



“More efficient logistics provide us with lower costs, better customer service and increased gross profit”

Rexus is the name of the company that owns the retail chains Barnens Hus and Babyland. In cooperation with Sonat, Rexus has carried out an overview of its entire supply chain and developed a detailed action program. When the improvements are fully implemented, it is estimated that gross profit will increase by SEK 20 million and that costs will be reduced by SEK 44 million annually.

Consultant Rolf Ericsson got the position as Managing Director at Rexus totally by chance. A neighbor that was a co-owner of the Barnens Hus chain needed help in developing the operation.

“I was asked to review the operations and improve financing for future growth. I quickly realized that this was an industry that had stood still since the 1970s. Profitability was good and the shops were large but there was great potential for increasing professionalism and especially for consolidating and creating a larger, more efficient chain,” he says.

The leading child and baby chain in the Nordic region

After a time, Rolf Ericsson realized that Barnens Hus was too small to become a well-known brand throughout all of Sweden. Contact was made with Babyland, which was a good match both in terms of products and geographically.

“In principle, Barnens Hus was located in Stockholm and areas north of there. Babyland dominated in southern Sweden. After a rather long and awkward acquisition process, the two operations were merged under the collective name, Rexus AB.

After that, Rolf Ericsson initiated a dialogue with Reflex, which owns the rights to the Norwegian brands and concepts “Barnas Hus”, “Reflex” and “Fru Lyng”. Following a relatively short process, Reflex A/S acquired one-third of Rexus in the autumn of 2008, exactly before the financial crisis erupted. A little over a year later the Ikea-financed investment company, Alipes, stepped in as the new primary owner of Reflex.

The ambition is now to build the leading baby and child products chain in the Nordic region.

Weak profitability and outdated business processes

“In 2009, we had gotten our new operational structure in place and new, financially strong owners. At that time it was natural to start to review our business processes, find coordination advantages, and in general, organize our supply chain in a more efficient way. I was told about Sonat and called Kjell Rundqvist,” says Rolf Ericsson.

“Barnens hus and Babyland had insufficient profitability, outdated business processes and basically lacked coordination in the supply chain. Both the owners and corporate management realized that a more professional approach to logistics and supply chain was needed.”

“Together with Sonat, we could quickly see that our product range was too wide, that we had too many suppliers, too many articles and that a clear allocation of responsibility and coordination of purchasing, the logistics flow, storage and sales, was lacking. Therefore, with Sonat, we started a project in the autumn of 2009 with the goal of identifying where improvements could be made in the entire goods flow – from selection development and purchasing to sales in the shops. The work resulted in a large number of suggestions for improvements, which when fully implemented, are assessed to increase gross profit by SEK 20 million and reduce costs by SEK 44 million.” ■

IMPROVEMENT PROJECT IN BRIEF

A strategic preliminary study identified improvement possibilities within the main areas Selection, Purchasing, Logistics and Sales.

From Sonat's side, the project was staffed with a project manager who was responsible for the improvement and development work within the respective sub-areas. A number of pilot projects were started and focused on certain specific product categories, for example, feeding bottles and baby carriages. Based on the work with the different categories, a method for analysis and the implementation of improvement measures was created.

ACTION PLANS WERE ESTABLISHED TO DEVELOP EVERY SUB-AREA:

Selection

- Selection strategy
- Shop categorization
- Gross selection
- Selection per shop category
- Phasing-in
- Phasing-out
- Key figures

Purchasing

- Supplier base (choose suppliers)
- Sourcing (choose products)
- Spot-purchase (purchase of items)
- Purchasing budget
- Supplier negotiations
- Purchasing agreements
- Supplier development/cooperation
- Key figures

Logistics

- Physical flows
- Material control methods
- Warehousing and shipment details
- Dimensioning
- Logistics agreements
- Imports
- Returns/Claims
- Operative procedures, acquisition and distribution
- Key figures

Sales

- Product exposure, sales supervision
- Sales techniques
- Sales and product training
- Campaign implementation
- Closeout sales
- Demonstrations
- Sales budget
- Marketing
- Key figures

BABYLAND & BARNENS HUS

Babyland has 11 shops throughout Sweden that sell baby products for children between the ages of 0-3. Barnens Hus has 18 shops that sell children's articles, baby products and toys for children between the ages of 0-10. Both chains are owned by Rexus AB, a part of Reflex A/S, which is Scandinavia's leading retail chain for children and baby products.