IBM

Yansha department store embraces supplier collaboration to streamline processes

Overview

■ **Business Challenge**

In order to maintain its market leadership position, Chinese retailer Yansha needed to increase its competitiveness against both local retailers and new foreign competitors in an increasingly deregulated Chinese retail industry. Yansha saw that the best way forward was to transform the way it does business with its supply chain partners through the adoption of new business processes, automation and business intelligence.

■ **Solution**

Yansha deployed a first-of-its-kind supply chain management (SCM) platform that leverages a service-oriented architecture (SOA) to integrate enterprise resource planning (ERP) and SCM applications. The platform enables Yansha and its suppliers to leverage new real-time performance information to provide transparency into supply chain business processes and generate actionable business intelligence, setting new standards of efficiency.

■ **Key Benefits**
- *Reduced order lead time from 2.5 days to 4.5 hours*
- *Improved order acknowledgement rate from 80 to 99 percent*
- *Reduced order error rate from nine to one percent*
- *Achieved ROI in nine months*

A rapidly changing retail landscape

The retail industry in the vast Chinese marketplace is very different from that in the West. Retailers have historically been highly regionalized, and the overall market has been largely closed to competition from foreign companies. With the rapid growth of the Chinese economy and relaxation of regulations, that is changing rapidly. Mergers and acquisitions are on the rise leading to industry consolidation and expansion beyond regional boundaries, and Chinese retailers must now share the market with global companies as well.

Transforming the supply chain through real-time performance information

"Exchanging our data and interacting closely will enable us to respond to the market appropriately."

– Mr. Ai Jie Ma, Director of Yansha Technical and Information Department

This adds up to unprecedented competitive pressure for Yansha, one of China's largest regional retailers. Yansha is an upscale brand with revenues in the billions of Yuan each year and 215,000 square feet of retail space at its Youyi Shopping City in Beijing. Catering to an upscale clientele, Yansha sells high-end, exclusive goods from brands such as Versace, Prada and Calvin Klein.

Yansha has long displayed industry leadership. Opened in 1992, Yansha was the first retailer operating as a joint venture in China to introduce modern enterprise processes and computer systems aimed at improving managerial methodologies. In 2000, it implemented IBM Business Partner eFuture's ONE POS-ERP suite, providing it new levels of internal efficiency. In 2003, the ERP suite was upgraded with SCM capabilities.

But Yansha was not realizing the full potential of its systems. With the rapid pace of change in the retail landscape, Yansha knew that it had to do more if it was to maintain its leadership position. Faced with the prospect of having to compete with highly efficient foreign competitors, Yansha realized that it had to optimize its supply chain and improve efficiency among its 1,800-plus local and international suppliers, and that leveraging technology was the way to do it. This quantum shift represented a radical departure for Yansha, which like its local competitors, was still doing business manually for the most part, relying on paper-based processes and interaction via telephone and fax.

Yansha faced two fundamental challenges in its effort to optimize its supply chain: first, to streamline and automate its business processes, and second, to find a way to get all of its suppliers to buy into a new, more efficient way of doing business.

Transforming business processes for enhanced decision-making

Despite its implementation of an enterprise suite, a number of obstacles – continued reliance on manual processes, the siloed nature of many of its systems and a lack of integration with supply chain partners – were hampering Yansha's ability to track and integrate information in real time and generate actionable business intelligence from it. More than 30 key supply chain processes were handled manually. The result was low productivity, high error rates and inaccurate business data, all leading to reduced competitiveness.

To transform its processes for more informed decision-making, Yansha worked with the IBM China Research Lab (CRL) and eFuture to develop Blue Engine, a process-driven SCM platform built specifically for the retailer. Blue Engine incorporates both automated business processes (such as purchase orders, shipping notification, invoicing, payment and return of goods) and new functionality based on IBM WebSphere® Process Server and IBM DB2® middleware.

By integrating information from existing systems with new automated processes through a service-oriented architecture, Blue Engine accomplishes several key objectives:

- *Automates the supply chain management-related key business processes among people, across multiple existing applications and between Yansha and its suppliers*
- *Improves visibility through real-time monitoring of business processes, generating key performance indicators (KPIs) – such as order acceptance rate and on-time delivery rate – that enhance decision-making capabilities*
- *Provides suppliers with better online information services to make customer buying behavior, sales trend and process information transparent, enabling suppliers to adjust and optimize their operations to satisfy market demand. This increases supplier willingness to pay for these fee-based services (thereby increasing revenue), while encouraging them to move away from manual interactions – thus improving overall supply chain efficiency*

Because of the need for the efficient integration of information, processes and systems across the enterprise and out into the supply chain, the adoption of SOA is a key part of Blue Engine. It provides the flexibility to quickly build new solutions (and change existing ones) based on immediate business need. SOA also enables greater interaction with suppliers through Web-based delivery of services, which fosters greater responsiveness. According to Mr. Ai Jie Ma, Director of Yansha Technical and Information Department, "This solution will help us build an information platform together with our suppliers in their internal information system. Exchanging our data and interacting closely will enable us to respond to the market appropriately."

With Blue Engine, many of Yansha's paper-based manual processes have become a thing of the past. Workflow-related activities such as issuing purchase orders and checking inventory are pushed directly to appropriate users via mobile short messages, browser-based workspace and e-mail – triggering alerts when activity processing is delayed, and significantly improving business process execution. Business users can also employ collaboration utilities such as mobile short message services to find the right person to solve potential process issues, which helps streamline resources and avoid rework.

The power of real-time information
The Blue Engine project pioneered the first application of a process automation-based workflow engine using IBM China Research Lab's Web 2.0-based visualization and interactive business process monitoring technology for China's retail industry. This visualization technology enables Yansha management to get an accurate, real-time view of its supply chain, delivered through a "dashboard" that displays continuously updated key performance indicators. This in turn provides a solid basis for business decision-making and process optimization.

Key Components

Software

- IBM WebSphere Process Server
- IBM DB2 database software

Services

- IBM China Research Lab
- IBM Global Business Services

IBM Business Partner

- eFuture

Why it matters

In the vast Chinese retail market, deregulation has been driving increased competition from regional players as well as newly arrived international companies. In order to maintain its leadership position in the marketplace, major Beijing retailer Yansha deployed an SOA-based supply-chain management solution – an industry-first in China – that enabled the company to expand its capabilities and transform the way it does business with over 1,800 suppliers. Thanks to streamlined, automated processes and new business intelligence, Yansha has been able to increase its competitive edge over other retailers by optimizing the efficiency and profitability of its entire supply chain.

More importantly, real-time information enables Yansha to work more effectively and efficiently with its suppliers. The retailer now has the information it needs to accurately categorize its suppliers based on a number of factors including their profitability, monthly selling trends and level of activity. This has enabled Yansha to come up with a completely new, value-based supplier pricing model that gives preferential treatment to those vendors which are most valuable and profitable for the company. In this way, suppliers are given an incentive to work efficiently: superior performance is rewarded with a better deal.

The availability of new information provided by the solution has also enabled Yansha to provide enhanced fee-based online information services to its suppliers, which not only encourages them to adopt the new methods, but also generates additional revenue for the retailer.

Competitive advantage, greater efficiency…and satisfied suppliers
All 1,800 of Yansha's suppliers actively use the supply chain management solution and supplier satisfaction has improved significantly. The improvements in efficiency are dramatic: Order acknowledgement (a required verification step in the supplier order/fulfillment process) is up from 80 to 99 percent, order lead time has dropped from 2.5 days to only 4.5 hours and error rates are down from nine percent to only one percent. Risk and cost have both been reduced, and competitiveness is greatly improved. Even the revenue generated by online supplier information services has increased by 50 percent.

"Our shopping mall now has a technical advantage," notes Mr. Ma. "We have a leading role in securing prospective sites, enabling us to rebuild business processes and stay competitive. It is a classic case of information technology's business value for corporations."

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