Exploring Factors affecting Supply Chain of IT Products: A Retailer’s Perspective

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Abstract
Role of retailers is very crucial in a supply chain of fast changing IT products as they have to maintain relationships with suppliers of IT products (manufacturers) and their customers. Since they have different objectives, both these relationships depend on different factors. Authors in this research papers makes an attempt to explore the factors affecting Retailer-Supplier relationship as well as Retailer-Customer relationship. Factors affecting these relationships were identified through literature review to prepare a questionnaire and primary data was collected through survey of 120 retailers of IT products in the market of Delhi and National Capital Region of India. Analysis confirms that retailers relationship with supplier and customer depends of different factors. Exploratory factor analysis of data also suggests that four factors influence Retailer-Supplier relationships, whereas five factors affect Retailer-Customer relationship.

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1. Introduction

Relationship between the supplier and the retailer has undergone a sea change during the last decade, mainly due to the changing preferences of the customers, who have become more aware and demanding. In case of IT products, the role of the retailers becomes even more indispensable as consumers need more information regarding the technical aspect of the offering. Therefore, it becomes imperative for the manufacturers to have long term strategic relationships with the retailers and consider them to be the crucial link in the supply chain. Online retailing has attempted to bypass the retailers and establish a direct link with the customers, but that market is still to mature as the Indian consumers still want a touch and feel of the actual product, especially in...
case of technology products. In such a dynamic situation, the collaboration of suppliers with retailers needs lot of discipline. The objective is to have strategic relationships with integrated supply chain management practices and real time information sharing. Various studies across the globe have highlighted the fact that recent technological advancements in the field of communication have made it possible for the partners in a supply chain to have a mechanism for effective information sharing, leading to increased cooperation among supply chain partners [1].

2. Role of Retailer in the Supply Chain

As per its fundamental nature, the supply chain is formed as an outcome of series of relationships among multiple firms [2]. The performance of a supply chain depends largely on efficient coordination of the activities of the chain members or partners [3] [4]. In SCM, distribution and management of the relationships in a distribution chain are critical issues. The scientific evaluation and selection of the distribution partners and having a long term relationship with them can increase economic efficiency in enterprises and provide them a competitive advantage [5]. Coordination is needed to guarantee both the timely flow of information and of materials.

The purpose of supply chain management is to efficiently connect the parties in a value chain in order to minimize costs, enhance customer service capabilities, augment the organization’s knowledge base, maximize efficiency, and develop barriers to competitors. Supply chain management not only encompasses the flow of material and money among its partners, but increasingly importantly the sharing of information and also the flow of such information on both sides. The information is required not only to satisfy the demands and expectations of the customers, but also helps in development of new products and technologies. The retailer’s role in such a scenario bridges the gap between the needs of the customer and its articulation. The flow of information from the customers back to the manufacturers, through the retailers requires effective collaboration in the supply chain, with a system to exchange information on real time basis, with clarity and accuracy. Integration of supply chain activities among the partners is easier to say than done, as it requires redesigning the roles and processes across the chains, and requires a certain amount of trust to be built in. This again is possible by taking a long term view of the relationship and developing a win-win scenario throughout the chain.

3. Supply Chain for IT Products in India

India is witnessing a boom in retail. Gone are the days of ‘one-size fits-all’ theory. Given the large population and burgeoning middle class, the taste and preferences are changing rapidly and it is a challenge for the retailers to understand the needs of specific customers. They have to provide customized solutions to fulfill the needs which vary from customer to customer. India’s retail growth is largely driven by increasing disposable incomes, favorable demographics, changing lifestyles, growth of the middle class segment and a high potential for penetration into urban and rural markets. Not only the middle class, the large number of tech savvy young consumers and a relatively untapped rural population constitute the growth story.

As per the India Brand Equity Foundation (IBEF) Retail Report Jan 2017, the retail industry in India is expected to grow to US$ 1.3 trillion by 2020. The Compound Annual Growth Rate (CAGR) for the period of 2015-20 has been pegged at 16.7 per cent. The report also mentions India as the fifth largest preferred retail destination globally and also has one of the highest per capita retail store availability. The growth in the retail sector is driven not only by the retail developments taking place in the top cities and metros, but also in Tier-II and Tier-III cities [6]. The boom in the sector is actually fueled by the growth in the organized market. Urbanization and increase in per capita income as well as disposable income along with global exposure and changing taste of the customers have made them move towards supermarkets and shopping malls. Not only this, the boost to retail industry has been provided by the government policies regarding Foreign Direct Investment
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