



# LULU GOES LARGE

*Lulu Hypermarket already operates one of the largest supply chains in the region with more than 100,000 SKUs in each store, but it has its sights set much higher, as Namitha Madhu reports...*



**C**atering to a wide variety of expat communities in the UAE, stocks at Lulu stores in the country comprise over 100,000 SKUs. “It is certainly one of the largest in the region,” says Manoj L R, operations manager of Lulu Logistics, Dubai. “The sheer volume of goods we handle makes ours’ one of the largest supply chains in the region.”

Lulu is also one of the UAE’s fastest growing brands at present. What began as a small supermarket in Abu Dhabi in 1995

is now one of the largest retail chains in the Middle East. With the parent company EMKE Group headquartered in Abu Dhabi, Lulu Hypermarket has over 120 outlets worldwide, of which 50 are in the UAE.

In spite of the volume of goods handled and the number of outlets in the distribution chain, the group has been able to run its supply chain management in the country like a well-oiled machine, and most of it comes down to a well-thought out distribution channel and warehouse management system.

↓ Salim MA, the director of Lulu Group.



For ease of operations, Lulu group has divided the UAE region into three parts: Dubai and Northern Emirates, Abu Dhabi and Al Ain. Manoj, who takes care of the logistic operations in Dubai and Northern Emirates, takes us through the group’s supply chain process: Lulu has four warehouses in the UAE, the one in Abu Dhabi being the largest with 1mn sq ft, followed by the warehouse in Dubai Investments Park with 400,000 sq ft.

At the warehouses, goods are managed with the help of a warehouse management system. “Ordering from store to warehouse is completely automated. We practice computerised reordering of products for the store everyday depending on sales data from point of sale, seasonal changes, actual inventory levels, product receipts and acceptable safety stock levels. Inventory data integrity is maintained by cycle-counting,” says Manoj.

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↓ In the beginning of 2016, the company's first transit warehouse in Jebel Ali Free Zone (Jafza) began operations.

**FAST FACT**  
**75%**  
**LULU IMPORTS MOST OF ITS FRUIT AND VEGETABLES FROM 25 COUNTRIES.**



↑ The supply chain is made up of more than 100,000 SKUs.



↑ Fruit and vegetables are imported from 25 countries.

**“THE BENEFITS OF AUTO ORDERING INCLUDES LOWER OUT-OF-STOCKS AND HIGHER SALES, LOWER INVENTORY COSTS AND HIGHER MARGINS, AND LOWER LABOUR COSTS BY CYCLE-COUNTING. THE WMS ALSO ALERTS US ABOUT GOODS THAT ARE GOING TO EXPIRE TWO MONTHS IN ADVANCE, SO THAT WE CAN TAKE THE NECESSARY STEPS TO SELL OFF OUR STOCKS,”**

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and higher sales, lower inventory costs and higher margins, and lower labour costs by cycle-counting. The WMS also alerts us about goods that are going to expire two months in advance, so that we can take the necessary steps to sell off our stocks,” says Manoj.

In the beginning of 2016, the company's first transit warehouse in Jebel Ali Free Zone (Jafza) began operations, enhancing the group's

import and export operations. The warehouse covers an area of 200,000sq ft and currently handles around 700 shipping containers a month. “Thanks to the new warehouse at Jafza, we have been able to increase our frequency of shipments,” Manoj explains.

The warehouse at Jebel Ali, which mainly houses items such as textiles, home furnishing and electronics, employs around 100 staff, while those at Abu Dhabi and Dubai employ 700 and 500,

Three tonnes of fresh food are produced daily at the Dubai warehouse.



Manoj L.R., operations manager of Lulu's Logistics, Dubai.



No part of Lulu's supply chain process is outsourced.



**FAST FACT**  
**168**  
**A FLEET OF 168 TRUCKS MAKES TEN DELIVERIES PER DAY.**

respectively. Perhaps the group's biggest supply chain challenge lies in its distribution system. "With such a large number of SKUs and a wide network of stores, distribution has to be our biggest challenge. We aim for 'minimum vehicle, maximum output,'" says Manoj.

Lulu operates a fleet of 168 vehicles. Route maps and timing are all scheduled in advance, and the movement of all vehicles is monitored by GPS. "We have arranged our schedule in such a manner that during

prohibited hours (when trucks are not allowed on UAE roads), the vehicles are either being loaded or offloaded, both of which take around three hours to complete," says Manoj. "The trucks at the retail warehouse in Dubai itself carry out a hundred trips daily and around 10,000 SKUs are issued to our stores daily."

Unlike most retail chains in the region, Lulu has its own logistics management

system. "No part of our supply chain process is outsourced and that is one of our biggest advantages in the market," says Manoj. "There have been instances of suppliers bringing in goods just before a promotion, and we have managed to get those goods to the store on time. All because we have a strong supply chain system."

All Lulu outlets have back stores, albeit with limited space as the majority of the stock is held at the warehouse. "Because we have a big warehouse with ample space we don't need large back stores. Our warehouses always hold stock for 15 to 20 days. Even if the supplier runs out of an item, it is still available at our warehouse. And suppose an item does go out of stock at a store, it is replenished within three hours." Lulu currently sources items from about 400 local suppliers and sources 75% of its fruits and vegetables through direct imports from more than 25 countries. "We import around 275 containers of fruits



and vegetables a month.”

The group has also signed contacts with local farms as part of a CSR initiative to support local organic farmers. Products with a short shelf life, such as fresh juice, chicken, fish milk, yoghurt and other beverages are directly sent to the stores by the suppliers. “They are sent twice a day, in the mornings and evenings.”

The group’s retail warehouse in Dubai has another speciality of sorts, says Manoj. “It is the only one with a kitchen. We have over 100 chefs, and we produce around 3 tonnes of food every day.” Keeping up with the times, Lulu expanded into online shopping in the first quarter of 2016.

Lulu’s e-commerce division ([www.luluwebstore.com](http://www.luluwebstore.com)) currently sells groceries and department products. Stuart Davidge, head of e-commerce, Lulu Group, said, “While e-commerce offers a world of opportunity, success is defined by how well customers are satisfied. Our logistics team places umpteen importance on the quality of the delivery process to ensure that Lulu meets the expectations of our customers. All our delivery vehicles have special compartments for chilled and frozen food as well as groceries to ensure that their quality is maintained during the delivery process.”

The group has ambitions plans for the future, focusing on expansion in Asia and the GCC. The company recently opened hypermarkets in Malaysia and Indonesia. “We plan to open around 35 new stores in the region in the next three years,” Manoj tells Logistics Middle East. ✕

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**STUART DAVIDGE, HEAD OF E-COMMERCE, LULU GROUP.**



With six levels of storage, the warehouse is optimised for throughput rather than density.