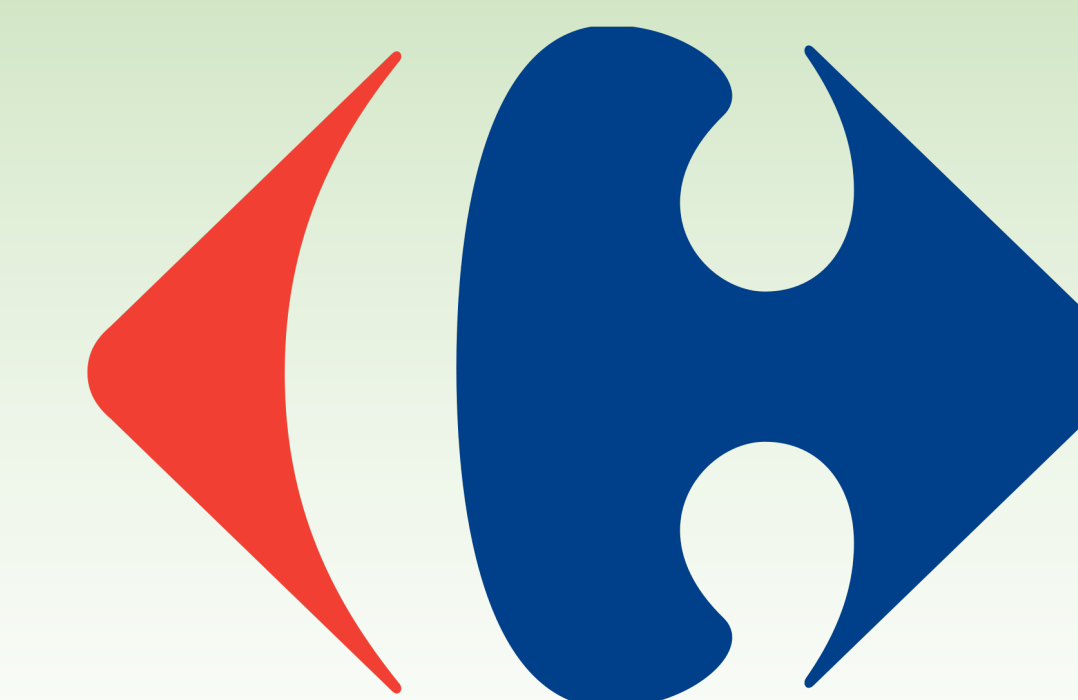


Carrefour China Case Study



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Carrefour

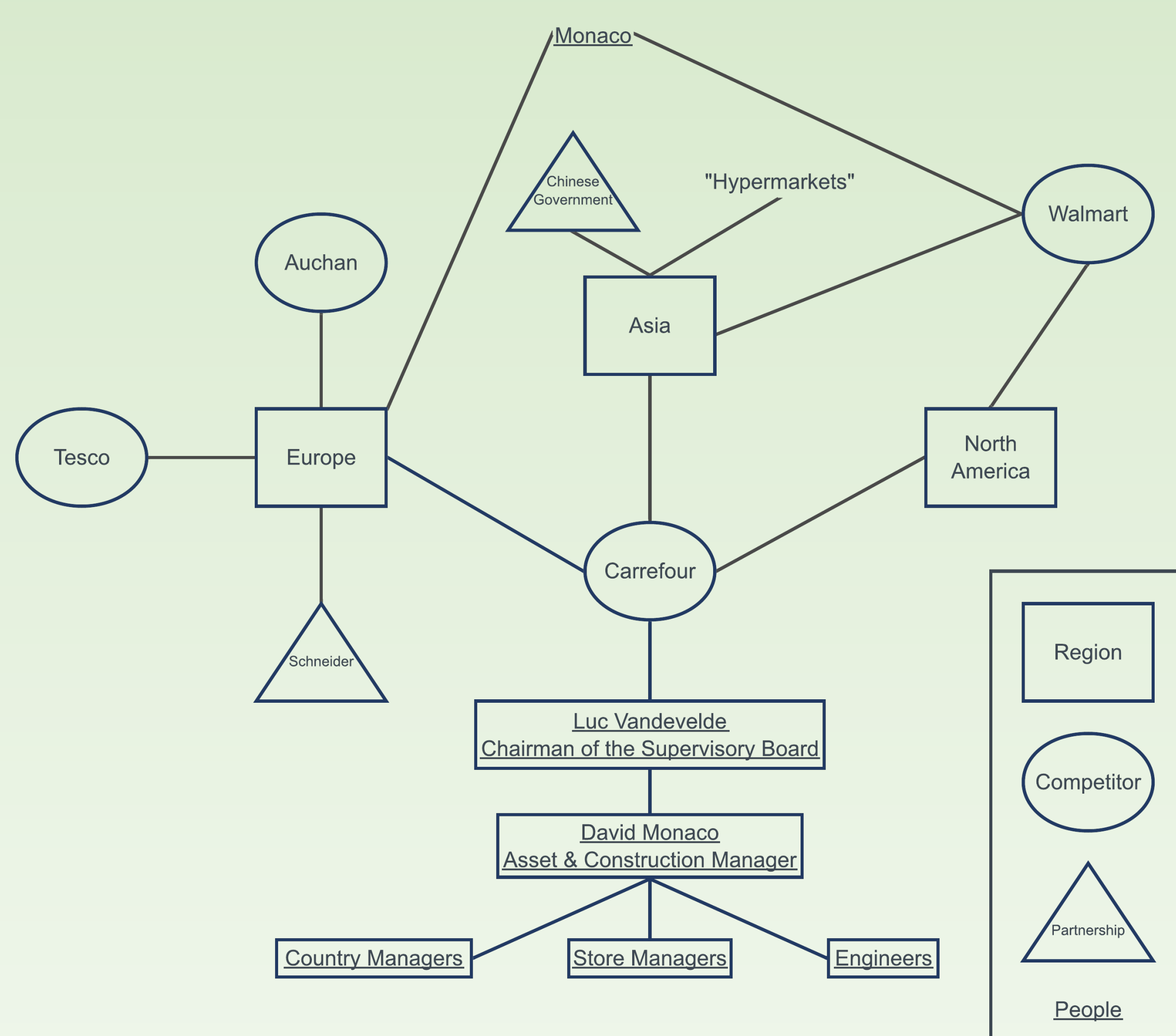
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Carrefour

Abstract

Carrefour is a French company that has grown to become the second largest retailer in the world. They have been expanding their business to include other European countries, and more recently expanding into Asian markets. Within these markets, Carrefour has adapted to the culture of Chinese consumers. They have combined Eastern culture with Western culture by creating “hypermarkets” that have proven successful in introducing the idea of supermarkets to China, as opposed to their traditional street markets. This Carrefour case study focuses on whether or not it is in the best interest of the company to launch its first “Green Store” in Beijing, before the 2008 Olympics. This case addresses the numerous complexities involved in the operations strategies that need to take place before the store opening, or whether or not it makes sense to open a “Green Store” at all.

Key Facts



Carrefour China

- Hypermarkets have a unique layout strategy that accounts for private vendor spaces, a food court, a fresh food and consumables market, and a non-food department.
- Carrefour has had the most success in their previous Chinese hypermarkets by using their previous experience and using a strong location strategy.
- These hypermarkets attract an average of 45,000 visitors a day and are open 365 days a year.

Store Development in China During the Early Years

- Carrefour identifies an experienced store manager, normally a French national, to supervise everything from start to finish.
- Corporate guidelines are to be followed as far as layout strategy, but the manager is encouraged to bring their own ideas and create their own relationships with equipment suppliers.
- There was a lot of internal conflict among the store managers to expand their construction budgets by negotiating with the country manager, then finishing the project as far below budget as possible. This resulted in major things like inadequate air conditioners, which greatly increased energy consumption.

Monaco's Changes

- David Monaco, a senior project manager, was hired with clear orders to centralize and standardize all asset expansion and construction activities, reduce cost, and to improve construction and operating quality while speeding up store construction time.
- Within 6 months, Monaco and his team of project managers centralized all assets, reduced cost by 25%, reduced construction time by 20%, and reduced maintenance and operating cost by 12%.
- Monaco achieved standardization by inviting local suppliers to bid for a reference store. He then chose the top 2 suppliers and split orders for the next year between them.

Retail Operations

- While building hypermarkets proved challenging, operating proved even more challenging. Both customers and staff did not take care of the equipment, increasing maintenance costs.
- The harsh Chinese climate also weathered the equipment, and frequent power outages in the Chinese power grid made it difficult to budget for repairs and operating cost.
- Additionally, store managers did not care about the long term implications of their decisions because they only tended to stay with the company for 1 to 2 years.
- To handle this, Monaco assembled a team of engineers and store maintenance managers to do local repairs on the equipment.

The Environmentally – Friendly Initiative at Carrefour

- Big retailers were beginning to face pressure from consumers and environmental groups to improve the environmental impact of the products they sold and the operations of their stores. Companies like Wal-Mart and Carrefour were the target for these campaigns.
- Protests against genetically modified food broke out and were no means limited to North America or Europe.
- This made Carrefour reflect internally on its practices, and decided to initially deal with energy consumption and signed a deal with Schneider Electric to improve energy performance.

Green-Building Trends in China

- The Chinese government became more aware of the nation's energy problems and worked to develop an environmentally-friendly building standard.
- Although most Chinese developers had no idea of what Green practices were. They thought if it had eco in the name, or trees surrounding the development, it was green.
- The limited knowledge of the local supply industry and availability of materials further complicated efforts to implement a green building standard.

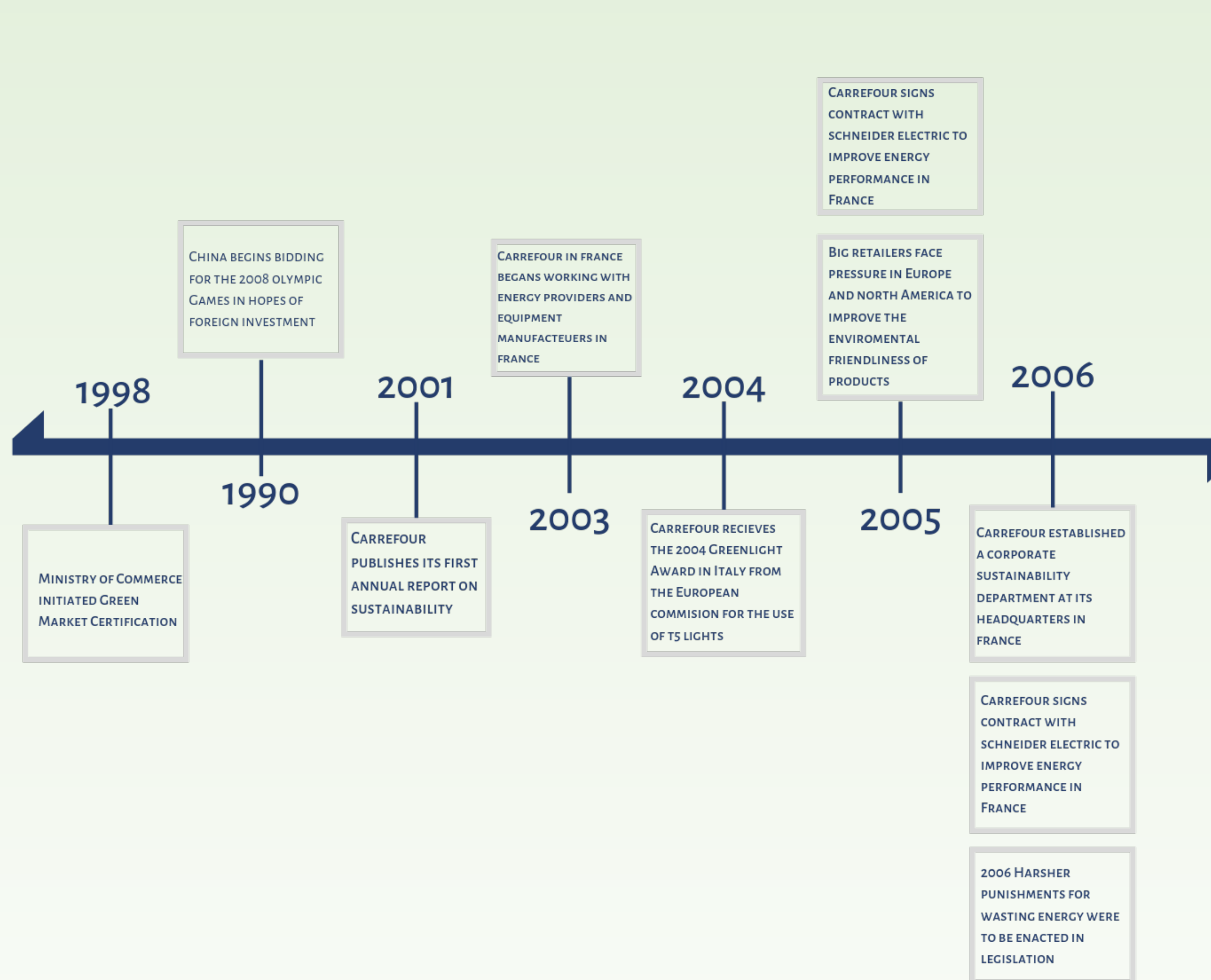
Green Market Certification

- Recently, China created a Green Market Certification. The project was undertaken to boost food safety and involved Green Consumption, Green Markets, and Green Distribution Centers. This certification was given to businesses with high standards for environmental protection, safe facilities, sanitation management, food manufacturing, and other areas.
- All wholesale markets could apply for certification, and if approved, they would get a logo and symbol of certification to use on their products.

The LEED Green Building Rating System

- LEED certification was developed and began growing rapidly in the US and European markets. To earn LEED certification, a building project has to meet certain prerequisites and performance benchmarks within each category.
- LEED certification has its faults with achieving different levels of certification, which are Basic, Silver, Gold, and Platinum. However, the projects focused on reducing operating cost, creating healthier and more productive occupants, and conserved natural resources.

GREEN INITIATIVES IN CHINA TIMELEINE

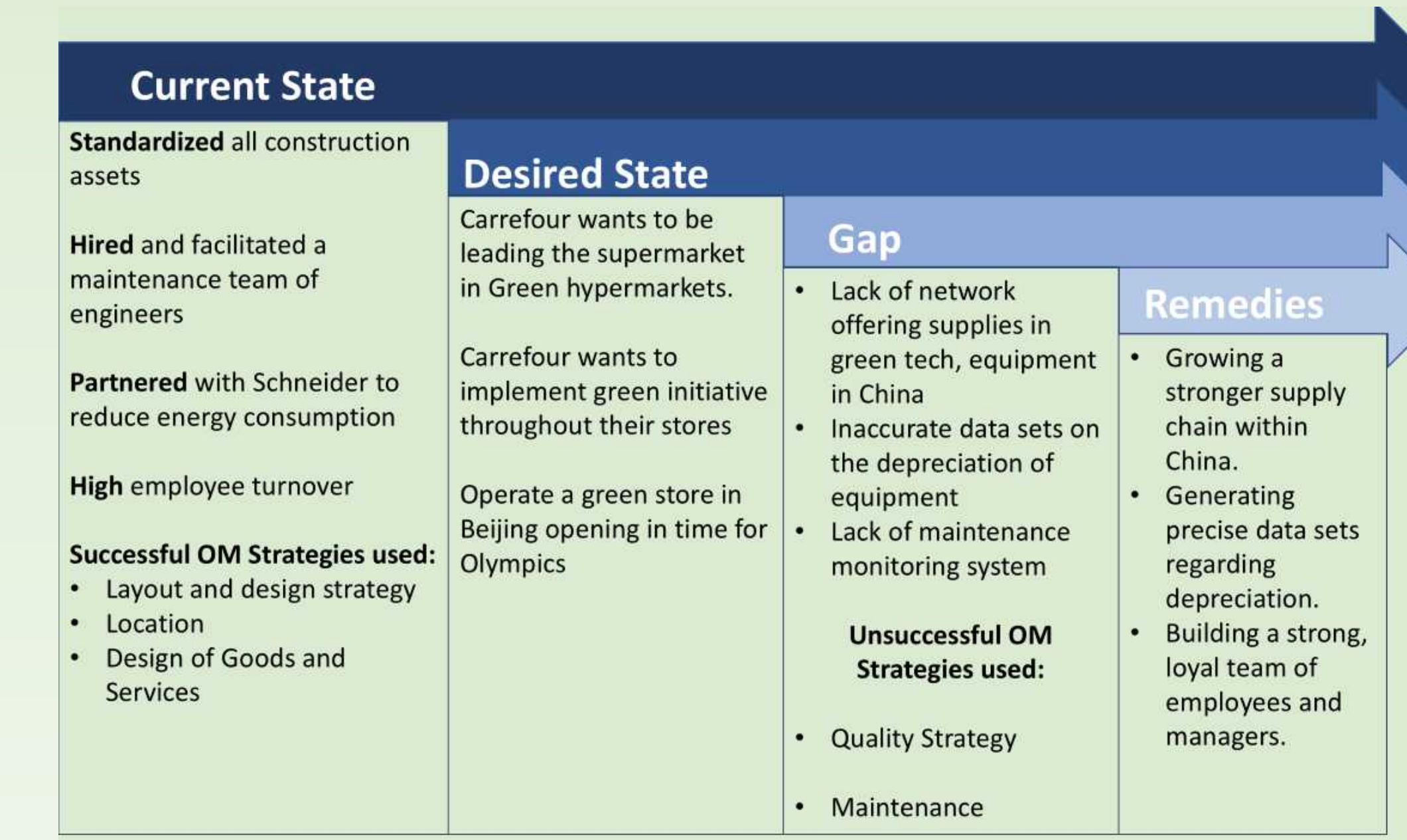


Issues

ISSUES	DESCRIPTION	RANK	INTERNAL/EXTERNAL
MANAGEMENT	STORE MANAGERS OPERATE INDEPENDENTLY	4	INTERNAL
	CUSTOMERS AND STAFF DO NOT TREAT EQUIPMENT PROPERLY	5	INTERNAL
	STORE MANAGERS ONLY STICK AROUND FOR 1 OR 2 YEARS	3	INTERNAL
ETHICAL	GREEN PRACTICES IMPLEMENTED BEFORE THE OLYMPICS COULD BE PERCEIVED AS GREENWASHING	7	EXTERNAL
	CHINESE CORRUPTION HOOPS MAY COMPLICATE COMPLETION TIME FOR LEED CERTIFICATION	8	EXTERNAL
	PURSUING CHINESE CERTIFICATION STANDARDS OR IMPLEMENT STANDARD EU OR US STANDARDS	2	INTERNAL
OTHER	CHINESE WEATHER WEARING ON THE EQUIPMENT	9	EXTERNAL
	CHINESE GOVERNMENT HAS WEAK UNIVERSAL GREEN STANDARDS	6	EXTERNAL
	LIMITED REACH TO GREEN SUPPLIERS AND DISTRIBUTORS IN CHINA	1	EXTERNAL

Analysis

This case study project will utilize Qualitative analysis, as there is not enough data to make any comparisons on cost, savings, or current equipment utilized.



The Competition

The amount of green efforts from competitors is across the board. Wal-Mart decided to focus mainly on their new distribution center rather than their retail stores, implementing a lot of green technology that reduced energy usage by 20 to 30%. Auchan's only effort was to offer a line of organic products, which consisted of vegetables grown using sustainable agriculture methods. Tesco reached a \$350m deal to control a local hypermarket chain, but hadn't implemented any green efforts yet. Although according to industry insiders, Tesco plans to open their first Tesco-branded store in the first quarter of 2008, which would steal the spotlight from Carrefour's green decisions. Other local chains, like Linhua, had not made any environmental efforts yet.



Findings

Carrefour currently has a combination of internal and external issues. However, the internal issues are a lot more manageable to steer in the direction of long-term improvements. In the SWOT analysis, it's evident that Carrefour is a capable company that has given too much autonomy to store managers who don't stick around long enough to care about the new corporate vision. They are adaptable to an extent, but need to focus their operations to include the longevity of their individual stores. The Gap Analysis further proves that in order to achieve the Green initiatives that Carrefour wants to create, more time is needed to focus internally in the Asian market to assess if this is truly a worthwhile and achievable goal.

Recommendation

- Most supply chain systems are bogged down in manual processes that slow down the overall transport and maintenance of goods. These manual processes generate a ton of paper waste and create confusion. By implementing a supply chain system on the blockchain, it makes the process more traceable, transparent and fully digital. Blockchain technology has been implemented by large scale operations, such as Wal-Mart and IBM Food Trust Solutions. Since Wal-Mart's implementation of the blockchain, they have been able to adhere to the Global Food Safety Initiative and reduce their traceability from 7 days to trace the source of food and material to 2.2 seconds with the blockchain.
- The retention of employees is primordial to any company's success. By developing an employee retention plan for Carrefour, the employees and managers will begin to have more passion and drive within their day to day work. The employee retention plan will include a green benefits program. This program will reward employees for their consistent and additional work conducted in order to expand Carrefour's green initiative. This point-based plan will in parallel contribute to tracking the green efforts conducted by Carrefour.