

Bashas' Uses Better Shrink Controls to Improve Gross Margins

Capgemini collaborates with a leading Arizona grocery retailer to refine its business model, resulting in reduced costs and risks, and enhanced customer satisfaction

The Situation

Established in 1932, Bashas' is a family-owned grocery store chain located in Arizona, with over 150 stores in four distinct formats: Bashas', Bashas' Diné, AJ's Fine Foods and Food City.

Bashas' needed to reduce its shrink exposure by enhancing inventory control systems and Direct Store Delivery (DSD) practices. It looked to Capgemini to help with these challenges as well as monitor front-end transactions and perishable shrink controls

The Solution

Capgemini worked with Bashas' to develop an inventory control program based on average weekly Point of Sales (POS) movement. POS and DSD parameters and procedures were tightened so that fraudulent activity was reduced and controls for shrink improved. Perishable department

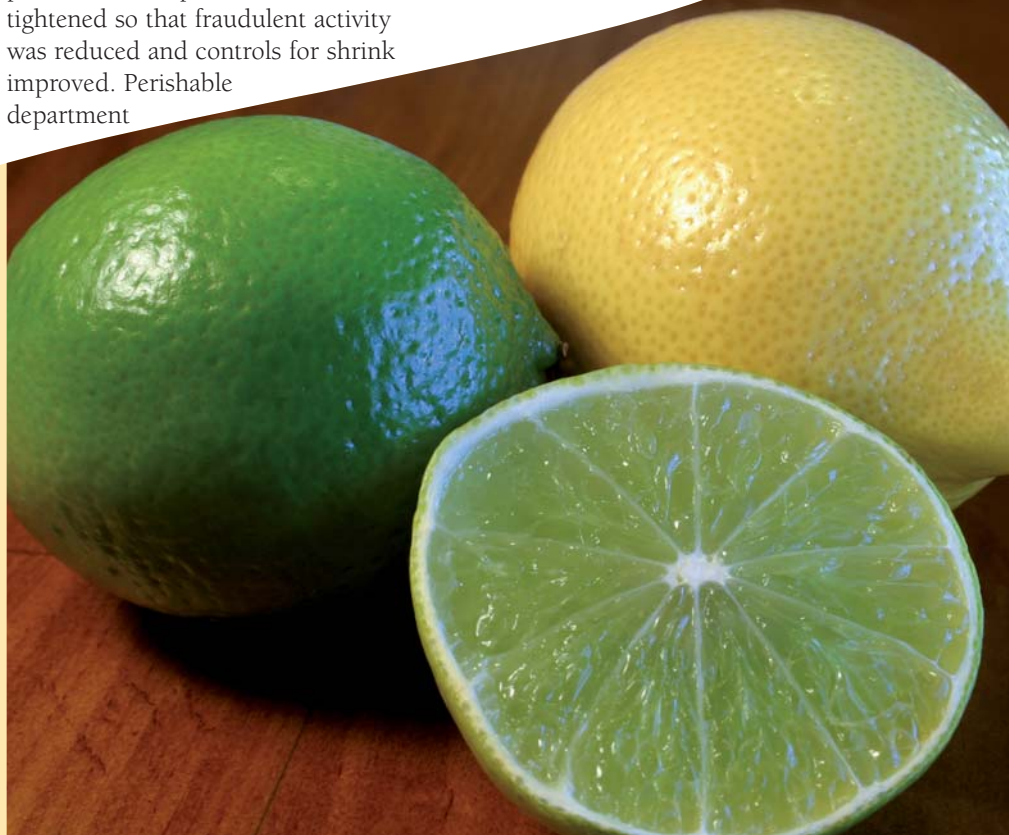
shrink controls such as markdown procedures and a product identification program were put into place to further increase efficiency

The Result

The non-perishable inventory reduction program has helped Bashas' to improve its ordering procedures and out-of-stocks, while dramatically reducing inventory holding costs. Better controls for DSD and effective monitoring of front-end transactions has improved Bashas' risk management procedures. Significant savings occurred from reduced vendor discrepancies and fraud exposure. Additional benefits from the project include: increased productivity, improved space allocation, and enhanced customer satisfaction.

“Our Team, working jointly with Capgemini, was able to achieve our objectives through a pragmatic systematic implementation of new concepts, processes and measurement tools.”

**Mike Proulx,
President and COO,
Bashas'**



How Bashas' and Capgemini Worked Together

Bashas' has doubled in size in the last decade by increasing the number of stores under its Bashas' brand, and launching new outlets for AJ's Fine Foods and Food City, bringing the total to more than 150 stores. Having several formats has enabled the company to serve distinct "demographic neighborhoods" with an appropriate mixture of products and services.

Bashas' stores are traditional grocery stores emphasizing quality goods, excellent customer service, and outreach to a customer base in the immediate neighborhood.

Commitment to service and diversification has spelled continued growth and success for Bashas'. However, the grocery business in Arizona is extremely competitive and Bashas' looked to Capgemini to help it stay successful by realizing potential improvement through shrink controls. The specific objectives were to:

- enhance inventory control systems through reconfiguration of the backroom and POS-based shelf tag utilization
- improve DSD practices and implement a transaction monitoring tool
- reduce exposure to fraud through front-end transaction monitoring
- improve perishable shrink controls through markdown procedures and implementation of a product identification program.

A key feature of the project was the outstanding degree of cooperation between Bashas' key stakeholders and Capgemini consultants, their "trusted advisors". A decision was made early on to involve in-store staff at all stages of the project, ensuring that the resulting shrink control system, and the business processes associated with it, would be easily integrated and fully effective in practice. The project was carried out on an interactive, iterative basis, with feedback from in-store staff

incorporated at each iteration. The approach enabled results to be achieved more rapidly. Capgemini consultants worked hand in hand with Bashas' trainers to implement the project initiatives throughout each division of the company.

An initial model store implementation was followed by a "learning center" period involving six demographically-diverse stores, and finally, a successful rollout to the entire chain. The shrink control implementation was originally intended solely for the Bashas' chain of stores but due to the exceptional initial results, Bashas' decided to include its other store formats in the rollout as well.

All key deliverables of the project were met in full. In addition to the

significant savings and boost to gross margins, other benefits included:

- increased customer satisfaction
- higher productivity
- improved ordering procedures
- decreased inventory costs
- reduced space requirements
- improved supplier relationships
- reduced exposure to loss
- improved risk management
- improvement of out-of-stocks.

As a result of the successful collaboration on the shrink reduction project, Capgemini and Bashas' have embarked on a comprehensive perishable improvement program, which includes an operational improvement phase and a merchandising improvement phase in all the "fresh" departments at Bashas'.



About Capgemini and the Collaborative Business Experience

Capgemini, one of the world's foremost providers of Consulting, Technology and Outsourcing services, has a unique way of working with its clients, called the Collaborative Business Experience. Backed by over three decades of industry and service experience, the Collaborative Business Experience is designed to help our clients achieve better, faster, more sustainable results through seamless access to our network of

world-leading technology partners and collaboration-focused methods and tools. Through commitment to mutual success and the achievement of tangible value, we help businesses implement growth strategies, leverage technology, and thrive through the power of collaboration. Capgemini employs approximately 61,000 people worldwide and reported 2005 global revenues of 6,954 million euros. More information is available at www.capgemini.com

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In collaboration with

Bashas' Family of Stores was founded in 1932 by brothers Ike and Eddie Basha, Sr. Since then, it has become the largest family-owned supermarket in Arizona and the seventh largest employer in the state. Bashas' is the

15th largest privately-held supermarket chain in the USA. With more than 80 Bashas' store locations throughout Arizona (including Bashas' Diné Markets), Bashas' Supermarkets are located in every county in the state. Additional stores are located in Needles, Calif., and Crownpoint, N.M. Chain-wide Bashas' has more than 150 locations throughout Arizona. For more information, visit www.bashas.com.