

Provide a strategic
analysis



**ASSIGN
BUSTER**

You are required to provide a strategic analysis of a key supply chain issue facing your retail client over the next five years. Your submission needs to include a brief outline of the client's retail offer and the key features of their existing supply chain (less than 100 words). Conclude with strategic recommendations. " In modern markets, success requires more than just making high quality products" (A. Kamen, Nikon's Vice President of Operations). Having the ability and visibility to predict how much merchandise is available and when it can be distributed makes the difference in staying ahead of customers' needs and creating a competitive advantage for any organization. The above are parts of supply chain management.

A supply chain is " a network of connected and interdependent organizations mutually and cooperatively working together to control, manage and improve the flow of materials and information from suppliers to end users" (M. Christopher 2005). Thus, the focus of supply chain management is upon the management of relationships in order to achieve a more profitable outcome for all parties in the chain. The supply chain consists of four components; Production, Inventory, Location and Transportation. These should be integrated in order to achieve the best mix of responsiveness and efficiency for the market being served. It is therefore clear that changes in one function of the supply chain will directly affect other functions and the supply chain as a whole.

Argos is the UK's leading general merchandise retailer with annual sales of 5 billion pounds. The company sells a wide range of competitively priced, quality branded consumer merchandise through its catalogue, website and

over 700 shops in the UK and Ireland. In fact, a recent survey has shown that there is an Argos catalogue in two-thirds of UK households and an Argos store within 10 miles of 98% of the population. This retailing model helps to keep overhead costs down, which in turn support lower prices for customers and the value of shopping at Argos.

Being the UK's leading general merchandise retailer, it is clear that Argos's managers have to deal with a huge supply chain, consisting of many components. More than 750 suppliers both from inside and outside the UK, each with his own methods of transportation, documentation and leading times, deliver goods at one of Argos's Retail Distribution Centers. Products are then sorted, stocked and delivered to Argos Stores by trucks, where they are sold to consumers using a multichannel strategy.

In addition to the methods mentioned above, customers can buy products over the phone or by using their digital television. Finally, separate weekly store level reporting is aggregated to determine replenishment requirements. Consequently, it is apparent that the great scale of Argos's supply chain has both strengths and weaknesses. By using a SWOT analysis in studying the supply chain, we can identify which of its components are successful and which fail to be efficient.

The first component of the supply chain is production. In this case, since Argos is a retailer, production refers to the relationship it has with suppliers. It is obvious that Argos has great buying power over its suppliers and therefore the upper hand in all its backward relationships. " Buying power is used to push the costs and risks of business down the supply chain" (O.

Brown 2005). The reason behind this is that Argos is usually the biggest buyer for its suppliers. Also, the existence of competition between suppliers, due to the nature of products, allows Argos's managers to put pressure on quality improvements as well as reduction of lead times and prices. This gives Argos the opportunity to reduce costs and be price competitive, occupying the costleadership position in the industry.

Another successful function in Argos's supply chain is location. As mentioned above over 700 shops exist covering 98% of the population. This, accompanied by the comfort and convenience of home selection via the catalogue, offers a simple idea that wins a big market share of the industry. Furthermore as part of the location function, Argos uses a multichannel retail strategy to reach its customers. " A well-integrated multi-channel format enables consumers to examine goods at one channel, buy them at another channel, and finally pick them up at a third channel" (Berman et al 2004). In the case of Argos, customers are offered the different types of outlets for shopping mentioned earlier.

Combined use of the different channels is also possible. Customers for example can browse products from the catalogue and then use the website or their phone to purchase it for store pickup or delivery. The successful use of multichannel retailing allows Argos to benefit from synergies as it leads to an increased customer base and added revenue. Overall the location component of the supply chain gives the opportunity for sustainable capture of market share.

On the contrary, some components do not function properly and can be viewed as weaknesses of the supply chain. Transportation for example which is " the significant link between the various stages in the supply chain" (J. Shah 2009) has created some inefficiency problems. The key transportation decision made by a firm is selection of mode. Argos managers have decided that road is the best mode as it offers greater flexibility. It is fast and cheap over short distances but at the same time highly dependent on congestion, therefore not completely reliable. This choice of mode is also determined by logistical relationships. As mentioned earlier, Argos uses a partly centralized system with a number of Distribution Centers scattered across the UK therefore the need for flexibility is vital for successful integration of the supply chain.

In theory a centralized distribution system allows for improved inventory management and less stock requirements at store level. In the case of Argos though, the inexistence of a completely centralized system leads to problems concerning inbound transport of goods at Argos's Retail Distribution Centers. High traffic is observed mostly due to the diverse supplier base and differing methods of presentation and delivery.

Trucks arriving are not fully loaded, increasing costs, and valuable time is consumed in sorting products in a coherent and easy to access inventory. This proves that Transportation and Inventory management are interrelated decisions. Therefore a firm has to evaluate the impact of transportation decisions on the total cost of the supply chain as bad decisions in one function of the supply chain will negatively affect other functions.

From the above it can be understood that transportation problems have hindered the efficiency of inventory management. " Inventory management is the branch of business management concerned with planning and controlling inventories and its main role is to maintain a desired stock level of specific products or items" (J. Toomey 2003). Being a catalogue retailer, the catalogue is in fact an all season promise of product availability to the customer; therefore Argos must ensure that it stocks the right products at the right locations to meet customer needs. Inventory managers are required to provide an accurate demand signal for an extended period of time and then match that forecasted demand to existing inventory stock levels across its supply chain to make the right procurement decisions.

To achieve this strategy Legacy systems are being used. They are " socio-technical computer based systems that include software, hardware, data and business processes" (R. Seacord et al 2003). Despite having all the right components these systems are not very successful because they are not well integrated and optimizing inventory levels across the supply chain proves to be a significant challenge. The scale of the retail chain combined with the vast merchandise assortment and the seasonality of the business create enormous complexities.