

# Local supermarket operations of an istanbul supermarket business essay



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Evaluating strategic objectives of operations management within the organization: The chosen high street business is a local supermarket called “Istanbul Supermarket” located on City Road. The supermarket provides variety of food and non-food products. The beginning of the report will examine Istanbul Supermarket’s operation in detail by using 4Vs and the latter will be about its competitor “ Old Street Central Shop” a local supermarket near Old Street tube station on City Road.

The operation of Istanbul Supermarket is a small retail supermarket selling food and non-food products in a one floor shop. Many inputs are being used into the local supermarket operations. Inputs can be divided into four categories. First, the materials used in the operations are goods for sell which are food and non-food products. Second, human inputs, there are 9 employees in total including cashiers, stock clerks and managers. Customers are the most important human input in the supermarket operations consisting of local customers and Asian people. Thirdly, information and technology, these inputs used in this operation are quite simple. Store size is relatively small so the price and stock data is mainly managed by people’s recognition and memory. There are only two cash machines and one computer in operation for product pricing and checkout. Lastly, there are many facilities involved as the inputs which are air-condition, automatic doors, music, rest room and they also provide Oyster service, mobile top-up and E-pay services.

The general purpose of supermarket is to provide various kinds of products to serve customers’ needs. Thus, the output of the operation is the combination of customers and goods sold in the store, implying that

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customers are satisfied with the provided goods to fulfill their needs. The good services and general advices of the staffs during the purchase are also crucial.

In local supermarket operations, many processes are involved as followed:

1. Ordering and Delivering Process: Ordering process depends on how fast the products are sold and it is particularly very simple process. Currently, there are only 4 suppliers for Istanbul Supermarket where they made advanced purchase for everyday delivery for deli sandwiches, milk and bread. Fruit, vegetable, and other general products are purchased directly from Cash & Carry or wholesalers with its own truck once a week. Dry foods and bottled waters are picked up form Cash & Carry twice a week.
2. Inventory management process: Istanbul Supermarket only keeps the product on shelves separated by product categories. The new delivered products are suddenly stored in the shelves. They avoid the inventory by making a purchase only when particular products are nearly out of stock.
3. Shelf display process: According to the Istanbul Supermarket, there is no specific strategy for shelve display. Most of the products are arranged according to their categories and brand. Fast-moving and popular products are stored in the convenience place for pick up.
4. Sell goods process: The final process of Istanbul Supermarket is the sell goods process. The inputs are being transformed to ensure the need of customers.

## **Istanbul Supermarket Operation:**

In order to describe the operation of Istanbul Supermarket, the four characteristics, 4Vs, of demand is adopted to explain how the process be managed referring to Slack, et. al. literature (2006). This part will be the analysis of how the 4Vs involved in each process of Istanbul Supermarket.

Ordering and Delivering process depends on the volume of products sold. Initially, they place an order with suppliers for milk, bread, and deli sandwiches with specific amount and have them delivered every morning. Other products will be purchased and picked up by the stock clerk from Cash & Carry, a big wholesaler for local supermarket. Usually, the order volume is based on the previous sell record and the level of inventory. This involved in high volume but relatively low variety for each type of products. For example, there are only three types of milk but they are delivered at substantial amount. Even though the demand for each product is variable and unpredictable, Istanbul Supermarket is still unable to keep a lot of inventory due to lack of inventory space. They only fill in the empty shelves by purchasing products from Cash & Carry and sometimes, they have to let some products out of stock. However, this process is not visible to customers.

With their limited inventory space, the inventory management process is involved in a low volume but very high variety of products to ensure that there are at least spare of each product when they run out of stock unexpectedly. A good supermarket has to ensure that there is no empty shelve for each particular products. The variation in demand is also crucial because the store has to cope with general seasonality of customers' needs, <https://assignbuster.com/local-supermarket-operations-of-an-istanbul-supermarket-business-essay/>

thus it is important to have many kinds of product ranges. Customers are not visible in the inventory management process.

Shelve display process is very important. The general purpose is to attract the customers with high visibility and high variety of products. Products are clearly visible to customers and in order to make it easier for customers to find a particular product, Istanbul Supermarket has arranged the shelves according to the type of products with a high variety of each product category and relatively low volume. For example, there are various brands of chips and biscuits on the shelves. In addition, there is high variation in demand for each individual person. Some people quickly drop by and pick up convenient products but some of them are looking for raw or frozen foods, and cooking ingredients, thus, Istanbul Supermarket has to design shelves display for consumer's convenience where convenient and fast-going products would be placed along the entrance and on top the aisle and the rests are placed according to their product types and brands.

Sell goods process involved in a very high variety of products and relatively low volume since each person often purchase a single piece of different kind of goods at once. The variation in demand and visibility is seemingly high in this process. The goods sold reflect the need of each customer. The demand for customers is random according to their preferences. They might not purchase the same thing at the same amount every single day.

In the overall local supermarket operation, Istanbul Supermarket's operation generally met the volume and variety requirement where there is relatively low volume and high variety. Supermarket often offers various kinds of

product types to cover the basic need of customers and to serve individual preferences. For Istanbul Supermarket, they offer different kinds of food products ranging from dairy products, bread and bakery, chips and biscuits, frozen foods, canned and dry foods, fresh fruits and vegetables, and Asian foods such as noodles, Asian soups, Asian sources, and ingredients. There are also different kinds of non-food products including toiletries, kitchen products, tobacco, and health and beauty products. Not only there are many kinds of product types offered at Istanbul Supermarket, they also offer many brands in each product types.

### **Systems to ensure quality of product and services: Majorly Process Type, Layout, Technology, and Job Design**

Process structure can be defined in customer-contract position and product-process position. However, in Istanbul Supermarket, it is difficult to design the operation type as manufacturing or service. For most food manufacturers, the main manufacturing process type is batch process with medium volume and variety. They produce many different kinds of foods according to taste, color, consumer eating habit, and packaging. Due to limited capacity and resources, Istanbul does not produce its own private label products, so they are not manufacturers. But their products hugely rely on the food manufacturers in batch process, so Istanbul, Äôs process type is more or less batch process. Istanbul is more like a service shop selling consumers goods, providing Oyster, mobile top-up, and E-pay services. They sell different types of foods based on consumers, Äô different eating habits and preferences. This is a kind of customized service they provide. In words,

Istanbul, Äôs process is defined as mixed process structures, median customer involvement, high resource flexibility, but low capital intensity.

Information and communication have important impacts on business operations, decision processes, and trading-partner relationship in food retailing. These combined together as local supermarket operations can affect productivity at the store level with different store size and format. Istanbul supermarket has limited information and technology, and stock-keeping units (SKU), an inventory management system that enables the store to systematically track its inventory or product availability. In food retailer store, many products are fresh food with a shelf life of a few days and need to replenish shelves daily or several times a day; others are consumer durables with longer display time. Technology can be adopted to manage display and inventory track. However, there is only basic technology used in the store, two cash machines and one computer in the back-office, so the store need to improve the technology with limited capacity requirement.

Istanbul Supermarket, Äs process layout is the combination of functional layout and cell layout. In functional layout, same resources are located together and different items take different flows. In Istanbul supermarket, products are displayed according to different functions. The most inside area is for non-food products, such as household goods, health care items, and toiletries. There is a small room for Asian foods, which is the uniqueness of Istanbul Supermarket attracting a lot of Asian customers. Due to the same need of frozen cabinets technology, holding frozen vegetables, fast foods, and seafood are displayed together. Another competitive advantage of

Istanbul comparing to its competitors is its selling of fresh fruit and  
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vegetables, which are displayed in linear shelf space together to attract customers. In addition, cell layout also appears in Istanbul Supermarket. Cell layout is designed for similar process need and less issues with complexity and efficiency. The most front shelf of Istanbul is used for breads, sandwiches, snacks, and drinks. The cell layout contributes to consumer, "s convenience by providing foods to people who are in a rush.

According to Slack et. al., (2006), job designs in low volume and high variety process are closely defined with broad division of labor, undefined jobs with decision-making discretion, and job commitment is task based. In Istanbul Supermarket, there are 9 employees with 3 cashiers, 2 stock clerks, 3 managers and 1 operating managers. Each of them has quite similar simple roles, and there is high job flexibility as people can work across their own responsibility. The manager is also the owner of this store, and he has close relationship and communication with other staffs. As a result, there should be more specific division of labor so that employees have more responsibility for their own job.

### **Strategic challenges for Business local Competitor: Old Street Central Shop.**

Plenty of local supermarket operating along the City Road, Old Street Central Shop is selected as main local competitor for Istanbul Supermarket. Both of them are situated on City Road where Old Street Central Shop is close to Old Street tube station and beside Starbucks while Istanbul Supermarket is around 500 meter away. With the proximity of their location and similar general products sold, they are considered competitors.



In general, inputs for Old Street Central Shop are similar to Istanbul Supermarket but they add non-food products like stationery, souvenir, magazines and newspaper. However, Old Street Central Shop offers much less variety in the food category. The store only has one operation manager and 4 employees. Old Street Central Shop customers are different group of people. Since it is located near tube station, most of them are workers and non-local customers. The output of the operation is also the alignment between customers and goods to ensure customers satisfaction and serve their needs.

The general process at Old Street Central Shop is relatively similar to the Istanbul Supermarket. However, there are currently 10 suppliers. Since there is more product types offering, the store has to deal with more suppliers. Daily delivered products are newspapers and magazines. They purchase gifts, souvenirs, and stationeries from Cash & Carry every month. The way they manage their inventory is however, quite different from Istanbul Supermarket. Old Street Central Shop has bigger inventory space where they store inventory separated by the categories and brands but most of the products will be put on the shelves in full. The shelves display pattern is based on product category and the popularity of products. In each category, products within the same brands are placed together and separated by their sub-category, features and sizes. Lastly, the sell goods process is to meet consumers demand.

The operations of Old Street Central Shop are described using 4Vs and in comparison to those of Istanbul Supermarket. Old Street Central Shop shows a comparatively higher volume and lower variety in ordering and delivering <https://assignbuster.com/local-supermarket-operations-of-an-istanbul-supermarket-business-essay/>

process. Most of the products have longer stay days so that they can order a substantial amount at once. The bigger inventory space is an advantage. The volume of inventory is particularly higher where they can store more product units and reduce the order and delivery frequency. The variability in demand is higher in the inventory management process as it is involved in the seasonal change and unexpected demand from tourists or non-local customers. For shelf display process, both stores have the same level of visibility. Sell goods process is inarguably similar for both stores where the selling process is very highly visible and dependable on demand variation. It involves in a very low volume and relatively high variety for one purchase.

Consider the volume and variety requirement for Old Street Central Shop, it has similarly low volume and high variety. Its high variety of non-food products such as newspapers, magazines, souvenirs, and stationeries does not account much for the increase in sale volume. However, the Istanbul Supermarket has higher sale volume due to its high variety in food products attracting local people as well as Asians people living nearby.

Comparing the process type of both Istanbul supermarket and Old Street Central Shop, both of them have mixed process types of batch processes and service shops. As both intake foods and other products which are produced in manufacturers in batch process. In addition, both provide other services apart from selling products. However, Old Street Central shop just provides mobile top-up service. In this aspect, Istanbul Supermarket gain more customer satisfaction. On the other hand, Old Street Central Shop is more efficiently operated with its technology as it has barcode scanning system. Istanbul has two cash machines and simple pricing machine, without <https://assignbuster.com/local-supermarket-operations-of-an-istanbul-supermarket-business-essay/>

barcode scanning system, it consumes longer time for checkout and problems possibly occurred by cashiers' mistakes. However, even though Old Street Central Shop has barcode scanning system, it still lacks in technology for inventory management. Thus, both need to improve their machines, equipments, and devices at affordable costs. The layout of Old Street Central Shop is clearer than Istanbul as it has less variety of products. Because of its prime location near tube station and bus stop, its main shelf space is for drinks and snacks. As shows in Exhibit 2, it has a separate shelf for milk, and a line shelf space for drinks and alcohol, and a line shelf space for snacks such as dried food, biscuits, and chocolate. Referring to job design, Old Street Central Shop has broader division of labor and relatively low job flexibility as it has only 4 employees for the whole store.

### **Improve organizational performance: Recommendations:**

Small food store operators are aware of growing competitive pressure from larger retailers. What they feared most from their competitors are wide assortment of merchandise, low price of dry groceries, location of their competitors, and the attractive of their physical facilities. The key to retail success is to align core retail processes, assets, resources, and flows of information and products to strive for optimal balance among each of these critical elements. For Istanbul Supermarket, the current operations are stable and controllable by managers. However, more effective and profitable operations are in expectation. According to the current different processes, layout, technology, the most necessary recommendation and improvements focus on new information and technology system, ordering and delivering processes, and inventory management.

In order to maintain customer satisfaction, retailer should make sure over 95 per cent availability of products. Barcode scanning is important as it enables managers to track both at the pallet and case level, and at the checkout. Managers can adopt lean thinking in modernizing its supply chain, and this can help to minimize stock holding, reduce lead times, increase food SKU, and maintain high service levels. IT system is crucial for store management, and the main objective of IT is to focus on customer's benefits. Information and technology used by retailers includes data-mining techniques, market research, scanning data, and loyalty-card programs. However, for the Istanbul case, IT systems are too costly and complicated to carry out with limited capacity and resources. Therefore, the simple improvement is to use barcode scanning system as they already have computers. They can purchase a barcode scanner and software for retailers with less than £ 600, with far beyond the pricing benefit, also for stock tracking in order to reduce stock and ensure availability. This simple system is beneficial and worthy as it improves comfort and reduce fatigue.

As inventory represents a huge percentage of total assets, retailers are paying close attention to inventory productivity. Inventory is good as it can help to ensure certainty and flexibility, and allows advantage of short-term opportunities. However, overabundant inventory is bad because it ties up money and it is costly due to obsolescence and high administrative costs of storage. More seriously, based on item-level models, there is a negative correlation inventory turnover and gross margin according to price changing and service level. As a result, the optimal quantity being ordered explained as Economic Order Quantity is needed. For Istanbul, the most products they

stock are dry food, frozen food, and non-food items. It has only one fridge in store, so they should limit the holding quantity of frozen food to fill the fridge. For dry food and non-food items, holding cost is related to expiry and holding space, and order costs are related to delivery cost and order quantity. Consequently, the best way is to order in relatively high quantity as this has lower wholesale price and ensure availability, but make sure to limit the quantity in storage space. Using 'the ABC system' is rational for Istanbul, as it can stock more low usage value products such as non-food items but stock a small promotion with high usage value products such as frozen foods and other traditional food.

According to the survey of 102 households in central-city's fruit and vegetable needs, it showed that greater fresh vegetable availability within 100m of a residence was a positive predictor of vegetable intake, but fresh fruit availability was not related with intake. Due to the perish ability of these fresh foods, Istanbul Supermarket staffs pick up by themselves every week from wholesaler to ensure the freshness and availability. In order to reduce waste cost, Istanbul Supermarket is better off making a research from neighborhood residence to improve their service and food availability. Here, supply chain management is needed in order to reduce or eliminate uncertainties in either shortage or redundancy. Istanbul needs to shorten its ordering lead times, reduce its batch size, and lowering cost of processing orders. Despite branded products, there are many private label foods. Thus, it should control the quality, dependability and reliability of suppliers. Single-sourcing or fewer suppliers might be rational because it ensures stronger relationship, lower price with potentially better quality, and high reliability.

In words, all these process are related to consumer satisfaction in quality and price. In this competitive industry, even though there are many large supermarkets, most people prefer to visit the nearest food retail store for convenience. However, people are interested in the lower prices offered by supermarket. So Istanbul Supermarket needs to reduce its product price by more efficient inventory management, ordering and delivery process, and better information and technology system with affordable capacity usage.

## **Implementation Project Planning**

According to Slack, et. al. 2006, “ project planning process determines the activities, duration, resources, and how the work is allocated”. The first step of project planning is to identify the activities. This project can be break down into three core activities and seven sub-activities as provided in Figure 1. The second step is the estimation of times and resources as provided Figure 2 and the third step is the estimation of dependencies among activities. This activity dependencies will be drew on Non Network Diagram.

## **Figure 1: Step 1: Work Break down Structure**

Select Businesses Area.

Target Interviews and business understanding.

## **Design the scope**

## **Resource Collection**

## **Analysis**

## **Conclusion**

Interview

Literature Review

Analysis of problems and implementation plan

Review the Implementation