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## **[Case Study] The Do's and Don'ts That Destroyed the Dot Coms**

Nowhere is the failure of the dot comes more clearly illustrated than with the bankruptcy of Webvan. This company had everything it should take to be a success: a long list of large-pocketed investors, a bankroll of cash, and some of the most brilliant management minds money could buy. But without the right research and planning, Webvan became the poster child of the dot-com bust.

### **Who Was Webvan?**



Image via [Flickr](#) by Mark Coggins

Webvan opened during the dot com boom of the late 1990's, offering online grocery shopping and delivery of ordered items within 30 minutes. At the heyday of the company, it served ten sizable and deep-pocketed markets, including the Bay Area of San Francisco, Los Angeles,

Orange County, San Diego, and Sacramento as well as Portland, OR; Seattle, WA; and Atlanta, GA. The company had plans to expand to 26 markets in short order.

Investors like Benchmark Capital, Softbank Capital, Goldman Sachs, Sequoia Capital, and Yahoo! sunk \$850 million into Louis Borders' Webvan upstart. His 1971 upstart Borders Books had done quite well. Unfortunately, investors never reaped a dime from the ill-fated business.

## **What Were Webvan's Mistakes?**

The first problem, which was inherent in many failed dot coms, was management's lack of industry knowledge. Though they had excellent management resumes, not a single one had any prior experience with the grocery business. Second, the upstart planned to do everything themselves: including procurement of inventory, logistics, and building ownership and maintenance. Most upstarts use established suppliers for these services, at least until the business begins generating a profit.

Webvan eventually bought out Homegrocer, a competitor which was also losing money hand over fist, further jeopardizing their financial position. Ironically, Homegrocer was failing for many of the same reasons Webvan was struggling. In the end, the costs of the infrastructure far exceeded sales growth. One problem was Webvan's overzealous predictions of the public's behavior.

Webvan failed to do the research to show that consumers were only interested in shopping for groceries occasionally. They assumed that once a shopper had a satisfactory experience shopping for groceries online, they'd want to do this all the time. However, consumers preferred only the occasional convenience of online grocery shopping, and preferred to walk through the stores themselves most of the time. Furthermore, Webvan failed to provide the stellar customer experience they hoped. Poor customer experiences led to the loss of many.

Finally, Webvan tried to grow too big too quickly. As with most dot-com failures, they were overly optimistic about their growth capabilities and combined with their insistence of forgoing the established supply chain, were unable to become profitable in light of their expenditures for buildings, fleet vehicles, and other supplies.

In the end, all of the investor's capital was squandered on infrastructure that never turned a profit. In 2001, Webvan went bankrupt. Amazon.com bought the deflated and unprofitable business, and has incorporated it into their other vast online offerings.

## **Lessons Learned**

What are the lessons dotcoms teach us?

- Every business has to maintain a slow, healthy growth pattern. It can't be rushed.
- Businesses must be able to turn a profit before over-investing in infrastructure.
- Customer service always matters: even when doing business online.

- Diligent research will uncover successes and failures to be used to avoid problems and play on strengths.

Since Webvan wasn't the first online grocery retailer in business, there was no excuse for a lack of research that would have inevitably prevented the horrific financial loss and ultimate humiliation of the managers and investors.

## **Want a Solid Career Choice? Supply Chain Offers Earning Potential, Job Security, and Much More**

Not long ago, people became supply chain employees through another outlet such as an MBA. Now, more schools are responding to job opportunities in the industry and are offering degree programs to fill the needs within the industry. Businessweek suggests that careers within the supply chain are "the next big thing." Here's everything you need to know about this exciting new opportunity.

### **What a Degree in Supply Chain Management Can Offer**



Image via [Flickr](#) by Grandma & Grandpa T.

There are a number of capacities in which you can serve the supply chain because this career path includes every step of a product's lifespan from conception to the end. Materials schedulers coordinate getting raw materials so production schedules can be met. Production analysts create production schedules and assure there is enough labor to get the job done. Those in logistics assure raw materials are delivered to production, and that the finished products are distributed. The process is complex and ongoing.

In addition to a number of career paths, a degree in supply chain management gives you the ticket to work in one of many of different industries. You might work in cosmetics, household goods, pharmaceuticals, airplane manufacturing, communications equipment, computer production, or industrial equipment.

### **How Much You Can Earn**

One school offering degree programs in supply chain management reports graduates with a bachelor's degree earn \$56,410. This is well above their average bachelor's graduates' salaries of \$50,098. Students who earn their MBA in supply chain management earn \$97,481 per year, well above their average master's graduates earning \$92,556. The school further reports that 97 percent of their graduates have one or more job offers by graduation, with 93 percent accepting an offer by graduation, and 100 percent of their graduates securing a job within three months of graduation.

These statistics don't just apply to U.S. supply chain management graduates, either. One program in Malaysia sees graduates receive an average of 1.9 job offers, and increase their salaries by 250 percent at the end of their education.

## **Secure Employment**

Because these graduates are in such high demand, keeping your job is a lot easier. A shortage of highly trained and qualified supply chain managers assures that companies aren't looking to lay these employees off, and that more companies are out there to snatch up any job candidates in need of employment. In the case of supply chain management, your credentials are your job security. Since the beginning of the economic recovery during 2010, demand for supply chain managers is on the rise. Whether you want to work in Omaha or Indonesia, a degree in supply chain management offers security.

## **How to Pursue a Degree in Supply Chain Management**

Finding a degree program for supply chain management is just like seeking a good institution for any other industry.

- Compile a list of schools offering the degree you want.
- Eliminate any schools that aren't fully accredited.
- Find out the school's success rate.
- Talk to other students and graduates of the program.
- Check to see if classes are offered when you can take them.
- See if you qualify for financial aid.
- Choose the school that has a good success rate and can meet your own requirements: such as class size and convenient location.

Many experts are calling a degree in supply chain management the "new MBA." Is this career path right for you?

## **[Case Study] How to Develop the Perfect Marketing Strategy**

VC Train is a consortium made up of 120 third sector organizations (TSOs). It is based in South Yorkshire, which happened to be in great lack of quality programs able to attract, educate, and retain disadvantaged and underprivileged youth and adults. Their goal was to secure contracts with the Learning Skills Council (LSC) to deliver post 16 learning and skills programs.

### **The Competition**



Image via [Flickr](#) by United Planet

Though there were about 125 TSOs currently operating in South Yorkshire, only six were receiving direct mainstream funding from LSC. This presented a clear and immediate need for mainstream funding within the sector. VC Train was founded in 2000, then incorporated. It became a charity aimed at assisting marginalized and disadvantaged people to achieve education and skills on par with general society.

### **LSC's Buying Criteria**

LSC only considers purchasing contracts which provide:

- High participation among the most underprivileged
- Improvement in basic adult literacy and numeracy skills
- Increase the skills and capabilities of the workforce

- Strengthen learning skills of residents and professionals to assist in renewing neighborhoods

The marketing plan developed by VC Train has to demonstrate their ability to provide these things.

## **VC Train's Plan**

The consortium developed a marketing strategy to demonstrate these abilities in order to garner contracts to subcontract to its 120 TSOs. They created a marketing strategy that consisted of six components:

- Assessing the buying criteria of LSC
- Providing evidence of a real need for the services
- A marketing mix
- A statement of unique selling points (USPs)
- A list of market targets
- A forecast of the market share they could attain

The evidence they presented were the facts that:

- 25 percent of adults in South Yorkshire had very low literacy and numeracy skills
- There was a lack of evidence that any plans were in place to meet the needs of post 16 citizens
- The learning infrastructure in South Yorkshire varied greatly in quality
- There were obvious learning gaps among ethnic groups, genders, ages, and the disabled
- Adults in South Yorkshire had low participation rates in qualified learning programs

The marketing mix VC Train used included product, price, promotion, and place. The products proposed were broken into four categories: first rung provision, basic skills, neighborhood renewal skills, and workforce development (which included both personal and employability skills).

The price was based on how much it cost to educate each person per hour. The promotion consisted of developing a prospectus of learning opportunities in the third sector across the South Yorkshire area.

In regards to place, VC Train planned to use the facilities at the disposal of their 120 TSOs. Regarding USPs, VC Train highlighted their ability to reach and engage learners who are disadvantaged or not inclined to participate.

## **The Results**

VC Train was able to secure five mainstream contracts with LSC, raise the profits of their VCTs and the entire VCT sector. Additionally, they were able to present a clear offer and gain strength and influence in the marketplace.

Since 2002, VC Train has worked with 23,000 people, generated 33,000 training periods, and provided 3.5 million hours of high quality, tailored learning sessions to the most deprived citizens of South Yorkshire.

## **Securing Your Supply Chain Against an Insecure Future**

Is security one of your primary concerns? It should be. In most cases, when security breaches occur within the supply chain, the situation could be thwarted. Here is a list of the primary places where security breaches take place, and how to prevent them.

### **Breaches in the Physical Security of Facilities**



Image via [Flickr](#) by American Industries Group

Having the proper physical barriers and surveillance in place at your primary manufacturing facilities is a good start, but you also have to consider possible breaches in the security of your suppliers, carriers, and distributors. Security for the physical goods begins with mapping out your supply chain accurately and identifying possible weak links in the supply chain.

Does your carrier use seals for cargo? Who manages these seals? Are your suppliers up to date with fence repairs? Do their surveillance cameras work properly? How are the warehouses managed? All of these answers factor in to how secure your raw materials and finished products are.

### **Breaches in Procedural Security**

The procedures for bringing in goods and shipping out products are crucial. Goods need to be marked, sealed, and stored properly along the way. Tamper proof containers and packages help. Also, assure that security procedures are cross checked by multiple parties, and no one person is responsible for a single procedure without checks and balances.

## **Breaches Within Personnel**

Personnel breach prevention begins with hiring the right people, but it doesn't end there. Are human resource managers aware of the skill requirements of each specific job? Is every job application verified for education and employment history? All applicants for sensitive positions need a background check. Contact their references and make sure their skills line up with the job they'll be performing. Conduct background checks periodically, so that any employee who suddenly experiences a big, unexplained change in their financial situation can be flagged.

## **Breaches Within Documentation Systems**

IT departments need the tools and budget necessary to secure computers, networks, and servers from cyber attacks. No longer limited to hackers, cyber attacks include industrial espionage, cyber terrorism, and identity theft. Are you and your suppliers securing the physical and virtual safety of documentation stored on your computer systems? Also, are you monitoring employee access to data? These are common areas of security breaches.

## **Crisis Management Procedures**

Crisis management involves establishing a [crisis management team](#), constructing an emergency plan for any possible problems, and training employees on these plans and procedures. Crisis can include break-ins, but should also include emergencies such as fire, earthquake, flood, tornado, hurricane, or other natural disasters.

Suppliers in regions prone to natural disasters, political upheaval, social unrest, or other security issues should be evaluated on their ability to address and respond to possible issues. Are your suppliers able to secure inventory in the event of riots or earthquakes? Can your logistics team manage to resume deliveries quickly after a flood or other disaster?

Encourage your supply chain partners to boost security measures, and request written security contracts from all your suppliers. Agree on an effective means of regular communications about security, and stick to the established protocol.

A review of the security processes of your company, your suppliers, and your distributors should uncover any hidden issues and allow you to address them before disaster strikes your supply chain.