

Chapter 100

Retail Supply Chain Management Trends: Past, Present and Future

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ABSTRACT

Improving the organization's performance and securing competitive advantage over others greatly depends on the supply chain management as it is seen that the competition is no longer between the organizations, rather they are amongst supply chains. This study is based on collecting the information and data about the supply chain management from 60 retail organizations. This study will show the aspects of supply chain management in the retail domain highlighting the challenges, capabilities and the priorities for the next 2-3 years. As retailers choose to concentrate either on product leadership private-label or high touch customer intimacy or on cost leadership strategies, their supply chain priorities and investment decisions are tailored to the specific requirements. While retail is extremely diverse, but retailers across the globe share many priorities — balance the availability of the inventory; control the costs and customer service in order to maintain the retail strategy. Our effort has been to explore how retailers are managing these priorities and getting ready for future.

INTRODUCTION

One of the main drivers of the global economy is the retail industry. The supply chain for the retail industry has become of the importance subject of study because it provides the retailers with competitive advantage. The main challenge in studying the retail supply chain (R-SCM) is that it tends to change every year. This study was conducted to understand how R-SCM has changed over last couple of years and how it will be in the near future. Study was conducted to study the factors affecting R-SCM for next 2-3 years and the challenges affecting the retailers in near future. Study doesn't talk about too far in future as the purpose of the study is to understand and report immediate challenges of the retailers. Study has been conducted around challenges, capabilities and priorities of the retailers. The impact of

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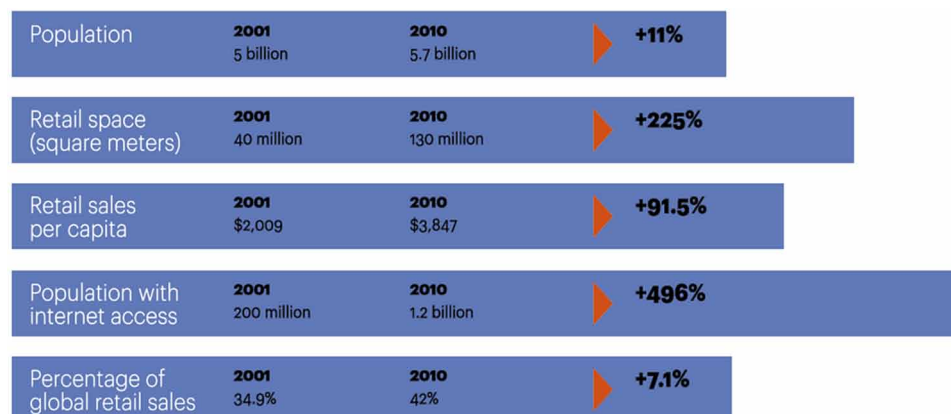
recession is clearly seen on the industry. Chief executives are concerned about the economic recovery that is speeding up, and are pursuing strategies to undergo the economic challenges while grabbing the opportunities to increase efficiencies.

Data from Figure 1 shows that during 2001 to 2010, the global organized retailing space has increased by 225% with population growth of just 11%. During same time, sales from organized retail per capita have almost doubled and Internet access has grown by 500%. It's clear from the above data that retail is growing leaps and bounds in developing markets and these developing markets has emerged to become the driving forces fueling global growth in retail sales. Hence it's not surprising that the retailing companies are looking to expand their base in developing countries but with care. It's important that the companies pick the right countries for their future growth. Not all developing countries offer same amount of return and most of the global retailing companies have learnt hard way. Retailing companies will have to identify the market poised for a big leap. Early country outside developed countries league to generate interest was China. Many global retailers focused their developing market expansion aspirations on China, which gained acceptance among business world because of its recognition by the World Trade Organization (WTO) in 2001. Many other countries like Southeast Asia and other BRIC nations (Brazil, Russia, India and China). With their friendly foreign policies attracted global retailers. Retailers are also exploring options in other countries like the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Rumania, Slovenia and Slovakia following their joining the European Union (EU) in 2004.

Coming back to Retail-Supply Chain Management (R-SCM), it is critical to retail success, more so in unknown territories and in global scenario of conducting business. Ultimately, it's the supply chain that determines end consumer cost, and has a significant impact on shareholder value. One retailer shows retailer's stock prices fell an average of 9% on the day a supply chain problem was disclosed, with an additional 9% drop recorded over 90 days.

This research, based on the retailers of every revenue size and different geographical areas, shows that the retailers had turned up to the supply chain professionals in order to experience further growth. The supply chain professionals take up the challenge as the essential role in the organization's success. The data collected is a combination of Companies' views expressed in their annual report and other

Figure 1. Growth areas in developing markets - 2001 vs 2010 comparison



*Published reports from 2002 through 2011 are based on prior year data.

Sources: Population Reference Bureau, Planet Retail; Internet World Stats; A.T. Kearney analysis

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