

Impact of Supply Chain Management Practices on Retail Performance with Special Reference to Electrical Industries

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Abstract

The importance of Supply Chain Management (SCM) has increased over the years. There are lot of new methods, strategies and practices introduced in Supply Chain Management activities. The impact of SCM strategies and Practices are crucial in retail sector as it is directly influence in the Retail Performance. This study focuses on some of the important Supply Chain Management Practices such as Strategic supplier relationship, Customer relation, Information sharing and Adoption of new technology and its effect on Retail Performance which indicates in Cost saving, Good quality, Sales growth, Profit margin and Customer retention. In this paper the researchers propose a theoretical framework based on SCM strategies and Organizational Performance.

Introduction

Retailing includes the activities in selling goods to the ultimate consumers; it is the part of distribution channel in the 4P's of marketing. Retailing, one of the largest sectors in the global economy, has become the most active and attractive sector of the last decade. The retail supply chain management has been wildly acknowledged as a very important business strategy especially in this era of globalization (Carneiro, 2000; and Blome et al., 2013) especially in small, medium and large companies. The retailers are facing different kinds of challenges in their effort of competing in today's dynamic global markets. To remain competitive retailers must recognize the importance of supply chain practices that improve their joint performance with other partners.

The phase from 1990s onward is recognized as the era of supply chain management. American production and inventory control society (APICS) defines SCM as "Organizations that successively transforms raw materials into intermediate goods then to final goods and deliver them to customers (Deshmukh and Mohantray; 1999).

According to T.Davis(1993) "The supply chain management is the 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 hands of ultimate customers"

This paper briefly reviews some concepts in supply chain management and the impact of them in retail performance. There are various concepts and practices adopted by retailers through years to increase their performance such as strategic supplier relationship, customer relationship, information sharing and adoption of new technology. The effect of these practices is directly reflected in cost saving, providing good quality products, improving sales, increasing profit and having a good customer base.

Strategies in SCM Practices

From exploratory research done by Omainet *al.* (2010) based on previous studies argued that the implementation of SCM practices differ depending on the country and type of organization involve. This means different organizations and countries have a different set of practices in implementing SCM; this is due to the fact that different managerial perceptions of how supply chain components are related to each other and to the organization, different style of management, different world views from different country and cultural differences. Therefore,

there is no clear set of supplychain practices suitable for all industries or countries. The well accepted SCM practices adopted by organizations to improve their performance are listed below.

1. Strategic – Supplier relationship:-Long term relationship between the organization and its suppliers. It is designed to leverage the strategic and operational capabilities of individual participating organizations to help them to achieve significant ongoing benefits.
2. Customer Relationship:-The practice of serving the purpose of managing customer complaints, building long term relationships with customers and enhancing customer satisfaction.
3. Information Sharing:- Information exchanged in order to make the entire supply chain more competitive and resourceful.
4. Adoption of New Technology: - Technologies that helped to speed up the movement of goods and services from the manufacture to customers.

The Effect of SCM Practices on Organisational Performance

The recent business environment is growing to be more challenging and so companies have to increase their business operations to stay competitive. According to this idea, one of the most important factors for improving business operations is implementing of SCM practices that will translate into improved organizational performance. Some of the evident features are

1. Cost Saving:- With an appropriated strategic planning, it may be anticipated that the utilization of resources will be optimized leading to cost savings. Reduced cycle time in production could be materialized through reducing set-up time and by eliminating non-value added activities. With a shortened cycle time, more orders could be processed, which would then result in improved efficiency and reduced production cost per unit.
2. Good Quality:- The ability of an organization to offer product quality and performance, creates higher value for customers. A lot of companies emphasize quality as a means to stay competitive in the market place over the long run. Implementation of SCM practices will ensure production of high quality products as well as production of quality services.
3. Profit Margin:- Profit margin is the ratio of net operating profit to sales. Implementing of SCM practices such as customer relationship, information sharing, improve organizational profit margin because it allows organizations to access valuable information which will enable them to differentiate its products from the competitors and hence sustain customer loyalty.
4. Sales Growth:- Through practice of supply chain benchmarking, emerging a leader in the industry would provide a firm with the opportunity of increased sales.
5. Customer Retention:- An effective SCM practice create a set of loyal customers, who will stay longer, buy more, contacts for requirements and this makes easy for organization to retain their customer base.

The findings of the proposed study will have both theoretical and practical implementation for the future of supply chain management in Retail Industry. Theoretically the study is expected to contribute to the advancement of knowledge about the importance of supply chain management practices to organization performance.

Conceptual Framework



Literature Review

Review of literature support the researcher to understand the familiar of their research works with concepts and conclusions already evolved by earlier analysis. It also enables the present researcher to measure the scope for future study and to frame appropriate objectives for the proposed evaluation. The researcher attempts to analyses the already existing pieces of documented knowledge regarding retailing business, which is available through various sources such as books, journals, agency reports, newspaper, magazines and internet.

Mejz and Wisner (2001) study aimed to determine the scope of processes that are being integrated across organizational borders. The study findings indicated that a large number of companies that practice supply chain management are attempting to integrate logistics, marketing and operations oriented processes across supply chains.

Singh et.al (2010) research work aimed to conceptualize and develops five secondary constructs for supply chain practices (use of technology, SC speed, Customer satisfaction, SC Integration and Inventory management). The research also identifies four primary competitive advantage constructs (Inventory Management, Customer satisfaction, Profitability and Customer Base Identification) and six primary organizational performances construct (Market Performance, SC Competencies, Stakeholder Satisfaction, and Innovation and Learning). The results of the study indicate that Indian retailers know that competitive advantage has high impact on SCP.

VenkataamRavilochanan (2014) article emphasis on the role of SCM in the organized and unorganized Indian retail. The study findings revealed that the roles of various factors like, information flow, inventory management, sourcing, transportation, warehousing, reverse logistics, demand forecasting and supply chain execution plays as key drivers for an efficient supply chain management.

Data and Methodology

There are a number of practices adopted by retailers to increase organizational performance, which indicates in cost saving, good quality, sales growth, profit margin, customer retention etc. Some of the important practices which we consider for this study are strategic supplier relationship, customer relation, information sharing and adoption of new technology.

In this study a questionnaire of 5point was used for the collection of data. The Likert scale that was used in this research is considered as categories, 1 – not at all, 2 – to a small extent, 3 – to a moderate extent, 4 – to a great extent and 5 – to a very great extent. To check for the relationship values rated from 1 and 2 were considered to have weak effect while values rated 4 and 5 considered to have a strong effect. The data were collected from 50 electrical retailers in Chennai and analyzed through percentage and X² method and is interpreted based on the results of the statistical tools.

Findings

Out of 50 questionnaires given to respondents 40 questionnaires were valid and these responses were used for data analysis. This was a response rate of 80%.

It was observed that there is a significant association between the SCM practices like Strategic Supplier Relationship, Customer Relation, Information Sharing and Adoption of New Technology and the organizational Performance parameters like Cost Saving, Good Quality, Sales Growth, Profit Margin and Customer Retention.

From the reports of key informants and secondary data to provide a baseline data, which indicates that before the implementation of some of the Supply Chain Management practices especially the strategic Partnership and Customer Relationship Management the performance of the organization was not performing as well as now in terms of the cost saving, sales, profit ,customer retention. Therefore the researcher can conclude that there is a positive impact of Supply Chain Management Practices to Organizational Performance.

Conclusions

In conclusion of the study, it was observed that all the supply chain practices studied had a positive effect on the Organization's Performance. To improve Organizational Performance the Supply Chain Management focus on Cost Saving, Quality of Goods, Sales Growth, Profit Margin and Retention of Customer.

However, it was noted that some of the respondents were not well-versed with the new techniques used in Supply Chain Management and hence they disagree with the implementation of it, which is considered as very crucial in the improvement of efficiency in Supply Chain Management Practices, which leads to Organizational Performance. This can be eliminated through knowledge sharing between the members in the Supply Chain Management.

This study is very relevant to Electrical Industries, where still the traditional relationship trading concepts exists. Based on the findings, the researcher recommended that the retailers should take a serious attention on relationship between the Supply Chain Management and Performance Improvement in Electrical Industry and should have a correct mix of practices that would lead to improve the performance of the retailers.

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