

A Study on Understanding and Implementation of Supply Chain Management Practices by Retailers

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Abstract

The mission of supply chain management is to offer the best customer service at least cost by making goods and services available as per requirements and specifications in time and intact. Various SCM practices are adopted by retailers to gain a good customer base. The effectiveness of each practice varies according to their business activity. Thus retailer's select the best suitable practice by considering their business profile.

Introduction

Retailers are now the dominant partners in most supply system and have used their position to re-engineer operations and partnerships with suppliers and other logistic service providers. No longer are the retailers the passive recipient of manufacturer allocations, but instead are active channel controllers organizing supply in anticipations of and reaction to consumer demand.

With an all round boom in the retail sector, the psyche of the consumers is also rapidly evolving consumers today know what they like, go for what they want and expect impeccable services. This consumer evolution has stirred the retail sector and to keep up with the pace, retailers are coming up with ways to minimize the operational cost as much as they can, without hampering the quality of the product, time management and keeping up with the demand forecasting.

Management of transaction of products from manufacturing to the point of sales is key activity. Achieving this by itself would ensure the smooth functioning of any retail organization. From the planning of inventory, transaction of products and the point of sales, SCM deals with the proper control of it .A slight shift for the worse to any of the processes in the supply chain could cause dissatisfaction of consumers and lead to major risks in business.

“Availability of stock on shelves is the single largest success factor for a retail business. Timely delivery of products and faster replenishment requires time bound logistics services. Time – definite logistic service is critical for any retail business.” – Mahesh Ketan, Asst. Vice President, Aditya Birla Fashion and Retail Ltd.

Supply Chain Management

Christopher (1998) defined supply chain as “a network of organizations that are involved, through upstream and downstream linkages in the different processes and activities that produce value in the form of products and services in the hand of the ultimate consumers.”

From the council of Supply Chain Management professionals (2010), Supply Chain Management is “the material and informational interchanges in the logistical process, stretching from acquisition of raw materials to delivery of finished products to the end use.All vendors, service providers and customers are links in the supply chain.”

The Supply Chain includes suppliers, manufactures, distributors, retailers and customers. The customers are the main focus of the chain, since the primary focus of the existence of any supply chain is to satisfy customer needs, in the process generating profit for itself.

SCM Practices and their role in business

SCM practices have been defined as a set of activities undertaken in an organization to promote effective management of its supply chain (Adebago, 2012). There are a set of SCM practices adopted by the retailers to cater the customers such as, strategic supplier partnership, customer relationship, level and quality of information sharing, techniques adopted, outsourcing etc. But the implementation of these practices depends on the type and size of business, the brands they deal, years of experience etc.

A thorough understanding of SCM practices is very essential in today's competitive business world because it determines the duration of it in the market.Long term strategic relationship between the

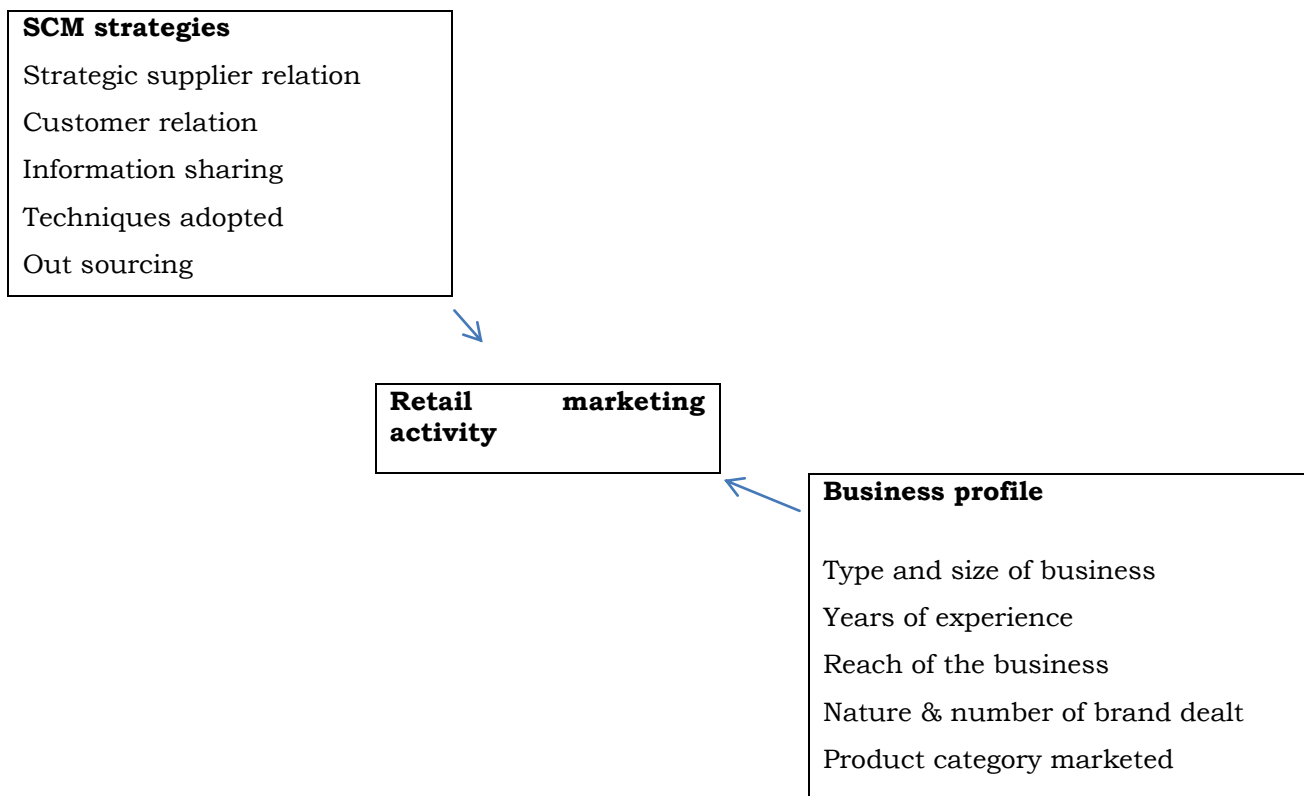
supplier and the manufacturer will help to achieve significant ongoing mutual benefit. On the other side, relation with the customer enhance the satisfaction level of customers and help in building brand loyal customers.

In the ever changing market, information sharing is very important to monitor changes in the market and to update the products and strategies accordingly. The exchange of accurate .timely and credible information make the supply chain more competitive and resourceful. The marketer uses various techniques in SCM for the flow of products and services such as, Electronic data interchange (EDI), Category Management, Collaborative planning, forecasting and replenishment method (CPFR), Vendor management inventory (VMI), Radio Frequency Identification (RFID), Bar Coding, E-Commerce etc.

Since marketing is a co-operative activity between different group of people, a set of multidimensional approach that encompasses a wide variety of management practices, which include JIT, Quality system, Team work etc are used by the group members in SCM.

A set of influencers and outsourcingpartners are also catalyst in the effective growth of business. Some influencers directly influence in the increase of sales and make it easy to communicate with customers. Since marketing becomes a complex activity, the companies outsource certain activities to others for aiming delighted customers by providing perfect result.

The studies conducted among the retailers proved that the adoption of various SCM practices are depending on the business profile such as type and size of business, years of experience of retailers in the same business area, reach of the business, nature and number of brand dealt, product category marketed by them etc.



Literature Review

Various research reports on Indian market reveals that the last few years have witnessed an explosion of organized retail formats like supermarkets and hypermarkets in otherwise fragmented Indian retail markets. So to tap the growth opportunity, Indian retail organizations need to be prepared for a quick scale up across dimensions of people, processes and technologies, in addition to identifying right formats and value proposition for the Indian consumer. Thus the understanding and implementation of SCM practices plays a significant role in the growth of business.

Gunasekaran and McGaughey(2003) extended the scope of SCM beyond material management, partnership, information technology to the total quality management areas like management commitment, organizational structure, training and behavioral issues.

AbRahman(2008) reveals through his study that the small and medium sized companies are emphasizing on effective implementation on Supply Chain Management to achieve competitive advantage to minimize operation cost.

Karimi and Rafiee (2014) provided an effective justification for a four – key dimensions of a model of SCM practices. This shows that the four keys of SCM which includes strategic supplier partnership, customer relationship, level and quality of information sharing have got direct impact on organizational performance.

Data analysis and Interpretation

This study was conducted among electrical dealers in Chennai city. From the data analysis it is clear that the electrical retailers are using various SCM practices for their efficient functioning of business, some of the practices are well- known to them and are regularly using. But some other practices are aware but very rarely used by them.

The research hypothesis used under this study are

1. Null hypothesis (H0): The understanding of SCM practices implementation among electrical retailers is not low

Alternate hypothesis (H1): The understanding of SCM practices implementation among electrical retailers is low,

The data was analyzed through the method of chi-square which revealed that the calculated values for the variables such as strategic supplier relationship, customer relationship level and quality of information sharing outsourcing, and techniques adopted, were less than the table value. So accept the null hypothesis, which emphasizes that “the understanding of SCM practices implementation among electrical retailers is not low”.

2. Null hypothesis (H0): There exist no association between business profile and implementation of SCM practices among electrical retailers.

Alternate hypothesis (H1): There exist an association between business profile and implementation of SCM practices among electrical retailers.

The calculated value for this hypothesis was greater than the table value. Thus reject the null hypothesis and accept the alternate one, which reveals that “there exists an association between business profile and implementation of SCM practices among electrical retailers.

Findings

The study conducted among 50 electrical retailers in Chennai city reveals that they are very familiar with various SCM practices and showed a positive approach towards all the techniques mentioned in the study such as strategic supplier relationship, customer relationship, level and quality of information sharing, outsourcing and techniques adopted.

The study reveals that the most familiar and used practice among electrical retailers is customer relationship followed by strategic supplier relationship, level and quality of information sharing, techniques adopted and outsourcing. The respondents have an opinion that the importance and use of SCM practices depend on their business profile.

Conclusion

The supply chain management is an unavoidable practice in current retail industry. The understanding and implementation of it is very important in the success of their business activity. The study reveals that the current retailers are much aware of the SCM practices such as strategic supplier relationship, customer relationship, level and quality of information, outsourcing and techniques adopted. These SCM practices are much connected with various business profile factors such as type and size of business, years of experience in the same business area, reach of business, nature and number of brands dealt, product category marketed etc.

Thus we can conclude that these SCM practices are inevitable in the success of retail business activity in this highly competitive business world.

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