



## Case Study: End-to-end Solutions

# Wesfarmers: Australian Conglomerate

TMX has worked with Wesfarmers since 2010, and we are proud to have been involved in 49 projects for the conglomerate, supporting them to grow into one of the largest companies in Australia.

### PROJECT SUMMARY

#### LOCATION

Oceania

#### INDUSTRY

Modern Retail

# Helping grow Australia's most iconic companies for over 13 years.

Wesfarmers is an Australian conglomerate with businesses predominantly in Australia and New Zealand.

They are one of Australia's largest companies, with annual revenue of more than AUD\$30 billion and approximately 107,000 employees. Wesfarmers owns some of Australia's most iconic brands, including Bunnings Warehouse, Kmart, Target, Officeworks, Priceline Pharmacy, and Catch.com.au.



Bunnings Warehouse is an Australian household hardware and garden center chain, founded in Western Australia in 1886. Wesfarmers has owned Bunnings since 1994 and there are 507 stores across Australia and New Zealand. They have 53,000 employees and a market share of around 50% in Australian DIY.

## Client Challenges

At the inception of TMX's support, Bunnings were growing significantly. The engagement involved an initial redesign of their network, and the consolidation of numerous facilities into single sites in each state of Australia.

To match their competition, Bunnings needed to shift to a model of direct delivery of importing shipping containers to the distribution centers. The new facilities expanded the footprint in each location and ensured an efficient and timely roll out of new stores throughout the network.

## Approach

TMX has the unique structure and personnel to ensure all stages in a company's end-to-end supply chain work cohesively to deliver efficient service. With a growing business, Bunnings secured TMX to help them achieve:

- Nine stores
- Three non-store developments
- Fifteen due diligence, lighting upgrades and earthworks projects
- Five distribution centers
- Ongoing Next Generation network design post-pandemic

## Solution

- Significant **reduction in costs both in property and leasing costs**, together with the delivery method of the distribution centers.
- Improved and **more efficient flow** through each facility.
- **Reduction in lead times** to select products.

## Transform your supply chain

TMX Transform is an end-to-end supply chain consultancy, providing expert advice and practical, innovative solutions to businesses globally.



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Operating 324 stores throughout Australia and New Zealand, Kmart is a leading product development company specializing in affordable lifestyle purchases. Kmart serves millions of customers every year.

## Client Challenges

From the original partnership in 2010, TMX helped close and consolidate 17 distribution centers for Kmart, as well as opening four mega distribution centers across Australia, and one in New Zealand.

With the integration of Kmart, Target, and Catch.com.au under the banner of the Kmart Group, Wesfarmers as the parent company sought to undertake arguably the largest transformation project in Australian history.

At the time of the partnership, Kmart needed to tackle:

- Cost-to-serve
- Minimal profit
- High volume but inefficient margin
- Changing consumer profiles
- Inefficient supply chain
- Strong competitors
- Outdated brick and mortar stores
- Recently divested from Coles Group, creating a need for a new business strategy

## Approach

At the time of procurement, the property market conditions were not favorable to Kmart, with limited supply to meet the demand of the sizable sites required by Kmart's distribution center operations.

With multiple client stakeholders involved in the decision-making process with competing priorities and different time zones, the project needed to have transparent communication with all parties from start to finish.

To ensure Kmart was pursuing the best sites, TMX undertook a comprehensive property procurement process to identify their preferred site and development partner. Once the sites were secured, TMX negotiated the Agreement for Lease and lease documentation on behalf of Kmart in partnership with their legal representatives.

The six-year transformation involved all lines of the TMX business, with the collaboration of network design, distribution center design, and consolidation into regional distribution center models.

## Solution

- Total savings of 15% of supply chain costs.
- During the initial stages of the projects, Kmart grew from AUD\$3-8 billion.
- We supported Kmart's growth with the next generation of design, enabling growth from AUD\$8-10 billion.

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Wesfarmers acquired Catch Group in 2019, and it now falls under the Kmart Group umbrella. Catch.com.au boasts 30,000 new customers every week, one order placed every 2.1 seconds and 20,000 parcels sent out daily, giving their customers access to top quality products at competitive prices.

## Client Challenges

Wesfarmers procured TMX to help with their strategy for the newly acquired Catch Group, to ensure they could scale their business to take on competitors such as Kogan and Pureplay.

## Approach

To best service Catch Group in this transitional phase, TMX coordinated multiple property leases and advised a strategy to ensure operational efficiency could handle eCommerce volumes lead by the pandemic.

The ongoing relationship with Catch has seen sub-leasing of space and an ongoing future network design, while ensuring the business is accurately scaled.

## Solution

- Created significant competitive tension with multiple proposals at the same time. Providing Catch Group with the **choice of two sub-tenants or a one-line occupier**.
- Negotiated a sub-lease reflecting a **15% profit rent with zero incentive**.
- **Removed significant make good obligations** by passing these onto the incoming tenant.



Workwear Group (WWG) provides workwear and safety gear in Australia and New Zealand. Founded in the early 1990s, the company is a dominant force in the workwear industry. In 2016, WWG was acquired by Wesfarmers, further supporting the company's growth and expansion.

## Client Challenges

In a post-pandemic world, WWG needed to adapt their business strategy to meet their newfound growth in demand, as well as a definition on what would be the appropriate network solution for their future.

## Approach

TMX were hired to advise how our Future Network Model could accommodate WWG's business requirements at this time to ensure the most efficient freight and logistics operations. The Future Network Model clarified where the then existing network would conflict with their volume. TMX also created Network Simulations to run scenarios in real time to show WWG how the new network operated.

TMX nominated the end point of when the facility would feel the pinch with current supply, enforcing the need for an updated business strategy, and ultimately balancing this against their business requirements.

- F&L Diagnostic
- Network and Operating Model Strategy
- Transition Management
- New Zealand Warehouse Optimization
- Network Optimization Simulation

## Solution

TMX helped WWG **clarify the limitations on the current path** and transform the business to be adaptable and sustainable over a long period of change.

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## officeworks

### Client Challenges

Officeworks needed a more efficient and cost-effective approach to their supply chain. They were also in the stages of deciding whether to insource or outsource a 3PL operation. The pandemic also caused a major shift in Officeworks's demand curve, necessitating a new network plan.

### Approach

To meet these challenges for Officeworks, TMX ran a data-driven process to evaluate the options, which was backed by in-depth supply chain insights, including automation and digital capabilities. The result of the project also ensured a practical transition roadmap was in place for Officeworks, along with a robust business case to ensure they would be ready for implementation.

Founded 25 years ago, Officeworks is a chain of Australian office supplies stores operated under Wesfarmers. They are Australia's leading retailer and supplier of office products and solutions for small and medium-size businesses, students, and households. Officeworks operates over 160 stores and has more than 9,000 employees across Australia, offering customers access to 40,000 products online and in store.

### Solution

- Clear and concise **capacity view** shared by broader business.
- Short-term improvement opportunities identified to **reduce immediate capacity and cost pressure**.
- A well-informed strategy endorsed by senior leaders and directors, with **13% supply chain cost benefit**.
- Commence supply chain transformation **supporting national business growth**.



API is one of Australia's leading wholesale pharmaceutical distributors and the fastest-growing health and beauty retailers in Australia. Wesfarmers acquired API in 2022, and API is the foundational asset of Wesfarmers Health.

### Client Challenges

When the construction industry faced pandemic lockdowns, lack of access to building supplies, supply chain and weather disruptions, and labor shortages, API were at a loss as to how to successfully deliver two new facilities. API needed:

- Procurement of two new facilities
- Automation solutions
- Underground basement of 7,440sqm (80,083sq ft) separating van and truck dispatch
- Internal office fit-out
- Extensive mezzanine with decant under and picking above
- Temperature-controlled building with less than two-degree variance
- Fridges and freezers
- Security vault into the definition of base building
- A-Frame sortation system for 8,000 units a day
- Shuttle Automation system

### Approach

The API and TMX partnership began in 2009, with TMX delivering multiple Property and Project Management services. The relationship expanded with the two new facilities in Queensland and New South Wales, as API required end-to-end service.

API wanted a partner who was accountable for procuring their property within favorable terms, drafting technical design briefs, managing construction, and could optimize their business performance. API knew TMX solely represented their best interests and had no conflicts of interest at any phase of the project.

### Solution

- TMX **saved API more than AUD\$10.3 million** over the term of the lease on both facilities.
- **Additional AUD\$3.1 million credited** to API due to fit-out variations not used.
- **45 minutes cut from each driver run**, saving significant time, and fuel efficiencies to decrease carbon footprint.