

AIS deploys advanced web-based supply chain and finance technology to give power to UK independent retailers

Extremely complex business model requires unique IT system to maintain control and ultimate profitability for members

The European retail market is very different to that in the UK and US. In the UK and US retailing is dominated by powerful high street and multiple retailer brands such as Wal-Mart, Tesco and Marks & Spencer. However in Europe there is a very different structure. There are more regional retailers and buying groups which are focused on supporting the independent retailer. These buying groups provide collective purchasing power and provide assistance in the effective sourcing of new products/designs and also marketing support. They have grown so much that they compete head to head with each other, rather than with the retailers.

In the UK there are also some significant buying groups which similarly support the independent retailer. One of them is Associated Independent Stores (AIS), near Birmingham. It has been in operation for nearly 50 years providing its 270 members - typically regional retailers with a turnover between £0.5m and £80m across the UK and Eire - with access to a full range of products (excluding food and electrical) comparable to any department store. In addition the AIS group incorporates INTERSPORT UK and Flooring One a buying group for floor covering specialists.

AIS is a non-profit retaining organisation, therefore once it has covered all of its operating and investment costs it pays its members a bonus from any excess profit it makes. The AIS members turn over in excess of £170m and approximately 60% of this relates to furniture products.

Over the last few years AIS has invested in advanced technology to streamline its finance, sales and logistics operations in order to maximise profitability for its members. Five years ago it realised its internal systems software was not capable of taking the organisation forward. Therefore, AIS assessed 12 software companies - some of them accounting specific (like Exchequer and Navision) and others who were focused on retail (like Futura and Mercatus).

However AIS was not convinced by any of the packages it saw, as Graham Holt, IT Manager explained: "We're a very unique business, with multiple, diverse business processes. AIS does reverse financial factoring - whereby we facilitate payments between our customers and suppliers. We also have multiple sales channels such as electronic sales catalogues, central buying shows and orders invoices and statements via the internet. We have a third party warehousing operation, mainly for sportswear, and we also have a retail operation. With such a complex model we found that no software package could support these needs, so we looked for a partner who could develop a solution to meet our needs."

In the end, AIS chose to work with two companies – Sanderson, for its Midas supply chain software and OpenAccounts for its award winning finance solution. Both companies had a proven track record of working together using the same base technology - the Progress database and programming language.

Graham Holt again: "When we realised we couldn't buy an out-of-the-box solution we had to find partners who could provide complete integration. Sanderson and OpenAccounts proved to us that they could develop a tightly knit solution according to our very diverse needs. To their credit they delivered on that promise."

Solution Summary



Customer Profile

- Buying group for retailers between £0.5m - £80m

Challenge

- Support complex business model
- Develop unique multi-channel solution
- Provide reliable integration within tight parameters

Solution

- Midas retail management system

Benefits

- Real-time visibility of stock
- Extremely robust
- Streamlines all payments
- Admin time greatly reduced

The solution is extremely robust. On the finance side it processes approximately 30,000 invoices every week from 1,000 suppliers, which equates to £300 million annually. It provides a key part of the value-add service to AIS members, by providing reverse finance factoring. The system helps streamline all payments. Whenever a supplier sells a product to be sold through one of the member's retail operations the supplier is guaranteed payment by AIS. AIS in turn processes all supplier invoices and notifies its members exactly how much and when they need to pay AIS. The finance system guarantees every supplier gets paid and retailers' administration burden is lightened considerably.

The supply chain software is used to process all transactions to provide clear, real time visibility of stock - whether held at AIS's premises or its third party warehouse operation. The system handles goods movements and replenishment and keeps account of all deliveries direct from suppliers too.

The most recent advances made have incorporated trading via the internet. Firstly AIS has 'MembersNet,' which provides internet-based communications for its members. The objective is to reduce the costs of stationery and postage related to members' documentation and for invoice statements. The next stage of its development will incorporate invoice matching to give members complete visibility of the entire invoicing cycle.

The biggest element of AIS's online activity is in support of its furniture business. AIS has developed a furniture portal called 'Furnitureisland.' To maintain impartiality, security and complete fairness to all members the portal is run by a specialist third party operator called Interactiv Studios.

Traditionally the supply of furniture is fraught with problems. For example, a customer might order a sofa incorporating a variety of options such as certain fabrics, cushions, castors, piping and colours. However there is a high order error rate when combinations are not feasible; historically most retailers did not maintain the full stock range on their internal systems due to the complexity and costs of maintaining this data. Not only do customers get agitated by the delays but additional costs are generated for both retailers and suppliers.

As a result, three years ago AIS created a portal to bring the communities together. Suppliers can make their catalogues available to the retailers in an electronic format. This means that retailers can automate the creation of their supplier's full product offering as and when they need this information. In addition the Portal facilitates the transmission of electronic invoices and statements at a much lower cost overhead than traditional EDI Value Added Networks. Both Sanderson and Open Accounts have built interfaces to take advantage of the benefits that these web based processes offer.

It has been so successful that it is the leading furniture portal in the UK and even non AIS retailers are joining too.

Graham Holt concluded: "The use of IT systems has been vital to our progress and maintaining a healthy return for our members. Both OpenAccounts and Sanderson are undoubtedly the best in their respective classes, but the whole initiative would have all fallen down without the tight levels of integration that they promised and then delivered for us. Without question, we're a totally unique business and we've got a unique solution to address our very diverse needs."



Midas processes all transactions, providing real-time visibility of stock



Midas helps the AIS operate over multiple sales channels

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