

Good case study on supply chain restructuring at sainsburys supermarkets limited

[Business](#), [Company](#)



Question 1

Over many year, Sainsbury company was operating with the same supply chain and the It system. These systems were outdated. Since they were created long before, so the new firms in the market as Tesco Plc had started to overtake Sainsbury In terms of the market share since they had the recent technologies in supply chain. Davis took up the task to sprucing the supply chain. He introduced new automated system, and they responded well in the first four years and later on problems started to arise since the stores were full and on the shelves there were no product.

As a result of performance dismissal, the board of Sainsbury replaced Davis with Justine king as the new CEO on March 4th . On his part, he replaced the fully automated systems with semi automated systems and also ensured that stock was available in all the times. He made sure that the right goods that were required by the customers were on the shelves at the right time. It increased the revenues of Sainsbury from £16573 in 2005 to £20383 million in 2009.

Ansoff Matrix to analyze the strategies

Market penetration of Sainsbury was in 1869 in which it was started by James Sainsbury and his wife at their home. The new product that they offered was quality food at reasonable price. That is this retail that was later to grow was started as a store in which in which they sold fresh food.

In product development by the year 1876 Sainsbury had started to develop its brand of products and opened a new store. There were ranges of products that Sainsbury offered and among them is smoked bacon that they did in

their own ovens. There was a branch opened at Croydon.

In market development Sainsbury forayed into the selling of groceries by 1903, this was after John had purchased a grocery store in Dalton's. Most of its competitors Sainsbury also ventured into new market territories having separate departments for dairy, bacon, and the hams among many other foods. In this time, Sainsbury had about 136 stores in different parts of United Kingdom. At the same period, this retail business was incorporated as a private company. In June 1950, this company had started a self-selection store on the supermarket line in USA.

In diversification Sainsbury company had established new markets in USA as supermarket line. In the early 1970s, the company shifted focus to the non-food merchandise and also tried new ways to make it stay ahead of its competitors. In product diversification, it started to sell other products like the laundry detergents and the packaging of its own cola brand that they named classical cola. This cola within very few weeks had already captured 13% of UK market.

Challenges to the changes that were introduced by Davis and King were trying to introduce

The sprucing of the supply chain by Davis faced great challenge in that it only performed for four years. After that the stores were full of stock, but the automated system failed to put the goods on the shelves. Hence the customer did not get what they wanted on the shelves, the stocks that were full in the stores.

In King's changes the problem that rose were high operational cost. Increase

in the operation cost of Sainsbury lead to losses of £39 million. It was its first time in history in which this company made losses.

Questions 2

Supply chain is how goods and services move from producers to consumers. If the supply chains are effective goods are able to reach the consumers in good time. When goods in case of the perishable good reach the market in time the supplies benefit as their sell volume will increase. The consumers benefit from good supply chain in that they receive goods at the right time while they are still fresh and this implies high quality.

The supply reconstruction at Sainsbury was aimed at replacing the existing 25 regional distributing centers. The changes that were needed to be made are to make some of the fulfillment be manual and others to be automated. The supply chains at Sainsbury started by the suppliers delivering the goods to the supply hubs. Then goods transferred to regional distribution centers. The cost that were incurred in building of the fulfillment factories were £70 million for each factory. The changes that were made include the automated sorting systems. Among the changes, the suppliers were expected to deliver their goods to the primary consolidation centers and then these goods were shipped to the fulfillment factories. There were two specialist distribution centers for the slow moving goods and other two centers for the frozen good were among the changes in supply. As part of supply improvement, this company signed a seven year contract with the Accenture for managing the IT system of the stores. The aim of this company under the management of Davis was to change the complex distribution system and be able to create a

world class supply chain network. In the changes department for handling particular product, were opened.

Changes made

The company is investing in supply chain so as to ensure that the qualities of goods that are brought to customers are of high quality. It was observed from the customer complaint that some goods were not available on the shelves, and also the supplies of perishable goods were not fully explicated. There were also losses made by this company for the first time in 135 years. There were looks on the contract given to the Accenture and the Sainsbury Company established its own monitoring system.

Question 3

The manager is to ensure that a company is performing as to its expectation. When there are things that are affecting the company so that it is not performing to the expectation, the manager is expected to make the decision to deal with these problems. In the case study, Davis has acted as a good manager as he can note that the reason this company is losing its market share is because of the poor supply system. The customers are not able to find what they need in the shelves. So he makes a decision on reconstruction of supply chain but his only fault is that he does not consider the performance of this technology. The changes he makes on supply chain affect this firm positively in the first year and later on stop. It makes Davis lose his job as the CEO. So from this we learn that the manager should be very careful in making decision and considering all the possible outcomes of his decision.

Kings when he was elected the CEO noted because underperforming of changes made by Davis and started to collect them. He makes the decision of changing the automated system with semi automated system and implement it. He also ensured that the stock was always available at the place and time the customer needed them. Due to kings' making the right decision the Sainsbury company revenues started to increase and also the company was able to compete favorably with other companies. From the decision made by Kings as the manager of this company impacted positively to the organization. The managers should be in the front line to ensure that the objectives of the company are met. If they note that some factors affect the functioning well of companies, they should ensure that the make decision that will have a positive impact in the firm as King did.

Question 4

The reconstructing of supply by Sainsbury has enabled the company to be flexible in its supply in that Whenever the customer requires a certain good they are able to obtain it at the right shelve in the right time when it is needed. The responsiveness chains of supply has also been impacted positively in those goods reach the destined place in time and also Ensures that goods are supplied in the form, that they are required hence by the time they reach the customer quality is still maintained.

The supply chain reconstruction helped Sainsbury Company to maintain its competitor in that customer was able to get the quality goods in this organization as it was being offered by the competitors. These reconstructions in supply also were convenient to the customers in that they

could gate what they needed at the right shelves the same way the competitors availed the goods.

Bibliography

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