

CHAPTER III

SUPPLY CHAIN MANAGEMENT IN RETAIL AND MANUFACTURING INDUSTRIES

3. SCM: Definition & Scope

3.1 What is supply chain management?

In the globalized competition around the world are in search of a powerful source of competitive advantage. The same advantage is found in terms of Supply Chain Management, which encompasses all integrated activities which are associated with the Traveling or transportation of the product to satisfy the Customers.

The Supply Chain Management consists of integrated Manufacturing Functions i.e. operations, Purchasing, Transportation and the Proper distribution of different components at different locations & Positions wherever they are needed. The Supply Chain Management is a flexible manufacturing Process which includes various tasks to be done and that functions of manufacturing Processes linked together by Supply Chain Management. The SCM consists of different departments, different vendors, suppliers, transportations or logistics services, third party companies and the IT supports required and coordinate together.

The organizational supply chain management refers different functions and activities which covers in inbound logistic and outbound logistic, inventory control, procurement, sourcing, ware housing etc. which performs well under one roof of supply chain management and which control and monitor different important functions like scheduling, order processing, customers service, forecasting, production planning etc.

3.2 Elements of Supply Chains

The supply chain process associated with various elements that are as follows:

1. Purchasing-

The purchasing department receives a list of raw materials needed for the manufacturing the products required by the production department to complete the customers' orders for the products.

2. Inventory-

After receiving the production planning details the required raw materials are listed and procured accordingly. The purchased raw material is then stored and used sequentially for the production of product. The suppliers send invoice to the company for the items delivered to the industry.

3. Production-

According to the production plan raw materials moved from inventory to the shop floor for the further processing. The products are then manufactured according to the order made by the customers and on the materials send by the suppliers. After the completion of all manufacturing processes on the material, finished goods or products are send to the quality checking department and then to the dispatch.

4. Transportation-

The completed order in form of the finished goods or the products is ready to dispatch to the retailers for the selling of products to customers as per the orders made by the customers. The company will send the invoices for the delivered products.

3.3 Supply Chain Business Process Integration-

Successful Supply Chain Management requires managing individual's functions to integration activities into key supply chain processes by using the appropriate channels. The marketing department communicates with several distributions and retailers to determine the requirements from the market. The information is shared between supply chains Partners Company leveraged through the process integration.

The supply chain business process integration includes collaborative work between buyers and suppliers, joint product development common systems and shared information and the coordination of all these parameters with each other.

The key supply chain process is as follows.

1. Customer Relationship Management(CRM)
2. Customer Service Management(CSM)
3. Demand Management(DM)
4. Order Fulfilment(OF)
5. Manufacturing Flow Management(MFM)
6. Supplier Relationship Management(SRM)
7. Product Development and Commercialization(PDC)
8. Returns Management(RM)

Many researchers had written regarding demand management but there are after factors also which has to consider in the study as-

- 1) Internal and external collaboration
- 2) Lead time reduction initiatives
- 3) Tighter feedback from customer and markets demand
- 4) Customer level forecasting

There are some key critical supply chains processes are as follows-

1. Customers service management
2. Preferment
3. Product development and commercialization
4. Manufacturing flow management / Support
5. Physical distribution
6. Out sourcing / partnerships
7. Performance measurement.

3.4 Keys for Supply Chain Management in Retail

In the western world the retailing is quite mature, saturated and subjected to competition for the business. The growth and the development to retail world is totally depends upon sustainable competitive advantage to stand in globalization.

There are some factors focused of retail industries to market customers.

1. Availability of wider range product
2. Choice of more brands.
3. Choice of more variants
4. Barter quality products
5. Fresh bow stock
6. Curtaining for availability
7. Best price availability
8. Closer to house (Customers)
9. Proximity to the place and work
10. Easy to uses the purchasing in retails
11. Variety of payment modes

1) Availability of Wider Range Products-

In the globalization market is converted into global market. The media and other sources of communication make customer aware of the various products and brands of different segments of the product and therefore the requirements of the international brands in the market makes markets and industries to reach to the customer internationally.

2) Choice of more Brands-

As discussed the brands available in the market allowing home requirements of customers internationally and therefore there are so many brands available at the retail and that makes the choices for the brands for the customers.

3) Choice of more Variants-

Variations in the brands and products make market so flexible that the customer satisfaction is attained by keeping the variations in the brands and qualities of the products.

4) Better quality products-

Market is getting segmented as per the needs and requirements of the customers and therefore quality, price and availability are the factors on which the customs are getting regimented. But the latest technologies and the methodologies reduces the cost of the product and so the price of the product. Therefore the improved quality with less price products is getting popular intentionally and so the quality of product is part of retails.

5) Fresh and New Stock-

Changing trend of the market makes the changes in the fashion and quality of the products. Fast change in the fashion and life style of the customer puts the pressure on the manufacturer to change the designs and fashions accordingly and therefore customers need all the times fresh and new patterns and fashion in the product.

6) Certainty in the Availability-

The increased competition in the market for the products puts some pressure on the retails to make the availability of the products at all time and so on the manufacturer to fulfill the requirements from the market. Therefore the need of materials and manufactures to make certainty is important and so the role of supply chains to coordinate retails and the manufacturers.

7) Better customer Service-

Customer service is becoming an important factors for the retailers to compete in the highly competitive market because the comfort and convenience are the factors are getting considered by the customer and to maintain the performance of the product well and good additional benefits with the products are necessary to the customer and therefore customer service is very important task for retailers.

8) Best Price Availability-

In the highly competitive market the price of the product becoming so important to stand the product in the market with better performance compare to all the product of same functions with the same ranges. The similar kind of products is available in the market with different prices and therefore customer has to select the best product with the best price available.

3.4.1 Customer Service-

1. Closer to house (Customers)-

Customers want to have the retail outlets nearby their residences that they should not require to go far for shopping and therefore customers want more outlets of retails closer to houses.

2. Easy to Asses Punishing-

Retails outlets provide asses to the purchase very convenient for the customers. The better the convincingly more customers are willing to purchase and better the service for purchasing more the convenience added in the purchasing.

3. Variety of Payment Modes-

Retails shopping are getting more and more convenient for purchasing the product customer need not to carry lot of money in the pocket. Net banking, credit card, debit cards, festival cards, discount cards, cash on delivery etc. options for the payment of product is available and therefore there in convincingly added in the purchasing in the retail outlets.

3.5 Supply Chain Management in Manufacturing Industries

In the globalization of the market the life cycles of the products has been reduced and the expectations of the customers has been increased and to attain this the manufacturers has to brought the better supply chains and the better control, coordination's, the better efficient working of the manufacturing industries and so the products performance in the globalized market.

The supply chain management of the manufacturing is somewhat different from the retail supply chain management in different aspects. The manufacturing supply chain system has lot of work to reduce the different unwanted expenditures and different costs which gets reduced or eliminated by proper working and by minimizing the transportation cost and reducing the inventory costs.

Generally speaking Supply Chain Management focuses on the creating values through certain innovations in processes to improve the process, services and the customer satisfaction through the fulfillment of the requirements from the product. The evolution of industrial Supply Chain Management is from the traditional purchasing systems which grows through the importance assisted to the process, logistics and the owner functioned elements of the operational management conventional procurement system is different from the SCM approach which includes different aspects which are having crucial role in the enhancement of the firms capabilities and the efficiency of time through the efficient structure and policies associated with supply chain management.

Supply chain management is having certain influences by the trends which impact on SCM industrial supply chain is having two important segments i.e. demand and supply are associated with

1. Uneven growth of business
2. Fragmentation
3. Accelerated volatilis
4. Importance of Supply Chains
5. Differentiated outsourcing
6. Low cost counting sourcing
7. Risk management

8. Transparency / accountability

As retail supply chain having certain changes from manufacturing supply chain challenges manufacturing supply chain having the different challenges is as follows:

1. Visibility
2. Cost containment
3. Risk management
4. Increasing customer demand
5. Globalization

Apart from these challenges the important and the crucial factor which influence and affect the manufacturing supply chain is buyer supplier relationship.

➤ **Important factors for supply chain management**

Earlier the manufacturing system was the conventional means the products are produced and they were send to the market but that arises the problems of inventory in quality of the product, the improper selling of the product but now a days the survey and the feedbacks from the markets are taken and depending upon that the manufacturing is done by the pull system i.e. whatever is the demand of the market that amount and quality of the products are produced and send to the markets.

Earlier the inventory was the term which has to carry to the manufacturers and the retailers but now a days the inventory is made by the suppliers and therefore the task and problems of inventory was reduced to the manufactures but the supply chain management receives one more and important function of reducing the inventory by giving the proper logistics support and the on time delivery. Manufacturing supply chain management includes transforming raw materials into final finished goods or products to meet the needs and demands of customer. The process listed the following factors supported the supply chain management for manufacturing industries

1. Suppliers
2. Purchasing
3. Material Processing
4. Sub-assembly

5. Physical distribution
6. Customers

In the manufacturing industries production planning and control department receives the orders for production as per the instructions given from the top management as they receive the requirements from the market and from customers.

Further PPC department plan for the production accordingly and send the facts and process planning to various departments for manufacturing of the products for the specific no. of products.

Purchase department send the requirements to the suppliers collected from production department. Suppliers supply the raw materials, tools and other materials required for the manufacturing the product. Purchasing the raw material and goods required several processes to perform as collecting requirements from the various departments, identify the suppliers supplying the goods or raw materials, selecting the best suppliers. Receiving the goods or raw materials from the suppliers and dispatched that to the various departments. After receiving the raw materials, production department starts manufacturing the product. After completion of product the final finished goods or products then send to the quality departments for quality checks, then it is send to the dispatch department for distribution and then to the customer. The long process of manufacturing the goods or products requires variety of operations to perform and that requires decision making and strategy implementation made by the top management. To execute all these needs to have supply chains management. Some basic strategies and planning needed to formulate better purchasing and supply as follows.

Firms position for production of the products must be evaluable for identifying the activities the opposing the functioning of the firm that can help for the source planning.

1. The assessment of the role of various suppliers is required.
2. To evaluate the potential for the technical and innovative development of the supplies.
3. To find the reversibility in investments for the specific relationship or for some specific technological functions.

Generally the activities associated with supply chain management are focused on creating values, from innovation in process and from the improvement of products and services given to the end customers. The growing importance assigned to procurement and logistics, such that it becomes strategic important element for operational management which gave the birth to Supply Chain Management concept.

There are three main categories of Supply Chain Management identified from the literature are-

- a) A management philosophy
- b) The implementation of management philosophy
- c) A set of management processes.

There are several discussions went on supply chain management, some made the concept that Supply Chain Management is synonym to logistic and others made a concept that it encompassing all business integration. Some of the authors equate it with the management of anything that stands between the raw materials and the product delivered to the end customers, even including after sales services. In brief the Supply Chain Management can be recognized as it is between the logistics and the business integration or business operations as a whole.

In manufacturing Supply Chain Management procurement is labeled as "traditional" or "purchase of supply" approach, while the manufacturing Supply Chain Management may be called as advanced managerial approach to the management if supply activities coherent with the company's strategic objective. There are some key points to consider determining the necessity of Supply Chain Management to fulfillment of the firm's strategic objective.

1. SCM provides a systemic response of the firm for the increasing complexity and uncertainty of the environment, therefore such complexities pushes towards the adoption for holistic approach for the process management.
2. SCM is a process needs the integrations of strategic analysis which involves in the strategic decisions for the specific relevance for the competitiveness of the firm's manufacturing.

3. SCM is a far expensive process than the traditional process and logistic functions. It requires the role of thirty parties to support to make firm more competitive and implies cross-boundaries coordination process and highlights the concept of network management.
4. Manufacturing SCM is tries to sort out the duality between industry and market and increase the firm's flexibility and reversibility to put the relation with benefits of control and of storability.

3.6 Supply Chain Challenges

The study of supply chain includes major and important factors for the development and improvement of business. There are various challenges to perform well and to increase the profitability and efficiency as discussed below.

1. Visibility
2. Cost containment
3. Risk management
4. Increasing customer demand and
5. Globalization

All these five factors are generated from the increased heavy competition in the market and that influences the business processes. Visibility is an important function of the SCM because the change in the market conditions is the prominent factor to be considered while designing the SCM policies and its methodologies:

Indian supply chain services are lagging behind the some other supply chains in the some extents. These five parameters are cleanly indicating the need and scope of considerable improvements to make them more effective and responsible for making system efficient and effective.

3.6.1 Strategies for overcoming challenges

There are some factors need to be understand by the Indian supply chain industries such as

1. The implementation of advanced supply chain concept in a developing economy and in the efficient market.
2. Importance and the advantage provided by establishing collaborative relationship between suppliers and the vendors.

To overcome the challenges faced by the Indian SCM are discussed as below:

Splintering a complex supply chain has advantages of reducing complexities, enhancing company's visibility, effective application of lean techniques leading to agility to need evolving business dynamic and to make business efficient. Indian supply chain industries therefore reduces these challenges and to enhance the competitiveness and that are discussed as

Global outlook

This includes the focus on the developing and maintaining the global markets especially in automobiles, electronics and auto component sector by adopting a global outlook for supplier's management, manufacturing sales, etc.

The modern techniques and tools used in many industries to reduce lead time of the process, to improve the efficiencies of the processes, to increase the reliability and the process. These techniques are developed in Japan in Toyota. That are as following

- JIT (Just in time)
- Kaizen
- Lean Supply Chain Management
- TQM
- TPM
- Six Sigma etc.

Out of all these the Lean Supply Chain Management is commonly used tool nowadays.