

SUPPLY CHAIN MANAGEMENT: A WORKING PATTERN OF DISTRIBUTORS AND WHOLESALERS IN EDIBLE OIL BUSINESS

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Abstract : This paper highlights effectiveness of supply chain management process which basically considers companies dealing in FMCG like Edible oil, basic concern of the same would be effective distribution to the end customer so that it can manage the demand and supply equitably. For maintaining equitable supply of goods, the Collaborative replenishment or Vendor managed inventory in SCM is used. The Distributor is the keystone. He is called by various nomenclatures like Distributor, redistributors, dealer, wholesale dealer etc...but broadly defined and generally acceptable definition of the distributor is 'A person or a firm who links the manufacturer/marketing company with the retailers.' He is the one who purchases from the manufacturing company in bulk quantity and re-distribute it in small quantities to retailers. But, in case of edible oil, the companies prefer multiple supply chain partners, as there is thin line difference between all intermediaries mentioned above. In all the cases, the role of distributors is very much essential so the companies try to manage their supply chain by closely working with their supply chain partners i.e. Wholesalers and retailers.

Keywords: FMCG,Distributor,SCM,Wholesaler,Edible Oil.

1) INTRODUCTION

Supply chain management is an essential part of business today. The idea is to apply a the total systems approach to managing the entire flow of information, materials and services from raw materials suppliers through the factories and warehouses to the end customers.

In the broadest sense, a supply chain refers to the way that materials flow through different organisations starting from with raw materials and ending with finished products delivered to ultimate customers.

A supply chain is the sequence of suppliers, transporters, warehouses, manufacturers, wholesalers, distributors, retailers and final consumers. Different companies may have different supply chains due to nature of their operations and whether they are primarily a manufacturing or a service operation

OBJECTIVES OF STUDY

- 1.To gain knowledge about supply chain management of Edible oil.
- 2.To know the functions of Upstream and Downstream intermediaries in supply chain.
- 3.To study the Working pattern of wholesale units dealing in Edible oil.

RESEARCH DESIGN

Tool used was Questionnaire and interview method. Their working pattern and dealings with company brokers and stockists were studied through a structured Questionnaire.

RESEARCH METHODOLOGY

This paper is based on Primary and secondary data.

Primary data was collected from wholesalers and distributors of Suburbs of thane district. Sample size is 30 oil merchants , selected through Cluster Sampling.

Type of Middlemen	Kalyan	Ambernath	Ulhasnagar
Wholesalers	4	4	7
Distributors	5	4	6

Secondary data was collected from important reference books of supply chain management for which reference is added in the End notes.

HYPOTHESIS

H1 : Repacking business of Edible oil is undertaken by Pure Wholesalers .

H2: Supply chain management practices are different in both the cases i.e Wholesalers and Distributors.

REVIEW OF LITERATURE

Supply chain management in Indian FMCG sector, B.S. Sahay & Arun K. Gupta productivity journal(2002). In this paper, the development and trends of supply chain management practices followed by FMCG sector are highlighted. Further, it is the researchers through the survey results have proved that corporate recognition of importance of supply chain is growing rapidly. The supply chain process includes demand management, customer service, distribution management, inventory management , manufacturing, order processing, transportation, warehousing, promotion planning

Supply chain design: capacity, flexibility and wholesale price strategies, Brian T. Tomlin, Thesis, Alfred P. Sloan School of Management, Massachusetts Institute of Technology, November 15, (1999). Increasing recognition is being placed, both in industry and in academia, on effective supply chain management. The term supply chain management presupposes that there exists a supply chain to be managed. With a focus on supply chains in which demand uncertainty is the key challenge, this dissertation develops strategies and models to aid in the design of certain supply chain features, namely capacity, flexibility and wholesale price schedules.

Ayers, James B and Odeord "Retail supply chain management", Auerbech publishers, 2008

A consequence of business specialization is the implementation of weak processes that cross departmental and corporate boundaries. Supply chain management (SCM) addresses this issue by requiring a process view that reaches across these confines. Due to globalization and a competitive environment, those within the retail supply chains are particularly vulnerable. New ways of managing require an understanding of the entire chain by participants at every level-retailer, distributor, manufacturer, and service provider.

Bowersox, D.J., Closs, D. J., & Cooper, M. B- Supply Chain Logistics Management, Publisher: McGraw-Hill, (2005). Logistics include all the activities required to move product and information to, from and between members of a supply chain. Supply chain provides the framework for businesses and their suppliers to jointly deliver the goods, services and information effectively, and relevantly to customers.

Rahul V. Altekhar, "Supply Chain management concept and cases", PHI Learning Private Ltd, (2009) Supply chain management can be seen as the process of strategically managing the procurement, movement and storage of materials, parts and finished inventory through the organization and its marketing channels in such a way that current and future profitability are maximized through the cost effective fulfillment of orders.

K. Shridhar Bhat, "Supply Chain management" Himalaya publishing house, (2010)

A supply chain is referred as the way that material flows through different organizations starting with raw materials and ending with finished products delivered to the ultimate consumer.

SUPPLY CHAIN MANAGEMENT APPROACH

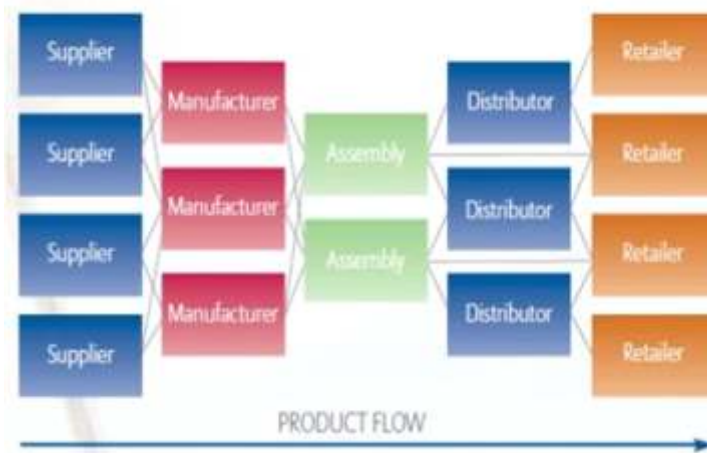
The traditional approach to SCM was the fragmented sub optimization within departments or within the company. The typicality in this approach is the local dominance and absence of global sense. In

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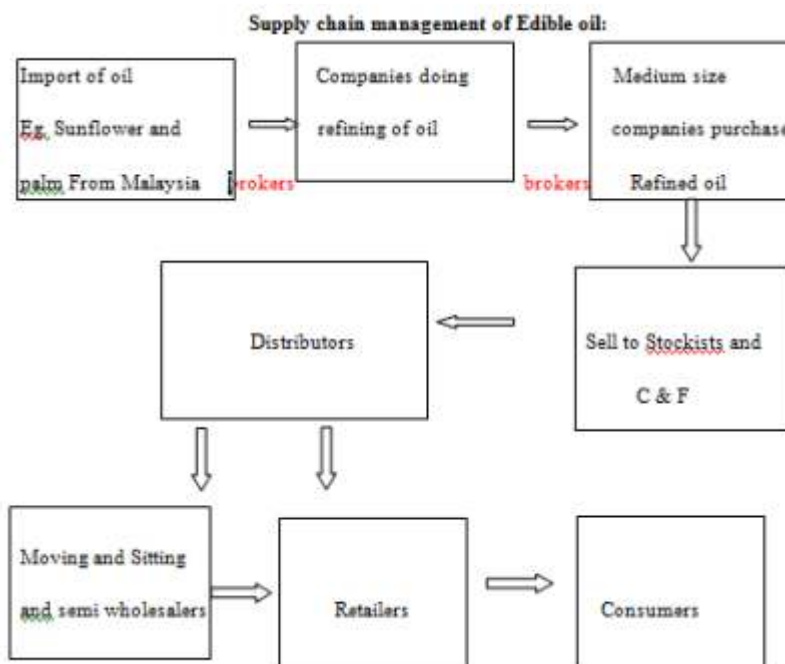
the modern approach all organized players are seen as one entity. In this manufacturing operations closely operates with all trading partners including customers at one side and suppliers at other side. In fact, the well defined customer demands are known and main focus of organizations becomes fulfilling this demand with the supply management thus integrating suppliers side. Typically, it integrates all of its internal supply chain operations as well as external supply chain operations to deliver value to final consumers.

Wholesalers, also known as industrial distributors or merchant-wholesalers, serve as important links in any company's supply chain management. They bear the primary responsibility for physical movement of goods from manufacturers to retailers. In addition, they are called on to provide support services for the products. The array of such services may include technical, logistical, informational, and promotional support to meet the dual needs of manufacturers and retailers.

Wholesalers are standard in most channels of distribution in India. Many of the wholesalers combine their wholesaling functions with retailing or with manufacturing. A number of large companies accomplish the physical distribution function of the wholesaler without relinquishing title, through the use of "stockists." These are retailers or wholesalers who perform a function similar to the public merchandise warehouse.



Source: highereducation.com



Difference between Different Intermediaries in supply chain management of edible oil:

Wholesalers differ from Distributors with respect to various supply chain strategic points. Distributors are more close to producers in a supply chain management. They occupy the prime most position in comparison to wholesalers in supply chain positions. Distributors are those who are given distributionship or agency from the manufacturer at a pre specified margin. They are accountable for timely procurement from companies and are responsible for effective selling and marketing of goods. Distributors , more or less, have extra more facility from companies in terms of credit period extension, special salesmanship which is appointed by companies who assist distributors in selling and long term contractual relationship. They are the intermediary who hold other wholesalers and retailers in the downstream chain. They follow VMI Vendor managed inventory where their DC stock level is decided upon by manufacturer.

Wholesalers are those who buy either from one supplier or from multiple suppliers or from their brokers and distributors. Their margin is semi fixed in nature. They are not accountable for timely procurement but enjoy flexibility in their purchasing and distribution. Therefore there are certain wholesalers in the market who are also Repackers. They purchase oil from companies in bulk lots and then provide separate tertiary packaging to it under self brand name. Wholesalers follow Continuous replenishments Program (CRP) stock levels as they rely upon distributors for order executions.

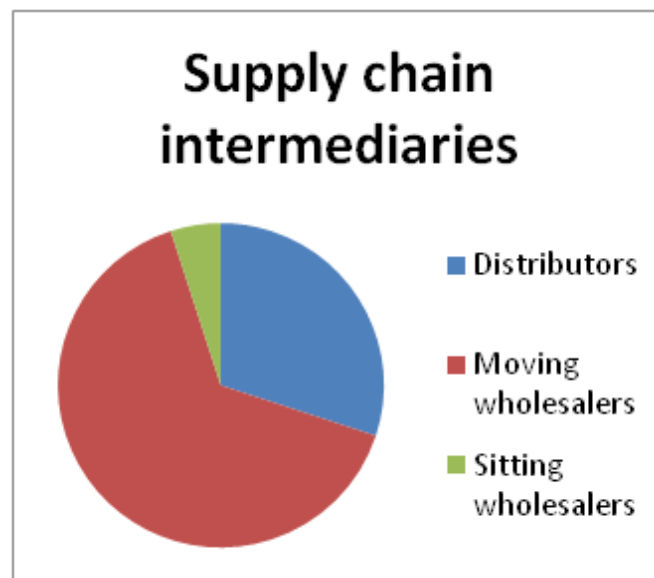
Wholesalers are of two types viz Moving wholesalers and sitting wholesalers.

Moving wholesalers generally owes their own logistical support system or hire them for door to door selling of goods and services to the retailers point. They are liable for timely selling to retailers and also particular about stock level so apply perpetual and periodic system of inventory control.(P & Q system)

Sitting Wholesalers on the other hand are like retailers, they do not physically distribute goods to the door step of retailers but have a counter sale so often take care of optimum stock level as demand can fluctuate . Merchandize management and store layout is more important in this case. Retailers visit sitting wholesalers and take delivery of goods over the counter so these wholesalers expenditure on outbound logistics is very less.

It may be noted that volume and magnitude of turnover in the both the case i.e Moving and Sitting wholesalers may be similar , the only difference is in their physical distribution system. Again the Buffer stock in case of Moving wholesalers was more.

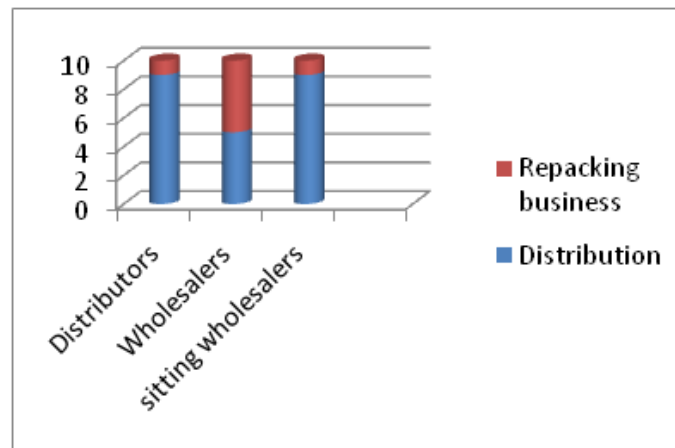
Survey Results



During the survey of concerned area, it was observed that 30% supply chain intermediaries were distributors, 70 % were wholesalers out of which 65% were moving and rest were of sitting type.

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Supply Chain Intermediaries	Relying on upstream purchasing(Procurement from)
Distributors	On Stockists and Brokers of Companies
Wholesalers	On Company Distributors
Semi Wholesalers	On Wholesalers



New Field of Repacking of Edible oil and selling under self brands: Through the given chart it is shown that new venture of repacking oil and selling under self brand was found in more volume in case of Pure and Moving Wholesalers. Distributors generally rely on manufactured packaging, little bit amount of Repacking which is depicted in above chart in case of Distributor is Tertiary packaging adopted by them.

Wholesalers view retailers as their key customers. Many wholesalers concentrate on the big retail houses and sell under their self brand also i.e repackers in case of oil business. In contrast, distributors work for producers by being actively involved in the actual promotion and selling in the overall market. Distributors work as if they are salaried employees of the producer. Producers are the primary clients of the distributors.

Distributors have a wider scope of operation than wholesalers. Wholesalers simply rely on orders from retailers, unlike distributors, who supply the retailers and the wholesalers as well as look for other opportunities in the market. Wholesalers rarely work with small producers since they are many in the market; instead they rely on multiple suppliers, distributors, on the other hand, work indiscriminately with both small and large producers.

In the survey, only H1 Hypothesis was proved and H2 was not attempted because of limitations and Constraints.

Table showing difference between Distributors and Wholesalers:

Supply Chain Strategies	Distributors	Wholesalers
Buffer Stock	Less	More
Inventory type	VMI	CRP
Special salesman ship	Appointed and paid by Companies	Self salesman ship
Relationship	Long Term and contractual	Flexible with Multiple suppliers
New Venture	No Repacking	Repacking business

CONCLUSION

Supply chain intermediaries indeed are varied in numbers . Basically the only difference between Wholesalers and retailers is known to a layman but when it comes to Companies dealing in FMCG . A

company's supply chain decision directly affects its marketing and promotion decisions. It is of great importance for a producer to establish a good supply channel for its products to the market. Distribution channels involve organizations that avail products for consumption by users in the market. Flexibility in starting new venture or business is available to Wholesalers and not to distributors. FMCG distributors and wholesalers generally has exclusive rights of distributing all products or a set of products in a defined geographical territory. In the given territory, they will be responsible for the redistribution of the products, retail penetration and market coverage. Managers should evaluate the available alternatives and consequently select one that is reliable and cost effective so the role of distributors and wholesalers and Strategic difference between both needs to be studied.

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