Investing in the Future without Capital Expenditure

Mercator chooses Cisco managed network to support ambitious international expansion.

Case Study

Customer Name: Mercator

Industry: Retail

Location: Montenegro

Number of Employees: 23,000

Business Impact

- Freedom to focus on core retail business
- No capital expense and significant savings in monthly costs
- Greater productivity and improved customer service

Business Challenge

Founded in Slovenia in 1949, Mercator is one of the leading supermarket retailers in southeastern Europe. In 1998, it began an ambitious expansion plan that now sees the Mercator group of companies operating in Serbia, Croatia, Bosnia, and Herzegovina, Bulgaria, Albania, and Montenegro, as well as Slovenia. Mercator plans to establish a presence in more neighboring foreign markets in the future.

In June 2010, Mercator took control of 77 additional sites in Montenegro after forming a strategic alliance with two of the country's leading retailers. As a result of the deal, Mercator became the largest supermarket retailer in Montenegro, but the expansion also created a significant communications challenge. Along with its new stores and warehouses, the group had inherited a diverse collection of legacy telephone and computing networks, including elements from a number of different vendors.

"In order to deliver Mercator's high standards of efficiency and customer service in Montenegro, unifying the networks was a priority," says Boris Malada, manager, Methodology Management and Development in Mercator's Executive IT Department. "We needed the right platform to support our corporate information systems–including enterprise resource planning (ERP), email, and Internet access–and we also wanted to add wireless and IP telephony capabilities."

Mercator would manage its new business in Montenegro, along with the rest of its international operations, from a central location in neighboring Serbia. The highest standards of compatibility were, therefore, required between the new network and the group's existing infrastructure and applications in Serbia. Security and reliability were also important. Mercator needed to be sure that bandwidth and service levels could be maintained at all times, even in the less accessible rural and mountainous regions of Montenegro.

Mercator planned to modernize its retail operation, creating IT-led efficiencies and new capabilities that would lead to greater productivity and improved customer service. By consolidating all computing and phone services onto a single platform, the group also expected to achieve significant cost savings in network rental, administration, and maintenance. However, purchasing all the network elements at the same time would involve spending a large amount of the IT capital budget, so Mercator needed an alternative option. The retailer also wanted to avoid increasing its operating costs by employing more specialist IT staff.

"Mercator is a retailer, not an IT company. To offer the very best value to our customers and shareholders, we needed to focus on our core business in Montenegro, on our vision to be the first choice supermarket, and on plans for further international expansion," says Malada. "We did not want to be distracted by the demands of network management, or to carry the associated costs."

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Solution and Results

Mercator was very happy with its Cisco infrastructure in Serbia, so the company asked its existing Cisco Gold Certified Partner for advice on the network requirements in Montenegro. The resulting proposal was an end-to-end Cisco network that carries computing, phone, and wireless services, with IP telephony delivered using Cisco® Unified Communications Manager software.

A telecom service provider manages the entire network and supplies WAN connections between all the sites. Although the Cisco partner carries out any necessary equipment maintenance, the service provider gives Mercator a single point of contact for all support requirements, including a 24-hour telephone helpdesk. A stringent service-level agreement (SLA) for the entire infrastructure guarantees high levels of network availability even in remote locations.

"We should emphasize that it would not have been possible to implement this project without the commitment of our associates from the IT departments in all the countries where Mercator does business," says Malada. "At the same time, we would like to acknowledge the hard work, expertise, and resources we received from Cisco and its partners. It was a great team achievement."

Opting for a fully managed service has freed Mercator from the administration, commercial risk, and personnel requirements of managing its own network. The company can focus on core business priorities, knowing that its communications infrastructure is in safe hands. In addition, Mercator was able to finance the whole project from operating expenditure, meaning that IT capital budget became available for other activities.

"The managed service not only reduces our workload, it also generates significant financial benefits compared with buying the necessary equipment, renting WAN connections, and employing extra IT staff," says Malada.

Mercator's corporate information systems are performing better across the new Cisco infrastructure, helping to improve efficiency, while data security has also been enhanced. Wireless network access in warehouses and stores has enabled the group to modernize its stock control system, incorporating wireless handheld barcode scanners and terminals. The new process is easier and faster, and has reduced the number of errors. Wireless IP phones enable staff to stay in contact with colleagues wherever they are, at any time, creating a richer collaborative environment and contributing to better customer service.

With its ambitious expansion plans, Mercator will benefit in the future from the greater savings of international IP telephony. The group also plans to implement collaborative tools made possible by the new network, such as unified communications and video conferencing.

"The Cisco network is a solid foundation on which Mercator's business in Montenegro can continue to grow: a reliable, high-performance infrastructure which makes our systems work better and our employees happier and more productive," says Malada. "Ultimately this all leads to a better experience for our customers, which is critical in an increasingly competitive market."

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Executive IT Department, Mercator

For More Information

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