

SAP Customer Success Story Franklins – SAP for Retail



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Roni Perlov, Financial Director, Franklins

AT A GLANCE

Summary

Franklins is a leading discount supermarket chain selling packaged groceries and perishables in metropolitan and rural stores throughout New South Wales. Pick 'n Pay purchased 50 stores and the rights to the Franklins and No Frills brands and bought 19 Fresco supermarkets. Pick 'n Pay relaunched the Franklins chain in May 2002 with a new strategy aimed at re-establishing the brand in the minds of Australian shoppers.

Industry

Retail

Web Site

www.franklins.com.au

Project Objective

- Remain competitive
- Extract cost out of warehousing and distribution

Key Challenges

- Repair and restore retail business and build the Franklins brand
- Visibility of up-to-date information to manage the business, to react faster to the market
- Primary driver was establishment of a distribution network

Why SAP Solution was selected

- Primary driver was a warehouse management solution, to move away from outsourcing
- This was a way to extract costs out of its supply chain and thus required a core enterprise system to manage this process
- SAP gives companies the ability

to manage inventory at optimal levels

Implementation Highlights

- High level executive involvement, including the CIO and CFO to oversee the project
- Worked to a tight timeframe
- Implemented SAP in standard form with as little as 1% modifications to take advantage of reduced cost of upgrades later

Key Benefits

- Remain competitive
- Extracted cost out of warehousing and distribution
- Passed the savings onto the customer with cheaper grocery prices
- Reduced total cost of ownership

Implementation Partner

Supply Chain Consulting

Solution & Services

SAP for Retail

Database

Oracle

Hardware

HP

Operating System

HP/UX v11T

SAP HELPS FRANKLINS ESTABLISH NEW SUPERMARKET SUPPLY CHAIN

In the grocery business, consumers are choosy, margins are low, and competition is fierce. For retailers, it's a matter of keeping shelves stocked, costs under control, and customers happy – never an easy combination.

Discount supermarket chain Franklins has been a keen competitor in the Australian grocery market for more than 60 years. With stores in metropolitan and regional New South Wales, the company employs more than 5000 people and generates annual sales of approximately \$850 million.

In 2001, 50 Franklins stores – along with the company name – were purchased by South African retailer Pick 'n Pay. Since then, the company has expanded its Franklins chain to 78 stores which together account for around 7.8 per cent of the total New South Wales grocery market.

According to Franklins financial director Roni Perlov, when Pick 'n Pay purchased the Franklins stores it entered into a three year supply agreement with marketing and distribution company MetCash.

However the company soon realised that, if it wanted to be on a level playing field with competitors such as Coles and Woolworths, it had to implement its own supply chain.



Supply Chain



“This decision was fundamental to the future of our business,” said Mr Perlov. “Setting up a new supply chain represented a significant business transformation process and was a critical step in our evolution.”

One of the first tasks was to secure the involvement of senior management in the project – a vital step when implementing such an important system within a tight timeframe.

“We realised that having full-time, senior management involvement in the project from the start would allow us to make informed decisions on the run,” he said. “It also ensured that we maintained focus on exactly what we were trying to achieve and did not get distracted from the task.”

After establishing two new warehouses, Franklins found that the supply chain software developed by Pick ‘n Pay was not suitable, having been designed for a direct-to-store model. So, a search began for a new application to underpin its retail operations.

“We needed a system that could deal with inventory and forecasting as well as manage the relationships with our suppliers and third-party logistics partners,” said Mr Perlov. “We also needed an ERP implementation partner with a strong track record of on-time and on-budget project success.”

After a comprehensive review of potential software applications, Franklins decided to implement SAP for Retail and selected partner Supply Chain Consulting to undertake the implementation.

“It became very evident that SAP for Retail had the features and robustness we required, given that it had been developed for, and was already working in, much more complex supply chains,” he said. “Supply Chain Consulting had strong SAP knowledge and skills and a disciplined approach to project management.”

Franklins’ rapid rollout of SAP was helped by the fact that very little customisation was required – around 99 per cent of the software could be used in standard form. Mr Perlov said the decision was taken to change internal processes rather than alter the software as it was recognised this would also assist by making future upgrades simpler to implement.

“Because we were putting in software that was tried and tested, we did not think it appropriate to change it to meet our needs. We would rather be flexible and change what we do if it is required.”

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While it was the objective of Franklins to use SAP on an enterprise-wide basis, including in its stores, the tight timeframe for deployment meant the initial rollout had to be restricted at the support office level. Links were established between the new SAP

system and the company’s existing retail system as a “stop-gap measure”.

“It works, but it has not been an ideal situation,” said Mr Perlov. “It is one additional headache that we don’t really need as the systems use different languages and there have been some data synchronisation issues.”

Of the challenges faced during the rollout, the biggest was encountered during the blueprint phase. Mr Perlov said there was some misunderstanding of the capabilities of the software and how it could be applied to specific company requirements.

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Roni Perlov, Franklins

“We did not fully understand the SAP world and this caused some difficulties in terms of scoping the project. However, after sending all staff involved on the project on an intensive SAP training course, these problems were resolved.”

Later this year, in addition to the standard retail functionality, Franklins plans to implement another module -- SAP Multi-site Workforce Deployment -- which will enable scheduling of store staff using sophisticated forecasting information.

A key benefit of the roll out of SAP for Retail is the provision of streamlined inventory management capabilities throughout the business.

“We will be simplifying the interface between the SAP environment and each of the stores. This will create one version of the truth, which can be accessed by personnel at store and support level.”

Mr Perlov said the module will assist Franklins store managers by providing them with optimised rostering of their employee teams. SAP Multisite Workforce Deployment determines the best possible employee schedule while balancing variables as staffing needs, employee skills, payroll requirements, and employee availabilities.

“In retailing, benefits are centred around using resources in the most efficient manner, be they people or inventory,” he said. “SAP has given us a strong system that allows us to manage our inventory and supply chains and make the company a strong competitor in the market.”

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