

The Group of Suomen Lähikauppa Ltd ("The convenience store of Finland") is composed of three independent retail chains: Siwa, Valintatalo and Euromarket. The Group operates all over Finland and wishes to become the trendsetter in convenience store business, turning the field into a lucrative shopping alternative. The revenue of Suomen Lähikauppa Oy totaled EUR 1,400 million in 2008. The Group's 750 stores employ a staff of 7,000.

From chain management to shop-level management with the help of QPR ScoreCard

CUSTOMER CASE:



"The best thing is that management can be accomplished on the store level: we can monitor and manage from the perspective of one shop, without the need to rely on averages. We can also allow deviations from targets as long as we know why and get information from the corrective actions."

*Niclas Ahlbom
Head of shop operations,
Suomen Lähikauppa Ltd*

Building an Enterprise Resource Planning (ERP) system and improving performance in retail business.

Management methods used:

- Lean Retail

QPR software used:

- QPR ScoreCard

Integration of QPR software to other systems:

- Cashier system

Suomen Lähikauppa Oy launched a project for creating a new enterprise resource planning (ERP) system and management model in autumn 2006. The aim was to unify the operating model of all individual stores, improve customer experience, and improve the Group's result. To meet these targets, a two-and-a-half-year change management project involving the Group's entire staff was started. The project ended successfully in February 2009.

"The aim of the enterprise resource planning project based on Lean Retail was to be able to set and monitor targets. In addition, we wanted to provide feedback faster by using simple "traffic lights" than what was possible when using normal profit and loss reporting", says *Niclas Ahlbom*, head of Suomen Lähikauppa shop operations.

As the frame for the new management model was chosen the retail application of lean thinking. In general, lean thinking aims to improve customer satisfaction, quality, and speed of production as well as to reduce operational costs.

Better for customers, employees and company

In accordance with lean thinking, the targets were set by taking customer, employee and employer needs into account. The aim was to serve the customer better, improve the employees' working conditions and motivation, and boost company efficiency.

The focal change was the move from result management based on financial indicators to performance management. At the same time, a change from chain-level management to store-level management took place, when a set of store-level targets was identified for each measurement instead of chain-level average targets.

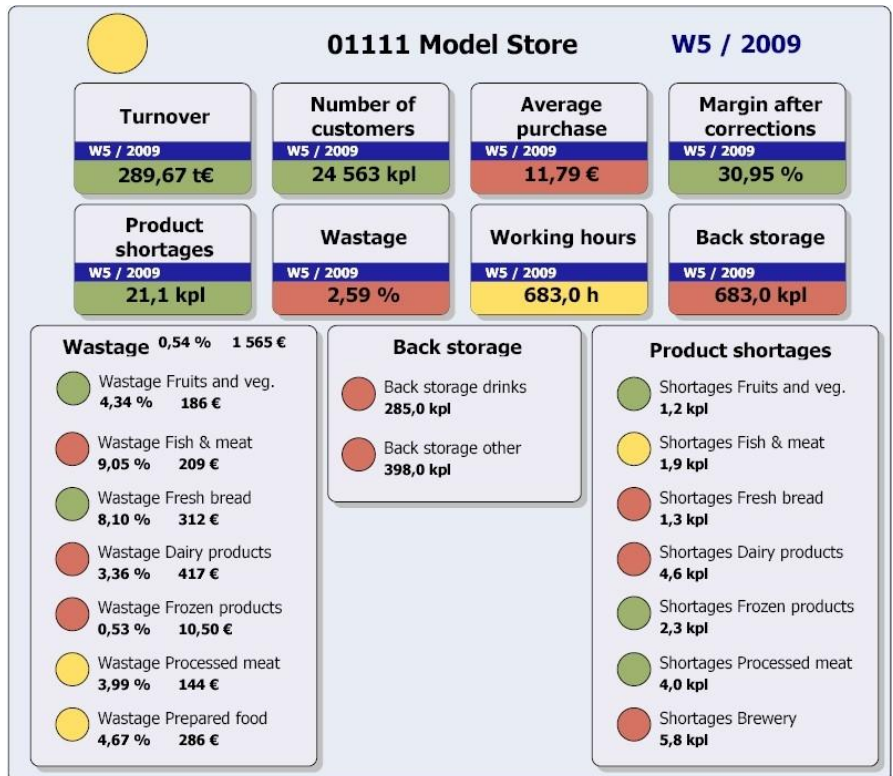
The store-level management does not, however, mean that things can be decided on in each store, but that all decisions related to that specific store are taken from its perspective. This makes it possible to consider e.g. each store's development stage, competition situation and its market area's demographic structure.

From yesterday's information to today's information

When Suomen Lähikauppa decided to replace result-based management by performance management, it had not yet made a decision on its future enterprise resource planning system. The Company had in use a management system called the "Rudder". Information was gathered into "Rudder" by using traditional "booklets", spreadsheets and daily sales information. Thus, management was in practice based on yesterday's sales figures.

When developing "Rudder", it was noticed that by expanding the use of QPR's performance management software, QPR ScoreCard, from its at that time limited expert use, it became possible to gather information daily from all stores of the three chains over the information system. With the help of QPR Software, Suomen Lähikauppa started to develop the practice. QPR executed the integration of QPR ScoreCard to the cashier systems of all the three chains and participated in the development of the measurements and creation of different user views.

Previously the supervision of stores was based on financial indicators (e.g. EBITDA, personnel expenses, fixed expenses, discounts, corrections,



storage value). These were compared against historical averages.

When a difference to the budgeted figures was detected, the head of the chain sent instructions for corrective actions to the store manager in question via the official chain of command composed of the head of field operations and local area manager. When monitored through the profit and loss account, the results of corrective actions could be assessed only after two months. Due to this delay, the corrective actions often went too far, which resulted in a spiral of corrective actions. Now the corrective actions can be started immediately and their effectiveness evaluated in one week's time.

"Now performance is managed by calling things by their right names and monitoring operations in a store-based way. In "Rudder" we describe the competitive situation and development stage of the store. Based on this information, we can allow deviations from chain-level averages. Performance can be managed on the store level to understand how the specific store should operate. Naturally

Suomen Lähikauppa manages its daily business operations by using a QPR ScoreCard based enterprise resource planning system. This example picture shows shop manager's view from his/her shop.

"Rudder" also allows us to manage by means of financial indicators", Niclas Ahlbom says.

Target levels and corrective actions are agreed on in the regularly held chain management meetings. The division of Company-level targets between the three chains is decided on in the same meetings. Local managers implement the targets further to individual stores in their own areas in the light of weekly performance information. When deviations occur, the explanation and descriptions on corrective actions can be fed in to the system.

Information straight from the cashier system

Normally the store manager does not need to manually feed information to "Rudder", thanks to the integration of

the cashier system into QPR Scorecard. Only information that he/she specifically wishes to report to the system (like explanations to target deviations) needs to be fed manually.

As the three most advantageous benefits gained by selecting QPR ScoreCard, Ahlbom lists the following:

- Store-level management. The possibility to monitor and manage operations from the perspective of an individual shop without the need to use average information.
- Reaction sensitivity and reporting cycle. On the store level the operations must be monitored on the daily level, but for the Group the weekly level is enough. Targets can be set and monitored.
- Simplicity and integration. Data is fed only once.

A two-and-a-half-year project

The renewal of the operational model and introduction of the enterprise resource planning system into the three chains of Suomen Lähikauppa Ltd took two and a half years altogether. The project was executed in one chain at a time and covered the Group's entire organization of 7,000 employees.

A full-time in-house project team was established. On average, it contained 50 members during the entire project lifespan. An external business management consultancy was used to help launch the project. The consultancy also attended in selecting the change agents.

“Previously the corrective actions often went too far, which resulted in a spiral of corrective actions. Now the corrective actions can be started immediately and their effectiveness evaluated in one week's time.”

*Niclas Ahlbom
Head of shop operations,
Suomen Lähikauppa Ltd*

The project started by making observations in stores. Based on these assumptions, execution models were made. These were tested and their effectiveness was checked from the profit and loss account.

According to Ahlbom, the necessary critical mass was persuaded by relying on careful and effective communication. Several dozens of employees were released from their normal duties and trained into change agents. They had the responsibility to introduce the project in each store. They spent two weeks in the store, went through the venture, and explained why the project was carried out and what would be changed.

“When the actual execution started, we had a total of four weeks' experience from 20 stores. Among those we could identify a few positive examples showing extremely good development potential. Change communication was built around these stores. This is how we obtained the change agents. In each of the three chains, the critical mass was convinced after the first third of the project's lifespan. After this, the rest followed”, Ahlbom recalls.

“An additional challenge to the success of the project was that our understanding changed and ambition level rose during the implementation. When we started, we did not have a clear picture of the outcome. We made a quick start, but no doubt, our own minds changed several times. Now we have a tool for monitoring that the targeted operational model is implemented and also for securing that the change is sustained”, Ahlbom assesses.

Today, the project organization has been dismantled. It is the duty of the normal operational organization to secure the preservation of the change and – if needed – to further develop the enterprise resource planning system.