TEDARİK ZİNCİRİ YÖNETİMİНИ CARREFOUR NASIL GERİ DÖNÜŞTÜRDÜ: BİRLEŞİK ARAP EMİRLİKLERİNDEN BİR VAKA

HOW CARREFOUR REVOLUTIONIZING SUPPLY CHAIN MANAGEMENT: CASE FROM THE UNITED ARAB EMIRATES


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ABSTRACT Carrefour stands out as one of the largest and most successful hypermarket chains. It provides the customers with the great variety of the household goods, high-quality products, and food brands. Eventually, the hypermarket attracts the customers with the help of special offers and product promotions which customers are interested in. Nowadays, Carrefour in the United Arab Emirates serves over 200,000 customers a day operating 28 hypermarkets and 43 supermarkets (Carrefour Annual Report, 2016). Considering the high dynamics of UAE’s economy development, it is possible to emphasize the role of Carrefour’s power. In fact, it provides all necessary aspects for the cultivation of the effective supply chain, logistics, sourcing, supply management, customer service, demand management, inventory and transportation management, distribution, supply chain outsourcing and other aspects. The current paper is aimed to analyze the advantages and fallbacks of Carrefour within the mentioned area in order to explain the factors contributing to its success and competitiveness to better understand the uniqueness of supply chain in the UAE.

Keywords: Supply Chain Management, Carrefour, UAE
INTRODUCTION

The article tries to examine Carrefour in the UAE through implementation of the management of supply chain in order to analyze and determine the success of a company. Carrefour is known as a global retailer with spread operations over the world and managing such a complex supply chain is challenging. As noted, the performance of the supply chain directly impacts the performance of a business. The case seeks to understand how the supply chain management practices of Carrefour manages its supply chain including supply chain and logistics, sourcing, customer and demand processes, inventory and distribution management. It efforts to research how the company customized its supply chain operations in the UAE by a detail discussion each of the drivers.

SUPPLY CHAIN and LOGISTICS

Supply chain management is one of the major components to the current operational infrastructure and the future long-term viability of its expansion strategies. The Carrefour’s company supply chain comprises the following tools. This company uses EDI (Electronic data interchange), which gives an opportunity to achieve a great number of benefits. Among such, Carrefour can receive the full control of workflow throughout the supply chain. Moreover, it the number of human errors and the costs of their search and correction gets reduced considerably. Also, reduction of up to 80% of costs for printing, sending and storing documents is reached. At the same time, acceleration of processing the documents up to 75% becomes a considerable benefit that improves a number of functions (Ptak, 2016). Finally, transparency of processes in the procurement and supply of goods can be viewed as a great achievement that contributes to the company effective management and success. In fact, the digitalization of the processes has become a particularly appropriate choice for such a great organization.

On many stages of work, one can observe how the digital innovations improve the work of the organization. Electronic data interchange does not depend on the work of courier services, freight forwarders, drivers, warehouse employees. Sending and receiving messages occurs instantly. EDI helps to strengthen control over supplies of Carrefour. Logistics output is defined by customer service where DI is one of the primary resources of information (Williamson and Bloomberg, 1990; Sterling and Lambert, 1989).

The supply chain local Scorecard must ensure that optimization plans are identified and their performance is tracked. Measuring the efficiency of the supply chain allows us to identify opportunities for achieving operational excellence. Also, the company use an international Scorecard and has a dedicated team that have to evaluate special indicators. In addition to these warnings, the benchmark between the suppliers of this category is to determine the best in class. However, the focus on the supply chain improvements is supported by the effective system of response to the customers.

Speaking about efficient consumer response, it should be mentioned that the company use ECR concept. This concept is a development of the method of "Quick Response" (QR). The importance of Quick Response in supply chain was predefined by writers such as (Blackburn, 1991 and Hunter, 1994). The concept involves the use of manufacturers and retail stores of computerized systems for automatic processing of orders when performing the same operations, which allows you to monitor the movement of goods in the distribution network. An effective response to customer feedback includes QR and focuses on the distribution, promotion and sale of goods. Moreover, a very important element is general forecasts for
better estimation of the number of orders and replenishment of stocks. Through a joint forecast of sales planning and replenishment, the supplier and seller can combine their competencies and data to establish the most realistic replenishment planning. This sharing allows one to improve availability on the shelf, reduce inventory and inventory of the catalog. Data collection in the company is one of the ways for improving supply chain (Ptak, 2016). The operating system for data collection consists in the exchange of fresh and detailed POS data to initiate corrective actions in the supply chain: identification or prediction of stock availability, better management of production and delivery to launch or promote the product, better management of time to market. It also contains the main information about sales and financial results.

SOURCING and SUPPLY MANAGEMENT

The major aim of the strategic sourcing process on which Carrefour relies is building an efficient system. Therefore, it is possible to observe how all separate steps are united with the same task. In the supply chain, each organization purchases materials from previous suppliers, adds value to them, and sells them to the following consumers. As each organization buys and sells materials, they move farther along the supply chain. In order to conduct business effectively, with the observance of clear procurement terms, it is necessary to observe the quantitative volume of purchases and adhere to the stated requirements for the quality of the goods purchased.

Organizationally, market research is both for selling finished products and for one department, often carries out purchasing at the enterprise. Firstly, the strategic sourcing process relies on the scientific analysis of needs. As the initial stage of the procurement management process, Carrefour needs the definition of the requirements for the material and technical resources of the relevant divisions of the company. After that, it is necessary to assess the requirements for the goods purchased. Afterwards, determining the intra firm demand and supply for a number of parameters, including weight, service level of the supplier, as well as other specifications for each item of purchased material resources is demanded. Although strategic sourcing focuses primarily on reducing costs, its foundation is building longer term, win-win relationships with key suppliers to give buyers a competitive advantage (Douglas, 2017).

Determination of the form of material and technical supply is the third step. Before identifying potential suppliers, one should answer the following question. How to do it more efficient for company? After that, it is necessary to make a choice of supplier. The choice of supplier is one of the most important tasks of procurement logistics. The search for the optimal supplier is carried out by collecting information on potential candidates, creating a database of suppliers, as well as evaluating the results of work with selected suppliers.

The next step is known as procurement. Turner (2011) described procurement as a system or process that supports organization’s total needs for the supply of goods, services and processes that is required to achieve the goals and task established by the organization. The procurement process includes the formalization of contractual relations, the transfer of ownership of resources, their payment, as well as the organization of transportation of resources. In addition, a very important element of this process is control of deliveries. The effectiveness of supply management is assessed in the results of monitoring the fulfillment of the terms of contracts by terms, prices, quantity, quality and other parameters of supply and service (Handfield, 2015). Company also has to prepare procurement budget. Preparation of the procurement budget involves conducting appropriate economic calculations to learn the exact costs of the
procedure and operations. Moreover, the last but very significant step is maintaining relationships with suppliers. The establishment of close ties with suppliers ensures inclusion in a single micro logistic system. Managing relationships seems to require new understanding of the dynamics involved (Brooks and Pawar, 2000, Cooper et al, 1997).

It should be noted that the presented scheme of the procurement process is not the only true one. The main objective of procurement logistics is the advantageous acquisition of goods (raw materials or material) in order to meet demand with maximum efficiency. Due to the prevalence of supply over demand, successful procurement activity is related to the availability of complete and accurate information about the market where purchases are made, which implies the continuous collection and analysis of information about it. The status of consumers allows the enterprise to take into account its own interests and build its relationships with suppliers based on modeling the conditions of material and technical support. From this perspective, the enterprise acts as the final link in the logistics chain, in which suppliers, intermediaries, and carriers operate.

CUSTOMER SERVICE and DEMAND MANAGEMENT

It is obvious that the customers are the most valuable resources of any business. Therefore, the reliable customer service becomes the major goal of all processes. The manner in which businesses respond to client complaints and attending to their needs plays an important role in developing loyalty. Carrefour an international hypermarket was started in 1957 and has steadily grown over the years to become one of the most successful businesses across the world. It has expanded to UAE and currently operates in eight countries in UAE (Carrefour UAE, 2018). These are Carrefour Dubai, Sharjah, Abu Dhabi, Ras Al Khaimah, Ajman, Fujairah and Ain. The chain is aimed to ensure the high-quality products and services. The hypermarket’s success is largely attributed to provision of good customer service However, there have been some weaknesses that have been experienced especially when handling customer problems.

There are various customer service elements embraced by the firm that has enabled it gain the trust and loyalty of its clients over the years. The main element is often on delivering quality service. The firm evaluates the quality of its service delivery based on performance of the product, conformance to standards, being an international hypermarket, in UAE they thrive to ensure that that the service delivery not only conforms to the hypermarket’s set standards but also with the local ISO standards, AS/NZ standards and UAE government standards (Hemalatha and Sivakumar, 2009). They also assess the reliability of the service delivery by its employees by ensuring that the employees behave in an appropriate manner.

Another important element that the chain thrives to implement is ensuring all appropriate information is available to the customers. All the outlets have communication mechanisms where clients can easily obtain information. Information regarding the available products, their prices, terms and conditions of purchase, delivery options and warranties among other useful information are always available at the stores (Hsu and Chou, 2015). Delivery of a personalized customer service is another important element utilized by the UAE Carrefour stores. They understand that a client’s perception of services is pegged on their mood. The employees have been well trained to show civility, congeniality and concern when delivering services.

The firm embraces various approaches in measuring its customer service delivery. The main approach is the use of the SERVQUAL technique where the firms constantly assess the reliability, assurance, empathy, tangibles and responsiveness. They also have customer review sections on their website where clients write
about their customer service experiences at the hypermarket. Good reviews denote good service delivery (Carrefour UAE, 2018). In such a way, the customers get more than a possibility to communicate and get more information about the products they are willing to get. Such system lets them feel their opinion is valued, and they are an important part of the team.

In as much as the UAE Carrefour hypermarkets have received positive accolades for their good customer service delivery, they still need to do a lot to perform even much better. Customer service at the company has overcome numerous challenges on the way to its perfection. The main weakness has been on handling customers problems. Notably, they have inadequate customer care representatives. On average a customer should not wait for more than five minutes to get solutions to their problems, however, this has not been the case for these outlets because the few available representatives are working like machines with limited or no interactions with the clients. They are able to improve their customer service delivery by embracing the use of customer service management systems that provides a cloud computing solution that will help them integrate all their functions together. The system must improve the customers’ satisfaction and attract more clients.

INVENTORY MANAGEMENT

A firm’s inventory is a valuable asset because a firm’s inputs and finished products are the core of its business and a shortage of inventory can accrue detrimental impacts. Consequently, inventory can be a liability when purchased in excess due to the risk of spoilage, damage, theft or shift in demand. UAE Carrefour understands the significance of inventory management for their business. Being a hypermarket, it deals with all kinds of products ranging from perishable to durable goods, fast moving to slow moving, therefore before making an order, they have to be very effective with the inventory and therefore keeping an updated inventory is paramount for the success of the business. In order to know what to restock certain items, what prices to pay and what amounts to produce or purchase, they have embraced the used of various kinds of inventory management systems. The main inventory management systems embraced by Carrefour include both the periodic inventory management method as well as the perpetual inventory management method. Moreover, JIT and RFI are used.

The Periodic Method

It uses the periodic inventory method in updating its inventory data periodically mostly after one year. While the physical counting and inventories are quite time-consuming, mainly this method contributes the effective time-management. The periodic method becomes crucial to ensure that all company managers can get the updated data about the good’s cost and availability in time.

The Perpetual Method

The perpetual method is the main inventory method used by the firms in UAE. They use this method to consistently update its inventory and accounts for subtractions and additions when items are sold, received or moved from one location to another, scrapped or picked from inventory (Wild, 2017). Carrefour mainly prefers the use of this method because it helps them deliver up-to-date inventory information and is also efficient in handling minimal physical inventory counts. Furthermore, they are preferred for tracking inventory since they deliver precise and accurate results on a continual basis when effectively managed. Since it has minimal physical inventory counts, it has been able to save the firms significant amount of
money and time by reducing the inventory costs and man power needed to run the business. The firm understands that the hypermarket industry is highly dynamic and is greatly influenced by technological advancements. It therefore, thrives to embrace the use of the latest technologies. The main techniques used in these stores in maintaining its inventory include the use of barcode tracking. This technique updates an inventory every time an item is scanned.

TRANSPORTATION MANAGEMENT

Carrefour hypermarkets in the UAE embrace the use of different modes of transport for its products. Among such, it is possible to find the rode mode and the rail mode as the leading ones. They have numerous advantages along with some disadvantages that are regularly re-considered. Transportation is indispensable to economic growth and development of human settlement (Gbadamosi, 2010).

The main mode of transport is the use of the roads network. It is the most preferred mode of transport due to various advantages that it accrues to the firm. The firms in UAE place a lot of focus to the reduction of the distance covered by road. In order to attain this, the Group tries to develop a national logistics network in all the UAE countries. The company uses its trucks for transportation of its products from its stores to the consumers and from the main warehouses to its stores. The use of trucks by the company has been considered a blessing in disguise as it has accrued both merits and demerits.

Some of the merits that road transport has brought to the firms in UAE include the following. First of all, they are cost effective. The use of roads by the company in the UAE countries is considered relatively cost effective as compared to other modes of transport. The reason is that the firm uses its own trucks. This means that it rarely outsources for the transportation of its products from one store to another. The only cost it therefore, incurs is the fuel charge and minimal costs incurred in outsourcing for transportation for specialized products (Notteboom and Yang, 2016). Consequently, most of the products are delivered to the company’s warehouse by the supplies.

Flexible service is another essential advantage that Carrefour gets. The use of road network for transportation is very flexible because trucks can navigate through various destinations even in the most remote areas. They are therefore preferred for delivering freight directly to their destinations. Furthermore, UAE Carrefour outlets are not very distantly located and thus moving a product from one outlet to the other is best done through the road network. Some of the products in these outlets are perishable such as vegetables and fruits and can best be transported by the use of trucks. They can also be easily monitored since people can easily communicate with the drivers.

Nevertheless, one cannot neglect the disadvantages of the road transportation. In as much as road transport accrues many benefits, it can lead to serious adverse impacts to the firm. One of the major challenges is traffic delays. Most of the UAE countries experience constant traffic delays and this is likely to cause a delay in the delivery of its products and services. Trucks are also susceptible to breakdowns and also to damage mainly through careless driving. Bad weather is also another major challenge especially where the roads are not good. Considering these aspects, the rail transportation often becomes a solution.

Rail transportation is also used by the UAE Carrefour outlets in cases when the road transportation becomes challenging. The main advantage is that rail transportation can transport large volumes of freight over greater distances. This makes shipping more economical. It also has some disadvantages. The main
demerit is a lack of flexibility. The reason is that the times and routes cannot be adjusted. However, the skillful combination of the modes becomes the best choice for the firm.

**DISTRIBUTION MANAGEMENT**

Distribution is an important function in any business. The movement of products from the production site to the final consumer is a chain that involves various stakeholders. Distribution management relies on all the activities and processes related to the process. Packaging, warehousing, inventory, supply and logistics are the basic related stages. Carrefour has an extensive distribution channel in UAE. The firm embraces the use of different distribution approaches.

The push and pull strategy is the main distribution decision used by the firm. The push strategy processes are speculative in nature and is based on order generation. The procurement cycle for goods falls under the push process of the supply chain. Consequently, the pull processes is often used mainly when a client arrives. The firm uses a client oriented culture where it focuses on customers and aspects of service.

*Figure 1*: The push and pull strategy

Carrefour embraces the use of different distribution chains depending on the kind of product, such as consumer goods and business goods and services. The distribution chain for consumer goods is as depicted below.

*Source: Christopher, 2016*
Figure 2: Types of Marketing Channels

Source: Christopher, 2016

The main strategic distribution decision that intrigued the firm to embrace the use of this distribution channels include the market, product and competitive factors.

The market factors are the main factors it considers in UAE under shorter channels include the geographical location, business users, the kind of orders as well as the extensive technical knowledge or regular service needed. For longer channels they consider consumers, diversity of the geography. The product factors rely on the aspects to consider include the perishability or durability of a product, the cost of the product and whether the product is standardized or complex. The competitive factors are the strategic decision takes into account the satisfaction level of the manufacturer.

UAE Carrefour warehouses is another important strategic distribution decision. Each of the Carrefour hypermarkets has their own warehouse. The main outlets are Carrefour Dubai, Sharjah, Abu Dhabi, Ras Al Khaimah, Ajman, Fujairah and Ain. Each of the outlets having their warehouses is important for their daily operations. Warehouses play an important role in protection of the stores goods. All products cannot be placed in stores, it is often important to have some stock in the warehouse so that in case of a deficit they can easily be restocked. This helps in ensuring there is a constant flow of goods. When there is constant flow of goods production can never stop. These warehouses are often located in strategic locations where they can be easily accessible by rail or road. In addition, they reduce the risk of losses. These warehouses have also been considered to be a source of employment to many residents in the regions.

SUPPLY CHAIN RELATIONSHIPS and OUTSOURCING

Counting on the rapidly developing economy of the UAE, Carrefour has received the power base for the development in this country. It provides all necessary aspects for the cultivation of the chain relationships and outsourcing in general. These two elements are a core for the successful functioning of any company or chain of enterprises.
Within the chain, there are strong connections. Firstly, it means that it is possible to recruit employees in Majid Al Futtaim Retail, which comprises Carrefour franchises not only in the United Arab Emirates but also in Bahrain, Jordan, Egypt, Qatar, Oman, Lebanon, Saudi Arabia and Kuwait (Reardon et al, 2008). Moreover, Carrefour initiates the strategic programs, which help not only to increase the concernment and attendance but at the same time, it is the effective way to rally the employees and strengthen ties within the chain. First, the effective training is provided for the workers in order to increase their competence and developing the leadership. Furthermore, employees have the opportunity of the quick promotion and receiving benefits in a case is they show good results and qualitative work. All workers take part in different social initiatives suggested by Carrefour. For example, reducing the ecological footprint through the energy efficiency and the natural disaster response involves the employees raising their awareness simultaneously improving the reputation of the company and its perception in the society.

Customers have the great choice of goods of different brands including world-known ones like DANONE, Tefal, Moulinex, Skullcandy, Hisense, HP, Microsoft, Toshiba and parallel Carrefour presents own private flagship brands. These products are popular among customers and provide high quality. In addition, Carrefour cares about secure payments. Online transactions can be done using Emirates NBD and with the help of Visa and Mastercard (Yue, 2008). To ease the process of online shopping, PayPal is also available. Generally, all data concerning payments are secured with the help of HTTPS including Cyber Source.

STRATEGIES FOR LOGISTICS and SUPPLY CHAIN MANAGEMENT

In order to hold a place in the market and be competitive, Carrefour uses different strategies. First marketing and service strategies come. To launch them, two steps are necessary: fast functioning to get the higher turnover and personnel training with monitoring the needs of the market (Reardon et al, 2012). They lead to enhancing of the service quality and creating of the own private brands. Next sourcing strategy comes. Carrefour can meet almost all customer preferences. Such a big choice of products makes the chain competitive and widely used. Then differentiation strategy is used in order to define the product with the highest rates of buying and in such way creating the choice of the goods, which correspond the customer preferences.

Technology-based strategy presupposes the usage of the information technology tools to connect all components and elements of the particular market chain. Carrefour has a storage management system and good-developed system of the online shopping. At the same time, workers and sellers are those who create the impression of the whole chain enterprise. Therefore, human resource management strategy is crucial. It includes not only treating customer’s friendly but attracting new workers and encouraging their professional development in this sphere. It functions with the help of such methods as education and training, profit sharing, social responsibility, motivating and challenging, stock options and creating leaders (Baofeng et al, 2017). This strategy can be considered as the relationship-based one since it deals with the building strong connections between colleagues. As a result, the Carrefour has a professional and creative team of workers who are ready to meet all issues and deal with them. In such way, customers are provided with high-quality goods and services.

CONCLUSION

The review of the supply chain elements and related modes and activities reveals that Carrefour processes rely on the effective planning and analysis of the strengths and weaknesses. Among the major advantages
of the company, one can find the timely availability of all products, in-time delivery, reduced costs and information sharing. The focus on the customers’ demands is particularly important as it encourages the improvements on all stages of the products supply and distribution. Overall, it is worth noting that the effective supply chain system and control of the processes is that background of the success of this hyper-organization.

REFERENCES


