

CASE STUDY



Supply Chain Review at Mitre 10 within a co-operative structure. Xelocity facilitated a 17-week Supply Chain Excellence project at Mitre 10. Xelocity reviewed key areas of the business and targeting “pain-points”. Benefits were identified in both the Support Centre and in stores potentially yielding profit improvement of between 3% to 6% of revenue.

THE CUSTOMER

Mitre 10 (NZ) is a member owned co-operative. Under the umbrella are both Mitre 10 and Hammer Hardware. The market focus is towards the Retail Do It Yourself market in New Zealand. The Support Centre is based in Auckland along with one of its distribution warehouses, the other is located in Christchurch. Mitre 10 stores are based in almost all New Zealand towns and cities.



BUSINESS CHALLENGES

- Mitre 10 has experienced a period of sustained growth with the expanding Do-It-Yourself market and also through the addition of the Mitre 10 Mega stores. In order to support this, the Support Centre has added significant resources without changing the processes that underpin the business.
- The organisation holds a significant amount of excess stock and has subsequent low stock turns compared to other Retail organisations.
- Additional competition in the marketplace through new entrants and cheap import product are seen as a threat to the current high market share and gross margin business.

XELOCITY SOLUTION

- Implementation of 28 improvement projects in 6 key areas:
 1. Planning
 2. Merchandising & Sourcing
 3. Coordination & Support
 4. Procurement & Receiving
 5. Inventory Management
 6. Returns & Credits

ROI / BENEFITS

- Definition of 28 improvement projects to be implemented over 3 years impacting on both the Support Centre and the individual stores.
- Profit improvement of between 3% to 6% of revenue.



XELOCITY
Powerful Business Results



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PROJECT SUMMARY

Mitre 10 is an extremely successful franchise model incorporating multiple store formats and driven under an entrepreneurial co-operative structure. While margins were high and stores profitable, Mitre 10 (NZ) realised that new competition in the marketplace through new entrants and cheap imports could threaten this position. A high level of inventory, low stock turns and poor delivery performance, especially for promotional products, also need to be addressed.

Mitre 10 engaged Xelocity to undertake a 17-week Supply Chain Excellence review of its entire supply chain. This approach, based on a book by supply chain expert, Peter Bolstorff, focuses on breaking down complex supply chains into a number of individual and manageable supply chains.

A small group of Mitre 10 staff were involved in a series of regular sessions throughout the project. The working group reported regularly to an executive committee with the CEO, Craig Wilson, as Executive Sponsor. There were also a number of structured workshops involving a wider audience including store staff and suppliers. Creating a balance scorecard for Mitre 10 early in the project enabled the company to compare their performance against other similar companies. The benchmark data came from a number of international sources and covered company financial measures as well as supply chain specific metrics. Multiple scorecards were drawn up, increasingly targeting companies that were similar in size and market to Mitre 10 (NZ). The analysis confirmed that they needed to improve in key areas whereas in other areas, they were performing well.

A key series of brainstorming workshops held across the business identified 6 key areas of improvement, both in the Support Centre (Headquarters) and in the stores. Under these 6 categories a total of 28 projects were identified, scoped and analysed. These projects, once implemented, were estimated to yield Mitre 10 (NZ) significant bottom-line benefits.

A key difference between Mitre 10 (NZ) and its competitors is its co-operative structure. While this is a strength, it also poses a challenge for leadership of Mitre 10 (NZ) in that a significant proportion of the benefits are derived through changes in the stores. Store owners (members) must be involved in the improvement and change process to be able to achieve the benefits. One of the key enabling projects identified, was the setting up of a communication framework to enable the organisation to become more involved and engaged in securing the benefits.

“We used the Supply Chain Excellence methodology and Xelocity to identify substantial returns from our supply chain. As part of the project Xelocity ran a workshop with our executive team that helped crystallize the value as well as the offering practical solutions for the way forward.”

John Rathbun, General Manager Supply Chain – Mitre 10

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