



Supply chains: the supermarket

Localising the European model

Commentary:

Home plus are on target to have opened 55 stores throughout Korea by 2005. That means developing a supply system to match.

Do, Sung-Hwan, Chief Operating Officer, Samsung Tesco:

When we had two stores we didn't need the supply chain but when we had five, seven stores it was very difficult to control, to manage the supply chain so we began to think of our supply chain, of a kind of IT scan, what kind of a facility do we need to provide, to have a good supply chain.

Commentary:

And building a good supply chain may mean rethinking the way things were done before.

Do, Sung-Hwan, Chief Operating Officer, Samsung Tesco:

In Korea instead of establishing for the chain we tried to reduce the leader time, so all it needed was just two days and I order, we get the product in two days, and then we sell it that day, that's it, so it was many products but now we notice that if we have good colder chain we can lengthen the life of the fresh food.

Commentary:

One concept from the western model of retailing that has been carried over to Korea is the private label or own brand.

Do, Sung-Hwan, Chief Operating Officer, Samsung Tesco:

In the beginning it is very difficult for us to sell our private brand so we didn't have that much our own brand products, but for a jumper we have just 1% sales for private brands, but this year that's going to be 6% of the turnover, and our ambitious plans are to sell our own brands 25% in 2005.

Commentary:

And there's one more very important part of the western retailing model that Samsung Tesco are trialling in Korea. In the coastal town of Am Sang, the local Home plus store is the pilot for internet shopping. Koreans are taking to online shopping so enthusiastically that they even call ordinary shopping offline.

Kim, Won-Kyu, Assistant Manager, e-commerce, Samsung Tesco:

We heard that Tesco.com is quite successful in UK so we decided to accept Tesco.com model, so we went there and we run there in our operation on the website, so there's quite an, sometimes it's quite difficult for us because we have a different culture and different customer, so it's really setting their model directly to our website is quite difficult job for us, so we modify some functions on our website, and so we have to adjust your, UK's website to ours.

Commentary:

The operation looks pretty much like the UK one. The pickers use the same style of cart and are guided by the same computer terminals. But why expect the newest of all retailing strategies to operate successfully in Korea?

Do, Sung-Hwan, Chief Operating Officer, Samsung Tesco:

I think Korea is one of the best countries in terms of using computer, particularly the internet.

Commentary:

That's borne out by Am Sang. Here 97% of the population has access to the internet at fast broadband speeds. We accompanied the delivery driver on a scheduled delivery, in fact just packets of seaweed and cartons of soft drinks.

Kim, Won-Kyu, Assistant Manager, e-commerce, Samsung Tesco:

Every citizen has the has to know access to the internet, around 97% already you know, so this is, we have a quite good base of customers, and then we have to limit some customers because of the delivery cost, so we divided our city by a five minute zone, ten minute zone, fifteen minutes and twenty minutes, so we are now allow the customers who lives inside twenty-five minutes.

Home plus Driver:

In Korea it is not usual for a stranger to enter a customer's home. I would be allowed to step into the entrance lobby at the apartment where visitors would remove their shoes, but I will hand the goods to the homeowner across the threshold. I will check the order with the customer against the receipt for correctness, and accept any goods that she no longer wishes to take. Our policy is always to take back anything that the customer is not satisfied with.

Kim, Won-Kyu, Assistant Manager, e-commerce, Samsung Tesco:

Because we use a different postcode with the UK we always, our drivers have a hard time to deliver our orders to the customers. As far as I know UK has five or six houses in the same postcode, right, but in our case, one postcode over I think thousands of houses so we have to use is a special map for delivering to our customers, and that is really how you say to customers, to let the drivers you know.

Commentary:

Although Samsung Tesco adopted the Tesco.com model for the Home plus operation there were other cultural differences besides those we've already seen that they needed to point out to their UK advisors.

Kim, Won-Kyu, Assistant Manager, e-commerce, Samsung Tesco:

UK staff come to Korea and then they just apply their theory in our country, so they bring model of a UK way, anyway and then they take that model here, but after re-launching this store we find it is totally different. Our culture, our country, most of the customers actually enjoy their shopping so on Saturday and Sunday we didn't have much orders, as many orders as compared to UK so if we're drawing now the order graph a Monday and Tuesday and Wednesday is higher than Saturday and Sunday, but in the UK they say that Sunday, and Saturday and Sunday is always higher than the Monday and Tuesday, so it's totally different. And another thing is they also insist that customers can, will buy lots of grocery products, I mean here, so they estimate about one hundred items, but we say that customers will not buy that much of the products in here because we know that the customers are having food, as I said already customers really want to eat fresh food, so in this area customers will buy at a time in the UK they say one hundred pounds per person for one purchase, but they try to apply it the same way, but here as I say we say no, it will be different because our people are more focused on vegetables and green products so anyway we argue a lot and then after launching our site we said here about there's only thirty two items on one order. Another thing we have different, we have many pictures, because Korean people really want to see their products. When we analyse our customer from 25 to 35 ladies, housewife actually, housewives who have small babies, but they are not very rich, they're just normal customers, so we ask them why you customers place an order on the website. They say that it was really a tough job to take their babies to the shopping mall here, and so they try to use this internet and then order our products and they can receive them in a relaxed way.

Commentary:

The Am Sang pilot was only two months old when we filmed. It was too early for Home plus to have learned all of the lessons, but their expansion was already planned.

Kim, Won-Kyu, Assistant Manager, e-commerce, Samsung Tesco:

We going to have 55 stores in 2005 and our plan is, final goal is to roll out every store, 55 stores around our country but right now we are running only one store. Maybe we will decide to roll out in the middle of this year in the Seoul area, and you can see Seoul, Am Sang city it is a kind of industrial genre, so these customers know lifestyle is alittle bit lower than in Seoul area, but Seoul is quite similar to London. If you go to Seoul you will see that.