

Case Study #3: Sonae

Sonae MC has a wide network of logistics platforms in Portugal including distribution centres, 2 warehouses one in Maia the other in Azambuja and a cross docking platform in Guia.

Most suppliers' deliveries are centralized at Sonae's warehouse level what allows an efficient orders' preparation and expedition to a complex network, safeguarding the customer service. These facilities deconsolidate full truck loads from vendors and aggregate those products with products from other vendors for outbound distribution to stores, to lower transportation costs and better utilize assets through achieving scale on inbound and outbound transportation. Picking-By-Store, an operation with stock, is one of the three logistic operation that could happened at the retailer's warehouses. This flow comprehends the reception and storage of mono-product pallets, whose picking preparation will be by store/client. Products are kept in stock at the distribution centre for later shipment to stores until an order arrives.

Other possible logistic operation that happens in Sonae's network is cross docking, the direct passage of goods from the reception to the expedition dock, with or without manipulation. If order manipulation occurs is the so-called Picking by line, a logistic operation defined by the retailer that happens in the central warehouses. If no manipulation processes occur in the retailer's logistic platform, the supplier himself is responsible for preparing the order as requested by the store and transport it to the warehouse. In this operation the order is received and dispatched in less than 24 hours to stores. This is a logistical operation with a high potential for efficiency, mainly in reducing operational efforts and costs.

Direct delivers from the suppliers to stores can be an option to consider especially for fresh and perishable products. In 2015, Sonae MC launched an initiative to promote direct deliveries from local suppliers of fruits and vegetables to the stores. The impact of these deliveries in the supply chain is a reduction of logistical costs and environmental impacts and the availability of more fresh products to delivery. Another example was the implementation of this type of deliveries with some suppliers of industrial bread, such as Panrico and Bimbo, and with Danone and the yogurts replenishment. When a direct deliver occurs, the retailer allows the supplier to perform in-store operations of their products, such as replenishment and merchandising.

Comparing to Walmart, 20% of shipments are made directly from vendors to Wal-Mart Stores and 80% of store replenishments go through the Distribution Centre process. When each Discount Store orders products from vendors, the orders are aggregated by vendor to take advantage of risk pooling, allowing vendors to only forecast aggregated store demand instead of individual store demand. In order for this process to be successful, Wal-Mart and its vendors must collaborate intimately with one another to ensure that all Wal-Mart stores are stocked to meet customer demand.

In the last years Sonae has invested in expanding their network through the opening of multi-size stores and investing in omni-channel, to fulfil customer needs in all possible purchasing situations. Continente, Sonae's hypermarket insignia, leads e-commerce food's market, by offering its customers the best service possible through competitive prices in a wide range of products. Cartão Cliente, a customer retention strategy followed by the company, allows Sonae to know and segmented their customers through their shopping records, providing the customers with promotions and commercial brochures fitted with their desires. In the mobile application of Cartão Cliente, the customer could see his purchase records, special discounts and commercial brochures, Currently, 85% of the Portuguese families have a card.

The consumer can make their purchases through the website or through an application were more than 50.000 Stock Keeping Units are available. In December 2015, Sonae MC opened an e-commerce warehouse in Telheiras to serve online customers of the Lisbon region. This warehouse is supplied by Azambuja warehouse but smaller than the central warehouses, since not all the SKUs are available. The idea behind this logistic platform is to decrease the complexity of picking a customer order in store, decreasing the in-store traffic.

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

1. Discuss the most appropriate integration strategy to apply in this supply chain.
2. Discuss the distribution strategies that are implemented by the Group.
3. Discuss the importance of internet and the strategies adopted by Sonae MC in the past few years to increase customer's satisfaction.