

Supply chain management of wawa marketing essay



Wawa incorporated was founded in 1803 in New Jersey and is currently headquarter in Wawa Pennsylvania. Wawa's marketing focal point during its early business life centered on textile and in 1902, expanded to their brand of " Doctor Certified" milk which produce the product margin and established the company brand.

Once established they started a chain of stores and have over 570 convenience stores of which 200 offer gasoline. They are located in Pennsylvania, New Jersey, Delaware, Maryland and Virginia. They offer Wawa brands and other popular national brands like built to order hoagies, coffee, dairy products, Sizzli breakfast sandwiches, bakery products, salads and fruits. In total they have over 6, 000 items. This privately owned company is headed by Howard Stoeckel who is the CEO of the company and Richard D. Wood Jr. who is the Chairman. Apart from this they have began opening stores with gasoline operations as well. In fact most of their stores are open 24 hours /365 days a year. They have around 16, 000 employees. Wawa has more than 400 million customers with over 195 million cups of their award winning coffee, with over 54 million hoagies and 110 million bottles of their own line of dairy products.

In the September 2009 edition of the New England Journal of Medicine, a published article entitled " The Public Health and Economic Benefits of Taxing Sugar-Sweetened Beverages," suggested a \$0. 01 tax per ounce on sugar-sweetened beverages. The authors estimated that for every 10% increase in price, there would be a 10% decrease in consumption. Such a tax would result in massive increases, reaching 51% in the case of an average 2-liter bottle of carbonated beverage. At present, there have been no specific

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legislative proposals for a soft drink tax under consideration in Congress.

Some states have brought this possible piece of legislation to be implemented too much resistance. Nevertheless, there is some concern an amendment could be tacked onto the healthcare reform process, and the industry remains vigilant. (Graves)

Market Segmentation and Target Marketing:

Wawa has functioned for over one hundred years with their two major products but, came to the realization that their current market trend would not continue on the same path as in previous years. With a growing population the focus shifts to a company brand that would take into account healthy ingredients that are locally grown and would not drastically increase cost. Wawa brand products focus on quick and filling food selection with ingredients that are locally grown. Food selections consist of brand built to order Hoagies that are available in junior, shorti, classic and two footer formats” (Incorporated). “ For breakfast pallet, Wawa’s “ Sizzi” is available and their fresh brewed coffee presents its success with over 195 cups that are sold on a yearly basis. Wawa brand also provides fresh fruit, salads and their daily products.

Market Demographics:

Geographic: Wawa chain currently consist of 550 stores which covers a region of five states that include Pennsylvania, New Jersey, Delaware, Maryland and Virginia. With a growing population and broad distances between residential and access to commercial shopping, Wawa has strategically placed their franchises in area that have the prospect for potential growth.

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Demographics: Wawa has determined that there is an equal ratio between single males and female and families consisting of two to three children who are our majority of our customers.

Market Need:

Wawa market presence is fulfilling the market needs of Pennsylvania, New Jersey, Delaware, Maryland and Virginia. This organization is benefiting customer needs by the following actions:

Quality: Brand- Brand coffee, dairy products and sandwiches are satisfying the needs of customer who are seeking a quick and quality food service

Location: Wawa insight in placing their franchises in Pennsylvania, New Jersey, Delaware, Maryland and Virginia satisfy's the customer's needs for an available food and beverage service provider

COMPETITIVE ANALYSIS

Industry overview:

Food and beverage decisions thrive for the US consumer. Taste, comfort, and nutrition are just a few of the factors that influence the manufacture and purchase of numerous consumable items, most of which are sold to consumers through retail channels.

Through October 2009, total year-to-date retail sales from food and beverage stores totaled an estimated \$486. 6 billion, up 0. 1% from those of the year-ago period, according to estimates from the US Department of Commerce. In addition, consumers spent an estimated \$382. 8 billion at food

service and drinking locations (e. g., restaurants), up 1. 0% from the first 10 months of 2008. (Graves)

Nature for competition:

Wawa has established its brand and continues to be a major competitor in the food service industry. Focus on core values and motivation to provide quality brands products and service while providing satisfaction to their customer's needs depicts an operation that understands operational excellence internal in the manufacturing processes and external in relationship to customer satisfaction.

Changes in the industry:

Wawa has incorporated other sectors of the product and service industries beside their niche to expand their marketing mix. They include the following:
(Incorporated)

Convenience stores

Dairy products (Manufacturing)

Gas Stations

Retail

Competitors:

According to Wawa perspective, their competitor can be broken down to categories like dairy producers, convenience store etc. A more detailed list is shown below

ECONOMIC ENVIRONMENT REMAINS SOFT:

In the first nine months of 2009, US sales of food at grocery stores and other retailers-known as “ at home” expenditures-totaled an estimated \$428. 4 billion, down 0. 4% from the year-ago level, according to the USDA. In comparison, food purchases at restaurants and other out-of-home eating places declined an estimated 2. 6%, to \$383. 1 billion during this nine-month period. (Graves)

US Spending on Food Products

SUPPLY CHAIN MANAGEMENT IN WAWA

Wawa being a renowned chain of convenience stores and gas stations based in Mid Atlantic region of United States was ranked 63rd on the Forbes Magazine list of largest private companies during 2006. Being operating in different parts of the United States like Delaware, Maryland, New Jersey, Wawa is basically headquartered in Pennsylvania. More than 570 store chains are located in the above mentioned regions. Since 1902 when George Wood founded the Wawa Dairy farms, milk was delivered from door to door. After revolutionizing the company, in 1964 it opened the first Wawa Food Market on April 16th in Folsom, PA. This also expanded to addition of gasoline sales at many of their location in1996.

PROBLEMS

Their core purpose was and still is “ to simplify our customers’ daily lives”. They achieve it by providing a large fresh food selection and award winning, freshly brewed coffee in stores planned to build a long term consistent relationship with their customers.

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But due to the expansion in their product lines as well as unstable economy, Wawa faced a lot of challenges in their progressively competitive marketplace. In a hyper competitive uncertain economy during April 2009, with unstable gasoline prices and unpredictable prices of commodities left many businesses like Wawa to look for ways to modify and upgrade their system of operations in their organization. A customized supply chain solution was highly required for WAWA in order to maintain and develop their store chain services operating in a five state region.

The inefficient supply chain system resulted in:

Delivery Challenges- the stores had to see 15 -20 trucks a day and also received deliveries during peak customer times.

Running out of stocks (i. e. improper inventory management).

Longer lead times

Less efficient store labor scheduling

Decreased demand.

Poor Customer Experiences.

SOLUTIONS

During 1999, after recognizing the inherent challenges in the process, the company was looking for a supply chain partner with knowledge, skill and sufficient capital resources to make the project successful. These are the custom solutions that Wawa was looking for:

To keep its brand name, Wawa stressed on fresh food delivery which required their distribution solution needed to similar supply chain like in restaurants with multiple temperature zones for products in the warehouses as well as in the trucks. The company also wanted that the beverages arrive at the store cooled and ready to drink. To accomplish this, the storage system, loading system as well as the delivery vehicles had to be regulated and maintained a temperature of 34 degrees Fahrenheit.

Wawa also wanted to have a flexible system that would coordinate with the stores before delivering any products in order to see that no stores should have too much or too less of inventory. Since the seasonal demand changes so according to that, products should be delivered.

Wawa also required maintaining a hundred percent tracking and visibility so that all products are scanned during loading and at delivery at the stores.

Wawa decided to enter into a partnership deal with an industry-leading supply chain vendor, McLane to reinvent their own supply chain systems. They were ready to accept changes subjected to the market conditions. This was always one of their core values but they were not capricious for Wawa. In 2002 McLane started working with Wawa by being committed to build the best solution at the peak level of their respective organization. By consulting their own respective consultants within these two companies they came with predefined scope of work by the next year.

IDEAL S. C. M MODEL OF WAWA

They came up with a basic working model which states that Wawa should built a custom distribution centre in a location where it will be conveniently
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accessible to the stores as well as the key suppliers of Wawa. McLane planned an ideal solution to construct, own and run the capability on behalf of Wawa and manage and control the logistics of distribution to more than 570 Wawa stores. This solution had all the facilities of a dedicated model except for it was owned and run by a third party. The attributes of the real model were:

They fixed the location New Jersey which was the Distribution centre , about 222, 000 square feet building and was designed to accommodate the expansion to an increase of more 50 percent.

The New Jersey distribution centre was divided into five distinct temperature sectors, from optimum temperature areas for paper and dry goods to freezer segments kept at negative ten degrees Fahrenheit. The drinks and the dairies were maintained at cool docks at a constant 34-38 degrees.

AS/RS System(discussed below.)

McLane customized the delivery system of Wawa by getting 70 custom-built multi temperature trailers, which would ensure that the product is delivered on time and placed in desired location in each store.

To achieve all this some commitment was needed from Wawa's associates at the store level. Since the store general manager's are direct connection with the customers , they are quite critical and important to their roles.

The model was developed in keeping some intricate details in mind, like before the arrival of the trailers , store associates cone off a parking space which speeded up the delivery system as a whole.

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After all such changes in Wawa , the whole process has resulted in improved delivery frequency and accuracy as a whole which has minimized the inventory levels while improving service levels. McLane excellently achieved their goals by measuring their in stock accuracy above 99. 9% and on time delivery more than 98%. Store managers also enjoyed a great relationship with the delivery truck drivers and also could satisfy the customers to a much higher level. Finally McLane and Wawa had a great partnership relation unlike the vendor/ client relationship. They started working as a unit from then onwards.

AS / RS SYSTEM

An automated storage and retrieval system (AS/RS) is mainly useful for automatically placing and retrieving loads from specific storage location. This system is maintained by variety of computer controlled methods and generally adopted by companies where high volume of loads being moved into and out of storage. This fully automated system is helpful to mixes variety of products into mixed pallet orders for individual stores on a daily basis.

Wawa wanted the flexibility to pick cases and also for single units. So Wawa invested in Swiss log Company for AS/RS system. Swiss log is a global provider of integrated logistic solution for warehouses distribution center and hospitals. The Swiss log started AS/RS operation in June 2000. The initial installation involved 16 AS/RS system and warehouse management system to oversee manual and machine operation. AS/RS system allows the dairy to serve as a distribution center for the parent companies chain of convenience

stores. Swiss log decided to have proper staffing for this system which includes:

One technology operation manger

Six technicians

One Database engineer

One control engineer

For managing the distribution system, Swiss log maintains a six person team on site which serves network of more than 500 convenience stores.

The various services offered by Swiss log:

Primary operators for the AS/RS system

Audit support of PM work conducted by Wawa maintenance

limited PMs conducted on sensors and computer hardware

On-site database enhancements, testing and support

Maintain/Troubleshoot plc

Instruct and provide guidance to Wawa mechanism for repairs and preventive maintenance of AS/RS equipment

Coordinate level 3 remote support for electric/mechanical/SW from technicians/Engineers.

Equipment that is included in the AS/RS system:

Previously company had a capacity to handle around 30, 000 cases but after AS/RS installation it can handle around 82, 000 cases. This system includes 16 cranes and around 4300 conveyor. Facility floor space available is 80, 000. It also includes around 8 vertical lifts and 80 linear feet pallet conveyor/lift (APS). The other specifications involved are 90 lanes w/ 8 cases replenishment and some servers like one primary dell power edge, one secondary dell power edge, 3 sub ordinate (crane/conveyor box), one data mart server and one tap archive.

Through capability with AS/RS database:

Inbound capacity (moving inward) is around 60 cases per minute.

Outbound capacity (carrying out) is around 45 cases per minute.

In retrievable rate- identification is possible in less than one minute.

Product turn rate is improved to 2.

So due to this individual specification, AS/RS database becomes very helpful in many areas such as:

Operation hours have decreased by 2-3 hours per day even though volume increases.

Conveyors are adjusted 10 inches off the floor for easy cleaning.

In terms of safety manual stacking and assembling of order gets reduced.

In terms of quality some areas such as material holding capability, egg storage on bottom of racks gets improved.

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Automated picking system reduces the labor costs.

Efficiency and pick accuracy improved up to 99.98%.

Apart from above improvement Swiss log gave immediate feedback and continuous expert advice whenever needed. The system and surrounding processes constantly monitored by trained employees. Technician training managed by industry leaders to ensure expertise is maintained.

So Swiss log's database and on-site support technicians were the essential part of Wawa for their future growth and they keep Wawa to understand their ever changing business needs.

CONCLUSION

Today WAWA is seeing striking result from their third-party supply chain solution. Due to WAWA's willingness to adapt to present economic conditions, they have even partnered with leading supply chain vendors to consolidate their own that has resulted in fresher foods at their stores, increased demand and the same time protecting their profit margins. The relationship between these companies has grown and they have fully invested in each other's business. The level of collaboration and integration continues to be strong ensuring optimal inventory levels. Their contract is very innovative like their infrastructure. Due to the current economy and unstable gas prices, the present store owners are facing many challenges. But due to the flexibility between WAWA, McLane and Swiss log they are uniquely positioned not just to survive but to thrive.

LEARNING EXPERIENCE

Our group was comprised of four individuals from different cultural and professional backgrounds. Although we shared the same goal of completing the project, we encountered challenges in gaining consensus on different aspects of the project. Overall, to accomplish the goal the team had to overcome any differences, which was a lesson on working on a team in the real business environment.

During our project research, we came to understand how each person viewed Operational management within the organizations from a different perspective. We learned that a great deal of work goes into deriving the analysis how the supply chain management works for an organization from a different point of view. Working with team members who had different schedules also enabled us to prioritize. This was a challenging project and a great learning experience.

Citation

WAWA

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