Gap analysis of retail supply chain

TOPIC: Gap Analysis of Retail Supply Chain b/w India and Developed Nations

INTRODUCTION IMPORTANCE OF SUPPLY CHAIN MANAGEMENT: * Supply chain management is a topic of importance among the logistic managers and researchers because it is a Consider with a competitive edge. Supply chain management deals with the management of materials, information and financial flows in a net work consisting of suppliers, manufactures, distributes and customers. The supply chain management is logistics aspect of a value delivery chain. It comprises all of the parties that participate in the retail logistics process: Manufacturers, wholesalers, Third Party Specialists like Shippers, Order Fulfilment House etc. and the Retailer. Here, logistics is the total process of planning, implementing and coordinating the physical movement of merchandise from manufacturer to retailer to customer in the most timely, effective and cost efficient manner possible. Supply chain enables an organized retailer to move or store products more effectively, efficient logistics management not only prevents needless movement of goods, vehicles transferring products back and forth; but also frees up storage space for more productive use. SOME DEFENITIONS OF SUPPLY CHAIN MANAGEMENT: Supply chain management (SCM) is the management of interconnected businesses involved in the ultimate provision of product and service packages required by end customers (Harland, 1996).

Supply chain management spans all movement and storage of raw materials, work-in-process inventory, and finished goods from point of origin to point of consumption. Supply chain management(SCM) is a process used by companies to ensure that their supply chain is efficient and cost-effective. A supply chain is the collection of steps that a company takes to transform

raw components into the final product. Typically, supply chain management is comprised of five stages: plan, develop, make, deliver, and return. The first stage in supply chain management is known as plan. A plan or trategy must be developed to address how a given good or service will meet the needs of the customers. A significant portion of the strategy should focus on planning a profitable supply chain. Develop is the next stage in supply chain management. It involves building a strong relationship with suppliers of the raw materials needed in making the product the company delivers. This phase involves not only identifying reliable suppliers but also planning methods for shipping, delivery, and payment. At the third stage, make, the product is manufactured, tested, packaged, and scheduled for delivery.

Then, at the logistics phase, customer orders are received and delivery of the goods is planned. This fourth stage of supply chain management stage is aptly named deliver. The final stage of supply chain management is called return. As the name suggests, during this stage, customers may return defective products. The company will also address customer questions in this stage. Supply chain management is the stream of processes of moving goods from the customer order through the raw materials stage, supply, production, and distribution of products to the customer.

All organizations have supply chains of varying degrees, depending upon the size of the organization and the type of product manufactured. These networks obtain supplies and components, change these materials into finished products and then distribute them to the customer. Supply chain management is the management of material and information flow in

a supply chain to provide the highest degree of customer satisfaction at the lowest possible cost.

Supply chain management requires the commitment of supply chain partners to work closely to coordinate order generation, order taking, and order fulfilment. They thereby create an extended enterprise spreading far beyond the producer's location. Supply chain management (SCM) is the oversight of materials, information, and finances as they move in a process from supplier to manufacturer to wholesaler to retailer to consumer. Supply chain management involves coordinating and integrating these flows both within and among companies.

SUPPLY CHAIN OF RETAIL SECTOR: Retail Supply Chains are incredibly complex due to the large number of SKUs, multiplicity of sales ; storage locations, unpredictability ; sensitivity of demand s. In fact, there are a number of separate supply chains at the backend for each category (or even for each category for each format) that all come together to make available the right product at the right place at the right time ; at the right cost to the customer at the retail outlet front end.

Hence, an understanding of retail supply chains involves understanding each category separately ; how the same are merged to come together at the optimal time ; place to deliver value to the customer. Most retail players are setting up their own supply network facilities, while transportation requirements have been sourced to external service providers. Typically supply chain management companies are managed as an

independent in-house function or outsourced part or whole to specialist logistics.

The remaining organizations outsource either part or whole of the supply chain management, or deploy cross-functional teams, or have independent teams managing the supply chain within each SBU (strategic business unit). Design, planning, procurement, production and delivery including reverse logistics are the major process elements of any supply chain. Under-developed unidirectional supply chain is one of the key concerns facing the industry. Main retail categories are: • Fresh produce (Fruits ; Vegetables) FMCG / CPG (Fast Moving Consumer Goods / Consumer Packaged Goods) • Staples • Dairy products • Consumer durables ; Information Technology Fresh produce (Fruits ; Vegetables) supply chain: Fresh produce is mostly procured at various collection centers located close to the farms in the producing regions. Most of the procurement is done locally i. e. close to the city being serviced both to minimize transit time in order to preserve freshness as well as reduce cost. However, some commodities need to be procured in relatively far off places (i. . regionally e. g. potatoes, or nationally e. g. apples or even imported e. g. exotic fruits ; vegetables) due to availability / seasonal constraints. Hence, these could be sourced at Mandis (Wholesale markets), from traders / agents (cold stores) or bulk importers. From the sourcing point, the material is moved to Central Processing Center (CPC) in normal (ambient) or reefer vehicles, depending on the type of produce ; the ambient temperatures. The material then travels to either the retail stores or directly to institutional customers.

Fast Moving Consumer Goods (FMCG)/ Consumer Packaged Goods (CPG) supply chain – In case of FMCG / CPG products, as the vendors are typically large, established companies having their own distribution networks, the responsibility of delivering to the retail distribution hub is typically borne by them. In any case, the chain cuts out the secondary ; tertiary tiers of the manufacturers' distribution network such as the Reseller stockiest, distributor / wholesaler thus cutting down on costs, the benefits of which are typically largely passed on to the consumer.

As far as possible, the FMCG distribution hub is co located with the fresh products CPC so that transportation (as well as other) resources used for store delivery may be shared. This also helps in optimizing the usage of the expensive cold storage ; transportation assets. Staples Supply Chain – Staples comprise commodities like rice, sugar, pulses etc. that are packaged ; sold in retail stores under the store's own brand. The major activity in the staples supply chain takes place in the Staples Processing Center (SPC) where the packaging related activities are carried out.

Dairy products Supply Chain – The dairy supply chain is unique ; distinct from that of other products. The raw milk needs to be collected at the village pooling points. This is typically done in 40 litre cans due to the low volumes involved ; pick up type low capacity vehicles are used both due to this reason as well as the ease of access on narrow ; bad quality roads ; the speedy delivery requirement to avoid spoilage. The milk needs to be rushed to the chilling center within four hours.

The chilled milk is transported in insulated tankers to the processing plant where various milk products are manufactured ; liquid milk is packaged. These products are then transported from Milk Processing Plants to distributors / stores in ambient, cold or frozen condition depending on the nature of the product. Consumer Durables ; Information Technology (CDIT) Supply Chain – The CDIT supply chain for most of the product range is relatively simple as the respective manufacturers supply the retail DC ; it is a " box in, box out" kind of warehousing operation.

However, there is a large focus on direct home delivery (apart from store servicing) as most customers require that most of the product range be delivered at their door steps within a short period of purchase. It also needs payment collection against delivery, installation ; reverse logistics services as many consumers exercise the upgrade option where the retailers buy back the old product against a discount on the new item. RETAIL SECTOR SCENARIO IN INDIA: Indian retail sector is divided into organised and unorganised sector.

Organised retailing refers to trading activities undertaken by licensed retailers, these include hypermarkets and retail chains. Unorganised retailing, on the other hand, refers to the traditional formats of low cost retailing, for example local kirana shops, owner managed general stores, convenience stores. The Indian sector is highly fragmented with 97 percent of its business being run by the unorganised retailers, however attempts are being made to increase the proportion to 9-10 per cent by the year 2011. The sector is largest source of employment after agriculture also has deep enetration into the rural India generating more than 10 per cent of India's

GDP. The retail sector in India is witnessing a huge revamping exercise as traditional markets make way for new formats such as departmental stores, hypermarkets, supermarkets and specialty stores. Western-style malls have begun appearing in metros and second-rung cities alike introducing the Indian consumer to a shopping experience like never before. However, kirana continues to score more over modern formats primarily because of the convenience factor. The Indian population is witnessing a significant change in its demographics.

The growth is boosted by various factors such as availability of professional practices, media proliferation, various brands which are gaining value thereby enhancing industry growth, availability of various funding options, regulations like VAT implementation to make processes simple, sea change in demographics of country and international exposure. India is world's second largest grower of fruits and vegetables after Brazil and China. While the agriculture sector has witnessed several leaps of innovation and technological advancements, the processing sector is still in its infancy.

Even with less than 4% processing of fruits and vegetables, the Food Processing Industry sector in India is one of the largest in terms of production, consumption within India, export and growth prospects. The government has accorded it a high priority, with a number of fiscal reliefs and incentives, to encourage commercialisation and value addition to agricultural produce; for minimising pre/post harvest wastage, generating employment and export growth. As a result of several policy initiatives undertaken since liberalisation in early 90's, the industry has witnessed fast growth in most of the segments.

Retail is India's largest industry. It accounts for over 10 per cent of the India's GDP and around eight per cent of the employment. Retail sector is one of India's fastest growing sectors with a 5 per cent compounded annual growth rate. India's huge middle class base and its untapped retail industry are key attractions for global retail giants planning to enter newer markets. Driven by changing lifestyles, strong income growth and favourable demographic patterns Indian retail is expected to grow 25 per cent annually. It is expected that retail in India could be worth US$ 175-200 billion by 2016.

RETAIL SECTOR SCENARIO IN DEVELOPED NATIONS: The global retail industry has travelled a long way from a small beginning to an industry where the world wide retail sales alone is valued at $ 7 trillion (Source: 2003 Global Retail Report, Deloitte Touche Tohmatsu). The top 200 retailers alone account for 30% of worldwide demand. Retail sales being generally driven by people's ability (disposable income) and willingness (consumer confidence) to buy, compliments the fact that the money spent on household consumption worldwide increased 68% between 1980 and 2003.

The leader has in-disputably been the USA where some two-thirds or $ 6. 6 trillions out of the $ 10 trillions American economy is consumer spending. About 40% of that ($ 3 trillions) is spending on discretionary products and services. Retail turnover in the EU is approximately Euros 2000 billion and the sector average growth looks to be following an upward pattern. The Asian economies (excluding Japan) are expected to grow at 6% consistently till 2005-06. Positive forces at work in retail consumer markets today include high rates of personal expenditures, low interest rates, low unemployment and very low inflation.

Negative factors that hold retail sales back involve weakening consumer confidence. The latter half of the 20th Century, in both Europe and North America, has seen the emergence of the supermarket as the dominant grocery retail form. The reasons why supermarkets have come to dominate food retailing are not hard to find. The search for convenience in food shopping and consumption, coupled to car ownership, led to the birth of the supermarket. As incomes rose and shoppers sought both convenience and new tastes and stimulation, supermarkets were able to expand the products offered.

The invention of the bar code allowed a store to manage thousands of items and their prices and led to ' just-in-time' store replenishment and the ability to carry tens of thousands of individual items. The Food Retail Industry in the Far East has evolved into what could be called ' the breeding ground' for emerging models with countries like Singapore being the home to some of the big players in the industry in these parts of the world. The presence of all the major players of the retailing industry is found in Singapore.

Singapore has 2 hypermarkets, one run by Carrefour and the other by Giant Hypermarket, part of Dairy Farm International. According to the government, there are slightly more than 11, 000 market stalls operating in 150 markets located all across Singapore Island. World's top 5 retailers: 1. U. S- Wal-Mart 2. France- Carrefour 3. Netherlands- Royal Ahold 4. U. S- Home Depot 5. U. S- Kroger OBJECTIVE: * To study the Indian retail supply chain management. * To study the emerging trends and practices in retail sector. SCOPE: Scope of this study is to understand the concept of supply chain and its importance in retail sector. * This report will give an insight about the difference in the

supply chain of retail sector in India and other developed nations and further finding those variables that build a gap between the two segments i. e. India and developed nations. LITERATURE REVIEW: RETAIL MODERNIZATION: Retail modernization in developing countries and its effect on the broader food system has been a major focus of research since the early 2000s. The most visible banner for this work has been the " supermarket revolution".

Supermarkets existed in Latin America from at least the 1960s but began to grow much more rapidly in that region during the economic boom and opening to Foreign Direct Investment (FDI) of the 1990s. Growth began later in East/Southeast Asia and Central Europe, followed by selected countries of Africa (Reardon et al, 2004). This growth, together with new procurement practices that the firms work to apply, has lead to a rash of studies attempting to document and anticipate the impacts of these firms on existing actors in the food system, and to draw policy implications for governments and donors.

More Cautious Voices on the Supermarket Story: More cautious views regarding the likely rate of supermarket expansion were expressed early in Asia, and over the past two years in Asia, Africa, and even Latin America. Patterns in Latin America are relevant as a potential indicator of future patterns elsewhere. Coca-Cola (2003) notes that " emerging consumers infrequently shop – if at all – at large supermarkets" in Brazil, despite the heavy market penetration of such outlets in that country. They refer to " the myth (that) it's just a matter of money ; time until emerging consumers flock to large supermarkets" (p. 2), and conclude in general for Latin America that " small retailers have a sustainable business model". Farina and Nunez

(2005) echo this conclusion in Brazil, noting the persistent diversity of retail outlets, and that " the number of independent supermarkets (as opposed to large chains) and traditional retailers has grown, and their share in food sales has increased" in recent years. Unavailability of Experienced Manpower: Organised retailing is an emerging sector in India; there are not many executives with long and relevant experience. KPMG report (2006) reveals that there is a skill-set gap in those manning the floors.

Although, India has a huge posse of qualified human resources, who have the required education and are highly motivated to undertake the challenging tasks still there is more pronounced need for middle and senior level management. Managers from industries such as FMCG Telcom, BPO, and Hospitality are able to quickly learn and adapt to the demands of retailing. Consequently, the scramble for talent hunt amongst organised retail players will be as fierce as their battle for customers. Therefore, developing strategies for creating, attracting, nurturing, retaining are required in the initial stages themselves.

In India, sudden and unprecedented growth in organised retailing poses a challenge to human resources development. Therefore, it would be useful to look at the dimension of human resource practices in retail industry, emerging requirements and challenges and measures to improve work atmosphere in Indian scenario. Although a few studies have initiated their efforts on analyzing HR challenges in Indian retail sector (Chella 2002, Chakraborthy 2007, Abraham ; Kumudha 2007), there are gaping holes in the existing research: in particular the factors leading to the type of HR policy carried out in the Indian retail sector is largely neglected.

The focus of this paper is on examining the various factors affecting human resources in Indian retail sector and accordingly suggesting measures for HR policy. RESEARCH METHODOLOGY: To identify the variables that lead to gap in supply chain of retail sector between India and developed nations. RESEARCH DESIGN: The type of research design is descriptive. Descriptive research design: Descriptive research refers to the type of research question, design, and data analysis that will be applied to a given topic. Descriptive statistics tell what is, while inferential statistics try to determine cause and effect.

The main goal of this type of research is to describe the data and characteristics about what is being studied. The idea behind this type of research is to study frequencies, averages, and other statistical calculations. Descriptive research can be either quantitative or qualitative. SOURCE OF DATA: Secondary data: * Articles, trade journals, white papers * Research papers * Secondary data available on internet EXPECTED FINDINGS: * Gap between the retail supply chain of India and other developed nations. * Factors leading to growth of retail sector i. e. from kirana shops to malls. What is the overall GDP contribution of retail sector to Indian economy. . References: 1. Dominic, K. 2007. Indian Retail: An Overview. Retrieved December 1 2011, from http://www. networkmagazineindia. com/200703/coverstory01. shtml. 2. Khanna, T. , and K. G. Palepu. 2006. Emerging Giants: Building World Class Companies in Developing Countries. Harvard Business Review, 84(10), pp. 60–9. 3. Kottoli, A. 2006. A Looming Threat for Global Retailers in India. Retrieved From: http://arunkottolli.

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