

Challenges and Prospects of Supply Chain in Retail Sector

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ABSTRACT

Supply chain helps the organization to connect and keep the customers engaged through constant updates on promotions, offers, new product, and service as well as events. Hypothetically, one of the primary objectives of a business is to have happy, satisfied and loyal customers by improving the customer experience and engagement. The findings of this study have confirmed that supply chain positively impacts retail sector. However, marketing on such platforms should be done carefully to avoid detrimental side effects of poor supply chain management.

Organizations can achieve more conversions rates through supply chain compared with other marketing solutions available. The targeting advantage of supply chain increases the chances of retailing because the targeting helps the retail sector to channel the advertisement to the specific customers who need the advertised product or service. Although the targeted supply chain is applicable for retail sector, it remains to be one of the most preferred supply chain strategies. The current article highlights the challenges and prospects of supply chain in retail sector.

1. Introduction

Supply chain can have devastating effects on the organization if not managed well. Additionally, poor supply chain management can drive existing customers away and scare potential customers. Therefore, marketers should consult the top management and other players in the creation of marketing campaigns and strategies.

Furthermore, supply chain increases the competitiveness of an organization by ensuring that customers can access the organization and its product with ease since much of the information is available to the customers when they need it. Ideally, customers prefer products and services that are reliable and conveniently available. Thus, supply chain increases the organization customer base as more customers flock the online market space to source goods and services.

Notably, customers in the supply chain increasingly prefer quick services. Therefore, businesses have realized that retail market space has more potential in accessing markets and getting customers with minimal marketing costs. Therefore, an organization should embrace various forms of digital marketing to reap the benefits yielded by these technologies. Marketers who desire to reap the benefits of supply chain should have informed supply chain strategies. Notably, the formulated strategy should be customer-centric to ensure that customer experience and engagement is emphasized.

Marketing campaigns too should be thoroughly scrutinized to ascertain that impacts of the campaign on the customers have been evaluated and found to be desirable. This way, the marketers will be able to avoid negative implications that can arise from supply chain activities.

Moreover, the researcher recommends that an analysis of the merits versus demerits should be done to ensure that only

good marketing campaigns are launched. Another, sensitive aspect of supply chain concerning retail experience and engagement is that organizations should be cautious about how they engage customers. The statement above implies that organizations should be cautious about how they give feedback on customers' inquiries, ask for feedback from customers, respond to customers' complaints and engage the customer on other issues. The caution is necessitated by the possibility that any marketing activity gone wrong can lead to devastating consequences because other online marketers get to know and follow such unpleasant scenarios and from perceptions, beliefs, and judgments about the organization.

Notably, a reputation in shambles would take much effort, financial resources and time to restore.

2. Challenges and prospects of supply chain in retail sector

With the Indian retail still in its developing stage, there are a lot of issues such as poor infrastructure, lack of mature 3PLs etc that need to be addressed. Till that time, the supply chain will remain inefficient due to the synergistic effects of these issues.

The various areas of concern when attending the Supply Chain in the context of retail scenario are as follows:

The fragmented nature of transporters, due to poor infrastructure development, result in high lead times, absence of long term relationships and high transportation costs.

Due to a fragmented supply base and large number of intermediaries, the product costs get artificially jacked up, resulting in decreased margins at the retail point of sales.

The decision to locate Distribution centre are taken keeping the local tax laws under consideration. However, the operations inside these centres are not up to the standards leading to un-necessary expenses.

Retail industry faces a big problem of forecasting the requirements of inventory because due to lack of proper IT implementation, the historical data is not available at appropriate time. Even if the data is available, there is not enough technical competencies to analyze this data to derive meaningful insights. This results in increase in number of stock outs, increased mark downs, low inventory turns and high pilferage rate.

In a supply chain, the role of retailer may vary. It may decide on only retailing and outsource everything else to a 3PLs or it may decide to carry out one or more of the activities, prior to its stage, itself and aim for backward integration.

In the near future there are several steps that any retailer would have to take to ensure an effective supply chain for their business to grow such as:

IT implementation to ensure that only as much is ordered as is required and not to store the inventory in the warehouses. The production should be accordingly scheduled to meet the customer demand.

There should be sufficient mechanism to link all the different segments of the chain with each other and responsive to the demands of the segments.

Parts of the value chain may be outsourced to a 3PL while a retailer can also look into backward integration for critical areas. Since the supply chain is at an advanced level in the developed nations, they have tried and tested various formats and then crystallized on certain set of options. Hence, in this case in particulars, Indian retailers need to look at the global retailers and adopt their best practices to suit Indian requirements.

On a long term basis, there would be a need to build a flexible supply chain which would be capable of responding to changes, intrinsic or extrinsic changes, drastic or slow changes, in demand, supply and technology. Further, such flexible supply chains would allow retailers to accommodate the ill-effects of any dramatic events like natural calamities, terrorism, etc.

While the organized retail is expected to boom, the supply chain will take more time to develop at the same rate because of a general lack of SCM professionals in the country with even

fewer having any experience in the retail sector. Even amongst them, the level of process expertise and best practice skills are low. These factors may prove to be a "comma" but not a "full-stop".

However, with the growth of organized retail and with the increasing number of professional courses offered towards supply chain management and retail; number of SCM professionals are gradually focusing more towards a scientific methodology in dealing with the back end supply chain.

Due to the fragmented nature of supply chain in India, the players have to deal with a wide number of other players. This results in lower margins per level for the same amount of good being transacted. Furthermore, additional levels in the supply chain also result in increased overall wastage for the chain as the number of points, at which wastage may take place, increase as well.

The key opportunities for investment in a retail supply chain lie in the areas of sourcing, distribution centers (warehouse, cold storage), transportation networks, inventory (both store level and warehouse), supply chain information systems such as warehouse management systems, planning, forecasting, inventory management, etc. different retailers have chosen a different combination of activities that they perform themselves while some activities are being outsourced to 3PLs (Third Party Logistics).

On one hand a retail chain like Subhiksha has outsourced most of its back end work; on the other hand some like Reliance are investing heavily in the supply chain network to go for backward integration of their businesses. Some like Vishal Megamart and Pantaloons are excessively into selling of their in-house brands in their stores and have, hence, included manufacturing in their supply chain as well.

3. Conclusion

In the course of this retail evolution in India, the supply chain has also seen significant activity. After all, Supply chain forms a major part of the sustenance of any retail venture. For the retail venture to flourish successfully, it should have an efficient and well established supply chain. In the modern format, when all the other aspects of retailing have been discarded as being a differentiating factor, the role of supply chain has become even more important.

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