

Core business functions of food chain commerce essay



Food chain has emerged as one of the most successful super market chain across several locations across the globe. The company had its inception 30 years back which initiated in the form of traditional grocery store. Food chain had its core operations in selling grocery items, meat, perishable and non perishable items. Thus Food chain has been evolving itself in to the selling of food items and non food items. Food chain had more number of distribution centre's 50 in number through which the products are sold to eh customers. The nature of business operations at Food chain has been to increase mass sales of the products there by gaining huge profits across its outlets. Food chain has been concentrating on turning to be the most preferred super market chain by means of expanding and diversifying in to all possible modes under the retail food market (Deane, 2010).

1. 2 Structure and objectives of Food chain:

The organizational structure of Food chain has reflected its diversity in management as it exists across 50 outlets. The matrix structure of Food chain portrays the decentralized operations that the super market has across each one of its outlets.

The objectives of Food chain have been to emerge as one of the favourite super market chain across its stakeholders.

To expand its business operations through online as well as offline modes of business operations

To enhance sustainability across the value chain of Food chain.

On assessing the profits, market share, return on capital employed Food chain has been falling short of the giants of retail players such as TESCO, ALDI, SAINSBURY, ASDA and MORRISONS. It is evident that the retail players such as TESCO and ALDI have attained excellence through information technology and operational excellence. On assessing the customer base and the growth of customer service attributes Food chain stands down in increasing the loyal base of customers and offering more number of service to the customers (Cento, 2010). The sales of Food chain has been on the positive note hence there is a huge risk of losing its potential employees to the rivals under the super market chain.

1. 3 PEST analysis:

It is evident that organization that exists in a super market chain business has been confronted to both internal and external factors which in turn shape the strategic goals and the behaviour of the Food chain. On the assessment of the micro and macro environment affecting Food chain the impact of external factors has been dramatic. The assessment of the political, legal, social and technological factors affecting Food chain paves way for understanding the factors driving the market growth and the restraining factors affecting the decline of market for Food chain. Thus the PEST analysis of Food chain will help in assessing the scope for development and there by influencing the decision making of Food chain top management (Bryce, 2009).

Political factors:

As Food chain is operating across more than 50 islands the company has been influenced by legal legislations and policies derived from government <https://assignbuster.com/core-business-functions-of-food-chain-commerce-essay/>

across the locations. Hence Food chain face more number of complexities in meeting the norms and the regulations laid down the government including the economic union. On expanding the operations of Food chain in Asian countries there is a huge risk associated with the instability of the government which in turn affects the policies and procedures favouring business of Food chain.

Employment legislations affecting the staffing policies and procedures of Food chain has been on the favourable note. Given the scope for super market chains in taking different proportions of staffing modes such as full time, part time, lower paid, highly paid workers the support from the government will be pro active. It is also evident that super market chain has contributed to the reducing the rate of unemployment across the globe (Chaffey, 2009).

Economical factors

The core business activities of Food chain are influenced by both the supply and the demand factors in the market. Consumer behavior and spending power is influenced by the global economy and the financial turmoil has crucially affected the costs, profits associated with the products of Food chain. Changes in the oil prices on international context also affect the cost of operations and the objective of accomplishing sustainable business activities (Cao, 2011).

It is also evident that Food chain has been keen on promoting and selling products that originate from srilanka so any economic changes / impact

emerging from srilanka will let down the accomplishment of strategic goals of Food chain.

Social Factors:

Consumer behaviour is influenced by the cultural trends and the demographics of people where Food chain exists. Hence majority of the consumers of Food chain look out for shops that offers all under one roof and the nature of purchase tends to be bulk in quantity. Ageing population has redesigned the portfolio and products sold by Food chain. On the other hand the number of female workers is increasing in and around United Kingdom which has further enhanced the scope for increasing the value adding products offered to the customers (Nigel, 2009).

As far as the food and non food retail industry is concerned customers are exposed to more number of information and components of quality. Hygiene factors are highly influencing the attitude of the customers and hence the preference of the customers is highly fluctuating towards hygienic and quality factors. Marketing mix of Food chain has been subjected to change as a result of the social factors influencing the organization. it is also evident that majority of the population under generation -X and generation Y are preferring to make their purchases through the E commerce and online shopping options. Thus the changing preference insists the need of shifting the business operations towards online modes of selling (Cao, 2011).

Technological factors:

Role of information technology has changed the way super market chains operate today in the retail industry. Thanks to the dominance of information,

communication and technology which has redesigned the way Food chain needs to operate in the near future. Use of enterprise resource packages across all the operations of the company has aided in offering more credits both to the customers as well as the company. IT devices has been influencing the super market chains such as wireless devices, RFID – Radio frequency identification devices, kiosk, self check outs, e commerce and electronic point of sales (Cento, 2010).

1. 4 Stakeholders of FOOD chain:

Food chain has been driven by the presence of both internal as well as the external stakeholders. Employees and customers form the most important stakeholders with whom the organizational strategy and objectives frequently interact with. Employees are the most important assets of Food chain who have been loyal to the management of Food chain (Cao, 2011). On meeting the expectations of the employees Food chain has stayed back due to the increased battle for acquisition of battle across the super market chain. Customers on the other hand have more expectations in terms of modes of business and nature of products offered by Food chain. On meeting the expectation of the customer's Food chain stays back with more scope for improving the customer relationship management interventions. Positive word of mouth marketing has been one of the most important credits that Food chain has in the portfolio of its customers (Deane, 2010).

Shareholders form yet another important stakeholder of Food chain; stakeholder analysis has helped Food chain in offering more transparent and accurate information to the investors so that they do not lack trust or confidence on the strategic decisions of Food chain. Role of government as <https://assignbuster.com/core-business-functions-of-food-chain-commerce-essay/>

stakeholders is inevitable for Food chain as most of the expansion and the diversification plan of Food chain is supported and assisted by the governmental policies. On addressing the environmental issues Food chain has sustained a good rapport with its local community and the non customers there by building a positive brand image (Ellis, 2011). Apart from these the other stakeholders of Food chain include the farmers who play a crucial role in offering the perishable food products to the outlets. Suppliers also have equal weightage as part of the stakeholder management as they act as an intermediate between the procurement of the food and non food materials to the outlets of Food chain. Thus the stakeholders of Food chain have been in abundance there is a huge scope for meeting the requirement of the stakeholders (Cao, 2011).

Task – 2

2. 1 Advantages of using E business for the operations of Food chain

Food chain in the verge of getting expanded to more than 80 outlets within a span of 2 years needs the presence of technology. Hence implementing E business as a part of its business operations will offer extensive benefits to the customers.

Cost advantage:

The most important credit that Food chain will be able to gain through E-business is the cost advantage. A considerable amount of benefit would rise from reducing the operational costs associated with the maintenance of excess of inventory and the cost of transactions. High transparency is being achieved in the process of billing with less reliance on the human resource

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management (Cento, 2010). Customer will also be able to search different products at ease through access to the website thus decreasing the cost associated with the search of products for the customers (Dave, 2010).

Marketing and communications:

Food chain will be able to strengthen its marketing activities as a result of operating through E-business, thanks to the emergence of viral marketing initiatives that have increased the scope for spreading the positive word of mouth campaigns for organizations (Bryce, 2009). By implementing E-business Food chain will be able to promote its offers and products through acquiring purchasing trends, preferences and customizing marketing activities according to them. Thus Food chain has the opportunity to interact with the existing as well as the potential customers by its official presence of the viral marketing campaigns. E- Business increases the scope of dragging the attention of the customers through loyalty programs and offering customized solutions to the customers of Food chain (Brazeal, 2009).

Revenues:

Understanding and responding to the highly volatile needs of the super market chain industry becomes feasible for Food chain as a result of implementing its E business operations. Food chain will be able to increase its product life cycle and be able to identify potential strategies to take advantage of the rivals (Botha, 2011). On the other hand achieving economies of scale becomes easier for Food chain given the credit of inventory management and order tracking through IT systems and devices. Thus expanding and diversifying in to untapped locations across the globe

becomes easier for Food chain by implementing E business in its operations (Schenk, 2009).

2. 2 Impact of introducing E commerce system to Food chain including the risks as well as disadvantages

E commerce systems offer Food chain with huge volume of benefits for Food chain and its business operations. E commerce system will aid Food chain in breaking the boundaries of geographical limitations with the absence of physical infrastructure there is huge scope for spreading the brand presence of Food chain. The option of attracting the customer through search engine visibility by use of search engine optimization, Google analytics are some of the credentials that Food chain will gain (Scott, 2009). The business working hours would also be extended to 24*7 as customers can order products at any time. Food chain will also be able to offer customers the option of comparison shopping with more information to the customers on description and information about the products (Sydney, 2009).

Equally there is more number of risks as well as disadvantages associated in implementing the E commerce system for Food chain. The existing state of human resource portrays the issues associated with the attrition and migration of employees to other super market chains. Implementing E commerce will call for acquisition as well as retention of IT employees of high skilled workforce. The cost of implementation associated with the E commerce platform is huge and hence might exert the risk of failure.

Integrating the supply chain management of Food chain with that of delivery of goods and services is a complex task as increased time taken to deliver the products will result in customer dissatisfaction (Traver, 2010). Addressing <https://assignbuster.com/core-business-functions-of-food-chain-commerce-essay/>

the issues of confidentiality, connectivity and disclosure of confidential information at the time of doing payment for the purchased goods is yet again a huge risk involved in E commerce systems. The outcomes of the issues associated with payment will lead to poor trust amongst the customers and has high probabilities of spreading negative word of mouth marketing.

2.3 Global impact on E commerce on society:

Globalization, privatization as well as liberalization have changed the way e commerce act in developing the society across the globe. Through business to business transactions, business to consumer transactions and business to government transactions e commerce has changed the way subsystems of the society interact with each other (Traver, 2010). On the other hand E commerce approach to the business activities has reduced the investments associated with the infrastructure and physical resources there by reducing the depletion of natural resources. Reduced manpower requirement has in turn increased the unemployment rates to some extent as a result of e commerce solution. Under developed, developed and developing countries have witnessed increase in the gross domestic product and consumer spending as a result of the e commerce transactions involved in all modes of business activities. Virtual operations of the business have thus provoked the trends, culture, perceptions and preferences of the customers through e commerce transactions across the globe (Jenkins, 2011).

Task -3

3. 1 Business to Business opportunities & Business to consumer opportunities

Business to Business opportunities involve selling of the grocery and the non food items to the other business organizations or a whole saler. Given the credit of diversified product portfolio for Food chain there is a huge scope for Food chain to offer clothing, apparels and other non food items to other business organizations. Even though there is a huge amount of risk involved in it the mass procurement of Food chain will help in realizing the economies of scale through B2B within a short period of time. Sustainable procurement from the farmers as well as the other suppliers further stimulates the possibilities of driving the B2B business for Food chain.

Business to consumer opportunities for Food chain is in abundance as it involves offering pre sales information to the customers through the internet as well as the social networks comprising the prices, offers discounts and the information associated with the coupons for the customers (Kalb, 2009).

Thus the shift has to be towards opting for hybrid stores of Food chain which involves selling the goods across multiple channels. With the emergence of E customer relationship management there is huge scope for Food chain to establish its business to consumer opportunities in selling both the food and non food items across the globe using effective E commerce value chain.

3. 2 Off line and online marketing strategies

Online marketing strategies are vital to promote the E business and the E commerce presence of Food chain. Online marketing strategies are in

abundance but given the existing scenario of Food chain both social media
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marketing and viral marketing are the two most vibrant online marketing initiatives that will aid in yielding the return on investments. Amidst this search engine marketing, search engine optimization, email marketing and display advertising are some of the most effective ways of online advertising that Food chain can take in to account (Kalb, 2009).

On the offline marketing initiatives include offering sponsorships to sports events such as golf and football. Amidst these offering nongovernmental organizations support on eco friendly and social issues is one of the most attractive modes of offline marketing. Newspaper adds, advertising through radio, televisions still stands to be the recommended offline marketing for Food chain (Scott, 2009).

3. 3 Strengths and Weakness

On analyzing the case of Food chain it could be inferred that there are equal proportions of strengths as well as weakens affecting the business operations of Food chain.

Strengths:

- Brand Image and experience in the field of super market chain for more than 30 years
- Stability in financial resources and target of middle income group of customers
- Presence of semi loyal customers
- Existing portfolio of suppliers and retailers

Weakness:

- Absence of E-commerce and E-business initiatives
- In ability to enhance customer relationship management with customers
- Threat of losing potential human capital to the competitors of Food chain.
- Increasing core competencies of rivals and use of Information technology as competitive edge.

Thus the weakness listed above offer huge scope for Food chain to derive and implement an E commerce solution. The business implication comprises:

- Establishing E commerce operation to the website of Food chain
- Linking all the 50 outlets of Food chain through E-commerce platform
- Build effective supply chain management to support E-commerce platform
- Increase the total number of sales through E-marketing and E-commerce
- Increase the profit sheets there by increasing the scope for offering superior human resource practices to the employees of Food chain.
- Increase the loyal base of customers there by increasing the market share.

3. 4 Technological requirements, Key business process, security and legal aspects design E commerce solution**Technical Resources essential for E commerce solution of Food chain:**

Networks

Hardware

Software

Physical security

Computer Security

High Resolution camera for snapshots of products of Food chain

Infrastructure Resources:

Warehouses

Rooms for stalling IT servers

Vehicles, Trucks for Transportation of Logistics to all parts of the world

3. 5 Suitability of new e commerce solution to competitive position of FOOD chain

The suitability of the proposed E commerce solution will add value to the operations and the functions of Food chain. The competitive position of the organization is gained by witnessed progress and positive developments such as:

Increase in financial outcomes of Food chain in form of high net present value, return on investments, and acquisition of market share, financial reports highlighting profit of Food chain, economies of scale, slash in operational costs, and increased profit in E commerce transactions (Cao, 2011).

Development in the marketing outcomes comprise increasing number of customer base for online shipping of Food chain, volume of data acquired about customers, buying preferences and contacts. Success of loyalty schemes and viral marketing initiatives reflecting in increased customer satisfaction and word of mouth marketing, expansion in to international markets through E commerce (Botha, 2011).

Apart from the marketing and the financial perspectives the most important metric that would justify the suitability of proposed E commerce platform includes analysis of the human resource management interventions which reflects in reduced rate of attrition, number of candidates successful recruited and selected through E commerce website, overall productivity and commitment of the employees (Botha, 2011).

3. 6 Market Analysis:

Size of super market chain across the globe has been huge and is undoubtedly the most lucrative industry for potential investors. The cost of entry as well as the exit has been high and similarly the profits associated with the super market chain business.

Historical background of the super market industry emerged in the form of chain stores during 1920. As each one of these stores was being employed by 2 to 3 employees the transition to the super market took place during the span of 1930 to that of 1940. Industrial revolution and the world wars took an active participation in the transition of traditional outlets to that of super markets. Yet again the super markets took another level of transition during the 1960's in the form of shopping centre's which are also termed as

suburbs. Post the globalization organization realized the need of merging, strategic alliance and acquisitions which in turned restored the concept of retailing and thus the super markets chain emerged in the verge of international expansion by several brands (Allen, 2009).

Characteristics of the super market chain have been criticized for its high volatility and need for organization to meet the changing demands across its stakeholders. Super market chains have been a part of the retail industry and have always been exposed to the political, social, technological and the economical factors influencing the expansion of retail outlets.

Competitors in the super market chain are intense as the nature of industry is attractive for potential investors there has been more number of players entering the retail industry. Tesco tops the list of super market companies with a market share of 31% followed by ASDA 18. 1%, SAINSBURY 17. 2% and Morrison's 12. 5% (Barnhart, 2009).

The emerging trends in the super market chain have been associated with the multiplication of ecommerce and e- marketing initiatives that are turning the mode of business operations to the next level (Barnhart, 2009).