Costa Express

Costa Express grows revenue and reduces inventory costs

Challenges

Costa Express' unmanned coffee bars use integrated telemetry that provides real-time reporting on machine performance and drinks sales. But shortly after Chris Clowes joined Costa Express as Supply Chain Manager, he discovered that the real-time sales data wasn't being used for replenishment. Because there was no system in place to consolidate and analyze that data, the team relied on manual spreadsheet-based estimates based on current stock holding and average cup sales.

Industry

- Retail - Food & Beverage

Solution

- Demand Planning
- Inventory Optimization
- Replenishment

Results

- 20% reduction in field stock being held at partner sites
- 50% fewer delivery refusals by partners
- 30% reduction in annual logistics operating costs and associated annual CO_2 savings of 70 (metric) tons
- 10% growth in Net Promoter Score

Company Overview

Costa Express, a wholly owned subsidiary of Whitbread PLC, is the UK's largest and fastest growing coffee shop brand. It offers airports and railway stations, hospitals and universities, convenience stores, forecourts and serviced buildings the opportunity to profit from the growing demand for high-quality coffee on the go and the strong Costa brand. It provides partners with the latest selfmanned coffee machines, and regular replenishment of coffee and supplies.

Project & Objectives

To support the rapidly growing number of new partners and ensure growth remained profitable

After an initial success in 2011 with a few hundred self-manned coffee bars, Costa Express hatched ambitious plans to grow in less than five years to 7000 airports, railway stations, convenience stores and other locations with growing demand for high quality coffee on the go. To sustain its revenue sharing model, Costa needed visibility and control over its supply chain and accurate stock replenishment at the order-line level.

Costa Express' unmanned coffee bars used integrated telemetry that provided real-time reporting on machine performance and drink sales. But shortly after Chris Clowes joined Costa Express as Supply Chain Manager, he discovered that the real-time sales data wasn't being used for replenishment. Because there was no system in place to consolidate and analyze that data, the team relied on a manual spreadsheet-based estimates based on current stock holding and average cup sales. A "Brand Guardian" supported 800 stations, including training partners, replenishing stock and giving advice on how to maximize sales and improve the coffee experience. But this approach was not able to scale with the business. Indeed the company was adding partners much faster than expected, and Clowes wanted to ensure growth remained profitable.

> **So far this project has gone far better than we ever could have imagined... We've actually managed to grow our revenue and reduce our inventory costs, so I'm very pleased."Chris Clowes, Supply Chain Manager, Costa Express**

Clowes' team evaluated several supply chain planning software providers, selecting ToolsGroup. Costa chose the hosted SaaS version of the software to accelerate the implementation and realize the benefits more quickly.

While ToolsGroup's consultants were working on the system design and data analysis, Costa Express initiated a major supply chain transformation, adding a new logistics/ warehousing partner, a new IT system, and a new process of purchasing stock directly from the suppliers. At the same time, the company's coffee stations expanded by 25%.

Despite these various challenges, the implementation went live within six months. According to Clowes, "The flexibility of ToolsGroup's consultants during all this change was world-class. The original model they developed needed to be adapted several times during the implementation, but they didn't blink – just got on with it."

Day to Day

Before implementing ToolsGroup's software, Costa Express used to estimate how much stock to supply each site with at the end of each month using figures provided by the partners. Now, Costa compares the actual sales data to the levels of inventory declared in the sites to give far better visibility and control.

ToolsGroup's SO99+ software uses the actual sales data provided by the unmanned coffee stations to forecast demand, optimize inventory and generate replenishment proposals for Costa Express' distribution and procurement operations. This enables Costa Express to optimally manage the supply of ingredients from the central warehouse in Andover out to several thousand sites.

Clowes commented, "In some countries that we're entering, we're legally required to make month-end declarations, so our new level of forecasting accuracy is extremely helpful."

Results & Benefits

Implementation went live in just 6 months and after only 6 months operation:
- 20% reduction in field stock being held at partner sites
- 50% fewer delivery refusals by partners
- 30% reduction in annual logistics operating costs
- Annual CO_2 savings of 70 (metric) tonnes
- 10% growth in Net Promoter Score

Stock visibility and control with stock to be supplied to each site is now based on comparing actual sales data to the levels of inventory declared in the sites.

The SO99+ software uses the actual sales data provided by the unmanned coffee stations to forecast demand, optimize inventory and generate replenishment proposals for distribution and procurement operations.

Optimal management of the supply of ingredients from the central warehouse in Andover to several thousand sites.

The software now manages many of the detailed data analysis and inventory replenishment, so the Brand Guardians role is now "Brand Excellence Advisors", whose sole focus today is helping partners sell and deliver a great customer experience.

+ About ToolsGroup

Please visit our website at **toolsgroup.com** to learn more about how we are helping leading brands worldwide to improve their supply chain planning.