

Maximum Time: 3 Hours.

Maximum Marks: 60

- 1) Question no 1 is Compulsory and is for 20 Marks.
- 2) Solve any 4 questions from the remaining questions.
- 3) Maximum marks for each question are indicated on the right side of the question.

Q 1) *A short history of Sainsbury's approach to e-fulfilment models*

UK grocery retailer Sainsbury's commenced its online service in 1995 when there was a first pilot at Solihull in the West Midlands. In spring 1998 its Orderline service was launched. This was eventually rolled out to 27 stores, but in 1999 it was rationalized to eight stores near London. A rebranded 'Sainsbury's to you' e-commerce service was launched in 1999 and this is targeted to reach 60 per cent of the UK population by 2001. Ody (2000) reports that Patrick McHugh, the group e-commerce director, is hoping that within four years there will be an online revenue contribution of 20 per cent.

The actions Sainsbury's and other grocers are taking are instructive since they highlight some of the practical problems of fulfilment faced by retailers when e-commerce services are developed. The difficulties are magnified in this instance by the range of products and the limited shelf life of some items. We will now highlight some of the issues raised by the Sainsbury's case.

Initially, as with the Tesco operation, the Orderline fulfilment was via individual stores. This proved to be too expensive, the chief executive at the time was quoted as saying: 'a store-based home shopping service is not a viable proposition'. Estimates for the cost of selecting or picking each Tesco Direct order range from £12 to £15. This is a significant amount when the customer only pays a £5 service charge for each purchase. This shows that moving from customer self-service to a more personal service reverses the economies of scale built up by supermarkets. Sainsbury's now uses the model of regional picking centres. It is planning to build a network of regional picking centres. Currently there is one in London, but others are planned. Managing the rate of expansion of e-commerce services is important since previous initiatives appear to have involved expansion that was too rapid, resulting in over-capacity. A mixed fulfilment model is currently used with the customer having the option of ordering direct and then picking up from a supermarket or the order being dispatched from a warehouse. With the former it is not possible to check stock since it is dependent on how the stock levels in an individual store vary. Both approaches place constraints on the time the order must be picked by. Home delivery also gives issues of scheduling delivery vans in line with when it is convenient for customers to be at home to receive the goods. Convenient for the customer could mean quickly, or at a pre-defined time, or at a pre-defined location at work, home or elsewhere, but such flexibility is difficult to schedule. The difficulty for the e-tailer is that the speed of e-commerce transaction sets up an expectation with the customer of rapid fulfilment or what has been referred to as fulfilment velocity.

Turn Over

The scale of orders also varies considerably according to buying behaviour. Ody (2000) reports that from a given customer, initial orders tend to be similar to a weekly shop; the value then increases as customers experiment, and then declines to a core of staple orders.

In terms of technology 'Orderline' ran as a standalone operation. This is also the case with 'Sainsbury's to You'. McHugh would like to integrate the system with IT from the main system, but says this may take five years. This suggests the difficulty of getting a sufficiently fast integration with existing systems which perform adequately. It often proves easier to purchase an off-the-shelf system. The 14 million customer loyalty card customers are not yet integrated with the site. A further data issue is that there are regional price differences with different stores and prices can change frequently. As a result indicative rather than exact prices have to be used on the web site.

Sainsbury's has also considered how information content can be used to support the buying experience. Mirroring the approach used in store, in a separate initiative, 'Taste for Life' is aimed at providing an electronic magazine that builds on the success of the instore magazine that is read by nearly three million shoppers.

Questions – Based on the Sainsbury's case study make notes under the following headings which illustrate the typical problems of fulfilment facing any e-tailer,

- i) Decisions about picking location and method
- ii) Decisions about distribution and delivery.
- iii) Decisions about integration of new technology with existing technology.

20 Marks

Q 2) Define Supplier relationship management and explain it's components. 10 Marks

Q 3) State the advantages & disadvantages of 3PL. 10 Marks

Q 4) What are the parameters to hire LSP? 10 Marks

Q 5) What are the components of e-LRM to be considered at the formation? 10 Marks

Q 6) Discuss "Customer centric strategy is the base for CRM success!" 10 Marks

Q 7) Write Short Notes ON ANY 2 of the below, 10 Marks

- i) Evolution of SCM
- ii) E-Marketplace & SCM
- iii) LRM
- iv) LSP