

RETAIL ROUNDTABLE

THE SUPPLY CHAIN MANAGERS

THE PARTICIPANTS



Lesley Smith,
VP, Supply Chain,
Wal-Mart Canada Corp.



Ross Marancos,
Senior VP, Supply Chain,
Indigo Books & Music Inc.



Greg Stalker,
VP Logistics,
Best Buy Canada Ltd.

Find the product. Ship the product. Move the product from the distribution centre to the store shelf. And do it all within budget, on time, and with the company's environmental and CSR commitments in mind. Repeat several thousand times, depending on how many SKUs your store carries. Oh, and while you're at it, keep up to speed on the latest technology, be up to speed on every global event that could disrupt the flow of goods, and prepare a few dozen contingency plans for anything that might happen to your goods at every step of the journey.

All in a day's work, if you're in the retail supply chain business.

Every part of the retail operation plays a huge role in the company's success, but everything starts with the supply chain, and with good reason — there's not much point in spending money on staffing, marketing and merchandising if you can't get the products consumers are

looking for from Point A to Point B. Recently, *Canadian Retailer* approached supply chain managers at some of the nation's leading retail chains about their roles in the organization and the challenges they foresee in 2009 and beyond. Here's what they had to say:

Briefly, describe your department's role in the company and the impact you have on the customer experience.

LESLEY SMITH: Beyond our commitment to having the lowest prices, customers choose Wal-Mart because of our huge selection and our consistency in having the products they want. Our [department's] top priority is ensuring that products reach the stores on time and on budget.

ROSS MARANCOS: The supply chain team at Indigo Books & Music Inc. works with our procurement team, vendors, and our retail operations teams to ensure the right product is available at the right place and at the right time. We ensure our inventory management strategies and processes achieve that goal. We are accountable to have the product in the stores in a timely and cost-effective way, whether it is de-

livered through our distribution network or direct to stores from our vendors.

GREG STALKER: Our Logistics team takes care of the entire flow of goods in our organization — distribution, transportation, home delivery — along with a host of collaborative processes with our vendor partners. Having the right product at the right time to our retail stores and to our customers' homes is paramount in delivering a positive customer experience. Service, quality and accuracy are continuously measured as well as tracking top of mind awareness throughout our entire network. To put it another way, our role is to push a basketball through a garden hose! (*Laughs*)

How have you seen your role — and the supply chain business in general — evolve over the past few years?

MARANCOS: We have made two significant changes. The first, a move to centralized replenishment, occurred a few years ago. Since that time, we have made investments in our information systems, tools and work processes. The second change is that we've expanded the product offering greatly to include general merchandise and toys. As a result, the complexity of our supply chain has also expanded significantly. With the increase in merchandise categories, our procurement team is sourcing product domestically and internationally, which means the supply chain has also been extended globally.

SMITH: Wal-Mart has always believed in the power of an efficient supply chain and that has been one of the company's competitive advantages over the years. Over the years, we have gotten more sophisticated in our approach, whether it's adding technology or refining the things we do, the routes we take, and the systems we have in place. The addition of Supercentres and full grocery operations to our chain of stores has led to some great improvements across our supply chain. With food, the standards rise and the promise of in-stock and freshness for our stores and our customers make us all work just a little harder.

STALKER: It has evolved in two areas in particular. Improving the customer experience is a large area of focus for our Logistics team and, accordingly, ensuring quality and accuracy of execution

is critical. In turn, this ensures that the right products are available to our customers at the right time. Secondly, continuing to remove costs that the customer is unwilling to pay for is imperative; with the current economic climate, consumers are looking at value more than ever. The needs of the customer are constantly changing and evolving and we need to keep up with that pace of change. Our focus on just-in-time inventory management takes on a new meaning; we watch for trends even more closely so that we can make a better determination of the kinds of products that consumers want to buy.

How has an anticipated economic downturn influenced your department's priorities?

STALKER: These are challenging times, indeed. However, our team remains focused on our core activities as well as remaining flexible so that we can react and respond quickly to the variability that exists in today's economy. We've seen ourselves performing activities around balancing our inventory and mix at a more precise pass, pre-holiday season, in order to meet the demands of our customers in an industry with already rapidly transitioning products and models. Having it first for our customer is what it is all about.

SMITH: Like any company, we will look very carefully at the efficiency of every aspect of our business. Supply chain is an area where small changes can add up. By altering some of our routes, our modes of transportation and the way we pack and ship our merchandise, we've already saved millions of dollars this year. We're looking to be even smarter and save even more.

MARANCOS: The change in the economy has accelerated our urgency in optimizing our distribution network. Cost management is a critical priority for us. Our focus has always been on finding efficiencies and reducing waste at every possible step in the process, and the economic change has simply put an exclamation mark on that objective. A particular challenge for us with the economy is the growing shift to online shopping. In our business, online is viewed as a lower-priced alterna-

tive to our retail stores; however, the cost structure to deliver direct is higher. Unfortunately, our shipping costs with Canada Post have increased over the past few years, so that issue is an increasing challenge for our supply chain.

What are the challenges facing supply chain managers that you see on the horizon?

SMITH: First, making sure that the next generation of supply chain professionals exists and develops the appropriate skills will be a challenge for everyone in the industry. Supply chains rely on a huge number of people with a huge range of capabilities. The challenge is finding people who are aware of those capabilities and developing them in school or early in their career. Second, finding the best return on investment can turn a costly supply chain into a cost-saving supply chain very quickly, so making sure our capital investments produce the best return has got to be a focus.

MARANCOS: I see three challenges that supply chain managers need to address. One is the issue of the environment — our business is the movement of physical goods, and so we have a large role to play here. The second one is meeting the increasing expectations of our customers and our shareholders. There are expectations for responsiveness and availability of products to a marketplace or a consumer home from anywhere in the world, and we need to meet those expectations with less capital at a lower cost. The third challenge is how we can do both at the same time — rise to the challenge of the environment and still continue to meet and exceed the expectations of customers and shareholders. That is the challenge of working with our supply chain partners in a true total supply chain solution. The work includes motivating the organization within your company, as well as engaging your suppliers and professionals in distribution, transportation inventory management, customs or information technology. The challenges of effective implementation of RFID or real-time order and freight status visibility are not new. The reality is we have been talking about them for years and implementing with various degrees of success.

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STALKER: I see two specific challenges: (A) Recruiting great people: As a rapidly growing international retailer, recruiting great leaders is always at the forefront of our activities. Even in these challenging times, the search for quality talent continues here in Canada, albeit at a more reduced pace, in order to invest in our long-term future. Acquiring talent with the breadth and scope, not only to manage the complexities of the supply chain but to do so in a manner that creates a world-class employee experience, is a key part of our challenge. (B) Our entire supply chain is under constant monitoring. Living in a just-in-time world all around us means that we need to minimize the distractions and interruptions to the supply chain process because these have the potential to impact the customer experience.

From your perspective, are you now seeing a greater integration between your department and other departments, particularly IT and Loss Prevention? Can you give an example of how this is happening in your organization?

MARANCOS: There has always been a strong integration between Supply Chain and both the IT and Loss Prevention Teams at our company. Loss prevention has provided great leadership over the past few years at implementing solutions and processes to address our shrink issues. That

work has reached from the store shelf all the way back to our receiving and shipping processes in the supply chain and has resulted in millions of dollars of savings. With our IT partnership, we’ve invested considerable resources to upgrade applications that improve decision support. These solutions help us access business intelligence and information to identify and address opportunities, such as non-productive inventory, to reduce working capital.

SMITH: Absolutely. We have a wide range of partnerships throughout the business, because retail relies on a chain of events including the acquisition, shipping, storage, stocking, and selling of products. Keeping all of the links of that chain intact requires great communication. For example, we have a strong and growing partnership with our Operations division that relates to when, how and where we store merchandise destined for our stores. Making sure merchandise is in the right place at the right time is key to our business, but picking the right time and place relies on input from our supply chain and our operations partners.

STALKER: Very much so. Our team is structured such that we have a senior IT role attached to our business unit. This enables our network to meet the growing demands of volume, assortment and efficient processes through system enhancements. Development of this is ongoing and we are heavily invested in ensur-

ing this works. Loss prevention has become more instrumental in our Logistics area, not only from a security/asset protection perspective, but also in playing an extremely valuable role in validating and educating our teams throughout the chain on preventive measures related to accuracy, shrink and damage. IT and Loss Prevention are two very important partners in providing our team with the tools and processes to ensure we are successful for our customers.

What kind of impact are environmental concerns having on your day-to-day operations?

STALKER: The environment and reducing our carbon footprint plays a key role in every decision that’s related to our operation. There are the obvious recycling activities regarding cardboard, plastic, paper, and pallets, as well as Styrofoam. From an operational standpoint, we don’t ship under-utilized loads to and from destinations. This reduces our fuel consumption and helps us from a carbon footprint perspective. We are also introducing a no-idle policy at our stores and distribution centres, and we continue to invest in reusable containers throughout our network. Where possible, we are also testing solar energy opportunities in some of our centres.

SMITH: Wal-Mart is immensely committed to the environment and we’re looking

at every aspect of our business through a more sustainable lens. What we see is that little changes — like packing our trucks better or more fully — can have huge positive benefits for the environment, but also for our company in terms of cost savings. We have begun to challenge our suppliers, asking them very specifically, “What is your role in helping Wal-Mart’s commitment to the environment?” We are measuring our suppliers in terms of their carbon emissions, the efficiency of their operations, and their general views on sustainability. Over the long run, we hope the result is a better environment and a better business. We have a goal to reduce packing for products at Wal-Mart by 5% by 2013. That goal links to the merchants who buy our products, the stores that stock them, and us in supply chain.

MARANCOS: We’ve done a significant amount of work in this area, and are continually seeking ways to reduce our environmental impact. Michelle White, Indigo’s Director of Sustainability, is an authority on sustainable operations. She’s reviewing all of our operations, including the supply chain, and working with us

to reduce our impact as an organization. Prior to Michelle joining us, our distribution centre’s “green team” has been in operation for a couple of years. Some of the strides we’ve made so far include implementing a policy of waste reduction and diversion wherever possible. We understand our role in extended producer responsibility and we’re cognizant of the impacts we have. We’re using 100% recovered corrugate materials for shipping and overwrap packaging. Also, because we’re taking in 30% more product directly to the warehouse, we’re able to reduce direct ship from our vendors to the stores. This is important as it streamlines the processes — it requires less packaging, fewer shipments mean less fuel consumption and this helps reduce overall emissions. This attention to detail will only become more important. We’re also adopting clear, measurable targets for our company-wide paper policy. We’ve set ambitious targets and are adopting a range of progressive practices. Our environmental paper policy also favours the use of post-consumer recycled paper and FSC-certified stocks in all our paper purchases.

Over the course of your career in supply chain, what are the biggest lessons you have learned?

STALKER: First: Good people equal exceptional operational performance and leadership excellence. Second: Invest the time to foster great vendor partnerships. Third: The Golden Rule, a.k.a. “Listen to Your Customer” — that applies both externally and internally.

MARANCOS: I’ve learned that the most significant improvements are driven by working collaboratively with vendors and suppliers and sharing the risks and the benefits of changes in practices or implementation of solutions. Collaboration leads to better ideas, bigger savings and most importantly, improved service to the customer. Traditional approaches of tough negotiation and pushing costs back to suppliers provide some short-term gain, but they tend to sub-optimize the total supply chain opportunity.

SMITH: Embrace change. One of my first jobs was leading a team of hundreds who stuck price tags on products. We all thought individual tagging wouldn’t last. We were wrong. The lesson for me was that this is a business that re-invents itself routinely. ■

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