

A CASE STUDY

Role of supply chain management in emerging Indian markets

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ABSTRACT

The growing markets in contemporary world offer huge opportunities for India to explore new opportunities and get rid of the existing age old methods, especially in the field of supply chain management. There is a good amount of untapped potential that is yet to be explored and benefitted off. The existing supply chains in Indian markets are very weak in comparison to the methods used in other developed nations. This paper tries to identify the importance of supply chain updations in Indian markets and the future it has ahead.

KEY WORDS : Supply chain strategies, Emerging markets

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India is a developing country, like every developing country it has its own problems to cater to. With growing problems like depreciation of currency, unstable economies, obsolete infrastructure, lack of technology and expertise. Despite of all these short comings and issues, it still has a huge potential for growth and development. One such development is in its logistics and supply chain management. India is a diverse country with different cultures, norms and beliefs, addressing to the needs of these diverse people require a tailored approach and must be done in an appropriate manner.

Three of the most important major forces that are impacting firms and their suppliers are, the challenge to manage knowledge within the firm, to maximize SCM goals; the need to articulate with and integrate the various “nodes” within the supply chain (e.g., other suppliers, buyers, customers, facilitating organizations the pressure to be “green” or environmentally conscious in word and deed.

The competitiveness of supply chains is determined by many different factors and a resource based view of the firm, with attention to networks, knowledge management and the adoption of green policies and measures will loom large in the near and long term business environment. Recognizably, this qualitative study involves one country only and a small sample of firms. Future research should extend this pilot research to other countries and industries (beyond electronics and information technology) and utilize a larger sample of firms.

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Supply chain management is no more about the technology you have, it's about the economy you function in. Recently, we have seen a shift in the global economic mass to the emerging economies. It has largely been driven by the weak performance of the developed economies. This shift is making supply chain increasingly volatile. Simultaneously, new business models are pushing towards customer-driven supply chains, leading to the trend of using small distribution centres located close to the customers. The garment industry is facing the same fate as emerging economies are getting a lot of attention from the big brands in the business, due to their cost advantages and strategic locations.

To harmonize the technical and market conditions with the world, soft measures in addition to hard infrastructure is also the need of the hour in the emerging economies. For instance, simple standardization of processes across the supply chain can actually reduce overall supply chain costs as effectively as infrastructure development might. For example, the development of the single window customs system, in Indonesia has facilitated in smoother movement of goods across their borders. Combining all their customs information, while increasing their system's transparency and accountability, has benefitted their trade significantly.

Research objectives:

- To understand the potential of supply chains in emerging markets.
- To study the supply chains in India in comparison with other countries.

Data collection:

The data has been collected from the secondary sources that include research papers, journals, news articles, trade journals, libraries, books and internet.

Supply chain management in different countries:

With over 80 per cent of the world's population living in non developed countries, there is a wealth of opportunities for companies that are able to profitably serve these customers. Some have already made significant inroads. For example, Nokia's sales in China, Hong Kong and Taiwan jumped 28 per cent in 2005, making the region its biggest market. India is expected to surpass the US as Nokia's second largest market by 2010. Developing markets currently represent 35 per cent

of sales for Unilever. GE expects that 60 per cent of its growth will come from these countries in the next decade, compared to 20 per cent for the past 10 years. P and G devotes about 30 per cent of its \$1.9 billion annual R and D spend to low income markets.

Third, customers in emerging markets may have the same needs and supply chain expectations as customers in the developed world. Consider the Indian IT industry. Even though it's located inside an emerging economy, it serves businesses across North America and Europe that expect high service and reliability. Therefore, a technology supply chain in India, such as Cisco's, is tailored to very experienced users that expect service levels comparable to those of its other customers in the developed world. Customer and market segmentation have always been central considerations for marketing professionals. When reaching into emerging markets, understanding the customer diversity and translating it to an effective segmentation scheme will be Critical to designing efficient supply chain operations.

In order to deal with the complexity and lack of local knowledge of distribution networks, companies usually resort to general distributors. Although this may be the most cost effective solution, distributors in emerging markets usually have limited reach, tend to concentrate on fastest moving products and often use unconventional business practices (including bribery and tax evasion). But the main disadvantage of these arrangements is that the expertise and local contacts will remain with the distributor, who may or may not be aligned with the interests of the corporation. This may jeopardize long term growth of the market. Alternative approaches include establishing joint ventures with local partners, developing proprietary distribution networks, or acquiring existing networks. All of these are sensible approaches. When B and Q Asia, the biggest home improvement chain in China, decided to open its first store in Shanghai in 1998, it decided to do so through a joint venture with a local company. Although it already had an operation in Taiwan, what worked there did not necessarily apply to the Shanghai operation. This partnership was extremely valuable in sustaining its fast-paced growth.

Problems of supply chains in developing countries:

Established technology and processes discipline are lacking skills in many emerging countries, but supply

chain organizations need to work hard to maintain the right balance. As in most supply chain operations, organizational talent is central to success. This is no different in emerging markets: in fact, it is amplified by the need of adaptability and growth. There are other supply chain elements relevant to emerging markets that are worth highlighting and that require further research:

Role of suppliers:

If local suppliers are not available, is it better to develop them in each market or leverage existing partnerships. An interesting paradox is that many suppliers for developed markets are based in emerging markets; however, their facilities and products are tailored for exporting and are not always suitable for local consumption.

Supply chain evolution:

As the emerging market evolves to a more developed market (or to an underdeveloped one), the supply chain needs to support this transition. This may have significant effects in risk, resilience and overall supply chain. Strategic investments.

The role of technology:

There is sometimes an assumption that the technology adoption roadmap will be identical in all markets, but emerging markets can learn from established markets and avoid interim technology steps.

Global operations, while helping to achieve cost savings and market penetration, undoubtedly are accompanied by risk. Supply chains in emerging markets, where a whole series of risks are present, are specially challenged to plan, design and implement sophisticated strategies to manage and mitigate risk. Supply chain risk is a complex equation of risks that a business encounters between raw material extraction and final product delivery. From supplier selection, to paying customs charges, to hiring or firing, supply chain managers should consider all aspects of risk while considering emerging markets.

For the past decade, the Indian economy has been growing at a rapid pace. Spurred by a booming middle-class and the export of IT-enabled services, India has become one of the most appealing sourcing and demand markets among the emerging economies. India's business process outsourcing industry is renowned over the globe.

However, the country has also been making forays into the manufacturing sector and it is working hard to change its reputation as a low-quality manufacturing centre. With a very large number of skilled, English-speaking engineers graduating each year, India is looking to differentiate itself from China by focusing on skill-intensive design and manufacturing outsourcing. Furthermore, it has abundant natural resources. Several multinational corporations are therefore currently looking at India as a high-potential sourcing opportunity. India is also a highly attractive demand market. With a 300 million strong middle-class, a young population and increasing urbanization, it ranks among the ten largest retail markets in the world.

What should India focus on logistics performance:

If we look at the complete apparel supply chain, we can find barriers to trade at multiple stages. Transportation and logistics infrastructures have a direct impact on the delays, thus, making them a prominent cost factor. Also, other cost factors like unpredictable border crossings, market access restrictions, system corruption and custom and compliance complexities affect supply chain effectiveness. These restrictions become further problematic in the garment industry, as fast fashion has and is still shrinking lead times. Hence, improvement in the logistics performance of an apparel exporter/manufacturer can considerably boost business bottom-line. An OECD study has actually concluded that a 10 per cent growth in logistics performance, results in 70 per cent increase in bilateral imports.

Process standardization:

To harmonize the technical and market conditions with the world, soft measures in addition to hard infrastructure is also the need of the hour in the emerging economies. For instance, simple standardization of processes across the supply chain can actually reduce overall supply chain costs as effectively as infrastructure development might. For example, the development of the single window customs system, in Indonesia has facilitated in smoother movement of goods across their borders. Combining all their customs information, while increasing their system's transparency and accountability, has benefitted their trade.

Big data:

Big data have given us enough information right about anything we put our minds to. But, only around 20 per cent of the supply chain actors today have the necessary information needed to run their businesses effectively and efficiently. This is a direct hint that we are failing to use big data completely to our advantage. Big data has the potential to improve supply chain efficiency, by enabling businesses to identify the weak links where intervention is needed. The power of information is not even limited to that. Information is the tool that can help supply chain actors to counter system corruption, by enabling data access and transparency across the supply chain.

Limitations and opportunities for future research:

The first limitation of the study is that it is based on secondary data; secondly the potential of supply chains in other developing countries should also be studied to know more about the efficient working of supply chain management. Similar work related to the present investigation was also carried out by Belderbos and Sleuwaegen (2005); Bhatnagar and Sohal (2005);

Bidhandi *et al.* (2009); Holsapple and Singh (2001) and Holweg and Pil (2008).

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