

CASE STUDY- RETAIL

Introduction

A retail chain differs from other industries by nature of its number of locations. A conventional manufacturing industry has a production at a limited number of locations and sales being handled from a few more. However, a retail industry has sales from a large number of locations. If it is in the food and beverage business, you could say that its production is also being done at all locations. This means that material handling, production, sales and distribution as well as finance transactions are being conducted at all their stores. Each store requires an inventory control system, a Point of Sales system and an accounting system (maybe also a production system).

Major Procurement is conducted at the HO, Material Receipt is done at the Stores and Bill Passing and Bank Payments conducted at the HO. Some extent of local procurement is also sometimes being done at the Stores. Sales is an activity which is being done completely at the stores. Most of these activities are handled through a POS system. However, while a POS system handles sales satisfactorily, it is generally not geared up to manage inventory, consumption or requisitions for material.

Contrary to popular belief (even within the organisation), the problem for a Retail organisation is not the POS system. The problem is integration and accurate information flow and the issue goes beyond just the Consolidation of Sales figures, A POS was meant for entering sales tickets and printing them, which it does without too many problems. It was then extended to contain some inventory information at each location. It is not capable of becoming an inventory, sales and procurement management solution, which is what a lot of POS solutions attempted to do.

Business overview of Retail Client

The client is a food and beverage retail chain. Beverages are made at each store using a combination of ingredients while the food items are traded items, which are procured from a third party. The client is a very fast expanding chain with over 100 stores. The Stores are spread over a vast geographical location. 4 regional offices manage stores within their area and 4 warehouses manage supplies of consumables and capital items to the stores. All of these report to one centralised HO. For every region there is a Regional Office which manages the stores within its territory and one warehouse to supply consumables (not perishables or raw material) to the stores within a territory.

Problems:

1. Procurement is a centralised activity at the HO. Prices are negotiated with vendors for consumables and perishables, which are meant to be directly delivered to the stores. On confirmation from the stores the vendor bills are cleared. The confirmation of items and their quantity received at the stores was a very irregular activity. The HO did not want to depend only on the receipt document given by the vendor. HO also wanted details of items rejected due to quality problems. Often the vendor would deliver items to the stores, which were not ordered for and in quantities greater or lesser than specified. For Bill passing, the vendor would submit his Delivery notes, which could be different than the original purchase order. Stores normally sent their MRN by normal post or informally communicated through email. If all the stores did not send the MRN, vendor payment would get delayed.
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2. Changes in Confirmed Purchase Orders was a regular activity. At the time of Bill passing finding the reference of the Purchase Order was very difficult, since PO's were primarily a manual process.
3. Requisition of material from Stores was done through verbal communication or through email. There was really no proper procedure of either estimating requirements or of raising the requisitions. As a result, stores would get stocked out of key ingredients.
4. Daily sales figures from the stores were received through SMS or by verbal communication or by email. Without a proper procedure, the sales figures were being received in a random manner. HO was unable to receive the Sales figures from all stores in any single day. Some stores would send their figures twice. Some stores would send it after 2 days and some would not send the sales figures at all. HO was never able to get proper and timely sales figures which was a major constraint in planning and MIS. Also only the consolidated sales figures were being received, so there was no way to do a timely sales breakup by products.
5. Stores would deposit the daily sales collections in a local branch of the organisation's main bank. They would then inform the HO of the deposited amount again through verbal communication or by email. The HO could view details of the amount deposited by each store through the Bank's EDI interface. The problem was that the amount deposited and the collection figures of the store would rarely, if ever, match. There were valid reasons for this. The stores would require to pay cash for local expenses which they would pay from the daily sales collections. However there was no way of informing the HO on a daily basis of these expenses.
6. Recording of Consumption in each store was simply not feasible. The POS would be able to keep details of opening stock of material. At the end of the day, a physical check of the material would be done and the closing stock entered. For the kind of Raw material that the organisation used, the inaccuracy of this physical verification was high since the UOM of the material could be a bottle while the consumption was a few milliliters. They were unable to track the amount of raw material consumed against each sales product sold in the case of beverages. The discrepancies in the stock consumption between the stores were substantial even if their daily sales figures were roughly the same.
7. Price changes and promotional schemes were decided by the HO and the information was sent to the Stores. However, some stores would incorporate these changes immediately, some would do it a day later and some would end up not having received this information at all. Some stores would also express helplessness at being able to reprogram the POS system. In addition, the HO would sometimes send a revised price list with only product codes marked. However, the same item in one store would have a different code from another store. A related problem to this was also that if the items had different codes for the same products, they could never be automatically consolidated in a single report as was required by the HO.

SOLUTION:

Overview

Reckoner ERP, eReckoner and eReckoner retail was provided to the client. Reckoner would be used by the HO while eReckoner retail was to be used by the Stores, Warehouses and the regional offices. We would like to mention that there is a fundamental difference between the

eReckoner retail as compared to other eReckoner modules. A local database at any of the remote locations is never provided for any other eReckoner module. The kiosks and the application were meant to use the internet for all transactions so that the information viewed by everybody would be online and no consolidation would be required. However with eReckoner retail, a local database was provided to each location. The reason for this was that the internet connections at all the locations was not always reliable. If the connection went down, the eReckoner Retail would not be able to connect to the main server, which would stop all local invoicing. This would simply not be acceptable. Also, even if the connection was reliable, the cost of remaining connected to the internet for 18 hours a day did not appear justifiable. For eReckoner, which is used by the regional offices, a local database was not required.

Operations

The stores would conduct daily transaction in eReckoner retail using the in built POS system. (Initially, we used their existing POS systems and built an interface with Reckoner to upload the sales data from the POS. However, it was not possible to remotely program the POS for any price change or addition of new products.) The Reckoner POS system was an easy to use simple interface. At the end of the shift, the stores would connect to the internet and subsequently to the main server at the HO. The data from the local database would be automatically uploaded to the main server. The server would have checks built in to prevent the same data from being uploaded twice. A consolidated sales invoice would be generated for each store. Using the BOM definition in the system, Reckoner would also generate the consumption vouchers, and would also calculate the consumption of raw material at each store. This would also automatically update the stock at the stores for them to know their current stock availability. The total sales figure would be available and could be reconciled with the amount deposited in the bank. HO would also now receive sales details breakup for each product.

To enter Material Receipt Notes, the stores would require to connect to the main server, select the vendor or the PO and enter details of their receipt. Vendor deliveries were now automatically available to the HO for Bill Passing.

The same process would be used by the stores to enter requisition for material. The requisition would be authorised by the regional offices or HO, which would allow the warehouses to despatch the items requested for.

Any price changes or promotional schemes decided by the HO would be entered in Reckoner. Whenever the stores connected to the HO server, the database at the stores would be automatically updated.

The stores could enter all expense and other financial transactions online in eReckoner. These transactions would be available to the HO so that they could reconcile the cash collection and expense figures for each store.

Regional Office used eReckoner for financial entries and Purchase orders. There were a lot of local purchases being done for the stores for perishable items. The regional offices would enter the PO in eReckoner, HO would authorise them and transfer the required amount to the Regional Offices for payment to the vendors.

NOTE:

This case study is meant to give an overview of the main problems for the organisation and how the implementation of Reckoner and eReckoner solved them. We have not mentioned the detailed analysis of each problem in this document. If you have any specific query with respect to the setup for a retail organisation, please mail us at rahul@ascomp.com.

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