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**Meeting the CEO's Supply Chain
Expectations**

Supply Chain Objectives



A Customer Focussed Supply Chain delivers:

1. Cost efficient product availability

2. Competitive advantage

- *Driving sales*
- *Reducing cost*

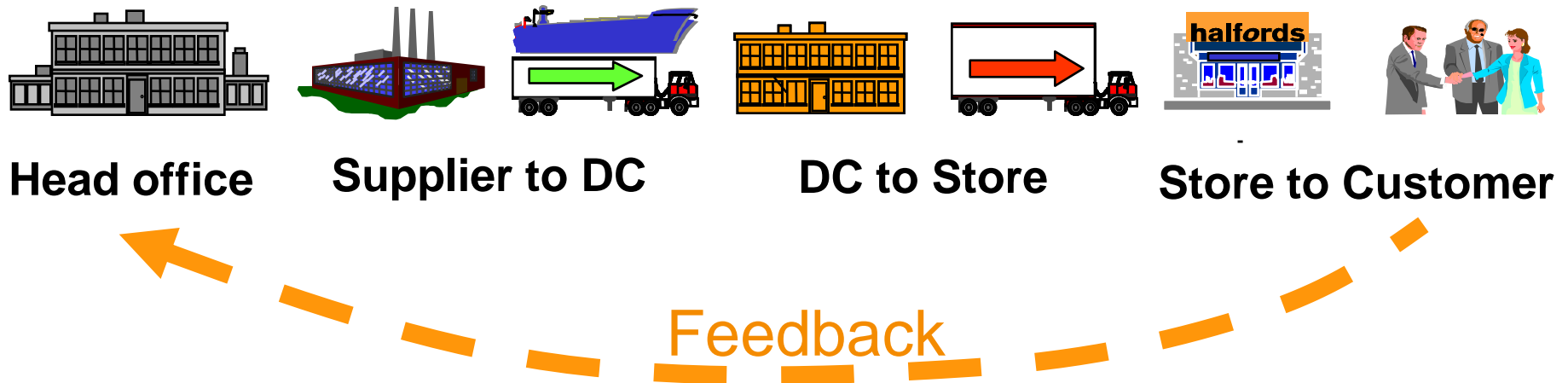


...an integral element of well run retail companies

Supply Chain Scope



Supply chain isn't just the DC to store



Agenda

The Customer focussed Supply Chain

- Halfords background
- Halfords Supply Chain challenges
- CEO expectations
- Supply chain scope
- Areas of focus
- Halfords key initiatives
- Impact of the web
- Summary



Halfords Evolution



A company on the move

- Halfords origins – small high street stores
- Out of town in Early 90's
- IPO – July 2004
- Dynamic independent retailer – 469 Stores + T/O £800 mill
- Unique and market leading mix of Motoring and Active Leisure products
- Broadening our customer base and developing our business
- Long term sustainable growth



Halfords SC Challenges



Diverse product range with varying levels of complexity



CEO Expectations



Seamless coordination working on behalf of our customers

- Maximise
 - Shelf availability
 - Flexibility and responsiveness
 - Cost certainties
- Minimise
 - Non value added activities
 - Risk
 - Lead times
 - Inventory levels

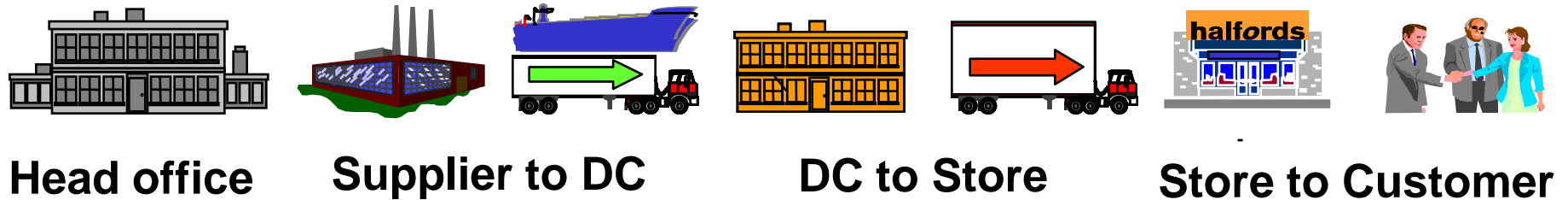


Cost Effective Availability - Competitive Advantage

Supply Chain Scope



Supply Chain Isn't just the DC to Store



Feedback



Drive Flexibility

Control Costs

Re-engineer

Areas of Focus



1. Head Office

- Customer feedback and accurate forecasts
- MOQ management
- WSSI management
- Inventory targeting
- True end to end costs



Areas of Focus

2. Supplier to DC

- Flexible sourcing
- Increase direct sourcing
- Reduce lead time
- Supplier barrier stocks
- Increase container utilisation



Areas of Focus



3. *DC to store*

- Fleet best practice
- Store friendly deliveries
- Optimised delivery patterns and on time arrival
- Internet sales direct to customer



Areas of Focus

4. Store to Customer

- Direct to Shelf – One touch
- Product fitting and build in store
- Staff rosters match peak customer flows
- Internet sales based on in-store collect

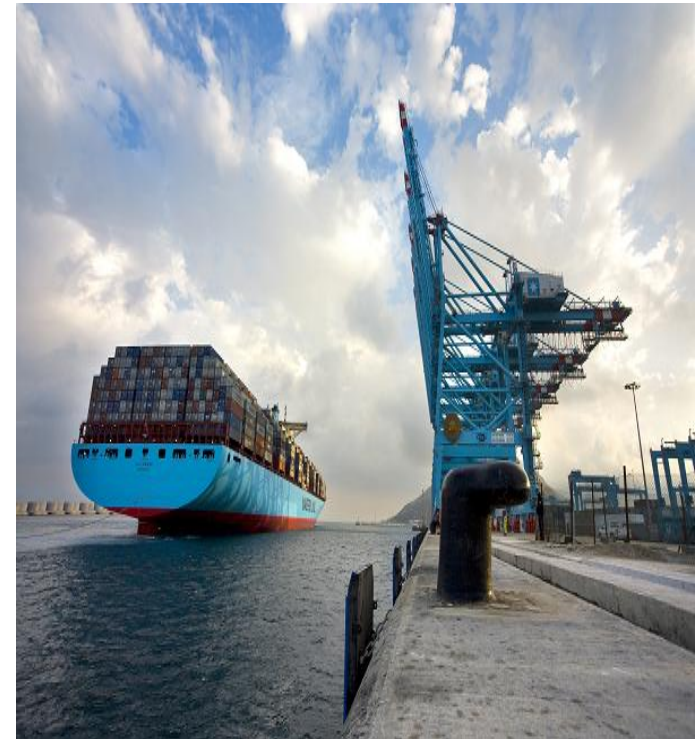


Halfords Key Initiatives



Making SC a strategic Business tool

- Increases in direct sourcing
- Improvement in forecast accuracy
- Appropriate Minimum Order Quantities
- Seasonal planning end to end
- Shorter lead-times
- Launch and clearance protocol
- Leads to lower inventory
 - Reduced storage/demurrage
 - Lower working capital



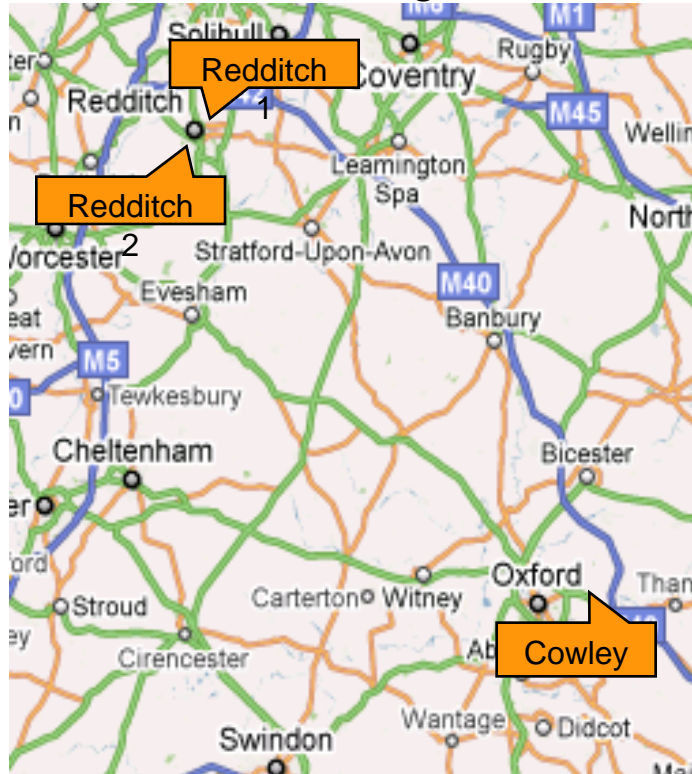
Cost Effective Availability – Competitive Advantage

Halfords Key Initiatives



Logistics Reconfiguration

Current Configuration



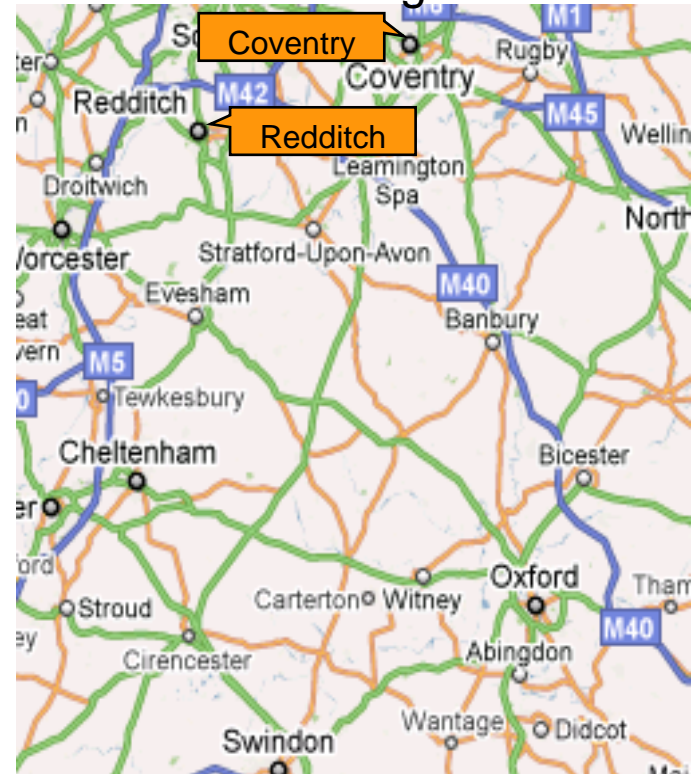
Redditch 1 – 240k sq ft

Redditch 2 – 140k sq ft

Cowley – 300k sq ft

Redditch to Cowley – 72 miles

Future Configuration



Redditch – 240k sq ft

Coventry – 320k sq ft

Redditch to Coventry – 32 miles

A Cycle Trip



Top spec bikes at best value through supply chain excellence

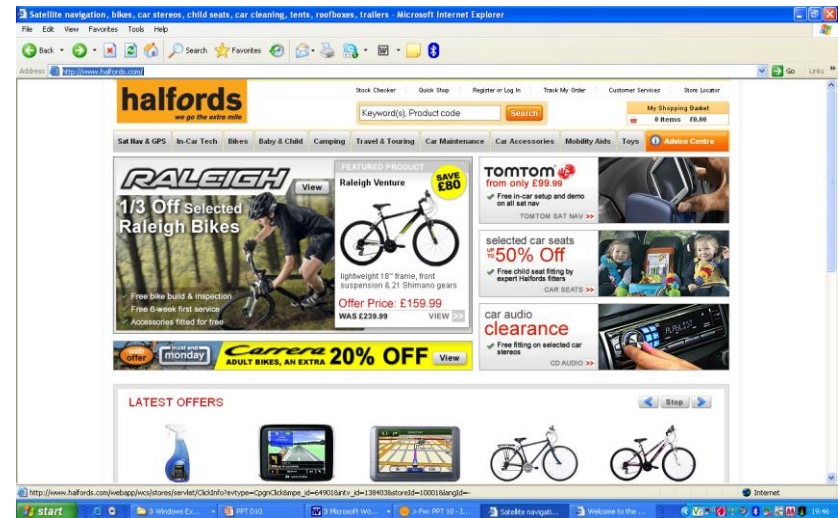
- Design in collaboration with assembly and component partners
- Prototype production and testing in Taiwan
- Order placed with assembly partner - pre-set ETD and ETA
- Container factory loaded - shipped through Halfords Asia
- Full visibility through forwarding partner
- UK Port to DC to store
- Store or DC assembled for customer collect or home delivery
- Free 6 week service and Bike Care Plan maintains relationship

Impact of the Web



Dot Com will redefine the supply chain

- Direct to home – 20% of Sales
 - Dominated by technology
 - Low margin
 - Relies on 3rd Party Delivery
 - Can cause customer frustration
- Reserve and Collect – 80% of Sales
 - Access to store Stock Files
 - Drives store traffic
 - Relies on accurate store Stock File
 - Opportunity for service to customers
- Order and Collect – Launch 10th February 2010
 - Wide assortment available nationally
 - Access to fragmented markets
 - Opportunity to offer advice to additional products



Impact of the Web 2



Supply Chain Implications

- Accurate stock files
- Good customer information
- Reliable delivery service
- Cost structures competitive
- Very wide assortments
- Supplier collaboration
- Delivery tracking data for customers



Summary



Making the Supply Chain Customer Focussed

- Cost effective product availability
- Strategic discipline
- Collaborative and transparent
- Good data critical to flow
- Understand the advantages of risk vs margin
- Eliminate non value costs
- Engine for long term sustainable growth





Meeting the CEO's Supply Chain Expectations

Questions