

Albert Heijn Improves Product Availability through Centralized Replenishment

Capgemini helps supermarket chain improve supply chain through responsiveness to customer behavior, high level of automation and cost control

The Situation

Albert Heijn is the market leader in the grocery business in the Netherlands. With 752 stores, over 60,000 employees, more than 25,000 product SKUs, over 11 million customer transactions per week and 10 million possible SKU-store combinations, Albert Heijn needed to find the most efficient and effective way to balance customer demand and unpredictability with logistics costs in the supply chain. Using a collaborative approach, Albert Heijn and Capgemini found an impressive state-of-the-art solution for this challenge.

Henry Ford's dictum that he would give his car customers "any color as long as it's black" doesn't work with today's more demanding and unpredictable consumers. Providing customers with the goods they want, at the time, the place and the price that is right for them, is the only way to keep them satisfied.

Rising incomes, rising expectations and greater individualism have combined to create a customer base that expects differentiation. But that translates into greater complexity and higher costs for the retailer. It means that each store must be fine-tuned to reflect the wants of specific customers, which could mean new store formats, deliveries to home or office, ad-hoc promotion or even time-of-day pricing.

The increasingly unpredictable nature of customer behavior makes planning even more difficult. More and more time is spent on planning, but the results are less valuable. Planning involves making assumptions about what will happen, rather than reacting to what customers are actually doing.

“Replenishment is based on a customer-driven supply chain. A true collaborative partner, Capgemini supported the replenishment project with excellent people in important roles. Capgemini brought in the right IT and retail knowledge, but even more importantly, the right skills and attitude. This determined the actual success.”

**Tony Vendrig,
VP Supply Chain,
Albert Heijn**



The Solution

The team set up by Albert Heijn and Capgemini to come up with a solution determined that the only way to be responsive to customer demands was to build processes and define rules that did not demand as much planning. They developed a highly automated replenishment process with a single point of customer demand forecasting and centralized control management.

Decisions about store planning and forecast models needed to be much more reactive, which required the availability of continuous, near real-time information. Traditional processes are typically built around batch processing cycles, usually one per day. Moving from a batch to flow system (continuous operation and continuous decision making) facilitates individualized delivery schedules based on geography, transport costs, type of merchandise, etc. Naturally, some batching still occurs in the process, such as deliveries to the distribution center from suppliers or the start of a new promotion, but the emphasis is on continuous flow of information, with no artificial barriers to impede the reaction time.

To determine how much of a particular product to send to a particular store requires knowledge of the present and historic service levels as well as constraints of both the product and the store. Each item/store combination has a unique set of parameters. For some products, such as dry groceries, the parameter is simple—when one full case is sold, one new case is ordered. But for items like fresh produce, factors like the desire for freshness, an attractive presentation and the cost of shrinkage must all be taken into account before deciding on an order schedule. Predictive forecasting is only used for special situations, such as promotions and events. Once the promotion is started, however, ordering is quickly adjusted to reflect actual customer behavior in the store (e.g., real-time POS data).

Local stores have responsibility for their own sales opportunities but they constantly feed information to the central repository about changes to their planograms, new items, promotions, branding and customer behavior. The central system synthesizes the data and offers the stores ongoing planning information and updates. The result is an optimal balance between local entrepreneurship and central synergies.

The Result

By instituting an automated system that can provide a sales ordering report per store, per item, per date, and per hour, Albert Heijn has reduced out-of-stocks by 50%. It has also realized a 7% increase in the commercial attraction rating for its stores and the amount of time employees spend on store processing has shown a significant decline. Improved availability of goods, fewer leftovers, less time spent on ordering has translated into more time for employees to work directly with customers. Supplier investigation into Albert Heijn's products proved that availability increased by 14% during promotions.

How Albert Heijn and Capgemini Worked Together

Albert Heijn and Capgemini worked together on this project from pilot phase to national rollout. Process, organization and IT systems were developed jointly as was the transformation strategy for 744 stores and the Head Office.

The multi-disciplinary project team transformed Albert Heijn's logistics, merchandise and stores into a state-of-the-art supply chain operation. The result of combining all these elements into a centrally-controlled, highly automated, real-time and event-driven system is that Albert Heijn can guarantee with a high level of certainty that on any given day it will be able to satisfy its customers.



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and through a global delivery model called Rightshore®, which aims to offer the right resources in the right location at competitive cost. Present in 36 countries, Capgemini reported 2007 global revenues of EUR 8.7 billion and employs over 83,000 people worldwide.

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In collaboration with



Albert Heijn pioneered the development of the supermarket in The Netherlands. The company operates

stores in a number of formats: the everyday supermarket, the larger Albert Heijn XL for the weekly groceries (4000 square meters), the convenience stores Ah to go and the Internet delivery service Albert.nl. Almost 200 of the Albert Heijn are run by franchisees.