

Aiming for the Weak Link in the Supply Chain: Supply Chain Management at “Guyenne et Gascogne” with IBM



Overview

■ The Challenge

Make sure that there are always products on store shelves, to increase profits and improve service to customers.

■ The Solution

Use an automatic system to track sales and restock stores on time.

■ IBM Services

Support for Supply Chain Management: organization, planning and implementation.

■ The Customer Benefit

Articles available on shelves 98% of the time, up from only 85%, 15 to 20% less inventory and a large reduction in procurement administration costs.

When IBM Global Services logistics experts asked Jean Boutsoque, General Manager of the independent grocery chain Guyenne et Gascogne, to reflect on performance of its store shelf stocking process, they argued for transposition of the Just-In-Time, or JIT, concept that is becoming the norm in industry. Started in 1997, the job was completed in June 2000. It was a total success. The sale-based reordering system implemented at the group's six Carrefour supermarkets and the 21 Champion supermarkets in Southwest France solved a problem that plagues large mass retailers: keeping products on store shelves where customers can buy them. The principle was to use checkout data to prompt timely restocking of shelves.

Spectacular results

“ IBM Global Services helped us complete the last 100 meters of the supply chain, those between the warehouse and the store shelf ”, says Jean Boutsoque. “ Like a footrace, the last few meters are always the hardest. ” IBM's straightforward, sensible approach to Supply Chain Management capitalized on Guyenne et Gascogne's past information system investments. “ We took great pains to get effective, centralized and rational computer systems in place. Yet, we hesitated to embark on automatic restocking because it seemed complex and demanding. IBM Global Services convinced us otherwise ”

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The approach selected was integration of the store and warehouse. Selling an item in the store automatically initiates the restocking process for that item. Previously, to restock the shelves, an employee had to use a portable terminal and barcode reader and check each product. Today the central computer initiates restocking based on the store checkout records every night when the store is closed. The merchandise is delivered at predetermined times during the day. It takes only 11 people to restock the 27 points of sale from two warehouses. A special decision system helps them tailor the restocking process to account for changes in demand and business contingencies.

The results have been spectacular. That is obvious in stores - and on the bottom line: the group's 2001 revenues per square meter of sales area was 7 percent better than in 2000, compared to the French retail industry average improvement of only 2%. Solving the problem of the last 100 meters turned out to be an accelerator for several parameters:

- availability of items on store shelves rose from 85 to 98 % (compared to the national average of 88 %), reducing shortages of products from 15 to 2%;
- a 15 to 20% reduction in inventory;
- less time devoted to restocking means more time to help customers.

Jean Boutsoque also stresses that those results "came at a very low price since we developed some of the software ourselves and because the system is so simple that startup costs were very affordable."

Logistics serving businesses

IBM Global Services supported Guyenne et Gascogne from the project stage through to implementation.

"The professionals at IBM Global Services provided sound advice, a fact appreciated by the General Manager. Their understanding of the retailing business and logistics and their information systems expertise helped our employees adopt the new system quickly. We all spoke the same language."

Groupe Guyenne et Gascogne

Parent company:

– Six Carrefour hypermarkets and 21 Champion supermarkets (total sales area: 52,600 m²),
2 warehouses (Pyrénées-Atlantiques and Landes)

– 2001 revenue: 474.3 million euro

Employees: 1,900 persons

Société Sogara (12 Carrefour)

Société Centros Comerciales Carrefour
(113 Carrefour and 165 Champion points of sale in Spain)

2001 consolidated revenue: 1,305.6 million euro

The process was broken down into three steps to ensure that the transition would be as smooth as possible:

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- the new approach was tested on about a hundred products in a demonstration store to establish the simplicity and effectiveness of the solution,
- the final computer tools were developed and the organization was set up
- the system was extended to cover all Guyenne et Gascogne points of sale and their 12,500 products.

This case demonstrates how a Supply Chain Management system based on actual store sales can improve profits by targeting three concurrent objectives: increasing sales by eliminating product shortages due to inefficiencies in the procurement process, improve inventory turnover and maintain optimum buying conditions. So, what's next? Jean Boutsoque would like to move towards a global system that integrates marketing options and, later, suppliers. But whatever the case, logistics must serve the business.



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