



National
Qualifications
2017

X710/77/11

Business Management Case Study

TUESDAY, 16 MAY

9:00 AM – 11:45 AM

The questions can be found in the question paper X710/77/21.

It is recommended that you spend 15 minutes reading over the information provided before responding to the questions.



J SAINSBURY PLC

Background

J Sainsbury plc (Sainsbury's) is the second largest supermarket in the UK, operating over 1,300 supermarkets and convenience stores with a workforce of 162,715 employees. Over the years, Sainsbury's has developed a well-known and reputable brand name through its successfully diversified business structure, which includes: banking, fuel courts, energy services, Internet shopping and online entertainment products as well as an extensive property portfolio.

Vision

Sainsbury's vision is to be the most trusted retailer where people love to work and shop. Its goal is to make all of its customers' lives easier every day by offering great quality and service at fair prices. Its strategy is based on the following 5 principles:

1. "We know our customers better than anyone else"
2. "Great products and services at fair prices"
3. "There for our customers"
4. "Colleagues making the difference"
5. "Our values make us different."

Changes in the UK grocery market

Sainsbury's recognises that the UK retail market is changing rapidly. Shopping habits are evolving as customers are shopping more often and are buying fewer items on a typical trip. Customers have increasingly busy lifestyles and are seeking greater choice, speed and convenience as well as high quality service. Supermarket sales are reducing as more and more customers shop via multiple channels of distribution available to them, with a surge in recent years in online shopping and local convenience stores.

The planned introduction of the sugar tax, coupled with the increase in more health conscious consumers, has seen a decline in demand for sugary and fatty goods. Over the past 2 years, the grocery sector has experienced sustained food price deflation, driven primarily by the ongoing price competition created by the emergence of online food rivals, such as Amazon Fresh, and the growth of discount retailers such as Aldi, B&M and Lidl.

Technology systems

Sainsbury's operations rely on technology and in recent years it has invested heavily in systems to ensure it is delivering the very best digital experience for its customers. In 2016, Sainsbury's created 480 specialist IT jobs to strengthen its in-house digital capabilities as customers seek more convenient and intuitive ways to shop using new technology.

(Exhibit 1 gives an overview of Sainsbury's technology systems.)

Acquisition of the Home Retail Group plc

In 2016 Sainsbury's proposed a £1.4 billion acquisition of Home Retail Group plc, owner of the general merchandise catalogue retail chain Argos. Argos has over 750 stores and 800 million website visits per year and, if approved by the competition regulators, the acquisition will place Sainsbury's as the leading non-food retailer in the UK market. It provides Sainsbury's with an opportunity to improve the growth of its falling general merchandise sales and gain purchasing benefits from an increased business size. Despite Sainsbury's extensive experience in the UK retail sector, the current economic uncertainty after the European Union referendum result means the acquisition's longer term benefits are unclear.

Sainsbury's plans to close a number of separate Argos stores and integrate them into its supermarkets to counter the decline in supermarket sales as customers are choosing other channels of distribution. An estimated 200 to 300 job losses are expected across the stores and a further 400 jobs at Home Retail Group's head office will be lost as a result of the takeover. This takeover will enable Sainsbury's to broaden its product portfolio and strengthen its delivery operations in order to develop its Click and Collect services.

Developing a committed workforce

Sainsbury's has a workforce of 162,715 employees, with nearly 28,000 employees having worked with the company for 15 years or more. It achieves loyalty from its workforce in a number of ways, including the following:

- Employees are given a variety of job roles and flexible working arrangements are offered to eligible employees.
- Each store has a "Great Place to Work" forum comprising employees who have been nominated by their peers to represent them in discussions with management.
- In 2016 Sainsbury's awarded a 4% pay increase to 137,000 employees, ensuring salaries are above the government's national living wage. This also applies to around 40,000 employees under the age of 25. In addition, nearly 126,000 management employees will share a bonus of £100 million. Employees also receive a 10% discount on purchases they make at Sainsbury's.
- Sainsbury's has 7 food colleges for training its workforce. Bakery and fish counter employees can also gain craft apprenticeships at these colleges.
- To support employees in overcoming the possible barriers to career progression, Sainsbury's operates a mentoring scheme. It also gives awards for long service at career milestones and offers a competitive pension.

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Sustainability

Sustainability for Sainsbury's is about ensuring it operates in a way that is right for its customers, colleagues and communities by focusing on areas which have greatest impact. In 2011 Sainsbury's launched its 20×20 Sustainability Plan, setting 20 commitments to be achieved by 2020. It has built its sustainability and social responsibility framework around the 5 values shown below.

1. Living healthier lives

With the increase in obesity, health conscious consumers and pressure from the government on diet, Sainsbury's removed some sugar from its own-brand soft drinks and its ready meals; an anticipated total of 80.3 tonnes of sugar, equivalent to 321 million calories. Sainsbury's continues to develop its "Active Kids" scheme, a voucher scheme where schools and youth clubs can redeem vouchers for sports equipment. It has also increased its healthier product range: Be Good to Yourself and My Goodness!

2. Sourcing with integrity

Customers care about where products come from and they put their trust in Sainsbury's to source with integrity from its farmers, growers and suppliers in the UK and around the world. Sainsbury's remains the world's largest retailer of Fairtrade products.

3. Respect for our environment

With the average household in the UK throwing away £700 worth of food each year, Sainsbury's launched its "Waste less, Save more" scheme to provide ways of reducing food waste. Sainsbury's has been donating surplus food to a network of local charities across the UK since 1998. The food is perfectly edible, safe and nutritious but is past its sell-by-date.

4. Making a positive difference to our community

Through growing its "Local Charity of the Year" programme, Sainsbury's raised £7 million in 2016 for the local charities which were selected by its employees and customers.

5. A great place to work

Sainsbury's believes that unemployment cannot be tackled by the government alone which is why it launched its "You Can" scheme in 2008. By building partnerships with organisations such as Jobcentre Plus, Remploy and A Fairer Chance it offers employment opportunities to people from disadvantaged backgrounds. In 2016 Sainsbury's increased its standard rate of pay from £7.08 to £7.36 an hour, 2.2% above the national living wage.

(Exhibit 2 gives an extract of Sainsbury's 20×20 sustainability targets.)

(Exhibit 3 gives some additional statistical information.)

Exhibit 1: Overview of Sainsbury's technology systems

Sainsbury's online	Sainsbury's online grocery business operates out of 214 stores across Britain with 96% of UK postcodes covered by its delivery service. It delivers to over 190,000 customers every week. The Click and Collect service, which allows customers the freedom to pick up items ordered online at a store and at a time convenient for them, has proven very popular.
Self-service systems	Sainsbury's was the first retailer in Europe to launch self-scanning technology which has significantly reduced queuing times. Recently Sainsbury's has trialled its "Mobile Scan and Go" smartphone app which lets customers scan items as they shop using their own device and digitally saves their shopping list for later use.
Nectar loyalty card	Nectar is the UK's largest digital loyalty programme of which Sainsbury's has 15 million active card users. Customers earn points for purchases, with extra points being earned if certain goods are purchased on a promotional deal. With the data mined from Nectar, Sainsbury's can monitor purchasing trends.
Coupon-at-till print technology	Sainsbury's checkout staff can issue vouchers at the electronic point of sale (EPOS) based on the items the customer has purchased. This system is widely supported by Sainsbury's suppliers.
Online recruitment	Sainsbury's operates an Internet only recruitment system with all job vacancies advertised on its dedicated recruitment website. In order to sift out unsuitable candidates, applicants take a short online test after submitting their application. Sainsbury's uses e-mail or text messaging to inform candidates whether or not they have progressed to the next stage.
Social media	Sainsbury's uses its Facebook web page, which has over 1 million "likes" as at 2016, to advertise its new products and show videos of food recipes.

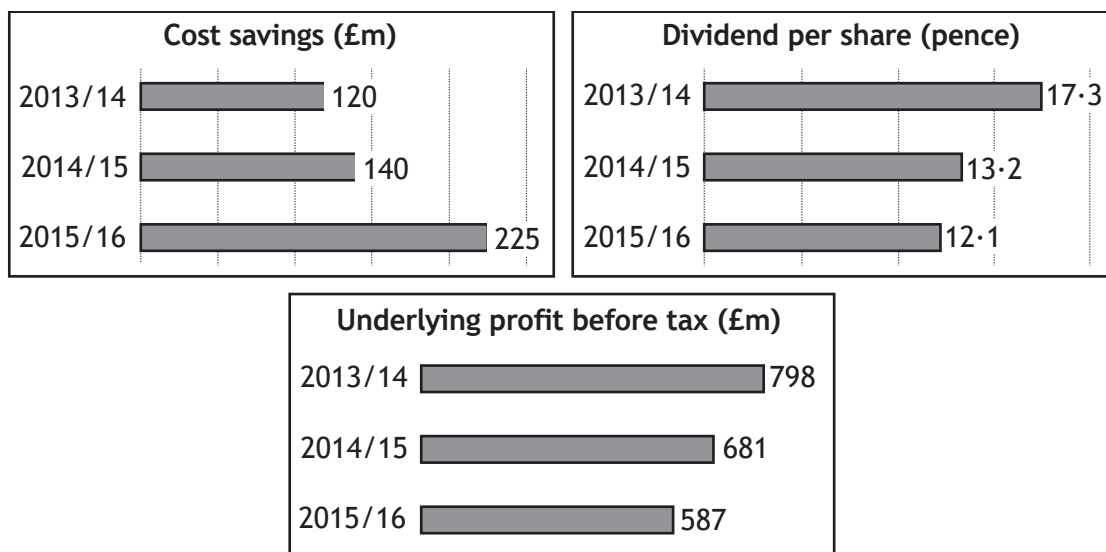
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Exhibit 2: Extract of 20×20 sustainability targets

	2016 status	2020 target
1. Living healthier lives		
Healthy products sold as a proportion of total sales	41%	45%
Total investment in its “Active Kids” scheme	£160 million	£200 million
2. Sourcing with integrity		
Sales of Fairtrade products	£290 million	Over £400 million
3. Respect for our environment		
Reduction in own-brand packaging since 2005	31·5%	50%
Investment in “Waste less, Save more”	Launch	£10 million
Reduction in carbon emissions since 2005	3·4%	30%
Number of stores with food donation charities	638	All stores
4. Making a positive difference to our community		
Number of stores supporting a local charity through awareness raising, fundraising and volunteering	1,240	All stores
5. A great place to work		
Number of employees employed through the “You Can” scheme since 2008	25,000	30,000
Employee salary	£7·36 per hour	£9 per hour or more

Exhibit 3: Additional statistical information

Financial performance



Sales growth

	2015/16	2014/15
Sales growth by area (%)		
Food	-0.5	-1
Clothing	8.5	11.9
General merchandise	3.5	7.3
Bank	5.4	13.5
Sales growth by channel of distribution (%)		
Supermarkets	-1.6	-2.2
Convenience	9.3	16.3
Online	8.8	7.1

Awards

- Grocer Gold Customer Service Award 2016 (for the third year running)
- Grocer 33 named Sainsbury's "store of the week" 19 times in 2016 (the highest of any grocer)

Other information

- 601 supermarkets and 773 convenience stores
- 439 stores sell clothing and general merchandise
- Over 15,000 own-brand goods

[END OF CASE STUDY]

ACKNOWLEDGEMENTS

Case Study – Information is adapted from J Sainsbury plc Annual Reports 2014-2016; and www.j-sainsbury.co.uk.

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