

Shared Success



BJ's Wholesale Club and Pharmavite Reap the Benefits of a Collaborative Program for Increased Sales, Forecast Accuracy and Reduced Inventory

BJ's Wholesale Club, Inc. Pharmavite, LLC Fast Facts

Industry

BJ's: Membership Warehouse Retailer
Pharmavite: CPG Manufacturer

Headquarters

BJ's: Natick, Massachusetts
Pharmavite: Northridge, California

Description

BJ's Wholesale Club is dedicated to providing its members with high-quality, brand-name merchandise at prices that are significantly lower than the prices found at supermarkets, supercenters, department stores, drug stores and specialty retail stores.

Pharmavite has been making high-quality vitamins, herbs and other dietary supplements under the popular brands Nature Made, OLAY and Nature's Resource for over 30 years. The company's products are available through major mass retailers and drug store chains.

Revenues

BJ's: \$8.8 billion
Pharmavite: Privately Held

"With JDA Software's core replenishment and collaboration solutions, Pharmavite has better visibility into our needs. It is no longer just looking at a purchase order. Now the company is really working with us to make sure that the right inventory arrives at the right BJ's Club at the right time."

- Stacey Hurd, assistant vice president supply chain integration & financial control, BJ's Wholesale Club, Inc.

Business Challenge

BJ's Wholesale and Pharmavite established a Collaborative Planning, Forecasting and Replenishment (CPFR) program to address key challenges, including the need to improve in-stocks, increase sales, enhance supply chain visibility, uncover gaps in the distribution process, improve on-time performance, ensure fill rates are maintained at a high level, decrease the percentage of demand forecast errors and streamline the introduction of new items.

Business Solutions

- JDA® Advanced Store Replenishment
- JDA® Marketplace Replenish

Business Benefits

- Gained visibility into consumer demand for improved operational efficiencies
- Improved understanding of processes that impact the supply chain
- Increased commitment to recurring, meaningful communication and information sharing
- Enhanced planning for Club sales and promotion volumes
- Improved ability to calculate inventory requirements and respond to operational issues

Quantifiable Benefits

- 29.9 percent reduction in weeks of on-hand inventory
- 23.8 percent increase in comparable Club sales
- 31.7 percent decrease in comparable Club inventory on average per week
- 42 percent increase in inventory turns
- 4.5 percent increase in orders delivered on or before the purchase order due date
- 97.8 percent average in forecast accuracy
- 3.9 percent increase in fill rates with performance now averaging 99.1 percent
- Maintained 99 percent in-stock levels since the implementation

BJ's Wholesale Club first introduced the warehouse-club concept to the northeastern United States in 1984. Today, the company is the number-one membership warehouse club in New England with more than 8.5 million members that shop at 176 Clubs located across 16 U.S. states. BJ's Wholesale is dedicated to providing its members with low prices on a broad selection of high-quality, brand-name merchandise that includes apparel, housewares, small appliances, consumer electronics, fine jewelry, as well as fresh and frozen food products.

With a passion for meeting consumer expectations for availability, as well as the desire to balance high in-stock levels with reduced inventory investment, BJ's Wholesale and one of its leading suppliers, Pharmavite LLC, entered into a collaborative agreement. As a leading manufacturer of premium vitamins, minerals, herbs and other dietary supplements, Pharmavite provides BJ's Wholesale with an assortment of more than 50 products.

Collaboratively Addressing Key Challenges

The partners established a Collaborative Planning, Forecasting and Replenishment (CPFR) program to address key challenges, including the need to improve in-stocks, increase sales, enhance supply chain visibility, uncover gaps in the distribution process, improve on-time performance, ensure fill rates are maintained at a high level, decrease the percentage of demand forecast errors and streamline the introduction of new items. BJ's Wholesale and Pharmavite turned to JDA Software solutions, including JDA® Advanced Store Replenishment and JDA® Marketplace Replenish, to support their CPFR program.

“Collaboratively working with our suppliers has allowed us to optimize the way we purchase, ship and manage our inventory,” said Stacey Hurd, assistant vice president supply chain integration & financial control for BJ's Wholesale.



Gaining Consumer Demand Insight Through CPFR

Within a 60-day period, BJ's Wholesale and Pharmavite went live with their collaboration program, completing the implementation of 9,000 SKU/Club combinations.

Today, BJ's Wholesale and Pharmavite follow the retailer-managed release alternative for store replenishment collaboration. Two Pharmavite CPFR specialists – one to review exceptions and forecasting, and another person to produce calculations – have real-time access using the JDA collaborative solutions to view BJ's forecast and order information. The software enables the specialists to manage 9,000 SKU/Club combinations by exception, as well as refine the forecast, plan promotions and execute orders on a weekly basis. These orders are the result of BJ's Wholesale's Club-level point-of-sale (POS) demand information rolled up to the retailer's three cross-dock facilities. Orders are then shipped into these facilities where BJ's Wholesale distributes the orders to each Club.

“The JDA collaboration solution met our primary challenge of having the right product at the right time in the right quantity to meet customer demand,” Hurd explained. “With JDA Software's core replenishment and collaboration solutions, Pharmavite has better visibility into our

needs. It is no longer just looking at a purchase order. Now the company is really working with us to make sure that the right inventory arrives at the right BJ's Club at the right time.”

Supply Chain Results and ROI Success

The CPFR program enabled the two companies to understand the processes that were impacting their supply chain and commit to recurring, meaningful communication and information sharing. Through increased supply chain visibility, BJ's Wholesale and Pharmavite have also been able to more effectively plan Club sales and promotion volumes, calculate inventory requirements and respond to operational issues, as well as leverage each other's unique product and logistics insights to improve the alignment of supply with consumer demand.

“By having the right product at the right time on our retail customers' shelves, we can eliminate excess safety stock, plan at a more targeted level and keep the focus on the consumer,” said Art Karrer, Pharmavite's manager of collaborative processes.

Since launching the CPFR initiative with Pharmavite, BJ's Wholesale has realized stellar results. These include a 29.9 percent reduction in weeks of on-hand inventory, a 23.8 percent increase in comparable Club sales, as well as a 31.7 percent



decrease in comparable Club inventory on average per week. In addition, the partners boosted inventory turns by 42 percent and increased orders delivered on or before the purchase order due date by 4.5 percent. The partnership between BJ's Wholesale and Pharmavite has also resulted in a 97.8 percent average in forecast accuracy, a 3.9 percent increase in fill rates with performance now averaging 99.1 percent. An impressive in-stock level in excess of 99 percent at Clubs has been maintained since the software implementation.

Additionally, BJ's Wholesale was selected as one of three finalists for the annual VICS Collaborative Commerce Achievement Awards for Most Innovative VICS CPFR Implementation. According to Hurd, "The

results have allowed us to successfully market CPFR utilizing JDA with other appropriate suppliers."

Achieving Increased Efficiencies with Other Trading Partners

Having seen tremendous supply chain results and ROI success with their CPFR program, BJ's and Pharmavite confirm that their trading relationship is stronger. Armed with better information, they are also able to work more efficiently and competitively with other trading partners.

"The ROI success that we have achieved with Pharmavite with the use of JDA solutions proves that huge benefits can be

realized by working more closely with our trading partners," Hurd said. "The strength of the collaborative relationship helped us execute major changes both during and after implementation."

Added Karrer, "In supporting our CPFR program, JDA's collaboration solutions deliver. They are quick to implement and are easy to use. We welcome the opportunity to grow our collaborative program with the support of JDA."

About JDA Software Group, Inc.

JDA® Software Group, Inc. (NASDAQ: JDAS), The Supply Chain Company®, is a leading global provider of innovative supply chain management, merchandising and pricing excellence solutions. JDA empowers more than 6,000 companies of all sizes to make optimal decisions that improve profitability and achieve real results in the discrete and process manufacturing, wholesale distribution, transportation, retail and services industries. With an integrated solutions offering that spans the entire supply chain from materials to the consumer, JDA leverages the powerful heritage and knowledge capital of acquired market leaders including i2 Technologies®, Manugistics®, E3®, Intactix® and Arthur®. JDA's multiple service options provide customers with flexible configurations, rapid time-to-value, lower total cost of ownership and 24/7 functional and technical support and expertise. To learn more, visit www.jda.com or e-mail info@jda.com.

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