

DC Buying Process



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Execution Team : Merchandising

Application (IT) :

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Process Objective :

- 1) To enable system driven auto-replenishment of all SKUs at DCs
- 2) To establish a maker-checker approach for manual ordering to build flexibility in the event of major change in key business drivers
- 3) To enable planned ordering process in the event of sudden and sharp change in demand

Process Name	Lead Measure	Lag Measure
DC Buying Process		
System buying Process	DC Buffer	Turn, Shortage, Ineffective stock and Range
Manual Buying Process	Additional Weekcover, Weekly OTB limit	Turn, Shortage, Ineffective stock and Range, Unapproved Buying
DC Seasonality Planning Process	Excess DC Buffer, Additional OTB	Turn, Shortage, Ineffective stock and Range, Seasonality Consumption
OL Buying Process	DC Buffer	Turn, Shortage, Ineffective stock and Range

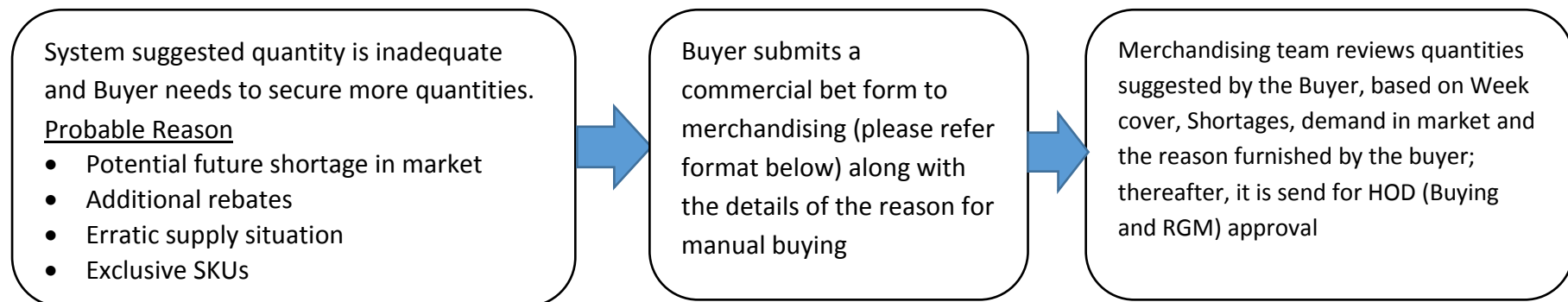
Note : Lead Measures are “Predictive – Provide early signs”, Lag Measures are “Outcome”. Kindly update measures for both Key & Sub-processes along with “measure definition”.

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(A) System Buying Process	
Merchandiser	<p>Computes the DC buffer by SKU by DC every week. The logic is as stated below –</p> <ul style="list-style-type: none"> ▪ Every SKUs belong to a class and desired days cover is set for each class of SKUs ▪ Sales for all stores which are linked to a particular DC, are aggregated to calculate Average Weekly sales for the DC ▪ DC buffer is calculated as Average Weekly sale*Week cover Days ▪ Basis the above logic, Purchase Requisitions (PR) are auto calculated by system <ul style="list-style-type: none"> ○ DC Buffer- (Available stock in DC + Purchase Order (PO) already given to vendor) = Purchase Requisition <p>Checks the correct PR as per calculation.</p>
Buyer	<p>Reviews the calculated DC buffer and suggest changes, if any.</p> <p>Ensures conversion of PR to PO in SAP and also the timely delivery of stock in DC.</p>
IT	<p>Uploads DC buffer file in SAP and ensures data flow to Symphony</p> <p>Trouble-shoots any error in upload and resolves the same</p>

(B) Manual Buy



General Guidelines for Ordering

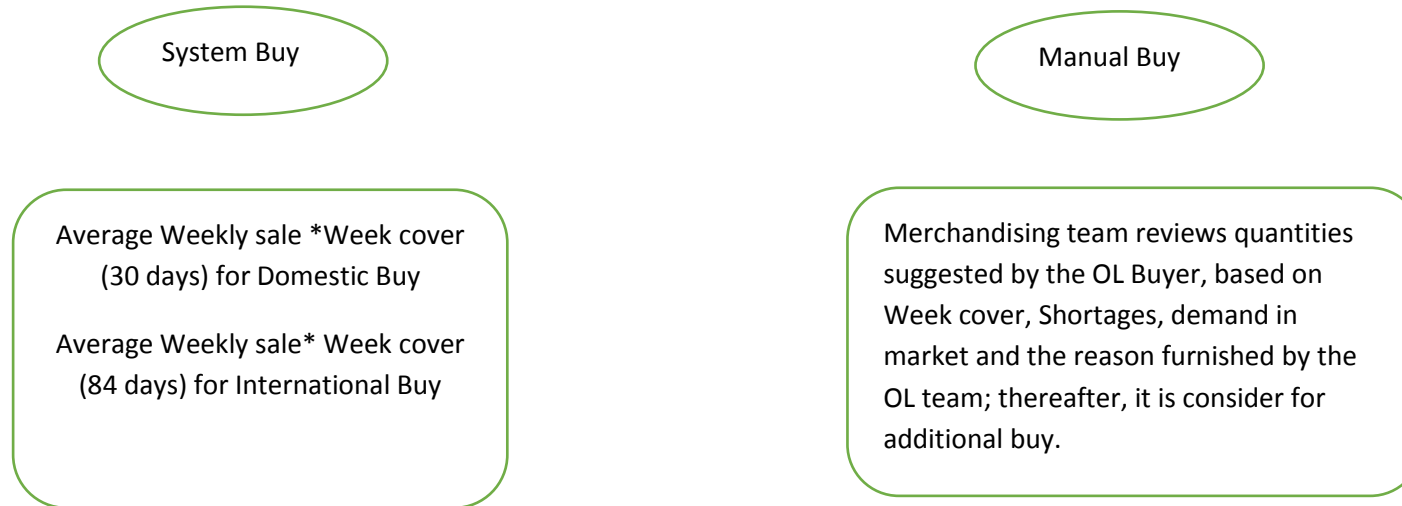
Global Risk Management Strategy

- Reasonably protect availability of Best Sellers (4-5 weeks cover)
- Protect the Belly assortment with Short-term availability (2-3 weeks cover)
- Protect availability of “Hero” products as per Management Decision (e.g. New launches of iPhones,
- Capture the unique market opportunities, and create derivative offering
- Prioritize brands which give us the best ROI and Net Gross Margin

How to Manage the Ordering

- Best Sellers and Belly coverage will be calculated and PO recommendations will be auto computed by Symphony
- The stock value which is Over Cover + SLM (Not Effective) + DC Tail will be calculated as a % from the overall category stock
- $(\text{Allowed Not Effective \%} - \text{Actual Not Effective \%}) = \text{OTB (Open to Buy)}$ for Commercial Bet
- Special OTB budget for Hero SKUs, when needed, through Management (HODs – Buying, RGM, Marketing, Operations, CEO, CFO) approval

(C) OL Buying



Note:

As the order lead time for OL import buys are higher, we have often, took manual calls while placing initial purchase orders, with a condition to stagger the inwards. To ensure inventory level aligned to actual demand, we have started a review at the time of actual inward. If required, the orders can be further staggered or modified based on the immediate demand.

(D) DC Seasonality Planning

To cater to the sudden surge in demand for Festive Season, standard week cover days are increased and additional amount is pre-approved for seasonal OTB (Open to buy). The logic is as stated below –

- Budgeted sale for Festive is considered for DC Seasonality Planning
- After subtracting average monthly sale for non-festive and adjusting for first margin, incremental sale/COGS is calculated
- Incremented COGS is divided in to 3 parts – System Buffer increase, Manual buy Seasonal OTB and Reserve
 - System Buffer increase:** - Active lines' current sales contribution is considered with increase in week cover days to derive the System buffer increase.
 - Seasonal OTB:** - Post system buffer increase, remaining value is divided into Seasonal OTB (Approx. 40%) of overall Incremental COGS.
 - Reserve:** - Remaining value of Incremental COGS is kept in Reserve to be released later, based on sales increase in the Group.

Training, Benchmark (Process/Measure), Reviews

Weekly Review Format								
Week Ending 07th Apr 2019								
Group	Category	Turns	BS (Monday) Shortages		BS (Friday) Shortages		% In-Effective Stock	
		TW	LW	TW	LW	TW	LW	TW
Communication		14.7	15%	9%	11%	6%	41%	40%
	Smart Phones (OS Based)	16.9	16%	7%	10%	4%	40%	39%
Computers Peripherals		8.2	8%	8%	4%	5%	46%	42%
	Mobile Computing	9.8	7%	8%	7%	7%	48%	44%

Buying Cockpit (Tracking of System buy/Manual buy/Unapproved buy)

Buying Report 22.10.2018 - 28.10.2018 (NON OL)

GROUP	New Product Buying	Resupply Buying	Commercial Bet	Total	Sales LW-Retail/E-com/IB/C&C(Incl CNS)	Open to Buy Budget LW	Management Approved	Unapproved Purchases	OTB Consumed	Value of Stock ordered less than System Suggestion
Communication	3.6	13.1	138.9	155.5	23.0	-25.0	133.4	0.0	0.0	-1.1
Computers Peripherals	0.0	19.5	1.1	20.6	14.7	-4.2	0.0	0.0	0.0	-3.9
Entertainment	0.1	5.1	29.6	34.8	23.6	-26.3	0.0	0.0	0.0	-0.3

Buying Cockpit (Actual Ineffective vs. Allowed Ineffective)

Inventory Report 29th Oct 2018 (NON OL)

GROUP	SLM 2 Candidate and Above (Stores)	Company Over Cover	DC Tail	Group Not Effective Stock (Excl Consignment)	Total Inventory (Excl Consignment)	% Of Actual Not Effective	Targeted Not Effective % For Next Phase	Open To Buy This Week
Communication	12.7	60.7	3.2	63.9	178.3	36%	23%	-22.9
Computers Peripherals	8.9	35.8	2.6	38.4	130.9	29%	23%	-8.3

Commercial Bet

Commercial Bet Evaluation Form															
Group:	APL											Date:	28-Nov-18		
Purchase Value for Approval:		2.79 Cr													
				414	325	2055	1220	1959	6	5			46,124,141	27,965,402	
SKU	SKU Description	DC	Avg wkly sale	Available Qty in DC	Open PO	Purchase Qty as per Buyer	Suggested Qty as per Merchandiser	Total Qty	Cur wk Cover	Merchandiser's Wk cover	MAP	Value - Buyer	Value - Merchandiser	Diff	Remarks
207492	SAMSUNG DC192L RR20N1Y2/N2Y2ZS8 3S IN	D001	45	-	35	15	15	50	3.1	3.1	10,202	153,030	153,030	-	Stock Constraint
207495	SAMSUNG DC 212L RR22N3/M2-Y2ZS8 3S INX	D002	18	2	5	15	10	17	4.0	3.0	11,538	173,068	109,610		Stock Constraint

DC Seasonality Review

Group	October Proposed Plan (Retail Sales)	% First Margin	Sales Mix (Oct)	Non-festive Avg Monthly Sales	Sales Increase	Sales Increase %	Increment sale value (less first Margin)	System Buffer Increase Value	Seasonal OTB Value till Diwali	Reserve
COM	142.0	3.0%	27%	81.3	60.7	75%	58.9	22.00	22.5	14.4
CMP	116.0	4.0%	22%	52.2	63.8	122%	61.2	55.0	0.0	6.2
ENT	142.0	13.0%	27%	46.2	95.8	207%	83.3	4.00	46.0	33.3

Diwali OTB Summary		
GROUP	Seasonal OTB Consumed (Diwali) till 14th October	Seasonal OTB Remains (Diwali)
Communication	18.0	42.0
Computers Peripherals	16.4	11.9
Entertainment	64.5	-16.6
Gaming	0.1	0.5
Imaging	1.2	1.8
Large Appliances	33.3	0.3
Small Appliances	1.5	3.9
Total	135.0	43.8