

The co-operative
food

Co-operative Food

Corporate Profile

The UK's fifth largest food retailer

The Co-operative Food forms part of The Co-operative Group, which employs 123,000 people and has more than 5,000 retail outlets. The Group is the UK's fifth largest food retailer, the third largest retail pharmacy chain, the number one provider of funeral services and offers the widest range of holidays on the high street. The Group also has strong market positions in banking and insurance.

The Co-operative is run on distinctive principles in terms of the way it does business and how it uses its profits. It is a consumer co-operative that runs its business for the benefit of its 5.5 million members. That means those members can get involved in decision-making, and have the opportunity to set a social and campaigning agenda. This has led The Co-operative to become a pioneer in areas such as Fairtrade and combating climate change.

Business Challenge

The challenge of a major acquisition

Last year, The Co-operative Group spent more than £1.5 billion to acquire supermarket rival Somerfield. In the words of The Co-operative's Group Chief Executive, Peter Marks, the acquisition propelled the Group "from the second division back into the Premiership."

The Somerfield deal essentially doubled The Co-operative's share of the UK supermarket sector from 4.5 percent to 8 percent, boosting its store portfolio to just under 3,000. In the words of Peter Marks, the acquisition was "rocket fuel for the business, a real transformational deal."

Such an acquisition also entails challenges, not least to those charged with integrating the different systems and infrastructures within the two businesses. In recent years, there have been a number of acquisitions in the UK supermarket sector, and it is not unreasonable to say that some of these have been executed well, others less so. The Co-operative was determined from the get-go to manage the acquisition smoothly and efficiently. Commenting on the process, a retail analyst at Euromonitor said The Co-operative must have planned the integration of Somerfield "very, very well. The Co-operative seems to be doing all the right things in bedding Somerfield into the business."

There were, naturally, many different aspects to the integration effort – not least, negotiations with the Office of Fair Trading about the location of newly acquired stores. This led to The Co-operative divesting some of the stores it had gained. Meanwhile, stores have been re-branded and logistics processes are being re-engineered.

Not surprisingly, when it came to supply chains, The Co-operative and Somerfield had many suppliers in common. However, the overlap was not 100 percent. For example, The Co-operative had its own range of food grown on its own farms and, in line with its strong ethical credentials, The Co-operative's extensive Fairtrade range covers over 200 own-branded and 60 branded Fairtrade products. The Somerfield stores had a different market profile and positioning, so an enormous amount of work has been invested in aligning the outlets and product ranges.

Against such a complex background, it was vital for The Co-operative Food business to have in place a completely reliable electronic trading network that would allow it to go on trading with its partners through a process of change. The trading network had to be flexible and scalable to adapt to a changing business environment. A prime goal was to avoid any disruption with business as normal.

The Solution

Maximising reliability in the trading network

With its suppliers, the Co-operative Food business exchanges 70,000 invoices every week. There are around 1,400 suppliers who trade electronically with The Co-operative.

A prime requirement was for a system that could cope with this scale and volume of transactions. The Co-operative Food is a long-standing user of GXS Trading Grid[®], which allows the business to enjoy near real-time data exchange of standard business documents such as Purchase Orders, Invoices and Advanced Ship Notices with suppliers anywhere in the world. From The Co-operative's perspective, it is important that GXS Trading Grid is able to mediate the differences between The Co-operative's preferred document format and the formats chosen by trading partners. GXS masks the complexities of diverse Internet communication standards such as AS2, AS3, SFTP and FTPS. This reduces the support requirements and takes away any need for The Co-operative itself to hand-hold individual suppliers as they connect to the trading network.

In this way, GXS Trading Grid is playing an important part in helping The Co-operative to become an Active Business that can maintain a supply chain supported by uninterrupted, continuous flow of sales, shipment and payment information between organisations. The Co-operative can send and receive information in any format and via any method preferred by the trading partner in question, without creating a technology challenge or costly support burden for the business.

The Results

£85 million of supplier invoices traded electronically each week

The volume and value of invoices being exchanged on the GXS Trading Grid means that this system is vital to the well-being of The Co-operative Group's business. As an indication of value, some £85 million worth of supplier invoices are traded electronically on the GXS Trading Grid network each week.

Reliability is therefore at a premium. As Alan Broadhurst, a solution manager at The Co-operative, comments: "Given the value of the transactions, this is an application that you want to have up and running 24/7. The ideal scenario is that the application is so reliable

that you don't notice and don't stop to think about it. This is what we have achieved with GXS Trading Grid."

One of the key benefits to The Co-operative Group is that, although the trading network is clearly business-critical, it does not require a large amount of internal resources dedicated to it. In the words of Andy Edmondson, an application analyst at The Co-operative: "One of the beauties of the application is that we do not need to have a large army of people attending to it. In fact, we have a team of just four Co-operative employees who have responsibility for managing the trading network at our end. The presence of GXS means that we do not have to link directly with suppliers in terms of their connectivity since GXS takes care of that aspect of things."

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About GXS

GXS is a leading B2B integration services provider and operates the world's largest integration cloud, GXS Trading Grid®. Our software and services help more than 550,000 businesses, including 22 of the top 25 supply chains, extend their partner networks, automate receiving processes, manage electronic payments, and improve supply chain visibility. GXS Managed Services, our unique approach to improving B2B integration operations, combines GXS Trading Grid® with our process orchestration services and global team to manage a company's multi-enterprise processes. Based in Gaithersburg, Maryland, GXS has direct operations in 20 countries, employing more than 2,800 professionals. To learn more, see <http://www.gxs.co.uk>, read our blog at <http://www.gxsblogs.com> and follow us on Twitter at <http://twitter.com/gxs>. You can also access our public filings with the Securities and Exchange Commission at <http://www.sec.gov/edgar.shtml>.