

RETAIL SECTOR: SUPPLY CHAIN MANAGEMENT AND ITS QUANTIFIABLE DATA TO GAUGE ITS IMPACT ON SIGNIFICANT PARAMETERS

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1. INTRODUCTION

Supply chain management is relatively new skill needed in operating an entity. As the name itself relives the principles of that skill. Supply chain management(SCM) is by far very precise and detailed function. SCM covers the planning and management of all activities involved in sourcing and procurement, conversion and all logistics management activities. Importantly, it also includes coordination and collaboration with channel partners, which can be suppliers, intermediaries, third party service providers, and customers. In essence, SCM integrates supply and demand management within and across companies.

Emphasize is on collaboration not on competition of every party included in supply chain. Collaboration among partners will lead to their personal and mutual satisfaction obtained in costs cuts and better profitability.

Combining information captured in supply chain with analyses of customer demand can augment accuracy of production planning and demand forecasting, enhancing performance in the whole chain.

Supply chain management for retail companies strives to control quality of products, management of inventory levels, timing of different processes, and expenses. A clear supply chain strategy with differentiated service offerings and delivery terms is essential to optimizing the balance of cost and required customer service. An integrated approach considering supply, production, transportation, operations and service is crucial to design the most competitive retail logistics concept for your company. Miebach Consulting Group has extensive experience designing and implementing innovative solutions for the largest fast moving consumer goods and retail companies worldwide.

2. OBJECTIVE OF PROJECT

Performance measurement is a process of analyzing and reporting data/information related to the performance of an organization, system, group, individual or component. The purpose of

performance measurement is to improve productivity and unleash potential which has been dormant because of ignorance.

To measure the performance of supply chain of a retail company or of an organization and to analyze the respective data by using balanced score card to rank the KPIs in order of preference to be used for performance measurement. This project aims to create a framework for balanced score card to create a tool for benchmarking in retail sector. The key performance indicators (KPIs) to determine the supply chain management performance in the retail sector are studied for both quantitative and qualitative aspects. The KPIs are listed as per the use to measure the performance. Some of the KPIs used are gross margin, lost sales, return on investment, inventory turnover, profit after tax, customer satisfaction, employee satisfaction, Money invested in employee training yearly, Number of suggestions implemented, On time delivery, New services implemented, Quality of services, market share, Number of customers retained etc. These KPIs are further shortlisted on the basis of industrial usage. A survey has been done to shortlist these KPIs. These KPIs is used to create a balanced score card. The balanced score card has four perspectives namely financial, learning and growth, business process and customer perspectives.

3. METHODOLOGY:

The methodology represents the working in stages to justify the aim with a solution apt for the use. The same results can be interpreted using the same methodology if followed. The methodology followed to obtain the results is being presented in steps classified on the basis of contribution to the project. The segmentation of the project work in continuation of the actions performed is being presented to relate the different results and their contribution.

The steps of the working or methodology are as follows

STEP 1 – Study of Segment Specific Key Performance Indicators

The key performance indicators (KPI) to determine the supply chain management performance in the retail sector are studied for both quantitative and qualitative aspects. The KPIs are listed as per the use to measure the performance. The KPIs are specific to supply chain of the company. The KPIs that were studied are as follows

3.1 Key Performance Indicators in Retail

Monitoring: It involves gaining required knowledge about what is happening presently in an organization, measuring against objectives, and understanding how actions impact corporate.

Analytics: Quick discovery of what is driving performance and keeping a look out for adjustments that could be made to take advantage of new opportunities.

Planning: Efficiently built budgets, forecasts.


Monitoring and measuring performance results are key functions of any successful Retailer.

Rich visualization and up-to-date performance dashboards and scorecards help business users align their actions with strategic goals.

These KPIs reflect the basic performance of the retail industry but it does not provide an insight of the working efficiency. The benchmarking becomes impossible at practical level when all the indicators are considered. The result in that case is ambiguous and there is need of a framework that can narrow down the result and comparisons for the performance of supply chain in retail can be made.

STEP 2- INDUSTRY SPECIFIC SHORTLISTING OF KPIs

The survey that was sent to the various retail companies were followed by the following responses. The results of their responses has been illustrated at graph 1. There were 33 respondents across different disciplines of retail sector. The responses to the survey show perspectives of supply chain. The top key performance indicators that were used in retail industry are.

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1. Money invested in employee training yearly
 2. Number of suggestions implemented
 3. Employee turnover per year
 4. Employee satisfaction
 5. Waste reduction
 6. On time delivery
 7. New services implemented
 8. Quality of services
 9. Customer satisfaction
 10. Number of customers retained
 11. Market share
 12. Cost reduction
 13. Profit before tax
 14. Gross revenue
 15. Return on investment

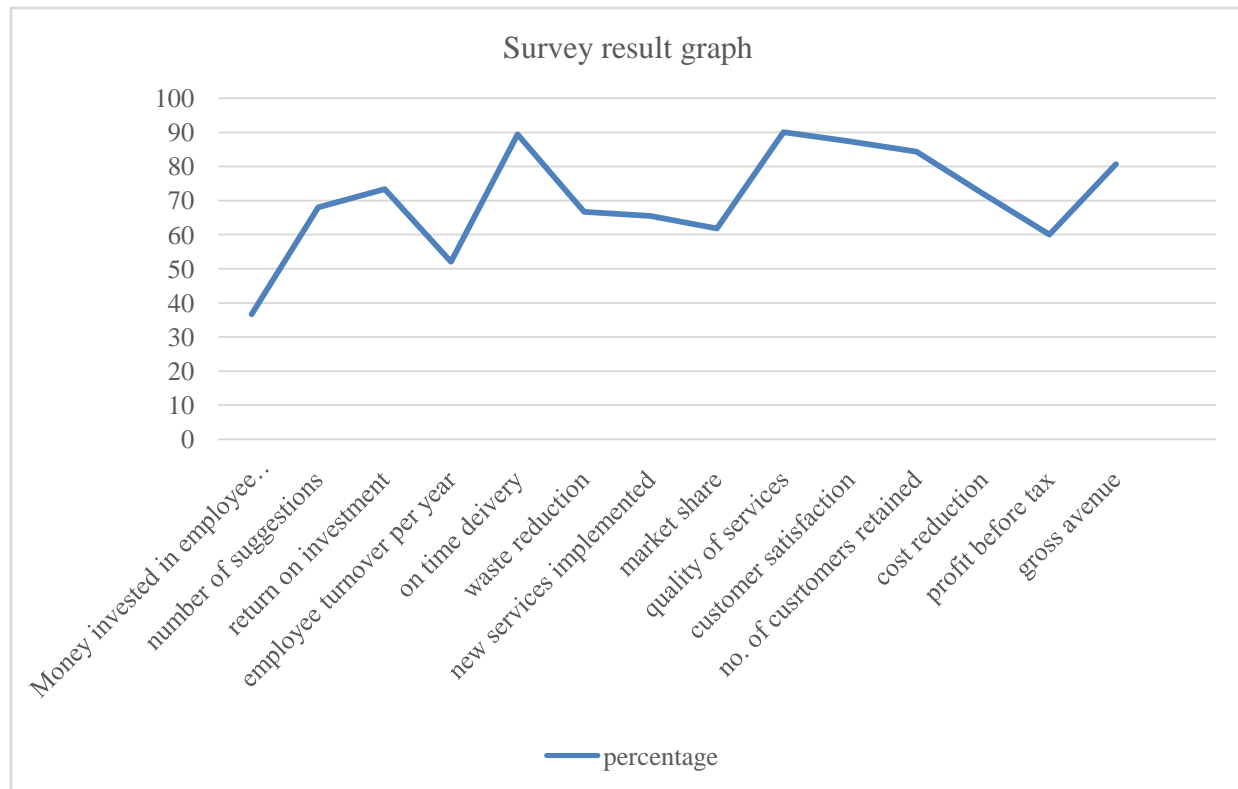


Figure 1 - Survey Result Graph

The above 15 key performance indicators can be classified under four different perspectives namely-

- Financial Perspective
- Customer Perspective
- Internal Business Processes
- Learning And Growth

The top three indicators most commonly measured are financial in nature: gross revenue, profit before tax and cost reduction. The least measured indicators seem to be the number of suggestions implemented per employee, market share and new services implemented, all from the other three perspectives. Such results can be expected because in practice, financial indicators are most readily measured while the non-financial indicators like market share or employee suggestions are not only difficult to measure but are also deemed to be “not crucial” for the bottom line.

Step 3 – BALANCE SCORE CARD

The result of survey is used to design the framework for balanced score card. The balanced score card for retail sector is-

BALANCED SCORE CARD FOR RETAIL SECTOR

	KPI	Jan	Feb	Mar	Apr	May	Target
FINANCIAL PERSPECTIVE	RETURN ON INVESTMENT						15 May
	GROSS REVENUE						15 May
	PROFIT BEFORE TAX COST AND REDUCTION						15 May
CUSTOMER PERSPECTIVE	MARKET SHARE						15 May
	NUMBER OF CUSTOMER RETAINED						15 May
	CUSTOMER SATISFACTION						15 May
INTERNAL BUSINESS PROCESSES	QUALITY OF SERVICE						15 May
	NEW SERVICE						15 May
	ON TIME DELIVERY						15 May
	WASTE REDUCTION						15 May
LEARNING AND GROWTH	MEASURES ON EMPLOYEE SATISFACTION						15 May
	EMPLOYEE TURNOVER						15 May
	NUMBER OF SUGGESTION IMPLEMENTED PER EMPLOYEE						15 May
	MONEY INVESTED IN EMPLOYEE TRAINING						15 May

Table 3 – Balance Score Card FRAMEWORK

STEP 4 - RANKING OF KPIS

The result of surveys were analysed through the measurement of the means of the results for the responses received. The mean value of all the results have helped to determine the ranking of the particular KPI at the industry level to measure the performance of supply chain at retail sector of India.

Ranking of each KPIS is shown below:

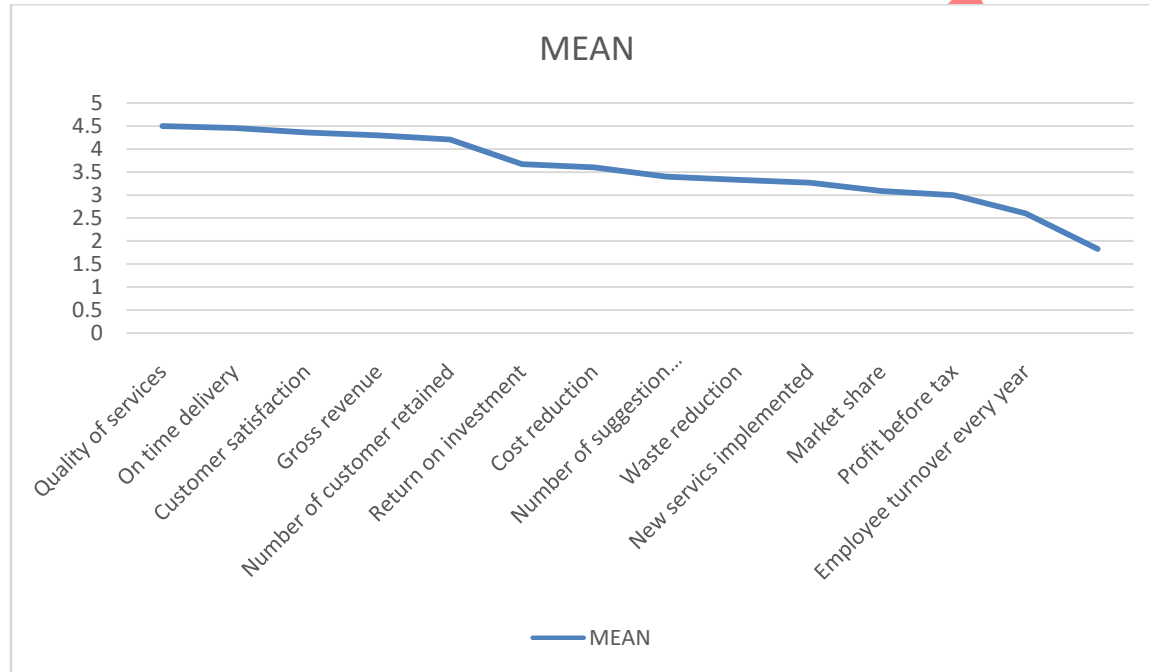


Figure 2- Mean value of KPIS

5. RESULTS AND DISCUSSION

The results to establish the connection between the survey results and the ranking of KPIS for the retail industry are obtained following the statistic tools and analysis. The graph and tables imply the survey result as the practical standing of the KPIS and standard performance measures

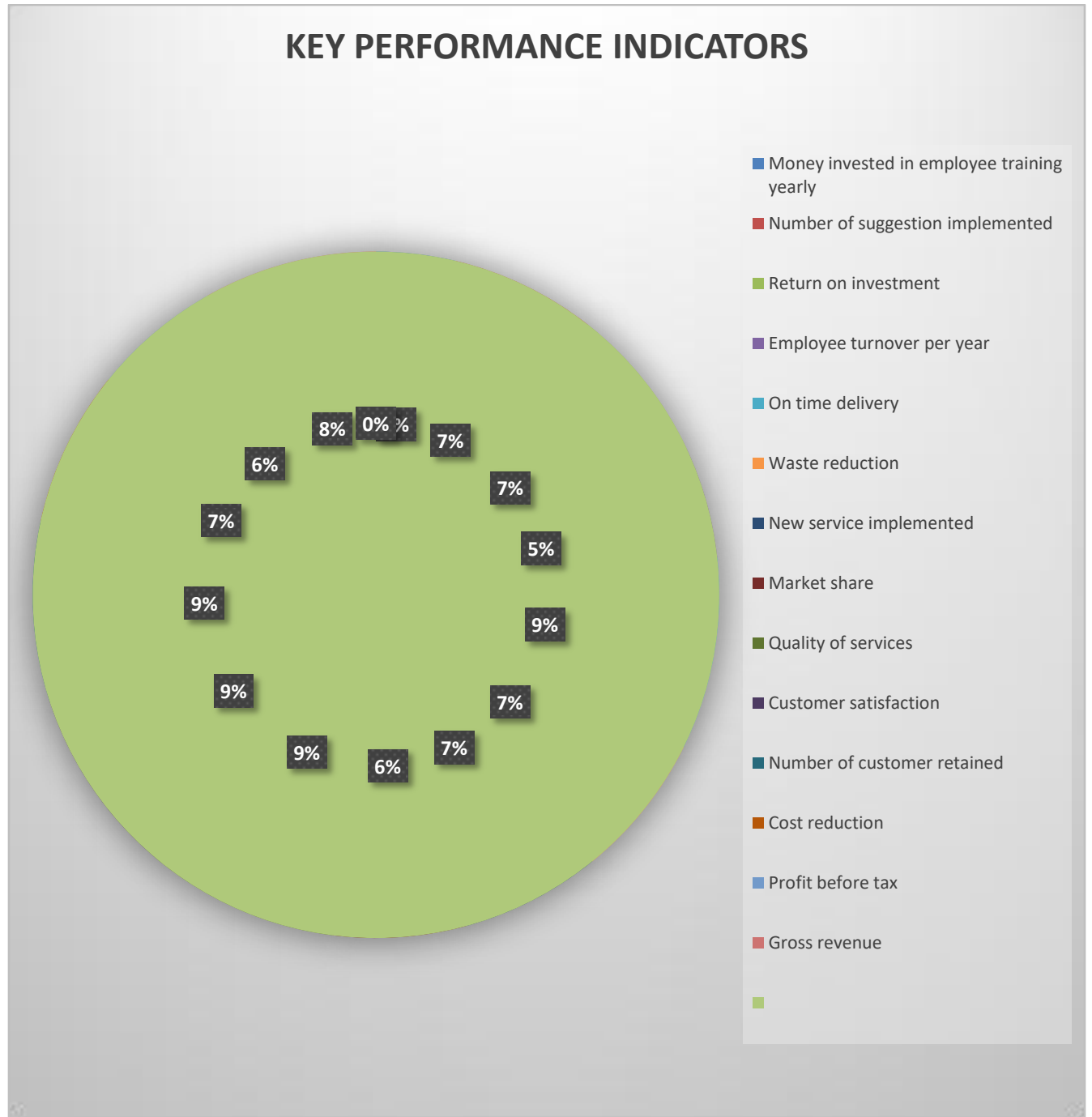


Figure 3- Pie Chart of KPIs

The final result of the project leads to an ordered ranking of the measures to be used for the purpose of supply chain performance measurement and benchmarking.

Table 4- Ranking of KPIs

KEY PERFORMANCE INDICATORS	MEAN	RANK
Quality of services	4.50	1
On time delivery	4.46	2
Customer satisfaction	4.36	3
Gross revenue	4.30	4
Number of customer retained	4.21	5
Return on investment	3.66	6
Cost reduction	3.60	7
Number of suggestions implemented	3.40	8
Waste reduction	3.33	9
New services implemented	3.27	10
Market share	3.09	11
Profit before tax	3.00	12
Employee turnover per year	2.60	13
Money invested in employee training yearly	1.83	14

6. CONCLUSION

The retail story can be summed up in a single concept that means anything but one option: Omni-channel. Consumers continue to increase their buying potential to take full advantage of e-commerce. They increasingly expect low prices and an “endless aisle” of product, easy ordering, and free delivery to their location of choice.

To productively meet these customer necessities, retail store network officials utilize a system that balances service and cost. Leaders are pursuing flexible inventory practices and fulfillment processes to serve demand at optimal financial performance. Investments in process and technology upgrades are being made to support the drive for stronger Omni channel capabilities. Future growth strategies also play into this spending activity.

Retailer’s role changed from only just a vendor to crucial team member directly engaged in strategy of supply of most manufactures. This engagement develops from a simple information of customers need to a strategic partnering like Quick Response. Retailers operate closest to a customer and that point in channel must be used with concerning for not only gains for supply chain members but in first place for long customer satisfaction.