

SUCCESS STORY

J. Sainsbury PLC

SUN'S TRANSFORMED SUPPLY CHAIN DELIVERS THE GOODS FOR THE UK'S LEADING GROCER.



In 1869, when John Sainsbury opened his small dairy shop in London, 173 Drury Lane wasn't a particularly successful part of town. But by offering high-quality goods at low prices, Sainsbury's beat the odds and succeeded. And it grew. By the mid-1990's, Sainsbury's had survived more than 100 years and two world wars, and had become one of the UK's leading grocers. But the future was looking less bright, as competition was becoming fierce and customers ever more demanding.

A review conducted by Sainsbury's found the company "lacked the functionality to compete effectively." The supply chain infrastructure in particular was, to be blunt, a mess. Sainsbury's was using a 30-year-old, mainframe-based, warehouse management system that was simply overwhelmed by the enormous customer base common to retailers, and as Andy Banks, Sainsbury's supply chain development director says, the company's "11 million different customers equals 11 million different needs."

The company's supply chain encompasses 2,000 suppliers, more than 35,000 SKU's, approximately 500 stores, more than 6 million stock points, and around 800 million cases moved annually. At the time of the review, it was reported that warehouse pick lists were circulated on paper, and that at the server level, utilization rates were as low as 1%. As recently as the year 2000, the system was stupefyingly complex, with as many as 400 different supply chain applications in use.

Clearly, Sainsbury's needed to take action if it was going to survive, much less compete. The company swung into action with a plan to deploy a supply chain solution developed by Manhattan Associates, using technology from Sun Microsystems. The Manhattan/Sun solution, which also incorporates Oracle software, is now being rolled out as a key part of Sainsbury's strategic supply chain renewal program.

"Sainsbury's is a business undergoing transformation," says Banks. Demands on the company's supply chain included the need to increase its range, improve availability, handle new formats, deliver fresher products,

adapt to an increased pace of change—and reduce costs simultaneously.

To meet those challenges, the company embarked on a major "re-platforming" initiative, the goals of which were to reduce the cost of system ownership and enhance its supply chain capability through improvements in efficiency, integration, and control. These improvements were deemed "essential for Sainsbury's fulfillment factories," says Banks. The company also needed to ensure that it was paving an upgrade and development path with its initiative.

Taking all this into consideration, Sainsbury's has been able to migrate from a custom-built, centralized legacy environment that was paper-based and used a batch-oriented mainframe and plain green-screen monitors to a new paperless system that operates in real time through a Web browser and has been integrated into key points in the supply chain.

There have been several "short-term wins," according to Banks, giving the company and its partners what he describes with understatement as "confidence in the long-term strategy." The company has seen an improvement in underlying profit and has achieved a best-in-class cost per case with an in-store availability of 97%. Store consignment inaccuracy has been reduced from 0.6% to 0.25%. Nearly 25% of Sainsbury's suppliers are now providing electronics ASN's, and within that group, compliance is as high as 95%.

By switching to the more flexible and scalable Sun platform with Manhattan Associates, Sainsbury's has been able to retire some 500 servers, dramatically slashing overall IT costs and complexity. And the bottom line says it all: for FY 2003, Sainsbury's Supermarkets (UK) revenues increased nearly 2%, with underlying operating profits rising 9.4%. And online grocery service sales ("Sainsbury's to You"; www.sainsburystoyou.co.uk) were up by 35%.

Thanks to Sun and Manhattan Associates' ability to deliver the goods for Sainsbury's, the future is once again as bright and far-reaching as it was over 100 years ago. ■