

# Londis by: fieldworks

Business



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Londis is one of Britain's fastest-growing symbol groups, consisting of 2,000 independently-owned grocery stores across the UK. Its product range covers more than 4,000 lines, including 330 exclusive own-brand items which are sourced from Londis distribution centres, as well as products delivered direct from over 160 leading suppliers.

## **THE CHALLENGE**

It is vital for the shelves of each Londis store to contain sufficient stocks of every product throughout trading hours. As a result, total synchronisation of the supply chain is essential. One of the critical success factors in achieving this goal is the co-operation of all trading partners involved in the supply chain. Collaboration through conventional channels is difficult and time-consuming, involving face-to-face meetings and detailed documentation. Londis felt that a more automated approach would bring significant benefits, as well as save time.

## **THE SOLUTION**

In May 1999, Londis entered into a Collaboratively Managed Inventory (CMI) partnership with E3 Corporation, a leading inventory management solutions provider, together with the supply chain specialists from major FMCG companies. Building from an initial steering group of 8 suppliers, the project has doubled since its inception and currently numbers 15 FMCG participants (Bass, Britvic, Kraft Foods, Carlsberg Tetley, Cussons, Coca Cola Enterprises, Interbrew, Pedigree Masterfoods, Danone, Princes Softdrinks, Nestle Rowntree, Friskies Petcare, HP Bulmer, Crystal Drinks ; Scottish Courage). The aim of this collaboration has been to develop a community of

supply chain professionals that will bring together the knowledge and skills of both retailer and supplier, in order to work together towards the creation of the perfect product order. Using the E3TRIM inventory management solution, the CMI initiative provides real-time open access to a common information system, thus enabling the specialist knowledge of all partners to be consolidated and focused on supply chain optimisation.

“ The development of the multi-supplier steering group to drive the project has been a major innovation. In particular, for probably the first time in the UK, it offers shared open access to a perfect common data source in real-time,” says Don Brenchley, Director of Collaborative Projects at E3. “ Rather than developing self-contained, one-to-one relationships, the project has been developed on a one-to-many basis, with suppliers learning from one another.” Don Brenchley defines the scope of the project: “ Collaboration is a shared process of creation between two or more parties with diverse skills and knowledge, delivering a unified approach that provides the optimal framework for customer satisfaction.” In effect, supply chain collaboration provides a mechanism for the joint ownership of the three main inventory management outputs – sales forecast, order forecast and purchase order approval. It can also be taken a step further with the integration of each partner’s supply and demand planning processes, co-ordinating activities and jointly creating and identifying opportunities for additional revenues.

The key goals set out by the CMI programme are to improve service to store and promotional effectiveness, create strategic partnerships between trading partners, increase sales and profits, reduce lost sales and inventory, decrease returns and handling fees and improve operational efficiency. In

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addition, the CMI initiative provides further mutual benefits for Londis and its suppliers. These include greater trust between parties, improved supply chain visibility, a balance of competencies, easier implementation of new ideas and increased sales. With the efforts of all being focused on the same goal, this has provided stepping stones to other opportunities, strengthening the existing relationships.

### **BENEFITS FOR MANUFACTURERS**

This new initiative has already resulted in an improvement in inventory levels of 13.

75%. Service levels have increased by 0.5% and order cycle times have improved by 6.25%. Interbrew reports a 2% improvement in service levels to stores.

Bass has seen a 40% reduction in inventory levels. Order cycle times have also shown a marked improvement of 6.25%, with Bass seeing a reduction from four to three days.” Our order cycle times have reduced by between 40% and 60%, shorter than many multiples.” says Martyn Harvey, Purchasing Director at Londis.

### **BENEFITS FOR CONSUMERS**

Consumers have also benefited, through better on-shelf availability as a result of greater forecast accuracy and the ability of suppliers to react quickly to demands by communicating effectively with Londis.

Through control of the promotion process, Londis and its respective trading partners have ensured that the availability of promotional items in store is

properly aligned with advertising campaigns. Furthermore, the potential for product variety has opened due to inventory reductions. A reduction in the cost of goods has been achieved following a revision of buying terms despite the impact of pallet constraints." Greater communication and sharing of data has enabled our business to respond more easily to the demands of our customer." says Ian Bullivant of Interbrew.

### **BENEFITS FOR LONDIS**

" The CMI project has developed the trust factor between trading partners and has led to the formation of more open, honest relationships." comments Martyn Harvey. Londis has also seen inventory reductions of between 10% and 20% since the first steering group meeting. Supplier service levels have improved by almost 3% and inventory management time has decreased by 90%. Alongside these major efficiencies, Londis has also experienced better control and evaluation of promotions, better use of RDC storage space, load optimisation and improved supplier/manufacturer relations. There remain many additional functionalities that can be developed to enhance community competitive advantage.

The first of these developments will be web-enabled, open access solutions, to provide a glimpse of the future. This initiative confirms the potential for suppliers, their customers and third parties working together to achieve excellence in Supply Chain Management. All CMI participants showed a willingness to take on an unquantifiable risk in pursuit of an uncertain reward and intuitively recognised the logistics value of better information flows. Individuals, often acting well beyond their defined responsibilities, have worked to co-ordinate diverse skills and knowledge in order to drive the

necessary organisational and operational change. In doing so, the Londis CMI team has defined the path for the next generation of supply chain professionals.