

Retailers trim supply chains, logistics as demand, sales dip

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STUNG by poor consumer demand and falling sales, Indian retail chains are tightening their supply chain and logistics. Major players like Future Group, RPG Retail and Shopper's Stop have kicked off multiple initiatives like automating processes, working closely with vendors to bring down waste and implementing automatic just-in-time stock replenishment systems, and are seeking ways to reduce costs on warehousing and transportation.

Retailers expect such initiatives will improve cash flows and reflect positively on their bottomline. "These are times when retailers have become very prudent. At one level, some are increasing collaborations with vendors and suppliers to bring down waste, overall stock levels and increase speed to market. Retailers are also tying up with logistic supply providers to bring down their cost on dedicated space and transport lines," said Kumar Rajagopalan, CEO, Retailers Association of India (RAI).



India's largest retailer, Future Group, has shut down around 20 smaller warehouses to consolidate into bigger ones spread over 2-2.5 lakh sq ft. It is partnering with vendors in the garments and general merchandise segments to reduce inventory holding and distribution points. The company has also initiated

talks with transport operators to configure trucks and route networks to optimise the process.

"Through all these initiatives, we have managed to reduce costs associated with the supply chain by 0.5-4% of total sales across retail formats. All such initiatives have reduced our warehousing and

CALCULATED MOVES

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transportation costs. We are also automating our entire process," said Anshuman Singh, CEO of Future Logistics, a group company that handles supply chain for all stores.

Shopper's Stop CEO and executive director Govind Shrikhande said the company is exploring options for joint planning with vendors to improve supply chain. "A tight supply chain, no doubt, helps to improve cash flows in tough times like now," he said.

According to RAI, retailers like Future Group, RPG Retail and Shopper's Stop are among those that are investing in IT to make their supply chains more nimble. "It's taken us some 12-14 months to implement SAP. The investment on such ERP implementation has been around Rs 20-25 crore," RPG Retail president and CEO Sumantra Banerjee said.

RPG Retail and Shopper's Stop have also enabled automatic replenishment system, which enables them to track stock movement on a store level. RPG Retail has further tied up with vendors to enable direct supply to some of their big Spencer's stores, instead of a warehouse, to cut costs.

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