Wawa’s Supply Chain Management and Growth
An analysis of how Wawa can grow while simplifying its business and its customers’ lives

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Overview: Wawa’s technology strategy so far

Wawa is a convenience store whose business revolves around simplifying its customers’ daily lives, as well as its own business practices. Wawa has consistently updated its business and technology strategies to align with more efficient practices, while still focusing on keeping the Wawa brand reliable. Recently, Wawa decided it wanted to simplify its technology strategy by:

- Cohering Wawa Beverage Company (WBC), New Jersey Distribution Center (NJDC), and Fresh (Commissary) Channel and moving away from Direct Store Delivery (DSD) to simplify the untimely distribution problems caused by DSD.
- Incorporating demand influencing factors (DIFs). DIFs would keep track of when products needed to be replenished, so managers could focus on selling products instead.
- Managing its SKUs to ensure each SKU had solid return on investment. Wawa went from having a lot of product variety to having limited product variety to help customers find what they needed quickly, checkout, and get home and to ensure each SKU had a respectable return on investment.
- Enhancing its brand name, so when customers go to a Wawa store, they will buy a Wawa product, such as Wawa drinks, food, and fuel.

This analysis will focus on how effective these changes were and what Wawa needs to do to continue to improve and grow.

How effective were Wawa’s changes and what impact did they have?

“An efficient [distribution] channel is one that delivers the product when and where it is wanted at a minimum total cost” (Donnelly, 2011, p.146). Wawa was very effective when it changed from DSD to NJDC. Not only did they do something that enhanced their distribution and ensured customers and managers were no longer inconvenienced by deliveries, but they were able to create a partnership with a company that could manage both its own needs and Wawa’s needs. Wawa’s partnership with NJDC was unique because they didn’t have a seller/client relationship; instead they had a partnered enterprise. It was also unique because NJDC created a “dedicated warehouse” that served only Wawa. This strategy worked both because Wawa had its own brand of products and also because both companies were willing to work together towards solutions.
“In strategy-creation, triangular thinking is key to describing pattern—qualitative choices about competitiveness, growth, and organization. Each of these three challenges requires a balance of autonomy, control, and cooperation” (Keidel, 2010, p.5). We see that Wawa chose to think triangularly when they developed their relationship with NJDC. Both companies had autonomy in that they were completely separate entities, but they had to figure out how to relinquish control while still cooperating. In building their relationship, they went through much trial and error, but they were eventually able to get to a point where Wawa had a staff working at NJDC to maintain Wawa’s marketing and NJDC’s merchandising (control), while still working towards a cost-effective and mutually beneficial enterprise where both companies could succeed (cooperation).

After implementing Fresh Channel, Wawa had relationships with two distributors: NJDC and Penske. “The consolidation of vendor deliveries has created cost-reducing economies of scale and more store operation processes have been simplified. There are fewer deliveries made, and the remaining deliveries can be scheduled on a more opportune basis” (Penske, 2012). In working with these distributors, Wawa has also been able to reduce its footprint. For example, to fix their storage problems, which included running out of space in their distribution center, they switched “from a manual to an automated high-bay chilled facility, [which] maximized building volume and increased cost efficiency…but on a much smaller footprint” (CSD Staff, 2012). This proved again that Wawa can work with its partners to improve its strategies, while still working towards cost-saving and consumer-desired goals such as energy efficiency. Their relationship with distributors will also help Wawa as it expands to Florida. They “will rely on local providers for milk and other perishables, along with McLane’s [NJDC’s owner] Florida distribution center” (DiStefano, 2012). This will allow Wawa to continue to work with the local community, which is a more energy-efficient practice, while maintaining its relationship with its current distributors.
Wawa also managed its SKUs and stores effectively. “The cost of carrying an SKU, maintaining the warehouse space, keeping track of it, is significant, so every SKU must pay for itself” (Keidel, 2011, p.8). This same strategy was applied to their stores and how they distributed the product. “The idea is to engineer as much labor out of the store as we possibly can. Big stores mean flexibility” (Keidel, 2011, p.5). This meant that if there wasn’t a significant return on investment for a product or for a store, Wawa had the ability to change and improve the situation.

In looking at their product offerings, how they deliver their products, and their flexibility, Wawa has proved that while simplicity is their priority, they are also willing to “embrace complexity” by being willing to learn and change and by encouraging their employees to educate themselves on new ideas and different cultures. For example, Wawa has several similarities to Amazon.com:

> They're never to violate the basic rules, but they have a lot of flexibility…they have very specific ways of thinking about their decisions. They're willing to kill things that don't work. And they're willing to investigate things that you might not think would be logical for them to do. But the strategy is simple. (Mauboussin, 2011, p.6).

Wawa has embraced many of these principles. For example, they decided to end relationships with fast-food restaurants when customers didn’t like that they weren’t Wawa products; however, other c-stores, such as Circle K and Checkers/Rally’s, have built more partnerships with fast-food chains such as Subway (Prewitt, 2012). Wawa has chosen instead to make itself a competitor to Subway and other chains by adding its own built-to-order food and beverage lines. Wawa has defied expectations by focusing on their own brand instead of continuing to sell or partner with a variety of brands. While having your own brand is a tactic in larger grocery stores (CVS, Target), it’s not as popular in the c-store industry. It is Wawa’s willingness to try things that people don’t expect, like building their own brand, that will have the largest impact on the industry and Wawa’s growth.
How can Wawa continue to grow and improve?

As Wawa evaluates where it wants to go next, they should focus on how they can continue to improve their brand name and SCM strategy; how they can simplify the lives of their customers; and what kind of store they want to be. This section will evaluate Wawa’s options.

The simplified system of selling mostly their own products and working with limited vendors gives Wawa an advantage over its competitors. When c-stores like Circle K build relationships with fast-food chains and others, they are guaranteeing that distribution and costs will increase because they now have more vendors to manage: their own and their partners. “One of the best ways to remove cost from the supply chain is to control the number of vendors making deliveries to your stores. This is an area 7-Eleven has been heavily studying of late” (Lofstock, 2011). Distribution channels also have environmental implications since the more trucks a company puts on the road, the worse they are for the environment. The key here is that Wawa is years ahead of c-stores in this area as they have already reduced the number of deliveries to their stores. Wawa has proven to the industry that this process is effective and companies will look to Wawa’s strategy as they start to streamline.

Wawa doesn’t just compete with other convenience stores, it also competes with small grocery stores (CVS), fast-food chains (Subway), and coffee houses (Starbucks, Dunkin Donuts). One of the major ways it competes is by having its own generic brand of products. “For decades, generics accounted for about 20% of the foods and beverages consumed in American homes. But their market share has climbed to 29%” (Karp, 2012). This has several implications for the c-store industry. C-stores will start to realize that “whether you have one or 1,000 stores, your brand, when properly developed and nurtured, is one of the best ways to differentiate your store from your competitors” (Ehrlich, 2011). As Wawa has been utilizing its own brand for many years, it has already gained many benefits from private branding, such as customer loyalty, reduced manufacturing and distribution.
costs, and the ability to control quality and price. C-stores who haven’t already done this will have a long way to go to catch up with Wawa in terms of both quality and variety.

Wawa has put a lot of focus on its brand, but it has not focused as much on enhancing their convenience. “We’re in the convenience store business, but we don’t have drive-throughs, we don’t do curbside, you can’t call ahead and order. On reinventing convenience we’ve been complacent” (Keidel, 2011, p.12). Part of the definition of distribution is delivering a product when and where it is wanted. In thinking about how it distributes products to customers, Wawa needs to start considering how they can utilize technology to improve convenience. For example, Charmin, although it’s just a toilet paper brand, has the Charmin Clean Bathroom App which helps you find a clean bathroom nearby and helps Charmin to enhance their brand (Pulizzi, 2012). 7-Eleven also has an app to help you find its stores and current deals. Wawa does not have an app at all even though there are clever ways they could utilize apps to make their customers’ lives more convenient. They need to consider how they can utilize an app to communicate with customers and improve convenience. For example, could they implement a GrubHub like app to allow customers to order ahead? Or could they utilize Groupon to give customers the best deals on gas? Not being able to communicate with its customers through different technologies can only hurt Wawa’s brand.

Luckily, Wawa has a broad mission statement and can embrace complexity to figure out these challenges. Their focus on collaborating with a small number of distributors who care about Wawa’s success has led to Wawa’s reducing their carbon footprint and satisfying customers, but the key to Wawa’s success is flexibility and technology. “An uncertain, moribund economy, unstable gas prices and other market forces present convenience store owners with daunting challenges. Success will hinge on the ability to adjust quickly—while continuing to do the little things well” (McLane, 2009, p.6). Wawa and its distributors must be able to implement strategies that allow for simplicity, efficiency, and getting the right products to customers at the right time and in the right way.
References