

#### ACHIEVEMENTS WITH vSRM

- Thanks to vSRM, need to additional workforce in the Gratis's inventory planning process has come to an end despite the rapid operational growth.
- Gratis vSRM enables more effective communication with suppliers, yielding superior management of the order flow.
- vSRM's interactive structure provides mutual data flow with suppliers. Optimized communication avoids problems caused by information deficiency, and enhancements introduced lead to more effective and efficient communication with suppliers.
- As order management processes with suppliers are automated on vSRM, more time can be allocated to planning and process development.
- Thanks to shared sales estimates with the suppliers, suppliers can take actions based on sales projections, and provide feedback on how to promote the sales.
- With the efficient use of e-delivery note (ASN), stock processing is now faster and error rates are lower. Stock inflow process is now more efficient.
- The returns processing system could be optimized thanks to the product management system.
- Transparent management of service levels via vSRM has cleared reconciliation issues.
- Supplier service levels are on the rise after using vSRM.
- Thanks to the advantage offered by vSRM, any extra workload to suppliers is avoided. All suppliers was incorporated in the system very quickly.

# Major improvement achieved in supplier service levels with vSRM yields customer satisfaction

"Order management process was migrated to vSRM throughout Gratis. Next phase is to migrate other stakeholder processes including logistics and finance to vSRM as well. We have created the backbone and implemented major essential functions. Now, we are processing the minor functions. And we believe substantial efficiency and advantages will be achieved there."



From Left to Right: İsmail YILDIRIM, ITG Business Development Manager - Fatih UYAYER, Gratis Inventory Control and Planning Supervisor - Celil GERMEYAN, ITG General Manager - Erdem ÖZCAN, Gratis Inventory Control and Planning Director - Utku MORALAR, Gratis Supply Chain Development Supervisor

**Incorporated** as a subsidiary of SEDES Holding in April 2009, Gratis demonstrated a very fast growth, turning out to be major retail chain in Turkey.

As a centralized management-focused enterprise, Gratis sets its key performance as always keeping an available stock of the desired products in stores for the sake of a highest level of customer satisfaction.

Today, extending to as many as more than 350 stores throughout Turkey, Gratis treats efficient supply chain management as one of the top factors underlying the achievement.

Remarking that their collaboration with ITG is a part of their effective and efficient supply chain management strategy, Mr. Erdem Özcan, Inventory Control and Planning Director for Gratis, has explained for us their experience with the Virtual Supplier Relationship Management (vSRM) so far.



**Erdem ÖZCAN**  
Gratis Inventory Control and  
Planning Director / GRATIS

“One of the key strengths of vSRM is its adaptable infrastructure. vSRM has a flexible composition. You can reshape it according to your actual demand. You can customize it for each customer. And their capability to develop customized solutions for different customers has driven our preference in ITG.”

### **How about Gratis's supply chain management before vSRM?**

We had an Electronic Data Interchange (EDI) system to forward the orders to suppliers. However, this was a single-sided tool without interaction and portal functionalities. In this system, orders were being transferred to suppliers through a file. However, the other side had no chance to send confirmation or feedback. Our actions were based on the assumption that the order reached the supplier. But sometimes, the reality was different. After migrating the data to a medium, we could not track whether they actually reached the supplier. This was a real trouble for us. After creation, the order was being transferred to the supplier electronically, and then we were expecting the supplier to deliver on the scheduled date.

There was no process structured to optimize the order delivery or control the quantity beforehand. The only function was to check physically the incoming stock and then measure the supplier performance.

### **Then, what made you identify this need and seek for a solution?**

For retailers like us, performance of co-operated suppliers is crucial. Our business is to market the products of suppliers in our stores. If the supplier fails to deliver the demanded product at the right time and quantity, then problems are inevitable, resulting in failed performance on our side. With the supplier range widening in parallel to Gratis's progressive growth, it certainly turned out to be a need to resolve disagreements with suppliers such as “non-delivered orders”, “delivery-order mismatch”, etc. For this reason, the core need that has guided us towards ITG was our ambition to build a platform allowing the seamless management of orders and the supply chain. We were aware of what ITG could offer, and the company's references, experience and customer perspective were key indicators suggesting that we can commission the project in a very short period of time, and this has come true either. Automation project for Gratis was launched in late 2014, and we started to actively implement it across all suppliers in February, 2015.

### **Have you ever needed to amend the internal side of the project after the launch?**

We have introduced some minor improvements locally. However, we did not need to make a major organizational modification or take any action with enterprise-scale influences. We have reformed some processes in alignment to the ideal setting. And we optimized some segments of the SAP side where we believed to derive some advantages from the process flowing via vSRM.

### **A SYSTEMATIC DELIVERY INDEPENDENT OF ENTITIES**

#### **How does your order management process on vSRM run now?**

Certain suppliers have certain days for order and delivery. Everyday, we create orders for designated suppliers. We run our demand forecast system everyday, whereby orders created on SAP based on the demand flow into vSRM. Also, automatic information emails are sent to suppliers via vSRM as well.

All suppliers log in the system with their own usernames and passwords, view the orders on the portal, or import them as an EDI file for automatically transferring the orders to ERP systems in various file formats. At this point, we can see all process data, such as the time a supplier saw and confirmed the order. Supplier can accept and confirm the order, or refuse if it cannot supply the product together with the feedback on the reasons for refusal. These feedbacks help us to take actions beforehand. Suppliers may sometimes face short-term supply issues due to production, or troubles in connection with raw material import. In such case with consequential drawbacks in our order process, we coordinate our internal units, acknowledge the unavailability of delivery, and take action to find alternative products on the shelf. We substitute with other available alternatives. And Order Approval is followed by shipment processing.

#### **What sort of a solution could vSRM offer to eliminate one of the key issues, order-delivery mismatch?**

Indeed, what order means to us is pumping blood into the vein. Actually, planning is started much earlier. We just check whether our plan is consistent with the information provided by the supplier.

During the shipment phase, suppliers issue an e-delivery note (ASN-Advance Shipment Notice) on vSRM, reports the actual delivery of the order confirmed beforehand, and hence we acquire all information in the form of an electronic shipment notice before the supply is delivered. We import this data into our own ERP system. And this flows into our warehouse via SAP. Our warehouse is managed by a business partner providing 3PL services, and the warehouse staff can clearly see which supplier will deliver what product in what quantity. Because, the electronic data flowing in the system matches the actual delivery note arriving at the warehouse. Unlike the previous mechanism, when accepting the incoming stock, we check based on the quantity reported by the supplier instead of the order. Discrepancies during the count are instantly identified. And such discrepancies are recorded.

“Gratis manages a high order volume and a broad spectrum of order items. For this reason, we have made some additional improvements to enable the suppliers confirm orders much more smoothly via vSRM. Hence, we could enhance customer satisfaction.”

Records are instantly shared with the supplier via vSRM, hence any potential disagreement is avoided. This means, we truly speak the same language with our suppliers. Many of the products in Gratis stores are high-quality products vulnerable to abuse. Particularly for orders of colored cosmetic and make-up products, which are generally tiny in size, the preparation on the supplier side and checking and counting on our side both were both leading to a heavy labor and intense efforts. E-delivery note has greatly simplified this process and enhanced its reliability. As soon as records are created, the risk of any disagreement with the other side is automatically avoided. Because, both parties observe the counting process, and any shortage is recorded, and then confirmed and signed by both parties. Hence, a systematic delivery independent of entities is achieved.

### **Have you experienced any trouble with suppliers during adaptation to vSRM?**

One of the most critical concerns at inception was the adaptation of suppliers to vSRM. Based on our past experiences, we know that if a wide scale of options are offered to the supplier, the standard may be violated. Therefore, starting from the very first step, we tried to devise the best and the simplest, taking into account the suppliers.

We marked our lines very clearly from the very beginning. We explained to suppliers that orders should necessarily be communicated via this channel and suppliers should get involved in the system to work with us. And I can say that we faced almost no reaction from them. Of course there were some exceptions, but we quickly resolved, and now, all suppliers, without exception, employ the system.

Before launching the project, we brought together all suppliers, their officials and users. We introduced our strategy underlying the set-up of this system, and what functions and advantages the system offers, and delivered them a comprehensive training on operating the system, in other words, we persuaded them. And then we imposed it.

After the launch of vSRM, we discontinued order flow via EDI. And when the old model was phased out, everyone had to use to the new system. Of course it was not meant to be a coercive imposition on suppliers, but a much promising system. And the result confirmed our prospects, with brilliant results for everyone.

### **How did you manage to run the process without any setback?**

Indeed, suppliers do not need to make an infrastructural groundwork. The single effort is to introduce the system to the staff. And it was one of the valuable advantages of vSRM. When you complete your preparations on your own side, it is possible to migrate hundreds of suppliers to vSRM in one single day. ITG undertakes collective supplier trainings, and when support is needed, suppliers may call ITG, and also use online training videos for self-learning. These advantages relieve the burden and directly contribute to the success of the project during transition.

### **What changes and gains has vSRM brought to the organization and employees in almost 1.5 years following the launch?**

**Service levels were enhanced-** It is critical that employees efficiently control the process. Timely and complete delivery of the order by the team running vSRM is one of our primary KPIs. In addition, consistently monitoring the supplier performance and applying improvements, if possible, is also a key objective. I can say, the biggest improvement in KPI yielded by the system is elevated service levels. Because, we now can monitor supplier performance online and more smoothly.

**Performance scores reconciled with suppliers-** In the past, we could not get into an agreement with suppliers for the performance scores we assigned to them. Because, it was a subjective approach rather than an objective one as each party looked through its own perspective. However, I can say this is over today. Because, we now track service levels via vSRM. Any supplier can now log in vSRM and instantly see its service level in Gratis. Also the supplier performance has climbed. And in parallel to this, we can minimize empty slots on shelves as well as lost sales. However, gauging is based on a very clear and transparent method.

**Efficiency raised-** Indeed, in the long term, we have to run all processes with suppliers via the system. And entrusting the whole process to the system yields added efficiency in the form of human resource. And we set our internal cost objectives accordingly. Now, one person from Gratis is assigned to the management of the order process. In other words, only one person handles almost 85% of the whole Gratis procurements. Without vSRM, it would cost us a team of 10 members.

### **WE WOULD LIKE TO MIGRATE ALL PROCESSES INTERACTING WITH SUPPLIERS TO VSRM**

#### **What is the next phase after achieving your objectives for logistics and order management?**

We not only gauge the service levels of suppliers, but also impose particular sanctions for incidents leading to loss of sales, based on their service level scores. The key purpose is to procure ordered products from suppliers on timely basis.

We have completed the groundwork, whereby suppliers face financial sanctions based on their failed service level commitments, and we transparently manage them. And they provide us with feedback about the records issued via vSRM. Now, closing analyses for the year 2016 are conducted via this system. Our core purpose here is to drive suppliers towards observing service levels and satisfying their commitments despite negative sanctions.



**İsmail YILDIRIM**  
Business Development Manager / ITG

“As vSRM is a user-friendly system, its infrastructure is not very complicated and tiresome, fostering the orientation of suppliers. It was quite welcome for its capability to simplify the supplier’s process control and avoid additional labor, yielding efficiency.”





#### About vSRM

vSRM is a supplier relations management portal with advanced Supply Chain Applications.

It is a multi-language platform built at international standards, and highly preferred by myriad of enterprises in many countries primarily including USA, Brazil and Spain besides Turkey.

Modules and functions actively employed in the Gratis project;

- Purchase Orders
- Supplier Purchase Orders Confirmations
- Purchasing Forecasts
- Electronic Delivery Note (ASN – Advance Shipment Note)
- Shipment Barcode Labels
- Stock Entries, Receipts
- Returns Management
- Online Supplier Performance Scorecard
- Service Level Measurement
- Penalty Bills
- Ramp Reservation System
- Warehouse Vehicle Inflow/Outflow Records
- Warehouse Receipt Records

### The Ramp Reservation System will be commissioned to reduce labor loss and increase efficiency in the warehouse.

All products are stored in a central warehouse, therefore the space is exposed to a high traffic of suppliers in the day, even at the same time. And this may lead to a crowd and chaos.

Thanks to this system, at the time of product delivery, the supplier will be able to reserve the ramp of delivery beforehand on the system. Hence, this will yield an exact time and day schedule for ramp arrivals.

Moreover, queuing and congestion of supplier vehicles will be eliminated in favor of a more effective labor planning and working order in the warehouse.



**Migration of demand estimates to vSRM** - We now share our estimates with suppliers via vSRM. This is not a binding order, but a forecast enabling the supplier to make a plan and set the groundwork. This is run in a mutual interaction with some of the suppliers. Thanks to this information exchange, suppliers can keep us updated of their schedule for proposed marketing and advertising campaigns, and hence potential sales increases. And we can update our plans accordingly. Designing sales projections together with suppliers would help them see our forecasts and provide feedback on proposed actions, so our service levels and sales would directly be effected.

**KPI reports and archive**- There is a set of KPI reports that we have migrated to vSRM. Great portion of data flows to vSRM from various outlets. We have set up a system that would enable to create a report by blending such distinct data from suppliers via SAP.

#### What other activities do you think you will be implementing with vSRM in the upcoming period?

On the logistics side, one of the primary projects currently ready for active implementation is the "Ramp Reservation System". When loading the product on the vehicle and submitting us the electronic delivery note, supplier will be able to see what unloading ramp is currently available or whether there is a time slot for delivery, and accordingly make a reservation. And this will optimize our planning process.

**Handling new product offers and proposals on vSRM**- In near future, our plans will involve more business-focused items. Assume that a supplier launches a new product and intends to sell it at Gratis stores. And we want that the initial offer flows via vSRM. Briefly, our plan is that after all product details arrive at the category manager followed by his/her review and perhaps product approval via vSRM, data flows from vSRM into SAP so that a price agreement

can be made and product is capitalized.

All steps in this process contribute to the workload. And we would like to entrust this data flow to the supplier that is most familiar with the product. We want to build a process where all product data are transferred to us from the supplier and then automatically created in our system after getting checked. This is a very critical initiative that is currently under analysis.

#### Migrating price revision demands to vSRM-

Suppliers may sometimes want to revise a product price registered in our system. And this requires an approval process on the Gratis side. And we also would like to run some of the business-related steps on the system as well, including the import of data from vSRM and analyzing them, and making the decision of approving or rejecting to procure the product from the supplier. Because, sometimes this process may be too lengthy. And we are trying to shorten this period, and build an automated approval process for price disputes/ revisions.

#### Finally, what advantages has ITG cooperation brought to Gratis?

Our core objective was to build an order management process, and to commission the system as fast as possible. We could actively implement the system within a period as short as 3 months, and this represents a very fast-paced project. Improvement is an eternal process. We have progressively enhanced the content. Practical demands will vary by time and we will be steering our operations in an awareness that both of the parties should cope with this variation.

I can say we basically have a very favorable dialog with ITG all the way. As a business partner, it is a very friendly company. Besides, vSRM is a flexible platform you can smoothly reshape. And you, as a customer, face no resistance while reshaping. It is clear that this is a quite harmonious cooperation.