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**Executive Summary:**

Woolworths Ltd. is an Australian owned, listed public company that derives the bulk of its income from retailing food & groceries, liquor, petrol, general merchandise and consumer electronics in Australia.

The current business objectives of Woolworths are to expand leadership in food and liquor, work on portfolio to maximise shareholder value, continue building more new growth businesses, put in place facilitators that allow delivering on the above objectives. It has put in place specific business, marketing and financial strategies for achieving these objectives.

Woolworths has made a lot of improvement to its supply chain strategy, policies and management through ‘Project Refresh’. It can be seen that Woolworths focuses on warehouse, inventory and transportation management improvement, the environment protection, supply chain collaboration, optimal technology utilization and the cost of procurement.

However, Woolworths has some current issues and potential challenges in some areas of its supply chain. For example, it has poor relationship with its suppliers. When it comes to logistics, truck driver shortage and unethical and unsafe truck driving practices are the main issues. In addition, inventory shrinkage through theft at self-scan checkouts is also a problem leading to loss of revenue.

This report also uses SWOT analysis to evaluate the strengths, weaknesses, opportunities, and threats of Woolworths’ current business. Compared with other supermarkets in Australia, Woolworths has the most dominant market share. It also had the foresight to acquire 50% stake in Quantium, which provides it the opportunity to further increase its market share by using Quantium’s data analytics capabilities. Its strength also lies in being an innovative company; first to introduce ‘Click, Fly and Collect’ facility, first to trial buying milk directly from dairy farmers, first to revolutionize its supply chain through ‘Project Refresh’. In 2015, Woolworths will have the opportunity to request the removal of prohibition preventing Australian supermarkets from selling pharmaceutical products, which will allow them to extend their product range further.

Apart from the issues mentioned above, the large number of supermarkets it has and the plans to open more can lead to excess capacity issue and become a weakness. It also faces threat from growing discount competitors like Aldi and Costco. Change in regulation governing code of conduct with suppliers could lead to financial penalties for Woolworths. Any disturbances in its third party logistics’ operations (e.g. Toll, Linfox) could disrupt Woolworths’ logistics operations.

In light of the above issues and threats, certain recommendations have been made. Woolworths should build better and long-term relationships with its suppliers. It should also consider working with its supply chain partners to tackle the truck driver shortage through the ‘Generation Success’ program. This program can also be used as a means to employ more staff to reduce theft at self-scan checkouts. It is recommended that Woolworths look into changing its incentive based payment system to reduce the unsafe truck driving practices. Moreover, Woolworths should consider enhancing its online shopping offering through a capability, which allows customers to sign up for reminders for replenishments.

1. **Introduction:**

Woolworths was registered on 22nd September 1924 as ‘Woolworths Limited’ and began trading in December 1924 in Sydney’s Pitt Street as an underground bargain store ([Woolworths, 2013a](#_ENREF_35)). Today it has over 900 supermarket stores across Australia ([Woolworths Ltd, 2013a](#_ENREF_43)).

The objective of this paper is to learn about various aspects of Woolworths’ supply chain, identify any issues with it by performing a SWOT analysis on its current business. It also aims to make recommendations for improving the Woolworths’ supply chain based on the analysis performed and the issues identified. It concludes with a discussion of limitations with the research and disparities in expectations.

The report focuses on the supermarket business of Woolworths with only a brief mention of its other businesses in financial, marketing and overall business strategy information. It is also limited to the Australian business. There were no interview or questionnaires conducted for this report. It has been prepared by reviewing existing literature and secondary sources of data.

In Australia, Woolworths is a leading company in retailing and supermarket industry and supply chain is an essential and important part of its operations. For that reason, Woolworths was chosen for this report. In addition to that, it is important for society and customers to know more about Woolworths’ operations, as it is the place where customers go to get their everyday things.

1. **Current Situation:**

The current business objectives of Woolworths can be summarised in four key points:

1. Expand leadership in food and liquor
2. Work on portfolio to maximise shareholder value
3. Continue building more new growth businesses
4. Put in place facilitators that allow delivering on the above objectives

([Woolworths, 2013b](#_ENREF_36))

* 1. ***Strategies for achieving business objectives (Finance, Marketing and Business):***

In order to expand their leadership in food and liquor, Woolworths plan on further improving their supply chain for ‘Fresh’ products, doing more of targeted marketing (customer insights driven marketing), continuing to lead in low prices through the ‘More Savings Every Day’ offer, increasing their online and direct offering in food and liquor ([Woolworths Ltd, 2013a](#_ENREF_43)).

For maximising shareholder value, they will focus on capital management and sell off subsidiary businesses that have more liabilities than assets and do not form part of the core business (like they did with Dick Smith), sell company property independently valued at $1.4 billion, complete a strategic re-positioning of Big W by focusing on product categories that are of more importance to the customers ([Woolworths Ltd, 2013a](#_ENREF_43)).

New growth businesses like Masters Home Improvement will get more investment e.g. 18 new stores planned for financial year ending June 2014, the rollout of ‘Click and Collect’ service will be completed, more domestic and international opportunities for growth will be considered (e.g. acquisition of EziBuy to further grow in home wares business) ([Woolworths Ltd, 2013a](#_ENREF_43)).

Further efficiencies in supply chain and replenishments, increase in sales and customer loyalty through clever use of customer data will be used as facilitators for a new era of growth ([Woolworths Ltd, 2013a](#_ENREF_43)).

* 1. ***Supply chain strategy, policies and management method:***

In 1999, Woolworths undertook ‘Project Refresh’ to improve efficiencies in its supply chain by removing waste and duplication and reducing its cost of doing business ([Coriolis Research, 2005](#_ENREF_12)). The implementation of first two phases of this project had delivered over A$7.3 billion of savings by 2007 ([Woolworths Ltd, 2007](#_ENREF_37)).

The following sections describe the various aspects of this improved supply chain:

* + 1. **Warehousing**

Woolworths’ network consists of distribution centres (both own operated and third party operated), satellite facilities and dedicated sites. It has two National Distribution Centres (NDCs) for slow moving SKUs, eight Regional Distribution Centres (RDCs) for fast moving SKUs, three dedicated Liquor Distribution Centres and a satellite distribution centre (in Townsville) only for supplying fresh produce to supermarkets in far north Queensland ([Woolworths Ltd, 2013b](#_ENREF_44)).

One of the key outcomes of ‘Project Refresh’ was a smaller and more efficient network of DCs. The number of DCs was brought down from 31 to 9 RDCs and 2 NDCs and involved closing down some of the existing DCs resulting in significant cost savings ([Coriolis Research, 2005](#_ENREF_12)). New DCs were also opened in strategic locations to optimise network efficiencies and with automated material handling equipment to increase throughput capacity and existing DCs were upgraded with automated equipment to enable them to handle their new product and store profile with higher throughput capacity than before ([IGD, 2011](#_ENREF_17)). Cross docking and flow through distribution methods were also implemented for more effective flow of stock in and out of the DCs ([Coriolis Research, 2005](#_ENREF_12)). This consolidation and rationalisation of DCs combined with automated material handling equipment, cross docking, flow through, and new Warehouse Management System (WMS) has resulted in increased throughput capacity, increased service levels to stores, enhanced operations reporting and reduced labour costs, inventory costs and costs of transport from DCs to stores ([Coriolis Research, 2005](#_ENREF_12)).

* + 1. **Replenishment**

Woolworths uses automated replenishment systems for its inventory management. Key features of its inventory replenishment are:

* AutoStockR (in-store system uses store forecasts)
* Stocksmart (DC replenishment system uses DC forecast)
* EDLP (Every Day Low Prices)
* Retail ready packaging (RRP)
* GS1 bar code and numbering system

Prior toAutoStockR, the store replenishment system was a manual one; store managers would walk up and down the stores noting how much stock needs to be ordered ([Coriolis Research, 2005](#_ENREF_12)). AutoStockR has provided significant cost and time savings through improved in-stock position and reduced out of stock occurrences and allowed store managers to spend more time servicing customers, managing staff and less time on administrative tasks ([Coriolis Research, 2005](#_ENREF_12)). On a high level, it uses the stock on hand, target stock (minimum stock level before the next re-order) and forecast sales for generating an order ([IGD, 2011](#_ENREF_17)).

Stock requirements from AutoStockR feed into Stocksmart, the warehouse replenishment system, used to schedule production and delivery to DCs by sharing information with suppliers ([IGD, 2011](#_ENREF_17)). The EDLP pricing strategy fits in well with this end-to-end information sharing. It keeps prices low all year round instead of a high-low pricing which reduces supply chain demand disturbances ([Robertson, 2006](#_ENREF_28)) and keeps the stock volume and requirements information provided by AutoStockR and Stocksmart reliable.

The integration of AutoStockR with Stocksmart has allowed Woolworths to spend less time on inventory management and more time on information management thus enabling it to predict and control demand leading to cost efficiency and operational effectiveness ([IGD, 2011](#_ENREF_17)).

Woolworths re-evaluated delivery of products from supplier to store shelf and found that half of the supply chain cost is incurred in the last 50 metres - from store back dock to shelf ([IGD, 2007](#_ENREF_16)). In order to reduce this cost, RRP like shelf ready trays and roll cages were introduced. These are typically used by supplier to package goods as they make it easier and quicker for staff to re-stack shelves in store, allow customer access to shelves during re-stacking and remove the need to unpack the products in the store back room upon delivery from DC thereby reducing costs ([Coriolis Research, 2005](#_ENREF_12)).

The GS1 bar code and numbering system which results in an item being identified by one number throughout the supply chain (from the supplier to the DC to the store) results in increased visibility of the item all along the supply chain preventing loss or theft of inventory, accurate stock information and timely replenishments ([Woolworths Ltd, 2012c](#_ENREF_41)).

* + 1. **Transportation**

Woolworths controls its logistics nationally. It rolled out a TMS (Transport Management System) as part of Project Refresh. This system has enabled it to better manage its Primary Freight business ([IGD, 2011](#_ENREF_17)). The Primary Freight business provides a safe, convenient and dependable transport service for the suppliers to transport goods from their facilities to Woolworths’ DCs. It uses rail, road and sea for moving stock and is currently used for close to 50% of volume coming in to the DCs. Suppliers can choose to use Woolworths’ Primary Freight service (by paying for it in the form of a weekly rebate) or arrange their own transport ([Woolworths Ltd, 2014b](#_ENREF_46))

Woolworths contracts out the transport work to third party logistics providers (3PLs) like Linfox and Toll however through an operating model, called Metro Transport Model, it controls the costs, standards and service levels of its transport operation. For example, it has increased vehicle utilisation by acquiring ‘integrated’ trailers (designed for both rear loading of stock used for store deliveries and side loading used for DC deliveries) and selling or leasing these to the transport providers. Under this model, it also changed the payment to the haulier from pallet rate to kilometre rate (paid by kilometres driven and not by number of pallets carried). Taking control of the trailers used has also enabled it to implement the safety standards that it deems necessary (e.g. side under-run protection, electronic braking, and driver’s airbags) and reduce its carbon footprint (it adopted the ADR 80/03 (Euro 5) compliant vehicles well before the legislation was mandated) ([Diesel News, 2012](#_ENREF_13)).

* + 1. **Environment**

Woolworths has undertaken a number of initiatives to reduce its environmental footprint. It set up a ‘Sustainability Strategy 2007-2015’ which includes a number of targets and commitments that will enable it to increase its sustainability and decrease its environment footprint ([Woolworths Ltd, 2012b](#_ENREF_40)). Some of the key areas covered by this strategy are:

*Carbon emissions and climate change:*

Woolworths achieved its target of reducing carbon emissions by 25% per carton delivered by 2012 by improving the design of its fleet, changing to alternative fuels and reducing the distance travelled for deliveries ([IGD, 2011](#_ENREF_17)). It has also set a target of reducing carbon emissions from its stores by 40% by 2015 ([Woolworths Ltd, 2012b](#_ENREF_40)).

*Packaging:*

Through a number of initiatives like increasing awareness amongst employees of recycling initiatives, introducing reusable bags in stores, using reusable plastic crates for fresh produce, using roll cages instead of shrink wraps and pallets ([IGD, 2011](#_ENREF_17)), it has tried to reduce the amount of packaging used and increase greener packaging. As it has most control over the packaging of its own brand products, Woolworths has focused its efforts on improving the packaging of these by setting some specific targets and commitments (e.g. review packaging of 50% of own brand products by 2015) ([Woolworths Ltd, 2012a](#_ENREF_39)).

*Responsible Sourcing:*

Woolworths aims to source its products ethically and sustainably in order to earn and keep their customers’ trust ([Woolworths Ltd, 2012d](#_ENREF_42)). Key commitments identified in this area are work with suppliers to improve animal welfare, ensure all the seafood is from sustainable sources, reduce genetically modified ingredients in its own brand food, zero contribution to deforestation by own brand products’ supply chain by 2020 ([Woolworths Ltd, 2012d](#_ENREF_42)).

* + 1. **Supply Chain Collaboration**

One of the issues that Woolworths found in its replenishment operation was the low fulfilment rate of inbound service i.e. deliveries to DCs. This was around 75%, much lower compared to the 95%-96% fulfilment rate of the outbound service ([IGD, 2011](#_ENREF_17)).

In order to improve this, they started working closely with their suppliers. A Vendor Capability Team was set up to help vendors with arranging logistics ([IGD, 2011](#_ENREF_17)). A Vendor Relationship Program was also set up that enabled supplier staff to work within the DC replenishment teams and produce forecasts in collaboration which they shared with their companies ([IGD, 2011](#_ENREF_17)).

Some more examples of collaborative work that Woolworths undertakes is creating the ‘Woolworths Quality Assurance’ certification which happens twice a year and involves independent auditing of their local and international suppliers and ensures that their products are as per the standards set by Woolworths Quality program which is based on global product safety standards ([Arli et al., 2013](#_ENREF_5), [Woolworths Ltd, 2014a](#_ENREF_45)), continuing feedback and recognition of outstanding achievements through ‘Supplier of the Year’ award, creation of ‘Wowlink’ internet portal accessible by all their suppliers providing them information on processes, systems and standards used by Woolworths, creating an email service to respond to supplier queries ([Arli et al., 2013](#_ENREF_5)). Woolworths also maintains long term relationships with its suppliers. It has worked with over 80% of its suppliers for 10 years or more ([Woolworths Ltd, 2008](#_ENREF_38)).

Another area where Woolworths benefits from collaborative relationships is commercial property leasing. It enters into long term leases which provides security to the land owner and enables Woolworths to request for benefits like rental discounts or distance restrictions from its competitors ([Arli et al., 2013](#_ENREF_5)).

* + 1. **Technology**

Woolworths uses technology effectively to decrease operating costs and increase revenue. It continually invests in new technology to get more value out of its products and processes. For procurement efficiencies, it had Stocksmart rolled out in all its DCs by 2003, and by 2004, AutoStockR, rolled out in all its stores ([Coriolis Research, 2005](#_ENREF_12)).

In 2008, it started creation of the ‘Wowlink’, internet portal, which has served as a one stop shop for all Woolworths’ suppliers to access information regarding its processes, standards, requirements. It also provides information on performance of the supply chain which is useful not only for Woolworths but also its suppliers (e.g. reports on service levels, promotional activities) and acts as a means to access other business applications used by Woolworths like the TMS and the Product Recall/Withdrawal Management application. ([IGD, 2011](#_ENREF_17))

In 2011, it started implementation of the SAP ERP solution under a program spread over four years ([Progressive Enterprises Limited, 2011](#_ENREF_27)). One of the advantages of this has been receipt of product and price information from various suppliers electronically in a standard format. ([IGD, 2011](#_ENREF_17))

In August 2012, Woolworths implemented ‘webMethods Integration Platform’, which has integrated all its legacy applications, enterprise applications, EDI systems and also provided supplier integration, in order to take the efficiencies provided by ‘Project Refresh’ a step further ([PRNewswire, 2012](#_ENREF_26)).

Its latest effort in this area has been acquiring 50% stake in Quantium, a leading Australian data-driven strategy business. Woolworths hopes to leverage its customer loyalty program (‘Everyday Rewards’) data using the data analytics capabilities possessed by Quantium ([Woolworths Ltd, 2013a](#_ENREF_43)).

* + 1. **Procurement**

As part of Project Refresh, Woolworths centralised its procurement from six state buying offices to one central office. This centralisation has resulted in significant cost savings by lowering head count and removing duplication. It also changed its procurement strategy for some major products like dairy from going to the suppliers to having the suppliers bid for a contract with Woolworths. This results in competition amongst the suppliers and reduced costs for Woolworths as a result. ([Coriolis Research, 2005](#_ENREF_12))

1. **Issues Identified:**
   1. **Poor supplier relationships**

Despite putting in place supplier related collaborative measures described in the previous section, Woolworths has failed to materialise the trust and strong relationships that these measures can bring. By late 2011, the Australian Competition and Consumer Commission (ACCC) had received many reports from media about unjust treatment of suppliers by the major supermarkets, Woolworths being one of them, and although earlier suppliers were not willing to speak against these supermarkets as they feared a commercial backlash from these chains, by early 2013, 50 suppliers were willing to speak up ([Bettles, 2013](#_ENREF_8)). Not only did this lead to Woolworths (along with Coles) being investigated by ACCC, it also led to Woolworths and Coles having to sign a voluntary code of conduct with Australian Food and Grocery Council (AFGC) in Nov 2013 after more than a year-and-a-half of negotiations ([Greenblat, 2013](#_ENREF_15)). Although Woolworths claimed that it had an extremely strong focus on treating its suppliers fairly and lawfully while keeping prices low for its customers ([Bettles, 2013](#_ENREF_8)) and also set up a ‘Speak Up’ hotline in 2012 for suppliers to anonymously register complaints and had it operated by an external company (Deloitte), first Australian retailer to do this, ([BITA, 2012](#_ENREF_9)), it wasn’t sufficient to satisfy the suppliers and the AFGC and it had to sign up to a voluntary code of conduct. This demonstrates that Woolworths has lost the trust of its suppliers and trust is identified as the most critical element for enabling a collaborative supply chain relationship that will stand the test of time ([Arli et al., 2013](#_ENREF_5)). This loss of trust is further explained by the practices that the voluntary code of conduct prohibits Woolworths and Coles from engaging in e.g. using vendors’ intellectual property for development of their own brand products, making vendors pay for products stolen from the stores, retrospectively changing contract terms and conditions, arbitrarily threatening to de-list their products, unfairly allocating more shelf space to their own brand products ([Bettles, 2013](#_ENREF_8), [Mitchell, 2013a](#_ENREF_21)).

* 1. **Logistics**
     1. **Truck driver shortage**

Over 50% of current truck drivers are aged 43 and over and it is becoming increasingly difficult to recruit new drivers ([McCormack, 2011](#_ENREF_20)). The Australian Trucking Association (ATA) has also identified a growing shortage of skilled truck drivers and recently asked the Australian Workforce and Productivity Agency to add heavy vehicle driving to the list of skilled occupations as this will allow overseas drivers to apply for skilled work visas in Australia ([2013a](#_ENREF_3)). McCormack ([2011](#_ENREF_20)) has identified ageing workforce, competition from mining sector and difficulty in attracting young people to this industry as the reasons for this shortage. As retail constitutes about one third of the road transport market ([Skulley, 2012](#_ENREF_31)), this will impact the 3PLs Woolworths uses and in turn its business.

* + 1. **Unethical and unsafe truck driving practices**

Coles’ and Woolworths’ were amongst the first businesses to have their supply chains investigated by the Road Safety and Remuneration Tribunal (RSRT) for engaging in unsafe truck driver practices ([Carey, 2012](#_ENREF_10)). The Transport Workers Union (TWU) secretary, Tony Sheldon, believes there is a link between the high number of road transport deaths involving trucks and the drivers’ remuneration and between the drivers’ remuneration and the major supermarkets’ policy to drive costs as low as possible ([2009](#_ENREF_2)). A study by University of NSW has also found that drug use is higher amongst the drivers who get paid on an incentive basis rather than by the hour ([2009](#_ENREF_2)) and Woolworths uses an incentive based remuneration system (kilometres driven based pay). It seems reasonable that these practices also contribute to the unappealing nature of this industry for young people, in turn, contributing to the shortage of truck drivers experienced by the Australian road transport industry.

* 1. **Inventory shrinkage through theft**

According to Australian retail experts the big two supermarkets, Coles and Woolworths, lose around 1 to 3% of their annual turnover in inventory shrinkage through theft. A recent British survey found that one in five shoppers commits theft at the self-scan checkouts. For Woolworths, this means losing around $1.8 billion given their sales of $59 billion for 2012-13 financial year. Despite this Woolworths is reluctant to hire more staff and industry experts believe this is because the savings in human resource costs outweighs the sum lost at the checkouts ([Carter, 2014](#_ENREF_11)).

1. **Current Situation Analysis:**
   1. **SWOT Analysis:**

**Strengths**

* Amongst the four major grocery retailers, Woolworths is the most dominant with close to 40% market share, this figure was around 15% in late 1970s ([Tonkin, 2014](#_ENREF_33)). It has been one of the most rapidly growing and innovative companies ([Tonkin, 2014](#_ENREF_33)).
* Woolworths revolutionized its supermarket supply chain through ‘Project Refresh’ before any of its domestic competitors (Coles and Metcash). It has now moved onto applying the lessons learned from this project to its other businesses (e.g. Big W) ([2007](#_ENREF_1)) while Coles and Metcash are playing catch up with their belated supply chain revolution projects ([GLUYAS, 2013](#_ENREF_14), [SOH, 2014](#_ENREF_32)).
* By acquiring 50% stake in Quantium, a leading data driven strategy business in Australia, Woolworths has been quicker than not only its competitors but many other Australian companies in recognising the value that analysing data beyond its customer base can bring to its business ([Ruehl, 2013](#_ENREF_30)). This acquisition will be used by Woolworths to increase its data analytics capabilities for increase in sales through targeted marketing and reduction in logistics costs through better forecasting ([Mitchell, 2013b](#_ENREF_22)).
* Woolworths was the first Australian retailer to trial buying milk directly from the dairy farmers (instead of from the milk processing companies) and only paying a service fee to the milk processors for processing milk bought from the farmers ([Langley, 2013](#_ENREF_18)). It recently announced that the trial was a success and will sign a long-term contract with Manning Valley famers to supply milk for 105 stores across NSW. This will build long-term and close relationship between the retailer and the farmers by giving business security to farmers, fairer price for their product and complete visibility of the supply chain for their product, and for Woolworths, it means satisfying their customers’ desire for the farmers to get a fair price ([Zillman, 2014](#_ENREF_47)).
* First Australian retailer to introduce the ‘Click, Fly and Collect’ facility which allows shoppers who are flying into Melbourne to book groceries online and collect them from Melbourne airport, a strategic move from Woolworths to access the potential customer base of 80000 passengers that travel through this airport every day and also the 14000 staff who work at the airport ([Lui, 2013](#_ENREF_19)).

**Weaknesses**

* Aggressive cost cutting measures have resulted in poor relationships with supply chain partners such as the suppliers and logistics operators (contractor truck drivers) (Refer to Section 3 Issues Identified).
* The large number of supermarkets (around 900) and plans to open more could result in excess capacity in future leading to low returns and sales if consumer spending goes down or space growth surpasses population growth and operating costs increase more than the returns ([MITCHELL, 2014](#_ENREF_23)).

**Opportunities**

* In order to benefit from economies of scope, Woolworths has expanded its product range in supermarkets from just food to stationery, newspapers, magazines etc. and would like to add pharmacy to that list too, similar to certain international retail models (e.g. Asda and Tesco), but Australian supermarkets are legally prohibited from doing so. However, the current agreement which prohibits this expires in 2015 providing Woolworths an opportunity to request for removing this prohibition ([Mortimer, 2012](#_ENREF_24)).
* Online sales in retail are expected to double between 2009 – 2015 from $16.9 billion to $33.3 billion according to industry estimates ([2013b](#_ENREF_4)). Woolworths through its 50% acquisition of Quantium has a great opportunity to gain a competitive edge in its online sales through clever use of customer data analytics.

**Threats**

* Rise of discount retailers (e.g. Aldi, Costco) are a threat to Woolworths’ sales and revenue. Rapid growth of German retailer, Aldi, with its low priced private label products has put considerable pressure on Woolworths to lower its prices and increase its private label sales to stay ahead in the competition ([2013b](#_ENREF_4)).
* Disturbances in 3PLs’ operations (e.g. workers’ strike at Toll or Linfox) can have significant impact on Woolworths’ supply chain ([O'Sullivan, 2013](#_ENREF_25)).
* Change in regulation can make the voluntary code of conduct between retailers and suppliers, that Woolworths has signed a mandatory one (same as UK system). This can lead to financial penalty for breaches, Woolworths having to pay investigation costs as well as having to publish information about the investigations ([Beaton-Wells, 2013](#_ENREF_7)). The current voluntary code of conduct gives more room for error to Woolworths.

1. **Recommendations:**

**5.1** Woolworths should build better and long-term relationships with its suppliers to gain competitive advantage not only over its domestic rival Coles but also foreign entrants like Aldi, as collaboration in supply chain is repeatedly viewed as one of the most effective tools in dealing with the challenges of current times, one of them being highly competitive playing field ([Arli et al., 2013](#_ENREF_5)). A point further proven by Aldi maintaining good relationships with its suppliers which has led to suppliers preferring to work with Aldi over Woolworths and Coles ([Battersby, 2013](#_ENREF_6)).

**5.2** It is recommended that Woolworths work with ATA and its 3PL operators to increase recruitment of truck drivers. The ‘Generation Success’ program recently launched by Woolworths and News Corp Australia and supported by other corporations aims to tackle youth unemployment ([Rolfe and McMahon, 2014](#_ENREF_29)). Woolworths can consider forming strategic alliance with its 3PL operators to address the truck driver shortage using this program as a means.

**5.3** In order to reduce the unsafe truck driving practices, it is recommended that Woolworths look into moving from incentive based payment system (i.e. payment by kilometre) to hourly rate payment system or to mandating payment for non-driving tasks e.g. waiting or queuing to load and unload. This will reduce driver fatigue, increase safety and efficiency in the long distance road transport industry ([Williamson and Friswell, 2013](#_ENREF_34))

**5.4** Given the increased pressure to keep prices low in the Australian supermarket industry, it is recommended that Woolworths look into increasing earnings by reducing inventory shrinkage through theft. This can potentially be done through ‘Generation Success’ program mentioned in Section 5.2. Woolworths can consider providing apprenticeships for this, which will be more economical than hiring permanent staff, and will also serve the purpose of the program, by providing work experience and job readiness skills to unemployed young people ([Rolfe and McMahon, 2014](#_ENREF_29)).

**5.5** As Woolworths continually invests in technology for supply chain efficiencies, it is recommended that Woolworths look into enhancing its online shopping offering through a capability which allows customers to sign up for reminders for replenishments. The reminder should link them to online shopping if they wish to do so. Currently, customers initiate online shopping by logging on and ordering, this would lead to Woolworths initiating the transaction, which is more beneficial from their point of view. Using their data analytics capabilities, they can analyse reminder to order conversion rate and forecast customer demand more accurately.

1. **Discussion and Conclusion:**
   1. Limitations

This paper analysis is limited to the Australian supermarket operations of Woolworths. The information obtained is based on existing literature e.g. news paper articles, journal articles and annual reports. No site visits or interviews have been conducted. For further research, it is suggested to extend the analysis to other countries and to other businesses of Woolworths.

6.2 Conclusion

We learn how the supply chain of a major supermarket retail business can be made efficient and effective by studying the various supply chain aspects of Woolworths’ supermarket business. The several innovative and collaborative measures and technologies put in place by Woolworths have demonstrated the benefits these can bring to such a business. On the other hand, we also observe that these benefits are not fully realised by the aggressive cost cutting measures used by Woolworths resulting in poor relationships with some of its supply chain partners. It can be seen that keeping prices low for customers is important to stay ahead in the Australian supermarket industry but it should be done carefully so as to not spoil relationships with one's supply chain partners.

Furthermore, changing regulations, industry trends, market and economic conditions can potentially threaten any company's success, even Woolworths' despite its current dominant market share and they need to be taken into account in the supply chain strategy of the company.

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