

ALIGNING OPERATIONS JUMBO AND GORILLAS



Dutch Jumbo Supermarkets and quick commerce company Gorillas will cooperate in the Netherlands and Flanders. They are convinced that they can benefit from each other's expertise and strengthen their market position. It is even possible that Jumbo will take an equity stake in Gorillas.

Demand for faster deliveries

With the collaboration, Jumbo strengthens its position as the best supermarket in the Netherlands by responding to the rapidly growing need of consumers for fast delivery. If consumers can choose whether they receive their groceries within two days or ten minutes, they will opt for the latter. Jumbo knows that it will lose market share if it does not step in now. The role of the traditional supermarket is not played out, but supermarkets are becoming less important in the food market.

Gorillas' target market consists of an untapped demographic which is set to grow. Picture the potential shopper faced with the hassle of masking up and heading out to brave the elements, while remembering to bring a reusable shopping bag of course, or abandoning a planned recipe because it needs more flour or butter than happens to be in the fridge or cupboards, or interrupting the kids busily doing their homework to drag them along to the shops for those last minute purchases, with all the inconvenience and bargaining that entails, or the party is in full swing but the snacks are running low the scenarios are endless. Now

picture that same potential shopper realizing that there's an app for that. Or imagine an app-less scenario and the millions of potential sales lost because the inconvenience of going to the shop didn't win out in an off-the-cuff cost-benefits analysis.

Once a new technology that answers a previously unmet need is adopted it can lead to rapid societal and consumer change. 'This is amazing' can very quickly become 'it's hard to imagine how we ever lived without it.' As people become increasingly familiar and comfortable with the concept of buying groceries by app it will become more firmly entrenched as a valid and extremely convenient shopping option.

If the consumer changes, you are faced with the choice to do nothing, then you permanently lose or cooperate to serve that consumer better. Jumbo CEO Frits van Eerd: "In our market, there is a lot of competition for the customer's favor. You have to earn it. We at Jumbo are working hard to put our customers first, always and everywhere. The step towards super fast delivery is then the correct answer.

Strong partners

Building its own network of local micro-fulfilment warehouses and bicycle couriers for fast delivery would cost Jumbo too much time and money. Gorillas already offers such a network; Jumbo can make a flying start. Online customers of Jumbo will have the option to have their purchases in urban areas delivered by Gorillas within 10 minutes. 'Top-up grocery shopping' describes small volume purchases that complement or supplement the traditional weekly shop - typically items like milk, eggs and bread, or depending on your priorities, perhaps beer, snacks and oven-ready pizzas. Top-up delivery services generally offer a range of products that can number in the thousands of individual items and are eating into a market hitherto served by big-box stores.

Jumbo is exploring combining supermarkets and dark stores. The ominously named 'dark stores' are simply warehouses or depots used by retailers who only sell online, analogous to Amazon's 'fulfilment centers' but generally much smaller. In fact, Gorillas even calls its dark stores 'micro fulfilment centers'.

Gorillas can, in turn, benefit from the efficiency of Jumbo as a logistics 'powerhouse'. Jumbo's purchasing power and good assortment give Gorillas wings. Winner takes all! Sounds like a perfect marriage, right?

A match made in heaven?

The big question is whether Jumbo and Gorillas also have a 'cultural match.' Jumbo is a strong family business with a solid Dutch grocery mentality that takes good care of its staff. Jumbo employees are proud of their company.

The ambitious Gorillas is growing fast with many tough challenges. Unlike Jumbo, the burn rate is still high at Gorilla. Previously, their bike couriers complained about poor working conditions and non-payment of salaries. Gorillas is under fire because their rapid advance leads to inconvenience and road accidents. These will be challenging discussions at the boardroom tables.

This collaboration will shake up the food market. So, what will Dutch challengers Albert Heijn and Picnic do next? Gorillas also has partnerships with national retailers in other markets, such as Tesco in Britain and Casino Group in France. Doing nothing is no longer an option.

QUESTIONS

From a perspective of operations management at Gorillas.

1. What do you see as order qualifiers and order winners in the Benelux market?
2. What are relevant capacity/operations/logistics management decisions for Gorillas on operational, tactical and strategic level? Refer to Slack chapter 5: Strategic capacity management.
3. Based on the 'integrated' framework: what alignment in operations is necessary for each of the elements of the framework? Refer to Ploos van Amstel chapter 3: integrated concepts.
4. Discuss the benefits of quick commerce micro fulfilment via 'dark stores' versus deliveries from existing Jumbo retail stores. What are the pro's and con's.

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