

Mitigate the Cost of Supply Chain Operations in Retailing Sector

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ABSTRACT

Retail organisations are using supply chain management to control inventory levels, product quality, expenses, and timing. An effective supply chain strategy differentiates delivery terms and service offerings which are vital for optimising the customer service and satisfaction and balance of cost. Retail businesses have become more challenging owing to the external and internal forces due to the ever evolving nature of the environment like covid-19 pandemic. Various measures are being taken to address the need to the manage cost of supply chain operation. The supply chain factors must not be ignored as the entire link along the retail supply chain play vital roles. This article is an attempt to presenting an overview of the current situation in the retail industry particularly in the retailing sector and the forces affecting their business cost which include knowledge, forecasting, procurement, and outsourcing. The paper concludes through literature review that recognizes risks associated with each force that could potentially determine the cost of business for the retailing hypermarkets. As such, an empirical study is to follow this conceptual study to analyse the hypotheses developed and to identify the factors and strategies that retailers could use to reduce the cost and impact of supply chain disruptions to their overall costs.

An effective supply chain strategy in retailing helps companies to reduce operating costs in numerous ways. It reduces time to market and minimizes the inventory holding cost. Improving supply chain management also helps companies to meet their sourcing needs and timely deliver materials to production or assembly plants'.

I. INTRODUCTION

Retail Industry Sectors: Types of Retail

A marketplace is a location where goods and services are exchanged. The traditional market square is a city square where traders set up the

stalls and buyers can explore the merchandise. Currently retail goods are generally sold in a number of different establishments. Convenience Stores, specialty stores, department's stores, supermarket & hypermarkets, discounted stores, multichannel stores are some models used by the retail industry to provide the goods to the end customers.

Retail – Industry Sectors:

Retail goods are generally sold in a number of different types of establishment. Retailers can be classified by the retail store strategy mix, which is an integrated combination of the hours, location, assortment, service, advertising, and prices, etc. Retail establishments typically classified into the following types and sectors:

- Convenience Stores
- Grocery Stores
- Specialty retailers
- Clothing Stores
- Auto Retailers
- Home furnishing retailers
- Drug Stores
- Department Stores
- Supermarket's and Hypermarket's
- Discounted Stores
- Multichannel Store
- Direct Sales Catalog and mail order companies
- e-commerce businesses

The 21st century has seen much vulnerability which has affected businesses worldwide. This has caused supply chain disruptions to many if not most industries dealing with an array of networks globally. The covid-19 in 2020 affected the retailing industry, the retail industry, particularly the hypermarkets. This industry is regarding as the bridge between the suppliers of various products from various countries to customers who demand a variety of products for their everyday needs. The supply chain linking the industry is very wide like in

retailing, whereby a disruption could cause various negative effects to the business. Being a competitive industry in the retail sector, the hypermarkets thrive on being price competitive by providing consumers with the best bargain there is available. However, in doing so, the hypermarkets need to ensure their supply chain cost is able to the weather any external shocks while maintaining efficiency internally. Management realizes the need to mitigate risks and provoke the strategies to reduce the overall supply chain cost to remain competitive.

After facing numerous aftershocks, the supply chain process of the hypermarkets has become more nimble and aligned towards the organization's wider strategy. Hypermarkets today deem sustained development as a vital tool to ensure that survival in the retail industry. To adhere to this goal, they realize that managing the supply chain has become a necessary strategy to pursue. Various methods are being pursued to ensure customers get value for their purchase, and at the same time reduce cost factors for the retail market. There is a growing feeling that in the retail management right now is confronting a remarkable change of structure, if not a change of life itself. This research endeavours to the show a review of the present circumstances confronting in the retailing business and to recognize retail management as the basic strength influencing their organizations and the significant zones of effect.

Retailers are now sprinting to get product from manufacturer to the customer, but supply chains remain snarled. Logistics carriers can reduced capacity to match falling demand and have been challenged to accommodate rising volume. From the water ways through the middle and last miles, carriers are experiencing unprecedented congestion that has caused service disruptions and rate increases. The approaching holiday season increases the sales and urgency of tackling these challenges.

For organizations in the retail sector, minimizing the costs, streamlining operations have for greater speed, and creating an outstanding and good customer experience engagement point are primary goals. Strategies employed in meeting these objectives must focus on creating visibility, agility, and transparency while enabling organizations to become more efficient, and smarter, and strategic with how information is can disseminated.

The need for cost-cutting and streamlining initiatives is partly being driven by the changes in customer behavior. Today's consumers expect greater convenience the regarding where, when,

and how they are shop. This puts the onus on retailers and their value chain partners to make every necessary effort in the speeding up and simplifying their operations without any lowering the standards of service that demanding consumers now take for granted.

In a competitive marketplace, those same consumers place a priority on getting value for money all the while expecting greater levels of choice with locally available produce, sustainable practices, bigger assortments of goods, niche or exotic products, etc. Keeping prices down to acceptable levels requires organizations to limit and optimize the usage of their own resources.



Conceptual Framework

The uncertainty aroused in the supply chain environment resulted in unpredictable cost in the retail marketing businesses. This paper elaborates the possibility of strategic irrepressible mitigation methods to confront such cost.

Research Objective

Research objective is a statement of research purpose which the researcher wants to investigate. Thus, this study is to mitigate the cost of supply chain that caused uncertainty to many organizations engrossed with unpredictable cost. This paper conceptually elaborates the possibility of strategic irrepressible mitigation methods to confront such cost.

- i. To examine how the four independent variables influence the supply chain cost
- ii. Identify the resilient strategy to sustain the long term profitability in the retailing.
- iii. To evaluate the mitigation methodology to manage the supply chain cost effectively.

II. LITERATURE REVIEW

Supply chain efficiency differs greatly from supply chain resilience. The former is aimed at improving processes that will enhance the

bottom line of an organization, while the latter is designed to withstand aftershocks such as the ones previously mentioned in the introduction. However, the both require dealing with the risks, a variable that is unpredictable, yet greatly influences the outcome of any external or internal shocks. Identified the types of risks associated to the retail industry as well as strategies to mitigate those risks. The risks are split into supplies risks, and demand risks, and miscellaneous risks. Supply risks involve disruptions to the availability of products in the retail industry to its customers while the demand risks are risks that could potentially affect the operations in the retail industry. These risks are the more internally oriented to compared to the supply risks. Miscellaneous risks are risks that could potentially affect to the costs of doing businesses other than the supply and demand risks. The point to note, however are the risks present throughout the supply chain and the retail business particularly at the hypermarkets which need to be continuously assessed to as various aspects the of risks are involved and the parties linked to the supply chain.

Knowledge Management towards Cost Effectiveness

Despite contradiction, productivity and receptiveness are essential elements in the supply chain process. While accomplishing better efficiency, there is a possibility of conceding receptiveness. Thus, performing high proficiency during the distribution and remaining receptive to the customer is essential. Inconsistent supply affects the promptly on the aggressiveness of firm, causes high supply chain cost and the customer endures.

To reduce the overall distribution cost, retailers rely on merge orders and improve the lead time and zoning the areas accordingly. Hypermarket retailers need to deploy various mechanisms such as market segmentation, pricing strategy and vendor managed inventory (VMI) without ignoring the supply chain capability and limitation

Although different methodologies are applied, a strategic knowledge management is essential to development every level of employees to gain organizational vision and mission. Argues that every organization survive because of knowledge management exists and utilized widely within in the organization. Knowledge management is concept worked in a holistic manner that incorporates and integrates with the retail environment. Using a specific idea of the resources would improve the supply chain

connectivity and network where there is a possibility of reducing the supply chain cost.

Forecasting Strategy to the Manage Supply Chain Cost Effectiveness

Traditionally, organizational experts have used inadequate data and information or poor prediction the methodology to derive the forecasting which results in appropriate outcome. In the retail sector, managers can face enormous levels of uncertainty that has made them to default the accuracy and cause high level of supply chain cost. Research has recommended that a proper method of forecasting should be implemented in order to obtain accuracy and reduce organization a burden. Relatively sometimes, the forecasting positively resulted during the high uncertainty and low quantitative data where strategic forecasting policy being implemented. Uncertainty such as uneven population category, distracting technologies, new enterprise and other challenges that continuously happen where survival is always unpredictable. Due to this, managers can conduct the internal and external assessment to derive the best way to achieve the supply chain cost reduction.

Strategic Procurement and Sourcing in the Reduction of Supply Chain Cost

Supply chain has developed into global levels due to vast requirement of goods and services. Obviously, hypermarket retailers enhanced the scope of business where global sourcing plays a prominent role. Not only within their country but across continents to gain more exposure in buying and selling. Hence, it is required for any retailer to build networks worldwide to achieve competitive advantage. While widening the scope of procurements, retailers need to the magnify the wider range of cost such as assembling cost, transportation, freight infrastructure, social liability, mobility and other relevant government tariffs and taxes. Once the procurement experts' steps into the international trading arena, it is vital for buyers to develop the advance knowledge pertaining to the buying skills and sustaining low cost within the limits. Managing procurement and negotiating perfectly and consistently is crucial to ensure profitability is assured and this will reduce the supply chain cost effectively. Furthermore, managers need to be trained with regard to procurement skills but this is still subject to debate. This is because international procurement grows every minute and organizations

couldn't tap the speed of development and face the consequences.

III. ANALYSIS & INTERPRETATION Optimizing Logistics and the Supply Chain

Retail organizations can face the internal pressures from trying to balance the demands of the distribution center (DC) with requirements in the store. While Replenishment calls for more frequent deliveries, Category Management may request the wider assortment of merchandise. At the same time, Store Operations may be calling for measures to meet the delivery requirements of consumers.

Overcoming these challenges requires effective Supply Chain Planning optimization. This enables the organization to raise the filling rates, reduce the distances that have to be covered by the transport services, keep trucks on the road, and streamline its DC operations.

Reducing the Logistics and Supply Chain Costs

The cost of logistics and supply chain management should not be underestimated. Organization that fails to effectively monitor, manage, and minimize its supply chain costs may suffer an erosion of its bottom line. For the retailers, it is essential to populate the supply chain with the providers who are consistently able to deliver the right products and materials on the right time, to the right places, and at the lowest price. To minimize procurement cost, organizations must be able to identify and retain the services of such suppliers. This requires the finance managers can be able to use historical and real-time data in evaluating and comparing the performance and pricing of the various suppliers.

Retail organizations must also rely on inventory as a buffer against the changing cycles of supply and demand. However, stock and storing of inventory can cause costs to escalate (this includes the warehousing and the transportation costs) while tying up the capital that could otherwise be used to fuel business growth.

For effective cost minimization, the goal should be to reduce excess inventory and to maintain the stock of merchandise that can meet the demand for specific product ranges at the various outlets from the distribution network.

Consolidating Shipments

Charging rates for transport carriers are calculated on the basis of shipment weight, distance to travel, and other variables. Consolidating shipments so that fewer trips have to be made enables retailers to reap benefits of lower rates based on the larger consignments.

This approach requires the transportation managers to move away from Less Than Truckload Shipments to Truckload shipments. Cost reductions will generally derive from the fact that discounts are almost always available for the larger shipments.

Recommendation

Their order fulfillment and supply chain services can help you reduce costs by focusing on your customer needs, improving the supply chain performance, and adding the automation and technology to your strategy to reduce cost and increase profits. One of the most tested and a true method to mitigate the cost reductions is by working with the third-party logistics providers.

There are 10 strategies to reduce your supply chain costs

1. Focus on the Customers

The needs of your customers should be the forefront of your mind when you consider your supply chain structure and strategies. However, many supply chains can follow policies and systems that conflict with their customers' needs. As a result, these companies deal with frequent customer issues and complaints, and additional costs that are unnecessary. If you focus on your customers by offering options like next-day delivery or unlimited free shipping with a paid monthly membership offer, you will provide the solutions they want and be more effective in the business.

2. Supply Chain Strategies

Creating an effective supply chain strategy will help you in the frame your goals and be more efficient. Your supply chain's performance should be evaluated on a regular basis to ensure you are meeting your customers' requirements and staying on top of your goals.

3. Make Better Uses of Space

It costs to store inventory and supplies in a warehouse, so make it part of the plan to make the most uses of this space. Take an assessment of the warehouse and decide whether you are achieving this goal. If there are the ways to reorganize your inventories, you may discover that you can save the money and be more efficient in the way you use your space.

4. Sales and Operations Planning

Sales and operations planning are required for supply chain to operate at its highest efficiency. Optimal performances depend on the proper planning, but it can be expensive and complicated. When you work with a third-party logistics provider, the team will eliminate waste and redundancies, help you plan better through data analysis and forecasting, and increase visibility so everyone involved is up-to-date.

5. Supply Chain Networks Design

Supply chain networks design involves reducing the costs and increase the reliability to minimize the product handling. Each “touch point” between your supplier and your customer raises costs and increases the risk of error and damaged products. A poorly designed network can lead to expensive handling, for too many stock locations, and an inadequate use of your distributions locations. As a result, you will experience high distribution costs and poor customer service.

6. Move Supplies Faster

A third party logistics provider can help you find the ways to speed up the shipments from suppliers so you can order closer to when you need the items. When inefficiency causes you to order in advance, you can incur warehouse costs because you will need the space to store these items when a customer gives order. Additionally, the risk of losing or damaging stock because they sit around in the warehouse. By outsourcing from third party logistics your warehousing and distribution, you can shorten the time it takes you to get items from your supplier to fulfill the customer orders.

7. Automation

One of the biggest benefits of working with a third party logistic provider is access to automation software. Automation can help in the reducing supply chain costs and make your operations more efficient.

8. Outsourcing Supply Chain Operation

Outsourcing your supply chain management to a 3PL provider will help you improve performance while reducing costs. Warehousing and transportation are two of the most expensive aspects of your supply chain and an outsourced partner can provide more cost-effective and skilled services. By outsourcing, you will receive these benefits:

- Reduced costs
- Rapidly access services
- More flexibility in resourcing
- More opportunity for cost-effective growth
- Access to specialized services, technologies, and equipment's.

9. Utilizing the Assets

Evaluating the assets and usage to find the specific areas that need to be improved is one of the most straight forward ways to improve the supply chain performance. Supply chains have complex systems, so finding that ways to increase efficiency and reduce the cost and errors is vital.

10. Measure Performances

The next step for the reduce the supply chain costs is to track your results. Observing your key performance indicators will help you in the determining realistic targets and set traceable steps to reaching those goals. Performance tracking will also help in accurately forecast for the base supply, logistics, and stock renewals.

IV. CONCLUSION

The topic would be open for debate to current managers in the supply chain settings and moreover this study explains explicitly the methods to reduce cost in the hypermarket business. The finishing diagrams can support the hypothesis designers and the experts. This paper attempts to dissect the supply chain cost risk associated as a moderating risk methodology in theory. Mixing both supply chain settings with the reduction of cost in the hypermarket business prompt standardizing and evaluating of the supply chain social framework in a global field. Based on my research, vital questions pertaining to supply chain business and the cost factors would give food for thought for retailers. Qualitative research, e.g. in the form of in-depth interviews, could be employed to explore additional exploratory aspects to determine the perceived influence supply chain practices. These theoretical assessments highlight suggestions for all supply chain experts to explore further to improve the cost factors. All retail expert should recognized and comprehend the factors contributing to the various mitigating element and influences to the reduction of cost in the hypermarket. This opens further and suggestion for improvement in the retailer business.

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