

99 supermarket

[Sociology](#), [Shopping](#)



1. Introduction Convenience store (or known as mini-markets) according to Cambridge Business English Dictionary is a store that sell foods and sometime other goods but the size is typically below supermarket. 99 Speedmart is convenience store that based in Malaysia and they have over 300 outlets around Klang Valley. Three distribution centers have been set up to smooth their logistics and the latest distribution is located at Balakong Jaya. However, 99 Speedmart is not a solo-player in retailing market.

Convenience stores chains like 7-11 Malaysia, KK Mart and Hypermarket chains like Tesco, Aeon, Giant and Aeon BIG (formerly known as Carrefour). Carrefour has reported in March 2011 that its profit has been dropped by 14.3 percent to 371 million euros (\$463 million). Carrefour recently had quitted in some Asia country such as Thailand in the year of 2010, Singapore and Malaysia in the year of 2012. Action taken by Carrefour recently can be a sign that they does not do well in their operation in the market mention above. Out of the three, Carrefour Malaysia seems to be the worst.

This is a good example that 99 Speedmart has to take extreme careful steps before expanding their business nationwide.

1. Objectives
 - * Expanding the Service around Peninsular Malaysia before the year of 2020
 - * Redesign the Organizational Structure to smooth the administration work
 - * Ensure the Supply Chain is able to cope with the expansion while maintaining “Near ‘n Save” slogan
2. 99 Speedmart Current Operations Different with 7-11 Malaysia, 99 Speedmart has started to taken back all franchise license issue by phase as the franchisee do not getting the profit as they expected in the year of 2004.

Recently, they have started to issue limited franchise licences for selected entrepreneurs.

2. 0. 1 Relationship with Suppliers In order to comply with the slogan “Near n Save”, a lot of effort has been made by Mr Lee Thiam Wah. The first step he has taken is to only carry limited product and only high turnover product will be sold in the store and they do not focus much on sales margin. Furthermore, Mr Lee has made the process of ordering and payment easy for suppliers and it will be done within 30 minutes.

The payment will be cleared every time if the next order has been place to supplier to get better discount.

2. 0. 2 Distribution Centre 99 Speedmart has been setting up 3 distribution centre (figure 1) for smoothing their logistics process in short time frame from the year of 2002 to 2011. There are located at Jalan Meru, Jalan Kebun and Balakong Jaya. The first two is at Klang area while another one is at Seri Kembangan Area which is much more nearer to Kuala Lumpur City Center thus North South Highway.

Figure 1

2. 0. 3 Stock Replenish

The distribution centres will be taking batch order from manufacturers or distributors. The ordered stocks will be shipped to distribution centre for further allocation to all outlet based on the report generated. Based on the info getting from my local 99 Speedmart store located Kepong Area, they will replenish the stock 3 times a week for both Kepong Store and 4 times for Sri Sinar Store as their sales is higher. Normally Both Kepong store will be sharing one lorry to have their stock delivered on Tuesday, Thursday and Saturday morning directly from distribution center.

As for damage product and expired, the rules and regulation is being set to a store can only return a limited box to headquarters. Besides weekly

replenish, some of their stock is replenish by third party or directly from supplier. These items are mostly refrigerated goods such as Ramly's frozen product, Atlas ice cubes, Gardenia Bread and many more. They will take responsible to taking care of their product such as collecting expired and damage goods. The 99 Speedmart currently deploying computer assisted ordering system.

A computer assisted ordering system will normally using together with the point of sales system, whenever an item is sold, it will be updating the central server in headquarters for compiling into a sheet if the stock down to certain level for re-order. The same process applies to their distribution centres too. 3. 0Expansion of Service 99 Speedmart is a retail service that provides product from groceries to personal care products such as hand soap. It is very important to ensure the end consumer gets what they need when they enters the shop.

Currently, 99 Speedmart have around 3000 items (or Stock Keeping Unit) sold and it is not easy to manage it properly. 3. 1Logistics & Geographical Location 99 Speedmart recently have started back their franchise program to limited entrepreneurs and stated expanding beyond Klang Valley. The decision is not made in a hurry but slowly with plans. This can be seen from the newest distribution centre being set at Balakong Jaya which is near the North South highway. It takes about approximately 1 hour to reach Seremban, which is non Klang Valley shop located.

Currently there are 11 stores at that particular area as of 29 November 2012. It is recommended to take the expansion plan in phases instead of covering the service in whole Peninsular Malaysia at a time. The <https://assignbuster.com/99-supermarket/>

recommended expansion schedule can be as stated on table 1. The priority has been consider the geographical location and the also density of population as well. With proper planning of distribution centres, this will gradually reduce the lead time to supply enough stocks to the end outlet.

Phase| Location| 1| Negeri Sembilan & Melaka| 2| Perak & Johor| 3 | Pulau Pinang| | Kedah & Perlis| 5| Pahang| 6| Kelantan| 7| Terengganu| Table [1]

Negeri Sembilan and Melaka is suggested as their destination of expansion for reason that both the state have a close distance to Klang Valley's distribution centres where even for Melaka , it will not take more than 2 hour to reach from Balakong Jaya distribution centre due to the infrastructure, the expressway is good for both the states (Figure 2). Figure [2] (Google, no date) Beside the distance of distribution centres, the density of the state's population also is an added advantage.

According to data obtain from Department of Statistical Malaysia (figure 3), both the state have a high density of population compare to Pahang state thus the area fairly smaller compare to Perak. This will let them to set up only a few distribution centre but high in efficiency in terms of centralize item delivery. When the market is mature enough and enough distribution centres is being set near the near target market, they can start proceed to the next phase. Figure [3]

3. 2Customer Service A business organization main objective is to get profit and a good customer service will ensure customer stay loyal.

Based on both Laura and Johson's (2003) research, the supply chain trend has been moving from supply focus to demand focus but currently 99 Speedmart still does not apply this yet. They will just distribute the stock

without really over looking into what is the real demand of the particular's shops demand. As a result, the store room is pack of stocks that does not really sells but some of the items are quickly sold off within few days without any more new stock coming in because of the lead time between the orders being placed.

The main reason lies to their computer assisted ordering system's nature where minimum stock level system being use. Orders will only be place when it reaches certain limit without actually overlook how long it takes to make their stock reach that level. A same item might be taking just few days to reach minimum stock level in one outlet but a few weeks for another outlet as each of the area will have a different buying behaviour that affected by factors such as religion and cultures. 3. 2. 1Computer System Support

Instead of just using only the lowest stock level method, they should also take initiatives to do research on the data stipulated from time to time. They will have meeting every week on reviewing their sales done. Thus they should also implement a system where cashiers will key in the customer's estimated age and gender before proceeding to payment flow and headquarters will study the data being sent. A SKU will be eliminate after a continuous weeks of low turnover (Lee, 2001). This is how and why 7-11 Japan is expanding fast and understands the customer demand well.

The benefits they can obtain thru this are minimize their space to store stock and also provide the right product to the community. Furthermore the data being collected also useful to do future prediction especially festive seasons on providing enough stocks to full fill demand. This will also gradually minimize the effect of lead time and bullwhip that impacts their operation. 3.

3Warehousing Warehousing is always an important part of supply chain management and a poor warehousing efficiency will cause delay on delivery, damage goods and many unexpected issues. 9 Speedmart is using a paper based checklist when trying to assign all the stocks to destination outlet. This actually is a big issues as 99 Speedmart is currently is expanding fast in Klang Valley and also some experimental outlet outside of Klang Valley. In order to speeding up the process, voice directed picking system is suggested to be apply. A voice directed picking system where computer will give instruction thru headset and workers can make voice command to retrieve the next information.

The main benefit is that the workers will have both hands to do their work and maximize the efficiency of distributing the stocks. According to the speaker from Lein Hing Group, currently 7-11 Malaysia has been adopted this technology thus increase the efficiency up to 30% for their speed of assigning goods to designated outlet thus lower down the lead time. 3. 4Supply Chain Figure [4] : Current Supply Chain Model As stated as section 2. 0, 99 Speedmart outlets are getting stock supplies from distribution centres and some is directly from manufacturer (figure 4).

When the operation is expanding, the need to reconsider on how to optimize the supply chain structure as each state it might be having different supplier for same product brand. Figure [5] : Suggested Supply Chain Model Since some of the item is low in turnover, they have buy in a large batch order to get better discounts from manufacturer or suppliers. So I suggest that they should set a central distribution centres or such items where the item will be

delivered in a milk run method from area distribution centre to another area distribution centre.

They can either outsource the delivery to third party logistics companies such as Tiong Nam or set up a special team for this if the scale is big as the concern is how to use minimum cost to send the end goods to the outlet. When the service is expanding nationwide, they have to coordinate with suppliers in order to get the nearest source on getting their good supplies. Big consumer brand normally will have an area distributor for each area so 99 Speedmart can make full use on nearer source to obtain least cost of transporting goods. Furthermore, they can take 7-11 Japan operation model for reference on building a new logistics systems.

This is a very success model where 7-11's competitors such as Lawson, FamilyMart are also emulated their way of operation. Both suppliers and 99 Speedmart can set up a joint service whether items that can be delivering together will be cross docked in same warehouse. The driver is expected to do a milk run to area assigned to them to do daily replenish stocks. 3. 5Organizational Structures When an organization is growing bigger, a good management team must be there to coordinate the business well. Without a good management, they will be facing issues such as delay in order, late payment and others.

As referring to figure 6, we can notice that 99 Speedmart is having a flat structure to speeding up the decision process. Generally is the current structure is already good enough but some position must be added to meet their objectives of expanding their business as showed on figure 7. Malaysia is a multi cultures society and each part of the area will have different

<https://assignbuster.com/99-supermarket/>

demand for the product they need. In order to understand what they need for each part of the area, the branch operation can further divide their department based as stated on figure 7.

Section| State| North Malaysia| Perlis, Kedah, Pulau Pinang & Perak| Central Malaysia| Selangor, Kuala Lumpur & Negeri Sembilan| South Malaysia| Melaka & Johor| East Coast| Kelantan, Terengganu & Pahang| Table [2]
Figure [6] : Current Organization Chart Figure [7] : Changes for Cope with Service Expansion
4. 0Conclusion The area of caution has been stated in section 3 start from geographical location to organizational chart and some suggestion has been given to how to overcome the possible issues they might face throughout the expanding rocess. I am quite sure 99 Speedmart will be very successful and to cover up the Peninsular Malaysia before the year of 2020 if they are able to implement the all the suggestion above. Thus the bad economy that happens recently also will impact how they use theirmoney. People to tends to compare the item price between retailers to save their money and in this case 99 Speedmart is very competitive as they are offering their product low in price thus near to residential area. I am expecting they will set up 25~50 new stores in the year of 2013.