CUSTOMER STORY

PEPCO

Accelerates Growth Trajectory with Scalable Solutions

Introduction

PEPCO's legacy planning solutions were strained to keep pace with the company's goal of opening 200 new stores each year.

Industry

- Retail - Apparel and Home Goods

Solution

- **Demand Planning & Forecasting**
- **Inventory Optimization**
- **Automated Replenishment**
- **Allocation**

Results

- 15 percent decrease in stock levels for fashion items
- 2 percentage point increase in availability for core products
- Reduced need for additional resources and headcount to support expansion initiative
- Improved like-for-like sales growth
- Enhanced visibility into lost sales

PEPCO's Footprint Expands by 200 New Stores a Year

PEPCO is a leading European retail chain, employing nearly 7,000 associates across its stores, distribution center and corporate office. Based in Poland and operating in the four additional markets consisting of Hungary, the Czech Republic, Romania and Slovakia, PEPCO offers a wide variety of high-quality yet affordable household goods and decorative items, apparel, and toys.

The retailer is on the fast track for growth – something Michal Wal, PEPCO's Allocations Manager, has witnessed since he began his career with the company.

"When I joined the company in 2009, we had about 160 stores. Since then, we have opened over 800 more and are expanding at a rate of approximately 200 stores per year," said Wal, who today oversees all allocation and replenishment activities for the business.

The focus on growth has paid off: PEPCO leads in sales for children's clothing, as well as homeware and decorative items. In a single month, nearly five million transactions are made in PEPCO stores, and more than 1,200 pallets full of goods depart for stores in all five countries from the retailer's single warehouse in Rawa Mazowiecka, Poland.

Legacy Systems Tax Rapid Growth

While rapid, continuous expansion over the course of a decade has enabled PEPCO to reach new customers and acquire greater market presence, such growth placed significant strain on its planning solutions and users.

"It was becoming increasingly difficult to forecast for the growth each year, and then figure out how to allocate goods to the new stores," Wal said.

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> - Michal Wal, Allocations Manager, PEPCO

PEPCO's legacy systems, which included Microsoft Excel and a home-grown tool, struggled to keep pace with the influx of new stores and an increasingly complex supply chain operation. That, combined with the need to better support the company's like-for-like sales growth – a widely used indicator of a retailer's performance – is what ultimately cemented the retailer's decision to seek a new planning solution.

Sister Company's Success Leads PEPCO to ToolsGroup

PEPCO started the search for a reliable and easy-to-use system that could be quickly adopted by its 15-person planning team, giving them a high degree of visibility and control, as well as "one version of the truth" in regards to demand forecasting, inventory, allocation, and replenishment data.

Initially, PEPCO's list of potential technology vendors did not include ToolsGroup, until Wal paid a site visit to Ackermans, a sister company within the Pepco brand family. Ackermans is one

of the oldest names in consumer retailing in South Africa, known for offering a variety of high-quality and high-value babyware, baby furniture, consumer goods, and apparel products.

Regular stock-outs and the need to apply bottoms-up and top-down views across multiple product hierarchies had led Ackermans to implement ToolsGroup Demand Planning and Forecasting.

The PEPCO team saw firsthand how effective and easy the solution was to use.

The fact that it could successfully scale with Ackermans as it expanded its store count, while reducing excess stock by 10% and increasing product sales by 5% shortly after implementation, made it clear that that ToolsGroup was the right technology partner for PEPCO.

PEPCO Embarks on a Three-Month Pilot

PEPCO selected ToolsGroup Demand Planning and Forecasting to automate the creation of accurate forecasts based on true demand history, as well as ToolsGroup Inventory Optimization to ensure the right products are available in the right locations at the right time.

The retailer also licensed ToolsGroup Allocation to determine the best placement of stock to maximize its selling potential.

Finally, it chose ToolsGroup Automated Replenishment, which helps determine the most cost-effective ordering pattern to achieve targeted service levels. The solution does so by producing a time-phased, forward-looking ordering plan that considers both the demand forecast and current inventory plan.

In addition to offering a fully integrated suite of advanced retail planning solutions, ToolsGroup placed a high degree of importance on making the implementation as smooth and successful as possible.

> **We decided to gradually roll the ToolsGroup solutions out – which worked to our benefit as we were able to ease into using the new system without disruption to the business.”**

Within eight months of the initial requirements workshop, PEPCO initiated a three-month pilot in which a limited number of hand-selected top-selling products were brought onto the new ToolsGroup solutions, and then piloted across specific stores.

"Simply because of the sheer number of stores across different countries and the fact we have to account for 49 million active SKUs, we could not simply switch the old system off and the new one on. Instead, we decided to gradually roll the ToolsGroup solutions out – which worked to our benefit as we were able to ease into using the new system without disruption to the business," Wal said.

ToolsGroup Helps Reduce Average Stock Holding, Increase Product Availability

> **We were really encouraged to see product availability go up and average stock holding come down so soon after we went live."**

Taking a phased implementation approach worked well for PEPCO. During the pilot phase, the retailer realized a 15 percent drop in stock levels for fashion items, and the availability of its core products went up two percentage points, from 96 to 98 percent.

"We were really encouraged to see product availability go up and average stock holding come down so soon after we went live," Wal said, adding that while sales lift still needs to be calculated, PEPCO is doing really well in terms of like-for-like sales growth – a key KPI for the business.

In addition, ToolsGroup Demand Planning and Forecasting provides PEPCO with enhanced visibility into lost sales. Wal explained, "This allows us to correct demand history in the future, and to avoid making the same mistakes again. Our analysis is now really focused on the forecast. We won't miss something simply because a particular store didn't sell the item in the first place."

With a universal view into the forecasting, inventory planning, replenishment, and allocation process, ToolsGroup facilitates better exception management, enabling PEPCO to make quicker, more informed decisions about how to adjust for unanticipated stock-outs and over-stocks. The software also automates and streamlines the entire pick and potential vendor ordering process.

> **We will be able to phase the replenishment of stock as needed, and in the right quantities."**

Finally, having a best-in-class allocation tool in place eliminates the guesswork of allocating pre-packs versus single, or "loose," items, according to Wal.

"Now, our users don't have to think about whether they are allocating a pre-pack or individual item – the ToolsGroup solution looks at pre-pack and loose item inventory holistically, and automatically calculates the allocation," he explained.

New Planning System Offers Unmatched Scalability, Flexibility

Perhaps most importantly, ToolsGroup offers the scalability and flexibility required to support PEPCO's growth initiative.

The company's 15-person inventory planning and replenishment team is able to manage 1,000 stores, each of which has a SKU count ranging from 3,000 to 5,000, without having to bring on additional resources and headcount.

As for the future, completing the ToolsGroup rollout is a priority for Wal's team. Doing so will drive further benefits for the company.

"We will be able to phase the replenishment of stock as needed, and in the right quantities," Wal said. "I expect that to be a big plus for us. We are really pleased with the balance ToolsGroup strikes in terms of offering the right mix of complexity and user friendliness."

✦ About ToolsGroup