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Keith Dolling, Director of Distribution & Logistics  
Matahari Food Business



# Matahari Group is top of the crop with Manhattan Associates

## MFB SEEKS STRATEGIC ADVANTAGE WITH CENTRALISED DISTRIBUTION SYSTEM

Matahari Group, a member of the Independent Grocers Alliance (IGA), is one of the leading multi-format retailers in Indonesia. It operates three major business formats incorporating Department Stores, Hypermarts (including a number of pharmacy outlets) and Foodmarts.

Matahari Group operates its own distribution network including distribution centres located at:

- Balaraja – 28,000 sq metre
- Cibitung – 7,500 sq metre
- Surabaya – 10,000 sq metre

Matahari’s Hypermarts and Foodmarts collectively form the Matahari Food Business (MFB) division. With more than 45 Hypermarts, 29 supermarkets and 47 pharmacy outlets throughout 50 cities across Indonesia, Matahari Group is one of the largest retailers in the country. Matahari’s hypermarkets alone, service more than 125 million consumers.

Foreseeing the strength and potential of MFB as a growing business unit, Matahari Group plans to open several new hypermarkets throughout Indonesia in the coming year.

In order to facilitate continual growth and seek strategic advantage over competitors in the market, MFB made the decision to introduce a new distribution model similar to that used by large supermarket chains in the UK and Australia. The company wanted to operate a centralised distribution system, enabling it to achieve greater control of its complete supply chain including better inventory management.



### Distribution centres:

Balaraja, Cibitung, Surabaya

### Manhattan solutions:

Warehouse Management for Open Systems, Slotting Optimisation, Labour Management

### Challenge:

Matahari Food Business needed greater control of inventory through a centralised distribution system to facilitate growth.

### Goal:

MFB wanted greater visibility of product throughput by using software that would help improve inventory management.

### Solution:

Manhattan solutions selected for enhanced capabilities and integrated modules including Slotting Optimisation and Labour Management solutions.

### Results:

54% reduction in inventory holding requirement; 40% reduction in distribution costs; 43% improvement in service levels provided to stores; 15% productivity improvement in just one week with Slotting Optimisation.

Keith Dolling, Director of Distribution & Logistics at MFB, explained, "In Asia there is a tendency for companies to deliver stock to the back of individual stores as it is needed. We wanted to seek a strategic lead by introducing a more sophisticated, and centralised system. To my knowledge we were the first and are still the only major retailer to adopt this approach in the Indonesian market."

The main challenge the company faced was to more effectively track stock and control inventory throughout its entire distribution network so it could better manage the throughput of products and monitor the expiration dates of stock.

"In order to introduce a centralised distribution system we needed to achieve greater visibility of how stock was being managed and controlled. We needed to get the basic principles right. We wanted to ensure our distribution centres were operating as effectively as possible before driving growth", Keith Dolling explained.

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"Undoubtedly, one of the most significant benefits we have enjoyed since implementing Manhattan's Warehouse Management solution has been greater inventory management. We have more than halved the amount of days cover, or time stock is housed at our distributions centres. We are now better able to accurately track expiry dates resulting in greater visibility and control of stock throughout our entire supply chain."

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## MANHATTAN ASSOCIATES' IMPLEMENTATION, SUPPORT AND SERVICE SECOND TO NONE

It had become clear that the in-house management tool MFB was using was simply insufficient. After a competitive tender process, MFB selected Manhattan Associates' Warehouse Management solution (WMS) for Open Systems. "Manhattan Associates managed and executed the whole software installation seamlessly. I was amazed at the ease with which it happened. Manhattan was completely thorough throughout the entire implementation process. It checked all potential problem areas before putting the solution through vigorous testing before it went live," Keith Dolling added.

Manhattan also provided ongoing training and technical support to MFB throughout the implementation. It was not until Manhattan was completely satisfied with the success of the deployment that they switched MFB over to a centralised support helpdesk.





- **Increase volume throughout** – up by 14%
- **Improve store service levels** – on time in full (OTIF) deliveries up to 93% from 65%; next day delivery provided to local stores, down from five days
- **Integrate fully with existing systems** – includes merchandising system from Oracle (Retek) and in-house transport system currently being developed by MFB
- **Support continued growth throughout the company**

“MFB continually strives to embrace innovative solutions to keep a pace with the dynamic Indonesian retail industry. Manhattan Associates has helped us to achieve this. Their solutions have radically helped to optimise the day-to-day operations of our distribution centres,” Keith Dolling commented.

Manhattan’s solutions are now used throughout all major business formats operated by the Matahari Group.



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Keith Dolling explained, “Given that English is a second language for the majority of our workforce, it was important training was available in Indonesian. Manhattan ensured this was provided to staff as the implementation was taking place, on the ground. Manhattan really goes above and beyond to ensure the service and support it provides is second to none.”

## MFB ENJOYS SIGNIFICANTLY IMPROVED INVENTORY MANAGEMENT

With Manhattan Associate’s Warehouse Management solution MFB has been able to:

- **Reduce inventory days cover** – from 30 – 14 days (refers to amount of time products are housed in a distribution centre)
- **Improve inventory accuracy** – up to 96%, accurate tracking of expiry dates; stock takes now require 1 day, reduced from 6
- **Reduce distribution costs** – down by 40% (as a percentage of sales)

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Since first adopting Manhattan’s solutions five years ago, MFB has just undertaken a significant software upgrade, introducing the latest version of the Warehouse Management solution. MFB decided to upgrade to take advantage of its enhanced capabilities and additional modules, including integration with Manhattan’s Slotting Optimisation solution.

Slotting distinguishes between fast and slow moving products ensuring they are located in the optimal position in a distribution centre. It also helps companies identify what products should be picked depending on seasonal variations. MFB previously managed its slotting process manually, which was often unproductive and led to inefficient use of space. After just one week of using Manhattan’s Slotting Optimisation solution however, MFB realised a 15% productivity improvement from the optimised layout.



Regarding the recent system upgrade, a full implementation of Manhattan’s most recent version of the Warehouse Management solution was completed within budget and against a clearly defined, three-month timescale. Following Manhattan’s strict project methodology, PRISM – Proven Rapid Implementation System Methodology, the full upgrade saw MFB processing full volumes on day two.

To support the company’s continued growth, Manhattan will oversee two additional projects that will be undertaken by MFB over the coming year. These include optimisation of current operational processes, bringing in new best practice retail flows, and the introduction of Manhattan’s Labour Management solution.