

MUHAMMAD IKHWAN BIN MOHAMED SUHAIMI

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**THE NEW RETAIL
PARADIGM – MANAGING
CHANGE IN RETAIL
INDUSTRY THROUGH
SUPPLY CHAIN AND
TECHNOLOGY**

**MUHAMMAD IKHWAN BIN
MOHAMED SUHAIMI**

**MASTER OF BUSINESS
ADMINISTRATION
(SUPPLY CHAIN &
LOGISTICS)**

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UNIVERSITY OF MALAYSIA**

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Project Submission Pro-Forma

Name: **MUHAMMAD IKHWAN BIN MOHAMED SUHAIMI**

Student Matrix Number: **3191160**

I wish the project paper to be considered for:

MASTER of BUSINESS ADMINISTRATION (SUPPLY CHAIN & LOGISTICS)

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- A declaration of my contribution to the work and its suitability for the degree.
- A table of contents.
- A list of figures and tables (if applicable).
- A glossary of terms (where appropriate).
- A clear statement of my project objectives.
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I am willing for my marked project paper to be used for staff training purposes.

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Date: **26th March 2021**



**NATIONAL DEFENCE UNIVERSITY of MALAYSIA
(UNIVERSITI PERTAHANAN NASIONAL MALAYSIA)**

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RETAIL INDUSTRY THROUGH SUPPLY CHAIN AND
TECHNOLOGY**

MUHAMMAD IKHWAN BIN MOHAMED SUHAIMI

STUDENT MATRIX NUMBER: 3191160

Supervisor: Commander Dr Haliza binti Zahari RMN

A Project Paper Submitted for the Degree:
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National Defence University of Malaysia

Abstract

Technology is changing the worldwide retail business landscape including Malaysian retailers and the growth of the method of online shopping, physical store has seen a decrease in visits and sales of customers, leading retailers to redefine the position of this channel order to contradict its extinction's growing pattern. While in the Malaysia, the increase of customers facing the technologies in physical store of fast-moving consumer goods companies such as Tesco, Aeon, Econsave and Giant is not phenomenon. This trend of technology is beginning of new retail paradigm through changes is technology adaption. Therefore, the need arises to fill the gaps in Malaysia's marketing research on the motives of retailers to introduce these new elements in stores, the tactics behind them, the innovations and the results obtained. This study therefore examines the strategies of supply chain retailers, economies, store operations and inventories of customers facing store technology resulting from the visit of flagship stores in Malaysia. The outcome of this study provides an understanding of the current retail scenario among retailers in Malaysia, recognizes similarities and differences, discusses the country's learning points that present a lower level of development and also highlights the research opportunities for the future that could enrich Malaysia's marketing literature and also help retailers grow of innovative and physical store strategies.

Abstract

Teknologi mengubah landskap perniagaan runcit di seluruh dunia termasuk peruncit Malaysia dan pertumbuhan kaedah membeli-belah dalam talian, kedai fizikal telah menyaksikan penurunan dalam lawatan dan jualan pelanggan, peruncit terkemuka untuk mentakrifkan semula kedudukan perintah saluran ini untuk bercanggah dengan corak kepupusannya yang semakin meningkat. Sementara di Malaysia, peningkatan pelanggan yang menghadapi teknologi di kedai fizikal syarikat barangan pengguna yang bergerak pantas seperti Tesco, Aeon, Econsave dan Giant bukan fenomena. Trend teknologi ini bermula daripada paradigma runcit baru melalui perubahan adalah penyesuaian teknologi. Oleh itu, keperluan timbul untuk mengisi jurang penyelidikan pemasaran Malaysia mengenai motif peruncit untuk memperkenalkan elemen-elemen baru di kedai-kedai, taktik di belakang mereka, inovasi dan keputusan yang diperolehi. Oleh itu, kajian ini mengkaji strategi peruncit rangkaian bekalan, ekonomi, operasi kedai dan inventori pelanggan yang menghadapi teknologi kedai hasil daripada lawatan kedai utama di Malaysia. Hasil kajian ini memberi pemahaman tentang senario runcit semasa di kalangan peruncit di Malaysia, mengiktiraf persamaan dan perbezaan, membincangkan titik pembelajaran negara yang membentangkan tahap pembangunan yang lebih rendah dan juga menonjolkan peluang penyelidikan untuk masa depan yang boleh memperkayakan kesusasteraan pemasaran Malaysia dan juga membantu peruncit mengembangkan strategi kedai secara inovatif dan fizikal.

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ACKNOWLEDGEMENT RECEIPT FOR FINAL PROJECT PAPER

This final project paper **The New Retail Paradigm – Managing Change in Retail Industry Through Supply Chain and Technology** Matric No **3191160** has been accepted as having fulfilled the partial requirements for the Master of Business Administration (Supply Chain and Logistic).

.....
(Signature of Supervisor)
Commander Dr Haliza binti Zahari RMN

Date:

DECLARATION

I have read and understood the rules on cheating, plagiarism and appropriate referencing as outlined in my handbook and I declare that the work contained in this paper is my own, unless otherwise acknowledged. No substantial part of the work submitted here has also been submitted by me in other assessments for this or previous degree courses, and I acknowledge that if this has been done an appropriate reduction in the mark I might otherwise have received will be made.

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You are required to justify your submitted Project Paper against the degree definition for which you are registered.

Project definition for my degree:

The project should normally be related to supply chain and logistics environment. It could address many different aspects such as business, administration and management issues. My project relates to this definition in the following way:

1. The project is centred on **SUPPLY CHAIN AND TECHNOLOGY**.
2. This project addresses the aspect of **IMPLEMENTATION OF TECHNOLOGY IN STORE AND BUSINESS OPERATION**.
3. The intention of the project is to assist **TESCO STORE OPERATION MANAGEMENT**.
4. The recommended improvements in this project are based on **CONCLUSION**

The above shows the relevance of the work to the degree for which it is submitted.

	Signed	Agree	Disagree
Supervisor: COMMANDER DR HALIZA BINTI ZAHARI RMN			
Assessor:			

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ABBREVIATION

SCM	-	Supply Chain Management
RMS	-	Retailing Management System
SLS	-	Storeline System
BOM	-	Brick and Mortar
OPEX	-	Operation Expenses
POS	-	Point of Sales
IoT	-	Internet of Things
AI	-	Artificial Intelligent
E-Commerce	-	Electric Commerce
E-Business	-	Electric Business
B2B	-	Business to Business
B2C	-	Business to Customer
C2C	-	Customer to Customer
IT	-	Information Technology

Chapter 1

Introduction

In a rapid changing world, businesses today that makes up of the traditional business models. Retail is fast-moving industry and success is depending on how well the firm does against the competitions. To maintain relevant and sustainable in the industry, retailers need to adopt technological change to operation more efficiently that will result in better results.

Attracting and retaining shoppers is the shared objective of the entire network in which digital technologies help to understand consumer needs such as cognitive, visual merchandising, block chain and self-learning systems. There are four primary categories involved in the adaption of technology such as convenience, price, size, and effectiveness of service. The better technology innovation ultimately helps the retailers to remain competitive. In Malaysia, the competitiveness of retailers has changed with by adopting and developing new and innovative market practices in the past few years.

Retail operations of groceries in the hypermarket and supermarket channel such as Tesco, Aeon, Aeon Big, Giant, Eonsave and TF Valuemart have changed their levels in complexity and sophistication. Today, Tesco Malaysia is known of the leading in hypermarket channel in the retail industry. Tesco Malaysia is one of the leading sectors in the retail industry due to its the implementation and acceptance of emerging technologies such as self-service. Most of the players in the industry that promoted a revolution in supply chain management and logistics in the first place. Retailing leads other sectors in the customer database capture, data warehouse operation, demand, and supply analysis.

Retail sector offers the basis for the analysis, improvement, and implementation of advanced domain analytical, econometric and optimization strategies such as pricing and

integrated marketing relations management. It is also the largest commercial use of the Internet for online retailing and is at the forefront of business globalization. Retailer in Malaysia are facing rapidly changing technology in their operation. Based on the Johansson & Kask, (2017) research, the changing is due to the ways how customers purchase the item through mobile application channels, self-services checkout counter, website (e-commerce) and even with emerging between technology and electronic parts as the part of the operations. The reasons for the continuous changing directly related to the role of technological advance associated with abilities of capability and offering provided by the internet of things (IoT), artificial intelligence (AI and blockchain systematic). Also, within retailing, many professionals remain unfamiliar with all the latest developments and advancements in techniques, technology, and application of retail management.

According to Tarasova, (2020) the digital supply chain has the potential for robust availability of knowledge and superior coordination, resulting in increased reliability, agility and performance. There is a profound difference between conventional and digital supply chain efficiency. The conventional supply chain relies on a blend of electronic and paper-based reporting systems. The retail structure is often defined by functional and geographical silos that do not freely exchange information, resulting in sub-optimal results. At the executive level, technology enables planning and decision making. Different data mining instruments help to make stocking, pricing, and marketing decisions, as well as to improve product design and development.

As retail is of a high value business, with technologies being invested into operations. To thrive and maintain the market, retailers would have to change their strategy and method of activity. Warehouses in the past are lacking real time consumer habits, while adopting IoT can immediately identify inventories for current and future consumer

demand. According to Miraz, (2020) retailers are reaching out to customers they would never have access to previously and technology is aiding in this environment process. These implementations of technologies have been adaptation in Tesco by emergence of now familiar advances in the internet such as Tesco Dot Com (online delivery), Scan and Shop, QR barcode and Touch N Go e-wallet payment. There has been new developments method during pandemic Corona Virus Disease 2019 (COVID 19). Tesco Malaysia had developed the way of order and purchase for essential needs which is called as Scan & Shop, Order and Collect and Click and Collect concept.

1.1 Background of the Study

Electronic Commerce (e-commerce) is a subset of electronic business (e-business). According to SASU, Constantin; ICHIM, (2017). E-business is an activity and applications range from the simple email, inventory management, procurement and ordering system to enable to the key of supply chain. Its horizon has in turn expanded selling, buying and logistic activities as well as other organization management activities. Based on research from Vojvodić, (2019), digitalization in business operations has helped build a parallel narrative of inductive doctrines where focus is on looking at convergence in retail sectors within organizations by customers-centric, opportunities to collaborate even with competition by developing a cooperation mindset, co-ownership of investment through franchises, joint venture, alliance for scale growth with low-level of intensity, building relationships with the new generation of inter-connected customers who are involved in co-creation of product or services and a long term orientation of continuous learning through feedback to better improve the customer delivery model. Integral to this digital approach is the network of suppliers and branches or franchises supporting the central key player (retailer) in orchestrating a business model with the

long-term objective of maximizing customer lifetime value and not just focused on a transactional approach.

1.2.1 Technology is improving retail operations in Malaysia

One of the most significant and rising industries in this country is retailing. Rapid development of digital infrastructure and digital money transfer options would lead to an increasing presence of Omni-channel retailers. The spread of omni-channel retailing with the objective of ensuring a seamless experience for the shopper or customer for the support is only expected to further intensify in the future. According to Salahuddin et al., (2018) retailing has traditionally operated by the selling by retail shops of products to customers. Retailing can be defined as the sales of goods to customer and services for personal, family or household stated Ferracuti et al., (2019). Thus, retailing of selling items that are tangible is required more compared with a service such as barbershop and dry cleaning.

Recently, the Malaysian retail industry has gone through a very difficult time, largely because of developments in business technology adaptation. According to Grewal et al., (2020) retail industry is no longer a fringe practice, and the way company marketing and branding is performed for customers has changed via social media. The rules of retailing indeed are being rewritten in this time of transformative change, innovation, collaboration, consolidation, integration and automation will be required to reinvigorate commerce, profoundly impacting the way of retailers do and manage the business now and in the future. This resulted in a few retailers agreeing to downsize the company into a smaller entity or shut it down. However, if they want to succeed in the future, the retail sector needs to change or innovate. It is important that retailers understand what they are up to and develop in terms of strategy to which they need to excel further than their

competitors. According to Abdulmouti, (2018), the supplier and distributors need to plan in stock management to succeed on the other approach. The specialist shopping consultant's scale and presence have extended beyond that of the retail industry in the past decade. The adjustments provide not only insights into how consumer shops, but also the different strategies used by retailers to influence consumption behaviour in stores Ferracuti et al., (2019). Recently, retailers in Malaysia have improved, and this progress is obviously related to improved perceptions of the retail industry position, partly due to retailer technology adaptation such as Tesco, Aeon, Giant, Econsave and TF Hypermarket

Retailers across the world are rapidly adapting to the fact that from the consumer perspective, shopping is not about bricks versus clicks or one channel versus another. Instead, consumers are channel-agnostic. The shopping journey and pre-shopping research is a fluid process with consumers bouncing between online and offline along the path to purchase. The big retailer industry is fast-moving to the consumer goods (FMCG) company. As a result of this, Tesco Malaysia have seen tremendous growth as it able to identify and deliver customer demand and satisfaction with the adoption of technology in their business operations. For fast moving consumer goods (FMCGs) had operated in most retail in Malaysia. As overall, retailer faces unprecedented changes to delivery models and platforms, the rise of the new regional e-commerce system and operation in organizations and competition with existing local brands for customer loyalty, it is important to find a growth strategy. These developments are key areas that favour international executives of fast-moving consumer goods companies before designing business strategies and investing in the Asian region's retailing industry. The most disruptive shift faced by fast-moving consumer goods firms is the advent of e-commerce,

as individuals across the region are starting to gain access to the internet and cell phone transactions are growing in tremendous numbers.

In the retail sector, the advantages of digitalized transformed supply chain operation are operating processes and centralization helps to make organizations more effective and efficient. Better visibility helps every retailer to more cost-effectively control their own and contracted assets and maximize the inventory of consumers, goods and services Bonetti et al., (2019). This means retailers must adequately and holistically plan, strategize, and execute across all channels, regardless of whether the ultimate sales happen in store or online platform. A seamless shopping experience is no longer a nice to have but an imperative. This is also why Malaysian retailers are heavily investing in online and digital.

1.2.2 The Changing Position of the Management of Retailers

With the introduction and enhancement of technology-enabled platforms to enable platforms to allow decision-making on actionable strategies, these objectives can be accomplished. The advantages of business results include organizational alignment of business goals, higher sales and cost management Auer & Böhme, (2020). Locally based e-commerce markets in South East Asia have expanded too fast and become more popular and investors are trying to invest and drive their business expansion. These distributors are becoming such a significant part of shopping that companies in retail chains are pursuing alliances or joint ventures around the region with these networks. E-commerce giants such as Lazada and Shopee distinguish their supply by presenting the logistics and supply chain as a key challenge in South East Asia.

As a result, fast-moving consumer goods businesses are aware of the need to make their products available in more platforms that make it easier for customers to purchase

products. This complicated distribution channel network technology involves tight supply chain management through multiple online retailers and in-stores. The retailer must embrace e-commerce in the organization to manage a profitable retail activity, fast-moving consumer products must harness the power of technology and introduce a plan that digitizes the decision-making process and drives communication across business units Grewal et al., (2020). Rapidly moving consumer goods companies need to understand the opportunities and challenges in each sector or segment to remain competitive in these markets and be prepared to apply various commercial strategies to drive growth. For business adaptation technology, the comprehensive assessment of all facets of the business strategy, such as trade spending, marketing, pricing, assortment firms, will better understand the major success drives in each industry.

1.3 Problem Statement

Nowadays, majority of the Malaysia retailers had to invest operation expenses (OPEX) to develop and improving with adoption technology in their business operation and consumer perspective. Technology is the main choice in retail industry to growth the business continually and sustain. Most of the retailers in Malaysia still in adapting and improving to familiarise with the technology system. More recently, there has been an emergent view between supply chain management (SCM) and technology has been adapted in retail industry. This improvement of technology in the business will assist and help the retailer to achieving consumers focus, supply chain effectiveness, and sustain in the market. The problem could be due to lack of technology and knowledge manpower skill, implementation of integrated supply chain and model of retail industry.

This research focuses on the core theme of the theories of retail changes to provide some clarification of the trend and drivers to alter the impact on the dominant retail formats, the essence of the group, the branches and the business trading activities. As additional info, in the middle of 2019, there are totals of 7 hypermarket, 5 superstore, 9 supermarkets of Giant Hypermarket and Cold Storage closure due to Malaysia economy in crumbled. The issue of the closure is most of the Giant Hypermarket's customer had changes into the competitor such as Tesco Malaysia. Tesco Malaysia had launch Dot Com Online (Tesco Delivery by Online) and this website has made easy for the customer to purchase goods online. Even tough, Giant Malaysia had benefit of the promotion, product quality and effectiveness of the manpower, they had fell behind due not adapting the technology sooner.

1.4 Research Objective

This project paper is to study and explore, evaluate adaption technology factor affecting implementation and use of an integrated supply chain management model in the fast-moving consumer goods retail industry in Malaysia and then propose a new integrated theory model which can be applied in promoting competitiveness in the retail industry.

The aim of the study is to identify adaption technology in e-commerce and supply chain in fast-moving consumer goods retail companies in Malaysia. Hence the objective of this research is:

- a) To discover e-commerce activities based on business and staff in Malaysian retail firms.
- b) To define the factors and obstacles impacting retail technology adaptation.
- c) To identify the critical success factor in adapting e-commerce in retail companies
- d) To explore the success factors that integrates employees' awareness, skill, and knowledge level.

1.5 Research Question

The following research question is suggested based on the purpose of the research:

- a) What are the e-commerce adaption activities of Malaysian retail firms?
- b) What are the factors and challenging influencing adaption of e-commerce?
- c) What is the component of adaption e-commerce in retail companies?
- d) What is the aspect of the process for designing procedures for employees of retail companies?