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Tributaries paving way out of old rivers

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Abstract

This study aims to deal with various distribution channels, their effect and their importance in context to supply chain management. The company performs research on market full of customers. It understands their necessity, their desires by targeting a particular segment of the market. The mindset of the customer is read and bridging the generation gap, new product or service planning is ready to be executed. After the products and services are finished, they need to be provided to the customers effectively and efficiently. In overall process, each step is of equal worth. The same worth is held by the step when the products and services have to be provided to the customers from the producers. The chain from producers to consumers that is buying and selling might appear a petty task which actually is not. There are various mediums involved in this step. It is important to know about these mediums so as to execute them properly. This paper is important and useful for the companies which are looking for new distribution channels which are cost effective in nature and at the same time entertain more customers thereby increasing the profit margin. It will be help in taking financial decisions effectively.

Keywords: Tributaries, paving, old rivers, consumers

1. Introduction

It has always been taught that there are two parties of transactions – buyer end and seller end. But in market, it has been seen that transaction is not as simple as it seems. It's much more than just two parties.

In any company, there is a long chain preceding the end customer. There is a supplier who supplies raw material to the manufacturing department. The raw materials undergo various manufacturing operations to reach to a finished stage. Then there is inventory department, financial department, sales department and so on. Pricing is done for the product. Then taken to the customer again through a chain travelling from inventory to sales to wholesalers to agents to retailers and finally to end customers, this was all about when it comes to tangible goods. Beyond it, goes intangible goods, that is, services and ideas.

Supply chain management is what we term. According to Wikipedia, "Supply chain management is the management of flow of goods. It includes movement and storage of raw materials, work-in-process inventory and finished goods from point of origin to point of consumption." Simply stated, "supply chain covers all the procedures of moving raw materials from suppliers to finished products to the end customers."

There are generally 11 supply chain participants named raw material providers, manufacturers, distributors, resellers, franchisers, sales representatives, logistic providers, financiers, credit support providers, end users, lessors. Each participant has its own responsibility and importance in the supply chain. This supply chain is exhaustive in nature.

2. Relationship between marketing and supply chain management

The two terms "marketing" and "supply chain management" are correlated in many aspects. Explaining the terms, "marketing" is studying the customers and providing them with necessities while "supply chain management" is managing all the steps from suppliers to producers to the end customers.

Marketing is a step that is related to supply chain. It is tool to advertise and promote the products and services. It can be said that marketing is the front end of business and supply chain management is the back end of business. Thus it is important to link marketing and supply chain.

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Marketing and supply chain management are both inevitable for any company. If a company is able to handle both of them effectively then it can achieve greater profit and greater customer loyalty.

Marketing is important for supply chain management and vice-versa. If products and services are not advertised and promoted properly among the customers and also among distributors, then it will be difficult for products and services to stay in market for long term. Similarly, if distributors in supply chain are not properly given in a sequential manner, then there is no scope of marketing.

3. Old channels vs New Tributaries

When discussion about supply chain is done, it has been evident that more focus is done on the distributors outside the company which includes suppliers, wholesalers, agents, retailers and the end customers.

There is a direct chain between these distributors and the company. The supplier supplies the raw materials and gets paid. Now company need to earn the paid money and the money that has been invested to convert the raw materials into finished product. For this, the company moves to other distributors. Thus these distributors play an important role in gaining profit for the company.

Earlier channels of distribution were divided into three:-

Producers → Wholesalers → Customer

Producers → Wholesalers → Retailers → Customers

Producers → Wholesalers → Agents → Retailers → Customer

In each of these channels, producers and customers play an important role. They can be simply stated as sellers and buyers while wholesalers, retailers, agents are mediums for sellers to reach to buyers.

With the advancement of technology and also the mindset of people, 3C's (Customer, Comfort, Change) are becoming prominent. So according to this a new channel of distribution has emerged.

Producers → Customers

There exists a channel today that directly connects producers with customers. Now sellers and buyers can virtually see each other and queries of buyers can be directly sorted by sellers. This channel E-commerce, a boon for 3C's by Internet.

E-commerce is slightly above the old modes of supply chain. It has given customers to access products and services virtually and easy gain. The new generation is highly addicted to this new tributary as they look for comfort and less time consumption from their busy life.

Though new tributary of E-commerce has raised the standard of living for the customers, old channels still play a prominent role in the market and in the supply chain.

4. Why opt for upcoming tributaries

Old channels of distribution are important but their long chain creates an impression of greater time consumption in minds of young generation. E commerce is still a growing baby as compared to old channels. It is penetrating into the market and is trying to dominate the market for various reasons.

Comfort is the must need of new generation and also just succeeding generation. Urbanization has caused a hectic schedule for people that they find is better to go for E-commerce, the stores available 24X7.

Examples of E-commerce can be seen in Flipkart, Jabong,

Snapdeal and many online stores. In these websites, all brands are available with lot of options to compare. Not only stores, E-commerce has taken over travel agents via various websites such as Yatra, Traivago, etc.

Next, "time", an important factor to opt for E-commerce. Since E-commerce is available over Internet every moment and can be accessed from anywhere over the globe, time consumption has become less. People no longer have to run for different shops to compare products and services at a cheaper rate with good quality. Thus time factor dominates the mindset of people.

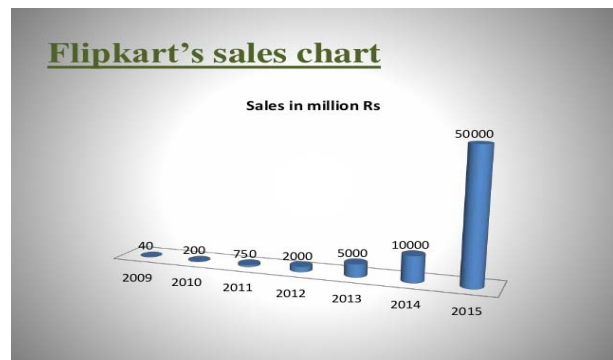
Again, word of mouth has played an important role. But it was lot of limitations and often mixed reviews were obtained as the sample was very small, only the friends and relatives. But with E-commerce, the customers get reviews of customers from customers all over the world which makes it much easy to judge about the product and service.

Thus, there are a number of factors to why customers are opting for new tributary of E-commerce.

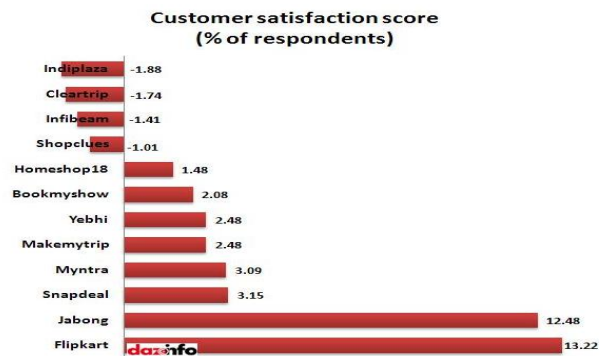
5. Tributaries as part of Supply chain management

E-commerce has proved a lot as a tributary for supply chain management. It has an effective channel to reach the customers who are highly addicted to Internet. From many sales figures of E-commerce websites, it is evident that E-commerce is penetrating the market at a greater speed than as expected.

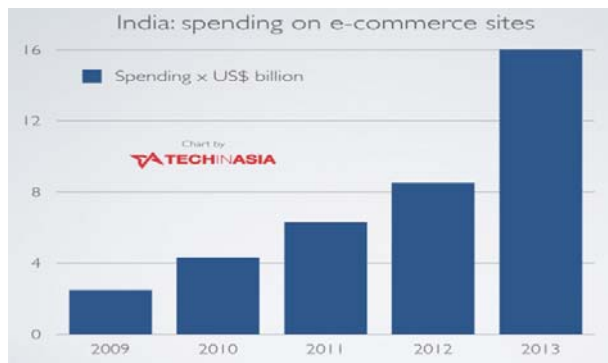
Here's a list of sales figure of Flipkart through which it can be seen that its growth has rapidly increased.



With the following graph we can understand height of customer satisfaction through these E-commerce websites. There is a comparison of many websites which tend to give a better report.

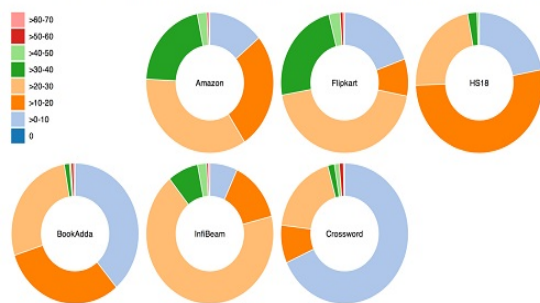


India has too started participating in E-commerce websites. Recent studies have shown the contribution from India to these websites.



This is very clear that products and services readily available on these websites have attracted the customers. All the stores are available at a single place and that too available all time. Example of one store, books, can be analyzed with following graph.

Store-wise discount distribution for top 5000 books (shipping charges not included)



Thus this channel of supply chain is becoming dominant and sooner or later, it is possible that it may take over old channels of supply chain. The customers are continuously moving to a new tributary to quench their thirst and becoming less loyal to old river channels.

6. Findings and conclusions

In this busy world, comfort is needed for customers which could have disturbed supply chain. Time saving and money saving are the factors that the new generation demands for which is lacking in older channels. People had to travel distances to reach to the retailer and buy the product or service which was time consuming and schedule disturbing task. But with the upcoming tributary of E-commerce concept, supply chain has come over with a new medium to access the customers easily.

E-commerce is a newer concept and the generation gap still is an obstacle for it. But with change in mindset towards various products and services, the customers can switch over to E-commerce. From various facts and figures, it has been proven that many of the previous mediums have been diminishing at a higher rate with the emergence of E-commerce. It has also been evident that all the products and services are still unavailable in E-commerce. In that area, old mediums of distribution are still into effect and it will be difficult for E-commerce to capture that market.

7. References

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