

# Group Services Supply Chain Management



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**SUPPLY CHAIN**

**The Shoprite Group's supply** chain has been designed with the aim of mainly delivering value to its customer base. Offering the customer more variety and choice when shopping, more value for money and the ability to find as many items on their shopping list, on a consistent basis.

The Group's investment in supply chain related infrastructure, combined with the learning-curve it enjoys by operating some of the continent's most sophisticated centres, provide the group with a solid foundation to excel in the market place. This remains one of the Group's distinct competitive advantages.

The expansion into Africa has extended the distribution infrastructure and the Group can now deliver product to some of the most remote areas within the sixteen countries outside South Africa that the Group operates in. Multiple modes of transportation are used, crossing numerous borders, each with its own complexity. During the year, the Group became the first retailer on the continent to achieve the internationally recognised ISO 9002 certification for its freight forwarding and clearing processes. This progresses the Groups effort towards achieving the much sought after accreditation status by customs authorities. This ability to trade internationally utilising its in-house infrastructure, provides the Group with yet one more distinct competitive advantage.

The move away from direct-to-store delivery from vendors towards a centralised distribution model continues to bear fruit.

During the reporting period the distribution centres once again played a crucial role in smoothing the flow of merchandise to stores, countering the erratic deliveries from suppliers. The centres also provided the mechanism to stockpile merchandise during a time of rising prices, thereby assisting in maintaining lower prices for longer periods of time. The Group's inventory management team achieved inventory turns and service levels at distribution centres in excess of the industry average. This contributed to the Group gaining market share by improving on shelf availability in store.

The Group's infrastructure also assists small to medium sized suppliers to compete more effectively by being able to deliver directly into its distribution centres instead of to individual stores. Small suppliers are able to invest their capital in production where their strength lies, instead of capital intensive transportation and warehousing infrastructure. This empowerment option not only increases market participation, it also provides the foundation to enhance the Group's competitiveness, while offering the consumer more choice in locally manufactured product.

The sound growth that the Group enjoyed saw its own transportation fleet of trucks and trailers expand to more than 860 moving units. The investment in expert based route planning and scheduling solutions continued to deliver further benefits, adding efficiency in the execution of night deliveries and primary transport. This reduces traffic congestion on

the country's roads and at the receiving bays at retail outlets. This environmentally friendly approach not only reduces the carbon footprint of the Group, but also reduces operating costs – making it possible to offer lowest prices on basic food stuffs on a daily basis.

These successes have motivated additional investment to almost double the distribution infrastructure in Gauteng to approximately 150,000 square meters. This initiative will enable the Group to extend its distribution services to more vendors, managing almost 90% of ambient product flow on a centralized basis. This will add to the existing benefits derived through economies of scale. The development will also accommodate transport facilities and a reclamation centre where international best practices will be used to recycle waste and manage equipment used in the distribution process. The Group's pioneering spirit in this approach will provide the foundation for environmentally friendly best practice that will become a benchmark in the industry.

The Group continues to progress its efficient consumer response (ECR) initiatives. Re-engineering processes and organizational structures, together with change management have become the order of the day as all attempts are made to analyze, identify and implement ECR principles, so as to realize further value for the Group. Supply chain efficiencies enable store management to reduce their inventory levels and to turn costly storage areas into profitable trading space.