



SUPPLY CHAIN MANAGEMENT - BACKBONE OF E RETAILING: CASE OF FLIPKART

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Abstract

Supply chain management has revolutionized how business can be carried out. The market for E retailing in India has gained a great momentum with consumers preferring to go online to buy products. Real time information on the E retailing websites and enabling collaboration between trading partners are the main fragment of Supply chain management. This paper deals with how supply chain management forms a major part of online E retailing and how it has become a backbone for this industry. The supply chain management in case of the Indian E retail giant Flipkart along with what challenges they face and what opportunities they have in the near future are considered.

Keywords: Supply Chain Management (SCM), E Retail, Flipkart

Introduction

The technological era of the internet has revolutionized not only the way businesses are conducted but also the methods adopted with the management of the supply chain, such as the way businesses connect with each other and how each member in the supply chain is impacted. The purpose of the research paper is to understand supply chain management for online E retailing and how it influences the way retailing is carried out. The major operations involved in supply chain and its proper management is indispensable for the success or the failure of the retailer.

In a country like India the online retailing market has gained a great momentum in the last few years. The likes of FlipKart, Snapdeal and Jabong have become the popular names in this market. Amazon has also entered and invested in this growing Indian online retailing market. In

the big cities of India; the lesser time involved in online shopping, is a key driver for online retailing. The customers from small cities and towns are also attracted to the online route because of the availability to a variety of products. As there is enhanced competitiveness in this sectors various services viz. warranties and replacements for electronic goods, free home delivery and flexible payment methods are provided by the retailers with competitive prices. The competitive environment in this sector calls for the online retailing company for integration within a network of organizations within the supply chain. This has led to place additional importance on Supply Chain Management (SCM) which in itself is a challenge for the major players. SCM philosophy states that the optimizing all the connecting links in the supply chain lead to the enhancement of the entire performance of the entire supply chain. Supply chain management is a vast subject. It plays significant role while pursuing company objectives. In this research paper broad definition of supply chain management and then discuss the importance of managing a supply chain in case of E retailing firm Flipkart and the several challenges and opportunities they face in this is discussed.

Supply Chain Management

Cooper, Lambert in their research paper titled "Supply Chain Management: More than a new name for Logistics" defined SCM as "the delivery of superior customer value at least cost by proper management of upstream and downstream relationships with integration of key business processes". The complete business processes inside the supply chain, from start of

supply to the point of consumption, is embraced in case of Supply chain management.

The following processes are included in the SCM: customer relationship and service management, demand management, e-procurement, manufacturing flow management, product development and reverse logistics.

Online retailing

Retail is the sale of goods and services from individuals or businesses to the end-user. The

firms involved in retailing are a part of an integrated system called the supply chain.

The firm or individual which act as the retailers buy the goods in huge amount directly through the manufacturers or a wholesaler. These goods are then sold in smaller quantities to the final consumer to earn profits. In the present era online retailing has taken a momentum the examples include the likes of alibaba.com, ebay etc.

Online retail market size and growth



There has been a swift growth in India's online retail industry in the last 5 years from around Rs 16 billion revenues in 2007-08 to Rs 140 billion in 2012-13, which has translated into a compounded annual growth rate (CAGR) of over 57 per cent. The main reasons for the growth is due to the increase in internet penetration and change in the lifestyles of the consumers who prefer buying products online. This market is expected to boom and grow at a healthy 55-60 % CAGR to Rs 510 billion by 2015-16.

In terms of size, India's online retail industry is very small compared with both organized and overall (organised + unorganised) retail in the country which has a lot of potential. The industry's revenues are expected to more than double to around 18 per cent of organized retail by 2016 from around 8 per cent in 2013.

Role of SCM in Online Retailing

With an increased competition in the marketplace, one can observe an increase in product offerings in the market. It has therefore become essential for online retail firms to better manage their supply chain process so that they can well control the supply and demand aspects of their product portfolio. The aim for retailers and their supply partners is to manage this chain to create value for the customer at an acceptable

cost. A key challenge for a retailing firm is to manage this chain, especially with the realization that the decrease in time of the supply chain channel not only decreases costs but also provides a competitive advantage. Technology and information are key fundamentals for successful operation of the supply chain. Keenan and Ante (2002) noted that during the next 5 years, collaboration by supply chain partners over the Internet can potentially save \$223 billion with the reduction in transaction, production, and inventory costs.

Flipkart.com

Flipkart.com founded in 2007 by two IIT Delhi graduates, Sachin & Binny Bansal is today India's largest online shopping website. The company was started with the prime objective back of making books easily available to consumers who has access to internet. Today, it is present across product categories including movies, music, games, mobiles, cameras, computers, healthcare and personal products, home appliances and electronics, stationery, perfumes, toys, apparels, shoes and a lot more. The company has raised a total \$360 million in its fifth round of funding, the largest investment raised by an Internet company in India. It is a strategy that has enabled them to

gain lion's share of the online retail market but their operations need to be studied in greater detail to understand if the company really has a sustainable future.

Flipkart & its Supply Chain Management

The company structure of Flipkart is has 3 broad categories.

- i. Product and Technology which deals with Website Management ERP System ,
- ii. Business Development which deals with sales and
- iii. Operations which deals with the supply chain management of the company which includes Procurement, Warehouse, Logistics and Customer Support

The research paper concentrates on third aspect.

A) Procurement

With a marketplace model, Flipkart has a market place model wherein the prospective buyers can deal with sellers directly and the delivery of the product or good will be done by Flipkart. They have added more than 50 sellers to its list. At present, the entire inventory of Flipkart is being managed by WS Retail which is flipkarts pet project. The sourcing at Flipkart is conducted at 2 levels i.e at Regional and Central levels .Procurement Teams manage each of these 2 levels .Each regional procurement team has a network of local suppliers for made-to-stock as well as on Just in-time procurement.

B) Warehouse Management System

Flipkart has 7 major warehouses spread across the country in the states of Pune ,Mumbai, Chennai ,Kolkata, Bangalore , Noida and Delhi. Also smaller regional distribution centers at over 500 locations spread across Tier I and Tier II cities. Warehouse Management System (WMS) consists of 3 major segments viz.

1. Inward Processing - Physical in warding : This is the area where physical delivery of goods from suppliers to the warehouse is taken.
2. Quality Check & Scan: Once the goods are received, an initial quality check is done at this stage.
3. Packing of products: At this stage, packing of each of the product is done.

C) Logistics

Flipkart ships more than 1Lakh products a day and the company itself bars all the cost of delivery .This makes management of the logistics a cumbersome task and a financially complex issue for the company.For this purpose Flipkart, in April 2013 introduced its in-house logistics known as **eKart(EKL)** which currently reaches consumers in about 150 cities. eKart currently offers services such as delivery logistics, reverse logistics ,pay on delivery, customer support and technology integration for order tracking, customer notifications, reporting and analysis, billing etc. While more than 90% of the Cash on delivery (COD) shipments and about 60-70% of the overall shipments are delivered by the EKL the rest of shipments are catered by 3PL service providers.

D) Reverse logistics

Flipkart has a 30 day return policy. This policy is primarily aimed to build trust with the consumers. The return of products by customers follows any of the 2 paths

1. Replacement: Flipkart returns the product to the supplier and obtains a replacement that is provided to the customer
2. Store credit: If the customer is not satisfied with the product they are given store credit of the same amount.

E) Supplier Management

For a product in the new category Flipkart generally start of by sourcing from local suppliers and distributors. The bigger manufacturers or wholesalers are directly approached once there is enough generation of demand. To place an order with a supplier prices, quality check and percentages of returns are considered.

What makes Flipkart stand out?

Flipkart's success is mostly because of their procurement model and its robust logistics that make its standout from other e-retailing sites. This backed up by an amazingly well organized warehousing and delivery system.

Key Challenges faced by Flipkart

- The internet penetration rate in India is still one of the lowest in the world.
- Average broadband speed in India is very low compared to other countries.
- Competition from new entrants

- Lack of quality talent pool
- Increase in attrition rate.
- High customer acquisition cost

Concluding Remarks

Supply chain management plays a significant role in the digital economy. E Retailers have to manage the supply chains both strategically and operationally. But it's an ongoing transformation and substantial challenges remain and can be anticipated in the future.

For the development of sustainable supply chain management it is essential for every E retailing firm to maintain an information system of the utmost quality which should be maintained operated by employees who are well skilled and trained.

In Indian online retail industry, its amazing supply chain management that proves to be the game-changer and that's what Flipkart has done. Firms snubbing this challenge are fated to fall behind their rivals.

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