Utilizing data in planning across Otava Group's value chain

RELEX Unified Retail Planning Forum 2018
P. Kuurne



Agenda

- Company presentation
- Relex in Suomalainen Kirjakauppa
- Using Relex and data Otava group's planning and collaboration
- Case: Planning Christmas season
- Future development



Group structure

Otava Ltd

VUOSIKERTOMUS 2017

Otava-konsernin vuosikertomus 2017 on luettavissa osoitteessa http://vuosikertomus.otavakonserni.fi



Books

Trade

Magazines

lew Business Functions

Otava Publishing Company

Like Publishing Ltd

Suomalainen Kirjakauppa Ltd Otavamedia Ltd

Lakiperintä Ltd

Otava New Business Functions Ltd

Ampparit Ltd

NettiX Ltd

SL-Mediat Ltd

Finn Lectura Ltd

Otava Book Printing

Turnover 300 M€ Employees 1 100



Otava Group's Supply Chain

We have whole Supply Chain



















Other customers





Replenishment process in Suomalainen Kirjakauppa

- Founded in 1912
 Market leader in books' retail business in Finland
- Part of OtavaGroup from1.10.201161 store

Starting point

"Automatic" replenishment using ERP functionality

61 stores of different sizes, local demand patterns

Shelf presentation

Challenges

Wide assortment

High seasonality

Short lifecycles

Forecasting is challenging due to highly variable demand and assortment

Replenishment control is challenging due to different goals and needs





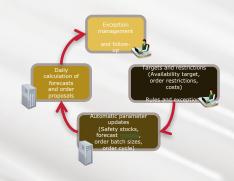
To implement

business targets through

store

replenishment

Replenishment process in Suomalainen Kirjakauppa



To centralize store replenishm ent

To free up as much time as t ordering

possible from replenishmen

Goals

To sell!

Further development and stabilization of new process

Bulk is continuos replenishment daily

> Current process

Centralized

Exception management

> Used for all operational replenishment and control

Special situations

Automated

Automation Space and Assortment Mobility **Oualitative forecasts**

Campaigns Know-how Collaboration Sharing opportunities

Pilot in three stores

2007

Roll out for all 62 stores

Feasibility study

Centralization of assortment management

2008

Improved inventory control process

Further development of assortment management

Daily order proposals

Exception management and follow-up



Daily calculation of forecasts and order proposals

Targets and restrictions (Availability target, order restrictions, costs)

Rules and exceptions



Updates regularly (e.g. weekly) or when needed Automatic parameter updates (Safety stocks, forecast

(Safety stocks, forecast models, order batch sizes, order cycle)

Update when there are changes (e.g. monthly)

Redefine criteria as process matures



Lessons learned

Focus on processes

Utilize positive experiences

The quality of the main user makes the difference

Roll out quickly

Focus on challenging demand situations

Results

Shelf availability

Replenishment ordering work

Inventory turnover

Seasons and promotions

Customer service



Group's reporting structure and levels

Grouplevel

Otava-Group

Group companies

SKK (Bookstore) Kustannusosakeyhtiö Otava (Book publishing)

Printin g Factor y

Like Kustannus Oy (Book publishing)

Otavamedia
(Magazine
publishing and Book
Club Ltd)

Stock-locations

Book stores 61

ł

Central

ware-

house

Hyvinkää Keuruu ware- warehouse house

Sample warehosue

Bookoutlet Keuruu warehouse Hyvinkää warehouse

ää Keuru - waree house Sample warehouse Kirjakerho warehouse at Hyvinkää Hvvinkä

house for individual products at Hyvinkää

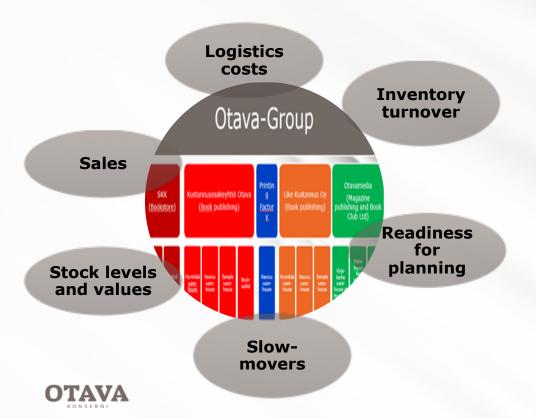
Warehouse for subscriber presents at Hyvinkää





Group-level transparency

"What are the turnover and costs of the new book of Sofi Oksanen at different levels of the group's supply chain?"



••Extensions of reporting

Other use cases

More accurate group level profit margin calculation

Support for the publisher's assortment and campaign management

Campaign process and forecasting for subscription gifts

2016-

Group availability, inventory optimation

Goal of Group level planning

"It would be wonderful if almost every printed book is already sold"

• Integrated supply chain

- Cost efficiend production
- Minimizing starting costs
- Lean process

Technical opportunities

Advantages of supply chain

- Short lead times and quick reacting
- Savings in traditional logistics
- More profit with better category management
- Better availability

Incorporating POS-data from bookstores

Extension of cost information to include batch costs of printing

Statistical and qualitative forecasting

Sales planning and decisions about the printed quantities / editions

Digitalized Demand Based Supply Chain



Example of Integrated Planning process Managing the Christmas season

Planning and colaboration

Kick-off

Goals

Assortment

Marketing

Prices

Forecasts

Ordering schedules

Checkpoints

Difficult but extremily important

Most of assortment has been changed

High sales peak vs. endof-season stock





Using data

Robust forecasting

No SKU level historical data on previous seasonal sales is needed

Forecasts are automatically adjusted based on development of sales

Exceptions are automatically detected and presented

Normal products



Normal replenishment

Christmas season products



Special forecast method for Christmas. Normal replenishment process. Christmas bestsellers



Special forecast method and different replenishment process.

Campaign products



No replenishment during the campaign



2018
••Future developement

Future development

Category management

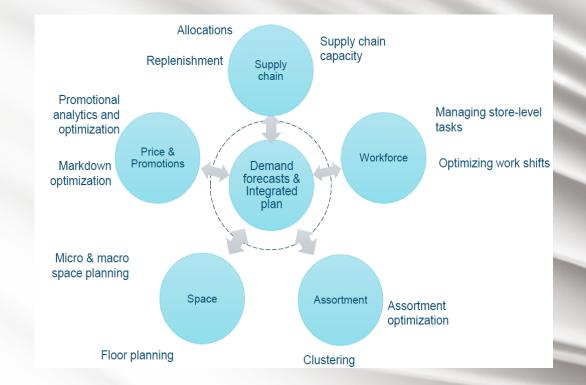
Space management

Price
Markdown, Dynamic
priceing

Supply Chain development

Workforce Store efficiency

Mobility





Thank You! Pekka Kuurne

pekka.kuurne@otava.fi

