

HERO Supermarkets

Super training for supermarket staff



The journey of Hero's success begins with its late founder, Mr. MS Kurnia, who in August, 1973, opened the first Hero Mini Supermarket, with 16 employees. In 1989, having grown to 26 supermarkets and 3000 suppliers, Hero carried out an IPO (Initial Public Offering). Five years later, they had 56 supermarkets. Hero is the model that many other supermarket groups in SE Asia have adopted.

Hero began to open additional niche outlets, including Guardian, Starmart and Giant and at the time of this project, the Group was operating 634 stores with over 15000 employees. The Group is owned by the pan-Asian group, DFI.

ANALYSIS

Renoir's Analysis found the following issues and constraints in the Cibitung Distribution Center (DC) & across several of the Client's Stores:

1. Ineffective Re-Buying / Replenishment processes resulting in overstock, understock and the wrong stock holding levels
2. Absence of supplier management processes and ownership results in low supplier service level agreements (SLA)
3. Inconsistent 'quality standards' in Goods-In and Merchandising allow sub-standard stock into the business
4. Ineffective Let-down processes driving low pick attainment and excuses not to pick
5. Absence of "Route Delivery Cycle times" lead to an ineffective transport planning process resulting in low fleet utilization and congestion at the staging and loading bay
6. No ownership (custody) of transported goods by drivers / vendors leading to bad practices and opportunity for shrinkage at point of transfer to stores
7. Delays in issuing paperwork result in large numbers of vehicles loaded and waiting
8. End-to-end DC SLAs / order processing timeline were not defined, resulting in a small 2 hour window to plan the transport and loading operations, which were halted whilst picking operations concluded
9. Multiple Purchase Orders are generated by different parties, with inadequate communication, leading to multiple orders and excess stock being delivered
10. Actual stock on hand vs. System Stock showed inaccurate inventory results due to the current 'stock take procedure' being poorly controlled and reviewed
11. There was no product A, B, C classifications, such as fastest, medium, slowest category with poorly executed min/max calculations, making erratic ordering patterns and driving up both out of stock and excess stock conditions.

"Renoir's approach of planning, organizing and implementing an assignment/task is well structured and deliberate. Through working with the Renoir team, our people were exposed and gained the "know-how" in systematically approaching a project. This has been made apparent now that some Taskforces were assigned to lead other in-house projects."

Phillippe Broinangio,
President Director

World Leaders in Sustainable Change

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Key Results

Distribution Centre Shortfall (Not Supply) improved by 53% (15% to 7%)

Truck Vehicle Utilization Rate improved by 35% (60% to 92%)

Stock Holding Days improved by 37% (56 to 35 days)

Top 1000 SKU Out Of Stock improved by 23% (31% to 8%)

Range Compliance at Store improved by 20% (68% to 88%)

THE RENOIR GROUP

Renoir Consulting is a world leader in sustainable, implemented change. Founded in 1994, Renoir has offices located in North and South America, UK, Europe, Turkey, Middle East, Southern Africa, India, Pakistan, China, South East Asia and Australasia. With over 350 fully employed and highly trained consultants, their work across a wide range of industry sectors gives them a broader perspective of the issues facing your business, allowing them to be sensitive to your unique challenges, culture and specific business issues. This cross-pollination ensures truly effective, rapid and sustainable solutions.

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PROJECT APPROACH

The Project kicked off with Renoir's Focus Process® for the first 16 weeks, followed by a 22-week implementation period. By using 2 full-time Renoir Consultants and 6 full-time Task Force from HERO, the Project Team installed and implemented the solutions, along with the DC's 60 Supervisory Staff, covering 3 shifts, over 24 hours, 7 days a week. The Supervisory Staff at the pilot store were also covered.

During the implementation process, participants were first given classroom training, followed by one-on-one coaching on the shop floor. The use of HERO Task Force enabled better cultural buy-in necessary for the sustainability of the project outcomes and helped to overcome the linguistic and cultural challenges.

Although the overall project focus was on Giant Hypermarket and Giant Supermarket operations, the solutions installed and implemented were designed to include Starmart, Guardian, and Hero Supermarkets.

KEY INITIATIVES

The primary targets for the project were to improve the DC SLAs to 634 stores nationwide, and to improve stocking control & re-ordering of the Top 1000 SKUs at store level, starting with the Pilot Store.

With these objectives in mind, it was important to encourage buy-in and ownership. To ensure this outcome, the project teams spent the first 16 weeks identifying opportunities for improvement through process mapping, management control system mapping and workshops. Fundamental processes were critiqued to identify areas for improvement and the management control systems were reviewed to detect which key elements of the system were missing or ineffective.

The project governance was structured so that all issues and concerns were reviewed and raised in weekly Management Action Team meetings. The Steering Committee, consisting of Hero Management (All Directors/ key leaders from the executive team) met regularly to review and drive the project. The President and CEO of the HERO GROUP chaired the meetings.

RESULTS

Key deliverables and activities included:

- Organize and carry out extensive Process Flow Critique Workshops with approximately 350 supervisory team and supporting staff in driving awareness and understanding of the current issues and root causes
- Conduct detailed behavioral, data and productivity study analysis across the Distribution Centre & the Stores via the Focus Process®
- Develop and groom project taskforce into Consultant skill level
- Train and develop Hero Staff via project taskforce & project involvement
- Develop and install new MCS (Management Control System)
- Develop and install performance review at the Supervisory level
- Develop and install effective management and communication tools at the Supervisory level
- Develop and install new Short Interval Controls

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