



Retailing

Maximising operational excellence



Collinson Grant

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An introduction to Collinson Grant

We work on

Organisation

Acquisition, business integration, restructuring, organisational design, roles and accountabilities, and employee relations

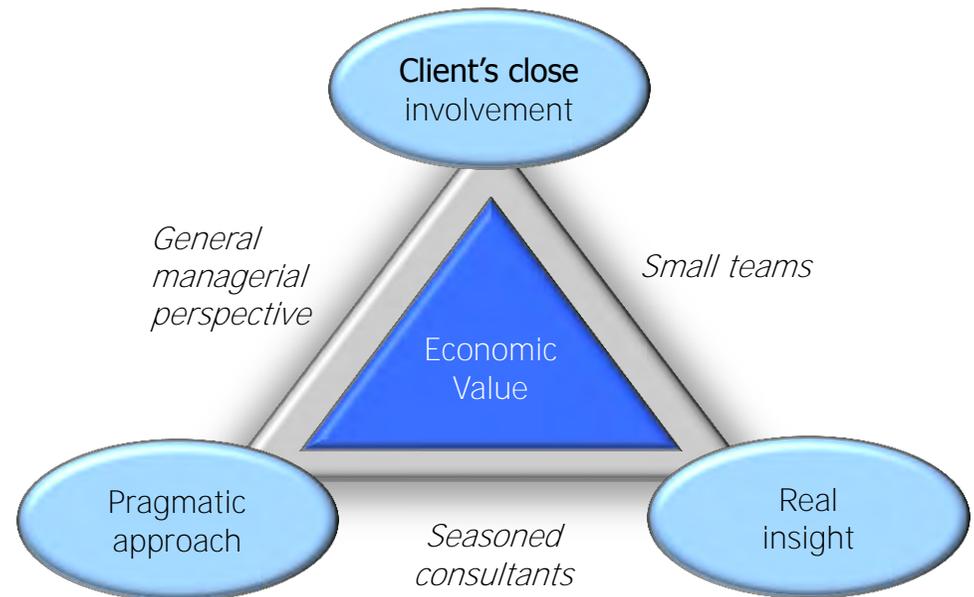
Costs

Direct costs, overheads, supply chain and operations, working capital, procurement, and managing complexity and performance

Business Process

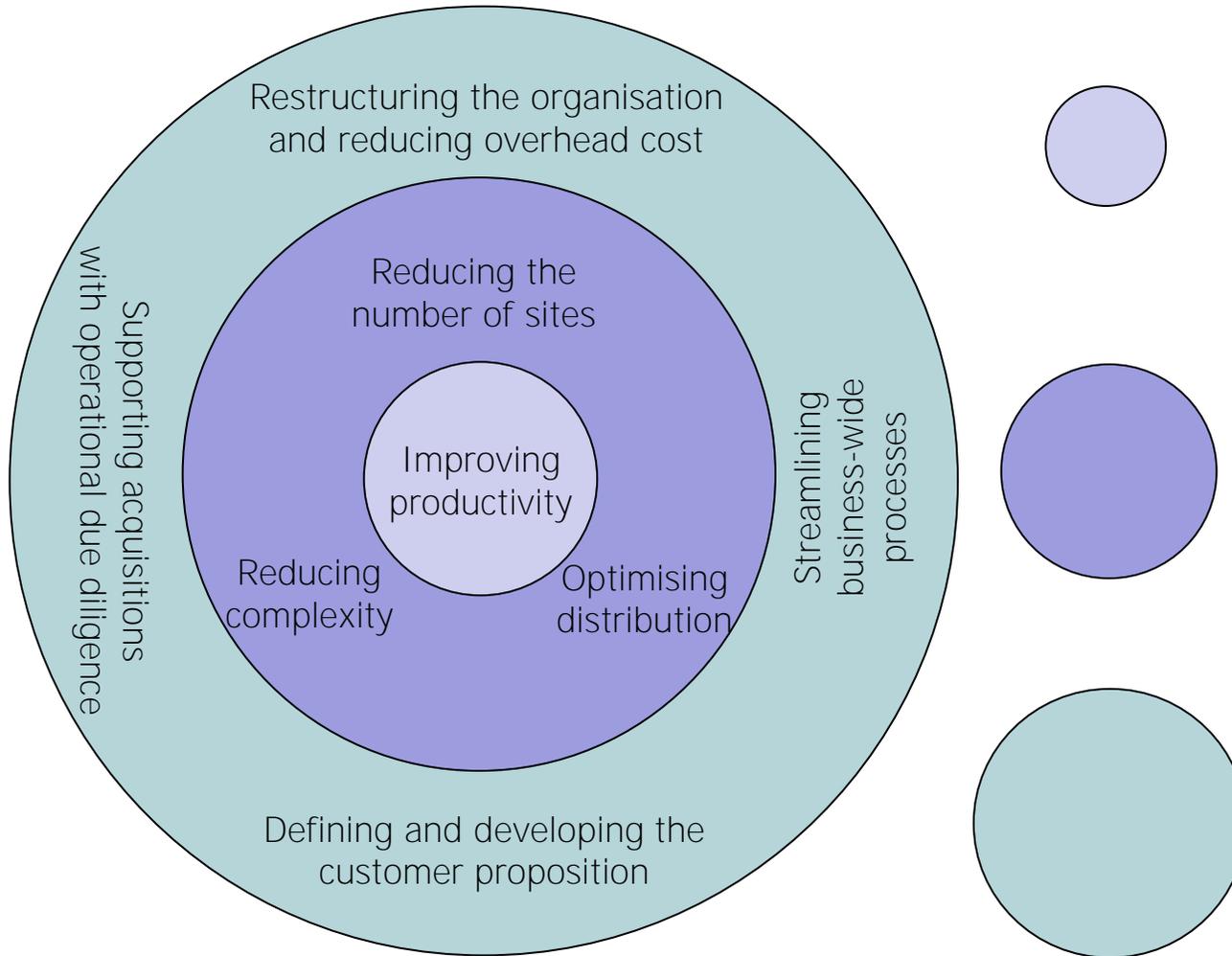
Business process re-engineering, managing change programmes, Lean and Six Sigma, exploiting ERP, and installing business controls

Our approach



Collinson Grant focuses on sustainable results

What we do – the varying scope of our work



1 Improving service at lower cost by using Lean, Six Sigma and good managerial practice throughout supply chain operations

2 Cutting costs and applying good practice throughout the supply chain, designing better processes and contracting out

3 Making changes to the business model by defining the customer proposition, restructuring operations, and supporting acquisitions

Our consultants' experience in retailing

Arcadia

ASDA



BURBERRY

The **co-operative**



Sainsbury's

Kingfisher

YOUR **M&S**

MATALAN

N Brown Group plc



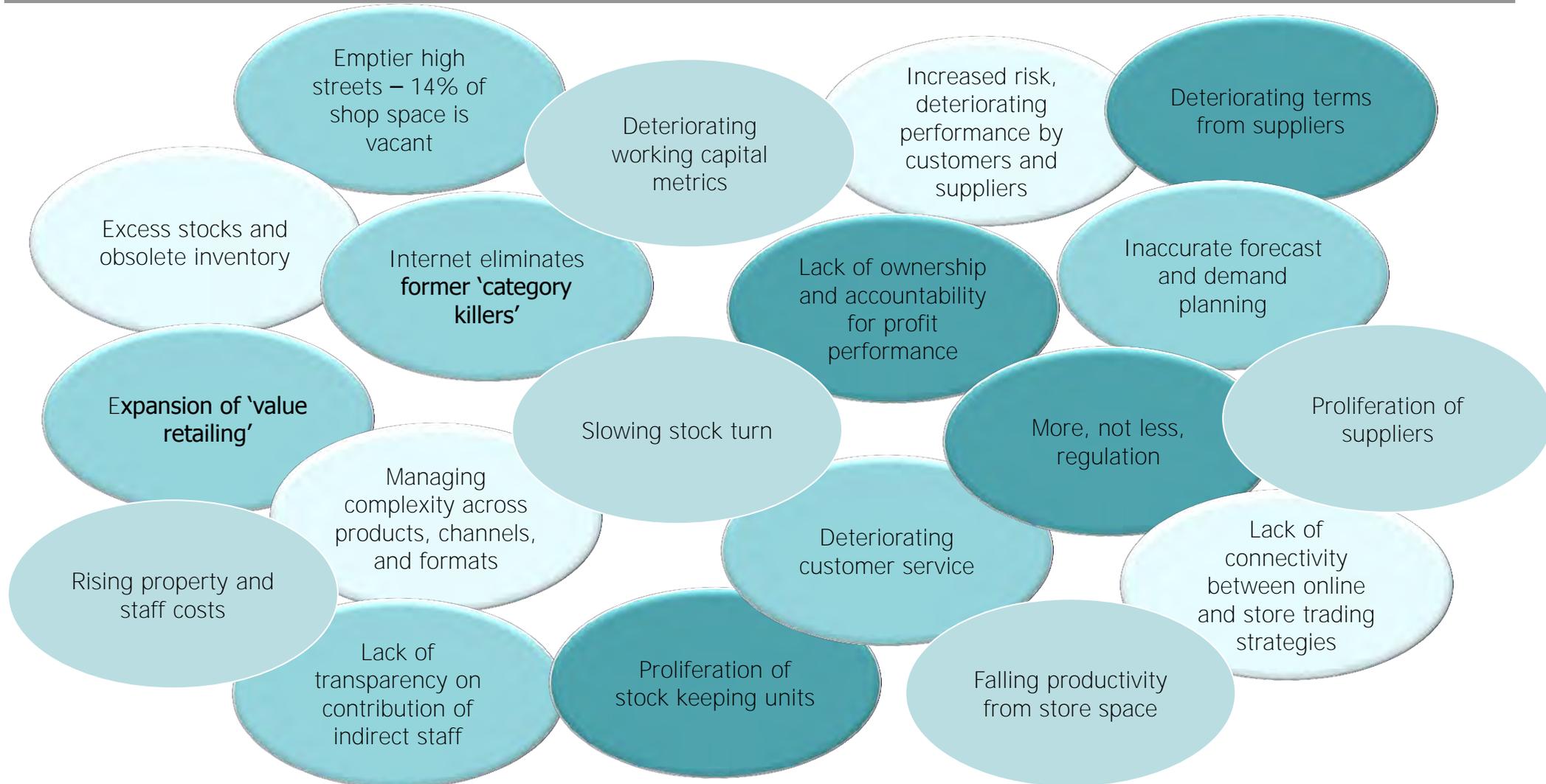
TESCO

T.K.maxx



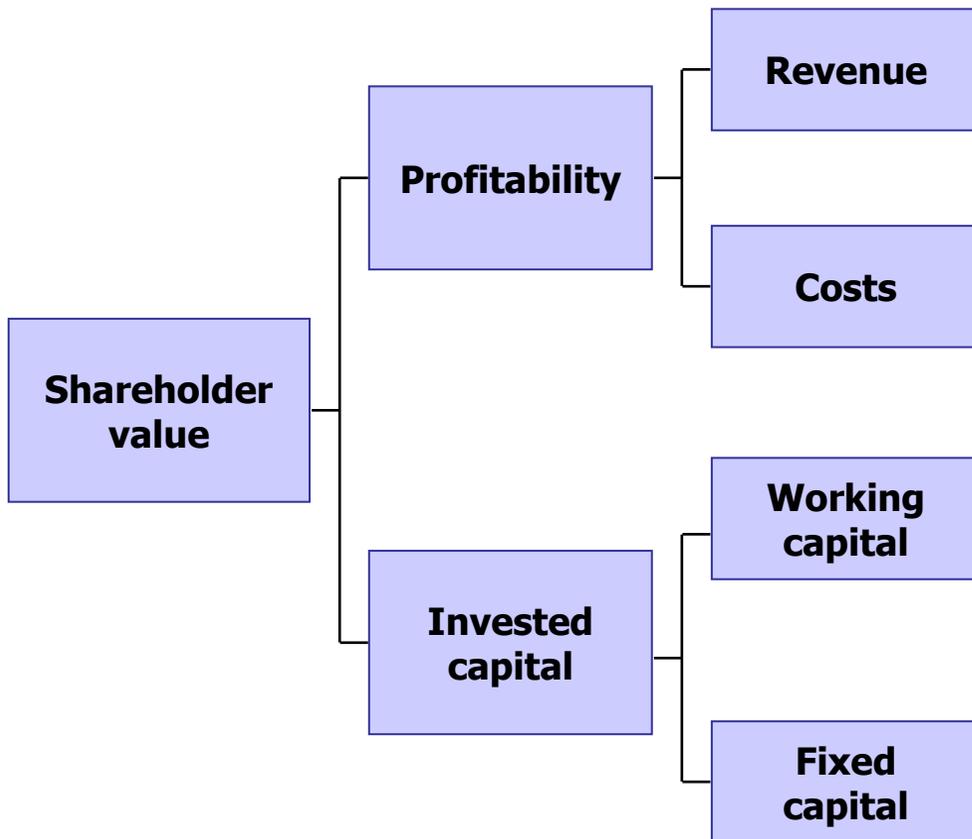
Wickes
It's got our name on it.

Typical 'headaches' for retail managers ...



Driving up shareholder value

- The shareholder value tree -



- Supply chain impact -

- ↑ Market share
- ↑ Gross margins
- ↑ Customer service
- ↓ Fewer lost sales

- ↓ Cost of goods sold (COGS)
- ↑ Asset productivity
- ↓ Cost of business operations
- ↓ Manufacturing, conversion and sourcing costs

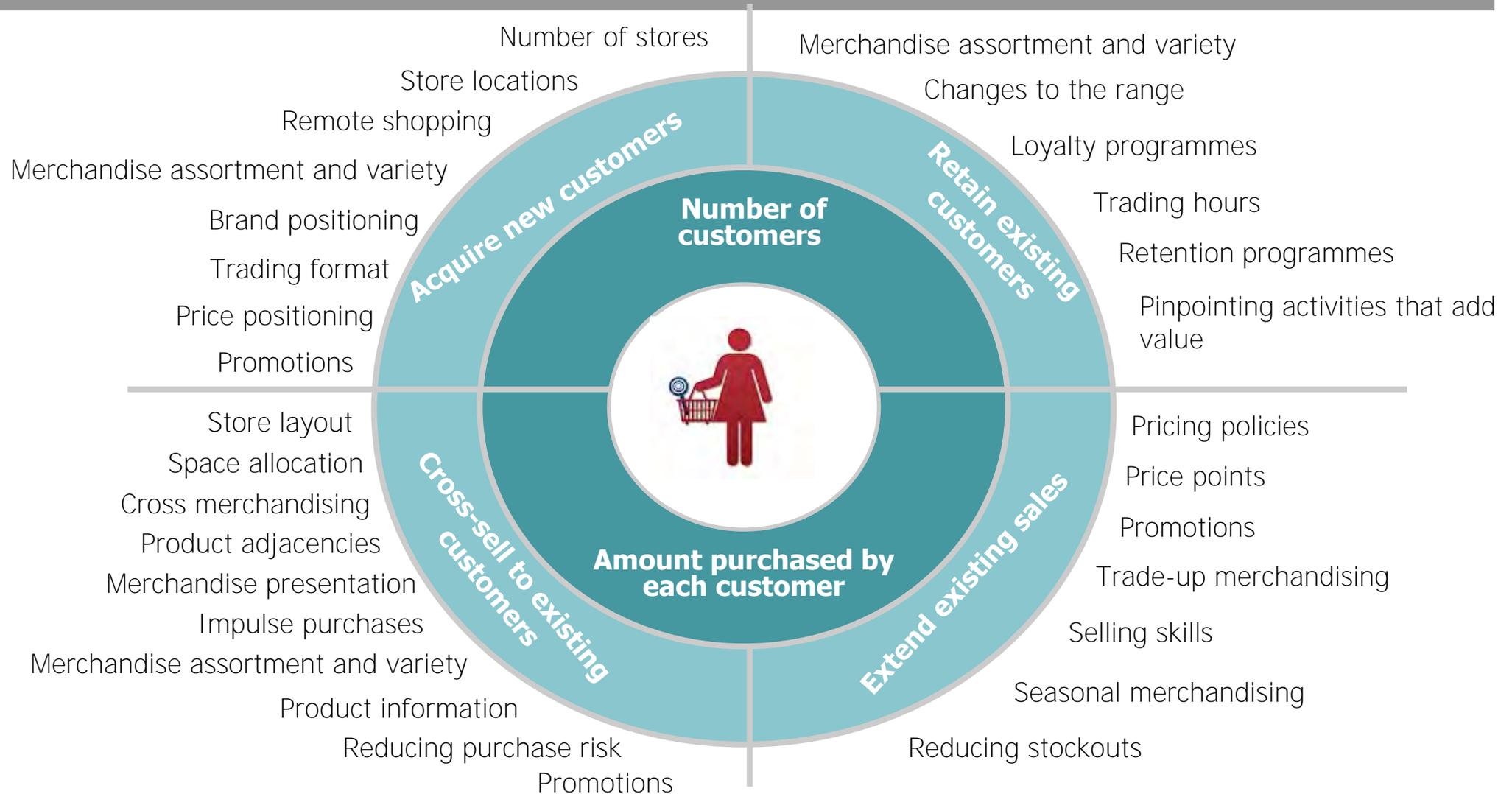
- ↓ Inventories of raw, part-finished and finished products
- ↓ Order-to-cash cycle time

- ↓ Physical assets – plants, warehouses, trucks, office and support locations

- Typical targeted benefits -

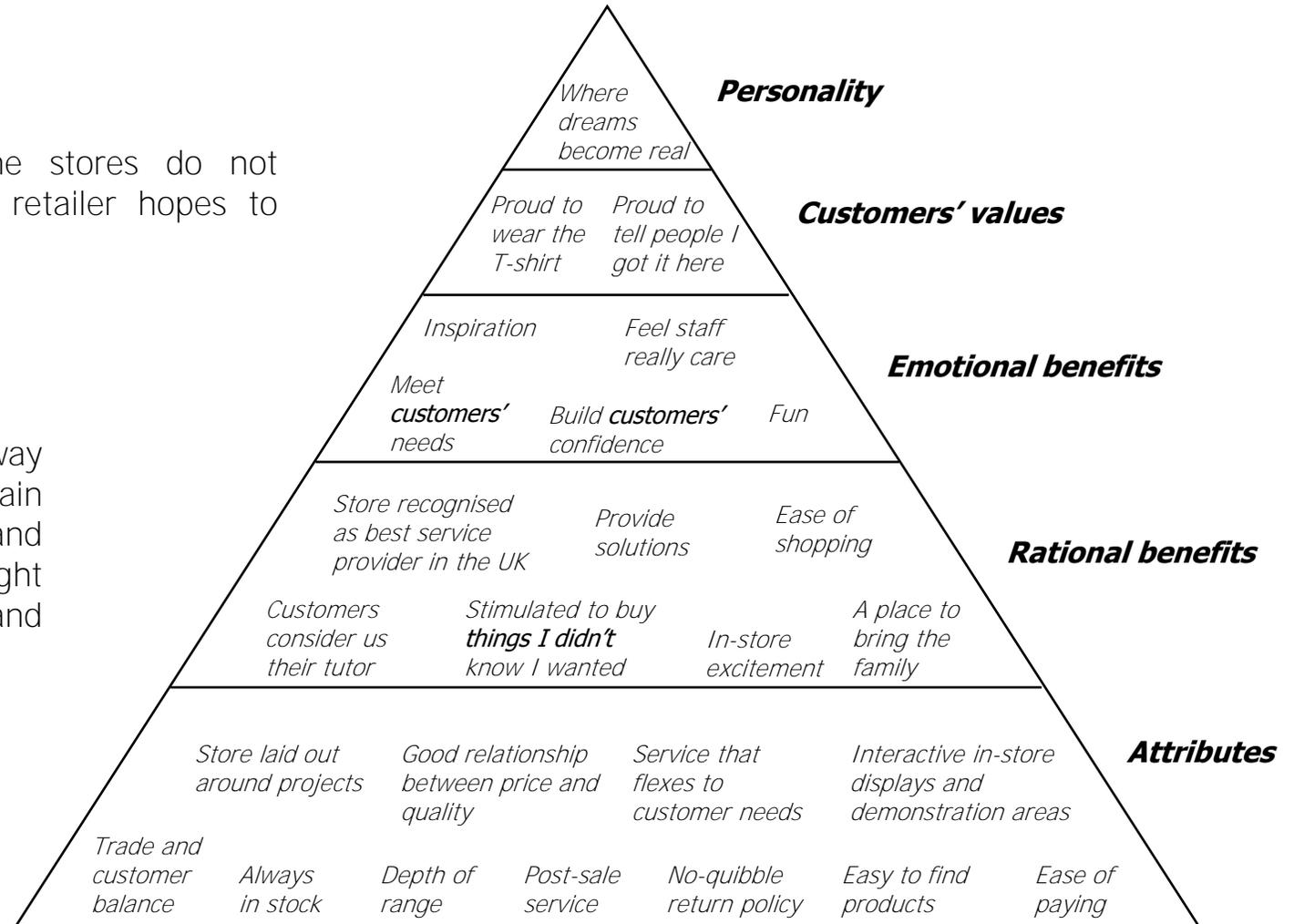
- ➔ **1 - 2% margin**
- ➔ **10 - 15% costs**
- ➔ **10 - 20% inventory**
- ➔ **10 - 20% assets**

Defining the retail offer

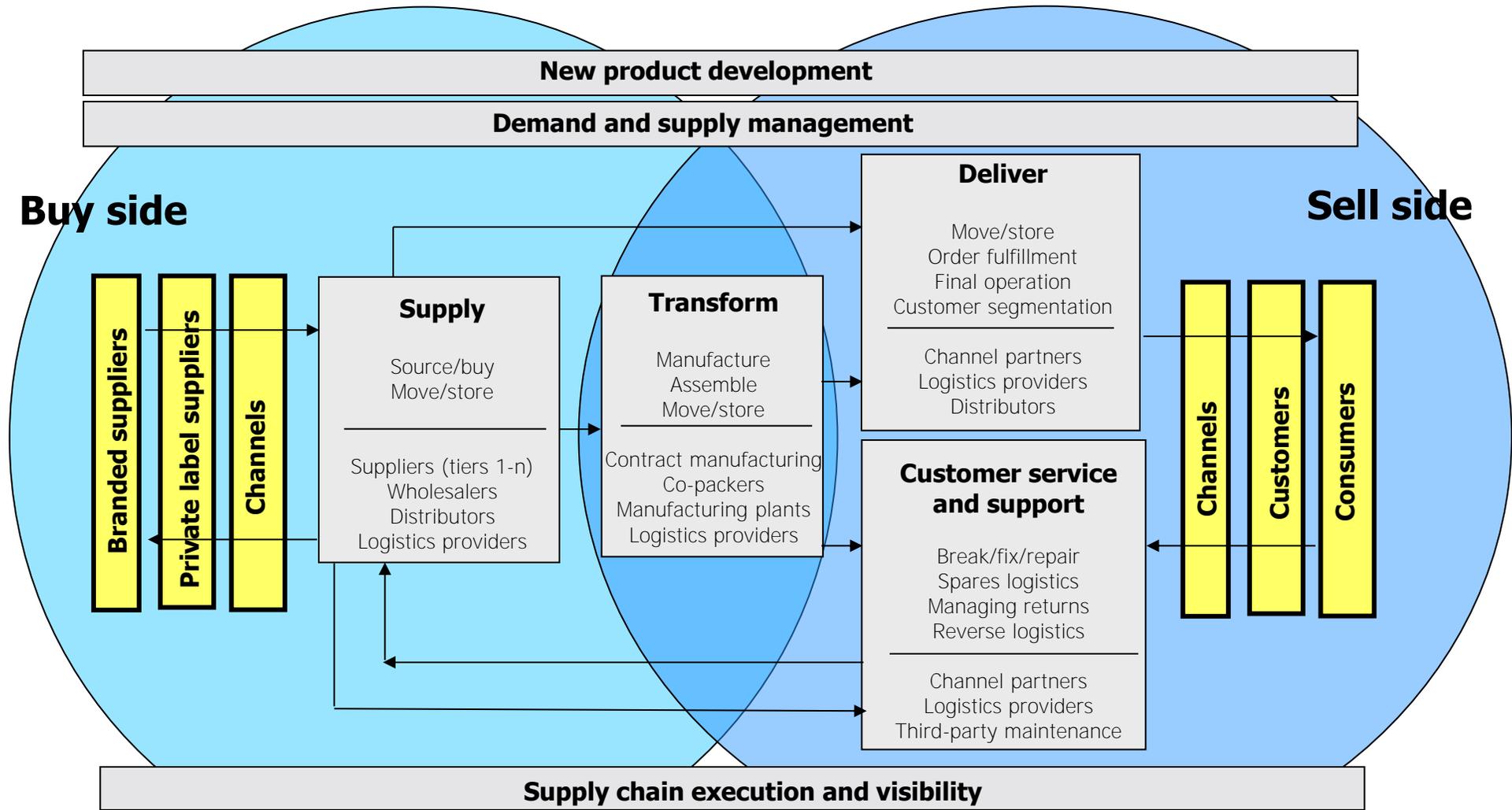


Making it happen - turning the retail offer into reality

- Often, the attributes of the stores do not support the personality the retailer hopes to convey
- The visioning pyramid is a way of capturing all the main elements of a personality and tying them together to highlight gaps, inconsistencies and relationships



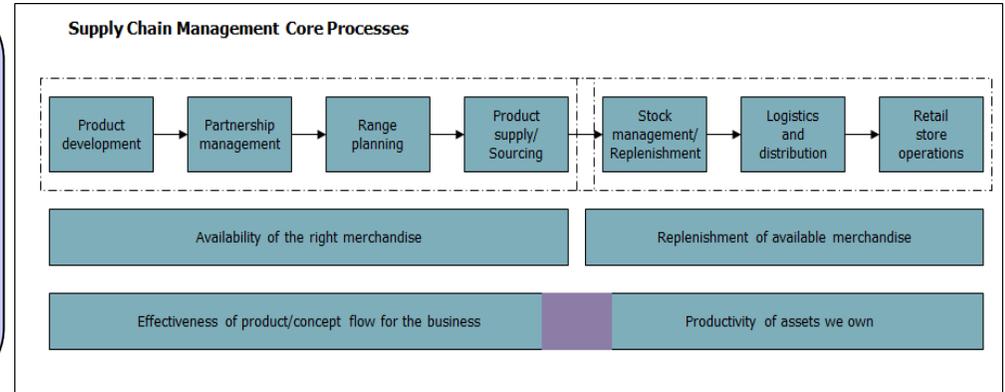
Making it happen – aligning the buy side and sell side



Finding opportunities to improve the supply chain

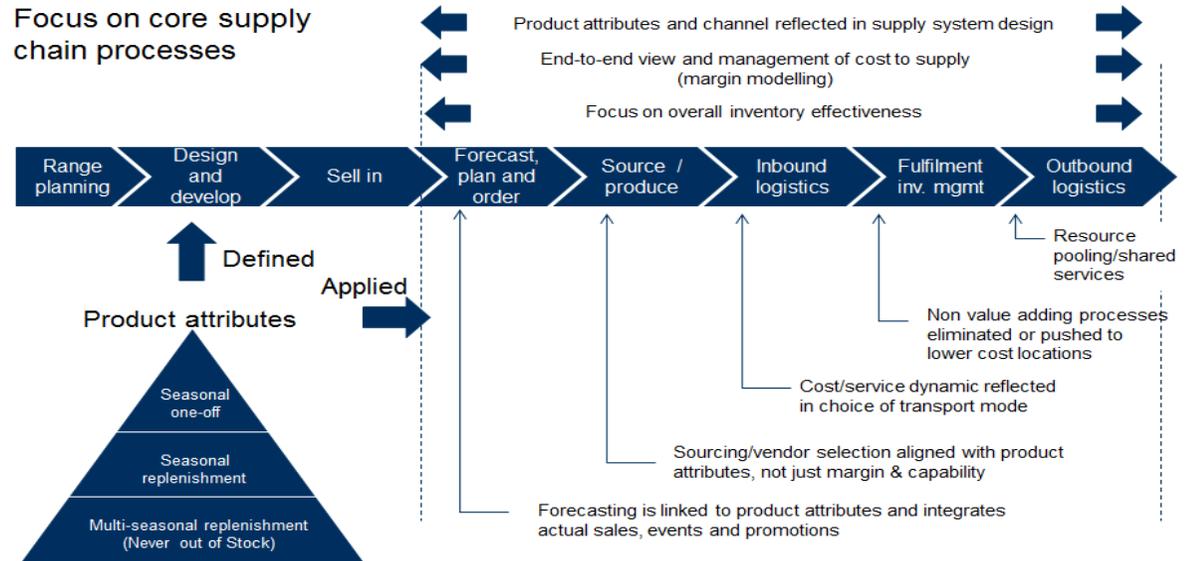
An understanding of the competitive landscape
 +
Insight into the retailing business
 +
Knowledge of best practice in the supply chain

Using these we can quickly define and deploy more effective supply chain structures, reduce costs and improve service



	Product Development and Sourcing	Merchandise Planning and Control	Supplier Management	Logistics
Productivity (Cost)	<ul style="list-style-type: none"> Gross margin at source 	<ul style="list-style-type: none"> GMROI 	<ul style="list-style-type: none"> Suppliers' contribution 	<ul style="list-style-type: none"> Distribution cost as % of sales
Service (customer/store satisfaction)	<ul style="list-style-type: none"> New product contribution 	<ul style="list-style-type: none"> Availability 	<ul style="list-style-type: none"> Supplier s' OTIF 	<ul style="list-style-type: none"> Order fulfilment to stores (OTIF)
Responsiveness	<ul style="list-style-type: none"> Product development lead time 	<ul style="list-style-type: none"> Planning cycle time Replenishment lead time 	<ul style="list-style-type: none"> Initial lead time Replenishment lead time 	<ul style="list-style-type: none"> Replenishment turn time

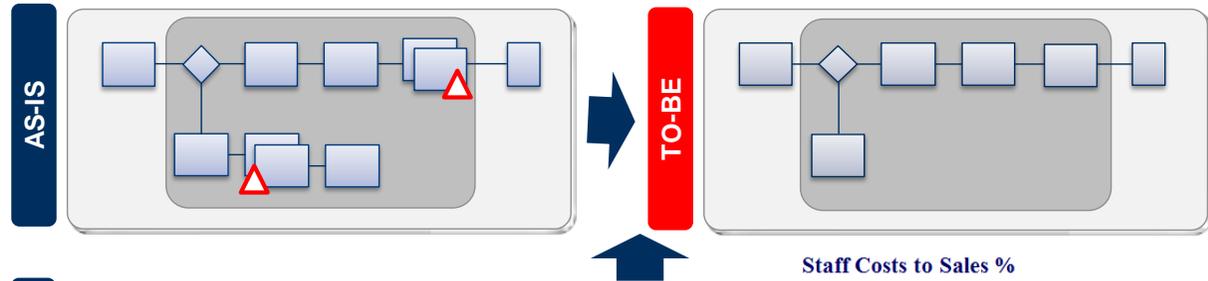
Focus on core supply chain processes



Realising opportunities to improve the supply chain

A four-step approach

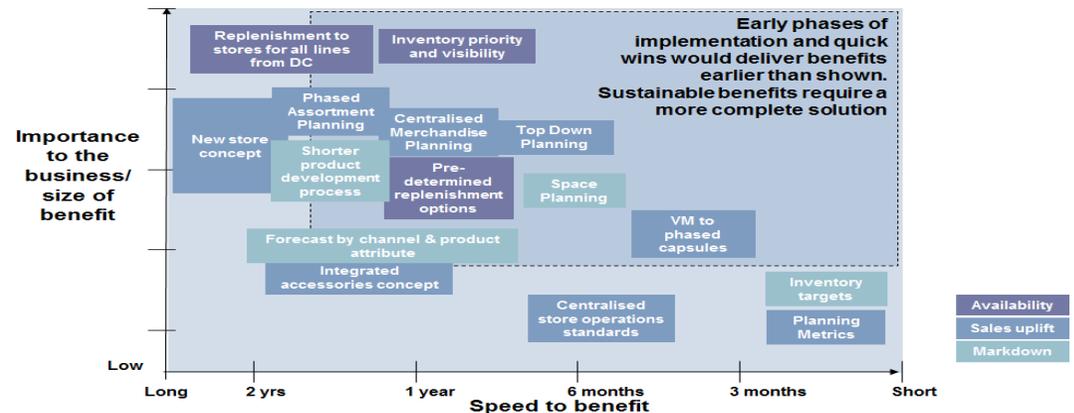
- 1 Provides an overall assessment of the process, systems and organisation of the current supply chain based on mapped and documented process descriptions, analysis of strengths and weaknesses, defined responsibilities and accountabilities, and measured performance
- 2 Develops recommendations for new processes, systems and organisation that will provide a basis for improving overall supply chain performance
- 3 Prepares a quantified case for making improvements to processes in the supply chain
- 4 Defines a pragmatic implementation plan
 - to realise quick wins and longer-term strategic improvements
 - to achieve specified benefits (for example, lead time, reductions in operating costs and inventory, improvements in on-shelf availability, et cetera)



Best Practices

Benchmarks/Measures of Performance - Customer Satisfaction

Metric	Definition	UOM	Current Performance EWM	Best Practice Fashion Consumer Products
Operating Profit %	Operating profit as a % of sales	%		18.0
Return on capital employed	Pre-tax profit divided by capital employed as a %	%		30.0
Inventory Turns	Cost of goods sold divided by average inventory at cost	Ratio		6.5
Stock/Sales Ratio	Percentage of stocks held in relation to sales	%		13.0
Asset Utilisation	Sales divided by total assets	Ratio		3.0
Sales per full time employee	Sales divided by number of FTE's	£		100,000
GMRICI	Gross margin return on investment in inventory	Ratio		6.0



Finding opportunities for savings at head office

1 Aims of the work

- To provide an objective, data-rich, unambiguous baseline that can be used to support modelling
- To set measures for current effectiveness, efficiency and operational service quality, and to track benefits
- To be able to review planned changes, their impact, and help shape a new approach

2 Approach

We should:

- collect data to compare current performance against peers and top performers so as to spot potential for improvement
- work with your functional teams to customise our questions

3 Critical factors for success

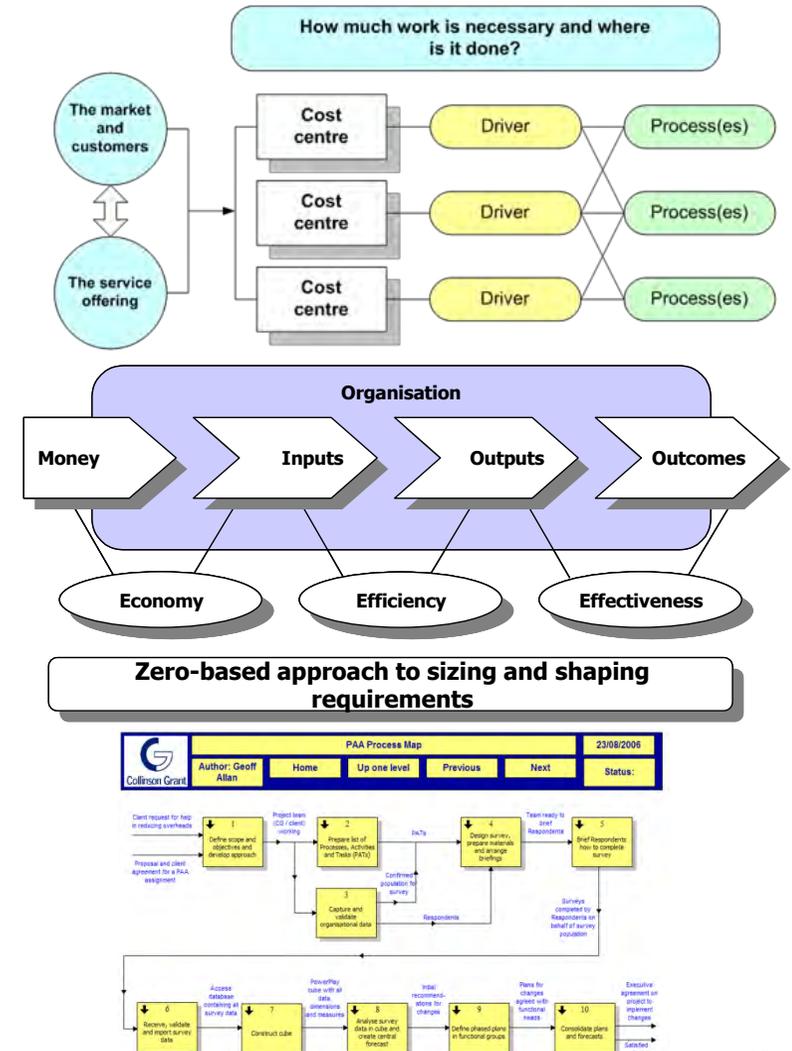
The work must use:

- standard definitions to make the data consistent and comparable
- the right amount of support and expertise/insight
- data structured to fit into the business case model

4 Main outputs

This work will produce:

- information on the current state of all functions with internal and external benchmarks as appropriate
- the design of a business case for change
- analysis to inform opportunities and other hypotheses for improvement



Realising the plan for savings at head office

1 Aims of the work

- To explore the ideas and options proposed and to model the likely cost of the effort and capability required to implement options
- To work with senior managers to define the preferred option and then build the blueprint for change

2 Approach

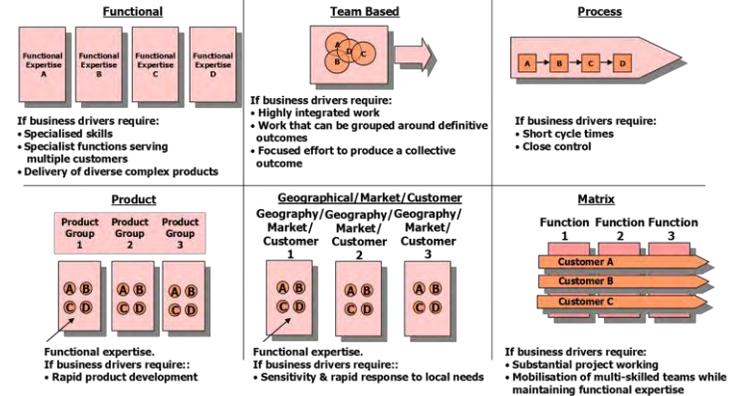
- Workshop(s) with the senior team to explore the proposals from the project team in the broader context of business strategy
- Build and define options, select those preferred, and build a blueprint detailing interfaces, unit accountabilities, and the size of population by functions

3 Critical factors for success

- Understand the capability required to achieve the business strategy
- Understand and quantify the interaction between processes, structure and capability
- Ensure that the leadership team communicates the right things about the proposals

4 Main outputs

- Detailed blueprint of how the business will be managed, organised and developed in future
- Future size of the organisation is defined, accountabilities clarified, and main roles described
- A business case is created to support the change



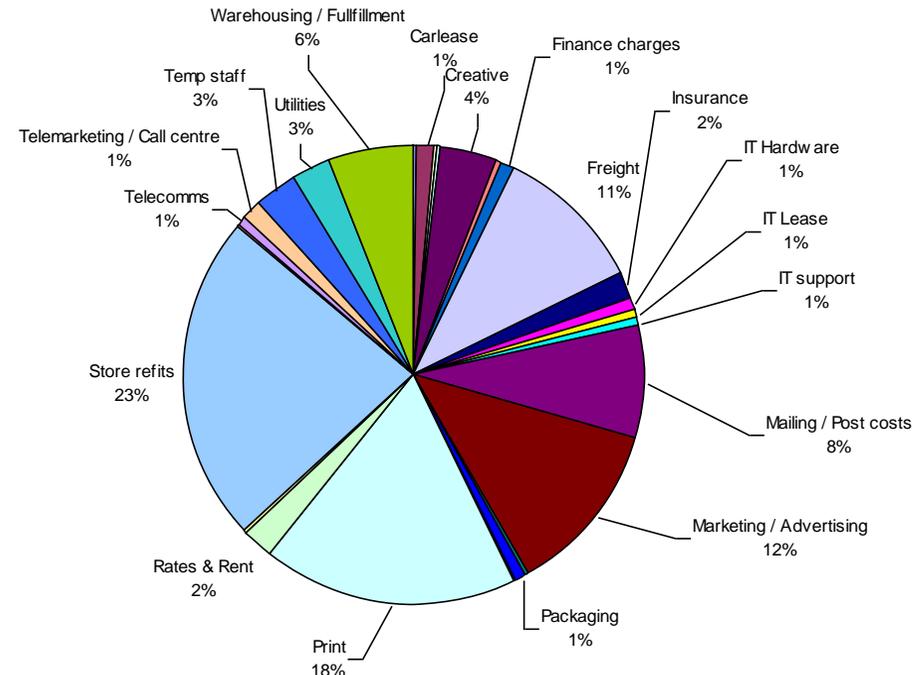
Wood Group GTS - Primary Business Processes / sub-processes to be	Corporate Office	GTS Hub	DBU	DBU (Spec/Buildg. M2 as DBU)	Operational Functions	Support Functions							
Proc. P# Num	Plan & Mngt	Marketing	Sales	Commercial Mgt	Product Mgt	Human Mgt	Business Support	IT	HR	Legal	Finance	Procurement	ES
Plan & Mngt													
PEB01 Pl 1.1	Plan services												
PEB01 Pl 1.2	Plan product services												
PEB01 Pl 1.3	Plan resources												
PEB01 Pl 1.4	Plan material												
PEB01 Pl 1.5	Plan logistics												
Commercial Mgt													
PEB02 Cr 2.1	Manage sales orders												
PEB02 Cr 2.2	Manage job orders												
PEB02 Cr 2.3	Manage programmes & contracts												
Product Mgt													
PEB03 Fu 3.1	Purchase material												
PEB03 Fu 3.2	Purchase services												
PEB03 Fu 3.3	Schedule & manage production												
PEB03 Fu 3.4	Schedule & manage services												
PEB03 Fu 3.5	Apply resource requirements												
PEB03 Fu 3.6	Manage price cost/revenue												
PEB03 Fu 3.7	Manage logistics												
Human Mgt													
PEB04 Ml 4.1	Manage stock inventory												
PEB04 Ml 4.2	Control and report inventory												
PEB04 Ml 4.3	Manage material returns (re-stocking)												
Business Support													
PEB05 Ml 5.1	Manage sales revenue												
PEB05 Ml 5.2	Manage purchase invoices												
PEB05 Ml 5.3	Manage payroll												
PEB05 Ml 5.4	Manage expensing												
PEB05 Ml 5.5	Manage cash												
PEB05 Ml 5.6	Plan and budget finance												
PEB05 Ml 5.7	Maintain chart of accounts												



Finding opportunities for savings in procurement of goods not for resale (GNFR)

- After working on procurement with a number of retailers, we have used this experience to develop a generic cost model of indirect expenditure.
- By comparing and tailoring this model we can substantially accelerate the process of data gathering and get a much more accurate view of potential opportunities and targets for savings.
- Our knowledge and experience greatly increases the speed at which benefits are realised

Typical Retail GNFR Expenditure Breakdown



Savings on procurement (GNFR)

Typical categories of indirect spending and the potential for savings

Cleaning services	14-19%	Office supplies	27-63%
Consumables	5-16%	Print (business, marketing)	10-41%
Courier services	15-42%	Recruitment and temporary labour	15-50%
IT maintenance	15-30%	Reprographics	15-28%
IT hardware and software	10-30%	Telecoms (fixed, mobile)	21-47%
Legal services	5-10%	Travel (air, hotel, taxi)	9-31%
Marketing services	5-15%	Utilities and fuel (including cost avoidance)	5-20%
MFDs (print, copy, fax)	14-22%	Workwear	20-38%

Office supplies

- Consolidate suppliers nationally and regionally
- Negotiate cost-plus pricing
- **Develop a 'core list' of items**
- Switch to non-OEM products
- Control demand for non-core items

Hotels

- Structure demand to match supply market
- Select single, preferred properties for high usage cities
- Select national chains to cover lower usage cities
- Mandate preferred hotels and use of corporate credit card for all hotel-related expenses
- Monitor demand

Telecoms

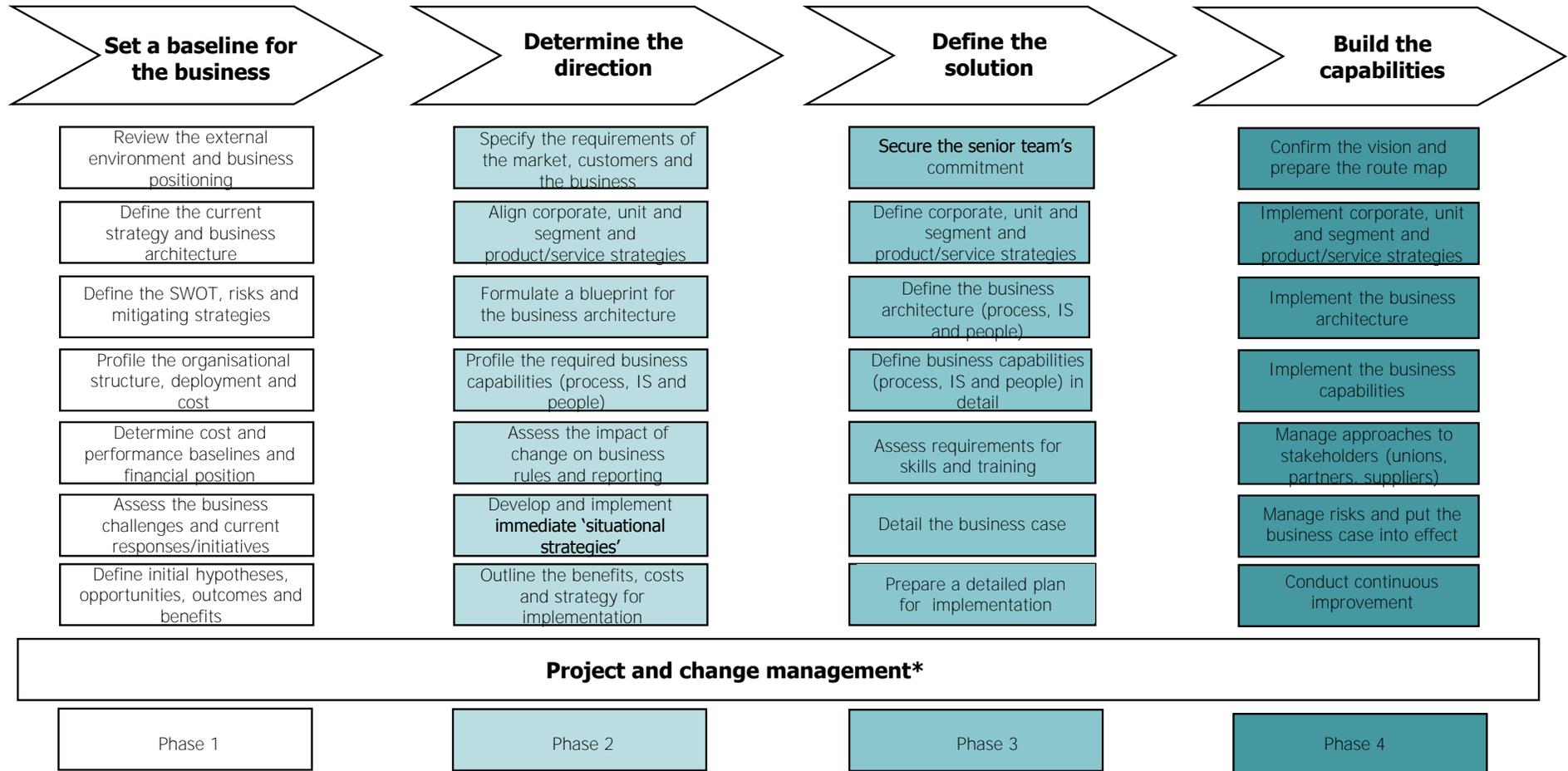
- Measure rates to determine cost-saving opportunities
- Evaluate specifications for additional line features
- Consolidate spend with a single primary carrier
- Seek competitive bids
- Obtain sign-on rebates
- Consolidate billing and payments

Making it happen – programme management

Steering groups	Project teams
Projects about customers	<ul style="list-style-type: none"> ▪ Store layout ▪ Store services ▪ Training ▪ Staff management ▪ Loyalty management ▪ New channels (call centre)
Projects about operations	<ul style="list-style-type: none"> ▪ Range management ▪ Inventory management ▪ E-commerce integration
Projects about support functions	<ul style="list-style-type: none"> ▪ Head office processes ▪ Organisation – shape and size ▪ Procurement (GNFR) ▪ Communications support

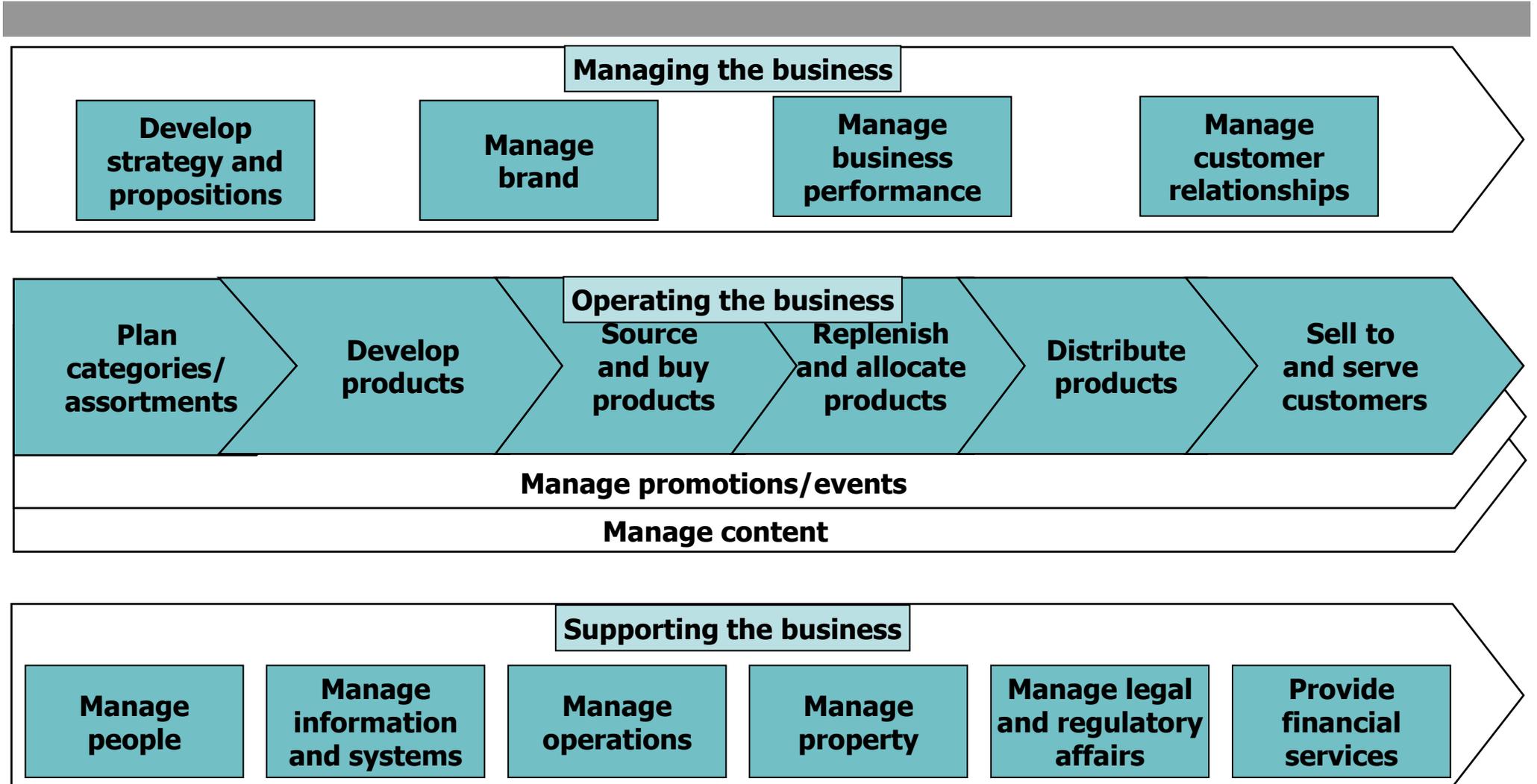
Critical factors for success
<ul style="list-style-type: none"> ▪ to articulate the vision ▪ to build a single, coherent plan ▪ to optimise the benefits ▪ to secure engagement and support ▪ to manage risks to the programme ▪ to prepare communications ▪ to set up a programme management office (PMO) to run, not administer, the programme

An outline of our approach to managing change



*Planning, reporting, resourcing, communication, impacts/ responses, business risks/mitigations, skills

Maximising operational excellence



Our skills and expertise in retailing

Managing the business

- Customer strategy
- Multi-channel marketing and operations
- Integrating acquisitions
- Direct marketing
- Repositioning
- E-commerce
- Developing formats
- Call centres

Operating the business

- Range planning
- Merchandising
- Private brand development
- Sourcing and buying
- Supply chain management
- Distribution
- Warehouse management
- Store operations
- Call centres
- Business process improvement
- IT programme management /ERP system replacement

Supporting the business

- Organisational design
- HR strategy
- Restructuring
- Portfolio management
- Cost reduction
- Managing change
- Business integration
- Procurement (GNFR)



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