

## Lesson 11 - Distribution and Logistics

### Case. TESCO, FOOD AND FINANCE SUPERMARKET

Building on its positive brand equity, strong customer relationships and extensive network of shops, Tesco has turned itself into a supermarket for food, finance and much more. Since 1997, the UK retailer's long-term growth strategy has been to expand into non-food offerings and enter new markets in Europe, Asia and North America. Customers can browse and buy when and where they like, whether they prefer to visit a nearby shop, click on one of Tesco's websites or place orders by phone. The food and household choices include goods from well-known manufacturers like Cadbury and Walkers plus Tesco's own-label value, discount and premium products.

Tesco Personal Finance (TPF), the company's financial services division, has 6 million customers and operates more than 3,000 cash points. TPF has more than two dozen offerings, from car and household insurance – in partnership with the insurer Fortis – to credit cards, savings accounts and personal loans; its marketing plan calls for offering current accounts and home mortgages in the near future. Tests of banking and insurance branches inside Tesco shops in Glasgow, Coventry, Blackpool and other cities will determine whether the division can increase both turnover and profits by opening additional branches.<sup>1</sup>

#### MARKETING IN PRACTICE: ZARA

The Zara retail chain, based in Spain, has earned a reputation for moving quickly when a style takes off. Once its designers identify a new trend – with insights from store managers worldwide – they can have new fashions manufactured and on display in company stores within two to five weeks. Knowing that today's most in-demand style may be unwanted tomorrow, Zara makes much of its clothing in Spain, Portugal and Morocco, close to the company's design centre. Its plants use cutting-edge just-in-time systems to manage the flow of materials inbound, plan the timing of production and handle outbound details; its distribution experts use sophisticated software to track international shipments and customs documentation.

As a result, Zara has an extraordinary level of control over distribution and logistics and can restock its thousands of stores worldwide very quickly. It speeds merchandise by lorry from its centrally located warehouses to its European stores for next-day delivery and sends in-demand goods by air to stores outside Europe for two-day delivery. Customers know to stop by regularly because Zara stores receive small shipments of hot new merchandise all the time. By controlling supply and transportation costs, and offering customers the styles they want before fads fade, Zara has increased turnover and kept profit margins high.<sup>2</sup>

**MARKETING IN PRACTICE: WAL-MART AND ASDA**

One reason that Wal-Mart has increased annual turnover to £240 billion worldwide and become the largest retailer on the planet is its mastery of logistics. Think of the complexities of getting the right assortment of merchandise from 100,000 suppliers to one of 8,100 Wal-Mart and Asda stores, ready for purchase by the retailer's 200 million weekly shoppers. Thousands more customers click to buy on Walmart.com or Asda.com or other Wal-Mart-owned websites, which only complicates the process of determining what and how much to stock in each store, how to get merchandise from suppliers to distribution centres, and how to fulfil customer orders received online. The company has also asked its suppliers to begin providing detailed data about the ecological impact of each product's production and packaging so it can label merchandise with a 'green rating' and help shoppers make more informed buying decisions.

In many areas, Wal-Mart gives online shoppers the option of picking up their purchases in a local store rather than paying to have items shipped to a home or business address. To keep sufficient quantities of the most popular items in stock at all times, Wal-Mart has reduced the number of product lines it sells and is devoting more shelf space to top-selling merchandise. At the same time, Wal-Mart and Asda cater to local needs and buying patterns by stocking some locally produced merchandise in each store. 'Our job is to provide the right range for customers,' explains Asda's chief merchandising officer.<sup>11</sup>

## CASE: NET-A-PORTER FASHIONS SERVICE STRATEGY

Natalie Massenet, who founded the London-based luxury fashion retail website Net-a-Porter.com in 2000, aims to provide affluent customers worldwide with the personal service, special style tips and exclusive merchandise selection they would receive in a high-street fashion boutique. Her retail website looks like an upmarket fashion magazine, with multiple photos of each item, detailed descriptions and size information, videos of the latest runway trends, and interviews with top designers. It also offers an exclusive e-mail newsletter with weekly updates about new fashion arrivals, seasonal style trends and designers' thoughts on upcoming collections.

Net-a-Porter's special competitive edge is superior service. Shoppers are pampered with such extras as expedited express despatch to 170 countries, elegant packaging, free style advice, personal shoppers and free returns. Those who live or work in London and New York City can pay an additional fee to receive their designer purchases the same day, delivered directly to their door in the company's signature black-and-white vans. Careful attention to customer service has helped Net-a-Porter grow year after year. Even during the recent economic downturn, Net-a-Porter booked 10,000 orders per week, with an average order of £513, and achieved annual turnover topping £84 million. The retailer delights shoppers in more than 100 nations and signs up 1,200 new customers every week.

The challenge for Net-a-Porter is to continue its growth momentum. The company now offers an iPhone app so users can browse its fashion magazine and shop for the newest styles at any hour, from any location, via mobile. It has also introduced a discount outlet site, theOutnet.com, with marked-down fashions at hefty savings. 'Although the core Net-a-Porter business isn't price sensitive, we found our sale section would attract a different kind of customer – someone just as passionate about fashion, but who didn't place as much emphasis on owning the must-have of the moment,' Massenet explains.<sup>1</sup>

**CASE STUDY: INTERNAL MARKETING AND SERVICE SUPPORT AT INTEL**

Computers were massive room-size machines used by corporations and colleges when Intel was founded in California in 1968. Today, Intel brings in £22.5 billion in annual turnover by marketing sophisticated computer chips and wireless networking components to manufacturers of laptops, mobiles, medical devices, next-generation windmills and other products. Planning for future growth while it navigates challenging economic circumstances and addresses questions about antitrust allegations, Intel's goal is 'to be the preeminent provider of semiconductor chips and platforms for the worldwide digital economy'.<sup>25</sup>

To achieve this long-term corporate goal, Intel's marketers must plan carefully for internal marketing and service support. Nearly two decades of 'Intel Inside' campaigns, implemented through the company's marketing plans, have built the brand into a household name, contributed to pull strategies and provided a solid foundation for reaching market-share and revenue objectives. Recent campaigns have featured the accomplishments of Intel employees responsible for breakthroughs such as the invention of the USB connection, with employees singing the five-note Intel theme that ends each advert. The company uses social media such as Twitter and Facebook to communicate with and influence business and consumer buyers, following transparency guidelines that require employees to identify themselves as working for Intel.

Although Intel's products do not stand alone – they are incorporated into other manufacturers' products – the company invests millions to understand how its customers' customers think about, feel about and act towards technology. Its marketers encourage employees at all levels to share their insights and suggest ideas for tomorrow's goods

and services, a valuable dialogue that brings different views into the process. To ensure that all those inside Intel know about company strategy, plans, campaigns and cutting-edge technological advances, the management and marketing teams keep up a steady stream of internal communications. In addition, Intel's sales personnel can log onto the company's internal sites and the Second Life virtual world for training, support and product information.

As part of its marketing plan targeting resellers that customise computer and networking systems using Intel chips and components, Intel provides three levels of service through its channel partners programme. Participating partners receive priority technical support and expedited shipment of replacement parts, marketing materials and information for personal selling, opportunities to learn about the latest Intel offerings at conferences and in-person or online training sessions, and loyalty rewards to encourage ongoing purchasing. They can also listen to Intel podcasts, live-chat with a support specialist about particular issues, ask or answer questions in Intel-sponsored online communities and 'ask an expert' for special assistance. Finally, Intel's marketers have detailed plans for service recovery to keep both resellers and manufacturers satisfied.<sup>26</sup>

1. Why would Intel offer service support for resellers at three different levels? What criteria would you suggest that Intel use to determine how much service support to provide at each level?
2. What are the internal marketing benefits of having employees participating in social media and recording the Intel theme for company adverts?