BUAD307 – Marketing Fundamental – Fall 2019
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Group participants (print name, last name, USC id)

1 - Walmart's successful supply chain management

When you drop by Walmart, you are witnessing one of history's greatest logistical and operational triumphs. According to Supply Chain Digest, this retail giant stocks products made in more than 70 countries and at any given time, operates more than 11,000 stores in 27 countries around the world, and manages an average of $32 billion in inventory.

With these kinds of numbers, having an effective and efficient supply chain management strategy and system is imperative. The entire organization is committed to a business model of driving costs out of supply chains to enable consumers to save money and live better.
Over the past ten years, Walmart has become the world's largest and arguably most powerful retailer with the highest sales per square foot, inventory turnover, and operating profit of any discount retailer. In its transition from regional retailer to global powerhouse, the organization has become synonymous with the concept of successful supply chain management.
Walmart began with the goal to provide customers with the goods they wanted whenever and wherever they wanted them. The company then focused on developing cost structures that allowed it to offer low everyday pricing. Walmart then concentrated on developing a more highly structured and advanced supply chain management strategy to exploit and enhance this competitive advantage and assume market leadership position.

Even in its early years, Walmart's supply chain management contributed to its success. Founder Sam Walton, who owned several Ben Franklin franchise stores before opening the first Walmart in Rogers, Ark in 1962, selectively purchased bulk merchandise and transported it directly to his stores.
Walmart's supply chain innovation began with the company removing a few of the chain's links. In the 1980s, Walmart began working directly with manufacturers to cut costs and more efficiently manage the supply chain.
Under a Walmart's supply chain initiative called Vendor Managed Inventory (VMI), manufacturers became responsible for managing their products in Walmart's warehouses. As a result, Walmart was able to expect close to 100% order fulfilment on merchandise.
In 1989, Wal-Mart was named Retailer of the Decade, with distribution costs estimated at a mere 1.7% of its cost of sales – far superior to competitors like Kmart (3.5%) and Sears (5%).
The company's supply chain has only become more effective since then.

Walmart embarked on strategic sourcing to find products at the best price from suppliers who are in a position to ensure they can meet demand. The company then establishes strategic partnerships with most of their vendors, offering them the potential for long-term and high volume purchases in exchange for the lowest possible prices.
Furthermore, Walmart streamlined supply chain management by constructing communication and relationship networks with suppliers to improve material flow with lower inventories. The network of global suppliers, warehouses, and retail stores has been described as behaving almost like a single firm.
"Wal-Mart's whole thing was collaboration," Crowell said. "That's a big part of what made them so successful."

Cross docking is a logistics practice that is the centerpiece of Walmart's strategy to replenish inventory efficiently. It means the direct transfer of products from inbound or outbound truck trailers without extra storage, by unloading items from an incoming semi-trailer truck or railroad car and loading these materials directly into outbound trucks, trailers, or rail cars (and vice versa), with no storage in between.
Suppliers have been delivering products to Walmart's distribution centers where the product is cross docked and then delivered to Walmart stores. Cross docking keeps inventory and transportation costs down, reduces transportation time, and eliminates inefficiencies.
Walmart's truck fleet of non-unionized drivers continuously deliver goods to distribution centers (located an average 130 miles from the store), where they are stored, repackaged and distributed without sitting in inventory. Goods will cross from one loading dock to another, usually in 24 hours or less, and company trucks that would otherwise return empty "back haul" unsold merchandise.
Using cross docking, products are routed from suppliers to Walmart's warehouses, where they are then shipped to stores without sitting for long periods of time in inventory. This strategy reduced Walmart's costs significantly and they passed those savings on to their customers with highly competitive pricing.

In its relentless pursuit of low consumer prices, Walmart embraced technology to become an innovator in the way stores track inventory and restock their shelves, thus allowing them to cut costs.
Technology plays a key role in Walmart's supply chain, serving as the foundation of their supply chain. Walmart has the largest information technology infrastructure of any private company in the world. Its state-of-the-art technology and network design allow Walmart to accurately forecast demand, track and predict inventory levels, create highly efficient transportation routes, and manage customer relationships and service response logistics.
For example, Walmart implemented the first companywide use of Universal Product Code bar codes, in which store level information was immediately collected and analyzed, and the company then devised Retail Link, a mammoth Bentonville database. Through a global satellite system, Retail Link is connected to analysts who forecast supplier demands to the supplier network, which displays real-time sales data from cash registers and to Walmart's distribution centers.
Suppliers and manufacturers within the supply chain synchronize their demand projections under a collaborative planning, forecasting and replenishment scheme, and every link in the chain is connected through technology that includes a central database, store-level point-of-sale systems, and a satellite network.
What made Walmart so innovative was that it has been sharing all this information with all their partners and back in the days, a lot of companies weren't doing that. In fact, they were using third parties where they had to pay for that information.
Walmart's approach means frequent, informal cooperation among stores, distribution centers and suppliers and less centralized control. Furthermore, the company's supply chain, by tracking customer purchases and demand, allows consumers to effectively pull merchandise to stores rather than having the company push goods onto shelves.

In recent years, Wal-Mart has used radio frequency identification tags (RFID), which use numerical codes that can be scanned from a distance to track pallets of merchandise moving along the supply chain. As inventory must be handled by both Wal-Mart and its suppliers, Wal-Mart has encouraged its suppliers to use RFID technology as well.

Even more recently, the company has begun using smart tags, read by a handheld scanner, that allow employees to quickly learn which items need to be replaced so that shelves are consistently stocked and inventory is closely watched.

According to researchers at the University of Arkansas, there was a 16% reduction in out-of-stocks since Wal-Mart introduced RFID technology into its supply chain. The researchers also pointed out that the products using an electronic product code were replenished three times as fast as items that only used bar code technology.

In addition, Wal-Mart also networked its suppliers through computers. It entered into collaboration with P&G for maintaining the inventory in its stores and built an automated re-ordering system, which linked all computers between P&G factory through a satellite communication system. P&G then delivered the item either to Wal-Mart distribution center or directly to the concerned stores.

Questions

1) Identify the characteristics of the Walmart supply chain that makes it so successful (hint: there are four broad areas discussed in the case study) and describe how they are improving the Walmart's supply chain.
2) What are the sustainable competitive advantages that Walmart's supply chain management strategy has provided the company?

Amazon is entering the grocery business (it bought Whole Foods in 2017, and it also delivers groceries with Amazon Prime Now) and it will probably compete with brick and mortar grocery stores including Walmart.

Amazon's competitive advantage lies in its ability to create innovation. Indeed, in the past few years, Amazon has implemented many technological innovations to improve and speed up its supply chain (some people say that Amazon is completely changing the supply chain as we know it).

3) Can you describe some of the innovations that Amazon introduced or will introduce to improve its supply chain?
4) Walmart's case study talks about how Walmart is using technology to improve its supply chain. However, to compete with Amazon, Walmart must continue to innovate and create new technology to improve its supply chain. What would you expect some of these innovations to be?

2 - Multichannel marketing

In class we discussed multichannel (or omnichannel) marketing -- the practice by which companies interact with customers via multiple channels, both direct and indirect, in order to sell them goods and services -- and why it is not easy to implement it successfully. Indeed, there are many challenges associated with multichannel including managing the brand image across channels, providing a seamless experience across channels, creating integrated CRMs, recognizing the shopper and their unique profile in every channel, etc.

Questions

1) Below I provide a list of three brands that implement a successful multichannel marketing, each of them in a unique way. Your task consists of identifying the way(s) in which such brands excel at multichannel marketing:
    a. Apple
    b. Netflix
    c. Uniqlo

3 - Wegmans: The New Frontier in Grocery

Wegmans is battling competitors on all fronts – from Whole Foods to Trader Joe's to Walmart. Even so, it's winning the battle to keep prices low and quality high. Wegmans, a grocery chain founded by John Wegman in 1916, is one of the largest privately run companies in the United States. It operates over 80 stores across the northeast and houses more than half of its stores in its home state of New York. The chain has seen consistent topline growth over the years, from $6.2 billion of revenue in 2011 up to $6.8 billion of revenue in 2013. Wegmans' loyal customer base may be a testament of how a sound business model and a complementary operating model can differentiate a company from its competitors.

Why is Wegmans Different?

The Wegmans business model focuses on three elements:

While Wegmans positions itself as a high-end grocery store (competing with the likes of Whole Foods), the prices remain competitive. According to an analysis done by the consumer group Checkbook, Wegmans' average prices were even lower than those of Giant and Safeway. Wegmans' ability to combine the high-end grocery store ambience with a low pricing strategy reinforces their ability to serve multiple customer segments. This large and loyal customer base, in turn, drives up sales volume.

The Wegmans store footprint is one of the largest in the industry, from 75,000 to 140,000 square feet. In comparison, the median store footprint across the grocery category is about 46,000 square feet. The large retail store size not only offers a higher quality shopping experience with spacious aisles, but also allows the grocery store chain to offer a variety of services that mimic a European open-air market. For example, most Wegmans stores offer a café, a restaurant, fresh sushi, a coffee shop, a bakery, a pharmacy, and a floral shop. The varied product offering draws customers who would have otherwise visited competitors or smaller specialty stores.

If customers want a wide variety of product choices, Wegmans is by far the obvious choice. Compared to an average of 40,000 products in most supermarkets, Wegmans carries from 50,000 to 70,000 unique products. In addition to product variety, Wegmans prides itself on stocking fresh produce for its customers. However, the high-quality element is not isolated to its products. From the layout of the store to the presentation of produce to the displays of organic foods, Wegmans has created a high-quality customer experience. The staff is friendly, helpful, and plentiful.

Alignment between Business and Operating Models

The business model is supported by key elements of the operating model that help Wegmans retain its competitive advantage:

Unlike other supermarkets that outsource their distribution networks, Wegmans controls its own distribution process. Wegmans owns 12 distribution centers in New York and Pennsylvania, and they control the selection, distribution, and transportations for products sold across all the Wegmans stores. This strategy allows Wegmans to control costs and insulates them from external entities taking margin.

Wegmans' high-quality offering is in large part supported by its ability to turn over inventory much faster than its competitors. According to Strategic Resource Group, the average supermarket turns over its produce about 18-20 times per year, while Wegmans turns its produce over about 100 times a year. Because produce isn't ever left out on the shelf for long, it can always be restocked with fresh product. This is in large part due to the volumes that Wegmans experiences, and plays hand-in-hand with the competitive pricing strategy that attracts a wide customer base.

The Wegmans private label brand has become a high-quality offering. With the introduction of organic and gluten-free products, the Wegmans private label positions itself as a brand of choice with price-sensitive but quality-conscious consumers. Additionally, Wegmans' partnership with local farms to produce the private label products serves as a testament to the quality of these offerings.

The company invests heavily in its workforce – Fortune Magazine ranked Wegmans the fourth best company to work for in the US. It offers college scholarships to its employees and sends its staff around the world to learn about the different types of foods they offer. The result is a staff that seems ever willing to make customer service a priority.

Questions

1) What are the core business model elements of Wegmans? (hint: there are three elements)
2) Which type of supply chain organization (marketing channel) Wegmans employs? (hint; vertical, horizontal, etc.)
3) What are the key elements of Wegmans operating model? (hint: there are four elements)