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 of 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
e.

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 waring : 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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