



ICA secure the future with Prodacapo

Having the right support system will result in better margins

The new economy presents ever increasing new demands on profitability and margins for the retail industry. Now, leading Swedish retailer, ICA, has taken a step to the forefront of Activity Based Costing (ABC) enabling them to safeguard profitability in a changing market – thanks to Prodacapo.

With their 2100 stores, 34 000 employees and an annual turnover of 63 Billion SEK, ICA is demonstrably one of the major players in the Swedish FMCG market. However, a comparison with the international market shows that ICA

will have to fight to establish its credentials in the wider arena. Here they are faced with multinational giants such as the American Wal-Mart, already well-established in both Germany and England.

Faced with increasing com-

petition, ICA decided to embark on a major restructuring of their organisation. They have chosen to strengthen their prospects through a group Activity Based Costing initiative using Prodacapo. The target is to continuously reduce costs and identify opportunities to improve their product supply.

“Wal-Mart has increased the competitive pressure in the FMCG market and will thus affect the profitability and actions of all players. That is why we have to take action, including a detailed review of our entire cost structure. Wal-

Mart is a good example of a company that has created competitive advantage with superior IT-support,” says Bjorn Sjogren, controller of the ICA-group in Stockholm.

Progressive cost control – ABC
From the outset, Bjorn has been responsible for the implementation of Prodacapo and the ICA ABC project.

“Over the years we have continued to develop the business by fine adjusting to the organisation. Now we are facing a big leap from traditional accounting to a more progressive method of control. Our



business structure is focused on strengthening the competitiveness of our stores, and Prodacapo has given us the edge in our calculations and processing of information.”

It is this structure that creates information on product and customer profitability, based on data in our transactional systems. In this way a large amount of information is transformed into manageable and focused sets of data which we can then use as a basis for decision-making and associated actions,” says Bjorn Sjogren.

Another reason for the project was the large restructuring exercise that ICA underwent in the summer of 1998. Geographical segmentation of stores was replaced by. Segments such as convenience stores, grocery stores and supermarkets replaced the traditional regions.

It is the 2100 stores that are Bjorn Sjogren's customers. His role is to provide them with information about margins in the various product groups in different geographic regions and in different types of stores.

The new organisational structure resulted in new demands on profitability, not only per product but also per segment. The questions received by the company

controllers became more and more complex – it was clear that a new support system was needed. ICA now wants to do follow up on the costs within both store segment and region or district.

“This has only become possible through our analysis using Prodacapo and their flexible solution for information retrieval.”

“Today the demand for more detail and more sophisticated methods increases in line with the changing behaviour of our customers and the service level differentiation between different store segments.”

Excellent retail system

ICA performs quarterly closures but balances certain key measures on a monthly basis. They used to operate an Excel model but have now moved over entirely to Prodacapo to perform their ABC. Activity Based Costing was initially adopted on a regional basis as early as 1995 and two years later the entire group had followed this approach for 200 product groups.

“Prodacapo have given us a solution that makes it possible for us to see a consolidated result on a monthly basis – just as if we were one big company. This means that we have to allocate the cost from our

large logistic organisation, our single largest cost, out to the different business segments.

“We measure results on product group level, i.e. tomato sauce, but not on product level. 200 product groups, five business segments and 2100 stores, the complexity of the model is increasing rapidly. The excel models could not handle the vast amounts of data and would of course not allow multiple users. All our information in this form was transferred into Prodacapo in 1999, says Bjorn Sjogren.

In the project the controller of ICA and two consultants from Prodacapo formed the project team.

“Even if the implementation exceeded the time plan a bit, we have received excellent results from our Prodacapo system. You could say that we now have a perfect retail system. The solution is run in an IBM UNIX environment with a database from Oracle and the client application is adapted in NT-environment.

“Our Prodacapo solution has enabled us to discover our most profitable product groups for our long term future”, says Bjorn Sjogren.



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