i2
The Supply Chain Company ®

Growing Woolworths South Africa's Clothing Sales

With an overextended, homegrown replenishment system no longer capable of managing the volume and complexity of the company's clothing flow products, South African retailer Woolworths began looking for a solutions provider to help it improve communication with suppliers and enable future growth. After a thorough evaluation process, Woolworths found that i2 was best positioned to meet its need to automate sales and replenishment processes. Through its implementation of i2 solutions, Woolworths overachieved sales target by 4 percent in the first year, improved productivity, and increased product availability.

Great business growth inevitably brings added complexity. This phenomenon is particularly relevant in the retail industry. In 1997, Woolworths, one of South Africa's leading retailers, implemented a homegrown model stock replenishment system to manage its approximately 400 styles. By 2002, the company had approximately 1,100 styles—and a replenishment system that could no longer support the growth.

"The systems weren't geared to enable the future growth plans of the business," said Noelene De Villiers, Forecast Manager for Woolworths South Africa. "From an infrastructure point of view, both the systems and people weren't able to cope with the volumes and the complexity of the products that we were running."

Woolworths' highly manual model stock replenishment system had other shortcomings. The replenishment planners set up the plans in advance of the season, and if the product under- or over-performed, the replenishment planners had to go back and manually re-plan. The system didn't allow for continuous communication of revised plans to the suppliers throughout the season.

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Challenges
- Improve communication with suppliers
- Replace outdated replenishment system with tool equipped to handle expanded product line
- Enable company's future growth

Solutions
- Generate bottom-up plan communicated to suppliers monthly
- Automate sales and replenishment processes
- Integrate forecasts and future planned orders in one system

Results
- Overachieved sales target by 4% the first year of implementation
- Increased replenishment's contribution to turnover by 15%
- Achieved product availability target for key items

Company Description
Headquartered in Capetown, South Africa, **Woolworths** sells a selected range of food products, clothing, and housewares in 230 stores throughout South Africa, as well as franchised outlets in Africa and the Middle East. As one of the leading retailers in South Africa, Woolworths has 14,000 employees and annual revenues of approximately $2.1 billion.

"The benefits were targeted to be achieved over a four-year period with 50 percent of this achieved in the first year after implementation. The reality however has been that **we achieved 80 percent of the targeted benefit in the first year** *after going live—thus* **substantially exceeding the stated business case targets."**

—Noelene De Villiers
Forecast Manager
Woolworths

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"From an infrastructure point of view, we needed to look at new systems, and we needed a more automated way of planning our sales and replenishment," De Villiers said. "We were looking specifically at statistical forecasting, since the retail industry was moving in that direction. We were also looking for ways that we could communicate more regularly with our suppliers."

Why i2?

To find its new replenishment and forecasting systems, Woolworths embarked on a thorough software selection process for its clothing flow products. After investigating a number of solutions providers, the retailer determined that i2 was the clear choice to meet its needs.

"i2 Demand Planner™ was a tried-and-tested solution being used at quite a number of other retailers,"

De Villiers said. "In addition, i2 Replenishment Planner™ was the most sophisticated replenishment solution in the marketplace at the time. Specifically, one of the functionalities in Replenishment Planner that appealed to us was the criticality matrix, whereby you can assign relative importance to different products based on services levels when planning for those specific products."

In addition, because the retailer had already successfully implemented i2 Merchandise Planner™ in the clothing area, the company's executives believed deploying additional i2 solutions would enable them to more easily integrate their in-season planning process with their pre-season planning process.

"Because our replenishment solution is automated, it allows us to focus only on exceptions, while the majority of products are busy running themselves," De Villiers said. "That frees up the time of the replenishment planners to be better merchants, to visit our stores more often, to look for opportunities, to optimize sales, and to spend more time educating and working with suppliers."

i2's Contribution

Woolworths implemented i2 Demand Planner, i2 Replenishment Planner, and i2 Master Data Management,™ all of which feed back into i2 Merchandise Planner, where the retailer creates replenishment-specific plans. Woolworths generates a forecast in Demand Planner, which is then fed through to Replenishment Planner, where replenishment orders are created. Using Master Data Management, the retailer maintains all of its replenishment parameters, which are fed through to Replenishment Planner to assist in daily order runs.

In addition, Woolworths uses Replenishment Planner for a longer, nine-week review fence, where planners create a bottom-up plan and feed that plan to Merchandise Planner. Merchandise Planner serves as the hub where forecasts and future planned orders come together and are then related back into a sales stock and intake plan, which is communicated to suppliers on a regular basis.

"We're able to do a bottom-up plan of our replenishment orders and communicate that on a monthly basis to the supplier, which gives them a lot more information for their downstream planning, and puts them in a better position to fulfill our needs," De Villiers said. "Before we implemented Replenishment Planner, we were only communicating with our suppliers once in advance of the season, giving them a view of the anticipated orders and then only on an ad hoc basis after that."

In addition to being able to communicate more regularly with its suppliers, Woolworths is now experiencing the benefits of automated replenishment.

"One of the big complaints of our old model stock replenishment systems was that it was very manual-intensive," De Villiers said. "It was dependent on a replenishment planner going into a product, reviewing the performance, and making a decision on whether to adjust the sales plan. With i2 solutions' automated forecasting, the system automatically regenerates a forecast on a monthly basis based on actuals received. That forecast is sent through to Replenishment Planner on a weekly basis to automatically adjust orders."

Woolworths' Results

Through its implementation of i2 solutions, the company has achieved significant improvements that have led to bottom-line benefits.

"The benefits were targeted to be achieved over a four-year period with 50 percent of this achieved in the first year after implementation," De Villiers said. "The reality however has been that we achieved 80 percent of the targeted benefit in the first year after going live — thus substantially exceeding the stated business case targets."

Much of Woolworths' financial benefit was driven by an increase in sales, which was a result of improved availability.

"We are achieving our customer service targets for key products within the business," De Villiers said. "We're able to have those products that customers expect to find in the right place at the right time."

In addition, i2 solutions are helping Woolworths improve productivity in its replenishment department.

"We've grown the percentage that replenishment contributes to clothing turnover from 35 percent three years ago to 50 percent now," De Villiers said. "That relates to an approximately 32 percent increase in the number styles that we're running on replenishment. At the same time, the number of replenishment planners has been reduced by 8 percent, so that has resulted in quite a bit of productivity savings."

Woolworths has also found that i2 solutions are helping the company increase its competitive edge.

"Because our replenishment solution is automated, it allows us to focus only on exceptions, while the majority of products are busy running themselves," De Villiers said. "That frees up the time of the replenishment planners to be better merchants, to visit our stores more often, to look for opportunities, to optimize sales, and to spend more time educating and working with suppliers."

i2®

The Supply Chain Company®

11701 Luna Road
Dallas, Texas 75234, USA
Phone 1.877.926.9286
Email info@i2.com
Web **www.i2.com**