

FUJI Market Switches to Web-Based Ordering System

FUJI Market is the largest supermarket chain by sales and size in Shikoku, one of Japan's four main islands. FUJI has nearly 90 stores and 10,000 employees and is growing rapidly. Many companies are making use of networking technologies, databases, and information systems to centralize business operations. Although centralization provides a unified view of business activities, some business functions are best left decentralized. As businesses grow, it takes more time to route all transactions through a central authority. When FUJI made this discovery, it decided to allow individual stores to make their own operating decisions and to replace old ways of doing business with more efficient processes. "After we grew beyond 80 stores, it became almost impossible for us to continue making operational and marketing decisions centrally from our headquarters", says Toshihiko Yamanaka, manager of M2 Systems Co., Ltd., a subsidiary of FUJI Company Ltd. that provides IT services to the supermarket chain. For example, FUJI's order placement system for perishable goods was inefficient and wasteful. FUJI headquarters ordered perishable goods for all 80 stores. "We had to call or fax written requests to our suppliers by noon. Employees estimated how much of each item they thought their store would need, even though it was still too early to accurately predict what the inventory level would be later in the day", explains Yamanaka. FUJI's inflexible mainframe-based system made it difficult for employees at the individual stores to order their own stock. To do so would require installing 1,000 terminals, each requiring proprietary client software and dedicated lines for data communications in the stores and at the vendor locations. FUJI searched for a more practical alternative. FUJI restructured its store operations with new systems that use Internet and Java technology-based web applications. Web-based inventory and merchandise applications were installed based on IBM WebSphere software. New application and database servers were installed to support the system, named the SEISEN ordering system. The SEISEN ordering system allows employees at each store to order produce, deli items, dairy, and meat via the Web. It provides employees with an electronic order book to confirm sales results to determine how much merchandise to order. Employees can review estimated customer visits, budgets, and losses resulting from discarded items to assist them in placing orders.

"Having a web-based application helps employees interact quickly and easily with our suppliers and place orders later in the day when they can better estimate the stock they need", explains Yamanaka. The system has provided multiple benefits. By avoiding the installation of specialized terminals and software at each store, the company has saved ¥71 million and avoids the associated ongoing maintenance costs. With one vendor for all its hardware and software components, FUJI can keep system management simple, speed application development, and ensure that it can easily integrate new components as its infrastructure grows. Resource costs are expected to decline because the new web-based applications are easier to use and do not require additional specialized training or knowledge. With its new SEISEN ordering system in place, FUJI is now looking to restructure other store operations such as its supply chain management (SCM) system and, eventually, customer relationship management (CRM) system. It is planning to use Internet and web technologies for all of its information systems to minimize operational waste, enable decentralized decision making at each store, and lower IT costs.

Questions

1. Why was the Internet and web a better alternative to a private network for FUJI's order processing system?
2. Why do you think FUJI decided to use a system based on Java technology and web applications?
3. What concerns might FUJI executives have about sending private business transactions over a public network? What precautions can they apply to address those concerns?
4. How do you think the vendors that supply FUJI's perishable goods have been affected by this new system?

SOURCES: IBM Success Stories, 'FUJI Company Rings Up Operational Savings with IBM Web-based Solutions', www.ibm.com, February 28, 2006; FUJI Co. (website), 'Fuji Co., Ltd.: Company Snapshot', www.corporateinformation.com/snapshot.asp?Cusip=C39236560, May 2, 2006.