

What factors
influence the
decisions regarding
marketing essay



**ASSIGN
BUSTER**

Factors which influence the decisions regarding the opening and closing of stores includes the dominant location strategy which 7-Eleven is following to maintain its positions as the market leader, 7-Eleven aims to provide customers with what they want, when they want it. From a strategic perspective, one of the company's key objectives is to micro-match supply and demand by location, season, and time of day. 7-Eleven designs and manages location, inventory, transportation, and information to support this objective. The company opens its store only to those areas where the potential customers exist rather open its stores everywhere in the country, And if they do so, this ultimately increase its cost which is against the design of its supply chain. These factors influence the decision regarding opening and closing of stores.

In Japan, fresh food constitutes a significant percentage of 7-Eleven's sales. Most of the fresh food is cooked off site and delivered to the stores. To produce the best original products with higher quality than any competitors, 7-Eleven continue to create a hypothesis, test it, make another hypothesis, and examine it over and over, believing that the taste and quality of the product must satisfy customers. SEJ executives repeatedly sample original fast-food everyday so that the quality of these products can be improved before they are sold. In addition to directly responding to the changing needs of customers, original items are highly effective in differentiating stores because they cannot purchase anywhere else. SEJ provides customers mainly with fast foods such as rice balls, sandwiches and delicatessen items. They also partner with manufacturers to improve the quality of foods and the efficiency of production. Since original product development can reduce the

costs of marketing and advertisement as compared to other general products, even in Japan's deflationary environment, SEJ can maintain competitive prices rather than be forced to price them as cheap commodities. The reason why 7-Eleven chosen off-site preparation of fresh foods and subsequent delivery to store is,

The reason why 7-Eleven discourage direct store delivery from vendors and make an effort to move all products through combined DCs is reduce its transportation cost and make its supply chain more efficient. The distribution system enabled 7-Eleven to reduce the number of vehicles required for daily deliver service to each store, even though the delivery frequency of each item was quite high. In 1974, 70 vehicles visited each store every day. In 1994, only 11 were necessary. This dramatically reduced delivery cost and enabled rapid delivery of a variety of fresh foods. 7-Eleven Japan has been developing a streamlined distribution system with the aim of making the retailing business mutually beneficial for customers, stores, and suppliers. As a result of these efforts, a combined distribution system run by third parties solely for Seven-Eleven was established. The combined distribution system allows products from different suppliers to be loaded on the same truck for delivery to stores. Taking the system one step further, temperature-separated combined distribution consolidates the shipment of products from the manufacturer to the store at similar optimum temperatures. Foods are fresher because they are efficiently delivered to stores. Temperature-separated combined distribution system has become a clear advantage in team merchandising with manufacturers, and also contributes to greater product differentiation at Seven-Eleven stores.

In the United States, 7-Eleven is taking a similar approach to the one used in Japan. Fresh foods are being introduced into the stores. 7-Eleven has once again decided to avoid on-site cooking by having suppliers that cook the fresh foods for them. These foods are then delivered to the stores on a daily basis. Because this will ultimately increase the delivery time and reduces the freshness of the food which 7-Eleven is providing to its customers, and this will also increase its transportation cost which would again lead 7-Eleven towards inefficiency. So, In the United States, 7Eleven has tried to replicate the Japanese model with combined DCs where product is received from suppliers and then shipped to the stores. The success of this strategy is reflected by the improved performance of 7-Eleven in the United States.

Where DCs located and how many stores are does each center serve? How are stores assigned to DCs? Why does 7-Eleven combine fresh food shipments by temperature?

7-Eleven is the largest convenience store operator in the world, with approximately 24, 000 stores. The company uses Combined Distribution Centers (CDCs) to deliver the majority of the perishable products sold in its North American stores. The 23 CDCs receive, sort and deliver hundreds of products, including bakery goods, sandwiches, dairy products and produce, on a daily basis to more than 4, 500 7-Eleven stores in the U. S. and Canada.

CDCs are responsible for sorting products accurately and in a timely manner for each store served from the facility (typically between 300 – 700 stores per CDC). Products are placed in a specified location for each store, staged for loading and then placed onto trucks for delivery. Placing the right product

and quantity for the correct store is vital to the company's success, but it can also be a very time-consuming task.

The Company established the Combined Delivery System, whereby the same kind of products coming from different suppliers can be centralized into 223 CDCs. The combined distribution system allows products from different suppliers to be loaded on the same trucks for delivery to 7-Eleven stores. Combined distribution consolidates product shipment from manufacturers to stores at similar optimum temperatures.

What is the design of Supply Chain functions of 7 Eleven in Japan?

The design of Supply Chain functions of 7-Eleven in Japan is efficient. 7-Eleven Japan is operating of efficient supply chain. When they locate in a place they blanket (clustering) the area with stores; stores open in clusters with corresponding DC's. This clustering enables 7-Eleven to achieve more efficiency. To support its efficient supply chain 7-Eleven used certain drivers such as it developed a very highly integrated information system with help of ISDN system which enables 7-Eleven to predict its future sales and make its push process more effective and efficient and help them to maintain low inventory in its DCs, and it's also reduced its transportation cost with the help of its information system. 7-Eleven used its production site facilities very effectively in the shape of CDCs, it does not store inventory in warehouses which reduces its cost and make its supply chain more efficient. 7-Eleven also develops some products which again enables it to offer low prices which is competitive advantage for 7-Eleven, it provides food to its customer with low price and better quality rather low price and low quality.

<https://assignbuster.com/what-factors-influence-the-decisions-regarding-marketing-essay/>

The reason for its success is 7-Eleven's efforts to obtain a strategic fit between its competitive strategy and its location, transportation, inventory, and information strategy in the supply chain. This ultimately makes its supply chain an efficient supply chain.

What are the Supply chain implications of 7-Eleven strategic decisions in US?

In the United States, 7-Eleven stores were not as concentrated prior to 1994. Between 1994 and 1997, 7-Eleven closed several of its stores in isolated locations. Today, the company targets new stores in areas that already have a strong 7-Eleven presence. This strategy is consistent with the location strategy in Japan. This dominant location strategy allows the company the benefits of consolidation in both warehousing and transportation. The supply chain implications of 7-Eleven strategic decisions in U. S are as follows:

Historically, the distribution structure in United States was completely different from that of Japan. Stores in the United States were replenished using direct store distribution by some manufacturer, with the remaining products delivered by wholesalers. With the goal of introducing " Fresh" products 7-Eleven introduced the concept of CDCs around 2000.

Direct store distribution by manufacturers and wholesaler delivery to stores also continued.

These steps helped 7-Eleven to become more efficient in its supply chain in U. S from procurement to retailing. These steps allowed 7-Eleven to purchase raw material only when required, and manufactured it when customers demand it and also allowed to maintain minimum inventory in

<https://assignbuster.com/what-factors-influence-the-decisions-regarding-marketing-essay/>

DCs and distribution on its stores and franchise become more efficient which reduced its transportation cost.

What are the challenges (obstacles) being faced by 7-Eleven towards an efficient supply chain management?

The challenges (obstacles) being faced by 7-Eleven towards an efficient supply chain management are as follow:

The first challenge towards an efficient supply chain management was the technology, the information system (ISDN) which 7-Eleven developed in Japan cannot be develop in U. S because of vast territory of US, If they install such system in US this will increase its cost. In such cases, internet technology might be more sufficient and cost-effective.

In the initial years the, several 7-Eleven stores were shutdown because of unprofitability.

Historically, the distribution structure was completely different in the United States from that of Japan. Stores in the United States were replenished using direct store delivery by some manufacturer with the remaining products delivered by wholesalers. This increases the replenishment time and reduces the freshness of food, and also increases the transportation cost.

Advise 7-Eleven for optimizing each supply chain driver to fit supply chain strategy with competitive strategy?

7-Eleven should use clustering in the areas of its stores and provide more facilities with appropriate capacity. The Information system which is 7-Eleven is currently using in Japan should be upgraded into business intelligence

model as like as SAP so that they can support their competitive strategy with its supply chain strategy because information is the key to success in the case of 7-Eleven. In the inventory management 7-Eleven should use JIT approach more effectively it should maintain the balance between the shortage and surplus of the inventory. 7-Eleven can further reduce its transportation cost by making the clusters of suppliers, vendors and manufacturers though they had reduced their transportation cost drastically by the introduction of CDCs. 7-Eleven should use in-house sourcing in different countries to reduce the product cycle time as well as its manufacturing cost, which would allowed 7-Eleven to offer more cheaper prices of goods with maximum quality, again though 7-Eleven is offering much lower prices to its customers as compare to their competitors but in-house sourcing would provide 7-Eleven more flexibility in its pricing strategy.