Chapter 29
Supply Chain Hub and Spoke Model for Convenience Stores

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ABSTRACT

As grocery retailers have limited profit margin, the players in the industry are constantly looking for cost effective supply chain model for increasing profit margins. Any convenience store should have assortment which is more suitable for the local target customers but the company might receive the inventory from multiple sources. In this chapter we have proposed a new way to handle the supply chain for the convenience store, that is, Hub and Spoke model between Hypermarket/Supermarket/Supercenter and Convenience store. In this model Spoke (Convenience Store) receives all inventory from single source, that is, Hub (Hypermarket/Supermarket/Supercenter), hence there is a significant reduction in the logistics cost. This will allow the retailer to be more focused on customer service which in turn will make more loyalists for the store.

INTRODUCTION

Convenience is the king in today's retail world. Consumers' lead busy lives and their time is becoming more limited and fragmented every day. So when it comes to shopping, consumers may not always be 100 percent focused or fully engaged in the task at hand. In order to keep up with consumers' shopping behavior, retailers are increasingly finding that they need to innovate in ways that make it easier and more convenient for their customers. Retailers strive to provide their customers what they need and not miss a beat in the process.

Innovation can take many forms. The advancements like multi-platform store formats and online shopping have had impact on the retail landscape. In fact, according to the Continuous Innovation: The Key to Retail Success report, convenience may just be the most creative and energetic example of retail innovation.

DOI: 10.4018/978-1-7998-0945-6.ch029

Channel and format are the stand-out examples of innovation in the retail space. Now a day's almost all leading big retailers are operating in different formats to ensure that its customers have quick and easy access to its offerings regardless of whether they live in dense metro areas or the outskirts of town. Even Wal-Mart, whose superstore concept that made it the largest retailer in the world, is testing two smaller formats—even though it continues to expand its traditional supermarket format in the U.S.

As a format in-and-of-itself, brick-and-mortar continues to maintain a strong footing with consumers, particularly as retailers revamp their available store configurations for specific customer needs. Also, online shopping model is changing how shoppers interact with stores. This in turn has prompted stores to change in response to the new age customer behavior. For example, many companies with notable physical footprints have capitalized on the influence that online retailing offers by touting "click & collect" options, whereby customers shop online and pick up their items at a nearby store. This innovation is quite powerful, as it improves convenience dramatically for shoppers who find it inconvenient to wait at home during broad delivery windows.

Retailers are increasingly moving away from a 'one size fits all' approach to convenience retailing, and instead are looking to tailor their stores to meet the needs of local shoppers. While retailers are increasing the number of convenience stores, cutting supply chain costs remain the ultimate challenge for convenience store chain's distribution. By constantly working to introduce efficiencies to their processes and cut costs, c-store chains are learning to grow more efficient and increase end user satisfaction.

Nowadays, the market condition forces the Large Scale Retail Trade (LSRT) players to increase the efficiency and effectiveness of their processes and many companies have already begun to see the development of a competitive supply chain (SC) as a matter of survival rather than a choice. Specifically in the food and beverages (F&B) sector, globalization is pushing companies towards a very challenging objective: to increase the range of newer, fresher and higher quality products while guaranteeing an excellent service level to consumers with growing unpredictability in buying behavior. This forces F&B companies to quickly adapt their supply strategies and configurations to unstable market conditions, and to continuously innovate in the socio-technological context.

A typical convenience store is about 2,400 to 2,500 square feet in size, however today companies in the industry are approaching markets with different types of stores and different product offerings. The changes in store formats have implications for all elements of the industry. Retailing executives are concerned with competitive impact and their marketing strategies and niches. Product suppliers want to be aware of format variations as they dictate requirements for appropriate product packaging, promotion and distribution for the stores. Based on this research, six formats were identified as representing trends in the convenience store industry. The six convenience store formats are:

- **Kiosk:** This format is less than 800 square feet and is intended to provide some additional revenue.
- **Mini Convenience Store:** This store format, usually 800 to 1,200 square feet in size is extremely popular with the oil companies and the emphasis is on gasoline sales.
- **Limited Selection Convenience Store:** These stores, which range from 1,500 to 2,200 square feet, are becoming more numerous as these are most preferred format.
- **Traditional Convenience Store:** Most of the original convenience stores fall into this category. They are about 2,400 to 2,500 square feet in size and offer a product mix which includes dairy, bakery, snack foods, beverages, tobacco, grocery, health and beauty aids, confectionery, and perhaps prepared foods to go, fresh or frozen meats, gasoline, various services, and limited produce items.

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