

Rapid Grocery Expansion in The Philippines:

AFFECTING MAINTENANCE OF MULTIPLE SYSTEMS



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Introduction

Majority of the grocery operators in the Philippines are now tapping multi-format, omni-channel strategies to reach out to the modern customers seeking convenience. To match their fast paced, “on-the-go” lifestyle, supermarkets front liners attempt to meet this requirement by strategically placing the store near residential areas and business centers.

Behind the drive for extensive growth, underlies the requirement for supplementary processes in distribution, operations, and analytics. Thus, in order to maintain the momentum of progress, supermarket retailers must be able to accept the challenge of integrating these multi system processes into an organized and unified front end and back end solutions.

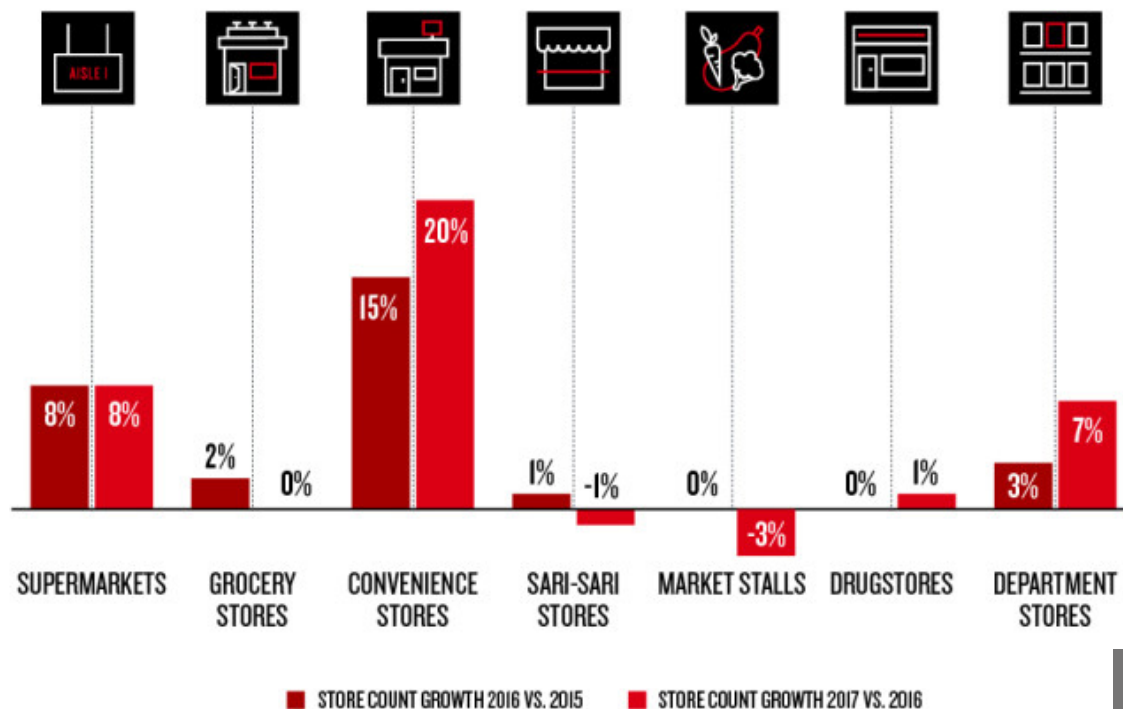
Our goal in this paper is to focus on the problematic management of multiple systems and what an all-in-one retail solution means specifically for the grocery industry as they expand their retail footprint nationwide. Moreover, how a cohesive retail solution approach can create value and help support an improved customer experience, while also offering a strong return on investment and security protection.

The Philippine Grocery Environment –

Where We Are Today and Where We Are Heading

Big retailers continue to extend their footprint through extensive and aggressive expansion driven by the image of reaching out to the busiest, modern day shoppers of today. In the Philippines, convenience stores increased in store count by 20%, while supermarkets at 8% last 2017, according to performance management company, Nielsen.

Convenience Stores Lead in Expansion of Footprint



[Infographic from Nielsen]
[Source: Nielsen 2017 Wave 1 Retail Establishment Survey
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In August 2017, international grocery market analyst IGD projected that the Philippines will become the fifth largest grocery retail market in Asia by 2021, after China, India, Japan and Indonesia. Shirley Zhu, IGD Asia-Pacific program director said the market will develop by an average of 9.3% year-on-year between 2016 and 2021. Grocery retail sales in the Philippines are set to amount to PHP7.08 trillion (US\$149.99 billion) by 2021 from PHP4.53 trillion (US\$95.98 billion) in 2016, the international grocery research organization's data concluded.

Impressively proving the IGD projection, Grocery retailers are set for a solid sales performance and aggregating store networks. Metro Retail Stores Group Inc. (MRSGI) posting a 9.5 percent increase in retail sales for the first half of 2018. Cosco Capital Inc.'s Puregold and S&R Warehouse clubs rose 23.8 percent to P3.08 billion as revenues went up by 13.2% to P64.03 billion. Robinsons Retail Holdings Inc (RRHI) the retail arm of the Gokongwei that's also buying Rustan's group's grocery business, said its income hit P4.7 billion in 2018, from P4.1 billion in 2017. Thus, posing more confidence for the grocery, supermarket and convenience store industry.

Philippines to become the fifth-largest grocery retail market in Asia by 2021

Philippines grocery is forecast to grow year-on-year between 2016 - 2021



Grocery Retail sales in the Philippines:



[Infographic from Nielsen]
 [Source: Nielsen 2017 Wave 1 Retail Establishment Survey
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Apart from the increase in sales figures, the grocery, supermarket and convenience store industry while expanding inside NCR, are also profoundly focused in intensifying provincial store openings. SM Retail for example continues to expand beyond Metro Manila. In 2016, 80% percent of its store openings were outside the metropolitan area, rolling out stores in Boracay, Tagum City, Davao Del Norte, Negros, and Pangasinan. On the other hand, Rustan Supercenters Inc. (RSI) retail chain sets its sights to expand further in Southern Luzon, particularly in the Calabarzon (Cavite, Laguna, Batangas, Rizal and Quezon) and considering some areas North of the National Capital Region such as —Pampanga, Bulacan and Pangasinan. In 2017, Cosco Capital allocated P3.65 billion for the store expansion of Puregold Price Club Inc. that spearheaded the saturation outside Luzon.

Aside from expansion, multi-format grocery operators have shown immense growth over the last five years, attributed to the acquirement of smaller store formats and e-commerce. The stronger focus on smaller store formats such as convenience stores and minimarts has contributed a relevant figure due to its scalable market orientation. These smaller format stores are targeted to residential areas and business districts by providing accessibility and boasting presence to local customers. Hence, the availability of these stores to the mass of customers made sense when translated to contribution. In addition, grocery retailers such as Robinsons Retail Group, SM Retail, .Cosco Capital Inc., Rustan's Supercenters, Inc. (RSCI), all ventured into incorporating e-services such as online grocery shopping and tapping grocery delivery services such as Honestbee.

The future of the supermarket industry in the Philippines is evidently strong as driven by customer convenience supplemented by the increasing purchasing power of the consumers.





The Concerning Challenges in Grocery Retail

The Philippine supermarket industry presents huge potential in the omni-channel space and aggressive store expansion. Majority of the retailers needed to realize the requirement for a comprehensive and seamless interconnected shopper experience.

In line with the increasing number of stores is the increasing need for system upgrades support. Digging deeper, grocery retailers are engrossed with store number growth, absolutely overlooking the requirements for system integration and IT improvement. Grocery operators in the country find the management of multiple systems time consuming and complicated, thus, disrupts the shopper experience from slow checkout, faulty payment system, stock outs, or vague promotions.

Avoiding the shopper experience disruption, the problematic management of multiple systems should be highlighted. These problems are the unserved requisite for specific areas that includes supply and inventory optimization, technology support and performance, and sales reporting and business intelligence. Amid the continuous store growth, the cumbersome systems producing multiple problems across the operations, stocking issues, and fragmented hardware and software services make it troublesome to arrive at a cost-effective, efficient business solutions.



Supply and Inventory Optimization Challenges

Inventory and supply chain processes must be aligned with sourcing, tracking, storing, spending, market forces, and overall business goals. These complexities must cohesively work within the parameters of massive SKUs with tight margins. Together with expansion, supply and inventory difficulties arise. Some of these difficulties are stockouts & overstockage, inventory management issues, forecasting and planning demand and more - and the level of handling these challenges becomes harder in parallel with each store addition. Having mentioned some, the grocery market must be proactive in finding the best suppliers for system optimization – sustainable enough to support the financial goals and rapid growth of the business.

Technology Support Challenges

Majority of the supermarket retailers are skeptical about new and upgraded technology proposals due to profit constraints. The reluctance to advancement is evident to a retail store from slow checkout to problematic POS terminals. Albeit the holistic improvements brought about by the new system, justification for upgrades are difficult due to grocery operators' focus on the bottom line as the number of store increases. Most supermarket retailers are contented with their existing technology, overlooking the technological drawbacks that are still present in their old system. Disadvantages include unconnected systems that requires manual processes, tough information retrieval, and new promos or releases that are resource-intensive. In addition, some software acquired through different vendors have the tendency to overlap scopes.



Older versions of these software have an outdated structure making it hard to tweak and update processes if needed. Support from different vendors will be difficult to obtain. Lastly, hardware maintenance is costly. According to several studies of IT leaders, 70% of a retailer's information technology resources are dedicated in supporting and running existing capability, leaving only 30% for exploring and implementing new capabilities. Rolling out new stores bearing the same, outdated technology will just replicate problems that will be expensive to address in the future.



Sales Reporting and Business Intelligence Challenges

Handling a spectrum of branches nationwide, Supermarket retailers in the country heads on a challenge in finding an accessible, easy to maintain, financial and operational business intelligence. Especially, with the rapid growing number of stores, grocery retailers cannot afford to lack access to the most accurate and timely financial performance visualization for the new and existing ones. With the competitive environment for the grocery players, the requirement for professional sales analysis on strict margins and sales forecasting must be met. These are only answerable by industry experts and a capable business intelligence and analytics support that must be employed.

Above challenges are the supermarket retailers' growing concern over the progressive footprint expansion, focusing on the difficulty of maintaining of having multiple systems. Thus, if these concerns are incorporated in the system but works independently, leveraging with an industry expert that implements flexible customization impactful enough to support ROI and business objectives is important.

Overcoming the Problematic Management of Multiple Systems

Acknowledging the hurdles of having critical data in separate programs and its impact on the grocery store's objectives is imperative in taking further steps in eliminating problems of having multiple systems as the store expansion continues.

The grocery market and its problems of having multiple systems mirror the vast operations taking place in a single store - that's why businesses are toward add-on of software enterprise whenever needed. This approach compromises the business solutions in general, furthermore emphasizing the need for a single business management solution.

Employing an all-in-one solution to deal with supply and inventory optimization, technology support and performance, and sales reporting and business intelligence all working in a predefined setting seems logical given that grocery operators needed to monitor stores from separate locations.

An interconnected business management solution ensures that all data are visible and linked to the precise departments and head office. All necessary information is generated with transparency and accuracy despite the number of branches, with the seamless flow of data.

Design the operational processes by integrating a unified retail management system by Retail Associates.

Retail Associates provides industry focused, all in one retail solution. Avoid time wasted from multiple stock entries, system inaccuracies, POS errors, and eliminate the unnecessary cost from maintaining multiple systems during expansion. Managing the whole business in one software is possible.

Employ an enterprise provider that delivers solutions aimed at improving processes, equipped with a suite of integrated services specifically tailored to the local supermarket environment. Consider a solutions provider that implements a system and undertake essential customization required, in a fast basis, completely rolled out before store operation commence.

Overall, a well-designed and well-implemented in one software platform greatly helps a supermarket retailer to gain access to accurate information - whenever, wherever; enable efficient POS rows; secure inventory levels; and support the business to allocate more time for critical store operations. This helps the management arrive at a sound decision while focusing on expansion without compromising shopper experience and end to end processes.

With LS Nav you will be able to meet all these challenges and more, consolidating your business today, tomorrow and beyond.

About Retail Associates

Retail Associates is a retail advisory firm based in the Philippines providing retail management services and solutions. We specialize in simplifying business processes by providing a unified retail management solution that streamlines the entire process according to industry best practice. Operating under European management, Retail Associates recognized for its expertise in systems analysis & design, compliance and consulting services locally and across the region.

Retail Associates takes pride in its expertise in the supermarket, grocery and convenience space and has a proven track record in implementing projects in this retail segment including AllDay Supermarket, KJ Fairmart and Cham's to name a few.

