

Rimi Baltic improves retail supply chain by expanding central DC

Interview with Aiga Priede, Logistic & Supply Chain Director Rimi Baltic by Marcel te Lindert



Rimi Baltic replenishes 263 stores (Rimi Supermarkets, Rimi Hypermarkets and hard discount chains Supernetto/Säästumarket) in three countries, seven days a week.

As the Baltic food retailer gradually outgrew its central distribution center (DC) in Riga, the efficiency and effectiveness of this logistics operation came under increasing pressure. With Groenewout's support, Rimi Baltic has drawn up an ambitious expansion plan. Aiga Priede, Logistic & Supply Chain Director at Rimi Baltic, sums up the project: "Thanks to the extra space and more logical layout, we expect an improvement in efficiency."

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The mission of Rimi Baltic, one of the biggest food retailers in Latvia, Estonia and Lithuania, is to make life in the Baltic States a little bit easier every day.



Aiga Priede

To fulfill this mission, the company operates 104 supermarkets and 78 hypermarkets under the Rimi banner throughout those three countries, plus a further 81 discount stores under the Supernetto or Säästumarket name in Latvia and Estonia. All the stores are replenished seven days a week from the retailer's five distribution centers, amounting to 91,000 square meters of warehouse space in total. Playing a central role in that network is the distribution center in the Latvian capital, Riga, from where goods are shipped to the distribution centers with a crossdocking function in Estonia and Lithuania.

"Our target is 98 percent on-shelf availability at the quality that our shoppers expect. Needless to say, we want to achieve that at the lowest possible supply chain costs," says Aiga Priede, Logistic & Supply Chain Director at Rimi Baltic Group.

Capacity utilization close to 100 percent

Several years ago, it became apparent that the central distribution center in Riga was no longer big enough to support this target. The 28,000-square-meter facility held 23,300 products in stock and employed 430 people in a manual operation.

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The distribution center was divided into three main temperature zones: for dry ambient food products, fresh products and frozen products. Priede: "Our capacity utilization rate was regularly above 90 percent and even approached 100 percent at peak times. We'd leased extra external warehousing space for dry ambient products, but that wasn't an option for our fresh and frozen items. We couldn't find a suitable cold store in the vicinity of Riga, and there was an extremely limited choice of frozen storage."

The consequences of this lack of space are obvious: lower productivity, higher costs and a greater likelihood of product quality problems and delays to store deliveries. "Moreover, in its current state, the distribution center could not support our future growth plans. For example, we've started to centralize our waste collection activities and as this continues to grow we will need more space – so we had more than enough reasons to expand our distribution center in Riga," explains Priede.

Right specializations and experience

Rimi Baltic asked Groenewout to steer the expansion plans in Riga. "We knew that we needed help and expertise from outside our company. None of the consultancy firms in the Baltic States have the right specializations and practical experience. After asking around amongst our colleagues and partners in the market, we decided on Groenewout," continues Priede.

The Baltic food retailer had already gathered the necessary data and performed the relevant analysis and calculations. Groenewout was brought in to check the analysis and calculations for the expansion of each separate temperature zone. Besides that, the consultants working on the project drew up an expansion plan, worked with the architect to prepare a design, and defined the functional and technical specifications. "Groenewout helped us estimate how many square meters we need for each temperature zone, the optimum process design and how to make the best use of the available site for the expansion," explains Priede. Additionally, Groenewout conducted an extra evaluation of the storage and order picking concept. "The consultants helped us to prepare a business case for alternative storage and order picking systems – such as how to automate and mechanize these processes."

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Expansion on three sides

The project resulted in a sizable expansion plan for the existing facility in Riga: an increase from 28,000 to 83,000 square meters, including 69,000 square meters of logistics space. The distribution center is being expanded on three sides, which among other things means the construction of a new road, relocation of the entrance and changes to the truck access route around the facility. The two existing distribution centers in Latvia are being integrated into the facility. Priede: "The new building will be 12 meters high. That's taller than the existing facility and creates space for an extra storage level in the temperature zones for dry ambient food and frozen products. Mezzanine floors are being added which will enable extra activities."

In another change, the fresh produce items (fruit and vegetables) will now be stored in racking systems. Priede: "The processes will generally remain the same as before, but we expect to see efficiency improvements because the new facility will have a more logical layout and more space. We're also thinking about setting up new processes such as order picking at store level for the crossdocking shipments to Estonia and Lithuania."

Project-based approach and project management

The work to expand the distribution center officially got under way on 21 March 2017, and the whole project is scheduled for completion in 2020. "We're financing the investment in the distribution center ourselves. It will enable us to continue to grow at this location as necessary. Furthermore, it will give us more flexibility to make changes to the design and internal operation." Rimi Baltic is happy with the support provided by Groenewout.

Priede: "Groenewout's project-based approach and project management was very good. Our partnership kicked off with internal meetings and visits to the distribution center. These were followed by thorough analysis of the available data and then the design and evaluation of various scenarios for the distribution center set-up. At the end of that process, the preferred scenario was worked out in detail. We were grateful for Groenewout's technical expertise, which made it a lot easier to work with our own architect and design team. In other words, the collaboration with Groenewout was very beneficial!"

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Marcel te Lindert is a journalist with over 13 years of experience in logistics. He was editor-in-chief of the Dutch magazines Transport+Opslag and Logistiek. Nowadays he works freelance for trade magazines including Supply Chain Magazine and Logistiek Totaal.

More information

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