

CHAPTER IV

COMPARISON OF MANUFACTURING AND RETAIL SUPPLY CHAIN MANAGEMENT

4.1 A Flexible Approach for the comparison between manufacturing and retail supply chain process-

There are some common problems and the procedures in both manufacturing and retail supply chain process and therefore the chapter will help to understand the basic requirements of SCM for both manufacturing and retail supply chain. Specialization for the design, development and implementation of solutions of supply chain management problems involves

1. Strategic Analysis
2. Specification
3. Implementation

4.2.3 Strategic Analysis-

It is a systematic analysis of the current and future needs of business and development of all solutions to these requirements. The use of computer models are normally involves to gain full understanding of the key issues and to examine the practical alternatives. A strong recommendations for the most appropriate and cost effective solutions.

1. Gives confidence in the recommended solution
2. Identify a clear way forward
3. Determines the associated cost and timescales
4. Enables the next stage of the project to be planned.

4.2.4 Specification-

The recommendations have to include operational details, equipment, buildings and enabling system to be purchased to meet the exact requirements of the solution this provides-

- 1 Correct logical processes on each aspects for the solution
- 2 Proposals which minimizing the risk of unforeseen cost with a clear specification
- 3 Cost budgets for finalized project
- 4 Procurement of competitive equipment
- 5 Agreed implementation timescales.

4.2 Implementation-

It owns the responsibility for managing the equipment and supplier selection, contract negotiation and placement. Contract management includes the completion of the projects in accordance with the requirement of time, cost and quality. The framework focuses on the time key dimensions of supply chain management through the implementation procedure which are required to achieve greater performance.

4.2.1 Strategy-

The key decision factors for the managers are as follows-

- 1 What are the requirements for the supply chain with the business strategy
- 2 What are the levels of customer services must be provided to every customer segment to compete effectively
- 3 Which are the channels of distributions which meets our goals and customer's needs?

4.2.2 Infrastructure-

It affects cost service performance which creates boundaries for supply chain must appear and for that the requirements

- 1 Is the current course is getting nationalized
- 2 Is there a use of contract manufacturing or third party logistic capabilities?

- 3 What are the services of transformation best link together network of facilities?
- 4 Which activities are possible for out sourcing

4.2.3 Organization-

Providing the important factors cohesion, harmony and integration across organization entities and for the following and questions considered-

- 1 What are the level of cross functional integration required to manage core processes efficiently and effectively
- 2 How to leverage cross company skills and ability for business
- 3 What is the performance measurement and reporting will help to achieve objectives for business.

4.2.4 Technology-

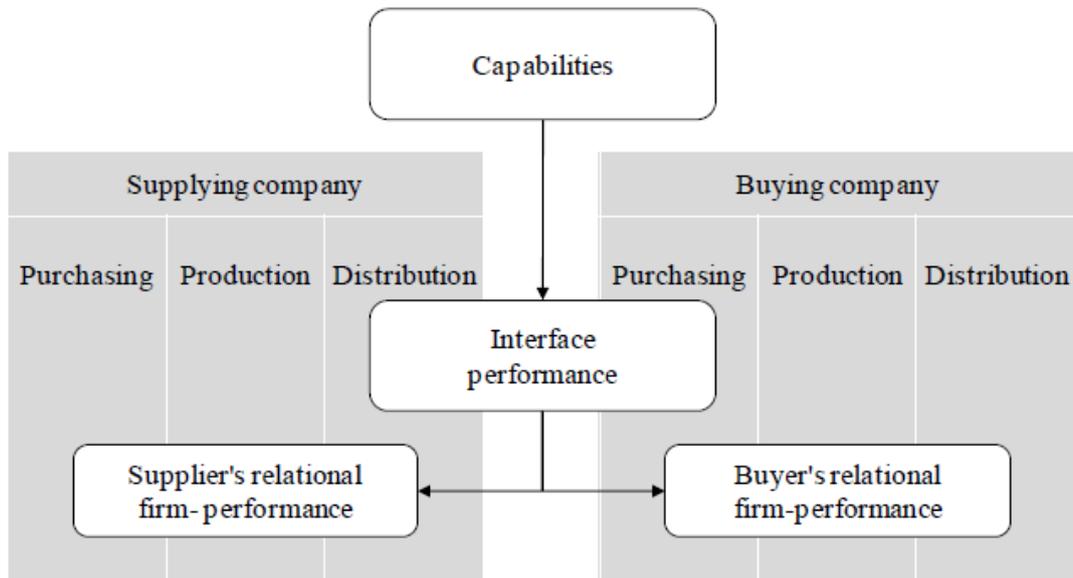
Technology empowers the supply chain to operate on a new level of performance through the advanced and efficient applications and methodology.

4.3 Buyer Supplier Relationship

It is an important and functional part of the supply chain process in both manufacturing as well as retail supply chain process. It is presented properly with the figure below.

Fig. no. 4.1

Framework for buyer supplier relationship



Source: www.scm.com

4.3.1 Conceptualization of the structure of the economy

Firm's economy may be defined as the various types of activities information flow and resources used to support and develop the operational buyer supplier relationships. Economy is most conceptual factor because both buyer and suppliers are more concern for the costing and the profit gained through the operations.

Conceptualization of the internal political structure

The internal structure is measured in terms of the interdependence of buyers and suppliers so the evaluations of the relationship policy directly relates to the interdependency.

4.3.2 Conceptualization of the climate

Climate is the important factor and dominant attributes in buyer supplier relationship. Conflict and cooperation are the two sentiments which regularly exchange the relationship. There are some factors which develop the climate suitable for the joint operations of buyer suppliers are trust, commitment, relational norms and

functional conflicts resolutions method. The cooperative behavior is a common attitude towards the achievement of the common goal of buyer suppliers.

4.3.3 Conceptualization of performance

Financial costs and the benefits are closely associated with the firm's performance. Impact of partnership on supplier performance is the important to understand because the performance of both individuals combine getting measured in the operations and then can be helpful to analyze the profit from the operations of firm.

The other important parameters of buyer's supplier relationship are listed below which need to be focused to understand the effectiveness of buyer supplier relationship on the business.

- 1 Trust
- 2 Communication
- 3 Interpersonal relationship
- 4 Cooperation
- 5 Power dependence.

Trust is important factor to make the complex situations in business simple. The trustworthiness on both professional and personal level adds certain benefits in improving firm's credibility in any kind of business situations. The reputation of the supplier finally has a significant effect to satisfactorily improvement of credibility of business.

Following are the benefits which can buildings trust in business relationship

➤ **Business relationship**

- 1) To decrease the cost of transaction in an relationship exchange
- 2) To reduce the risks developed by opportunistic behavior.
- 3) To increase long term orientation
- 4) To make idiosyncratic investments

5) To increase in future opportunities in business

6) To facilitate cooperative transactions.

The communications and the exchange of relationship play a vital role to improve the long term relationship in buyers and suppliers. That trust added in the relationship may help to believe can each other at any point of business and that can avoid to blaming on each other. Future opportunities associated with all the working conditions and in various fields may get improve by adding trust in the relationship of buyer and supplier the trust in business is classified in some types as

1 personal trust

2 Organisational trust.

1) Personal trust

in any kind of business personals are the sole responsible for work assigned to them and decisions taken from them in favor of the business the trust on that personals can increase the percentage of effective work from him because the trust shown on him can make him trustworthy and responsible to do good work for business. Like this the trust in personal perspective is important to have smooth and faster operations in any kind of business in any conditions of business

2) Organizational trust

Many times the working of business may include the working of more than one organizations and that may give some business conflicts and problems in inter organizations and that may age some business conflicts and problem in inter organizations and therefore the trust of one organization is more important to carry out all the business operations effectively and successfully.

4.3.4 Communication

Communication is an important aspect of any business which takes a functional role in smooth conduct of operations of business. Sometimes in seasonal product the product life cycle of product is shorter and that need of product is shorter and that need to have very precise and accurate communication with the more speed

and pace of information flow regarding the product and its performance in market. Nowadays demands of fluctuating market need gets fluctuated, but for doing so many complicated processes has to perform and many complex parameters needs to get understand to tackle the fluctuations of market demands. Therefore the communications plays vital role for performing well in operations of business.

4.3.5 Interpersonal Relationship

Relationship in between the different personals of same or different organization of same or different rankings needs to be very prominent and transparent. The working of operations in different organizations is segmented and each segment is headed by separate personals who hold some powers and authority to perform the different task and therefore the relationship between such authorities and person is crucial to perform well in business.

4.3.6 Cooperation

It is the similar kind of complementary actions taken by organization independently to help business to achieve the common outcomes and goals with cooperation. As the operations carried out and discussed earlier describes the role of communications and coordination crucial in developing the buyer supplier's relationship. All these things together termed as cooperation for the better coordination and which helps to pace the operations of business. Reliability of organizations gets improved by the proper's coordination and cooperation of the personals and organizations.

4.3.7 Power dependence -

The term power is closely related to the relationship of all the members of the specific channels are assigned some task of perform by allotting them different powers related to their work. The power distribution might have some differences and that may provide some dominance of one member over the another members of the channel and that may be reasons for conflicts and the differences, therefore the proper distribution of the power and authorities associated with all the members of channels needed with some liberties along with the work. These are the practices regarding the supply chain and other kind of work in buyer supplier's relationship

There are some factors on which the power base need to perform good.

- 1 Coercion that explains it supplier does not provide on time delivery or withholds order then they should deserve the punishment in terms of some fine or exam duties.
- 2 Expert suppliers may have good knowledge and retail selling skill regarding the product.
- 3 Reverent sometimes suppliers may have pride for their products having certain outlets.
- 4 Traditional legitimate, many times the suppliers felt to influence marketing policies.
- 5 Legal legitimate a formal sales contract must be maintained by both suppliers and retailers.

Various studies had shown the impact of power on buyer supplier relationships and the performance associated with channel distribution. Following are some key findings for the impact of power on the performance of supply chain management.

- 6 The performances of the channel members may be effected by power any countervailing owner.
- 7 Mediated power used by supplier results in reducing the performance of supplier and without using the mediated power their performance might be higher.
- 8 Coercive power affecting negatively on the financial performance and the operational performance.
- 9 Coercive bases of power having positively impact on the conflict and non-Coercive bases of power having inversely impact on conflict.
- 10 Dependence and Coercive bases of power are positively related to cooperation and coercive bases of power are negatively related to cooperation
- 11 Along aggressive power used is having strongly positive impact on the distribution satisfaction and good relationship with the suppliers.
- 12 The system of rewards is having negative impact on the financial performance and operational performance.

- 13 The performance of the marketing channel members may be affected by the use of power.
- 14 Expert and referent powers are positively related to the strong relationship between buyer and supplier
- 15 Dependence of retailers on suppliers are positively related to the supply chain performance.

4.3.8 Purchasing Process

The process of purchasing includes contribution to manage consumers demand, product reputation, delivery and properties of product.

Supply contracts - The contract made by buyer and suppliers mainly specifies the roles of both the parties in their relationship. Even though there are formal contracts but the handshake agreement is quite preferred by the both parties.

The retailers or manufactures supposed to place their orders for six months ahead of the seasonal securing of the product in market to ensure the availability in the season. The payment for the same should be paid within the prescribed criterion and for the rejection or returning of goods or raw materials should follow the predefined rules as per the agreement made by the both buyer and supplier.

4.3.9 Parallel Imports:

Parallel imports are also called as grey marketing which means that genuine product brought into a country with no authentication and without a copy with, patent or trademark owner for making the competition of the existing authorized products in the market. Parallel imports are a part of heated discussion or study not only carried out in U.S. and U.K. but in Africa, Asia and at many countries.

There are some negative impact of parallel imports are pointed for the studies as follows.

- 1 The image of the brand gets damaged and manufacturer and dealer's relationships may get negatively affected.
- 2 Profitability of the authorized distributors and market share may get disrupted.
- 3 The trust for product and distributors may lose to consumers.

4.4 Buyers Supplier relationship and transaction cost economics

It is mainly focused on the differences of cost in between the international organization through various processors and activities e.g. production cost. The optimality of the buyer supplier relationship is associated with the lowest possible total cost which includes the balanced purchasing costs. Planning, adopting and monitoring the truncated operations for the production of the product.

TCE helpful to improve efficiencies flexibility and overall performance issues as well as it helps in transaction specific investments, uncertainty specific investments and frequency of the firm and market.

Companies should address the following points to achieve the great efficiency.

- 4 The platform and the core applications software support the world class Supply Chain Management.
- 5 Advance decision - support capabilities should have the greatest impact on the performance of business.
- 6 What type of data required for managing the core business focused the decision support system of company.
- 7 How advanced communication are capitalized such as internet in managing the supply chain.
- 8 Visibility of customer demand and other key operating parameters getting leverage in each other.

4.5 Implementing a competitive approach to warehousing and distribution.

An organization in the approach towards the warehousing and distributing is important to the continued growth at any business a new technology pressure to deliver a good quality of service and turn around a stock, traditional methods of managing warehousing and distribution are replaced by those that are not sophisticated aimed at reducing costs and maintaining that all important competitive factor. Implementation of carefully structured, cost effective approach for warehousing and distribution issues will inheritably see and organization through its long term objectives of business and provide pay basics. Development for medaling best strategies requires a complex issue. For that variety of parameters needs to be

considering such as business growth purchasing, stock level, and customer requirements etc. it is possible without sacrificing flexibility to take advantage of high technology to guarantee the future cost base. Making the correct decision in business by considering the many business issues is not an easy task. Therefore to implement the competitive approach for the SCM needs the consideration of the above mentioned factors of SCM development process.