

FINANCIAL REVIEW**Mix and match to gain best solution**

Author: Ben Woodhead

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There is no clear winner in the choice of package to save on supply-chain costs, writes Ben Woodhead.

A push by Australia's largest retailers to slash supply-chain costs, appears to have rendered moot the argument over whether specialist applications would triumph over more generalist packages in supply-chain technology. They are using both.

Mid-market businesses are further muddying the waters by opting to mix and match specialist and generalist packages, in the process contradicting the long-held argument that only the large, supply-chain-intensive organisations would adopt best-of-breed technology.

At the big end of town, Woolworths, Coles Myer and Franklins together are pouring hundreds of millions of dollars into new supply-chain software, as they work to cut the costs of shipping and warehousing goods for their networks of supermarkets.

The projects are closely guarded by all three players and regarded as critical to cutting product prices for consumers and garnering greater market share for the retail kingpins.

But the three companies have split over what software will best meet their needs, with Woolworths and Coles Myer breaking for specialist systems from i2 Technologies and Manugistics, while Franklins will predominantly rely on applications from SAP.

Software from Manugistics and i2 has historically been regarded as best-of-breed, while offerings from SAP and Oracle that place supply-chain software within an integrated suite of applications have been regarded as more generalist.

Integrated suites typically consist of a range of applications covering anything from financial software to warehouse management applications and customer relationship management systems, as well as supply-chain management software.

Manugistics president of worldwide sales operations Jeff Holmes says the current trend is that many companies are reluctant to source all their business software from just one vendor, although the number of packages that individual companies use is narrowing.

Manugistics in Australia focuses on selling software to organisations with annual revenue of more than \$200 million.

Improvements to the integration of supply-chain, warehouse management and financial software offered by competing vendors has also made it easier and cheaper for customers to mix and match technology.

A case in point is Woolworths, which uses i2 software for some of its supply-chain systems but relies on SAP to run its financials.

Woolworths' high profile AutoStockR automated stock replenishment system is based on i2 technology.

Similarly, Coles Myer also runs SAP financial applications but has chosen Manugistics technology for the collaborative forecasting, planning and replenishment systems used in Coles and BI-LO supermarkets.

Franklins, meanwhile, which has given itself just 12 months to implement a completely new supply chain, compared to the far more expansive multi-year projects under way at its chief rivals, has opted to source its financial and merchandising systems from the same vendor.

The company this year contracted SAP to provide the core software for its supply chain, which is expected to be up and running by the end of December this year.

Franklins' supply chain will rely on a mixture of in-house and outsourced functions with some distribution centres and transportation to be provided by third parties.

While Franklins has opted to roll out financial and supply-chain systems from a single vendor, some smaller businesses have gone against industry opinion and opted to use software from a mix of vendors.

One such company is Super Cheap Auto.

Super Cheap, with annual sales of \$382.7 million, has decided to install best-of-breed forecasting software known as Gains*Ops, which will be paired with its existing SAP enterprise resource planning system.

From next year the SAP software will be used to generate reports based on information stored with Super Cheap's data warehouse and supply-chain system.

Chain gang

- * The big three supermarkets are investing millions in new supply-chain software.
 - * Retailers are reluctant to source all business software from one vendor.
 - * Integration has enabled customers to source technology from different vendors.
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