Chapter 54

Supply Chain Management Practices in Retail–The Trends and Future Perspective

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ABSTRACT

Retailing is amongst the leading industries that derive demand in the world. There is severe competition among retailers regarding supply chain management (SCM) practices used in this industry. Hence, this chapter mainly aims to address the supply chain management (SCM) practices (quick response, efficient consumer response, category management, continuous replenishment planning, continuous planning forecasting and replenishment, postponement, vendor managed inventory) and future trends in retailing. Moreover, this chapter provides insight for the retail practices preferred in emerging and developed markets. The chapter presents important implications for scholars, business executives, scholar-practitioners and university students who are interested in any part of retailing and supply chain management.

INTRODUCTION

Retailing covers the business processes comprised of selling goods and services to consumers for their personal, family or household use (Berman & Evans, 2004). While the scope of retailing is wide, and it is a key driver of global economy, in which aggregate sales of the top 250 retailers reached US$4.29 trillion in 2012 (Deloitte, 2014). As retailing is among the most diverse and dynamic sectors, offering an ever increasing range of goods and services (Jones et al., 2005; George et al., 2013), achieving sustainable competitive advantage in this sector can be challenging.

The impact of globalization has changed the retail environment as retailers have become the active designers and controllers of supply and demand management which needs to be managed according to

customer requirements. Retail success is obtained when high gross margins and desired customer service is provided with minimum inventory level (Mattila et al., 2002). Regarding these issues, retailing research can be grouped into different research categories such as pricing, promotion, product/branding, services, loyalty, consumer behavior, channels, organizations, internet and other (Grewal & Levy, 2007). In addition to these categories, emerging research issues in retailing have been identified as growth of the internet and e-commerce, branding and customer loyalty, service success strategies, and behavioral issues in pricing and patronage (Grewal & Levy, 2009).

As competition today mainly occurs at the supply chain rather than at the company level (Christopher, 1992), supply chain management (SCM) practices have become significant for the retail supply chain members. Supply chain management practices have been defined as a set of activities which organizations carry out in order to enhance the efficiency and effectiveness along the supply chain (Li et al., 2006). In the extant literature, there are a number of studies that discuss the SCM practices from a variety of different perspectives (e.g., Donlon, 1996; Tan et al., 1998; Alvarado & Kotzab, 2001; Li et al., 2006). The major themes of these studies are mainly examine supplier partnership, customer relationship, information sharing, postponement, customer service management, purchasing, quality, and outsourcing for representing SCM practices.

In all areas of retailing, retail information systems play an increasingly important role in effective information sharing among the chain members. The typical tasks of a retail information system are merchandise planning, order management, order receipts, invoice control, sales, payment, and inventory control (Kotzab, 2005). Through the use of information technology (IT), operational strategies such as Continuous Replenishment Planning (CRP), Collaborative Planning Forecasting and Replenishment (CPFR), Quick Response (QR), Efficient Consumer Response (ECR) and Vendor Managed Inventory (VMI) have become essential tools for all types of retailers (Lowson, 2001).

Future trends in retailing will be based on changing consumer demographics, increasing needs of consumers, the reduced amount of time spent searching for and purchasing products, fluctuations in the cost of food products consumed home and away from home, technological trends, and multiple retailing channels (Peterson & Balasubramanian, 2002). Moreover, the major supply chain trends that lead to transformations in the retailing are global sourcing practices, multichannel routes to market and relationship-based innovation (Ganesan et al., 2009). From the practitioners' perspective (Deloitte, 2014), there exists a myriad of supply chain challenges such as same day delivery, free shipping, inventory availability, and "buy online/pick-up in store service".

In addition, there is a need to consider emerging trends in retailing such as the advances in 3D printing applications and the increasing use of digital and social media, as well as the international expansion of the retailers especially into emerging markets. This chapter mainly aims to address the following questions:

A. What are the main supply chain management practices in retailing?
B. Do the supply chain management practices vary according to retailers?
C. What are the trends that will shape the future perspective in retailing?
D. What are the leading retail SCM practices in developed and emerging markets?

The contribution of this chapter is three-fold. Firstly, it provides a deeper understanding of SCM practices in retail from different perspectives. Secondly, it aims to highlight the trends and provide projection for future perspective in retail. Furthermore, we also provide some evidence for the differences and similarities in emerging and developed retail markets.

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