

Company

Colors Fruit, a distributor of fresh fruits in South Africa

The TOC solution

In response to the identification of the market as our systems constraint, we determined that an unrefusable offer had to be generated for a chain of retailers supported by the distribution solution of TOC and the Symphony buffer-management software by Inherent Simplicity.

The market offering

Our offer was essentially to go to a store, analyze his historical sales and margin performance in his fresh-produce department, and offer to guarantee a minimum of 10% more return from the same shelf space. The achievement of this “guarantee” rested on our ability to respond quickly to actual POS data: requiring at least daily deliveries, 7 days a week, on a maximum of a 24 hour lead time (from sale to replenishment). We also offered to take back any waste and/or produce passed its sell-by date. We shared additional Margin generated above the 10% on a 50:50 basis. E.g if a stores sales for the year are R100,000 above the historical sales plus 10% (the base), and his historical margin% was 25%, then there is an additional R25000 Margin generated by the model (we assume the historical margin % for this calculation) – we then split this amount 50:50 – so, in addition to the 10% guaranteed increased income, he will get an additional R12500.

The use of software and the value it brought

Once the offer was accepted (we have had a very high success rate with our offer) Symphony was the key enabler to allow us to effectively manage the replenishment model. Without it we would not have been able to work in a systematic way around replenishment decision-making and in all likelihood would have failed in our quest. Symphony allowed us to systematically manage the process and deal effectively with the complexity of multiples of stores and sku's.

Bottom line results

The most effective measure of our success is in the sales growth achieved. Sales overall are up by 36% over the past 10 months (our best growth store is running consistently at 250%). The stores have earned, in terms of margin, 18% more income for the shelf space. None of the stores failed to achieve the guaranteed 10% increase in sales.