

ISCEA PTAK PRIZE

Global Supply Chain Case Competition 2016

For Bangladeshi Students and Young Professionals

PROLOGUE

With the fast changing face of economic and political scenario in Bangladesh, Super Shops have been expanding amongst the main cities catering to the need of growing middle income consumer base. With the expanded use of internet, explosion of smart phones driven shopping, ecommerce is putting in new and difficult challenges for retailers to meet the multichannel consumer's increasing expectations for speed, convenience and price. Things that were never sold online are now commonly sold online. Online shopping is no longer limited to music, books and newspapers. Many more categories are migrating online, even things like daily consumables, household appliances, furniture, jewelry, apparel, real estate etc. are now purchased online.

The challenge today for Super Shops are diverse. Giving a boundary less shopping experience to consumers, with endless inventory regardless of where they shop, free returns, and same day delivery are some of the benefits that consumers are already used to. In-person shopping experience is slowly losing its attraction due to distance, movement issues due to bad traffic, cost, convenience, variety, speed etc. It's time that the Super Shops revamp their supply chains that are originally designed for a single-channel world.

THE TASK

You are a team of 4 experts offering business re-engineering solutions to the clients in the areas of suggesting appropriate ERP solutions, business automation, and creating contemporary online shopping experience for consumers. This year (2016) a European aid organization has proposed to engage your services in creating new supply chain solutions for Super Shops in Bangladesh to cater to the current multi-channel consumer's expectation with respect to variety, convenience, price and speed. Proposed fund that is available for this project is US\$ 25 Million that would be spent over a period of 5 years.

Your team now need to submit a proposal to the aid organization clearly indicating how you will spend this US\$ 25 Million to enhance supply chain capability for Super Shops in Bangladesh. Your proposal should be aligned with the areas of expertise in the above mentioned fields where your organization operates. Awarding of the project to your organization solely depends on the feasibility of your proposal to the aid organization.

Following are some of the probable judgment criteria against which your work will be evaluated.

- Knowledge of Supply Chain Management
- Innovativeness
- Wise use of money
- Feasibility of the plan
- Rationale for the project
- Impact of such proposal
- Case Presentation Style

SUBMISSION GUIDELINES

Case Submission:

- ✓ A cover page will be provided by ISCEA Bangladesh. Every team must use that cover page.
- ✓ The case solution **MUST** not exceed 2000 words (annexure excluded).

Materials to be submitted:

- ✓ Hard copy of the case at the Mind Mapper office
- ✓ Soft copy of the case (.pdf) at ptakprize@iscea-bangladesh.com

Submission deadline is on 22 May, 2016.



SL. No.: To Be Assigned by ISCEA



2016 ISCEA Ptak Prize

Global Case Competition

Team: CUOB-0101-2016

Team Member -1

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Last Date of Case Submission: May 24, 2016

Cracking the Case – SWOT Analysis for Super Shops

Strengths (S):

- Super shops maintain a vast product collection. They have 10,000-40,000 product varieties.
- Super shops offer hygienic commodities to their customer with guaranteed quality & freshness.
- Super shops ensure a hassle free shopping environment in the outlets.
- Quality control initiatives by mobile court against food adulteration are very common in Bangladesh. This experience led the super shops to take necessary quality control measures, whereas 100%-online-based distribution may not ensure such measurement.
- Cyber risks in 100%-online-based distribution are very high, whereas physical super shops are free from such risks. Trust and ethics is ensured in super shop shopping.

Weaknesses (W):

- Consumer's perception about the super shops is still challenging. Consumers think that the products such as vegetables & fishes the super shops sell are not fresh.
- Improper supply chain management of super shops can reduce the super shops' key performance.
- In recent times, super shops in main cities are facing a problem of arranging enough parking spaces for their customers.

Opportunities (O):

- Super shops have opportunities to educate the customer about competitive offerings and prices provided by them. Trust should be the streamline of the business.
- The supply chain can visibly be re/engineered through different technologies and facilities.
- Super shops can digitize their physical outlets as well as can go for online channel.
- Home delivery facilities can be provided for the time saving customers through telephone ordering.
- Super shops have opportunities to increase responsiveness to consumer shopping behavior through market research, customer online and offline reviews/feedbacks.

Threats (T):

- Explosion of internet and PDAs, and the resulting outburst of E-Commerce.
- Speedy, convenient shopping experience provided by 100%-online-based distribution.
- Rare products which are available through online only.
- Changing pattern of consumer's shopping behavior is becoming more challenging day by day.

Definition of the Problem

Bangladesh, a South Asian country, with a growing economic development has been expanding tremendously in business operation in the last few years. In recent times, super shop business is growing at a very high rate in Bangladesh. Targeting the need of growing middle income consumer base, super shops are expanding their business. The super shops deliver the customer huge varieties of goods.

Specifically, in spite of having numerous advantages in super shops; the explosion of internet, PDAs, smart phones, and e-commerce business is putting a great challenge for the super shop retailers to meet the multichannel consumer's increasing expectations for speed, convenience, and price.

Moreover, with diverse nature of the consumer demand, increasing costs, complex supplier/vendor attitude, and political and economic turmoil challenge the operation of super shops in this country.

Which Alternative Should be Considered?

Alternatives	Benefits	Costs
1. Single Offline Channel	▪ Easy to control ▪ Face-to-face communication ▪ Direct quality inspection	▪ Less sales ▪ Customer dissatisfaction ▪ Less convenient ▪ Less speed ▪ Excessive parking cost
2. Omni-Channel	▪ Integrated shopping experience ▪ Easy and convenient ▪ More sales ▪ Customer satisfaction ▪ Increase speed ▪ Prompt services ▪ Savings time ▪ Quick response ▪ Integrated communications	▪ Cost of servers ▪ Cost of network ▪ Cost of software ▪ Cost of power ▪ Delivery cost

In this diverse world of globalization, only by concentrating on single offline channel, in the near future, super shops will face a great challenge for their survival. Only the smooth uplifting of the supply chains from a **single-channel concept to omni-channel** can give a new dimension to the operation of super shops in Bangladesh. Also, the above cost-benefit analysis gives a high benefit/cost ratio for the Omni-Channel Distribution.

Recommendations for Revamping

Keeping pace with the digital world has been a great challenge for the super shop retailers. Conversely, it is the best opportunity for revamping and optimizing the supply chain through ERP solutions, business automation, and contemporary online shopping experience. To cover the challenge, some key processes have been suggested here, so that super shops can stay relevant to the customers' needs, by providing greater value.

- A more **sophisticated barcoding system** with more adaptability will be used to reduce human error, employee complexities, costs, and improve inventory management, and decision making.
- **Automated replenishment data** can be sent to the store management system and the vendors as well when products are sold and the stock decreases to a re-order level.
- **Tracking chips** will be installed in each product for the prevention of theft. The beeping system will ensure that no unsold product is taken out of the shop.
- **Digital product pricing** will provide a current pricing system. Adjustments related to back-end cost fluctuation, inflation, and currency fluctuation can easily be implemented.
- Pleasing **interior re-modification** to attract the customer's attention and ensuring convenient shopping experience in the outlet.
- **Membership discount facility** for the loyal customers holding membership cards.
- **Gift voucher facility** for the super loyal customers. It will be a gift of loyalty to the customer.
- **Shopping bag recycling** can be used. Customers will get discounts on certain level of points.
- **Food courts & bank branches or ATM booth** facilities for the customers' welfare.
- **Gym & beauty salon facilities** to make it a one-stop shopping and service center.

For the super shops, trying to keep up with the conventional offline strategies and neglecting to revamp their business models can be a great choice of failure. To create a strong contemporary online shopping experience for customers, a robust online presence is required along with the present physical outlet. It must be followed with:

- A constantly updated website along with an easy to follow online ordering system.
- Facility to compare different brands of a product and different models of a brand in respect of product features, availability and cost.
- Price of the products will be updated with relevant adjustments.
- As an omni-channel system will be applied, while shopping online, facilities will be included to generate past offline shopping data to give the customer a customized shopping experience.

Strategies and Management Practices Required

- **Omni-Channel Distribution:** Omni-channel distribution is required to provide the customer with a seamless shopping experience whether the customer is shopping online from a desktop or mobile device, by telephone or in a bricks and mortar store. To make the omni-channel successful, other management practices must be efficiently implemented.
- **Facility/Warehouse Management and Inventory Management:** Technologically savvy consumers want quick response through the channel of their choice. Also, effective inventory analysis is essential to optimize inventory at each stage of the supply chain, ensure quick replenishment, and avoid inventory shortage.
- **Transportation Decision:** Transportation cost is basically borne by the manufacturing company/vendors when they send the goods to the store. But in case of maintaining a home delivery system to the customer, certain transportation costs will incur.
- **Pricing Decision:** Pricing decision has a great impact on the super shop revenue. Super shops with cheap yet comprehensive offers describe its aspiration to appeal to upper, medium and low income customers in the same stores.
- **Information Management:** Effective flow of information ensures proper fulfillment of customer needs in a cost effective way. Super shop must eliminate information distortion to reduce the impact of bullwhip effect.
- **Product Sourcing and Distribution:** Consumer goods are directly bought from the manufacturing companies; agricultural goods are collected from agricultural firms; and imported goods are collected through direct import or purchase from import house. Cost efficiency and green sourcing will be a key issue through the project.
- **Strategic Alliance with Vendors and Transporters:** Right vendor selection is obligatory through risk minimization, cost optimization, and process improvements. Since managing 200-500 vendors is very complex, consolidating the management of multiple vendors and focusing on strategic sourcing will foster the process.

Use of Fund

Proposed Fund: US\$ 25Million is to be used over a period of 5 years.

Hypothetical Structure:

Allocation of Outlets									
Division	Chittagong	Dhaka	Sylhet	Rajshahi	Khulna	Barisal	Mymensingh	Rangpur	Total
Outlet/s	6	10	3	2	1	1	1	1	25
Super Shop Size: 5,000 Square Feet/Outlet					Avg. Current Sales: \$1,440,000/year per outlet				
No. of Employees: 80 employees/Outlet					Avg. Current Profit: \$360,000/year per outlet				

Allocation of Fund (in US \$)						
Particulars for Fund	% of Fund	Year 1	Year 2	Year 3	Year 4	Year 5
Ethical Procurement [1]	1.5%=\$375,000	75,000	75,000	75,000	75,000	75,000
Inventory Management [2]	0.8%=\$200,000	40,000	40,000	40,000	40,000	40,000
Warehouse Management	7.5%=\$1,875,000	375,000	375,000	375,000	375,000	375,000
Transportation [3]	0.4%=\$100,000	20,000	20,000	20,000	20,000	20,000
Administrative Costs	9%=\$2,250,000	450,000	450,000	450,000	450,000	450,000
Operating Costs	6.5%=\$1,625,000	325,000	325,000	325,000	325,000	325,000
Promotional Expense [4]	28%=\$7,000,000	2,450,000	1,750,000	1,400,000	700,000	700,000
IT [5]	34.5%=\$8,625,000	4,312,500	1,725,000	862,500	862,500	862,500
Contemporary Online [6]	1.32%=\$330,000	99,000	66,000	56,000	56,000	53,000
Fixed Assets [7]	10%=\$2,500,000	1,500,000	500,000	500,000	0	0
Wastage Management	0.2%=\$50,000	10,000	10,000	10,000	10,000	10,000
Miscellaneous	0.28%=\$70,000	14,000	14,000	14,000	14,000	14,000
Total	\$25M	9,670,500	5,350,000	4,127,500	2,927,500	2,924,500

Foot Notes:

- In the above table, some allocations of fund are equally distributive; some are high in the initial years and gradually decreasing in the later years due to the nature of specific management practice.
- 1. Ethical Procurement Cost: Including 10 investigation teams for ensuring the quality, freshness, sustainability, and environment friendliness of the products
- 2. Inventory Management: Including Third Eyes Inspection
- 3. Transportation: Centralized transportation for dry and valued products. Decentralized transportation for highly rotten and less valued products, Delivery,
- 4. Promotional Expense: Including Membership Card Facility, Gift Voucher Facility, Shopping Bag Recycling for Greening, Advertising,
- 5. IT: Including Updating Barcode System, Integrated Website Development, Automated Replenishment Data, Tracking Chips, Digital Product Pricing
- 6. Contemporary Online Presence: Including Domain Purchase, Server, Hosting, Photography, SEO, Social Media, Accounts
- 7. Fixed Assets: Including Lorries, Pick-up Vans, Motor Bikes, Furniture and Interior

Sales & Profit after Installation of Proposed Project/year per outlet		
Current	Avg. Sales = \$1,440,000	Avg. Profit = \$360,000
After Revamping	Avg. Sales = \$1,920,000	Avg. Profit = \$480,000

According to the table, after revamping the sales increases \$480,000, and profit increases \$120,000 per year per outlet. Hence, it is feasible to invest in the project by considering the costs above.

Feasibility of the Plans

- **Operational Feasibility:** The operational side of the project is feasible because the technical and re-engineering processes adopted by the project will result in high operational excellence.
- **Market Feasibility:** The customers are highly prone to smart phone driven shopping and e-commerce. The proposed project with its re-engineering tools will be highly responsive to the market's (customer's) emerging needs.
- **Financial/Economic Feasibility:** The project is financially feasible with high sales and profit generation.
- **Organizational/managerial Feasibility:** Accommodating sufficient employees with high expertise, ERP and business automation; the project will give smooth organizational/managerial excellence.
- **Environmental Feasibility:** Ethical and green sourcing, eco-friendly distribution system, waste management, and recycling will ensure high eco-performance through CSR, sustainability and holistic marketing approach.

Impact of Such Proposal

Super shops are having a great positive impact in their operation by adopting the Omni-channel distribution system. These impacts are:

- High revenue generation by responding to each customer's needs whether they purchase from the super shops, or using the website, or even by a mobile phone order.
- Recapturing the target market will be feasible by repositioning the company image through reengineering processes.
- Customer value will be increased through smooth value deliver network and value chain.
- Customer satisfaction and loyalty will be increased due to high responsiveness.
- High brand exposure through multiple-channel resulting in high brand equity.

Wrapping Words

Undoubtedly, technological breakthroughs are inevitable. Businesses which adopt this changing pace are the best exploiters of opportunities to grab the cream from the market. Super shops by revamping in supply chain, IT, promotion, and other business processes can build a highly strong position to fight with 100%-online-based distribution.

The proposal concludes discrete suggestions for the grant of European fund providing proper allocation, rationale, and feasibility of the project.