

More efficient store operations and improved shelf availability

Suomalainen Kirjakauppa is Finland's leading bookshop chain. It has used re-order points in its store replenishment process for over a decade. In 2007, the company launched a major overhaul of its store ordering model to free-up staff time so they could focus on customer service and sales. To do this Suomalainen Kirjakauppa needed a new store replenishment solution. The company looked at the alternatives and set up an analysis project. After running a pilot with RELEX, Suomalainen Kirjakauppa selected us as its partner and together we developed and implemented a store replenishment system that allows the chain to meet the challenges of the 21st Century.



Key challenges

- Rapid product turnover
- Outlets of varying type and size
- Managing seasonal demand – Christmas accounts for 20 % of total annual sales
- Factoring shelf display requirements into the store replenishment process

Goals

- Freeing staff to focus on customers by automating replenishment
- Improving shelf availability
- Reducing inventory value
- Reducing logistics costs

Reasons for choosing RELEX as a partner

- RELEX offers a comprehensive and cost-efficient replenishment solution suitable for managing a large number of products and outlets
- The company's extensive experience of product replenishment in the specialty goods trade
- RELEX's culture of partnering and its commitment to its clients' success.

Results

- Out-of-stock items fell 78% with shelf availability of office supplies and other materials increasing from 91 % to 98 %
- The inventory turnover of the products included in the stores' assortments has improved by 16%
- Replenishment ordering of all 600 000 combinations of product and outlets is currently conducted by one person
- Customer service has improved markedly as staff spend less time on re-ordering



Background

Suomalainen Kirjakauppa first introduced automated store replenishment in the mid-1990s using a re-order point based model. Ten years on however, that model no longer met the company's needs.

"The solution didn't perform as well as we wanted, as stores would still be forced to process orders manually, especially during peak seasons and campaigns," says Pekka Kuurne, Suomalainen Kirjakauppa's Logistics Manager. "Moreover shelf availability and inventory turnover were not good enough."

As part of a broader strategy to develop the business, Suomalainen Kirjakauppa wanted to shift store workers' focus towards sales and customer service and away from ordering.

Analysis project and pilot supporting decision making

As a first step towards developing a new store replenishment process RELEX carried out an analysis starting with an assessment of the existing system. Using data collected from Suomalainen Kirjakauppa's systems we ran simulations of alternative replenishment models allowing us to identify areas where improvements could be made. According to Mr. Kuurne, the analysis gave a clear picture of the constraints of the re-order point model the chain was then using, the potential for efficiency gains and, critically, concrete recommendations regarding which forecasting and replenishment models to use. The analysis project was followed by a pilot across three stores. In this phase the replenishment models that the analysis project found performed best were implemented using the RELEX Processor replenishment system. Key performance indicators from the pilot and feedback received from the stores were very encouraging. Implementation ahead of schedule

The success of the pilot phase made it easy for Suomalainen Kirjakauppa to proceed to the more comprehensive implementation project with RELEX. The roll-out was divided into two waves, each involving around 30 outlets. The first wave of the implementation went well and encouraged Suomalainen Kirjakauppa to bring forward the second wave by more than four months. The implementation was completed in just over half the time that had been allowed.

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Pekka Kuurne
Logistics Manager , Suomalainen Kirjakauppa

Successful Christmas season

An essential test of the new system was how automated store replenishment performed during the Christmas season. The demand forecast models in RELEX Processor automatically factor in the seasonal nature of demand. We also created a special forecast model for novelty products, demand for which is very difficult to predict. This enabled Suomalainen Kirjakauppa to automate its replenishment process without sacrificing shelf availability. RELEX Processor passed the key Christmas test with flying colours.

Concrete results quickly

According to Pekka Kuurne, RELEX's solution produced measurable and impressive results right from the beginning. The percentage of office supplies that were out-of-stock fell from 9% to 2%, a dramatic fall of almost 78% while inventory turnover saw an improvement of 16 %. At the same time, the time spent on ordering was minimized – the proportion of products from the stores' inventory automatically ordered rapidly reached 98 %. Today, the replenishment ordering for all stores is handled by a single Logistics Coordinator who monitors the order proposals generated by the replenishment system.

RELEX as a partner

"RELEX possesses a comprehensive understanding of the replenishment process as well as the special characteristics of the specialty goods trade," says Pekka Kuurne who recommends RELEX as a partner for developing product replenishment.

"Given this it was natural that RELEX's software suited our needs perfectly. The final decision was made much easier by the fact that RELEX's comprehensive and logically phased service package enabled us to move forward one step at a time. Furthermore, RELEX's genuine enthusiasm for developing their clients' business operations is evident, even after the actual project active development and co-operation have continued," Mr. Kuurne says.