

# CHINESE SUPERMARKET CHAIN QKL STORES EXPANDS BUSINESS

with Manhattan Solutions

## OPERATIONS

Headquarters: DaQing, China

Number of distribution centres:

One 211,000 sq. ft. regional distribution centre  
in Harbin, Heilongjiang

## MANHATTAN SOLUTIONS

Manhattan SCALE™



## CHALLENGE

Implement a sophisticated logistics solution at its new distribution centre in a short time frame to support aggressive store expansion.

## SOLUTION

Deployed Manhattan SCALE in a new regional distribution centre in order to streamline QKL Stores' entire supply chain, keep their retail shelves stocked and improve customer satisfaction.

## PROGRESS & RESULT

Reduced operational costs and lowered the total cost of ownership, while preparing for future growth.

"Manhattan Associates has built an outstanding service capability in China, which was demonstrated throughout the course of our project. This service capability when coupled with its advanced technology means we are now able to operate our new distribution centre in an efficient manner and scale our business quickly with minimal changes as and when we need to."

ALAN STEWART, CHIEF OPERATIONS OFFICER, QKL STORES INC.

# NEW EFFICIENCY AND SCALABILITY

at QKL Stores

## PLANNING FOR EXPANSION

Based in Da Qing, China, QKL Stores Inc. is a leading regional supermarket chain operating in Northeast China. QKL Stores sells a broad selection of merchandise including groceries, fresh food, and non-food items, through its retail supermarkets, hypermarket stores and department stores.

Listed on the NASDAQ, QKL Stores currently operates 39 stores in three northeastern provinces of China—Heilongjiang, Jilin and Liaoning—as well as the autonomous region of Inner Mongolia. To meet its aggressive growth objective to open more than 100 stores in five years, the company embarked on a huge project to replace its 43,000 sq. ft. distribution centre, which operated under manual-based systems, with a brand new 211,000 sq. ft. automated regional distribution centre (RDC) in Harbin, Heilongjiang. The RDC would serve all its existing stores and new ones.

A year later, the new distribution centre was built and a new supply chain technology platform in the form of Manhattan SCALE (Supply Chain Architected for Logistics Execution) was in place.

## THE PERFECT FIT

With no existing system to transfer over to the new centre, once the building work had kicked off, QKL Stores began its search for a technology partner that would be able to provide a complete logistics solution and that would enable the company to execute an efficient and cost-effective supply chain as well as meet both its current and future needs.

Following a rigorous vendor selection exercise, in which the company considered both local and international providers, QKL chose Manhattan Associates for a number of reasons. These included the strength and scalability of its solutions, the experience of its people, its proven track record, rapid deployment capabilities and the local support capabilities it offers clients throughout China.

Alan Stewart, chief operations officer at QKL Stores Inc explained, "Embarking on an aggressive store expansion programme, we not only needed a sophisticated distribution infrastructure, but also wanted a proven and flexible supply chain technology platform that could be deployed in a short time frame, as well as support and facilitate our continued growth.

Equally important for us was being able to identify a solution that would provide us with a lower overall cost of ownership.



**"Without this bigger, automated and efficient distribution centre we would not have been able to grow our business as quickly as we wanted to. We're now able to work directly with manufacturers, knowing we can accommodate a large amount of any particular product."**

Manhattan has a proven track record of helping clients optimise their supply chain performance in markets all around the world, as well as in other parts of China. This gave us the confidence that Manhattan SCALE had the ability to help us across the northeastern part of the country and to give us the positive return on our investment we were seeking both in the short and long term."

QKL Stores' critical business requirements include having a solid distribution infrastructure and being able to leverage an advanced IT system to support logistical needs. Without these its business cannot operate successfully. "This is what the success of some of the biggest retailers in the world is founded on and Manhattan Associates certainly helps meet the IT system objective," added Stewart.

## STANDARDISE AND IMPROVE SUPPLY CHAIN PROCESSES AND LOWER TOTAL COST OF OWNERSHIP

The successful implementation of Manhattan SCALE at QKL Stores' newly built RDC was completed within three months. Manhattan SCALE, built on industry-standard Microsoft® .NET technology for an easy-to-use experience, has enabled QKL Stores to increase picking options within the facility (by pallet, carton, split case) and introduce accelerated distribution techniques such as cross-docking and flow-through. Simplified Chinese language support also ensures data integrity within QKL Stores' workforce.

The new system has delivered widespread benefits to the business. QKL Stores has increased its distribution capabilities, improved inventory accuracy, reduced inventory-carrying costs, increased productivity within the DC, and streamlined its transportation operations, while lowering the total cost of ownership.

In addition the solution was easily integrated with and complemented the other systems including radio frequency (RF) technology and QKL Stores' merchandising and enterprise resource planning (ERP) systems.

"Without this bigger, automated and efficient distribution centre we would not have been able to grow our business as quickly as we wanted to. Building and implementing this world-class distribution infrastructure meant we did not have to slow down supply to existing stores at the expense of supplying new ones. At the same time, this facilitated a more efficient delivery of products, helping us to raise the bar on service quality. We're now able to work directly with manufacturers, knowing we can accommodate a large amount of any particular product," explained Stewart.

Manhattan SCALE can easily be configured to support a changed operational process flow. Its scalability means QKL Stores can continually increase its operational capability and meet new business requirements without incurring further costs. This was particularly pleasing to Stewart, who said, "This solution is aligned with the ambitions of a fast-growing company like QKL. It can be scaled up or down quickly and easily to match activity levels according to today's market needs and future ones. Because you pay for it at today's costs, the total cost of ownership over time is lower."

## THE FUTURE LOOKS BRIGHT

The enhanced quality control, better service, improved data accuracy and operational productivity improvement have all contributed to delivering a fast return on investment. These have enabled QKL Stores to reach its ultimate goal of streamlining its entire supply chain, keeping products stocked on its retail shelves and maximising customer satisfaction, while at the same time helping it expand its business. Since the opening of the new distribution centre, QKL has opened nine new stores.

"Manhattan Associates has built an outstanding service capability in China, which was demonstrated throughout the course of our project. This service capability when coupled with its advanced technology means we are now able to operate our new distribution centre in an efficient manner and scale our business quickly with minimal changes as and when we need to. After this experience and the results we've achieved we are confident that Manhattan Associates will be able to support other future projects we are planning," concluded Stewart.

