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Retail supply chain management practices in India: A business intelligence perspective

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ABSTRACT

The study surveyed executives of a major food retailer in India and explored their perspectives on supply chain management practices, competitive advantage and firm performance; to assess the importance accorded to application of business intelligence (BI) in their operations. Nine dimensions for SCM practices and four dimensions for competitive advantage are identified which are found to strongly relate to each other. The dimensions of SCM also strongly relate to firm performance. Though information sharing with suppliers and their inclusion in strategic decision-making emerge as key dimensions of SCM, their impact on competitive advantage is perceived to be insignificant by retailers.

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1. Introduction

The understanding and execution of supply chain management (SCM) practices have a key role for an organization in staying competitive and for enhancing profitability in the increasingly competitive global marketplace (Childhouse and Towill, 2003). Existing literature consistently uses terms such as supplier integration, supply base management, synchronization, partnerships and supply chain management to define elements of this management viewpoint (Tan et al., 1998; La Londe and Masters, 1994). The concept and practice of SCM has received increasing attention amongst business managers, consultants and academicians (Hamister, 2012). The implementation of SCM practices is not confined to manufacturing firms only (Li et al., 2006), it has spread its wings in the retail sector also (Randall et al., 2011). In the modern and competitive retail environment, SCM is the key to success and survival (Arnold, 2002; Ganesan et al., 2009). Previous studies have identified several antecedents and consequences of SCM practices in numerous contexts. Though the Supply-Chain Council has developed a supply-chain operations reference model as a cross-industry standard for supply chain management, it does not describe specific activities and practices and its impact on firm performance.

One important problem of managing SCM practice is handling the huge amount of information regarding its members (e.g. manufacturers, distributors, sales agents, retailers) and therefore coordinating their current business. SCM is influenced by the information associated with each business, where the several interactions between the business processes may be coordinated and the product flows can be continually supervised (Filos and Banahan, 2000). Yet as organizations rely more heavily on information, its usage in an efficient and effective manner becomes tough. Rather than assisting an organization's core objective of taking swift and responsive decisions, more information hampers the process. In this perspective, the business intelligence (BI) paradigm has been introduced. BI is defined as the process of procuring digital information regarding the entire organization so that it may be used for providing competitive advantage (Malhotra, 2000). BI is an important component for effective supply chain management practice (Rabelo et al., 2002). In SCM context, BI entails the extent and nature of information sharing.

As an emerging market India has occupied 20th position in the Global Retail Development Index (Kearney, 2014) and remained a high-potential market with accelerated retail growth of 14% to 15% expected over 2015 as per the previous Global Retail Development Index (Kearney, 2013). The Indian retail market is broadly classified as unorganized/traditional retail which is made up of open 'bazaars/haats' and corner stores called 'kiranans', and organized/modern retail, which resembles the modern Western-style supermarkets and department stores. Modern retail is limited to 8% in 2014 (Kearney, 2014). Among other factors, expensive supply

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chain has been identified as a concern for modern retailers. It is a necessity for Indian retailers to focus on factors and strategies that will aid them in gaining competitive advantage (Singh et al., 2010) and they are now concentrating on improving operations and back-end processes to increase profitability (Kearney, 2014).

There has not been any significant study on supply chain practices in India (Austin, 1990) and till recent times supply chain practices in India exhibit inadequate visibility (Srivastava, 2006). A study of the forms and dynamics of the dispersion of modern food retail in India has traced the phenomenon since the 1960s and identified domestic capital investment, early diversification into small formats and early penetration into tier-two, tier-three cities and rural areas, as factors that have facilitated the growth (Reardon and Minten, 2011). As modern retail is an emerging phenomenon in India, there has been no official statistics based on comprehensive inventory of sales of modern or traditional retailers available for their study; hence the form of their data is "small samples" and more on the lines of business case study research to extract an overall image of the phenomenon. Researchers have focused on demand side effectiveness and studies have monitored the factors that affect non-vegetarian food consumption behavior among consumers in the state of Odisha (India) where organized retailing is in its early stages (Kumar and Kapoor, 2014); buying behavior of consumers with respect to food and grocery items (Ali et al., 2010). A study of SCM practices in the Indian industry encompassing diverse segments such as agro products, automotive, chemicals/fertilizers, computer hardware, etc., along with retail, has recommended aligning supply chain strategy with business strategy, streamlining processes for supply chain integration, forming partnerships for minimizing inventory and focusing on infrastructure and technology deployment for building India-specific supply chains (Sahay and Mohan, 2003). Researchers aiming to identify structural and relational factors that influence the upstream channel management of organized retailers in India have identified government regulations, informational transparency, and long-term orientation fostering trust between channel partners leading to collaborative partnerships as key factors (Dabas et al., 2010). However researchers have not focused on the aspect of retailers developing their supply side efficiencies through BI implementation, though the studies suggest that managers and executives should devote sufficient thought to implementing a policy of information sharing in the process of SCM execution and to augment the specific competitive strengths of the organization (Pandey et al., 2010).

This research is a survey initiative to study contemporary SCM practices in the Indian retail context and in particular, the extent and nature of information sharing among retail channel members for enabling BI usage. The study also relates the dimensions of SCM practices to the retail firm's competitive advantage and firm performance. The survey respondents were managers and executives of a food chain retailer with operations mostly confined to eastern and southern India.

The subsequent section examines existing literature in the global as well as the Indian supply chain management context. In the succeeding sections the research constructs are defined, characteristics of the respondents are described and the survey methodology is provided. It is followed by an analysis of the results and concluded with the managerial implications of the study.

2. Supply chain management defined

SCM is defined as identifying the strategic nature of coordination within a specific organization and across trading partners within the supply chain for the purpose of improving an individual

organization's performance and the performance of the whole supply chain (Li et al., 2006). It encompasses all activities related to design, developing, synthesis, establishment and control of supply chains (Chan and Qi, 2003). Each linkage in a supply chain signifies a relationship between a specific customer and a specific supplier; purpose of this association being to provide delivery requirements of the immediate customer and subsequently to replicate the practice throughout the supply chain for the benefit of the end consumer (Towers and Burnes, 2008). In the existing research studies the concept of SCM has been studied from two separate perspectives: purchasing and supply management, and transportation and logistics management (Tan et al., 1998). As per the purchasing and supply management perspective, SCM is defined by the integration of supply base that developed from the traditional procuring and materials functions (Banfield, 1999). From the perspective of transportation and logistics management, SCM is defined by the integrated logistics systems and thus focuses on inventory reduction, spanning both within and across the organizations that are part of the supply chain (Rudberg and Olhager, 2003). In due course the philosophy of SCM developed and combined into a collective body of knowledge that incorporated the entire gamut of value-adding activities of the manufacturers and logistics providers (Tan, 2001).

It is recognized that since SCM has firm-level consequences, it is necessary to measure the effects of SCM practices on an organization's performance measures (Green et al., 2006). The issue pertaining to which dimensions are specifically related to SCM practice and finally to a firm's overall performance has largely gone unnoticed (Mentzer et al., 2004). Challenges exist in terms of identifying appropriate performance measures for the analysis of the supply chain (Akyuz and Erkan, 2010). Past studies (Li et al., 2006) have reported the impact of SCM practice on salient constructs like firm performance and competitive advantages. Their study has identified strategic supplier partnership, customer relationship, level of information sharing, quality of information sharing and postponement to represent SCM practices. Ganesan et al. (2009) examined how retailers are considering factors beyond their organizational limits to improve and leverage the competencies of their supply chain partners to create greater value and competitive advantages. They identified three trends that affect retail supply chains: global sourcing practices, multichannel route to market and relationship-based innovation. Moberg et al. (2002) identified both the quality and quantity aspects of information sharing as important aspects for effective SCM practices and have treated both constructs as independent. In their study on relationships among supply chain practices, competitive advantage and organizational performance, Singh et al. (2010) included in their list of SCM practices: technology use, SC speed, customer satisfaction, supply chain integration and inventory management.

In the developed markets, the growth of value/discount retailers has led to a fundamental transition in marketplace power from manufacturers to retailers (Arnold, 2002; Srinivasan, 2004). With the evolution of power on the demand side, it has become important to understand SCM from a retail perspective (Davies, 2009). Retail SCM (R-SCM) has received inadequate coverage in retailing journals (Randall et al., 2011). The articles that are available on retail SCM incline to be focused on particular aspects only, e.g. dealing with traditional inter-firm relationship issues inclusive of power (Bloom and Perry, 2001), partnering (Mentzer et al., 2004), co-ordination (Ingene and Parry, 2000), conflict management (Bradford et al., 2004), guaranteed profit margin programs (Lee and Rhee, 2008) and automatic replenishment (Levy and Grewal, 2000). This single-point focus of retail research is predictable and has its reasons. Rather than develop as a holistic research domain, retail SCM research has been an off-shoot of

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