



High performance. Delivered.

Retail's Supply Chain Leader Pulls Further Ahead with Accenture Training Program

Wal-Mart Stores, Inc., is the world's largest discount retailer, with an enormous network of stores, distribution centers and suppliers. Throughout its 46-year history, the company has grown rapidly, while evolving from a traditional discount chain to include grocery, international and warehouse outlets. Across 14 countries including the U.S., some 2 million Wal-Mart associates serve about 200 million customers every year.

"Many of the features of Accenture's inventory management program for manufacturers could be transformed for use in a retail setting. And with thousands of highly experienced retail and supply chain management professionals, Accenture was the optimal partner to help make it happen."

Gary Maxwell,
Wal-Mart's
Senior Vice President
International Supply
Chain

It's tough to count all the ways that Wal-Mart has elevated supply chain management to a science. Transportation and delivery, supplier relationship management and strategic pricing are just some of the company's areas of expertise. In 2004, however, Wal-Mart executives determined that company-wide skills in replenishment were less advanced than those in other areas. Inconsistent processes across regions were common. Leading practices were usually identified through trial and error. And the analytical proficiencies needed to make superior stocking decisions were often unavailable. Perhaps most important, optimal replenishment practices had not been established across stores and departments: Excellence in, say, housewares was no guarantee that similar levels of performance were achievable in, say, sporting goods.

Wal-Mart execs also determined that these shortcomings were costly—that significantly lower inventory levels (achieved without compromising in-stock performance) might be attained by raising replenishment skills company-wide.

To remedy the problem, Gary Maxwell, Wal-Mart's senior vice president of international supply chain, set out to locate a retail equivalent of the inventory-management—training programs developed by manufacturing-oriented organizations such as the Association for Operations Management. Maxwell came up empty handed; no such program existed. But then Maxwell struck up a conversation with Accenture—inquiring about whether the latter's widely respected Supply Chain Academy (SCA) might be able to develop a certification program for retail inventory management. The response was positive: Many of the features of Accenture's inventory management program for manufacturers could be transformed for use in a retail setting. And with thousands of highly experienced retail and supply chain management professionals, Accenture was the optimal partner to help make it happen.

• Consulting • Technology • Outsourcing

How Accenture helped

By January 2005, Accenture, Wal-Mart and the Retail Industry Leaders Association (RILA) completed an online Retail Supply Chain Certification (RSCC) program for roll-out to Wal-Mart suppliers and in-house professionals. The program—more than 50 hours of content representing the best thinking of experts from Accenture, Wal-Mart, more than a dozen universities, and RILA and several other professional organizations—is the first of its kind.

It consists of 27 courses categorized by:

- Supply Chain Fundamentals.
- Statistics & Probability.
- Forecasting & Planning (e.g., Measuring Forecast Error and Variability; Demand Planning; and Forecasting Simulation.)
- Inventory Management (e.g., Calculating Safety Stock; Inventory Management Simulation and Modeling; and Retail Cross Docking.)
- Performance Metrics.
- Collaborative Planning, Forecasting & Replenishment (CPFR¹).

The complete curriculum was designed to be covered in six to twelve months by Wal-Mart professionals and select professionals from among Wal-Mart's numerous suppliers. The program also includes an extensive, four-hour certification exam.

Accenture, Wal-Mart and RILA then piloted the RSCC with a group of 20 Wal-Mart associates from different disciplines (e.g., Replenishment, Information Services and International.) Several suppliers also participated in this effort. Each entity provided feedback about the program's effectiveness and suggested ways that it could be improved further. The next step was a full-curriculum launch with about 100 Wal-Mart supply chain associates at the company's Bentonville, AR, headquarters and select locations overseas. From this group, 80 associates were certified. In addition, supply chain decision makers at Wal-Mart involved additional staff from suppliers. To date, over 200 Wal-Mart associates and over 350 Wal-Mart suppliers have been certified.

High performance delivered

Accenture's Retail Supply Chain Certification program represents a new level of professional excellence in retail inventory management, as well as a consistent, repeatable process for retailers and retail suppliers. According to the

Retail Industry Leaders Association, "no other [training] program offers such broad content with such extensive depth and global reach." On the supplier side, for example, Wal-Mart vendors are better positioned to hire and train good people—a capability that benefits Wal-Mart, the supplier and other customers served by the supplier. According to one supplier: "I was able to take what I learned about the symptoms of poor inventory management and immediately apply them to our business to make improvements."

And since internal performance metrics and quantification are part of the curriculum, it is not surprising that Wal-Mart-specific benefits have been significant and visible:

- Improved ability to put the right product in the right place at the right time (making better decisions that result in lower inventories and/or higher in-stock positions.)
- Improved ability to put the right employee in the right job at the right time.
- More-advanced technology skills for supporting replenishment (e.g., to measure forecast error, calculate safety stocks and determine per-channel costs.)
- Greater consistency in training and skills assessment—both in-house and among suppliers.
- Increased career-enhancement potential, job satisfaction and workforce retention.
- Better metrics for evaluating store- and company-wide replenishment performance.
- Opportunity to use inventory/replenishment/forecasting competencies as market differentiators.

A good example of these skills is calculating order point and safety stock inventories. Systems at Wal-Mart and its suppliers had been doing this with a high degree of accuracy, but neither side's staff understood how answers were derived. SCA training helped both understand the "why behind the how," thus giving them the ability to spot errors more quickly and make better decisions about calculating and adjusting service levels.

Another important training breakthrough was giving Wal-Mart the skills and tools to calculate the cost of raising in-stock levels. Merchants often approach the company suggesting that inventories be increased. Wal-Mart professionals now know how to calculate the safety stock levels required to achieve a desired service level, and they can recognize when adding safety stocks is cost-prohibitive.

Lastly, SCA education has helped Wal-Mart isolate trouble spots, such as a large bulk-consumable category for which in-stocks were varying by up to 13 percentage points. Formerly, Wal-Mart was less adept at isolating the specific variables needed to identify the root cause of the problem. However, with its new SCA-derived "root cause analysis" skills, Wal-Mart quickly identified two distribution centers with supplier-delivery problems. It then was able to work with the supplier to raise forecast accuracy and shipping performance, and thus hike in-stocks to between 95 percent and 99 percent.

The net effect is that Supply Chain Academy has helped Wal-Mart build better, more sophisticated supplier relationships, make better decisions and identify even more ways for leveraging supply chain excellence to increase growth, profitability and competitive differentiation. These skills are the essence of high performance in supply chain management and Wal-Mart already is the ultimate practitioner. However, with new inroads for building exceptional replenishment capabilities, yet another plank has been added: an exceptionally-well-trained workforce aligned with a similarly sharp network of suppliers.

About Accenture

Accenture is a global management consulting, technology services and outsourcing company. Combining unparalleled experience, comprehensive capabilities across all industries and business functions, and extensive research on the world's most successful companies, Accenture collaborates with clients to help them become high-performance businesses and governments. With more than 180,000 people in 49 countries, the company generated net revenues of US\$19.70 billion for the fiscal year ended August 31, 2007. Its home page is www.accenture.com.

Copyright © 2008 Accenture
All rights reserved.

Accenture, its logo, and
High Performance Delivered
are trademarks of Accenture.