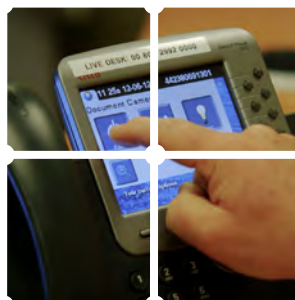# Video-Enabled Supply Chain Drives Retail Growth

Kingfisher uses Cisco TelePresence® to increase profitability and reduce costs by improving global collaboration

Executive Summary

Customer Name: Kingfisher plc

Industry: Retail

Location: United Kingdom

Number of Employees: 80,000

Challenge

- Expand direct sourcing while managing increased complexity
- Achieve efficiencies while accelerating product sourcing and development timescales

Solution

- Cisco TelePresence solution provided as managed global service by IBM Globa Business Services and IBM Technical Services
- Consultancy on aligning TelePresence technology with supply chain processes

Results

- Improved profitability, with faster time to market worth millions in additional revenues
- Reduced costs through shorter development cycles, standardized practices, and less travel
- Enhanced productivity from better collaboration and faster decision-making

Challenge

Kingfisher is Europe's largest home improvement retailer and the third largest in the world, with 1000 stores in eight countries. Its main brands and operating companies are B&Q in the United Kingdom, Ireland and China; Brico Dépôt in France and Spain; Castorama in France, Poland and Russia; Koçtas in Turkey; and Screwfix in the United Kingdom. In spite of tough trading conditions, in the year ending January 2012, Kingfisher recorded sales of £10.8 billion and a pre-tax profit of £807 million.

Kingfisher is targeting faster growth and higher returns while making do-it-yourself easier and more affordable for its customers. Critical to the success of its plans is a streamlined supply chain with a strong focus on direct sourcing.

Because many of its direct sourcing suppliers are in Asia, Kingfisher established its first sourcing hubs in Hong Kong and Shanghai, followed by offices in Poland and Istanbul to support increased business in eastern and southern Europe. The group is developing innovative own-brand products that can be sold by all its operating companies, and aims to increase sales from these common brands from two percent to 50 percent in about five years. Within the same timeframe, Kingfisher also wants to increase direct sourcing from 15 percent of all product sales to 35 percent.

"Direct sourcing is critical to our future profitability and one of the key tenets of our strategy for 2020," says Iain Lynch, Business Solutions Manager for Kingfisher. "It's important because it gives us greater control over the supply chain, reduces costs, and provides a platform for delivering common products consistently across the group."

However, the logistics of direct sourcing were increasingly difficult to manage. Even with sourcing offices in all key regions, employees from those locations still had to travel extensively to meet with buyers and quality control teams in the operating companies. Travel was expensive and time consuming and impeded the company's attempts to adopt more agile ways of working.

"TelePresence is insuring that we are more agile in the way that we work, more effective in the way that we interact with our colleagues across the world, and, ultimately, it's helping us meet our ambitious direct sourcing objectives."

Design processes were taking too long. For example, they relied on people physically handling product prototypes, artwork or packaging before giving feedback and approval. Consequently any phase of a design cycle could take weeks to complete, driving up costs and delaying time to revenue. Developing common products was also subject to setbacks, because of the need to harmonize contributions from different market perspectives in a timely manner.

"In order to function successfully as One Team, which is one of the four pillars of our current growth strategy, we needed to bring more people together more efficiently across diverse markets," says Richard Oates, synergies director at Kingfisher. Speed to market was critical because of its impact on profitability. As direct sourcing activity expanded, it was increasingly important to leverage the scale of the organization and promote collective decision-making and cost efficiencies.

So the challenge was twofold. First, the group had to give its buyers and sourcing teams the collaborative tools that they needed to work together across different time zones and territories. Second, Kingfisher had to create a unified organization that was focused on supplying innovative, standardized products.
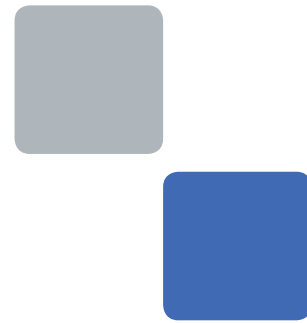
Solution
Kingfisher chose Cisco TelePresence® as its collaboration solution, primarily because the relationship between Cisco® and IBM® as integration and management partner offered much more than a product-focused approach. IBM provided consultancy through its Global Business Services® unit to help Kingfisher align Cisco TelePresence technology with its supply chain.

From the beginning, a business-led discussion explored different ways of leveraging Cisco TelePresence in the Kingfisher direct sourcing process, for example using the technology to make product development and design more interactive from beginning to end. If all the relevant people could see a product or a piece of artwork in sufficient detail to approve it remotely, decision-making cycles could be shortened from weeks to just days or hours.

"Anything we can do to speed time to market on directly sourced products is a benefit to the bottom line," says Oates. "We found that leveraging TelePresence in the supply chain would help us to take weeks, even months, off time to market, which could result in millions of pounds of additional revenue."

When building the business case for a video-enabled supply chain, Kingfisher calculated that 85 percent of the products sold by its operating companies could be physically taken into a TelePresence room. That exercise drove the group's decision to install high-definition cameras on the ceilings of its TelePresence rooms, to allow buyers to zoom in on the smallest details and engage in discussions with suppliers, who could even make changes in real time.

"We want our product costs to be as advantageous as possible, so that our operating companies can sell the products at prices that will be competitive in their markets, while still giving customers what they want. That's the bottom line, and TelePresence is helping to make it happen."

The Cisco Telepresence System 3010 was installed in six Kingfisher locations, four in Europe and two in Asia, providing an immersive experience through high-quality video and hi-fi stereo sound. This arrangement creates the impression of being in the same room, even though participants may be hundreds or thousands of miles apart.

IBM Technical Services acted as the worldwide integration partner for Cisco and Kingfisher, providing the necessary infrastructure and deploying the Cisco TelePresence solution as a fully managed platform. "Choosing Cisco TelePresence as a managed service from IBM gave us a solution in a box from two very trusted partners," says Lynch.

Cisco TelePresence was an immediate success and quickly became a critical tool for all types of internal communication. IBM consultancy services contributed to the technology's rapid acceptance by helping business users define in advance exactly how they would use TelePresence and how they expected to benefit from it. Within 18 months, all six TelePresence rooms achieved average utilization rates of 70 percent, with regular rates of 80 to 85 percent in some locations.

Results

Having adopted a video-enabled supply chain, Kingfisher is creating the Kingfisher Brand Network, a virtual organization that incorporates everyone involved in direct sourcing. "TelePresence has enabled us to connect more people in our supply chain more frequently," says Oates. "This means we can deliver better products at better prices, driving more sales and, ultimately, higher profits." For example, the steering group in charge of developing a common range of power tools is able to meet more frequently than ever before. Furthermore, when differences of opinion occur, it is now possible for the steering group to come together at very short notice to address the issues and continue moving the project forward.

Rapid and effective problem solving is helping to cut costs and increase revenues by accelerating time to market. "Recently we had a significant issue with a supplier that involved our people in Castorama and B&Q," says Lynch. "In the past it would have taken us weeks to sort it out, but we used TelePresence with these people for the first time and were able to resolve the issue within four working days."

The group is utilizing Cisco TelePresence technology to standardize procurement practices. Instead of sourcing products independently, buyers from all the operating companies increasingly take part in a collaborative process that gives them the opportunity to influence design outcomes at an early stage so that the end products are suitable for their markets. As well as introducing greater cross-group brand consistency, this helps drive sales.

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Standardization generates other efficiencies by enabling faster knowledge transfer. This transfer, in turn, facilitates better communication and improvement in skills, helping to make people more productive. An inclusive sourcing process using large-scale collaboration is proving particularly powerful. Previously, for example, only the quality control manager could attend face-to-face meetings regularly, whereas now all six members of the quality team can contribute, which harnesses all their skills and potentially leads to better outcomes.

Although the original business case for investing in Cisco TelePresence was based primarily on supply chain improvements, other advantages have swiftly accrued. Monthly meetings of the CapEx Committee, which people from every operating company used to attend in the United Kingdom, now take place via TelePresence, as do other management and board meetings. TelePresence sessions are also replacing face-to-face meetings with corporate legal firms, banks and agencies, saving their travel costs, which Kingfisher no longer has to meet. Kingfisher believes this trend will increase, particularly in areas such as IT and marketing, and the group is continuing to identify other ways of leveraging the technology.

"TelePresence is enabling us to fulfill our mission to become the helpful home improvement company," says Oates. "TelePresence is insuring that we are more agile in the way that we work, more effective in the way that we interact with our colleagues across the world, and, ultimately, it's helping us meet our ambitious direct sourcing objectives."

For More Information

To learn more about how Cisco TelePresence with IBM can help streamline the supply chain in fast-moving retail environments, please visit:

www.cisco.com/go/ibm

www.cisco.com/go/telepresence

www.ibm.com/cisco

Product List

Collaboration

• Cisco TelePresence System 3010

Services

• Supply chain consultancy from IBM Global Business Services

• Solution integration and implementation from IBM Technical Services

• Ongoing system management from IBM Technical Services

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