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CASE STUDY – THRESHER GROUP

August 2008: Thresher Group identifies a 4% profit improvement and 10% inventory savings with help of retail experts, Retail Acumen

UK drinks retailer extends contract to Retail Acumen to review its business processes and identify potential IT solutions, by analysing core lines and levels of stock required for optimum sales and customer service

Thresher Group, the UK drinks retailer with over 1,700 stores, has recently extended a contract to Retail Acumen in an effort to tackle its merchandising and supply chain processes and recommend ways to improve the £750 million business. Retail Acumen, a specialist consultancy with an independent voice when it comes to advising on how to get the most from business process and technology change, has been working closely with Thresher Group since the end of 2007.

Retail Acumen has assisted in data analysis to identify which stores fall into each of three distinct brands going forward, as best suited to either the Threshers, Wine Rack or The Local fascias, depending on their performance and propensity for sales in a specific category mix. It has also analysed the existing product ranges and use of space and been able to determine that too many products are being stocked, or too much store space is being taken up with poor selling lines. As a result, a new range review process has since been introduced in order to narrow down a previous range of around 6,000 products, down to a range of about 1,000 best-selling lines. By carrying-out 'What if' analysis and looking more closely at the retailer's sales data, Retail Acumen consultants have unravelled a 4% profit improvement with only very small price changes on certain lines (as little as 1 penny) and better use of space. Analysis of inventory has even revealed potential savings of up to 10% by delisting and selling through any poor selling lines.

"The Thresher Group business is an amalgamation of businesses assembled over time and under various ownerships and brands with strands from the brewing industry," said Yvonne Rankin, chief executive at Thresher Group. "The company historically was geared towards pushing out products, rather like a wholesaler, as opposed to acting more like a retailer and listening to what the customer really needs."

Rankin was brought in to turn the business around after a buyout by Vision Capital - a private equity special situations investor - and P.I.C. in mid-2007. A lot of investment had already gone into overhauling its enterprise wide IT systems through SAP (a system which goes-live this autumn), but Rankin said she needed objective help and advice on how to improve some of the fragmented retail processes within the group given its history.

"We needed to be a retailer primarily based on retail best practices and realised that robust process and also technology is part of making more profit," said Rankin.

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The challenges the business faced, which Rankin gave to Retail Acumen as objectives, were the need to develop an effective price and promotions strategy, as well as help with merchandising and selecting winning product ranges.

Retail Acumen focused on the retail importance of the customer first of all. By looking at product ranges, it found that occasionally ten times too many products were being ranged in some stores, instead of maybe the ten per cent that really drive profit. And by looking at the retailer's use of space, it felt that many regional stores had too much space for the sales they were achieving. For instance, 14% space cuts have since been identified across the Group, giving rise to significant cost savings and other opportunities.

Retail Acumen has recommended how stores should be laid out for improved sales and has also advised on managing promotions more effectively through the potential use of forecasting and planning software. Promotions have previously only consisted of 'three for two' offers at Thresher Group and Retail Acumen has assisted in the trialling of new promotional mechanics.

"Before, store staff had a little more autonomy and flexibility in what to stock - but this and other issues have led to range proliferation over time" said Rankin.

What products to sell, what promotions to run, or what prices to offer, are now centrally managed - based largely on analysing store performance and what the local customers are likely to want. Improved reporting systems are also helping the retailer get to grips with how profit can vary quite drastically with what ranges are stocked.

Rankin said that Retail Acumen is helping to increase Thresher Group returns on space by around three per cent over a twelve-month period, and is striving for savings of up to ten per cent in the longer term. "Getting smarter in terms of how we use store space and cutting down on poor sellers is worth millions in savings," she said.

Going forward, Thresher Group is looking at new tools to help with promotional planning and space management, with Retail Acumen acting as an independent advisor. "Off-the-shelf technology is actually very hard to implement and vendors don't necessarily go to the depths of retail expertise that independent consultants like Retail Acumen do," said Rankin. "I don't think of Retail Acumen consultants as IT people really; they're retail consultants, first and foremost, with a pragmatic approach to making some sense out of the minefield of technology solutions that are out there. Big consultancies can charge a fortune for a similar service."

About Thresher Group

Thresher Group owns over 1700 shops and employs around 12,000 people across the UK in its Threshers, The Local, Wine Rack and Haddows (in Scotland) stores. In fact, more than half the UK's population live within 10 minutes walk of its stores. Thresher Group is the UK's 13th largest private retailer (Times Top Track 100 June 05) and it serves over 150 million customers a year across its different brands all over the UK. If all the shelves in Thresher Group stores were laid in a straight line they would measure a marathon 26 miles.

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