

Case Study #4: SONAE

With the opening of more convenience stores in an attempt of being near the customer, in 2014 Logiters Logística won the logistical operation of Sonae MC to supply the Meu Super stores. This kind of operation cannot be done at central warehouses, given the operation specifications – smaller and manual orders, and the lack of space available. Logiters is responsible to prepare and ship the orders to Sonae MC stores.

Sonae MC has a truck fleet dedicated to the distribution of their products to stores. The company hire vehicles from transport companies such as Luís Simões and Tracar, among others, and the management is done internally, at the level of the Transport Department. The routes derive from the combination of three variables: fleet management, time window and distance travelled.

Sonae MC has more than 3500 suppliers available, both in goods and services. For each supplier a General Supply Contract is draft where the legal commitments of each of the contracting parties are listed. An example of one commitment is the required supplier service level of 90% in regular time and 95% during promotional events. If this value isn't achieved the retailer can appeal commercial penalties. *Caderno de Encargos Logísticos* is one of the 8 appendixes of the general contract and can be defined as a set of rules and procedures agreed between parties, concerning their interaction with warehouses and stores. The intention is to promote fast and efficient processes at delivery points, improving the service levels.

The company also developed an online Supplier Portal for the retailer places orders via Electronic Data Interchange (EDI) message and the supplier access to financial and transactional information. Portal access is free and the level of content available is similar for all suppliers, except for sales and stock reports, whose share is accorded by the commercials of both parties. No periodic information regarding supply chain service level is provided, for example quantity ordered versus quantity delivered, so the supplier is only alerted to its poor performance when happens and not in advance.

Currently, Sonae MC has implemented Vendor Management Inventory with 13 suppliers such as Johnson & Johnson, L'Oréal and Garnier, and Procter & Gamble. At Sonae MC the order's process begins by sending an EDI message concerning sales data; units in stock; units ordered by store and the existence of in transit orders from the previous day. On the supplier side, the EDI message is integrated into the system and, through data analysis supply the retailer with the needed quantities. A store service level is agreed between parts to safeguard the correct replenishment and avoid order breakages. The degree of distrust between parts is enhanced in this type of retailer-supplier partnership.

Sonae MC has been establishing strategic partnerships with national and international partners that contribute positively to their results and enable new services to be made available to consumers. One of the strategic initiatives carried out by Sonae MC was the creation of Portuguese Producers Club in 1998 to strengthen the relationship between producers and retailer to promote high quality fresh products. The retailer guarantees the outflow of producers' production and offer high-quality Portuguese products to its customers.

A key strategic target of Sonae MC's is their white label that with more than 4.000 references representing 30% of store sales. 60% of these products are produced in Portugal, and the retailer outsource the production to specialized suppliers to guarantee high standards of quality. As an example, in 2018, 90% of sold milk and 100% of bottled water was produced in Portuguese factories.

In 2017, Sonae MC acquires Brio and Go Natural in an attempt of arriving in retail specialised in organic and intolerance food, with the ambition of being the most specialised company in the field, at a national level. Through this acquisition Sonae MC acquired Brio's convenient locations stores with more than 4000 SKUs with an accessible price available to the customers and adopted a concept that integrates a restaurant and a store, served by Go Natural Restaurants. In the same year, Sonae MC established a joint venture with the Hilton Food Group, a specialist in meat preparation and packaging services. This partnership, SOHI Meat Solutions – Meat Distribution, SA, is the result of pilot project between Hilton Food and Sonae MC's Meat Processor Centre. SOHI is dedicated to developing and improving the value offer in meat products in Sonae Mc's stores. In 2020, Sonae starts a partnership with Glovo to continue to respond to the needs of their customers, being an opportunity to make products reach customers' homes quickly and effectively. The intention is to expand this partnership to more stores, more cities and more brands.

Given the information provided and the previous knowledge you have on the company, please discuss the following topics:

1. Correlate the case study with the possible alliances and partnerships that can happen between companies and identify the need, advantages and disadvantages of considering these ways to ensure that tasks are completed.
2. Discuss and characterize the relationship between Sonae and his suppliers.
3. Discuss the outsourcing decisions made by Sonae identifying some advantages and disadvantages.