



## Edcon—Pioneering Outsourcing in South Africa

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# Edcon Group

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The Edcon Group is a leading South African retailer selling a broad range of clothing, footwear, textiles and accessories through a network of some 600 stores located throughout Southern Africa. Edcon consists of Edgars (Edgars and ABC brands)—a national department store serving middle and upper income families—and the United Retail Group (Jet, Sales House, Cuthberts and Smileys brands)—focusing on the sales of value merchandise. The Edcon Group has combined revenues of approximately \$840 million (US). The Group has 3.5 million active account holders with a large focus on credit sales and CRM. Edgars have also recently launched a high profile web presence ([edgars.co.za](http://edgars.co.za)).

Edcon turned to Accenture in 1998 when it was looking for an IT outsourcing partner with the scope of skills and size required to support its five brands and a network of some 600 stores. Since October 1998, a 250-person Accenture team has managed all application systems development and maintenance activity as part of a seven-year arrangement with Edcon. To date, this constitutes the most significant IT application outsourcing arrangement in the South African retail industry.

In addition to the application management outsourcing arrangement, Accenture has been working with Edcon since 1997 to implement a new suite of supply chain systems based on the Retek, Arthur Planning, Nautilus and Oracle application packages. The solution targets improved stock turns and in-store availability as well as reduced markdowns through Sku-level stock management, automated replenishment, and improved store profiling and allocations.

The implementation of the Retek application suite is central to Edcon's new supply chain solution. The Retek implementation has followed a phased

approach. An initial proof of concept focused on implementing a standard version of Retek's Merchandising System (RMS) into Edcon's two footwear chains (Cuthberts and ABC). This implementation successfully went live in May 2000. The next phase involved extending this solution to support the significantly larger and more complex Jet, Sales House and Edgars businesses.

One of the greatest challenges the project team faced was creating a single Group-wide solution to support all five of Edcon's brands. This was essential to minimize the long-term costs of building and running the solution. To meet the more complex Group requirements, the scope of the solution was extended to include the Retek Demand Forecasting (RDF) and Retek Price Management (RDM) modules. Major changes were also made to the RMS allocation functionality to accommodate the allocation of fashion merchandise to stores. Further modifications were also made to support the specific requirements of Edcon's EDI businesses (primarily cosmetics, intimate wear and household textiles). The solution also makes extensive use of Retek's Active Retail Intelligence (ARI) to manage approval workflows and for exception alerts.

In addition to the Retek modules, the solution is also tightly integrated with the Nautilus distribution management, Arthur merchandise management and Oracle Financials general ledger and accounts payable applications. Integration with Edcon's custom built data warehouse and store back-office and point of sale systems were also included in the scope of the project. The enhanced Group-wide solution was implemented into the Jet and Sales House chains in March 2001, and after a period of stabilisation, was rolled out to the Edgars chain in August 2001.



One of the more interesting aspects of the initiative was the creation of Edcon's new business-to-business web site ([www.eSupplyChain.Edcon.co.za](http://www.eSupplyChain.Edcon.co.za)) to provide suppliers with direct access to purchase order, stock, sales and forecasting information. The site enables suppliers to capture advance shipping notifications, update product details and to request barcode tickets. An Accenture team comprised of both consulting and outsourced personnel did all of the application development creating significant cost efficiencies and an ongoing support capability.

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The change management component of the program was significant. Over a six-month period, the project team trained 250 merchants, 40 head office support staff (in marketing, finance and distribution), as well as the staff in over 450 stores. In addition, some 370 non-EDI and 60 EDI suppliers were trained on the new supply chain procedures. Accenture is managing the new supply chain applications as part of our application management outsourcing arrangement.

These efforts have paid off. Edcon now has an efficient and consistent Group-wide merchandise management and supply chain solution. Going forward Edcon will utilise Accenture's global experience delivering retail solutions using Retek's suite of applications as a key enabler to aggressively drive out business benefits such as improved operating efficiencies, increased stock turns and in-stock position as well as reduced markdowns.

## **Edgars.co.za**

Accenture also helped Edcon build and launch [edgars.co.za](http://edgars.co.za), its very successful business-to-consumer Web site. Not only does Edgars.co.za offer the most extensive range of apparel in the South African business-to-consumer market, but it also provides customers with financial products, loyalty programmes and self-service online. This initiative involved creating a dedicated Internet fulfillment facility and customer service centre, building the web-based application based on the BroadVision software and building the security and technical infrastructure. Edgars.co.za was built and launched in record time—just four months—and the total cost of the project came in under budget.

## Who do I contact for more information?

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