

FROM FAMILY-OWNED BUSINESS TO LOGISTICS CENTERS – THE CASE OF FMCG CHAINS

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Abstract: *A global industry estimated at over 7,000 billion US dollars comes always to meet customers with innovative products and solutions in order to have a pleasant experience in the stores. Small family businesses, with a tradition of over 50 years in retail, have come to be seen as milestones in the FMCG (Fast Moving Consumer Goods) industry. The two cases presented in the article provide insight into how the logistical activities are related to the supply of the store, as well as their evolution in the retail market. The different strategies adopted by their leadership provided the opportunity to compete in a dynamic field, with high competition. The issue of supply is treated differently due to the different vision of the business. It is more important to focus over the entire business and all activities or is it okay to externalize particular services? Retailers listed within this work provide information through annual activity reports, or through various documents and communication channels. The plus that this work brings the literature consists of a description of the arrangements for the supply of a food market retailer offering a perspective that can be analyzed and improved in future research.*

Keywords: logistics, retail, FMCG, strategy

JEL classification: L1, L9, M1, N7, O18, R41

1. Introduction

The present research focuses on identifying the strategies that companies report them through annual reports and on the measures undertaken for business development, and on the other side on the way of the business.

Thus, in the field of food retail, many retail chains of shops were starting from a small family business, which in many cases has been extended globally.

Most of the times, both the production and trade in food products have seen a steady evolution over time, fixing and developing a well-defined chain of value, which on the one hand shows the key competencies of players in the retail market, and on the other hand offers its clients the best solutions for purchasing goods.

If in the past, the global food industry was estimated at 5,700 billion dollars; in 2014 it has reached a value of over 7,000 billion dollars. However, this increase could curb, in the absence of optimal solutions on production of goods and the excessive acquisition of them, and a large portion is bought but not consumed and should be discarded.

Retailers are using different methods of supply to offer customers the products they need. Various studies aimed at the satisfaction of the customers and efficient ways to quantify this satisfaction (Garrouch, et al., 2011), but very few studies are showing how products end up on store shelves. Through this work, we would like to present an objective method of supply through logistical platform, to create a framework to conduct quantitative studies concerning the effectiveness of this type of supply, and the dynamics of this sector.

2. Literature review

Globalization of world industry and trade has had a significant impact on the theory and practice in the field of logistics and supply chain management. Trade barriers have been reduced, but the requirements for logistics services and the costs have risen steadily, so that different business, especially in international companies and have changed their attitude with regard to the storage of materials, production and distribution of products (Rimiene & Grundey, 2007). Most of the countries have potential for establishment and development of logistic centers necessary in competitive transport networks.

The conquest of markets, by retailers, it has been done due to territorial coverage by opening new stores, improving the image created in the market and not least the strengthening of the retail concept (Cliquet & Guillo, 2013).

At the same time the current economic framework allowed the development of the 3PL (third party logistics) companies and strategies practiced by them (Jiang, et al., 2014) in order to obtain a competitive advantage.

Logistics strategies in the field of retail (Afshari & Benam, 2011) vary from retailer to retailer, depending on the specific issues they are focused to offer customers an experience as enjoyable shopping (Teller, et al., 2012), but most of the time, the performance of the logistics is closely connected with the image of the store, the satisfaction of customers and their loyalty (Bouzaâbia & Boumaiza, 2013).

With regard to the information transmitted to the public, big companies draw up annual activity reports, in order to reduce the information asymmetry and to provide correct information about the work carried out (Li, 2008).

Annual activity reports contain in addition the information of a financial nature; interviews with various people in the management board, to see their vision on what was done, what is on progress and what would be possible; various projects at the company, and last but not least the social responsibility projects undertaken by the company in question (Dainelli, et al., 2013).

3. Methodology

The present study is based on the scanning of the literature, but also informative documents issued by the two players on the retail food market in order to present the manner by which they carry on their business and what is the vision of the logistics platform, being a qualitative research. Some of the information provided the basis for preparation of the progress report required in doctoral research.

The following will present the Belgian company Colruyt case, but also that of a chain of French stores, which, as a result of the agreement concerning the provision of information required for the research, does not wish to reveal the name.

Following a brief presentation of the work carried out by the two retailers will present the logistics activity, to emphasize the retail strategy adopted.

4. Findings

The Belgian company Colruyt has a tradition of more than 80 years in the retail industry, founded by Franz Colruyt in 1928. At the beginning, he supplied stores in the wholesale system. Then he continued with the supply of over 800 independent retailers, and when the work became too costly, in 1964, were put up discount stores in Belgium. In 1997 opens its first store in the second country that extends, France. The group currently has over 25,000 employees and in addition to the main field of activity is very active on the market of renewable energy, being considered eco-friendly.

In Belgium, the Colruyt stores are appreciated by clients and are perceived by them as being cheap and having quality products. But what worked in this concept store? The answer is simple; the way how close it is to customers, and how the supply is done in these stores.

Whether with regard to the appearance of the stores they seem true depots, behind this decision is one of an economic nature. On the one hand the customers choose their own products and at the same time they have the opportunity to see all the operations carried out by employees, the store offering vast storage spaces, and on the other hand is taken into consideration to reduce environmental impact, by the way that the interior of the stores is lightened, storing frozen products in freezers, using freezer cabinets sealed in detriment of the opened cabinets, also relating to staff - during the work program no more than four hours, employees are going to be cashiers and in the rest of the program, they will restock shelves while avoiding in this way the dead times pending customers for collection.

In respect of the supply, Colruyt has opted for the use of a logistics center. The suppliers deliver goods at the logistics centers, and employees prepare necessary merchandise for stores.

The quantities sold in a day are well managed by a computer system. This system centralizes information that is sent to the Logistics Centre, and the merchandise is prepared on the basis of this information, thus ensuring optimal stock for the shelves not to be empty.

Logistic center, information systems and industrial robots work side by side to sort stuff and to collect the necessary amount to be transported. Depot handlers are guided to the places specified by these systems, through voice commands, to optimize their routes within the Logistics Centre, thus shortening the length of preparation of purchase orders.

Instead of having each vendor to deliver each store individually, all freight is centralized at the logistic center. So they can keep track and check on the quality of the products delivered and save hundreds of kilometers, this having a considerable impact on the environment. At the same time, from the Logistics Centre, the trucks depart to their final destination - the shops - using the full capacity of their transport (Philippe Toussaint – responsible of sustainable development at Colruyt).

At the same time, the success of the Colruyt stores on the market, a determining factor is represented by the head of the group. The family behaves according to their own values. Simplicity - The want to be responsible vis-à-vis the company and

these issues will create a family atmosphere for both clients and for employees who are working in this company. At the same time stability in long-term goals, giving companies a competitive edge in the face of companies listed on the stock exchange, which is pressed to obtain positive results in each quarter (Gino van Ossel - Professor of marketing of Vlerick Business School).

Colruyt stores seem great, but the choices of products are limited. A prime reason would be a rotation of stocks, transport of goods and the costs of storage. And the second reason is client-oriented, i.e., a limited range of products makes the client's choice easier (Claude Romain - Sales Director at Colruyt).

The second case has a tradition of over 50 years in the retail sector, being founded by Gerard Mulliez, in 1961 in Roubaix. Internationalization debut takes place in 1981, with the opening of stores in Spain, then Italy. As of 1999 they are present on the Asian continent, with hypermarkets in China. 2004 brings a legal reorganization of the business; the company is structured in four main business areas, hypermarkets, supermarkets, Bank Accord and real estate Division, which manages the spaces in which they carried out the commercial activity. Work of the group is diversified; the company is present in e-commerce, or in the distribution of fuel.

In 2009, at the Lyon open a warehouse to create stocks for the countries of the E.U., and in Budapest, is established a logistic hub for ware-house, fruit and vegetables.

In Romania, together with the significant number of stores, after the rebranding, the competition and the development of a logistic system based on a logistic platform were needed.

In the logistic platform are used different systems of supply, but in the following will be presented only two of them, stock flow and transit flow.

Thus, the stock flow implies two stages in the process of purchasing, the first stage (fig. 1), now the team placed orders to supply to each supplier embedded into the stock, and each supplier delivers the orders to the platform provider where they will store the merchandise.



Figure 5: Stock flow – stage 1

Source: retailer's supply chain

Subsequently, orders from the stores are placed to the logistics platform. The ordered articles are prepared in the platform, loaded into logistics services provider trucks and distributed the stores (Figure 2).

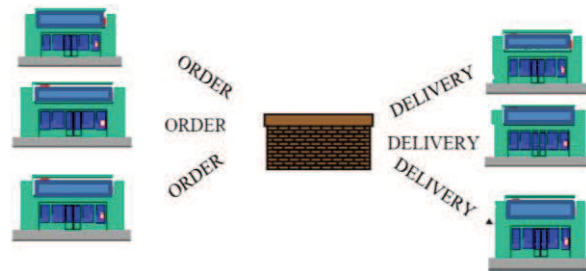


Figure 6: Stock flow – stage 2
Source: retailer's supply chain

The second method of supply of logistics platform-based is the transit flow. The method of work, for the transit flow is as follows: the shops placed orders, subsequently consolidated by the team of supply in a single command, which is subsequently transmitted to the vendor. The supplier delivers a consolidated command at the logistics platform. At the platform, the merchandise is distributed according to the orders of the stores and then is loaded into the trucks of logistics services provider and delivered to stores (Figure 3).

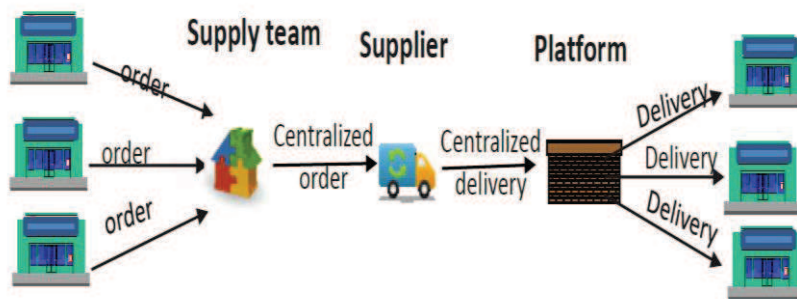


Figure 7: Transit flow
Source: retailer's supply chain

The main advantage of the use of these methods is the sheer volume of goods ordered by the supplier, which shall be negotiated a certain commercial advantages. Also, this method of supply can be effective only as a result of measurements of the amount of sale, providing the ability to store goods in its own storage space, with a view to future sales, but within a given time and under certain conditions.

Another advantage is the priority for trucks coming from the platform and reduced waiting time for reception of the goods.

The disadvantage of this method is represented by a deadline until which they can send the order to strengthen negotiation and subsequent terms and quantities ordered.

Also, once the reception is done at the level of the logistics platform, after the storage of the products and future orders from the stores, the order preparation assumes a certain picking circuit of the locations where the products are stored. In

this way there is the risk that at the store where the order will arrive, different products needed by different departments to be on the same pallet, being necessary a product separation.

The main advantage in case of stock flow supplies consists of the storage capacity in the stores own storage areas, thus allowing the segment manager to identify and implement solutions to run the store merchandise in the store.

If it manages to organize storage space, may order again to the logistics platform, the quantity of goods required for subsequent sale, to be able to store in the stores depot to avoid stock ruptures, subject to the availability of the product in the platform.

The main disadvantage when there is used the stock flow supply lies in the difficulty to estimate the necessary quantity in relation to the period within which it will sell (the period of promotions within the store stretches over two weeks). Thus, the segment manager, based on the information provided by the internal management system, must size the quantities of goods to cover that period and to avoid an over dimension of the order, which will lead to difficulties in storing and handling of the goods, but at the same time to avoid an under dimension of the order, which will lead to the rupture of stocks within the store.

5. Conclusions

Thus, while the Colruyt focused only on trade in the country of origin and a slight expansion in France, the second retailer presented is operating in 16 countries on three continents.

So we can talk about different retail strategy, but both players considers that being close to the client is vital to the pursuit of the activity in the future, broad alleys and crowded bookshelves, offers to clients a family shopping experience. Also, the category of "discounter", allows them to offer customers low prices on a wide range of products, and last but not least its own branded products offers to customers the guarantee of quality and loyalty to the retailer concerned.

The difference between the two companies is different on how vision of supply is. While the logistic center operated by Colruyt and the carry out done to supply the businesses through its own fleet of trucks, the second retailers stores uses third party logistics for logistics storage and transport.

Also, we find differences and in the business of supply. Colruyt replenishes their stores with the quantity sold previously, in order to maintain the optimum stock of products in the shop without making over stocks of goods at the store, using the maximum space available. Instead, the French retailer let managers' freedom to order the goods at the platform, based on the results obtained, or which are intended to be obtained. At the same time, they must take into account the promotion period, seasonality, demand or certain key indicators. But often the storage space at the store level is not sufficient, so the logistics platform, proving to be a real support in the pursuit.

Future studies should concern the dynamics of this supply systems using a logistics platform, by calculating key indicators to assess the performance of the system. Also, new ways of flows can be proposed or the presented ones can be improved.

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