

CONTROLLING THE FLOW

Integrating advanced merchandising and supply chain efficiency

Few companies have embraced the “do it yourself” ethos as fully or successfully as Fort Worth, Texas-based RadioShack. Since its founding in 1921 as a one-store retail and mail-order operation in Boston, supplying the needs of radio officers aboard ships as well as ham-radio operators and hobbyists, RadioShack has ridden the ever-growing wave of technology throughout the 20th century, satisfying customers, shareholders and Wall Street analysts in equal measure.

In 1977, the company introduced the first mass-produced personal computer (the TRS-80), which in large part staked its claim on the future. Although the business model would evolve over the decades, today RadioShack has nearly 7,000 company-owned and dealer stores in the U.S., almost 100 locations in Mexico, and more than 600 Sprint and Sam’s Club wireless kiosks that generated revenues of \$4.8 billion in 2004. This impressive figure includes a one-year sales growth of 4.1 percent and a one-year net income growth of a healthy 13 percent.

Managing that pace of growth requires planning — collaborative and systematic



planning that takes into account everything from the end-to-end supply chain, according to David J. Edmondson, president and CEO of RadioShack Corporation. “An efficient, customer-focused supply chain is a major ingredient in helping deliver profitability and a sustainable competitive advantage,” he says. “No question.”

CREATING A PYRAMID

A major challenge facing the old RadioShack business model was that 95 percent of the company’s sales and profits traditionally came from only two channels of distribution: company stores and franchised dealers. However, the upside of this model was its simplicity. Today’s business model not only includes the two original channels, but also revenue streams from wireless kiosks, online (direct sales and B2B) and wholesale. While these new channels will fuel long-term growth, they also bring planning complexities for merchandising and supply chain systems and business processes.

According to Edmondson, what RadioShack needed to resolve this challenge was a project that would deliver “kerietsu.” That, he explains, is, “vertical relationships integrating a pyramid of suppliers and manufacturers in one structure. The result is a structure that controls the flow of products, services, their total cost and so forth, from the factory to the consumer.”

RadioShack found the enabling tool to create the kerietsu in the Oracle Retail Planning applications, according to Kevin Taylor, RadioShack’s director of operational efficiencies. By implementing these applications, RadioShack hoped to achieve successful collaborative and systematic planning systems that would integrate sales and promotional plans developed by the merchandising department and inventory budgets, purchases and distribution plans developed by supply chain partners. In a nutshell, the systems were intended to integrate merchandising, demand planning and inventory planning functions.

Goals for the project were diverse and specific:

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—David J. Edmondson, CEO

RadioShack | Fast Facts

- ▷ Founded in 1921
- ▷ Headquarters in Fort Worth, Texas
- ▷ 7,700+ retail outlets in U.S., Canada, Mexico and other international locations
- ▷ 40,000+ employees
- ▷ Sourcing – primarily from Japan, Hong Kong and Taiwan
- ▷ Product development – U.S., Israel and Asia
- ▷ \$4.8 billion in revenue (2004)



- ▶ Deliver on time and under budget
- ▶ Zero custom modifications
- ▶ 100 percent user base
- ▶ Top-down (financial) and bottom-up (item) plan alignment
- ▶ Planning functionality by channel, by week, by workflow and role-based

PROJECT TIMELINE AND GOALS

The project was given a timeline of 18 months from definition in September 2003 to implementation in February 2005. It was broken down into three stages: Project Definition, spanning September to December 2003; Desired State, spanning January to February 2004; and Implementation, which would stretch from March 2004 through February 2005. Each stage had specific targets, and the final stage, Implementation, was broken into two substages, TopPlan and KeyPlan, each with its own specific goals.

In the first stage, Project Definition, the goals included:

- ▶ Defining the project scope
- ▶ Aligning resources
- ▶ Analyzing benefit assumptions
- ▶ Obtaining budget approval
- ▶ Industry best practice research
- ▶ Software selection
- ▶ Initial process work
- ▶ Creating the project plan

The second stage, Desired State, consisted of process work and conference room pilots. The third stage, as noted, was broken into the TopPlan and KeyPlan substages.

TopPlan's and KeyPlan's goals dovetailed each other and consisted of:

- ▶ Building commencement documentation
- ▶ Creating TopPlan configuration
- ▶ Prototype review
- ▶ Standard operating procedure documentation
- ▶ Training development and delivery
- ▶ Change management activities sustaining plan
- ▶ After action review

FACTORS CRITICAL TO SUCCESS

"Early on we knew that certain key factors would be critical to success," says Taylor. "These key factors start with executive

sponsorship and leadership, which means support from the top. Another important factor was finding a knowledgeable and experienced integrator. Others include coordinating internal and on/offshore technical resources, filling a full-time business leadership position and identifying planning specialists to participate in all stages of the project and act as mentors to the rest of the planning staff."

One of the major factors in the project was focusing on the importance of configurable technology that, according to Taylor, had four major user roles, 25 merchandise planning measures, 69

now flow up while financial plans flow down. "Kerietu" in action.

For RadioShack, the Oracle Retail project has been a success, but even in success there are lessons to be learned and shared.

"The project must have a clearly defined scope and deliverables," Taylor says. He advises prudent selection and utilization of people and resources from definition to implementation, and that executives must commit to both sponsorship and leadership.

Taylor says it's important to keep careful control of the project. "Don't build too many measures," he advises. "You can always add more. And be careful to avoid the temptation

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merchandise review measures and five versions for planning quarterly, annually and other configurations.

In February 2005, implementation of the Oracle Retail Planning project was complete and results are just now starting to come in. On review, Taylor determined the implementation had come in on time and under budget, meeting two important criteria. In addition, the project also met the crucial configurability test, which means that role-based planning can now be achieved with multiple levels of involvement for setting targets and reviewing plans. As a result, item plans

to make it more complicated than it has to be. Understand the amount of change and impact the project will bring, and pace yourself and the change needed to fully utilize the new process."

"Know thy customer and know thy self," says CEO Edmondson. "The focus must always remain, in the final analysis, on the customer relationships we build to meet those customers' wants and needs. If we forget that, no matter how much time, money and energy we invest in perfecting supply chains or demand chains or logistics systems or anything else, we're out of business." ■



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