

→ Enhance UAE has deployed selective and shuttle racking for maximum flexibility.

ENHANCED FOOD DISTRIBUTION

Just a few years after completing one of the largest F&B acquisitions in the UAE's FMCG history, Enhance UAE has opened a logistics centre scaled for growth and the future challenges facing the FMCG sector.

During the last 12 months, the FMCG sector was the second-largest growing vertical in the UAE overall, second only to healthcare in terms of the number of jobs added according to the UAE Monster Employment Index. The sector saw 27% employment growth. It makes sense that healthcare and FMCG should be the two fastest growing sectors when one considers that Dubai's population is set to double over the next 14 years to reach five million by 2030, according to the director-general of Dubai Municipality Hussain Nasser Lootah. The emirate's current population stands at around 2.46 million, according to the Dubai Statistics Centre and UAE officials have said that they expect the total population of the UAE to be 9.26-million by the end of this decade.

This was part of the reason why Enhance UAE chose to invest now in a huge, brand new food distribution centre in Dubai Industrial City, but it was the primary reason for its choice in the location. "We're in the centre of the UAE here, with good road connectivity to all the major demand centres and new demand centres springing up nearby with all the development taking place for the Expo 2020. We felt that this area was the future of Dubai and the UAE," explains Koshy Mathew, COO, Enhance UAE. Part of the WJ Towell Group, a large Oman based business conglomerate, Enhance UAE was established several years ago as a small player in a large market, but in 2014 it shocked the FMCG logistics sector with the acquisition of the agencies distributed by Aqili Distribution.

"That was one of the largest FMCG acquisitions in the history of the UAE," says Mathew. "Enhance went from being a small company in this market, to being one of the top five FMCG distributors in the UAE. Part of that acquisition was a commitment to give our partners a world-class, state of the art logistics facility for their needs." Hence the need to develop its new facility in DIC, a project that was carried out in record time by SPAN, a logistics solutions provider that Enhance has



→ From its new warehouse in DIC Enhance UAE will operate a pan-UAE distribution network.

been working with for more than 15 years.

“The acquisition involved us taking over Aqili’s existing warehouses in Al Quoz, but they were more than 25-years old and not in the best condition for our standards. Developing something of our own that would utilise the latest technologies and be scaled for growth made more sense than retroactively developing the existing facilities,” explains Mathew. From DIC, Enhance UAE is now able to distribute to the entire country.

“We have a fleet of 200 trucks supplying more than 5000 grocery outlets and convenience stores and DIC is just five kilometres from the Abu Dhabi border, while still being located within Dubai, making it easier to operate a pan-UAE distribution operation,” says Ajay Purushotham, logistics & project manager, Enhance UAE. “This warehouse in DIC is exclusively for our food distribution and we have another warehouse under development that will be for non-food items.”

The launch of the DIC location necessitated consolidation of operations, but Mathew explains that Enhance has kept some of its smaller centres open due to its unique business model.

“We’ve split our systems into two. Rather than having feeder networks across the emirates, we’ve broken our route to market into two. So if you consider the large clients, the Lulu’s and Carrefour’s, we’re supplying across the country from this location. We also have one of the largest van distribution fleets through which we supply the smaller convenience stores and for these we have smaller feeder centres across the UAE that are supplied from this location.” Mathew adds that configuring the warehouse for this split-operation was one of the most important aspects of the project. “Institutional businesses are one of our most challenging operations because it’s small and immediate deliveries. If a five-star hotel needs more butter for



→ Warehouse at a glance

“We’re one of very few logistics companies using shuttle racking in this part of the world. A large portion of the warehouse volume is covered by shuttle racking and the entire facility is temperature controlled through ammonia chillers, which is a more environmentally friendly and cheaper solution than Freon chillers because it uses less energy,” says Koshy Mathew, COO, Enhance UAE. “We’ve optimised space in the cold storage with mobile racking for maximum density. We don’t have any dry areas, the entire warehouse is temperature controlled, which keeps all products fresh, even if they don’t require an ambient temperature.”

example, we need to deliver it to them within a day.”

Because of this, Enhance required a very specific setup of their warehouse, explains Walid Daniel, CEO, SPAN. “When we say that this is a state-of-the-art facility we don’t mean that it’s automated or has VNA machines and a range of new technologies, it means that it’s developed to a standard that exactly meets the current and future needs of a client,” says Daniel. “This project was engaged at the start in understanding Enhance’s business, so we didn’t draw up anything until we knew exactly what their plans were for the future.”

The warehouse was designed with maximum flexibility in mind, with four different storage and racking systems available (selective, drive-in, shuttle and mobile). “We’ve made several trade-offs to achieve this – simply put, the more you store, the slower you are with picking,” explains Daniel. “High density here has been achieved

three ways with drive-in, shuttle and mobile pallet racking. These three were taken based on the needs of Enhance’s business model and the cost implications, so the mobile racking was used only in cold storage because of the cost of the operation of a cold chamber, while in the rest of the warehouse selective racks have been plugged in next to high density drive-in and shuttle racking so that they have the flexibility to stand-by if the high-density system is not available or if the capacity is full, the remaining pallets can be taken out and put in selective to make that deep channel available.”

Why is this important though? According to Mathew and Daniel, the warehouse had to be designed with the future needs to the FMCG sector in mind. “There is going to be a major shift in consolidation at the distributor level and at the



→ Koshy Mathew, COO, Enhance UAE.

“SPAN WERE THE ONLY SOLUTIONS PROVIDER THAT WERE ABLE TO OFFER US A FULL RANGE OF RACKING OPTIONS AND MHE OPTIONS IN ONE PACKAGE, WITHOUT US HAVING TO GO INDIVIDUALLY TO DIFFERENT SUPPLIERS TO GET A QUOTE, WHICH MADE THE PROCESS A LOT EASIER FOR US.” *KOSHY MATHEW, COO, ENHANCE UAE*

retailer level as well,” says Mathew. “This is already happening with the very small corner stores consolidating into the mid-size convenience stores in every high-density residential area. This will continue, with large supermarket expansion slowing and more of these mid-level stores opening across the UAE.”

“It is evident that retail has never been more fragmented. Today’s consumer has many options and is shopping at more places than ever before,” says Shilpa Rosenberry, senior director, Global Consumer Strategy, at Daymon Worldwide. Rosenberry says a key trend in 2016 is the growth of convenience stores. “While we will see most of retail getting micro-sized (smaller formats), we will see traditional convenience stores buck the trend and get bigger. These stores will be larger and evolve to become more like convenient “superstores” with more space devoted to fresh prepared foods and made-to-order options, quick-service restaurants (QSRs) and expansion of in-store



← Enhance UAE has designed its warehouse with the fragmentation of the FMCG sector in mind.



→ Walid Daniel, CEO, SPAN, which was selected to design, install, commission and service the storage and material handling equipment.

“THE SUPERMARKETS WILL ALWAYS BE THERE, BUT THEY’LL NO LONGER COMMAND 90% OF OUR FOCUS AND OPERATION. CONVENIENCE STORES ARE OPENING ALL THE TIME AND THIS HAS SERIOUS IMPLICATIONS FOR THE WAREHOUSE.” WALID DANIEL, CEO, SPAN



← Ajay Purushotham, logistics & project manager, Enhance UAE.



Enhance UAE then has developed its DIC warehouse with the future in mind, a future that also involves diversification from being a food distributor to 3PL services as well. “We are a full logistics solutions provider for some of our clients, such as Napco, which focuses solely on the selling of their product. We also handle the finance in addition to the logistics,” says Ajay. “So we’re not just a distribution company, around 20% of revenue is 3PL, but this is an area we want to grow significantly.” The fragmentation of the retail market is likely to fuel that growth in the coming years.

“Re-fragmentation may not be a real word, but it is the best way to describe a phenomenon that is gathering momentum and in the process changing the competitive environment and the nature of retailer and supplier relationships,” Mike Troy, the editor of RetailingToday wrote last month, whereby smaller chain stores are eating into the marketshare of the retail giants like WalMart and Costco. He was writing with a focus on the US, but according to SPAN and Enhance, the same can be said of the UAE. ❌

experiences and services for key consumer segments.”

Daniel adds that this will have an impact on the operations of an FMCG warehouse like Enhance’s. “The supermarkets will always be there, but they’ll no longer command 90% of our focus and operation. Convenience stores are opening all the time and this has implications for the warehouse. They’re no longer shipping 20 pallets of diapers at a time to the supermarkets, instead they’re delivering less than one pallet capacity to much smaller stores, more often. So you need a warehouse with the flexibility for fast picking without having to walk or drive a long distance within the warehouse to reach these various goods.”

→ Speed versus density

“In the cold store section we needed to fully utilise the space because of the high cost of running these systems, so mobile racking made the most sense as it gives the ideal mix of selectivity and dense-storage. The main disadvantage is that it slows picking time significantly, but the lower operating cost per pallet outweighs this. Cold store makes up the other 20% of the storage space,” explains Mathew Koshy, COO, Enhance UAE.