

# SCM

## SUPPLY CHAIN MOVEMENT

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# Neil Humphrey,

## SVP Supply Chain Europe Unilever

“Supply chain is at the heart of the business”



E-FULFILMENT

# DSV puts an end to IMCD's fragmentation



**“DSV is particularly good at running several different European warehouse operations based on the same, clear management approach.”**

Stan Bijsterveld,  
Director Supply Chain, IMCD Group.

**Up until five years ago, the company's 'buy and build' strategy meant that logistics at IMCD Group, a multinational distributor of food, chemical and pharmaceutical ingredients, was a local affair that received little attention. Since then, the firm has centralised its warehousing and distribution activities in many European countries with the help of DSV Solutions.**

"In effect, we're an extension of the sales organisation for manufacturers such as BASF or Wacker Chemie," says Stan Bijsterveld, Director Supply Chain from IMCD Group, which is headquartered in Rotterdam, The Netherlands. "They don't want to have to run their own sales operations for smaller clients because they take up too much time and effort. Our customers can rely on our local sales teams' excellent market knowledge. For those customers, we are a kind of one-stop shop. For example, our Coatings business unit can offer them additives, fillings, pigments, resins and special solvents, all from different manufacturers."

A study of the current situation revealed that each local operation was doing business with a large number of different parties, and that

their autonomy for such decisions extended as far as the customer service level. After setting up a supply chain organisation based around centralised purchasing and local logistics managers, IMCD – supported by DSV – launched a number of centralisation projects aimed at creating one central warehouse per country that would satisfy all demands. DSV has since achieved that objective in Norway, the Republic of Ireland, Germany, France, Spain, Portugal and Italy. "In each of those countries, we have moved from several, often outdated, facilities to a central, state-of-the-art warehouse which is in line with all HSEQ storage standards, not only for dangerous goods but also for food and pharmaceutical ingredients," continues Bijsterveld.

In consultation with DSV's Meinderdjan Botman, Bijsterveld is already considering further opportunities for centralisation. The company's warehouses in Porto and Barcelona are comparable in terms of volume and product types, so one option would be to merge the two operations into a single, central warehouse in a location that could ensure the same delivery reliability. "The inbound flow of goods would be reduced as a result of consolidation, as would

the warehousing costs and the working capital. The only probably increase would be the outbound freight costs." In other words, it's a matter of weighing the pros and cons. There might even be an opportunity to save costs on sea freight, the management of which has been fairly fragmented until now. IMCD is currently in discussions with DSV Air & Sea, which is specialised in that field.

However, Bijsterveld is keen to ensure that IMCD Group itself continues to manage the supply chain. "We still place our own orders from our principle suppliers. We have only outsourced goods-received, despatch, storage and transport, and even then we continue to keep a very close eye on compliance with the HSEQ standards and achieving the agreed service levels."



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# Mobile sandwich vans and McDrives



The unexpected strategic acquisition of online retailer BOL.com by Ahold in May this year appears to have kicked the Dutch retail industry into action. Companies and entrepreneurs finally seem to be taking e-commerce – the only real, clear opportunity for business growth – seriously. Whereas webshops have tended to dominate the e-commerce scene for the past decade, B2B (Business to Business) companies are now showing signs of movement – from B2B to D2C (Direct to Consumer). B2B companies upstream in the supply chain, such as Unilever and Philips, currently have more opportunities than ever before to come into direct contact with – and even to sell to – end users. In addition to being a popular online community, Facebook has become a powerful sales channel.

The biggest challenge facing all these new online sales initiatives is the logistics aspect: e-fulfilment. How can companies get the products they sell into their customers' hands? During a seminar we'd organised recently, one of the speakers said that, in his street, a single white van delivered parcels to households on behalf of several express courier services. I replied that it would be even better if the van driver just stopped halfway along the street and honked his horn loudly, prompting anyone expecting a parcel to come running out to pick it up. I predict a delivery model similar to that of the mobile sandwich van, parking up in the street at the same time each day to deliver products that have been ordered online.

One of my business contacts recently asked me for my vision on the distribution centre of the future. I responded that I thought it would look like a McDonald's with loading bays. Inside, orders arriving through various channels would be processed in accordance with strict, intelligent protocols by warehouse staff equipped with headsets and computer monitors. And outside, consumers would be driving through the 'McDrive', many of them after work, to collect the goods they'd ordered online. In The Netherlands, Albert Heijn is already trying to develop a national network of pick-up points on industrial estates, but local councils are regarding them – unjustly – as retail operations. Unfortunately, it seems that not yet everyone understands that e-commerce and e-fulfilment are two different things.

*Martijn Lofvers, Publishing Director & Editor-in-Chief  
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# Fabory improves service levels

FABORY is a multinational wholesaler of fasteners, whose strength lies in the breadth of its range. The central distribution center, located in Tilburg, holds 60,000 different nuts, bolts, screws and other fasteners in stock. In the summer of 2009 Fabory decided to implement Slim4 as their inventory management system. Supply Chain Director, Maurice Geerars: "Our managers now have time to manage all the stock within the supply chain, rather than just concentrating on the DC."

*"Slim4 has provided us with a savings potential of over €4 million"*

Maurice Geerars, Fabory



Fabory is one of the few suppliers of fasteners still trading in individual items, i.e. when a customer wants 13 screws, the customer will receive 13, and not a number rounded up to the nearest boxful. This service is essential and despite the breadth of the range, in some cases certain fasteners are only purchased once or twice a year, Fabory want to be sure they can fulfill the demand. "We do not deal in high volumes and low prices, we are a specialist in small volumes with high added value", says Maurice Geerars, Supply Chain Director. In addition to fasteners, Fabory also offers tools and chemicals, resulting in them having to manage up to 125,000 SKUs in total. The breadth of the range means that managing the stock is a challenging task for their 8 planners. Whereas many companies split their products into A, B & C classifications, Fabory goes further and includes D, E & F classes as well. For a long time, Fabory utilized the functionality

in their SAP environment to manage their inventory, however, this proved too complex as it offered insufficient transparency of their inventories and relied on a large amount of customization. Slimstock's inventory management system, Slim4, was implemented as a 'bolt on' solution to SAP. In addition to the management of inventories becoming drastically easier, the inventory managers can now have confidence that the system automatically utilizes the correct forecasting methodology. By working in accordance to the 'management by exception' philosophy, they are now able to focus on the real problem cases. In short: thanks to Slim4 Fabory's inventory management operation is more decisive.

#### Focus on supply chain

One and a half months after going live, Slim4 has already led to new insights. "According to Slim4 we are holding €6.5

million of stock and in theory there is a potential saving of over €4 million" said Geerars. In practice though, Geerars is not targeting a reduction of stock in the first year, instead "we will concentrate on ensuring that the service level on the B & C category items improves, without our total inventory increasing. Our service level is currently 96% and Slim4 will ensure that it increases to 98%"

#### Time for S&OP

This year Fabory will focus on the entire supply chain. The wholesale division also has stocking locations in the Czech Republic, Romania, Portugal, United States and Canada. "In order for our planners to execute these supply chain concepts, we first needed to free up some of their time, this is where Slim4 will come into its own."

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“If this is what we as the supply chain deliver, then this is how you need to support us.”

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# supply chain

embedding performance.



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**EX-TESCO BOSS TERRY LEAHY SPEAKS AT SAS CONGRESS IN AMSTERDAM**

## 'LEARN FROM YOUR competitors'

► **How did Tesco manage to become the world's number two retailer? "While retail may seem to be a slow-moving business, data is key to transforming performance," advised Tesco's former CEO Sir Terry Leahy during an international congress on Business Analytics, organised by software supplier SAS in Amsterdam on 9 May 2012. He highlighted nine management lessons as the basis for success.**

When Leahy took on the role of Chief Executive Officer at Tesco in 1993, Marks & Spencer was the world's most profitable retail chain and J Sainsbury was the largest grocery retailer. Whereas Tesco's stock market value was only half that of those two competitors at that time, it has since grown to more than three times as much as theirs.

Finding the truth was the first management lesson Leahy outlined for transforming companies successfully. "It's normal to want to reinforce the good news and filter out the bad. You look to each other for reassurance and you don't really want to change. The most reliable voice for a CEO is that of the customer, because no one from within the company will speak freely." Only by listening to the customer, he says, can you discover the truth.

"Set audacious goals and push people farther than they want to go," continued Leahy. Tesco wanted to become number one in the UK, develop a non-food business that was just as strong as food, launch new retail services such as travel, telecoms, insurance and banking, and become a leader in global retailing. "Vision, values and culture matter more than the hard side of management," said Leahy as the third lesson.

### Follow the customer

"People are changing constantly; companies move much more slowly," stated Leahy. "Nowadays, you can suddenly find yourself



Sir Terry Leahy, ex-boss of Tesco: "The most reliable voice for a CEO is that of the customer, because no one from within the company will speak freely."

be all about bigger stores. But people are feeling increasingly busy and don't have time to plan for the big shop and the big store. That's why we started building Tesco Express, miniature supermarkets. It seemed to be counter-intuitive, but it has become a huge success." This concept has been successfully copied elsewhere, including by Albert Heijn in The Netherlands.

As a steering wheel, Tesco has had a balanced scorecard for many years, for customers, the community, operations, people and finance. "If you want to turn a strategy into reality, you need a process with roles, systems and a huge amount of data. Keep in mind that people are not robots."

Data is priceless, according to Leahy. "The Clubcard has transformed Tesco into a community. It not only enables you to hear what customers are saying, but also to see how a bank and a telecoms provider have built themselves up around the club. Companies who use data thrive because they can sense what is happening around them."

### Free advice

Leahy sees competition as a good thing: "It forces you to do a better job. The trick is to learn from your competitors by looking for their strengths, not their weaknesses. That's the equivalent of getting free consultancy advice."

The former CEO concluded his management lessons with his definition of leadership: "It's all about the impact you have on other people. You need to have thousands of leaders who will stand up and shoulder their responsibilities."

## TESCO'S INNOVATIONS

**November 2007:** Tesco launches supermarket chain Fresh & Easy for local communities in the USA. It builds new factories and distribution centres to ensure timely deliveries. The stores have self-service checkouts, and no

back office because the IT is run from India.

**Spring 2011:** Together with Unilever, Tesco develops a 3D planogram to optimise on-shelf presentation. This includes the use of 'eye tracking' technol-

ogy which monitors housewives looking at real products on shelves in a laboratory environment.

**March 2012:** Tesco introduces the virtual store in a metro station in Seoul, South Korea.



As supply chains are becoming increasingly complex, the need for relevant knowledge is growing too. Involvation is helping to plug the gaps with its Supply Chain Academy, a combination of training courses and learning experiences that are tailored to meet each company's specific needs.

# A TAILOR-MADE SUPPLY CHAIN ACADEMY FOR EVERY COMPANY

One European multinational recently discovered that only 18 percent of its 80 supply chain professionals actually had a supply-chain background. "That will be a familiar scenario for countless companies. It demonstrates that many supply chain professionals are underqualified, and yet the importance of the supply chain is increasing all the time," states Alfons Willemsen, partner at Involvation. Involvation has developed the Supply Chain Academy to fulfil organisations' vocational training requirements. It draws on the Academy's wide variety of training courses and learning experiences, such as management games and simulations, to design a training programme that is precisely aligned with the specific needs of each particular company – be it a small business with a local focus or a multinational with a global supply chain. "In addition to improving the overall level of knowledge within a company, the Supply Chain Academy can also be used to emphasise the relevance of supply chain management for other disciplines, thus putting an end to 'silo thinking'," explains Egge Haak, who is likewise a partner at Involvation. Willemsen continues: "When companies purchase

their complex ERP and planning systems, they often forget that users need to have a certain level of knowledge to be able to work with them optimally. The Supply Chain Academy offers a solution." The Involvation Supply Chain Academy sets itself apart with its strong focus on practical experience and applying theoretical knowledge. Allowing participants to actually experience what they're learning rather than simply see it in a PowerPoint presentation results in them retaining three times as much information. "Our courses are always made up of three elements. After an introduction to the theory, they then learn how to apply that theory in practice, and subsequently translate it to their own real-life situations," explains Haak. "Our approach is based on the Magic Circle, a variant on Kolb's learning cycle. The mix of making observations and actively experimenting, of experiencing and reflecting, guarantees a lasting learning effect."



**"MANY SUPPLY CHAIN PROFESSIONALS ARE UNDERQUALIFIED"**

Alfons Willemsen, partner Involvation



**"HANDS-ON EXPERIENCES IMPROVE LEARNING"**

Egge Haak, owner Involvation



## MORE THAN JUST THE FRESH CONNECTION

Involvation is well known for its management game, The Fresh Connection, which is an international competition played by hundreds of companies each year. While an in-house version of the game can form part of Involvation's tailor-made training programme, the Supply Chain Academy goes much further. Involvation offers various learning experiences ranging from a spare parts game to a supply chain risk management game and from a capacity management simulation to a demand

& promotion management experience. Involvation

regards such learning experiences as the ideal method for learning to apply knowledge and for gaining relevant experience. "The great thing about games, for example, is that participants can escape from reality for a while and find themselves in new situations in which their standard responses don't work anymore," says Egge Haak. In addition to these learning experiences, the Supply Chain Academy comprises an extensive suite of training modules which cover the entire supply chain spectrum, from basic supply chain management principles to cross-functional courses for inventory management or sales and operations planning (S&OP).

Involvation also provides discipline-specific courses for people from logistics, customer service or planning, including on-the-job training. Willemsen: "All of our courses are taught by our own experienced consultants, people who have applied the knowledge themselves in the past and are hence aware of the pitfalls. Plus they're familiar with the best practices from other sectors."



**THE FRESH CONNECTION**  
the ultimate value chain experience



# Localized approach

By Robert Handfield

I sat in on a panel debate at the World Trade Group conference for Supply Chain and Logistics Europe in Berlin last June. During the panel, I had an opportunity to speak with Clemens Woerhle, Head of Beiersdorf's global end to end supply chain operations, including manufacturing, logistics procurement, and S&OP.

You may not know Beiersdorf, but you would certainly recognize their major project, Nivea. Beiersdorf is a cosmetics company, specializing in three major lines. The mass market sector is Nivea cream, the Pharmacy sector is Eucerin, and La Prairie is a selective anti-aging cream. The company has 5.6 billion euro's in sales and 18,000 employees.

Clemens discussed how Beiersdorf went through a major European consolidation in 2007. Prior to that time, any general manager could build a plant in his own country if he wished a highly decentralized approach. This was put to an end in 2007, and a centralized approach was taken where the decision was taken out of the hands of the country manager. The manufacturing network went from 12 to 5 European plants, and also significantly the 15 distribution centers in the last year to a more manageable number. There were of course many issues to consider. Initially the cost focus that drove these decisions have moved to a service focus, with a greater emphasis on logistics agility. There is also a risk issue to consider – for example, Beiersdorf has factories that are fully dedicated to a single which increases risk. They have started to build in secondary plant capacity to offset this risk.

To focus on service, the company has begun to drive from a centralized approach to a more localized global approach, with some level of centralization around process. By applying a common process that can be driven globally, the company has also placed a strong emphasis on development and people, recognizing that there are regional differences that have to be allowed to occur to account for local requirements. Clemens is of the opinion that the same process can be modified to accommodate different global differences, whether driven by governments, local consumer tastes, packaging preferences, or other issues. This approach is providing dividends, as the company expands to China, India, Brazil and Latin America, and Russia.

**Rob Handfield is Professor of Supply Chain Management at North Carolina State University, and director of the Supply Chain Resource Cooperative.**



SUPPLY CHAIN REPORT

## FASHION AND LIFESTYLE COMPANIES NEED TO adapt business model

► Fashion and lifestyle companies need to adapt their business model to take advantage of changing customer buying behaviour. This was the main recommendation from a supply chain study developed by Buck Consultants International commissioned by logistics provider DHL Supply Chain.

The primary focus of the report is the idea that a company's value proposition must drive its supply strategy and not the other way round. It identifies eight key issues that supply chain leaders believe will dictate the industry agenda for the next few years. These include developments in cross-channel retailing; exploring new geographies; establishing greater visibility across the supply chain; supporting a company's business model with a more agile supply chain; reducing time to market; the pick/pack process; hanging garment logistics; and, horizontal and vertical collaboration.



'Migrating Towards a Cross Channel High Speed End-to-End Value Chain', July 2012

Since announcing Unilever's bold sustainability targets for halving its environmental impact by 2020 and doubling its revenue, the company's business leaders have been completely transparent about the motivations behind their daring decisions. One crucial factor in achieving their goals will be the global supply chain, and the man in charge of facilitating that in Europe is Neil Humphrey, SVP Supply Chain Europe and Chairman of the Unilever Supply Chain Company. His task for the coming months is to implement new (sustainability) strategies, new business objectives and to reintegrate the supply chain back into the heart of Unilever's business. ➤

By Martijn Lofvers, Oskar Verkamman & Sarah Thompson

Neil Humphrey was born in the UK (1963) and now lives in Zurich, Switzerland. He is Married with three children. Neil enjoys playing squash and tennis and his interests include photography and playing the saxophone.

**Education:** Degree in Electrical Engineering from University of Southampton

**Career to date:** 1987 – 1989 Management Trainee with the Unilever Africa Company  
1989 - 1993 Manager of Margarine Factory for Van den Bergh & Jurgens BV Netherlands  
1993 – 1995 Sales Operations Manager & Customer Service Manager UK  
1995- 2000 Senior Supply Chain Specialist UK  
2000 - 2003 Regional Supply Chain VP, Latin American Personal Care Board  
2003 – 2007 VP Supply Chain (National & Regional NAMET), Unilever Turkey  
2007 - 2011 VP Customer Development, Unilever Benelux  
2011 – present: SVP Supply Chain Europe & Chairman USCC

## Unwavering business objectives

# “Ensuring the supply chain is at the heart of the business.”

Photography: Ton Zonneveld





**T**he Unilever Supply Chain Company (USCC) was established six years ago to increase Unilever's focus on its end-to-end supply chain. Neil Humphrey took over the role of chairman at the beginning of 2011. By that time, he had already been with the Anglo-Dutch multi-national for 25 years, 21 of which he had spent in the supply chain and the other 4 years responsible for sales in the Netherlands. His current title is two-fold: Unilever Supply Chain Company Chairman and SVP Supply Chain Europe. What this boils down to is overall leadership of planning, manufacturing, logistics and service for Unilever in Europe.

Humphrey currently works from Supply Chain Europe's (ESC) head office in Schaffhausen, Switzerland travelling regularly to Rotterdam for team meetings of Unilever's European Board as well as to many of the circa 60 factory and 10 office locations within Supply Chain Europe. Supply Chain Movement's editor-in-chief and publisher, Martijn Lofvers, asks him what his plans are and how he is getting on in his new role.

#### *What is top of Supply Chain Europe's agenda right now?*

"Creating a new strategy, extending the scope of our supply chain and integrating it back into the heart of the business. That's the number one challenge that I have at the moment.

There have been a lot of changes in Unilever over the past few years and the same applies to the Unilever Supply Chain Company. Since I took on the role, Unilever has communicated some very bold statements about our corporate and supply chain targets. We now face the challenge of delivering them. We have made a strong start and it's now my job to keep everyone focussed on our plan and ensure that we have a great team of people to drive us forward.

In order to do this, I need to integrate what we are doing in the supply chain with the rest of the business. We need to bring in marketing to support us on portfolio complexity, bring in sales to support us in improving our Customer Service processes for example, and we need to continue to work closely with our customers and suppliers on issues like waste and sustainable sourcing."

#### *What do you feel you have achieved so far as the SVP for Supply Chain Europe?*

"I've overseen a huge amount of change. In fact over the past 18 months about 80% of my leadership team has changed; together we have established a new strategy, new objectives and a new organisation. Now we are moving into delivery and performance monitoring. A good first year is a promising start but we need to maintain momentum, particularly when you consider the current economic climate in which we operate.

We have taken a firm position with the rest of the business, one which says: "if this is what we as the supply chain deliver, then this is how you need to support us." It's about creating strong partnerships across our end-to-end business, not just the Supply Chain. And in order to achieve this, we have had to take a closer look at the supply chain's role within Unilever: how do we interact with other parts of the organisation, how

## “Growth, margin and capital efficiency: these are pure business measures that sit right at the heart of the business.” ◀

can we monitor our goals, measure our successes and how can we communicate this back to the rest of the business.

We have narrowed our purpose in the supply chain down to three things: to deliver growth, margin and capital efficiency. These are pure business measures that sit right at the heart of the business, and are terms that we have identified as being understandable to everyone, not just the supply chain professionals.

Now that everyone is speaking the same language, there is a much better understanding of just how important the supply chain is, and why. This has released a considerable amount of energy for us in the supply chain: our colleagues within Unilever understand what we can do for them and they also understand how their actions can influence our performance. This leads to more growth, higher margins and better capital efficiency.”

### *What is the next step?*

“What we need to think about now, is how to add even greater value. We are supporting growth through quicker delivery of innovation and improving availability of our products on the shelf. We are looking at how to work differently, more quickly, more integrated and we are learning to challenge marketing and sales decisions in order to find the best outcome for Unilever. That’s a proactive role that we need to play and therein lies the real challenge: switching from reactive to proactive.”

### *How do you hope to do this?*

“It starts with setting targets and understanding everybody’s objectives. With this new approach, we have committed ourselves to integrating better with the rest of the business and have created a strategy called **Connect to Win**. We have made the Supply Chain VPs in our country organisations into ESC ‘internal salesmen’ in their individual markets, in addition to them running their local supply chain operations. They each have the task of understanding what business opportunities marketing and sales struggle with, and feeding them back into the supply chain. Then we can create a portfolio at these cost-points that will allow them to succeed. That’s point number one, and point number two is ensuring that each country organisation is aware of the others’ capabilities. This prevents us from having to reinvent the wheel - we can roll out successful innovations and activities in multiple markets. The teams in the factories, the category VPs, etc., all understand what is happening at the front end of the supply chain. It takes more time, but the benefits are huge.

We have also committed ourselves to improving the links between us in the supply chain and our colleagues in marketing and sales, and of course the most important connection: the external connection with customers and consumers.

### *So how does complexity fit in here?*

“Complexity is always one of the issues when it comes to margins and managing our huge portfolios. One way of bringing cost down is to work on savings projects, and we involve our brand development people in those. However the brand teams also

need to generate margin, so it’s our role to examine how to build the portfolio and produce what is needed with that in mind. The key is to work together towards common objectives – margin- but also creating the right range of products at the right cost, for our customers and consumers. By looking at our portfolios across Europe, we can provide more options in each country with less complexity – ultimately benefiting both the business and the end users. We are also focussing on creating what we call category portfolio blueprints, standard “building blocks” that mean we don’t need to start from scratch each time we’re creating a new product. It’s about trying to take a logical approach to exploiting the benefits that complexity can offer, and about speeding up product development.”

### *Tell us more about the Connect to Win strategy:*

“The **Connect to Win** strategy is built on two pillars. The first one, which we call **Win on Shelf**, is focussed on serving our customers and covers availability and quality, including how the S&OP process works to ensure availability. The second pillar is about **winning product portfolios**: how does our supply chain deliver the product portfolios that the markets need to win. In other words, products that they can market to consumers or customers at the right price points in order to gain market share.

This second pillar covers cost competitiveness as one of its key areas – no good supply chain should ever be happy with its cost position – but we have changed our focus here considerably. Whereas we used to focus on delivering savings year on year, we now talk about cost and competitive cost. That may sound like semantics, but that’s a big mind-set change. Why focus just on savings, when what matters to our business is the costs we see in our P&L. Every year we now demonstrate how many base points of cost improvement our colleagues across the business see from the supply chain. We measure the improvement in production costs, in distribution costs and in what we call ‘supply chain indirects’. The result is an output focussed on cost competitiveness. We have moved from savings to cost, and moved away from incremental improvements to meeting benchmarks, both internal global benchmarks and those of our competitors. For really challenging benchmarks, we look at what distributors’ own brands are doing.”

### *Is it your goal to beat the competition solely on cost?*

“No. Our goal isn’t necessarily to be cheaper than competition, but we must add more value than they do. Under the **winning product portfolio** element of the **Connect to Win** strategy there are a number of important things. One is cost but the other is on-the-shelf quality and our ability to innovate more quickly. We have classified innovations with different lead times so we can respond more quickly depending on the consumer and business needs. We have also looked to other industries for ideas in this area.

We have spent some time looking at the automobile industry, at Fiat, for example, and we are now sponsors of the F1 and have ◻

► “If this is what we as the supply chain deliver, then this is how you need to support us.”



been to visit the Lotus Formula 1 facility. We are starting to share ideas, and the innovations in this field are fascinating – the speed with which the Formula 1 industry can innovate is just unthinkable for us. However, we are developing fast-track processes that will help us speed up innovation, even if they won't enable us to redesign the wing of a car in a weekend like they can in F1. I think we could be even more challenging as a supply chain. There is a lot of room for growth and we could, or perhaps even should, be more involved in R&D much earlier in the process.”

#### *How do you segment markets from a supply chain perspective?*

“We have set up what we call a **segmented supply chain**. We have identified the segmented supply chain for e-retailing, the segmented supply chain for drugstores etc., each with a different approach. As we move further into the area of beauty for example, we are creating different supply chains for more rapid, fashion-type innovations. This is somewhat different to margarines, therefore we are configuring our organisation differently to enable us to respond more quickly, and to be able to use different asset bases in some segmented supply chains than we would in others.”

#### *You mentioned e-retailing. Is this something Unilever is working on?*

“Yes, certainly. We've done a lot of work with Waitrose and Tesco Online in the UK, as well as with Ocado. Unlike Waitrose and Tesco, Ocado don't have shops to pick from, rather they have a huge, sophisticated automated warehouse. We are currently working closely with them to explore how we can improve supply, be more efficient and collaborate better with them on product selection. Thanks to working with Ocado, rather than being under-represented in this channel as we were before, we are now

over-represented.”

#### *How does Unilever create a shelf-connected supply chain?*

“We have **Customer Integration and Innovation Centers** which started life as a way for sales to work even closer with our customers to see how we could improve service and availability. Over the years, we have developed clear ideas on how best to work with customers and this involves creating **joint business development plans**, and these definitely contain a key supply chain element. We talk to customers about ways of improving the **euros per square metre** that they are getting out of their stores and about creating a portfolio that optimises unit margin, rotation, and shelf space. We discuss supply and availability before we look at new innovations and we also look at the impact packaging has on the shelf.

We have developed something called the **5 Easy's** which are our supply chain rules for designing and delivering shelf-ready packaging. Then there is the marketing aspect: what messaging do you want to include on products in terms of calls for action, how can you best present that to a shopper, and then there is how it travels through the supply chain. We use the Customer Integration and Innovation Centers for everything except the last phase of getting it physically through the supply chain.

We are also working with Red Dot Square Solutions to look more closely at shelf-ready packaging for many of our markets. This is a brilliant virtual-reality environment that you can walk through and see the products on the shelf. It is an exact representation of your design and the store, and is the perfect way of assessing the in-store impact of your product presentations. Knorr, for example, has a winning share in Germany for the first time in years and it is all down to its new on-shelf presentation method. We were able to see it in the virtual reality store first and then in the actual shops in Germany. It's incredible – the impact is remarkable.

#### *What is your biggest sustainability achievement so far?*

“One of the biggest achievements so far has been our sustainably sourced materials. We have made considerable headway in our **Partner to Win** programme, in which we have invited our key suppliers to talk to us about helping with our innovation processes, with early inputting of ideas and with sustainability.

We are well ahead on some of the big environmental issues like **palm oil**. In fact, by the end of this year, all of our palm oil will be sustainably sourced, globally. In addition to this, we have already received the first supply of certified sustainable rape seed oil (announced on the day of the interview).

24% of our agricultural spend is sustainably sourced, so that's well on track and we have recently announced a new ambition to have all our volumes sourced from traceable certified sources by 2020. Let's be clear here – sustainability is at the heart of all of our KPIs. We use 100% green energy, have virtually zero hazardous waste going to landfill and, last year, we beat the target on every KPI we set. I know we will do the same this year.”



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## Growth of horizontal collaboration and cross-channel strategies

# ‘Capriciousness and growth steer e-fulfilment’

There are still many questions about e-fulfilment for which there are no ready-made answers. Different retailers make different decisions about outsourcing versus insourcing, and some of them subsequently change their minds. Cross-channel retailing and front and/or back-end collaboration with other webshops are further areas in which retailers each choose what they consider to be the best approach. The only thing we can say for certain is that cross-channel retailing and horizontal collaboration are on the increase.

By Marcel te Lindert

**N**otably, it has become the norm in The Netherlands for webshops to guarantee next-day delivery. “It is much less likely for delivery within 24 hours to be standard in other parts of the world. Just look at webshops in Belgium and Germany,” says Kees Jan Roodbergen, lecturer in quantitative logistics at the University of Groningen and leader of the Dinalog project, ‘Cross Chain Order Fulfilment Coordination for Internet Sales’.

The Dutch 24-hour trend has produced one of the greatest logistics challenges for webshops: enormous peaks and troughs in the number of orders. Since the majority of orders are placed at weekends, webshops can often have to process 30 to 40 percent of their weekly volume on Mondays.

Combined with the rapid growth e-com-

merce, such unpredictability is an influential factor in retailers’ decisions on whether to outsource their logistics operation or keep it in-house. “Most small webshops that haven’t yet built up a name start out handling it themselves. For such companies, the size of their logistics operation grows in parallel with their turnover,” explains Roodbergen. “It’s a different matter for established retailers who are relatively late entrants, like De Bijenkorf. They have a strong reputation and immediately attract a lot of business, making it difficult to align the logistics accordingly. De Bijenkorf initially tried to handle things itself, but soon opted for outsourcing to Docdata,” continues Roodbergen.

In addition, many webshops are too small to run their own operation efficiently. “Outsourcing enables them to benefit from economies of scale – just think of

the major contracts that fulfilment specialists have in place with courier services, which alone can help companies save a couple of euros in delivery costs per parcel,” states Roodbergen.

### More collaboration

Roodbergen predicts that webshops will increasingly move towards more front-end and back-end collaboration. To underline his point, he mentions Stad.nl, a shared platform for numerous small webshops. “For them, back-end collaboration is now just a matter of time. Or consider all the webshops that are already using the same logistics service provider. Collaboration can generate significant economies of scale – a joint shopping basket, for example, which allows you to consolidate shipments.”

Another trend is cross-channel retail- 

# E-fulfillment order point

<p>1. Webshop</p>	<p>2. E-shop-in-shop</p>
<p>3. Content manager</p>	<p>4. Outsourced database</p>
<p>5. Own inventory</p>	<p>6. Outsourced inventory at 3PL</p>
<p>7. Home delivery</p>	<p>8. On location delivery</p>
<p>9. Shop pick-up</p>	<p>10. DC pick-up</p>



## ► “It’s hard to cope with a 100 percent annual growth rate”



**Kees Jan Roodbergen, University of Groningen:** “An item that’s already in a store will never be sold through the webshop.”



**Geert Mulder, Scapino:** “We hope to introduce the option of picking up an online Scapino order from a Dolcis store.”



**Joke Vink, Hema:** “It’s easier to play it safe in our e-DC than in our stores.”

ing: ordering online and collecting from a store, or vice versa. In the Dinalog project, Roodbergen is investigating the opportunities for companies in this area. “So far, activity is limited. The problem is that many retailers have outsourced their online logistics or have set up a separate operation with separate inventory. Stock that’s allocated for the webshop will never make it into the shops, and an item that’s already in a store will never be sold through the webshop,” explains Roodbergen.

Yet the academic sees the situation offering many possibilities: “Take an item that you’re planning to phase out. Imagine that you’ve sold all the stock in your DC but that you still have one piece lying around in one of your stores. What do you do if someone wants to order the item through your webshop? Do you re-order from your supplier, or do you arrange for the customer to be sent the item that’s in your store? I’m not aware of any webshops that currently check availability of the item both in the warehouse and in their stores.”

### Coping with growth

As an established retailer with a webshop, Scapino regards keeping up with the pace of growth as its biggest challenge. “When we launched our webshop in 2005, we saw it as an extra store that we could manage ‘on the side’. In a corner of our DC in Assen, we created a dedicated space measuring 100 square metres, equipped with a checkout and a printer. Nowadays, the webshop takes up 4,500 square metres and we’ve set up a separate logistics operation for it. It’s hard to cope with a 100 percent annual growth rate,” says Geert Mulder, logistics manager at MacIntosh, Scapino’s parent company that also launched a webshop for Belgium in mid-April 2012.

The logistics operation is currently based at the organisation’s sister company, Hoogenbosch Retail, which had space in its DC in Den Bosch. For its high-street retail formulas such as Dolcis, Invito and Manfield, Hoogenbosch runs separate webshops, the logistics operations of which are also handled in Den Bosch. Mulder expects that these operations will

be merged at some point in the future as a result of changes in MacIntosh’s organisational structure. For many years, Scapino and Hoogenbosch were treated as separate divisions, each with their own retail formulas, buying departments, IT systems and DCs, but they have now been amalgamated into MacIntosh Fashion Nederland to create economies of scale. “Eventually, the first time we’ll see whether the shoes have been ordered through the Scapino, Dolcis or Manfield webshop is when we print out the delivery label in the DC,” explains Mulder.

### In-store returns

Inventory reliability is important, as Mulder learnt during the start-up phase. “The first questions our customer service received concerned items that weren’t in stock or orders which didn’t arrive. Needless to say, an item is automatically placed on hold nowadays if the inventory level is zero. However, we can’t afford to have the system showing 10 pieces in stock if there are only 8 in the warehouse. That’s why all mutations are registered using barcode

scanning.”

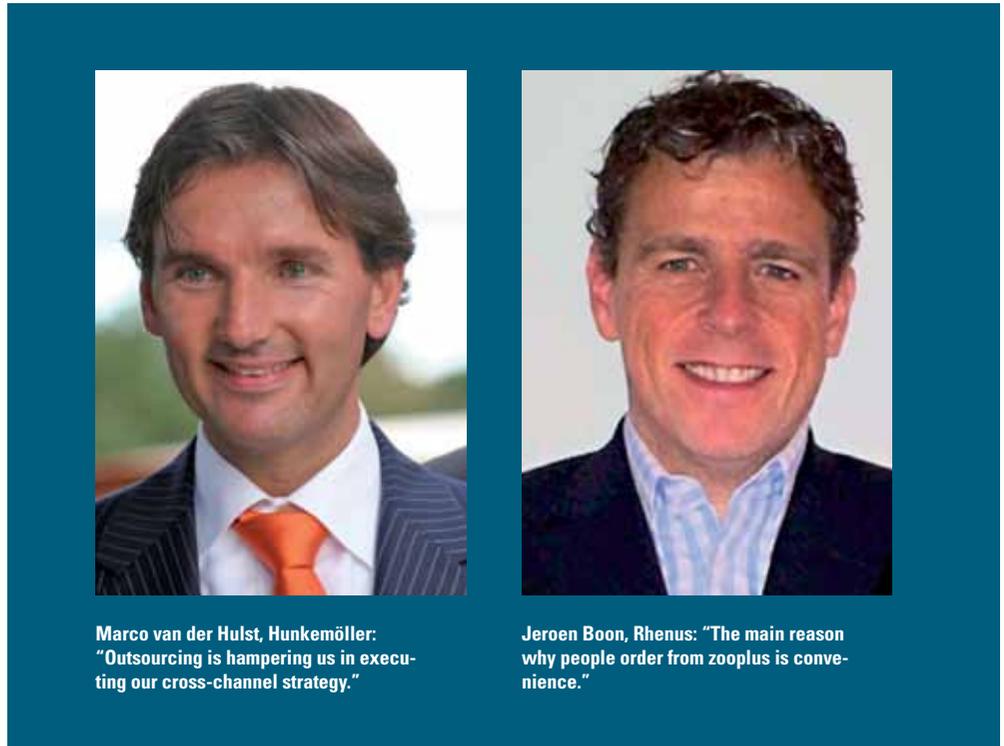
For Scapino, cross-channel retailing means that customers can pick up their online shoe orders from a local store. In the case of returns, online customers can choose between sending the goods back to the DC at their own cost or handing them in at a store for free. Most customers choose the latter option. “In the future, we also hope to introduce the option of picking up online Scapino orders from a Dolcis store and vice versa,” says Mulder.

Both Scapino and Hoogenbosch are involved in front-end collaboration with other webshops. Part of Scapino’s collection is presented on the Wehkamp website, while part of the Hoogenbosch range is available through Neckermann. There is a notable difference in the level of back-end collaboration, however. The orders placed through Neckermann are supplied from the Hoogenbosch DC in Den Bosch. Wehkamp, on the other hand, despatches the Scapino orders itself, enabling it to ship the Scapino goods together with other items its customers have ordered. “Why do I think Neckermann doesn’t do the same? That’s the retailer’s own decision. It makes no difference to us whether we send the shoes to Neckermann or directly to our consumers,” continues Mulder.

### DIY is cheaper

Like Scapino, Hema also launched its webshop in 2005, and it also started off running its online logistics operation from a corner of its DC. Five years later, the operation had reached its limits. “If you find yourself having to work six days a week, sometimes with nightshifts too, you have to conclude that something isn’t right,” says Joke Vink, head of Hema’s e-DC.

In 2010, the department store explores its options: handling the operation itself or outsourcing it. The do-it-yourself approach was identified as the best solution. “When I joined Hema in November 2010, I double-checked the calculations, and they revealed that outsourcing would be considerably more expensive. If you



opt for a third party to run your logistics, you pay for every goods-received activity, every pick and every leaflet that you want to add to a consignment,” claims Vink. Since September 2010, Hema has a separate e-commerce DC situated just a few hundred metres from its central DC in Utrecht. Initially, the new operation was a carbon copy of the existing one. Only when everything was up and running was each individual processes evaluated and improved, which led to considerable cost savings and quality gains. Results included batch picking using pick-to-light carts, roller conveyors in the packing department and the use of volume calculations. “The biggest challenge remains the diversity of our product range. Customers order anything from baby clothes to a bottle of wine with a personalised label, a bicycle or a garden chair, and sometimes all at once. Try to figure out the optimum picking method for that!”

### In-store collection

In Hema’s case, it is noteworthy that 70 percent of all orders are collected from its stores, often smaller shops which do not

carry the entire product range. If customers enquire about particular items that the store doesn’t stock, staff will advise them to order online. “In order to avoid potential problems with payment and reservations, our employees don’t get involved in placing orders on a customer’s behalf,” states Vink.

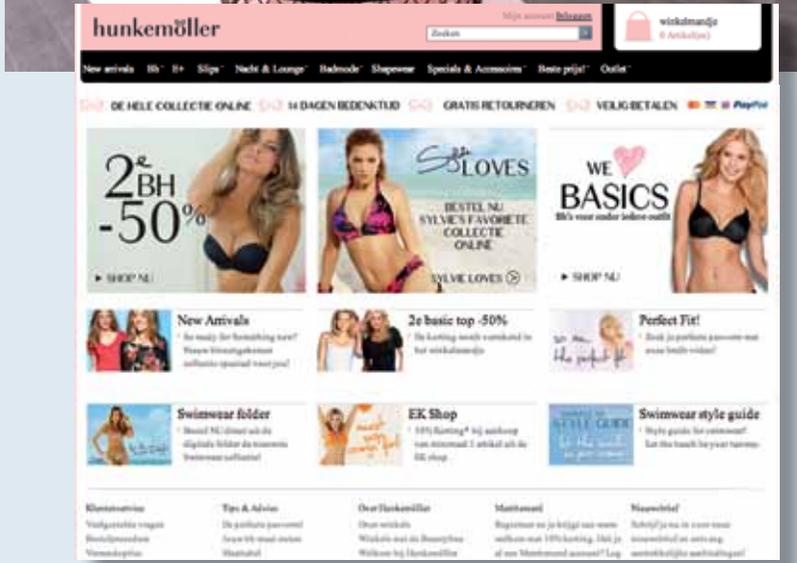
All the orders for in-store collection are picked, packed and despatched from the e-DC, even if the items are in stock in the store. “We thought about whether we should change that approach, but our shop staff are currently fully focused on the physical retail process. If we wanted them to start fulfilling online orders too, we would need to set up a separate process and provide the relevant packaging materials, label printers and system support,” explains Vink. Plus there is the issue of whether stores offer sufficient inventory reliability. “Before you can supply an item from a store’s stock, you need to be one hundred percent sure that it is there. In the e-DC, we can play it safe – thanks to our high-quality inventory management, we’re sure of offering our customers a good service level.”



## ► “Outsourcing means two supply points and hence extra inventory costs”

### CROSS-BORDER E-FULFILMENT

E-commerce offers endless opportunities. Dutch retailer Hema, for example, opened a webshop for the Belgian market on 1 April and another one for the French market on 1 June 2012. For now, all orders are fulfilled from the company's e-DC in Utrecht, with the only difference being Hema's collaboration with Kiala, the network of collection points, in France. “The simple reason is that we only have nine stores there, which would otherwise limit our customers' collection options,” says Joke Vink from Hema. Hunkemöller now has webshops in The Netherlands, Germany and Belgium. It has outsourced its logistics to German specialist Netrada. “Germany is our biggest e-commerce market,” says Hunkemöller's Marco van der Hulst when asked about the decision for Netrada. Service provider Rhenus Contract Logistics has considerable experience in cross-border e-fulfilment, not only because of zooplus, but also thanks to other clients such as Unicef. “The biggest challenge is related to transport – cross-border e-fulfilment invariably increases transportation costs. Shipping a parcel to the South of France is significantly more expensive, and takes longer, than sending one to South Limburg. And if you have to make three attempts at delivery because the customer is repeatedly not home to sign for it, those costs rise even further,” explains Jeroen Boon from Rhenus. The returns process can be expensive for cross-border e-fulfilment too. “If customers have to return goods directly to the European fulfilment centre, the costs can soon mount up. However, we have access to a network of local returns hubs so that consumers can send parcels back to us at local postage rates.”



Incidentally, not all the items come from the e-DC in Utrecht. Last year, Hema started selling books online, and these are supplied by the DC belonging to Centraal Boekhuis in Culemborg. Vink does not see any great benefit in consolidating these flows of goods to Hema's customers: “There are very few book customers who order other items at the same time,” he says.

### Boarding a moving train

In contrast to Scapino and Hema, retailer Hunkemöller has outsourced its webshop logistics. “The price difference between doing it ourselves and outsourcing was minimal, so we chose to board a moving train – that carried less risk than setting up our own operation. Plus we had absolutely no space to do so in our DC in Hilversum,” says Marco van der Hulst, operations & IT manager e-commerce at Hunkemöller.

The lingerie retailer with stores throughout Europe and the Middle East outsourced its fulfilment activities several years ago to Netrada, a German e-fulfilment specialist whose clients also include Tommy Hilfiger and C&A. Hunkemöller is now planning to handle some aspects itself again, namely application management and customer service. “The fact that those activities are outsourced is hampering us in executing our cross-channel strategy. If our customers order goods online, they need to be able to collect them or return them in our stores. It's important to support that process properly with IT systems – the fulfilment system needs to be linked to the branch systems and checkouts, for example. The question is whether Netrada wants to go that far,” comments Van der Hulst. Hunkemöller will leave its logistics in Netrada's hands for the time being. “We've learned a lot about that aspect, and would be more than happy to handle it ourselves. After all, outsourcing means two supply points and hence extra inventory costs, while a single supply point offers you more flexibility in allocating stock. The problem is that we still don't have the room in Hilversum.”

## Inventory reliability

Unlike Hema, Hunkemöller does intend its shop staff to prepare in-store collection orders. "Another other option would be to ship all orders for in-store collection from our e-commerce DC in Germany, but that would take more time plus incur extra costs for transport and order picking. And if we were to handle it from our central DC in Hilversum, it would cause too much disruption to the existing processes," explains Van der Hulst.

To be able to prepare orders for collection in the shops themselves, Hunkemöller needs to make branch-level stock details available online. As soon as an order is received, store employees need to be instructed to set aside the relevant product. The customer then receives confirmation that the product has been reserved and can be collected. Van der Hulst does not consider it a problem that staff will be carrying out extra duties. "The shops themselves stand to benefit from such orders since they count as their sales. The inventory reliability at store level does pose a challenge, however. It also means that we have to manage our suppliers better. Each box has to contain exactly what it says on the label," comments Van der Hulst.

Like Scapino, Hunkemöller also collaborates with other webshops. Part of its range is available through the Wehkamp website, for example. "We hope that it will help us to reach a different target audience. We're working with similar partners to increase our brand awareness in other European countries too," says Van der Hulst.

The items on the Wehkamp website are held in stock in the online department store's DC. "That was one of Wehkamp's preconditions. It remains our stock, and only changes ownership when it is sold. We work with V&D in The Netherlands and House of Fraser in the UK on the same basis," states Van der Hulst.

## 'Pure player'

zooplus, a European webshop for pet products, has outsourced its fulfilment to logistics service supplier Rhenus Con-

## ALLOCATING STOCK

Many retailers struggle with the matter of allocating their stock. Should they run a separate inventory for the webshop, or supply their online customers from the same stock as is used for their stores?

For Scapino, the issue was fairly straightforward. "Since we're a discounter, all the stock we have is in our stores. So we had to create a separate inventory for our webshop operation," says logistics manager Geert Mulder. The situation is different for parent company MacIntosh's other retail formulas, and replenishment stock for these stores is held in the DC in Den Bosch. "Part of the inventory is reserved for the stores and the other part is reserved for the webshop. It can happen that stores run out of items which are still in stock for the webshop. And it'll remain that way until the management says that the webshop inventory can be freed up for store replenishment purposes," states Mulder.

While Hema has a separate e-commerce DC, it is only a stone's throw away from its central DC. "Every morning, we assess our stock levels and place an order from the central DC, which we receive the same day before 3 p.m. The central DC treats our order just like any other replenishment order from a branch store, they are all processed in turn," explains Joke Vink, head of Hema's e-DC. Only items that are physically in stock in the e-DC are displayed on the internet. In other words, even if an article is in stock in the central DC, if it is out of stock in the e-DC, it will not be visible in the webshop. Vink: "Thankfully, due to our safety stock and the short lines of communication, that doesn't happen very often. Only promotional items sell out sometimes, but then that's a sign of a successful promotional campaign!"

tract Logistics, who has designed two DCs for zooplus: one in Germany for the German-speaking countries and one in Tilburg for zooplus's customers elsewhere. The Tilburg DC comprises no less than 35,000 square metres and employees 250 people, and the German DC is even bigger. "zooplus is what you would call a 'pure player' – it generates all its business via the internet, so it didn't have an existing logistics operation. zooplus's focus is primarily on purchasing, marketing and sales, which makes outsourcing a more logical decision than for established retailers. However, it's not unusual for such companies to start handling their own logistics at a later stage," says Jeroen Boon, business development manager at Rhenus, which also takes care of the fulfilment activities for a further eight webshops from its facilities in Tilburg and Etten-Leur.

The zooplus DC in Tilburg is used exclusively by zooplus, and there's little chance of another webshop's activities

being integrated into it. "If so, it would need to be the same kind of customer, because zooplus's order characteristics are different from the average webshop. The boxes we ship tend to be pretty heavy because of all the pet food in them. Plus the fact that the DC is now at full capacity, and we're not planning on extending it – with 35,000 square metres of floor space, we're already close to exceeding the optimum size," explains Boon.

The disadvantage for a pure player like zooplus is that it is much harder to implement a cross-channel strategy. zooplus has no existing stores in which customers can collect their orders, for example. "I don't know whether it's fair to say that webshops need to have a cross-channel strategy to ensure their long-term survival. That's certainly not true for zooplus right now. The main reason why people order from zooplus is convenience – it saves them from having to carry all those heavy bags of dog food."



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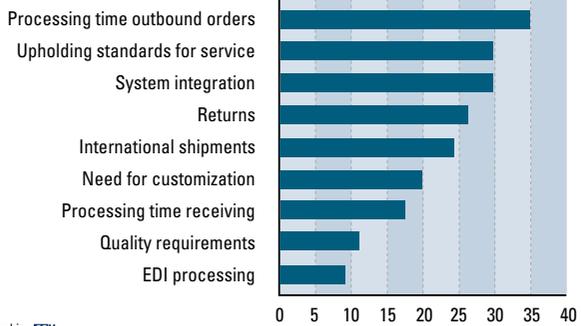
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# E-fulfilment

## E-FULFILMENT CHALLENGES

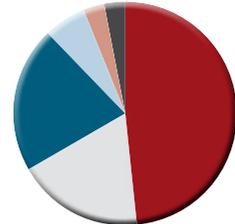
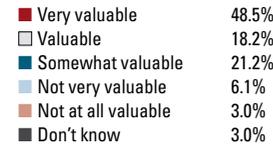
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Graphic: ERM

## VALUE OF DISTRIBUTION ACROSS MULTIPLE CHANNELS

\*in the USA and outside

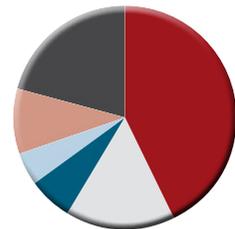
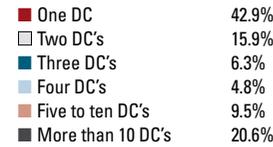


Graphic: ERM

Source: Saddle Creek (2011)

## NUMBER OF DC IN OUTSOURCING E-FULFILMENT

\*in the USA and outside



Graphic: ERM

Source: Saddle Creek (2011)

## ADVANTAGES OF OUTSOURCING E-FULFILMENT

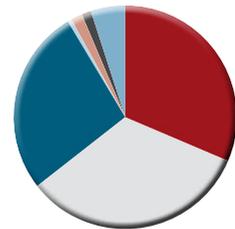
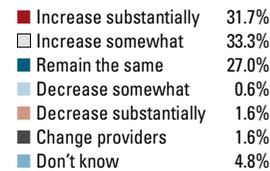
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Graphic: ERM

## OUTSOURCING PLANS E-FULFILMENT

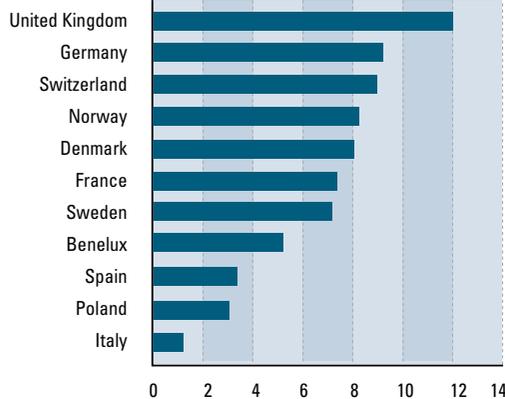
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Graphic: ERM

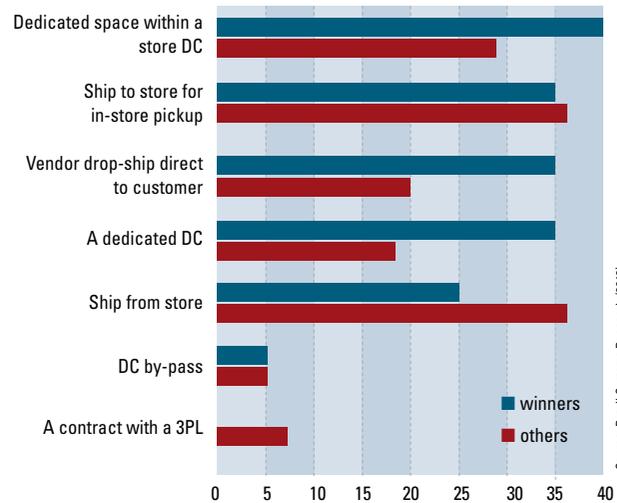
Source: Saddle Creek (2011)

## ONLINE SHARE OF RETAIL TRADE IN 2011



Graphic: ERM

## DIRECT-TO-CONSUMER RETAIL FULFILMENT STRATEGIES



## Supply chain embedded in the strategy

# Rituals's secret growth ingredient

Home & body cosmetics company Rituals puts its consumers first, which means that passion for its products is more important than efficiency in its logistics. The company's distribution channel, comprising both its own shops and franchised stores, is a strong driver of innovation, which is in turn a key factor in its success.

By Marieke Lenstra



**A** new Rituals store opens somewhere in the world almost every week. In the space of a decade, the home & body cosmetics company has evolved into a small multinational, and it intends to keep on growing until it has secured a place alongside the likes of Chanel, Estée Lauder, L'Occitane and the Bodyshop. In ten years' time, the company plans to be operating a thousand stores.

Rituals currently employs 650 people and has over 200 shops. Its first ever store can be found on Amsterdam's most popular shopping street, Kalverstraat, and the company's head office is still located above it. Supply Chain Movement spoke to Marcel van Groningen, co-founder and until recently head of supply chain, about growth and the supply chain strategy. "We're all about innovation, and our own distribution channel is our key strength in that respect. Our success is down to our own shops and our franchised stores, whereby customer satisfaction is the most

important driving force."

### Business climate

Twelve years ago, ex-Unilever man Raymond Cloosterman and two of his friends founded the company for "people who elevate enjoyment almost to an art form". While at Unilever, Cloosterman had been asked to develop new markets. Having spent six months travelling the world and talking to many different people, he concluded that there was a need for affordable luxury items. In the fast-paced Western world, many people carry out their everyday personal care routine on autopilot. Cloosterman wanted to make daily rituals special again, enabling people to rediscover life's simple pleasures. This led to the idea of combining cosmetics and washing-up liquid under the same brand. Cloosterman presented his concept within Unilever and received initial support for the idea, but ultimately the CPG giant deemed the business climate at that time

to be unfavourable for the launch of such a brand. "It didn't fit within Unilever. A start-up company shouldn't have to be concerned with things like producing financial reports every month and sorting out staff pensions," says Marcel van Groningen, co-founder of Rituals. "But Raymond believed so strongly in his own idea that he decided to do it himself. With Unilever's support."

Van Groningen was also working at Unilever at that time, as a plant manager. "Raymond came to see me armed with a scented candle and a video of the conceptual idea. He presented his dream: making a prestige brand accessible for a wider audience. I was immediately hooked," says Van Groningen. The invitation to join the project came at the right time in his career. "I wanted an entrepreneurial role but I was working mainly on cost aspects within Unilever and I missed being involved with product development. For Rituals, I focused on purchasing,

“Our passion is transforming a daily routine into enjoyable rituals.” ◀



logistics and product development – supply chain in a broad sense, you could say – right from the start. Rolf (de Gier, Ed.) joined us and concentrated on finance and organisational structure. And that’s how we began.”

### Overstock

As a retail and marketing company with no factories, warehouses, laboratories or transport of its own, Rituals grew explosively in the early years. In its first two years, the pioneering phase, the company struggled with surplus stock. “Our solution was to shift the stock by making corporate Christmas gift sets from it,” explains Van Groningen. “It turned out to be a winning idea, because the Christmas season is extremely important to us to this day. It accounts for almost 40 percent of our turnover, although nowadays our stores generate the lion’s share of that.” Rituals turned a corner in 2003 when it opted for the current retail concept: its

own branded stores plus shop-in-shop outlets in prestigious department stores. It took from 2003 to 2007 for the concept to become firmly established, a period which Van Groningen describes as “sheer hard work”.

### Bottleneck

However, in 2008, the management began to sense that “the supply chain could become a bottleneck for growth”. The strength of the brand lay in the distribution. “The fact that we put our consumers first has consequences for everything we do. Having our own distribution channel enables us to continually introduce new innovations – the only people we need to convince are ourselves. If we’ve developed a new concept that hasn’t made it onto the shelves yet, we don’t need to create space for it by de-listing another product, and its margin, in favour of something that still has to prove its worth. Nor do we need to support product launches by advertising

to the trade, because we ourselves are the ones who decide what gets listed,” states Van Groningen.

Because Rituals does not have its own factories or R&D department, it develops its innovative products in collaboration with manufacturers. “We’re outgrowing the factories we’re working with. What’s just a common cold to us is pneumonia for them,” says Van Groningen by way of illustration. Therefore, to spread risk, Rituals started purchasing each product category from more than one supplier, and that dual-sourcing process is still in place today. “For us, it’s not necessarily a question of sourcing everything as cheaply as possible. It’s our aim to offer products that make attractive gifts for your family and friends.”

### Embedded

A second step Rituals took in order to continue along its path of sustainable growth was a review of its logistics part- ➤

► “Passion for the products is more important than focusing on logistics efficiency.”



**Marcel van Groningen:** “The Christmas season is extremely important to us to this day. It accounts for almost 40 percent of our turnover, although nowadays our stores generate the lion’s share of that.”

ners. The company decided to re-contract Wim Bosman for its Dutch transport and distribution. As the only supply point, Wim Bosman replenishes all its Dutch stores from the town of 's-Heerenberg in the east of The Netherlands. Since Rituals wants its shops to hold as little inventory as possible, rapid, reliable and accurate deliveries are essential.

Mark Hoppenbrouwers, the current supply chain director at Rituals, says that the Wim Bosman drivers ensure that the pallets full of products are delivered in the morning, before the stores get too busy. “The drivers unstack the pallets from their trucks and then help to unload the products so that they can take the pallets straight back with them. That’s a nice touch. It might seem like just a small detail, but this approach helps to keep our store operations running smoothly.”

Van Groningen: “Wim Bosman was not the cheapest supplier, but if price was our only consideration, we wouldn’t be able to do this. We’re different. For us, the consumers are our number one priority. That means that you have to keep the supply chain close to you, and it must be embedded in the company’s strategy. And that’s been the case for us since Day 1.”

A third measure for securing growth was

## RAPID GROWTH AND PROMOTIONS

Home & body cosmetics company Rituals currently has 205 stores. It plans to increase this number to 250 this year, and to have 1,000 stores in ten years’ time. To support its rapid pace of growth, the company requires a logistics service provider with sufficient capacity. A new shop opening, for example, requires a large order to be picked. “At times like that, you have to be able to rely 100 percent on the truck delivering the products to the store on the right day at the agreed time,” says supply chain director Mark Hoppenbrouwers in logistics service supplier Wim Bosman’s warehouse. The same goes for new product introductions. During promotional periods, Wim Bosman groups all the new products together in a separate aisle in the warehouse so that they are easily accessible. That increases the pick capacity, thus ensuring that Rituals can supply simultaneously supply all its stores with new products at launch time.

From an inventory management point of view, Rituals is gearing up for the next step. The company recently implemented Slimstock software, and Van Groningen explains: “The challenge now lies in the promotions module. At the end of the year, we always see a seasonal peak for Christmas, which accounts for almost 40 percent of our total turnover. The software program is not yet used to having to deal with such a major peak.”



the implementation of Slim 4 inventory management software. This implementation led to on-shelf availability stabilising and stock rotation improving by 15 percent, despite a 20 percent increase in the size of the product range.

### Retail graveyard

Although Rituals is currently involved in operationalising its chosen strategy, the company’s ambitions don’t end there: “We don’t necessarily need to become the biggest, but we do want to be better than the rest,” says Van Groningen. Beyond the Dutch borders, the main focus is on Germany, the UK, Spain, Brazil and the US – Rituals intends to cross the Atlantic Ocean next year and open its first stores in the New York area. “America is the most competitive market there is. It’s also called the ‘retail graveyard of the world’ because it’s a

huge market but with low growth. We’ll really have to fight to secure ourselves a place,” comments Van Groningen. Another challenge will be to comply with American legislation, ensuring that the products are correctly labelled and have liability insurance and such like. “Because what do European manufacturers who want to export to the States need to consider?” wonders Van Groningen aloud. Behind the scenes, the company is currently carrying out extensive research and preparation in relation to its US export plans.

There’s also a nice packaging challenge to contend with. “Packaging hasn’t really been an issue before because our volumes didn’t merit it, meaning we’ve used a lot of standard formats so far. But now we want to develop our own line, so we’re looking to form new partnerships with innovative packaging manufacturers.” ◀

# Complex chains are no longer a problem for Leica

The business activities of microscope producer Leica Microsystems are spread across a large number of manufacturing, warehousing and sales facilities. With such an intensive flow of goods between the various sites, it is essential to know exactly where components and end products are at any time. And thanks to ShipitSmarter, the company is now able to do just that.



Josef Horstmann,  
Director Global  
Supply Chain:

**“Freight costs have been reduced by 8 to 10%, but even more significant are the benefits resulting from process improvements in the chain”**

Leica Microsystems produces high-quality microscopes that are used by universities, hospitals and research institutes. With representatives in 100 countries, manufacturing sites in 7 countries (including China) and sales and service organisations in 19 countries, the company operates within a complex logistical framework of various internal and external supply chains. Josef Horstmann, Director Global Supply Chain, admits that he himself was surprised by the extent of it when he joined the company. He was quick to realise that the ShipitSmarter solution, which was at that time already being used at some sites, deserved to be rolled out more broadly. “It is a huge benefit that ShipitSmarter makes each shipment of components or finished products visible. However, the fact that everyone, worldwide, now uses the same system – rather than using different booking tools for different forwarders – makes it even more efficient. This standard approach allows you to choose between several forwarders for a shipment of, for example, spare parts which are stored in a warehouse somewhere in the world and need to be transported quickly to a service department. This enables you to keep a much tighter rein on the costs.”

**COLLABORATION** Horstmann estimates that some 60 per cent of the company’s total shipping spend is currently allocated using ShipitSmarter; by the end of 2011, that figure should be somewhere between 80 and 90 per cent. “We expect that this implementation will reduce our freight costs by 8 to 10 per cent, but even more significant are the benefits resulting from process improvements. For Leica, that represents a lot of money.” He notices in particular that the sales staff, service technicians, planners and any other colleagues involved are all notified automatically as soon as a shipment is booked, without any additional effort being required. “It eliminates a lot of e-mails and telephone calls, because people have complete faith in the system.” At Leica Microsystems, almost all employees access the system via their web browser, and often through the company’s intranet site, meaning that it’s not necessary to log in separately.

Throughout the company, ShipitSmarter’s online TMS is integrated with Leica Microsystems’ SAP system at

a fairly deep level, via a standard integration interface. “It has more or less become an element of the ‘Book shipment’ business process.” For Leica’s Germany-based board of directors, the fact that an integration of this kind – which does involve some extra work the first time around – was not a prerequisite was a key argument in favour of a further roll-out of the system. “You retain the flexibility to choose the level at which you want to integrate



ShipitSmarter with your other systems. And, if necessary, you can input data by hand.” And that flexibility also extends to decisions on which forwarders Leica works with.

**VISIBILITY LEADS TO OPTIMISATION** In all of Leica’s supply chains, it is important to consolidate shipments. “The direct visibility of shipments makes them easier to analyse, which highlights more opportunities for consolidation.” Horstmann is also very impressed by ‘second leg labelling’, which entails a shipment being planned in from start to finish, including the stage after consolidation. “This enables you to notify the forwarder that something will be arriving at the airport and needs to be picked up for direct delivery. In the past, goods were sometimes stuck at the airport for up to a week because we still had to organise the next stage. Now it all operates seamlessly and takes considerably less effort.”

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## Mistakes are easily made in global trade management

# Customs is an extra link in the supply chain

The international flow of goods is full of pitfalls. Unannounced inspections by customs and other governmental bodies are the cause of many interruptions in the chain. In addition, international trade can incur many – and often unnecessary – costs, such as when companies pay too much in duty, tax or customs bonds, or because they receive fines for not complying with all the regulations. Moves are being made to simplify the situation.

By Marcel te Lindert

Since 16 February 2012, Mars can now officially call itself an 'Authorised Economic Operator' (AEO). This term means that all seven parties involved in transporting a container of confectionery through the Port of Rotterdam have an AEO certificate: the Mars factory in the Dutch town of Veghel, the logistics service provider's warehouse, the transporter that transports the containers to the town of Oss, the inland terminal in Oss, the shipping company that carries the goods by water to Rotterdam, the container terminal in Rotterdam and the shipowner that arranges the container ship for the goods' onward journey to a destination such as Dubai. "We've probably got the first 'green lane' in the whole country," says Jan Goijaarts, who as factory outbound logistics manager is responsible for the AEO certification.

Mars will make substantial use of its green lane. It produces some 250,000 tonnes of confectionery in Veghel annually, and exports almost half of it to countries outside of the EU. "Plus we fulfil a consolidation and export role for the other Mars chocolate factories in Europe," explains Goijaarts.

### Two-day hold-ups

The green lane should soon eliminate one of Mars's biggest headaches: the delays that are involved with exporting. "Currently, we have to inform the relevant

authorities of what will be in a container 48 hours before we start loading it. Some countries such as Iran and Iraq require a health certificate, which is issued by the Netherlands Food and Consumer Product Safety Authority (NVWA). The NVWA can visit us, unannounced, to inspect the consignment any time within that 48 hour period, which means that we have to hold the shipment for two days. Not only does this affect the products' freshness, but it also creates two extra days of inventory in the pipeline. And inventory is money," says Goijaarts.

Mars hopes that the container scans in Rotterdam will now be a thing of the past. Customs in Rotterdam selects containers at random for checks but, because of the backlog, those containers can sometimes wait up to a day to be scanned. It happens at least once a week, claims Goijaarts. "As a result, the container misses the boat, both literally and figuratively, meaning that we have to rush around reapplying for and redoing all the documentation. And not just for that one particular container, but for all the other containers that were on the same bill of lading."

### Avoiding bonds

The Netherlands has developed a strong European position as an import hub, partly thanks to its progressive approach to customs and excise. The principle of fiscal representation, for example, has made it

possible to import goods destined for other European countries into The Netherlands without VAT being charged. Yet there are plenty of other companies in addition to Mars that are frustrated by all the expected – and unexpected – delays suffered by cross-border goods flows. It is the biggest annoyance of the Trade Compliance community, a knowledge and networking group set up by the Dutch Logistics Management Association (vLm). "In terms of planning and forecasting, most companies have got a firm grip on their supply chain. Any disruptions in the supply chain are increasingly occurring for other reasons. As a result of the globalisation trend, companies are dealing with a greater number of different countries and hence a growing number of compliance regulations," says Walter Kusters from Ab Ovo and chairman of the community. "There are still too many cases of consignments being held up because of incomplete documentation. And since supply chains are becoming increasingly leaner, such problems are having ever-greater consequences."

According to Noël Egberts from the consultancy Trade Facilitation, compliance is important for another reason too: it can save companies money. Those who are familiar with all the rules and regulations can avoid paying certain duties or customs bonds. "Screens are a good example. Declaring them as TV screens or computer screens can mean the difference between



paying 14 percent or zero percent in duty,” says Egberts. The oil industry is one of the sectors in which customs bonds cause a problem. A company importing oil destined for other countries does not need to pay import duty, but the customs office does require the relevant amount to be deposited in a bank account. “An AEO certificate can mean the difference between a bond of 12 million euro and one of 1 million. That can have a major impact on a company’s cash flow,” explains Egberts. To help companies find their way through the maze of compliance regulations, the Safefficient project has recently been launched in The Netherlands. Headed up

by the Breda University of Applied Sciences (NHTV), the project involves ten companies, including Mars, Sony, Omron and Partylite. Consultancies Trade Facilitation and Process Improvers are currently developing two tools in order to make the knowledge and experience gathered available to other companies. “Based on a checklist, the first tool will allow companies to gain insight into their own situation and points of consideration in terms of compliance. The second tool should pave the way towards AEO certification,” says Stefan Hermes from Process Improvers. Tools like these are necessary since companies are making significant errors every

day, whether they like it or not. “In Japan, a brand new semi-conductor factory was built by a company whose management was not aware that Europe had introduced a 20 percent anti-dumping duty. The duty sounded the death knell for that factory. Ignorance can have disastrous consequences,” comments Hermes. Many Dutch companies are also still unaware of the fact that the regulations for customs-bonded warehouses have changed as of 1 April 2012. To retain their permit and continue to benefit from the simplified procedures, companies are now required to be AEO-certified – and many of them are not. “Which may mean that companies end up filling out the paperwork manually,” says Egberts.

## GLOSSARY

**Compliance:** Trading in line with the relevant legislation and regulations. In international supply chains, it is mainly about import duties, excise duties, VAT payments, anti-dumping duties, free trade agreements, health certificates, embargoes and sanctions.

**Authorised Economic Operator (AEO):** Companies that have been designated by customs as trustworthy companies which operate in line with the relevant legislation and regulations. Based on the idea that AEO-certified companies work within a framework of internal procedures so that nothing can go wrong.

**Green lane:** A supply chain made up of AEO-certified links, resulting in the flows of goods being given the ‘green light’. Customs procedures are simplified and inspections are minimised, and hence goods flows are subjected to few if any delays.

**Global trade management:** The management of international flows of goods, including any potential compliance-related problems it may entail.

**C-TPAT:** Customs Trade Pact Against Terrorism – AEO’s US counterpart which was introduced in the wake of the 9/11 terrorist attacks. Asian countries have their own equivalent too, and there is a general trend towards countries increasingly recognising each other’s programmes.

## Eight million updates

Keeping up with each and every compliance regulation is virtually impossible. Software supplier Amber Road, previously known as Management Dynamics, has a team of 150 people around the world constantly monitoring all the changes in every country and directly updating its software accordingly. Amber Road’s global trade management system enables companies to automatically check all their transactions against the current regulations. “In 2010, we carried out around eight million updates,” says Nick Boland, Amber Road’s director of business solutions in Europe. A global trade management system such >

as the one Amber Road supplies not only indicates when transactions are in conflict with embargoes or sanctions, but also shows their impact on costs. What margin will remain after all the levies have been deducted? Are there more fiscally attractive ways of importing goods into the country? Management by exception alerts users to any potentially problematic transactions.

Boland can also name scores of examples in which breaking the rules – intentionally or otherwise – has cost companies millions: Chiquita being fined 25 million dollars for dealing with a Colombian terrorist organisation, for example, and DHL being fined 10 million dollars for not complying with regulations governing consignments to Iran, Syria and Sudan. “Financial and logistics directors are developing an increasing awareness of the potential problems, although I’m still not convinced they fully understand the impact these problems can have on their companies. The main problem is that the situation requires financial and legal experts in addition to logistics specialists – and you wouldn’t normally find them talking to one another,” comments Boland.

### Sealing containers

Streamlining and simplifying customs procedures and the associated inspections is likewise one of the key focal points of the Topteam Logistiek, a team set up by the Dutch Ministry of Economic Affairs, Agriculture and Innovation to advise on innovation. Within this framework, the VLM Trade Community presented a whitepaper to the Strategisch Platform Logistiek (SPL), the body tasked with implementing Topteam’s action plan, on 22 March 2012. Chairman Walter Kusters explains that this document highlights three areas of focus: system-based approach, pushing out the border, and coordinated border management. “The first step is to move towards fewer physical checks. We are striving towards a system in which companies put internal procedures in place to guarantee that they work safely and accurately. Audits to ensure that

companies are following those procedures will become the main focus. The AEO certificate is a good start.”

With ‘pushing out the border’, the VLM Trade Community is calling for minimal border controls. Checks upon loading or unloading the containers and sealing the containers for transit should be sufficient, and that would considerably reduce delays. After all, coordinated border management is all about aligning or integrating controls by the various authorities such as customs and national food safety bodies.

### Green light

Mars did not have to go to great lengths to attain its AEO certificate, since many of the processes and procedures were already in place. “All that was missing were the links between all the processes and procedures, but those links are essential for a watertight system. Aspects such as physical security, access controls and IT-system security were already arranged,” states Goijaarts.

Mars is now ready to reap the benefits of its AEO certificate and green lane, although it may have to wait a little while yet. The company will spend the next few months setting up pilot projects with customs and other chain partners to improve speed within the chain in practice. Ultimately, the green lane is expected to minimise the administrative burden, delays and the number of links in the chain, while still guaranteeing a safe and reliable flow of goods thanks to the framework of procedures. “I hope that we will be able to eliminate the preregistration of containers 48 hours before loading, for example, so that registration at the point of loading itself suffices.”

Goijaarts is very positive about how collaborative the customs agency has been. “Figuratively speaking, we still remember the days that customs officials would be watching us from behind a tree, poised and ready to pounce, whereas now, we’re actually building up a long-term relationship based on mutual trust. In our experience, rather than holding back trade and enterprise, the customs agency is actually trying to stimulate it.”

## CUSTOMS SOFTWARE

There are a number of software suppliers offering solutions to support Global Trade Management (GTM). Note: not every solution is suitable for trade with every country. Many software suppliers limit themselves to the import and export flows from and to certain countries, whereas few software suppliers facilitate cross-border trade between all the countries in the world.

**AEB:** British software supplier focused on logistics service suppliers, offering support to European companies who export to any of 71 countries around the world. Also supplies WMS and TMS. See [www.aeb-international.co.uk](http://www.aeb-international.co.uk).

**Amber Road:** US-based software supplier facilitating cross-border trade between 200 countries in the world. Also supplies software for supply chain visibility. See [www.amberroad.com](http://www.amberroad.com).

**Descartes:** Canadian supplier of transport management systems for both shippers and logistics service suppliers. Acquired Porthus, a Belgian specialist in GTM, in 2009. See [www.descartes.com](http://www.descartes.com).

**Kewill Minihouse:** Dutch software supplier, acquired by TMS and WMS supplier Kewill which focuses on logistics service suppliers in 2010. Kewill made similar acquisitions in the USA, Germany and Southeast Asia, and supports compliance for more than 30 countries. See [www.minihouse.eu](http://www.minihouse.eu).

**Precision Software:** Irish supplier of transport software, part of the US-based ERP supplier QAD since 2006. See [www.precisionsoftware.com](http://www.precisionsoftware.com).

**Redprairie:** US-based supplier of software for warehouse, transport and labour management. Also supplies support for GTM. See [www.redprairie.com](http://www.redprairie.com).

In addition to these companies, there are many other software suppliers which support automated customs declarations in various countries but are not able to screen transactions for compliance, such as Stratech, LSP Solutions, MIC, Cargonaut, Gateway and Foursoft.



**Meinderdjan Botman  
from DSV Solutions:**

“This solution has been designed from a practical perspective rather than merely theory or IT.”



## DSV gains better control of and insight into transport thanks to MP Objects

**DSV Solutions organises the transport for countless customers across a wide variety of sectors every day – a complex operation given those clients’ diverse product ranges and extensive networks. The software from MP Objects enables DSV Solutions to keep control of the operation, resulting in optimal transparency for its customers.**

In addition to warehousing and value added logistics, DSV Solutions also handles transport activities for its clients, but this logistics service provider goes beyond merely transporting the goods. “We always look for solutions that save costs and add value, such as consolidating orders for one particular customer, consolidating orders across several customers, or redesigning a customer’s supply chain,” explains Meinderdjan Botman, Vice President Business Development at DSV Solutions.

In the five sectors – hi-tech, healthcare, automotive, industrial and consumer products – in which DSV Solutions operates, transport often means more than shipping a pallet from A to B. “The hi-tech industry can involve high-value equipment, for example, which needs to be installed on site. In the healthcare sector, our deliveries take us into hospital departments and to individual patients at home. Within automotive, we might be required to supply spare parts to dealers in the middle of the night. We don’t carry out all these tasks ourselves; we can draw on a large number of transporters and partners, each with their own specialisms.”

### **Never pay too much again**

DSV Solutions uses the MP Objects Supply Chain Suite at its facility in Moerdijk, The Netherlands, to manage the transport activities of 40 of its customers. One particular area in which the software helps DSV is what Botman calls ‘freight settlement’. MP Objects contains all the rates agreed with carriers, for example, which enables DSV to match

the invoices it receives against the transport orders fully automatically. “It used to be a huge job to check all the invoices, and sometimes it didn’t even get done at all. Now we’re a hundred percent sure that we never pay too much,” says Botman.

DSV also uses the MP Objects software for its own invoicing process. “Whether they want to be billed per kilo, loading metre or tonne kilometre, all our customers now receive a clear, consolidated invoice. In addition, thanks to MP Objects, we can continually compare carriers’ performance against their service level agreements. We also have much better insight into the cost and profit of our transport activities. Our logistics has become measurable and transparent at customer level.”

### **More control and better insight**

DSV is not only using the MP Objects Supply Chain Suite in Moerdijk, but also at its facilities in Puurs, Belgium. “We have a DSV Road control tower based there, from where we organise road transport for several major pan-European clients. The software is used for planning delivery routes, tracking consignments and event management. It allows us to immediately see if a shipment isn’t progressing according to plan, for example, which enables us to intervene quickly to solve the problem or forewarn the customer as necessary.”

Botman is full of praise for the cooperation with MP Objects. “The company is a software supplier rooted in the transport world which understands the sector’s dynamics. They work closely with us to identify intelligent solutions for organising and managing our logistics processes, and their solution is designed from a practical perspective rather than being driven merely by theory or IT.” The results speak for themselves, claims Botman. “We now have more control over our transport activities, while our customers have better insight into both their transport costs and their day-to-day performance.”

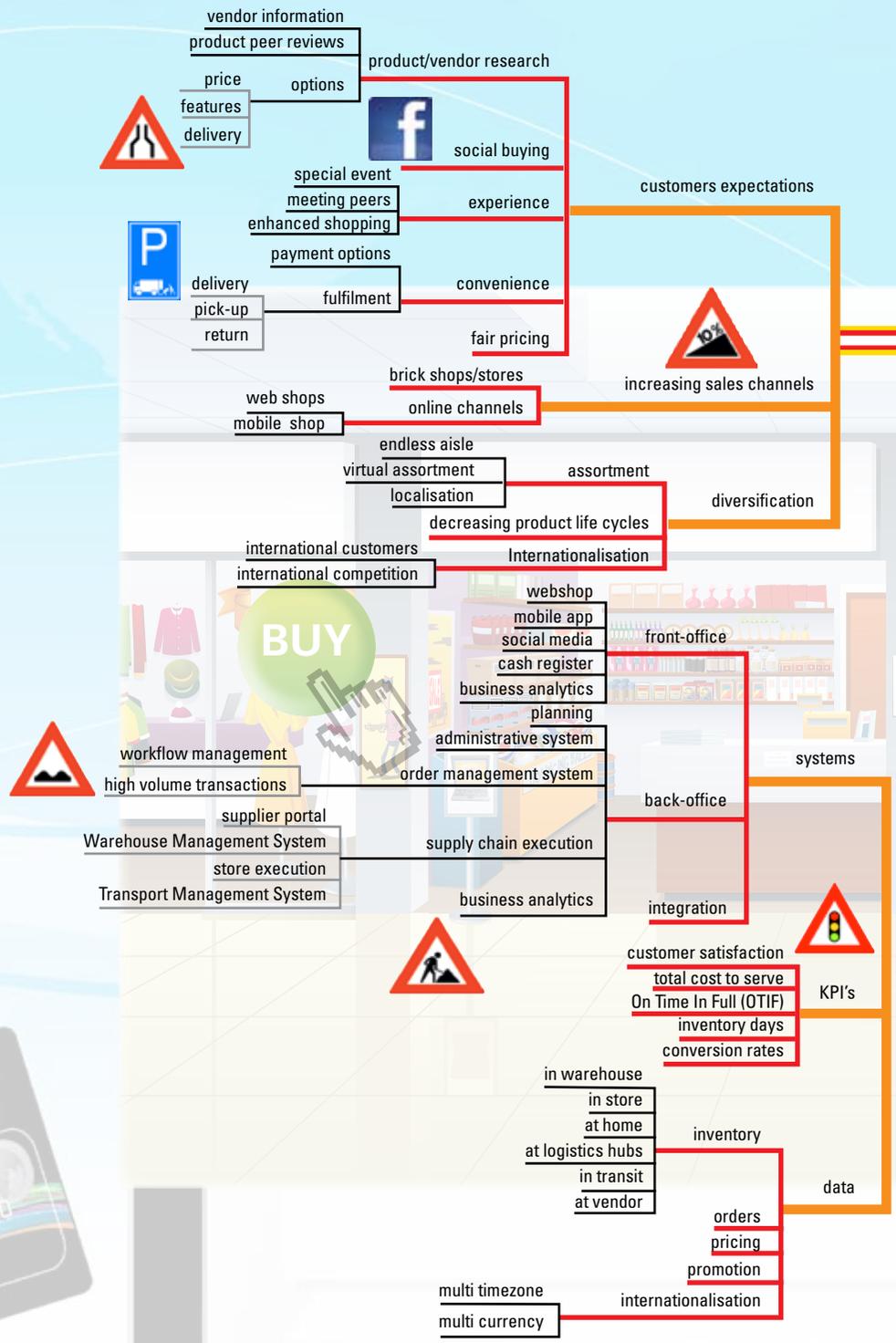


# Mindmap for cross-channel fulfilment

Continuing online sales growth is leading to increasing front-end and back-end collaboration between webshops. Taking a joint approach to logistics would help them to further benefit from economies of scale. Supply Chain Movement and Manhattan Associates have created a mindmap to outline the route, including road signs indicating potential hazards along the way.

Creators Mindmap:

Manhattan Associates  
SCM SUPPLY CHAIN MOVEMENT



## MINDMAP MANUAL

**E-commerce growth:** Despite the economic crisis, online sales levels continue to increase: the average European growth rate was 16 percent in 2012. The online share of total retail sales varies tremendously from one country to another. In Italy, for example, internet sales account for only 1.3 percent of the country's total retail turnover. Meanwhile, the UK leads

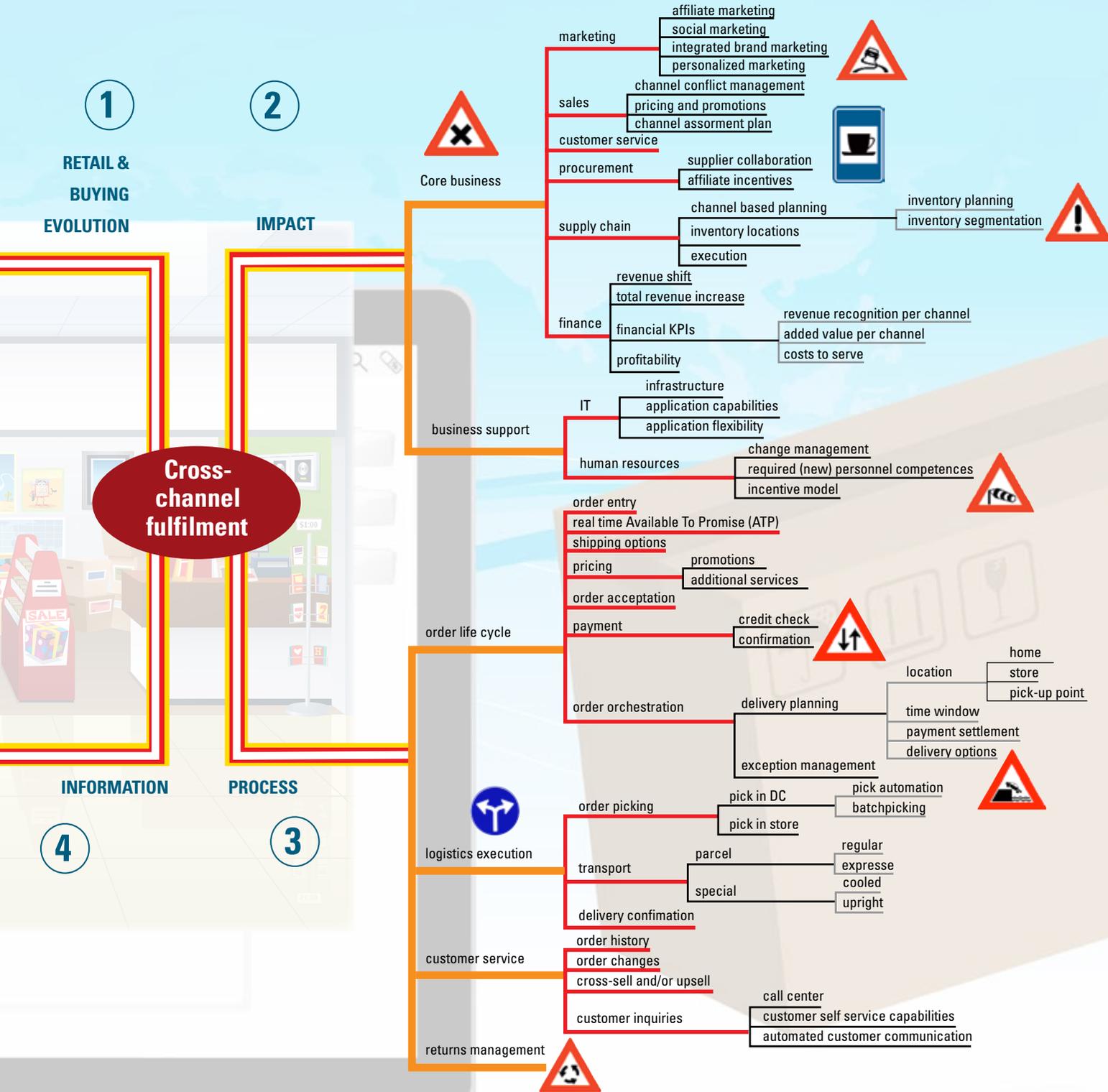
the way with online representing 12 percent, and this figure is expected to rise to 20 or even 30 percent at the expense of traditional stores.

Because of the strong growth in e-commerce, a retailer's decision to either handle its own logistics operations or outsource them is one that has increasing impact. As more and more companies are

outsourcing their e-fulfilment activities, certain logistics service suppliers are specialising in this field and offering a wider range of services.

**Cross-channel, cross-border:** Initially, consumers placed their orders online and the goods were delivered to them at home. Nowadays, they can order pro-

ducts on the internet for pick up in a store or at a collection point, a model known as 'Click & Collect'. For certain products in London, it is even possible to order from and arrange for delivery to a café terrace. Retailers are also exploring ways of delivering straight from their stores. Delivery and inventory reliability is crucial in this form of cross-channel retailing.



While it is relatively easy to set up a webshop in several languages for different countries, arranging the associated logistics activities demands a lot more effort. To support its European expansion, for instance, Amazon has invested heavily in new distribution centres. Cross-border e-fulfilment means higher transport costs, and the

inevitable returns process can also be very expensive.

**Collaboration:** It is clear that there will be increasing collaboration among webshops, at both the front end and the back end. At the front end, small webshops can increasingly be seen together on shared internet platforms. Just as in

the physical world, there is a growing number of shop-in-shop concepts in which manufacturers of branded goods present their collections through another retailer's webshop. It is surely an obvious next step for some of these players to create economies of scale by working together from a logistics perspective too.



# FMCG & Retail Logistics 2012



## Report to FMCG Prague

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## WAREHOUSE BENCHMARK

# Comparing apples with apples

It's not always easy to gain real insight into a warehouse's productivity, performance and costs, claims supply chain consultancy ArgusI. This often depends on so many different factors that it's like comparing apples with pears. That's why the organisation has developed a method which enables companies to not only compare the costs and performance, but also to identify the underlying causes. According to ArgusI, this results in a clear understanding of why one warehouse is performing better than another. When it comes to benchmarking warehouses, a common criticism is that the facilities being compared are too different. One might have a large cold storage area

whereas the other is highly automated. In order to make a true and fair comparison, ArgusI has compiled an extensive list of dimensions and features. "We have been working very hard on a methodology that was capable of comparing warehouses on their productivity, costs, and quality, but could also help us to find out why site A outperforms site B," states the company's website.

Both founders of ArgusI, Frans Cruijssen and Bas Groothedde, hold a cum laude PhD in logistics network design and have considerable professional experience in the field of logistics.

[www.argusi.org](http://www.argusi.org)



## SERVICE

# Reducing returns for repair

**Logistics service supplier Arvato has launched Intellifix, a new solution to help high-tech companies cut down on unnecessary return shipments. "Forty percent of all laptops, mobile phones and other electronic devices are returned, only for an expensive engineer to conclude that there's nothing wrong with them," explains Kristiaan Wessels, director of business development EMEA/Benelux at Arvato.**

It often turns out that returned goods do not need repairing at all. Devices might be sent back because it seems like the convenient option, or because customer service staff lack the knowledge and experience required to establish the root of the problem. For instance, when a customer complains about having no reception on their mobile phone, it might simply be a matter of it being in flight mode.

In order to identify the problem with an item at an early stage, Arvato has developed an online support solution which can be adapted to the requirements of any brand of equipment. Consumers with a suspected defect product can visit an Arvato website which has been outwardly designed in line with the relevant manufacturer's corporate image. The consumer is then presented with a series of diagnostic questions aimed at pre-

venting the unnecessary return of the device.

Intellifix is a modular web-based solution for the entire after-sales process and it comprises services such as a call centre, a routing engine which determines which carrier picks up which consignment, repair activities and refurbishment. "It is a broad solution, because everything is interlinked," states Wessels.

[www.arvato-hightech.eu](http://www.arvato-hightech.eu)



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# “Nokia is in transition”

**Petri Jarvinen, Global End-to-End Supply Chain Capability Architect, Nokia**

Petri Jarvinen, Global End-to-End Supply Chain Capability Architect, of Nokia, talks to Supply Chain Movement about his role within a company undergoing a metamorphosis.

By **Helen Armstrong**

Telecommunication giant, Nokia, has seen many transformations. It started out as wood pulp mill in 1865 and took its name a few years later from the Nokianvirta river in Finland. The company also manufactured rubber products and later branched out into electronics. In the 1970s and 1980s it started developing mobile communication systems, notably in 1984 the portable car phone, Mobira Talkman, and in 1987 the Mobira Cityman. The advent of GSM the same year ignited a global mobile revolution which Nokia was placed to take full advantage of. By the Millennium it was world leader in mobile phones and in 2005 sold its one billionth phone (a Nokia 1100). Peak sales and profits came in 2007 but since then Nokia has faced tough competition from iPhone and Android based devices. In 2011 operating profit was minus 1.1 billion euros. Stephen Elop, formerly of Microsoft, was appointed CEO in 2010 in an attempt to turn fortunes around again. Since then the company has been undergoing a massive transformation.

***What is Nokia's business strategy (or supply chain strategy): operational excellence, Product Leadership of Customer intimacy?***

Clearly the company is in transition. A year ago we changed our business strategy and started a major renewal of company culture. We are in a process of transformation and the supply chain has to adapt along side that of the business strategy. We now focus on two separate business units, Smart Devices and Mobile Phones, and the key this year is to optimise the supply chain of both.

The business units have very different characteristics. The Smart Devices are at the high end of product development. The focus is on consumer intimacy and we have to be agile and highly responsive. Our strategy for the Mobile Phones business unit is operational excellence: To be highly cost efficient and predictable. Traditionally our operations were the same for all products. Now the priority is to have clear goals for the different business units, develop specific supply chain capabilities and execute accordingly. The challenge is to differentiate when we were used to one model.



***What is your responsibility regarding the supply chain?***

My responsibility is to ensure end-to-end capability development for Smart Devices and Mobile Phones supply chains. The aim is to differentiate the two units but at the same time make sure we optimise the synergies between them. The supply chain for Smart Devices has to be very responsive and that for mobile phones has to be low cost.



► “The supply chain for Smart Devices has to be very responsive and that for mobile phones has to be low cost”



Because the supply chain strategy is now strongly integrated with the business strategy, this drives development of our supply chain capabilities.

***What are the main business challenges that drive supply chain projects at the moment?***

We have a challenge of cross function alignment and the supply chain plays a key role in driving the alignment. Smart Devices focus on market and Mobile Phones on cost yet both supply chains need to reduce time to market and execute faster. That means launching products faster and keeping our promises, externally and internally within the company starting with R&D. For example, in February 2011 we announced that our key strategy was to move from our own platform to a Microsoft Windows platform in our Smart Devices. Within a few months we launched the new products which was a big improvement on execution and time to market than previously.

***What supply chain challenges keep you awake at night?***

What keeps me awake at night is alignment – how can we align our targets and objectives and action plans to make sure we are all working towards the same goals? We have to ensure that the business strategy drives everything we do in supply whether it be for the Smart Devices or Mobile Phones.

***What do you do about these challenges?***

We are trying to reduce complexity by simplifying and rationalising the portfolio of products and end-to-end processes. We are collaborating with our suppliers and tightening our supplies. They are well integrated and we need to collaborate much more deeply with them.

The signals we gave our suppliers in the past were not always very accurate yet we still expected them to respond. They had to bear the risk. As part of our transformation we realise we have to give them much more reliable and clearer information.

Also, we are trying to reduce the complexity of our demand and operations planning. We ask ourselves, “How much do we really need to plan?” Planning is now less frequent and less people are involved. Having more people does not necessarily improve accuracy.

Last year the company underwent a big reorganisation and now the operations teams and IT teams work together and have a combined unit integrated with operative teams. As we work towards a faster execution speed with shorter times to delivery we have adopted an agile way of working.

***Who do like to meet for exchange of knowledge?***

I always try to look outside our own business field and talk to colleagues from other industries. Companies are different but the challenges are the same. I’d really like to meet the supply chain executive from Zara as I’d like to know how they manage time-to-market. They have high numbers of SKUs, change the product offering very frequently yet have a very fast time to market on a global basis. It would be very useful to see how they do this.

***Which book has inspired you and why?***

One I like in particular is, “The leader who had no title” by Robin Sharma. His philosophy is that anyone can lead and influence people. It’s how you behave, your attitude and how you build relationships with others is what matters. It includes lots of useful slogans and practical tips both for private and business life.

***Where do you expect to be professionally in five years?***

The supply chain is my passion and it’s customer service that drives me on. My energy comes from being able to do it right for the customer. Nokia is going through a transformation and we will return to being world class as a business and how we manage the e2e supply chain. We can be even better than before. I want to be in a role in which the supply chain can underpin this transformation.

***What do you use as an agenda?***

In that respect I’m very traditional. I have a black book in which I write things down. On the other hand technology helps us share information and organise meetings internally and we enter into dialogue via blogs and the community intranet. However, I still prefer face-to-face discussion and interaction.





**GUEST KEYNOTES**



**Gopal Jinnuri**  
Director of Supply Chain  
Groupe Casino



**John Kern**  
Senior Vice President  
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