

## **Changing Phases of SCM – A Study with reference to FMCG**

### **Distributors in Bangalore**

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#### **Abstract**

In India, FMCG Industry is growing day by day same the competition. Companies are trying to maneuver others by finding out the competitive advantage of their firm. Irrespective of the competitive advantage every company is looking at a particular space for improvement which is Supply chain management. 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. Managing the chain of events in this process is a greater challenge. This area helps the companies in terms of increasing their reach, minimizing the costs, maximization of profits etc. Traditional approach in SCM is slowly evading from the industry, modern trends in SCM with the use of Technology providing more power for the companies to do all great things. It's seems to be very easy that purchasing a biscuit from the store and consuming the biscuit, but if we take a deeper look it will be known that various business processes and software associated with planning the entire supply chain network work in concert to bring the biscuit to the hands of consumer. This article talks about the usage & importance of SCM in the biscuit industry. It tries to enact the complete picture of SCM which happens in the industry. Many software applications are also used in SCM to make the process Smoother. Coming days SCM will be one of the Key resulting areas in deciding the company's strength.

**Key words:** FMCG, Supply chain management.

## INTRODUCTION

Organizations increasingly find that they must rely on effective supply chains, or networks, to successfully compete in the global market and networked economy. In Peter Drucker's (1998) new management paradigms, this concept of business relationships extends beyond traditional enterprise boundaries and seeks to organize entire business processes throughout a value chain of multiple companies.

During the past decades, globalization, outsourcing and information technology have enabled many organizations, such as Dell and [Hewlett Packard](#), to successfully operate solid collaborative supply networks in which each specialized business partner focuses on only a few key strategic activities (Scott, 1993). This inter-organizational supply network can be acknowledged as a new form of organization. However, with the complicated interactions among the players, the network structure fits neither "market" nor "hierarchy" categories (Powell, 1990). It is not clear what kind of performance impacts different supply network structures could have on firms, and little is known about the coordination conditions and trade-offs that may exist among the players. From a systems perspective, a complex network structure can be decomposed into individual component firms (Zhang and Dilts, 2004). Traditionally, companies in a supply network concentrate on the inputs and outputs of the processes, with little concern for the internal management working of other individual players. Therefore, the choice of an internal management control structure is known to impact local firm performance (Mintzberg, 1979).

In the 21st century, changes in the business environment have contributed to the development of supply chain networks. First, as an outcome of globalization and the proliferation of multinational companies, joint ventures, strategic alliances and business partnerships, there were found to be significant success factors, following the earlier "[Just-In-Time](#)", "Lean Manufacturing" and "Agile Manufacturing" practices.<sup>[2]</sup> Second, technological changes, particularly the dramatic fall in information communication costs, which are a significant component of transaction costs, have led to changes in coordination among the members of the supply chain network (Coase, 1998).

## FMCG Industry

Fast moving consumers goods usually refer to non-durable product. Examples include soft drinks, toiletries, grocery items etc. A consumer usually spends a minimum of effort to procure them. However, much of astute marketing activities have evolved from this class of products, where consumers show how involvement, get wider choice and allowed by a host of inducements.

### The top 10 companies in FMCG sector

S. NO.	Companies
1.	Hindustan Unilever Ltd.
2.	ITC (Indian Tobacco Company)
3.	Nestlé India
4.	GCMMF (AMUL)
5.	Dabur India
6.	Asian Paints (India)
7.	Cadbury India
8.	Britannia Industries
9.	Procter & Gamble Hygiene and Health Care
10.	Marico Industries

The companies mentioned in are the leaders in their respective sectors. The personal care category has the largest number of brands, i.e., 21, inclusive of Lux, Lifebuoy, Fair and Lovely, Vicks, and Ponds. There are 11 HLL brands in the 21, aggregating Rs. 3,799 crore or 54% of the personal care category. Cigarettes account for 17% of the top 100 FMCG sales, and just below the personal care category. ITC alone accounts for 60% volume market share and 70% by value of all filter cigarettes in India. The foods category in FMCG is gaining popularity with a swing of launches by HLL, ITC, Godrej, and others. This category has 18 major brands, aggregating Rs. 4,637 crore. Nestle and Amul slug it out in the powders segment.

The food category has also seen innovations like softies in ice creams, chapattis by HLL, ready to eat rice by HLL and pizzas by both GCMMF and Godrej Pillsbury. This category seems to have faster development than the stagnating personal care category. Amul, India's

largest foods company has a good presence in the food category with its ice-creams, curd, milk, butter, cheese, and so on. Britannia also ranks in the top 100 FMCG brands, dominates the biscuits category and has launched a series of products at various prices. In the household care category (like mosquito repellents), Godrej and Reckitt are two players. Goodknight from Godrej, is worth above Rs 217 crore, followed by Reckitt's Mortein at Rs 149 crore. In the shampoo category, HLL's Clinic and Sunsilk make it to the top 100, although P&G's Head and Shoulders and Pantene are also trying hard to be positioned on top. Clinic is nearly double the size of Sunsilk. Dabur is among the top five FMCG companies in India and is an herbal specialist. With a turnover of Rs. 19 billion (approx. US\$ 420 million) in 2005-2006, Dabur has brands like DaburAmla, DaburChyawanprash, Vatika, Hajmola and Real. Asian Paints is enjoying a formidable presence in the Indian sub-continent, Southeast Asia, Far East, Middle East, South Pacific, Caribbean, Africa and Europe. Asian Paints is India's largest paint company, with a turnover of Rs.22.6 billion (around USD 513 million). Forbes Global magazine, USA, ranked Asian Paints among the 200 Best Small Companies in the World Cadbury India is the market leader in the chocolate confectionery market with a 70% market share and is ranked number two in the total food drinks market. Its popular brands include Cadbury's Dairy Milk, 5 Star, Eclairs, and Gems. The Rs.15.6 billion (USD 380 Million) Marico is a leading Indian group in consumer products and services in the Global Beauty and Wellness space.

### **SCM Practices in Indian FMCG Industry**

In a low margin and high volume business like FMCG, it requires a very close attention on the planning and operational part of the entire value chain activities because these minutes details can change the fortune of any organization. While branding differentiates the image of the product, the distribution system will determine the faith of the organization up to a very large extent in FMCG industry. The diversity of India and existence of vast untapped markets of rural areas provide the bundle of opportunities to companies. The best price or quality product offerings combined with heavy promotional and advertising budgets will not help the product succeed if one of the major ingredients of the marketing mix as distribution is not properly focused.

The table1 shows the types of FMCG outlets are available across the India. Every Organization needed to serve a large percentage of these outlets to reap the economies of the scale.

**Table-1:** Types of Outlets in Indian FMCG Retail Industry (Source: ORG-MARG, 2003)

<b>TYPES OF OUTLETS</b>	<b>PERCENTAGE TERMS (%)</b>
Total Outlets	100
Grocer	34.6
General Store	12.8
Food Store	7.1
Cosmetic Store	4.5
Chemist	5.9
PaanBidi	16
Others	19

## **REVIEW OF LITERATURE**

“A Supply chain is the process 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. Managing the chain of events in this process is what is known as supply chain management”.

**Thomas and Griffin (1996)**, management of material and information flows both in and between facilities such as vendors, manufacturing and assembly parts and distribution centers.

**Houlihan (1987)**, integration of various functional areas within an organization to enhance the flow of goods from immediate strategic suppliers through manufacturing and the distribution chain to the end user.

**Farley (1997)** Supply chain management focuses on how firms utilize their supplier's processes, technology, capability to enhance competitive advantage, and the coordination of the manufacturing, logistics and material management functions within an organization.

**Ballou et al. (2000)** The supply chain refers to all those activities with the transformation and flow of goods and services, including their attendant information flows, from the sources of raw materials to end users. Management refers to the integration of all these activities, both internal and external to the firm.

## **OBJECTIVES OF THE STUDY**

To diagnose the limitation faced by different FMCG stockiest of Mumbai city in the utilizing the full advantage of supply chain management. To study the strategic advantage of supply chain management among FMCG stockiest. To study the willingness among different FMCG stockiest to apply better supply chain. To know the satisfaction level of supply chain management services among FMCG stockiest. To know the challenges in the field of supply chain management under changing technological scenario.

## **LIMITATION OF THE STUDY**

Good results depend upon FMCG stockiest willingness to give good and fair response then we can say concretely the result is good. Results of this study and findings are applicable only for Bangalore city and nearby areas. The results may be different of this study in

another place. One of the limitation of this study is that of time limitation due to which it is not possible to do the detailed study. The sample size was taken only 50; it is difficult to say anything concretely.

## **RESEARCH METHODOLOGY**

Research methodology is a description explanation and justification of various methods of conducting research.

### **Market research**

Market research has a broad scope and includes all aspects of the business environment. It asks questions about competitors, market structure, government regulations, economic trends, technological advances, and numerous other factors that make up the business environment. Sometimes the term market research refers more particularly to the financial analysis of companies, industries, or sectors. In this case, financial analysts usually carry out the research and provide the results to invest advisors and potential investors.

### **Sampling**

The sampling plan for the study decides the work area that is the population, which has to be surveyed. A Brief idea about the sampling for this research consisting of its different parameters is given below:

#### **Sampling Method(Judgment sampling)**

In this type of the sampling the researcher uses his judgment to select population members who are good source for accurate information

#### **Sampling universe**

The sample universe is taken Bangalore and nearby areas.

#### **Sample size**

In this study sample size is of 50 FMCG stockiest. Due to the shortage of time and unavailability of expert team the research size is taken short so that the research can be done easily.

#### **Method of data collection**

The research was carried out through survey method with the help of a QUESTIONNAIRE consisting of closed ended question. Due to flexibility, questionnaire method is ideally suited for collection of primary data.





**RESULTS AND DISCUSSIONS - Table1: Frequency Table**

1	<b>Awareness Level towards SCM Fundamental</b>	<b>Respondents</b>	<b>Percentage</b>
	Good	50	50%
	Average	30	30 %
	Poor	20	20 %
	<b>Total</b>	<b>100</b>	<b>100</b>
2	<b>Options for a better Supply chain Solutions</b>	<b>Respondents</b>	<b>Percentage</b>
	Many	50	50 %
	Moderate	26	26 %
	Minimum	24	24 %
	<b>Total</b>	<b>100</b>	<b>100</b>
3	<b>Willingness level to accept SCM</b>	<b>Respondents</b>	<b>Percentage</b>
	Higher	42	42 %
	Average	30	30 %
	Low	28	28 %
	<b>Total</b>	<b>100</b>	<b>100</b>
4	<b>Cost deficiency hindering SCM Implementation</b>	<b>No: of Respondents</b>	<b>Percentage</b>
	Higher	32	32 %
	Average	48	48 %
	Low	20	20 %
	<b>Total</b>	<b>100</b>	<b>100</b>
5	<b>Level of conservative approach hinder to implement Supply chain solutions</b>	<b>Respondents</b>	<b>Percentage</b>
	Higher	40	40 %
	Average	20	20 %
	Low	40	40 %
	<b>Total</b>	<b>100</b>	<b>100</b>
6	<b>Level the unavailability hindering SCM</b>	<b>Respondents</b>	<b>Percentage</b>
	Higher	54	54 %
	Average	28	28 %
	Low	18	18 %
	<b>Total</b>	<b>100</b>	<b>100</b>
7	<b>Level of satisfaction with Supply chain solutions</b>	<b>Respondents</b>	<b>Percentage</b>
	Good	50	50 %
	Average	28	28 %
	Poor	22	22 %
	<b>Total</b>	<b>100</b>	<b>100</b>
8	<b>Observation level of SCM for Scope of business</b>	<b>Respondents</b>	<b>Percentage</b>
	Good	50	50 %
	Average	28	28 %
	Low	22	22 %
	<b>Total</b>	<b>100</b>	<b>100</b>

9	<b>Option preferred as advantages in SCM</b>	<b>Respondents</b>	<b>Percentage</b>
	Better Time Delivery	48	48 %
	Better Inventory Management	20	20 %
	Better Cost Effectiveness	32	32 %
	<b>Total</b>	<b>100</b>	<b>100</b>
10	<b>Level new emerging technologies are beneficial in providing better Supply chain solutions.</b>	<b>No: of Respondents</b>	<b>Percentage</b>
	Higher	44	44 %
	Moderate	34	34 %
	Low	22	22 %
	<b>Total</b>	<b>100</b>	<b>100</b>
11	<b>Role SCM play in the total performance</b>	<b>No: of Respondents</b>	<b>Percentage</b>
	Good	57	57 %
	Average	28	28 %
	Poor	18	18 %
	<b>Total</b>	<b>100</b>	<b>100</b>
12	<b>Level of desire to ask for supplier for much better Supply chain solution</b>	<b>No: of Respondents</b>	<b>Percentage</b>
	Higher	50	50 %
	Average	30	30 %
	Low	20	20 %
	<b>Total</b>	<b>100</b>	<b>100</b>
13	<b>most important option Supply chain solution</b>	<b>Respondents</b>	<b>Percentage</b>
	Better Inventory Management	48	48 %
	Better Location Decision	28	28 %
	Better Transportation Decision	24	24 %
	<b>Total</b>	<b>100</b>	<b>100</b>
14	<b>Level of willingness for outsourcing SCM</b>	<b>Respondents</b>	<b>Percentage</b>
	Higher	26	26 %
	Moderate	22	22 %
	Low	52	52 %
	<b>Total</b>	<b>100</b>	<b>100</b>
15	<b>Level of requirement for FMCG sector in comparison with other commodity for a supply chain solution.</b>	<b>No: of Respondents</b>	<b>Percentage</b>
	Higher	50	50 %
	Moderate	28	28 %
	Low	22	22 %
	<b>Total</b>	<b>100</b>	<b>100</b>
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Most of the stockiest across Bangalore well aware about the Supply Chain Management fundamental but approximately 20 % stockiest don't aware Supply Chain Management fundamental; they follow traditional way to deliver good to their customers. This research survey will have positive impact on perception of stockiest regarding Supply Chain Management fundamental. On the basis of above response, most of the stockiest have many options for Supply Chain solutions, some have moderate level of options for supply chain solutions. But 24 % stockiest have only few options for alternative Supply Chain Solutions. Those who have only few options for Supply Chain feel trouble when they want to increase supply chain performance. Supply chain management is one of the most tools to increase total profitability. Particularly in case of stockiest business supply chain contribution is major part of total profit. But in Bangalore 28 % stockiest don't belief that supply chain is major part of their total profit. Supply chain cost is major part of total cost in stockiest business, effective supply chain management will helpful in reduction of cost and increase profit. But in survey 20 % stockiest response low for cost deficiency hinders to implement supply chain solutions. Satisfaction is derived from performance of business, those who have implement better supply chain solution have better performance than those who have not implement effective supply chain solutions. In the survey 22 % stockiest are not satisfy with their business performance they have to implement effective supply chain solutions. Success of business motivates people to increase scope of business. In particularly stockiest business track of good performance motivates stockiest to include some new product to deliver their customers. Scope of business depends on flexibility of supply chain solution. But in survey 22 % stockiest have low Observation of the Supply chain solution is advantages for the scope of business. FMCG products are perishable in nature at some extent, so delivery at time is important, some products got perished if we keep it normal temperature so it require cryogenic store to keep it safe for future use, it means that delivery time and inventory management is equally important. More over better inventory management is also reduce total cost. But in survey only 20 % stockiest choose Better Inventory Managements advantages in implement Supply chain solutions. Emerging technologies are beneficial in providing better Supply chain solutions, for example tracking and tracing system. In survey 22 % stockiest responses low as emerging technologies are beneficial in providing better supply chain solutions which shows that either they don't aware or not interested to use emerging technologies in their business process. In the

business of stockiest, role of supply chain is most important because it is all about supply chain business, but survey result shows that 18 % stockiest consider poor role of supply chain management in their total performance. As we all know that there are number of big companies in FMCG sector eg- ITC, Pepsi, and Coca Cola. They can provide better supply chain solutions if stockiest ask them to improve their supply chain solutions. But in survey 20 % stockiest have low desire to ask them to improve their supply chain solutions. Inventory management, location decision and transportation decision are all equally important for effective supply chain solutions. Result of study is satisfactory. Stockiest don't like to outsource supply chain solutions because their business is all about supply chain business if they outsource supply chain solutions from third party supply chain service provider it directly impact their total profit. But 26 % stockiest like to outsource supply chain solutions.

## **FINDINGS**

1. People are not well aware about SCM scope because still 20% dealer is having poor awareness level.
2. Dealer are not having much opinion as a supply chain solution services because this service sector is not well incorporated by service sector icons In the area of Bangalore so well.
3. Willingness level to accept the supply chain management advantage of better profitability achievement is also not very satisfactory.
4. Still in days globalized scenario cost play a major hindrance agent in the better SCM options by a dealer.
5. The approach is now future looking but still 40% dealers are conservative.
6. Only few better SCM providers are available in the Bangalore region.
7. Satisfaction level is quite balances with still 22 % people are not well satisfied.
8. Dealers feel SCM may provide advantage to them and their prospects in business.
9. Timely delivery of product is most important advantage factor.
10. Dealer is technology focus and they feel that emerging technologies are beneficial to them.
11. Role of SCM as a strategy is high.
12. Level of desire to ask their supplier for better supply chain solutions is good but still 20% are not having better mindset.
13. Inventory management is most important component felt by the dealers of the SCM.

14. Willingness for the outsourcing is not quite satisfactory.

## CONCLUSION

Still the FMCG dealer is not well aware they are conservative and believe in traditional SCM practices. Their approach is now changing but cost factors and unavailability of better SCM solutions provided hinder their chances of better SCM services accessibility. As per result of the survey many stockiest are not aware of supply chain management fundamental as a strategy to take the advantage in the supply chain of FMCG products. This shows that FMCG stockiest using traditional way in product distributions. Number of supply chain options available is influence the overall performance but many dealers are not having much number of supply chain solutions because this service sector is still in growing stage, many alternative service providers have increased by increasing the popularity of supply chain as a strategy to make business success. In today's business supply chain management plays an important role which directly affects total profitability of business, effective supply chain management is useful in total cost reduction so many business organizations consider it as serious decision. But survey shows that few stockiest don't accept supply chain management advantage of better profitability achievement. Successful track record of business motivates stockiest to include some new products to serve their clients. Flexible supply chain management helps to add new product in their service. But some stockiest have poor flexibility in their supply chain management which cause trouble to include some new product in their service, which means scope of business is limited. The researcher considered three criteria (Better time delivery, better inventory management and better cost effectiveness) in implementing supply chain solutions; out of these three criteria better time delivery and better inventory management are important for FMCG products. However the result of study shows that many stockiest still consider better cost effectiveness are important criteria in implementation of supply chain solutions. In addition to above three basic criteria location and transportation decision are also important issue in implementing and conducting better supply chain service. Most of the stockiest consider it equally important as above three criteria. New emerging technologies are beneficial in providing better supply chain solutions, eg. Tracking and tracing system. But some dealer don't think that new emerging technologies are beneficial in providing better supply chain solutions, this is due to poor awareness of application of technologies in supply chain service to dealer. There are many big business organizations in FMCG sector, eg. ITC, HUL. They can cooperate their dealer to implement effective supply chain solutions, if dealer ask them

for that purpose, but survey result shows that approximately 20 % dealer don't like to ask their supplier to improve or implement supply chain solutions.

So need is to create a better promotional awareness by FMCG key players to offer different version of SCM solutions because dealer feel that they can offer better time bound delivery of product to their customer and can manage their inventory in a better and a strategic advantage to their business.

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