Chapter 11
Supply Chain Management in Retailing Business

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ABSTRACT

Supply chain management is receiving increased attention as means of becoming competitive in a globally challenging environment. As its use is rising in several businesses, we have focused on SCM in retailing business. The concept of ethics has become more critical for companies. In this paper, ethics and sustainability in retailing are also examined. Sustainability has received more attention in retail management. Sustainability related issues have been discussed for many years and the term sustainability has received increased attention in research since the last two decade. This paper brings an overview of past and current sustainability research in retail applications for examining retailing and sustainability relevance. The paper considers role of retailers in supply chains through an extensive analysis of sustainability examinations in different research areas relevant to retail supply chains. Ultimately, the study is exampled from retailing businesses and it is concluded by further discussions.

INTRODUCTION

After the last decade of 20th century, customers started to take place in the hearth of business decisions and companies tried to develop collaborations with all members (supplier, producer, retailer, etc.) in value chain for satisfying their customers. The name of this collaboration process is called as Supply Chain Management (SCM) (Houlihan, 1985: 25). The model of control and coordination between companies is also called as SCM and used for decreasing costs and increasing quality. Supply chain management as a concept; receives increased attention as means of becoming competitive in a globally challenging environment. Supply chain is a network which supplies row materials, makes them unfinished and finished goods and then distributes them to customers (Lee and Billington, 1992: 66).

According to Kopczak (1997), the definition of supply chain is “The set of entities, including suppliers, logistics service providers, manufacturers, distributors, and resellers, through which materials, products and information flow. The term supply chain restructuring refers to significant changes in the

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set of supply chain entities, the distribution of inventory, or the assignment of tasks, roles and responsibilities to the entities." Briefly SCM is managing product, money, and information between suppliers, producers, distributers, retailers and customers which take place in value chain (Ozdemir, 2004). On the other hand, retail involves the process of selling consumer goods or services to customers through multiple channels of distribution to earn a profit. Demand is identified and then satisfied through a supply chain. Retailing is also described as the activity of selling to buyers who are buying for their own ultimate consumption. Furthermore, retail has an evaluation. Three theories are commonly recognized as the primary retail evolution theories: Environmental theory, cyclical theory, and conflict theory. The basic premise of these theories is that a force (e.g., environment, conflict) causes a retail institution type to change and evolve into a new institution type or a new institution type will emerge as a result of need, conflict or other forces (Kim, 2003; Brown, 1987). Also two theories explain the present structure of the retail industry and predict the future development of current and new retail formats. The wheel of retailing and the retail life cycle are two particularly important theories.

The wheel of retailing is a well-established framework for explaining developments in retail institutions. The theory suggests that retail institutions go through cycles. The rationale is that, as low-end retailers upgrade their strategies to increase sales and profit margins, new forms of low-price (discount) retailers take their place in the market. The wheel of retailing consists of three stages (Kim, 2003; Berman/Evans 2007, pp. 129-131). The second phase is called as trading up. Retailers wishing to expand their business and attract more customers, enhance the quantity and quality of merchandise handled, provide more services, and open outlets in more convenient locations. This leads to an increase in operating costs and prices and thus offers opportunities for new competitors to enter the market with low-price strategies. The third phase is characterised by an increase in competition in services of all kinds and by a convergence in terms of the marketing mix of retailers as they mature. They become vulnerable to new competitors that enter the market with low prices (Kim, 2003).

RETAILING BUSINESS

Retail involves the process of selling consumer goods or services to customers through multiple channels of distribution to earn a profit. Demand is identified and then satisfied through a supply chain. Retailers are intermediaries in the distribution channel. Retailing has long been considered a quite passive role in value chain between manufacturer and consumer. But now, retailers use their position to become more powerful player in the distribution channel. Almost all traditional retailers are losing their popularity. For example department stores are large retail units that carry a broad variety of merchandise and offer a deep assortment "under one roof". The term "department store" results from the structuring into separate departments for displaying merchandise in a manner that resembles a collection of specialty stores. Each department not only has a specific selling space allocated to it, but also usually has its own point-of-sales terminals and salespersons to assist the customers (Levy/Weitz 2007, p. 46).

In recent years, the overall sales and market share of traditional department stores have declined and they face substantial competition from other retail formats such as category killers and discount stores or non-store formats (e.g. Internet retailers). The difficulties mainly result from the problems in retail positioning as an outcome of the "all under one roof" approach. Whereas first-tier department stores seem to have a clearly differentiated position and usually produce strong financial results, these difficulties relate mainly to outlets in the second and the third tiers, which lack such a clear positioning and

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