

Efficient Global Supply Chain

DSGi's Learnings

DSGi – An overview

- DSGi is one of Europe's leading specialist electrical retailers with a turnover of £8.5bn
- Our retail and e-tail brands include
 - PC World, Currys and Dixons.co.uk in the UK and Ireland
 - Kotsovolos in Greece
 - Electro World in Central Europe, Greece and Turkey
 - Elkjøp in the Nordic countries
 - Pixmania.com in 26 countries

WORLD RETAIL CONGRESS 09

PC World

- 160 Stores
- Approx. 8,000 Employees

Currys / Currys.digital / Dixons Travel

- Over 500 Stores
- Approx. 13,500 Employees



Currys

Currys.digital

PC World

Dixons
TAX FREE

DSG Ireland

DSG ireland

- 30 Stores
- Approx. 700 Employees

WORLD RETAIL CONGRESS 09

ELKJØP

- 280 Stores
- Approx. 5,500 Employees



ELKJØP

GIGANTEN

 **WORLD RETAIL
CONGRESS 09**

**Electro World &
Kotsovolos**

- 110 Stores
- Approx. 3,000 Employees



ΚΩΤΣΟΒΟΛΟΣ

ELECTRO WORLD

 **WORLD RETAIL
CONGRESS 09**

DSGi – An overview

- UniEuro in Italy
– 153 Stores
– Approx. 2,500 Employees
- PC City Italy & Spain
– 153 Stores
– Approx. 2,500 Employees
- Pixmania.com - 26 countries
across Europe

UniEuro

PC CITY
Computer Superstore

PIXmania.com

DSGi
DSG international plc

DSGi – An overview

- In May we announced our plans for the renewal and transformation of our business – the beginning of our turn-around

Our Renewal Plan

- Focus on the customer through an unbeatable combination of VALUE, CHOICE and SERVICE
- Focus the portfolio on winning positions
- Transform the business to broaden the choices for our customers and improve the in- store buying experience
- Win in the internet market by growing our pure play business and become the masters of multi-channel retailing
- Reduce our cost base by simplifying processes

So what are the characteristics of our Supply Chain?

DNA of Our Supply Chain

- Products go from 'must have' to obsolete in as little as twelve weeks
- Promotion, launch and seasonality lead to huge spikes in demand
- Products range from a memory card to a 115kg refrigerator
- We don't deliver a product, we deliver a customer proposition
 - Home theatre, Cookers, Washing machines and dishwashers
- Minor cosmetic damage has a huge cost impact
- Customers are coming to expect us to dispose of the old product and the packaging

Two Interpretations of Sustainability

- Economic Sustainability
 - We need to ensure we have a business that creates value for our customers and our shareholders
 - We need to ensure we have a business efficient enough to generate profit to allow growth
 - We need to have a supply chain able to create and deliver products to customers with ever increasing efficiency
- Environmental Sustainability
 - We must minimise the environmental footprint we make
 - We need to help our customers minimise their footprint
 - We need to change our supply chain, from factory to customer, to reduce the lifetime impact of our products

Economic Sustainability

- As part of our transformation plan we have a goal of reducing our operating costs by £50m pa
 - We identified that as we grew and diversified in the past, our processes and working methods had become laborious
 - We needed a methodology to review all of our backroom processes to remove waste and dramatically streamline them, to get to the £50m target and to remove errors
 - We have chosen to apply the lean six sigma principles across our business

What is Lean Six Sigma

- Introduced to our business by our CEO John Browett
- It provides a toolkit to review a process
 - From making toast, to making a toaster
- We started in a process rich environment - our Logistics network
- We review and re-engineer our activity at the lowest level to split processes into three areas
 - Activity that adds value for our customers – keep & improve accuracy
 - Activity that adds value for our business – keep & make more efficient
 - Waste – remove entirely
- The typical benefits we are tracking are:
 - We improve the efficiency of the process by 25% – 75%
 - We reduce the process time by 30% to 80%
 - We reduce the variability and therefore the error rate by 50% - 90%

Let me give you some real examples

Supplier Collaboration

- Pre Step Change we viewed our supply chain in two halves
 - Suppliers Supply Chain factory to DC
 - DSGi Supply Chain – DC to Customer
 - There were in-built inefficiencies of the separate parts
 - There was additional lead-time purely due to the split view
- With one of our PC suppliers we re-engineered the end to end supply chain
 - We removed two transport nodes from the chain
 - We took three weeks out of the product lead-time
 - We shared the benefits, over £1m pa each
- With one of our TV suppliers we planned the process from factory through to DC
 - We removed two weeks from the supply chain
 - We moved to direct movement from Factory in Poland to our DC
 - We shared the benefits, over £600k pa each

UK Transportation

- Pre Step Change our transport network had been improving incrementally, but in a silo
 - Slightly better routing each year
 - Slightly better trailer utilisation each year
 - More economical equipment with some double deckers
- Step Change reviewed the total value chain, from the DC processes, to the store unloading processes
 - In the last year we have increased our deliveries to store by 17%
 - We have increased our double decker utilisation by 196%
 - We have improved our cube fill by 9.2%
 - With more deliveries but better utilisation we have reduced our transport spend by £4.8m year on year



Home Delivery

- Pre Step Change our home delivery proposition was uncompetitive
 - Our delivery lead-time from purchase to delivery was 3 days
 - Our delivery time window was 8am to 5pm
 - Our first time success rate was 91%
 - We received a customer complaint per 50 deliveries



Home Delivery

- Post Step Change our proposition is market leading
 - We delivery next day, with a 2pm cut-off
 - We deliver to a three hour time slot from 7am to 10pm
 - Our first time success rate is 96% - including installation
 - We receive a customer complaint per 350 deliveries - and falling
 - Our costs have reduced by 18%, over £7m
- Post Step Change our proposition is Better for our Customers,
Easier for our people and Cheaper for our business

Environmental Sustainability

- DSGi are committed to achieving high standards of environmental management
- We strongly believe this can best be achieved by integrating our environmental and business objectives
- We believe Business and Environmental sustainability are not juxtaposed
- If you are making real fundamental change to the way your business engine runs, by making it leaner, you are also making it cleaner

Lets look again at those initiatives from the environmental view of sustainability

Supplier Collaboration

- Through the collaboration with our PC supplier, the total benefits were
 - Two transport nodes removed
 - Three weeks taken out of the lead-time
 - Over £2m pa saving shared with the supplier
 - 206k transport miles removed
 - Reduction of over 50 tonnes of CO2
- Through the collaboration with our TV supplier, the total benefits were
 - We removed two weeks from the supply chain
 - We moved to direct movement from Factory in Poland to our DC
 - Over £1.2m pa saving shared with the supplier
 - 650k transport miles removed
 - Reduction of over 150 tonnes of CO2

UK Transportation

- Through our step change work on our transport network the benefits were
 - We have increased our deliveries to store by 17%
 - We have increased our double decker utilisation by 196%
 - We have improved our cube fill by 9.2%
 - We have delivered more for less, reducing our spend by £4.8m YOY
 - We have also reduced our miles travelled by 4.86m miles per annum
 - We have reduced our diesel consumption by 1.39m litres
 - We have reduced our Carbon emission by 3,500 tonnes of CO2
- So in three initiatives we have:
 - Reduced our total supply chain mileage by 5.7m miles
 - Reduced our CO2 footprint by 3,700 tonnes

So lets take another look at the changes to our home delivery proposition

Home Delivery



- Pre Step Change
 - We charged £4.95 to collect the customers old appliance
 - 17% of the time we installed a new product we collected an old one
 - We used a collection company to take the old product from us
- Post Step Change
 - We offer free collection and recycling on all appliances
 - 40% of the time we install a new product, we collect an old one
 - We also collect and recycle all of the packaging
 - We have partnered with Environcom to re-use and recycle our customers old products
 - Their facility is one of the most advanced in Europe

Our Recycling Partnership

- EnvironCom process Waste Electrical and Electronic Equipment (WEEE) on our behalf
- There are 4 main WEEE streams in our business, these are:
 - Large Domestic Appliances (Washing machines, Cookers etc.)
 - Refrigeration (Fridges / Freezers)
 - Display Equipment (Televisions and Monitors)
 - Mixed WEEE (Toasters, Kettles, Irons etc.)
- Using state of the art technology environCom recycles and treats all our WEEE
- Whole products that still have a viable life are repaired / re-used
- Out of the recycling process come recovered metals, plastics and glass which are then sold to manufacture new products

TV & Monitor Recycling



The front (flat) Panel is separated from the (curved) funnel and then turned into Glass chips ready for remanufacture

Washing Machine Recycling



- Over band magnets to separate magnetised and non magnetised metals
- Trommels to segregate materials into streams of similar sized fractions
- EDI current separators (electrical fields) to separate copper, aluminium and plastics

Washing Machine Recycling



Refrigeration Recycling



Next Steps

- As part of Step Change we have already identified the next chunk of improvements and savings to make in our supply chain
- We want to engage our customers further on recycling of appliances
 - We will continue to be the only nationwide retailer to offer free recycling in the UK
 - We have started our first environmental promotions
- We want to continue to be at the leading edge in recycling within our industry segment, sharing best practice across all our regions
- We believe the sustainability agenda for business and the environment is one and the same

Conclusion & Next Steps

- We have made a good start, we have a process, a philosophy and momentum
- To improve we mercilessly review our supply chain to drive in value and drive out waste to be:
 - Better for the Customer
 - Easier for our People
 - Cheaper to operate
- We believe that building a sustainable business is in part about building a sustainable operating model that's good for our customers, the environment and ultimately DSGi