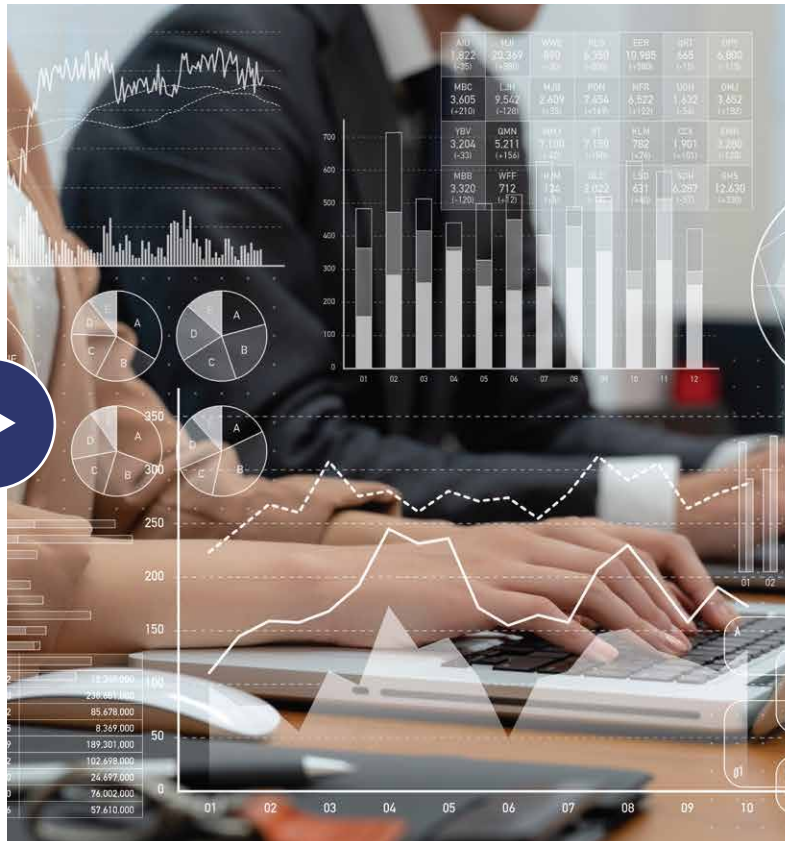
Optimising Arch Enterprise

Case Study



ARCH ENTERPRISE®

Background: the purpose and function of Arch Enterprise (AE)

- A specialised merchandise management system that facilitates central operational control for retail operations
- Optimises and maintains efficiency and, ultimately, profitability in a multi-store enterprise
- Allows central management of:
  - Procurement cycle – ensures the operation is optimally stocked
  - Margin control – sales price maintenance and campaigns to maximise profits
- Data flow is central to the solution, with two main categories:
  - Master data – product and supplier information that creates the trading environment
  - Transactional data – operational data uploaded from the stores' trading
- Integrated Business Intelligence (BI) across stores which:
  - Centralised reporting eases the management burden
  - Plays an important role in making strategic business decisions

Project overview

The project was undertaken for a group consisting of a mix of 56 retail and wholesale outlets which had lost significant market share and turnover during 2017/18. Some of the apparent issues were that products were not competitively priced and frequent out-of-stocks on key lines while being grossly overstocked on non-movers. The key objective of the project was to regain market share without adversely affecting margin. A margin and replenishment strategy were therefore developed to price goods more competitively and minimise out-of-stock situations.

Problem areas identified

The following problem areas were identified, with the aim to rectify:

- General ownership and responsibility of Arch system not clearly defined, thus no responsibility and accountability

- Poor master data quality
  - Article variant links
  - Inefficient department hierarchy complicated reporting
  - No margin plan for different business models and divisions
  - Incorrect article listings
  - Fragmented use of AR and AE functionalities
  - No formalised replenishment cycle / order planning

- Receiving process
  - Stock not always received against original purchase orders
  - Arch configured to use back orders on purchase orders, but orders not updated up or deleted

- Stock control
  - Stock adjustments (weekly hazard counts) were not updated in the system, resulting in incorrect stock-on-hand figures
  - High number of recounts needed to verify correct stock-on-hand, resulting in time-consuming financial stock takes
  - Number of lines active in each store (80,000) resulting in onerous stock counts

- General
  - Debtor payment terms not enforced
  - Service department items recipes not implemented resulting in inaccurate stock on hand figures and GPs

- IT division
  - Data communication problems – critical
  - Incorrect printers and scanners used for selected business model

- Master data
  - Incorrect article listings
  - Legacy data in need of clean up

Remedies implemented

- Designed and implemented a new department structure
- Optimised and rationalised central article master, reducing it from 86,000 to 28,000
- Reduced blind counts during financial stock take from three to one with a focus on variances
- Implemented new processes in AR and AE
- Implemented a formal replenishment / order plan
- Installed correct printers and scanners for business needs
- Trained store managers, assistant managers and buyers
- Trained head office buyers, category managers, executives, directors, regional managers and IT department personnel
- Built and implemented a butchery process (recipes)
- Built BI reports in Arch Enterprise
- Custom-designed AR reports
- Built executive reports in AE
- Implemented business model analyses

Overall results achieved

Comparing 2019 (remedies implemented) with 2018:

Performance parameters		**Value 'Rm**		**%**
		2018	**2019**	
Margin/profit plan				
Sales	↑			+16.1
Non-promotions	↑			+23.4
Promotions	↑			+5.3
Profit value (GP)	↑			+14.7
Non-promotions	↑			+15.4
Promotions	↑			+8.8
Profit percentage (GP)	↓			-0.1
Non-promotions	↓			-1.2
Promotions	↑			+0.1
Stock plan				
Listed products in master file (86,000 > 28,000)	↑			-67.4
Dead stock (zero daily sales)	↑	45.80	29.72	-35.1
Old stock (> 1 year)	↑	44.33	36.72	-17.2
Stock with no average cost	↑	2.37	0.80	-66.2
Stock with no landed cost	↑	16.67	3.53	-78.8
Shrinkage financial (-0.2%)	↑	26.73	23.28	-12.9
Stock adjustments	↑	1.02	0.02	-98.0
Accuracy of recipes				
Variance - ingredients produced & consumed	↑	1.53	0.16	-89.5

Conclusions

The objective of the project was to ensure that AE is optimised and applied diligently in the operation. All measures implemented were in line with the objective.

Results indicated a 16.1% increase in turnover and a resultant 14.7% growth in cash profits. This marked improvement has come at a minor sacrifice of only 0.1% drop in GP percentage.

These results were achieved by implementing a three-tier strategy comprised of a margin, stock and buying plan. It allowed the stores to price more aggressively without sacrificing materially on margin and at the same time minimise out-of-stocks.

The project highlighted the importance of the margin plan and stock plan as strategic drivers in AE.

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