

Supply Network Value Analysis: A Study with Special Reference to Indian Paint Industry

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ABSTRACT:

This research paper deals with the study of Supply network (chain) value analysis & its significance in the Indian Paint Industry. There is a drastic change in the structure and shape of Indian Paint Industry which is further bifurcated into the two sectors i.e organized and the unorganized sectors. The organized sector comprises of big multinational Paint companies and the unorganized sector comprises of small scale companies. Organized sector dominates the unorganized sector in the Paint industry. Thinking pattern of the consumers is affected by the retailers of the organized sector. In this context, Supply Network plays a very crucial role. Supply Network aids in reducing/minimizing the waste, inventory, transportation cost and thus providing the products to consumer at an affordable price leading to the improved performance.

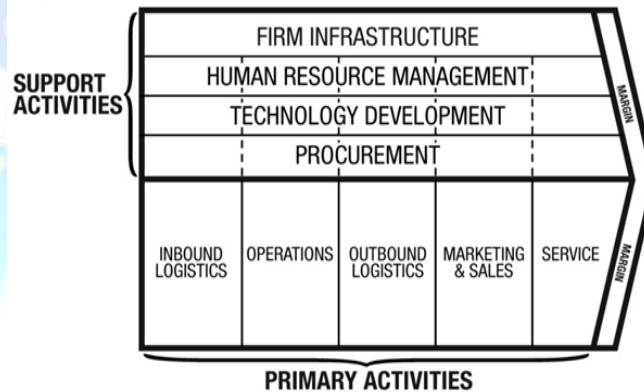
KEYWORDS: Supply Network, Value Creation, Indian Paint Industry.

INTRODUCTION: The supply network is very crucial aspect of the business and especially when you are in the manufacturing industry. The demand of paint is very high in the market because of customer choice become broad and they give more priority to the decorative paints and also the real estate is booming sector. So providing the right product at right time to the consumer is very important in today scenario. Supply chain should be effective for the market so that there is no problem in future in inventory management and logistics management. The aim of supply network (chain) by Kaufman (1999, p.14) as to “remove communication barriers and eliminate redundancies” through coordinating, monitoring and controlling processes.”In this era of cut-throat competition, businesses need to restructure and realign their organizations so as to produce higher quality products and provide better services to the customers. Businesses must also focus on cost reduction and manage their supply network networks effectively. Due to the intense globalization and communication of markets, the awareness among the customers have increased which led to more demanding customers. To meet with the demands of the customers, organizations are re-defining the value offers by them with suppliers for creating competitive advantage. Efficient Supply Network provides various benefits to the organizations. Organizations get into the supply network processes to control the quality of the product, expenses, wastage, inventory levels etc.

MEANING OF VALUE:

According to Porter, value is the amount which the buyers can willingly pay for what a firm provides to them, and he conceived the ‘value chain’. Value Chain comprises of the nine generic value added activities combination, operating within a firm that work together for providing value to the customers. The Value Chain concept was developed and popularized in 1985 by Michael Porter, in “Competitive Advantage,” a seminal work on the implementation of competitive strategy to achieve superior business performance.

Value System: The Value chains between the firms were linked up by Porter to form Value System. Effective Network (chain) helps generate profits.



LITERATURE REVIEW:

Supply Network (chain) has been interpreted by various researchers. Zsidisin et al. (2000) illustrated that the primary goal of SCM is to properly & effectively manage the materials and information flow from various sources of supply to the main point of sale. SCM can also be described as the managing of raw materials, in-process materials and finished-goods inventories from the point of origin to the point of consumption. Dainty et al. (2001) analyzed that supply chain management has focussed more on the bonding between the parties that are in the flow of goods from the supplier to the end-user. Ganeshan & Harrison (1995) has described SCM as a network of facilities and distribution options that performs the functions of procurement of materials, converting the materials into the finished end-products, and then distributing the finished products to the customers. Elmuti (2002) analyzed supply network in a different perspective. According to him, it includes the tasks to get the suppliers, distributors and the customers into one process. All the three i.e. suppliers, distributors and the customers are greatly involved in this process of supply network cohesively. McGinnis & Vallopra, (1999) explained the importance of the Supply Network. He added that Supply network performance has greatly increased its importance in today’s scenario. According to him, in the economy if supply networks and not companies, battle with one another, then how can a supply network determines that who will get the victory in the battle. For achieving the highest competitive advantage through the supply network, the supply network should be performing at its best or anything it has gained will be short-lived. Despite of it, many companies do not know about the performance of their supply networks or even what type of supply network they are in. Competitive advantage is the advantage/edge of a company over its competitors in the same field. With the help of it an organization may create a dominating position over its competitors.

Mentzer et al. (2001) illustrated SCM as the strategic & systematic coordination of the business functions within a company and across businesses within the supply network.

Mowat & Collins (2000) views that understanding and meeting consumer needs are very crucial in SCM as a way of increasing value to consumers and improving return to all stakeholders in the supply network process.

Alvarado & Kotzab (2001) illustrated that as per transportation and logistics management perspective, the aim of SCM was on minimization of inventories. The inventories to be minimized includes both within and across the organizations in the supply network.

OBJECTIVES: The study has been conducted mainly to:

1. To study the Supply chain value analysis of organized vs. unorganized paints sector.
2. To conduct a comparative analysis between the Paint sectors.
3. To understand the effectiveness of supply network management (web-based) in the value creation process.

RESEARCH METHODOLOGY:

The research design is of descriptive type based on the data (secondary) from various journals, magazines, internet etc. Data was extensively used from various news articles, books etc.

SUPPLY CHAIN IN ORGANIZED VS. UNORGANIZED SECTOR: VALUE ANALYSIS:

The organized sectors have harnessed the powers of state-of-the-art supply network system. The companies are using latest cutting edge technology for the integration of all their plants, RDCs, branches etc. In the organized sector; paints plants, chemical plants, processing centres etc. are integrated, which adds value ultimately.

The supply network comprises of various functions i.e from planning the materials to the procurement and then to the primary distribution. Supply network is very important for enhancing the efficiencies (operational) and for creating acrobatic & supple procurement, production and efficient delivery systems. The pliability of operations has been increased, the output time has been reduced and delivery costs, while enhancing of customer-servicing and the profitability level.

ROLE OF INFORMATION TECHNOLOGY:

The Supply Network (chain) management is supported by IT efforts in the context of the companies in the organized sector. This aids the company in:

- i) Forecasting of demand.
- ii) Vendor relationships streamlining.
- iii) Procurement costs reduction.
- iv) Scheduling of production processes for individual factories.

TINTING SYSTEM:

Tinting system ensures all the dealers to provide varieties of colors. From less of inventories demands (quantity) of customers can be met. Because of the this system, companies can derive competitive advantage over their competitors in a way by giving the services in the form of larger availability of colors and ensuring down/minimising the cost of providing these services. They are controlling inventory through their proper managed supply network and using tinting system.

SUPPLY CHAIN IN UNORGANIZED SECTOR:

This sector is very scattered when compared to organized sector. The unorganized companies mainly pushes the distemper segment. An unorganized sector contributes a lot to emerging economies such as India. Management of the supply network in the unorganized companies may be a great challenge because of the absence of best practice that can be mapped. The information system is also informal. There should be formal information system in the unorganized sector like the organized one. When we talk about the material flow in unorganized sector, it is very much disorganized unlike the other sector (organized) and may involve low level of mechanization/automation. The money flow is also by using traditional methods. E-commerce or other payment gateways may not be there.

WEB-BASED SUPPLY CHAIN MANAGEMENT:

By analyzing the supply chain's overall process, management should shift the focus from the cost reduction to value creation also. Because of Internet technologies, supply network (Web-based) should be considered to be an essential tool also. Supply network (Web-based) is an SCM system i.e. Internet-enabled system which combines all the networks including their suppliers and factories, warehouses, distribution centres and retailers. Because of the web based network this chain of logistic and supply processes may be very properly managed. Speedy coordination may be achieved along the supply chain in any organization. Information Technology (IT) role in SCM has changed dramatically in recent years from transforming business operations (Ghiassi and Spera 2003, Shore 2001) from (EDI) systems and (ERP) systems to Internet/Intranet. This will support SCM (Pant et al. 2003, Shore 2001). Internet technologies help a lot in increasing value in the business processes. With the advent of such technologies, creating value has become easier and enhanced to a great extent. With the power of Internet and the simplicity of a Web browser; value is created throughout the extended supply chain. It helps in improving visibility, flexibility and collaboration in the supply network. Through well-established and proper information network, electronic ordering system provides the greater availability and transparency through the supply chain process.

RECOMMENDATIONS:

Organizations may create value through its supply chain through following ways:-

- a. To optimize the efficiency organizations should adopt the ERP software i.e. enterprise resource planning. This helps to streamline the business with latest technology solutions. It also ensures optimum utilization of the assets & resources of the organization.
- b. Paint companies should outsource some activities and focus more on thw core activities.
- c. Creation of better presence to supply network activities minimizes Warehousing expenses etc. Better forecasting can be done. It also improves customer service, loyalty etc. which enhances the profit margins within the organization.

- d. Paint companies should provide platform to receive complains & feedback from customers. It is always the best option to improve productivity and thus value increases.

CONCLUSION: In a nutshell, Supply network management plays a very crucial role in the success of any organization. The value of efficient SCM may be clearly seen. Supply network management is another form which also aids a lot in creating value through supply chain.

Larger environment i.e (social and economic environment) affects value highly. Various factors like advertising, economic conditions etc. all influence consumer and business valuations through the value systems in the economy. To generate maximum value by supply chains in this dynamic environment, their synchronization with the flows of supply and with the flows of value from customers is mandatory.

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