadata, an important capability not provided adequately by Oracle, Microsoft and Teradata," explains Norén.

The data warehouse resides on a pSeries 670 system, with 2.3TB of storage in an IBM TotalStorage Enterprise Storage Server. "The pSeries 670 server met our high requirements for performance and availability," says Norén. "And the pSeries can be partitioned and is large enough to host other applications, so it will support a rapid ROI on our hardware investment."

For initial implementation and ongoing development support, Axfood is working together with IBM and IBM Business Partner Svensk IT Funktion. By doing so, Axfood can stay focused on its core competency—grocery retailing—as it continues to build its data warehouse.

"IBM and its Business Partners consistently delivered a superior level of support, expertise and dedication that was crucial to the success of this implementation," says Norén. "They committed to this project with considerable resources in the area of data warehousing. Not only did that reduce our development time, but it also let us focus our energies on supporting our retail stores. IBM is one of the few vendors who can deliver that kind of service."

DB2 provides just-in-time inventory management

Axfood anticipates that once it brings its data warehouse to full capacity, it will achieve 100 percent ROI in 2 to 3 years. It also expects maintenance costs to begin decreasing substantially in its third year because of gradually lowering administration requirements. That will allow the company to divert part of its IT staff to other critical areas.

"Most importantly," says Norén, "we expect to meet our objective of having a just-in-time inventory system, in which the products that customers want are readily available on store shelves, when and where they need them. By improving inventory management and decreasing overstock, we expect store revenues to go up and operating costs to go down."

Moving forward, Axfood plans to use IBM DB2 OLAP Server™ multidimensional analysis for knowledge management purposes. It expects its user base to eventually exceed 70 people. And because the company leveraged a flexible payment schedule with IBM Global Financing, Axfood's IT budget will remain manageable.

"Our DB2 data warehouse will provide Axfood with a crystal clear view of our customers' shopping habits well into the future," says Norén. "Never again will rapid business changes take us by surprise. Today, thanks to IBM's technology and support, Axfood has transformed itself into a much more agile and proactive company."

For more information

Please contact your IBM marketing representative, IBM Business Partner or IBM Direct at: 1 800 IBM-CALL.

Visit our Web site at:
ibm.com/software/data

For more information about Axfood, visit: *www.axfood.com*

For more information about Svensk IT Function AB, visit: *www.itfunktion.se*

For more information about Ascential Software, visit: *www.ascential.com*