Introduction To Logistics & Supply Chain Management

Executive Summary

Our group was commissioned to unravel and analyse the supply chain management processes that the company Coles Supermarkets Australia Pty Ltd utilizes. Coles Supermarkets Australia Pty Ltd is an Australian leader in the retail and supermarket industry. This report will delve into the supply chain management and logistic processes that Coles undertakes, and will also look into detail about one of the Coles in the city of Melbourne. The information that we have collected is a combination of the knowledge we've accumulated during our 2nd semester studies and the statements provided by one of the Coles store managers. With this information we have come up with recommendations on how that Coles store can improve its supply chain and logistics processes.

Introduction

Coles Supermarket Australia Pty Ltd. which trades under Coles, is one of Australia's biggest brands in the retail and supermarket industry operating in an oligopolistic market with Woolworths and IGA. First founded in 1914 in Collingwood, Melbourne by George Coles, it has since then opened 807 stores throughout Australia (1502 including Coles Petrol branches) with over 100,000 employees. Specialising in the sales of food, and the fact that they serve over 21 million customers each week over Australia is a clear indication that the supply chain management and logistic processes are extremely efficient and effective. This report will further analyse the processes Coles uses to achieve such numbers and how they got to be one of the leaders in the retail industry.

As a group we have chosen Coles because:

- Challenging
- They are local
- Personal experiences
- Organisation background information

Demand Management

Page 13 of the Coles website

Procurement and Sourcing

Pg 46 onwards: Coles has an international supply chain team, this team is responsible for all the supply internationally to Coles,

Production and Operations Management

The store itself does not participate in any of the production and operations management of

goods, but Coles Supermarket Australia Pty Ltd. does have their own brand of products which are a more affordable alternative to the cost conscious consumer. It is believed that all products that are labelled under Coles homebrand are made to stock where production is based on sales forecasts.

It is assumed that Coles Supermarket Australia Pty Ltd. use a push-based production strategy where they mass produce their homebrand products such as milk, meat etc. to minimise costs and attempt to sell as much as possible at a lower price point. For Coles homebrand milk, the milk is directly outsourced from dairy farmers (as of July 1, 2019) whereas they previously outsourced their milk from processors.

Coles Supermarket Australia Pty Ltd. homebrand may also use a continuous process facility where products go through predetermined steps such as packaging, sealing and labelling. This production process layout is beneficial for high-volume production which Coles performs for its homebrand label.

Inventory Management

Coles has three main inventories; fresh produce, dry goods, and refrigerated goods.

Each are managed differently.

Fresh produce, depending on the product, remains on the shelf for a maximum of one week before being replenished (items like chillies and onions have a longer shelf life than bananas).

Dry goods are replenished based on a fixed order quantity where the same amount of stock is ordered every time the minimum stock level threshold is met. The store workers also keep an eye out on any items that need to be replenished.

Refrigerated goods must maintain their temperature range while being stored. Chilled product should never go above 5 °C and frozen products should never be warmer than 18 °C.

Coles main area of concern for their inventory management is product life. Coles are firm on the minimum shelf life a product has once a receipt has been received. They use a core principle MLOR (Minimum Life On Receipt) which outlines the percentage of the original shelf life left at the time the product is manufactured. This principle varies from local and imported products, which takes into account of transportation lead times. Products from Australia are required to have a minimum of 75% manufactured life remaining once at a Coles DC and at least 50% for international products. Coles are extremely strict with product shelf life and any products that fall below the MLOR the product will be rejected. To prevent this from happening in the future, Coles will report the product for further investigation and identify how product shelf life is being lost.

Cole also insist that all cartons, trade units, and pallets must display a date code marking, which outlines when the products use by/best before date.

Warehousing and Distribution channels

Coles previously used to deliver products directly to a store where the supplier or Coles would have to outsource a logistic company to deliver goods straight to one of the retail stores. Now Coles has become dependent on distribution centres to collect and store goods before distributing them to retail stores.

Coles utilises two 3PL companies (Toll and Linfox) which assist them in the delivery of goods and the operations of their distribution centres. Coles currently have three distribution centres, located in Truganina (Linfox), Laverton (Chilled items) and Somerton (Toll). Duties carried out at distribution centres include accumulating goods, sorting goods, allocating goods, picking and packing, and the loading of pallets.

The increased efficiency from the use of distribution centres has assisted in prolonging shelf life as well as capacity utilisation and the ability to deliver on time. Technology utilised to make this possible is Coles Easy Ordering system which is an automated sales-based system that takes orders which then delivers them to retail stores based on demand forecasts for a particular retail store.

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