

Supply Chain Initiatives at Shoppers Stop

Abhinav Rawat (PGDM 2010-12 Marketing)

An extract from a speech at SPIIMR

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Shoppers Stop is a Raheja Group company promoted by C. L. Raheja and is a leading retail store in India.

It has won numerous awards for its achievements including those for excellence in supply chain management.

Mr. C. Devdas Nair, Customer Care Associate and Head, Supply Chain & Mission Control, Shoppers Stop Ltd., was here at SP Jain to share the ideas and practices that make Shoppers Stop a leading light in the retail sector.

DIFFERENT SEASONS AT SHOPPER'S STOP

Retailing is detailing. We currently manage with 3 major seasons. We start with autumn-winter which runs from October to March and then spring-summer which runs from April to September. Then we have a flow. Today 60% of the products we sell are in flow and you will find them in the shop floors for 365 days in the year. The style would keep changing, but it would be under the flow season. Autumn-winter style products have to be removed from the floor before spring-summer starts. Same thing continues for spring-summer also.

BUSINESS MODELS

In the Shoppers Stop supply chain, we work on 3 business models, one is 'Outright' where we buy stocks from suppliers - which is currently 60% of our business. The second business model we call 'SOR' (Sale or Return). Whatever stocks are not sold for 2 or 3 months, we can return them to the vendor and they will be paid only for the stocks which are sold. The third business model is the concessional business model where we will be giving space in our store to some of the suppliers and they will come and sell, for example, sarees.

IMPORTANCE OF SUPPLY CHAIN MANAGEMENT

In a retail operation we always ask 5 questions. What is selling? What is not selling? Why is it selling? Why is it

not selling; and the fifth question, how do we improve the sales? As a company we strongly believe that to answer the fifth question supply chain can play a leading role. Supply chain has to get very close to the customer by understanding what the customer wants, when he wants it and at what place he wants it.

Supply chain is always a top management priority. We have taken a lot of initiatives to ensure the right availability of merchandise for our customer.

One of the key initiatives that we have taken is that we have concentrated on the triangle model from the very beginning - a triangle which talks about suppliers, IT and logistics. In all these three fields Shoppers Stop has taken a lot of initiatives.

SUPPLIER RELATED INITIATIVES

When it comes to suppliers we have a very powerful Business to Business platform connected with nearly 800 suppliers. We have a two way communication with our B2B partners. We send them sales information, stock information, payment information and reverse logistics information. Internally, we also get an advance shipping note and automatic style set up through suppliers.

As far as the suppliers are concerned, from a 3000 supplier base we have reduced to 800. We also have a delivery authorization system with our suppliers to manage inventory. Vendors will not supply anything without us approving the delivery.

Of the few key supply initiatives we have taken in the past, one is that we have made all our suppliers use our barcode. It is source tagging by the suppliers. This is a win-win situation for Shoppers Stop and the suppliers so that we don't have to retag it at our distribution centers. The stocks can go to the stores within 24 hours of receipt. We also have an intake consolidation happening with our exclusive label vendors where our other transport is going and picking up the stock from all the exclusive label vendors and delivering to our distribution centers. We call it a milk run. We also have a strong B2B platform with our suppliers to be very transparent with them. We provide them all the

information so that they are aware about what we are doing. We also meet our suppliers once a year. We have a partnership for progress summit where we discuss our future plans and we share all the plans with the suppliers so that they are adequately informed. We are also into GS1 implementation, the global study of barcode, which we are implementing with all our suppliers. We have recently started this initiative. With this initiative, we don't have to put our barcode in the future. We will be in a position to read the suppliers barcode.

USAGE OF IT

As far as IT is concerned, Shoppers Stop currently has one major IT platform developed. We have a very powerful retail ERP package. We have implemented a merchandise management system, a warehouse management system and an order replenishment module which runs from the distribution center store.

We have a perpetual inventory account system to manage the stock take module. We have Oracle finance for the financial part. We also have one of the most powerful warehouse management systems that take care of automatic picking. The picker would be informed which racks and shelf he has to go to and pick stocks from. Even the put away happens in the same way. So we are in a position to replenish our stocks within 24 hours to all our outlets. We have a very strong IT platform with us.

LOGISTICS SET UP

We also have a good logistics set up. We have regionalized the distribution centers. We have 4 distribution centers in the country, one each in Mumbai, Delhi, Kolkata and Bengaluru. When we started we had a distribution center attached to the store. Now we are regionalized and we have decided we will not be opening any more logistics centers. We might open another 30 or 40 stores but we would manage the replenishment from the same distribution centers.

We have outsourced 100% of our logistics set up. Not even a single person of Shoppers Stop sits at any of the distribution centers. It is independently managed by the logistics partners. We have mainly outsourced the logistics set up as we wanted to concentrate on our core competency which is retailing. The vision of Shoppers' Stop supply chain was to build a collaborative supply chain, seamlessly integrating with all partners like vendors and service providers and perfectly aligned to the operational service requirements of the customers.

INVENTORY MANAGEMENT

The way we manage our inventory is that we release a purchase order with all our suppliers. A purchase order is an agreement between Shoppers Stop and the suppliers that they will manufacture and keep the stocks ready for Shoppers Stop, but they are not authorized to deliver the stocks. Delivery will happen only when Shoppers Stop releases delivery authorizations and the supplier will only supply stock based on the delivery authorizations. If we book a purchase order for 5000 pieces and we want to pick up only 500 pieces we will issue delivery authorization for 500 pieces and the supplier will deliver only 500 pieces. This is one of the best ways in which we have managed inventory.

Currently, we keep 2 weeks' cover at the distribution centre and roughly 10 to 12 weeks' cover at the store.

This 2 weeks' cover which we keep at the distribution center will manage replenishment and whatever quantity we are ordering will come and sit at the distribution center. When we order a quantity from the vendor we are not ordering for a particular store, we are ordering for a region. The stocks will come and sit at the distribution center and from there we will replenish the stocks.

GS1 AT SHOPPERS STOP

Another initiative we have taken is GS1. We are planning to implement GS1 with all our suppliers and Shoppers Stop will be reading the GS1 barcode in the future. Currently we have two barcodes. One is the supplier barcode and the other is the Shoppers Stop barcode which are not linked today. Tomorrow, when we start reading the GS1 barcode, both the supplier and Shoppers Stop will be speaking the same language. This would lead to a better collaboration with the suppliers in the future.