

AUR Food Right Supermarket – San Remo and Bunyip

Case Study 2 of 20
Supply Chain Management
Industry: Retail/Wholesale
Food Supplies

>> THE BUSINESS

Keatson Pty. Ltd. purchased the Australian United Retailers' Food Right San Remo supermarket in early 2003 and Bunyip supermarket in 2004. Both of these independently owned community supermarkets have been operating for more than 20 years prior to purchase. While both are in regional locations, they have very different customer bases with one being coastal and the other 80 kilometers away in the Gippsland farming region in south eastern Victoria. The business employs around 70 staff across the two stores.



>> WHAT WAS INITIATED?

With the recent purchase of the Bunyip store, management needed to leverage the opportunities of operating two supermarkets in parallel. The challenge was to centralise operations and management between two stores that were 80 kilometers apart. This was achieved by linking the two stores via an ADSL Internet connection.

What is ADSL (Asymmetric Digital Subscriber Link)?

A telecommunications technology which is able to use standard telephone lines to send data at high speeds (mbps).

Through this ADSL broadband connection, payroll, stock control, financial reporting, buying and other administration operations are now centralised from the San Remo head office.

"Implementing an ADSL link in a regional area proved to be more challenging than expected yet we can now run both supermarkets stock, finance and administration from head office – even though they are 80 kilometres apart."

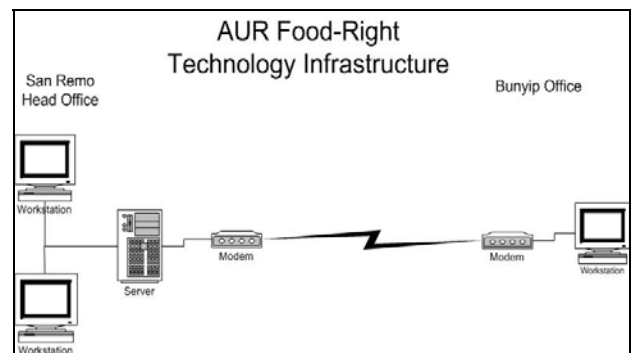
Liam Keating, Director

The ADSL Internet connection also allowed management to capitalise on the personnel skills within each store. For instance, Bunyip's liquor manager was the most experienced and knowledgeable across the two stores. Having access to the Internet technology allowed him to continue to work in the Bunyip store yet contribute significantly to key decisions around the liquor business across both sites.

Management also implemented an outsourced payroll service called 'PayLine' which allows timesheets to be entered online and wage payments made electronically online. This eliminated the need to make up pay envelopes and write cheques.

>> HOW THE TECHNOLOGY WORKS

As detailed in the attached diagram, there are three computers, a computer server, two modems and an ADSL link which comprise the San Remo and Bunyip network.



>> RESULTS

By centralising its administration through technology, management was able to significantly improve the overall performance of the business. It is estimated that there will be an operational saving of \$93,600 per annum.

Most notable is the \$70,000 saving gained from improved grocery buying processes that management were able to put in place as a result of the ADSL connection.

The savings and contribution to revenue measured against outgoings amount to an overall return on investment of \$80,034.

>> COSTS

Both establishment and ongoing costs were significant with the major expense being the purchase of the hardware at \$20,000, amortised at \$6,666 over three years. Overall, the upfront expenses came to \$10,166 during 2003 with ongoing operational expenses amounting to \$3,400.

>> CHALLENGES AND PROCESS CHANGE

The key challenge for management was the realisation that while technology such as ADSL is readily available in metropolitan areas, it takes time for advanced telecommunications infrastructure to become available in regional areas. As the technology was new to the region online activities took longer to implement.

The other challenge faced by the business was the movement of management out of the store. No longer were they hands on in the business but working on its development, growth and trying to improve the efficiencies of the business. It took staff time to adjust to this as previously they had worked in a one store operation.

>> FUTURE PLANS

The management of the San Remo and Bunyip AUR Supermarkets are looking to install a point of sale system which will track stock and inventory. This would dramatically enhance stock control by providing information on a real time basis.

It is projected that this would increase the operational savings of the business from new technology to well over \$100,000 per year.

>> REFERENCE WEBSITES

- www.aur.com.au
- www.telstra.com.au/adsl
- www.payline.com.au

>> REFERENCE eNOTES

- eNote 1: Setting up on the Internet
- eNote 15: Online Banking
- eNote 19: Telecommunications

>> E-COMMERCE PROFIT & LOSS ANALYSIS

	2003
E-Commerce Expense Reductions	
Reduced telephone bills	3,600
Savings from improved grocery buying processes	70,000
Reduced costs for staff out of office	10,000
Reduced staff travel costs	10,000
Gross Benefit from E-Commerce	93,600
Less: Up Front Fixed Expenses	
Computer hardware/modems*	6,666
Anti-virus and Security software	500
Computer software	3,000
Total eCommerce Up Front Fixed Expenses	10,166
Less: eCommerce Operational Expenses	
Teleco hardware and connection costs	2,400
Maintenance	1,000
Total eCommerce Operational Expenses	3,400
Total eCommerce Costs	13,566
Total eCommerce Benefit	80,034

**Total cost amortised over 3 years.*

AUR Food-Right Supermarket
135 Marine Parade
San Remo VIC 3925
Telephone: 03 5678 5337

For further information go to: www.mmv.vic.gov.au/casestudies

This case study is based on research, opinions and information provided by management of this business which have not been independently audited or verified. Neither APT Strategies Pty. Ltd. nor the State of Victoria makes any representations or warranties (express or implied) as to the accuracy or currency of the information contained in the materials nor does it endorse any company or organisation or other websites or materials referred to. Neither APT Strategies Pty. Ltd. nor the State of Victoria accepts any responsibility or liability in relation to this case study including liability in negligence for reliance on any information in these materials or any products, services or information which may be provided by the companies and organisations referred to. Professional advice should be sought prior to any action being taken in reliance on any of the information contained in this case study. Copyright State of Victoria 2004.