

Pick n Pay investing in distribution

On 22 July 2010, Pick n Pay launched its major R628 million distribution centre in Longmeadow, Gauteng, the efficiencies and successes of which are designed to enable the rapid rollout of four distribution centres around the country within the next three years.



Longmeadow, the company's blueprint centralised DC, currently services 284 stores. Building on this success, a second inland grocery distribution centre is planned, as well as facilities in the Western Cape, KZN and Eastern Cape regions. In addition, a perishables inland distribution centre is scheduled. This total investment comes at a cost of over R2 billion.

"Pick n Pay's move to centralised distribution is pivotal to the group-wide transformation programme which we launched three years ago as part of a fundamental review of the way we do business," explains CEO Nick Badminton. "The purpose of this project has been to improve the efficiency of our core retail business, reduce the cost of doing business, simplify our organisational structures and enhance the way we use information technology."

Changes in retail landscape prompt move

"Our decision to move to centralised distribution was motivated by changes in South Africa's retail landscape, which had seen us fall behind our competitors, who were investing significantly in their supply chains and in improved service to their stores through centralised distribution systems. Throughout the world, the most successful retail groups have unlocked massive value from their supply chains and most of them have moved away from direct-to-store delivery distribution."

"We were also driven by the realisation that our current distribution operations are running over capacity and have become inefficient, resulting in stores being overstocked and in deterioration in customer service levels as a result."

Badminton said that the group was the last of the major supermarket groups to commit to a streamlined supply chain.

"While this inevitably compromised our efficiency in the short term, it has enabled us to learn from the experience of others and to build a world class distribution centre, deploying the most up-to-date and state-of-the-art warehouse management software solutions."

Customers top of mind

Badminton said that beyond technological advances and logistical achievements, it is the customers' benefit that remains top of mind.

"For the hundreds of thousands of shoppers who pass through our doors every day, the most significant benefits of centralised distribution have included the improved availability of stock, lower prices and a streamlined ordering process which has freed up our store staff to spend more of their time concentrating on shopper engagement. All the latest independent surveys confirm that over a basket of goods, the group is quite clearly cheapest of all the major retail chains."

Competitive, sustainable advantage

Director of supply chain, Bronwen Rohland, said that the company's vision is to establish the supply chain as a key competence and competitive advantage, build capacity for centralisation of supply to support improved product availability, increase efficiency and the capability to deliver on the group's customer promise and reduce its environmental impact.

"In order to achieve this, a programme management structure has been put in place to manage the supply chain programme over the next five years. It will design a robust supply chain network that will handle future requirements across all the divisions, deliver an automated replenishment and integrated planning environment, as well as standardise operating procedures across the company," she said.

The Longmeadow facility has resulted in a streamlined operation and significant improvements in efficiency. Product availability to stores has risen by 20% due to more efficient supply chain processes and robust business practices. "We are constantly re-engineering our technology and business practices within the supply chain to ensure increased productivity and reduced costs. The implementation of SAP within the group has allowed the development of an enhanced demand-planning competency, taking into account a full range of information to manage demand accurately. This has improved the stock availability in the supply chain resulting in improved delivery to stores."

Reducing bottlenecks

In conjunction with the SAP implementation, SAP warehouse management is also used to manage the distribution facility, which has enabled the enhanced functionality resulting in efficient use of resources, such as mechanical equipment and people; accurate management and tracking of stock and visibility of the status of the operation. "The group is now able to hold stock centrally rather than at individual stores, helping to eliminate congestion at the back door of our stores, cut down on storage space at individual shops and ensure that we stock the right product at the right time and at the right price. We have estimated that storage and other non-trading space can take up 50% of a shop area and rent must be paid for this area where no trade takes place," she said.

Efficiencies have greatly increased by optimising the vehicle fleet and implementing a world-class equipment strategy. "A third of our stores now receive their grocery deliveries on rolltainers, where in the past it was done only on pallets. This has improved turnaround times at the back door by 28% by eliminating the need for heists and pallet jacks," adds Rohland.

The centralisation of suppliers has been a significant success, with 23 grocery suppliers centralised to date and over 40 planned by October 2010. "We have seen significant benefits in centralisation, with a 20% increase in stock availability to stores."

Alliance with suppliers

Tony Domingo, director of supply chain at Nestlé Southern African Region, said the Longmeadow facility has created the capability that drives consistent stock flow and optimises availability, which is ultimately of great benefit to consumers. "I believe that with the mutually authentic partnership that exists between our two companies, we can jointly entrench the supply chain architecture and build a robust strategic alliance," he said.

A strategic partnership has been formed with Logistics service provider Unitrans and the new grocery extension will

distribute approximately 40% of inland grocery volume by October this year. That this has been a massive undertaking is demonstrated by the fact that currently the Longmeadow operation is distributing approximately 20% of the inland region's grocery volume. This amounts to close to 500 000 cases per week, and by the end of October this will increase to approximately 40% of grocery volume, or some 1 million cases per week.

The initial aim is to distribute 40% of grocery volumes through the facility and to increase this to 80% once the slow-moving distribution centre is live.

Environmental considerations

Critical to this initiative since its inception has been its environmental sensitivity. The group is committed to minimising its environmental impact by decreasing carbon emissions, improving energy and water efficiency and lessening its impact on the environment.

Says Rohland, "Longmeadow is just another example of how Pick n Pay is making sustainability operational within the company and all of these goals have been incorporated into the design, construction and operation of Longmeadow, making it one of the greenest facilities of its type in the world."

"Throughout, our vision has been to embed a sustainable green building strategy that will not only reduce the carbon footprints of our stores and distribution centres through the identification and implementation of best industry practices and products, but to provide us with a working environment which is more efficient, more streamlined and more profitable.

Major green initiatives

Twelve major green initiatives have been implemented within the grocery extension, focusing on energy management, water management, refrigeration and the physical materials used for the building.

"Examples of green initiatives include daylight harvesting - the groceries warehouse roof lights and south lights provide natural lighting and reduce the required daytime electrical lighting by 50%, and internal lights have motion sensors with dimming and energy-saving lamps. Photovoltaic roof mounted cells are being implemented for the groceries battery charging and external lighting and signage - these cells are charged using solar energy, thereby reducing the use of grid electricity, providing savings on costs and environmental impact."

Further to this, waterless urinals have been installed in the grocery extension, which rely on the use of chemicals to keep clean and hygienic; and electronic food-safety Geberit taps have been installed in the preparation kitchen which only switch on when needed to prevent excessive water loss.

For more, visit: <https://www.bizcommunity.com>