

Case Suomalainen Kirjakauppa: More efficient store operations and improved shelf availability

Suomalainen Kirjakauppa, the leading chain of bookstores in Finland, has utilized re-order points in its store replenishment process for over a decade. In 2007, the company decided to aim for a substantial rationalization of store ordering in order to free up its store staff's time and allow it to focus more on customer service and sales. To achieve this goal, the company needed a new store replenishment solution.

After considering a number of alternatives and conducting an analysis project as well as a pilot together with RELEX, Suomalainen Kirjakauppa selected RELEX as its partner in the development of its store replenishment process.

Key challenges

- Rapid product turnover
- Outlets of varying type and size
- Managing seasonal sales – Christmas sales represent 20 % of total annual sales
- Taking the shelf display requirements of the stores into consideration in store replenishment

Goals

- Increasing work efficiency in the stores and channeling more time to customer service
- 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 that is suitable for managing a large number of products and outlets
- The company's extensive knowledge of product replenishment in the specialty goods trade
- RELEX's genuine enthusiasm for developing the business operations of its clients

Suomalainen Kirjakauppa in brief:

- A subsidiary of Rautakirja Oy and part of the Sanoma Group
- Turnover in 2008 EUR 124 million
- 62 outlets
- 700 employees

” RELEX possesses a comprehensive understanding of the replenishment process as well as the special characteristics of the specialty goods trade.”

*Pekka Kuurne,
Logistics Manager, Suomalainen Kirjakauppa*

Results

- The shelf availability of office supplies and other materials has increased from 91 % to 98 %
- The inventory turnover of the products included in the stores' assortments has improved by 16%
- Replenishment ordering of all of the 600 000 combinations of product and outlets is currently conducted by one person
- Work in the stores is more efficient as time does not need to be spent on replenishment ordering



Background

Suomalainen Kirjakauppa made its first efforts to automate store replenishment in the mid-1990s. However, the re-order point based replenishment model, which was implemented at that time, no longer met the company's needs ten years later. The Logistics Manager of Suomalainen Kirjakauppa, Mr. Pekka Kuurne, explains: "The solution did not yield sufficient results, as stores would still be forced to process orders manually, especially during peak seasons and campaigns. Moreover, shelf availability and inventory turnover were not on a satisfactory level." As part of a broader effort to develop the business concept, Suomalainen Kirjakauppa wanted to focus the work effort of the store staff on sales and customer service rather than on ordering.

Analysis project and pilot supporting decision making

The first step towards the new store replenishment process was an analysis project conducted by RELEX. In this phase, the current state of the replenishment process was analyzed, and opportunities for improvement were evaluated using a simulation model of the new replenishment process and data collected from the client's systems. According to Mr. Kuurne, the analysis project produced a clear picture of the current state and developmental potential of the replenishment process as well as concrete recommendations regarding which forecasting and replenishment models to use. The analysis project was followed by a pilot that was carried out in three stores. In the pilot, the replenishment models defined in the analysis project were implemented using the RELEX Processor replenishment system. The results of the pilot were encouraging with regard to both key performance indicators and feedback received from the stores.

Implementation ahead of schedule

After the successful pilot phase, it was easy for Suomalainen Kirjakauppa to proceed to the more comprehensive implementation project with RELEX. The roll-out was divided into two waves, including roughly 30 outlets each. The first wave of the implementation went well enough to encourage Suomalainen Kirjakauppa to advance the schedule of the second wave by more than four months. This effectively almost halved the time that had been reserved for the implementation.

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Successful Christmas season

One of the most essential goals for the new replenishment solution was to successfully automate store replenishment during the Christmas season. The demand forecast models in RELEX Processor automatically take into consideration the seasonal nature of the demand. In addition to this, a special forecast model was created for novelty products, the demand for which is very difficult to predict. This enabled Suomalainen Kirjakauppa to automate its replenishment process without sacrificing shelf availability.

Concrete results quickly

According to Pekka Kuurne, RELEX's solution produced concrete and measurable results right from the beginning. The shelf availability of office supplies and other materials increased a whopping 7 % while inventory turnover saw an improvement of 16 %. At the same time, the time spent on ordering was minimized – the degree of automatic ordering of products included in the stores' assortments rapidly climbed to 98 %. Today, the replenishment orders for all the stores are handled by a single Logistics Coordinator who monitors the order proposals generated by the replenishment system.

RELEX as a partner

Pekka Kuurne recommends RELEX as a partner for developing product replenishment. "RELEX possesses a comprehensive understanding of the replenishment process as well as the special characteristics of the specialty goods trade. Bearing this in mind, 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 summarizes.



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