



Sonae Distribuição Brasil: Continuous Monitoring Generates Cost Savings

"As a result of the continuous monitoring of data using ACL, we have improved merchandise turnover rates, reduced our payment time to suppliers, and saved the company millions of dollars. These are critical issues for any retail business, and ACL technology has made it possible for our company to gain a competitive advantage by solving them."

*José Dimas Gonçalves
CFO, Sonae Distribuição Brasil*



- As one of Brazil's largest and most diverse supermarket chains, Sonae Distribuição Brasil (SDB) must closely monitor merchandise turnover times, supplier payment periods, and floating capital rates to maintain profitability. The SDB internal audit team developed an innovative ACL application that cut stalled inventory in half and saved the company more than Brazilian Real (R) 6 million (US \$2.15 million). With ACL™, SDB can now obtain comprehensive data from all its stores in less than two hours and continuously monitor stalled inventory. Using ACL technology, the SDB audit team can consistently maximize revenues and support the organization's progress toward its strategic business vision.

CUSTOMER PROFILE:

Sonae Distribuição Brasil is the third largest chain in the Brazilian supermarket sector as ranked by Brazilian supermarket association ABRAS, controlling 150 stores and overseeing 21,000 employees nationwide. SDB operates both wholesale and retail chains for goods including food, clothing, household appliances, and electronics. The company also runs restaurants, distribution centers, and cold storage facilities. Based in Porto Alegre, SDB generated R3.7 billion (US \$1.33 billion) in revenues and invested R100 million (US \$35.9 million) in the Brazilian economy during 2003.

APPLICATIONS:

SDB relies on ACL technology to provide full data coverage and monitor stalled inventory across the company's substantial business operations.

BUSINESS CHALLENGE: *Measure and Identify Stalled Merchandise*

In the retail sector, profitability is directly linked to inventory turnover. Merchandise that becomes stalled – rather than sold, transferred, or purchased – can create significant losses, due to high inventory volumes and narrow profit margins.

The SDB internal audit team needed a way to measure and identify stalled merchandise to minimize obsolescence and boost revenues. The team had three specific areas of concern: merchandise turnover rates, average period for payment to suppliers, and the floating rate on the cost of money. Additionally, the company needed a solution that could monitor inventory across multiple stores and systems within the company's large business holdings.



SOLUTION: *Continuous Monitoring with Targeted Business Analytics*

Led by Vladimir Mendes Queiroz, senior auditor at SDB, the audit team created an ACL application that quickly pinpoints stalled inventory in any of the company's retail or wholesale operations. The application can be customized to identify merchandise by category, region, product, and a wide variety of additional variables.

Using this innovative ACL application, the company decreased stalled inventory by over R6 million (US \$2.15 million) in just four months – a 48 percent reduction. SDB implemented the application as a continuous monitoring tool, giving the internal audit team an unprecedented view of the business while producing significant cost savings every month.

Now SDB auditors can monitor stalled inventory, merchandise turnover, and floating rates with ease and efficiency. In less than two hours, auditors can generate detailed information about merchandise, business transactions, and inventory totals from all of the company's stores. The reports allow management to adjust ordering and sales efforts, and to shift quickly with market demands.

"The use of ACL technology at Sonae Distribuição marked a watershed for productivity improvements in the internal audit division," says Antonio Edson Maciel dos Santos, SDB Internal Audit Manager. "It allowed our auditors to analyze 100 percent of the data instead of just random sampling."

RESULTS:

Sonae Distribuição Brasil applied ACL technology to one of its top organizational challenges with dramatic results. Using *ACL*, SDB has been able to:

- Decrease stalled inventory by over R6 million (US \$2.15 million) in just four months – a 48 percent reduction
- Free up valuable storage space through quicker product turnover, decreasing overall storage costs
- Analyze 100 percent of in-store inventory at all SDB retail and wholesale locations
- Examine all movement operations registries – including sales, transfers, and purchases – for any desired business period
- Generate detailed information about all stalled inventory in any SDB store in only 90 minutes

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