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Role of Supply Chain Management in E-Commerce

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ABSTRACT

As markets become intertwined on a global scale, the way customer demands are being supplied is getting redefined. Raw materials, labour, and production can be obtained from a dynamic range of sources as businesses large and small look for the lowest cost. This is why supply chain management is incredibly important to the growing e-commerce sector. As production takes on a more global field, coordination and control of the flow of a company's goods become all the more integral to ensuring smooth and productive operations. This paper explains about how SCM in e-commerce activities and why is it important.

Keywords: E-commerce, Role, Supply Chain Management.

1. INTRODUCTION

Innovations in technology have motivated business organisations to use it for their day to day operations. Technology has eased the business process. Today it plays an important role in improving business by helping them shift from traditional ways of operations to new efficient ways of working. Use of ICT in business reduces manpower, paperwork, as well as a time constraint. Organizations today have started working via websites and they are selling or buying via the internet. This type of business transaction is called E-Commerce. The emergence of E-commerce technologies has created innumerable opportunities for businesses to develop and streamline their supply chains.

Competitions in the 21st century will be across supply chains, not individual companies. A supply chain is a network of facilities and distribution options for the entire network of companies to work together to design, produce, deliver, and service products-commerce are a term for business which is done with the help of a website. It is an advanced technology which is beneficial for customer and businesses as well. For an e-commerce business, major requirements are websites and effective Supply Chain Management (SCM). SCM focuses on the procurement of raw, manufacturing of the product, distribution of the product in spite of location issues, till product reaches to the consumer.

2. OBJECTIVES

The objective of this study is to understand the role of Supply chain management in E-commerce practices and identify the problems occurring in creating and maintaining a SUPPLY CHAIN MANAGEMENT SYSTEM for the e-commerce industry.

3. SCM IN E-COMMERCE --PROBLEMS

E-commerce business in India is completely dependent on effective SCM. It is very important to merge e-commerce business with SCM and for this, we need proper ICT based systems. By which information flow would be proper in between enterprise, customer, and SCM. These days' e-commerce sites are fighting for developing proper SCM so that they can beat each other. Few problems discussed in this paper are:

3.1 Globalization

One of the biggest challenges that e-commerce companies are facing is how to reduce their supply chain cost. In order to satisfy customers' price expectations, companies have opted to relocate manufacturing to low-cost countries around the world in an effort to reduce direct and indirect costs and to minimize taxes. But, having global suppliers contributes significantly to the complexity that comes from extended delivery lead times. Customers not only want lower prices, but they also want their products on time.

3.2 Improper Flow of Information

SCM in the enterprise needs a proper flow of information in between suppliers, enterprise, and customer etc. If the flow of information is not proper then enterprise won't able to communicate with the supplier as well as with customer also.

3.3 Problem in Payment Gateways

Indian payment gateways have an unusually high failure rate by global standards. E-business companies using Indian payment gateways are losing out on business, as several customers do not attempt making payment again after a transaction fails. Payment gateways need to be improved.

3.4 Low Internet Penetration

Internet penetration in India is still a small fraction of what is there in a number of Western countries. On top of that, the quality of connectivity is poor in several regions. But both these problems are on their last legs. The day is not far when connectivity issues would not feature in a list of challenges to e-business in India.

4. GROWTH IN E-COMMERCE

The traditional approach of business was not technology oriented. Physical presence was required for selling or buying of goods. Business without computers was very difficult to conduct. Businesses kept record/data of their businesses in papers, files etc which was difficult to update and retrieve. Postal mails were used by businesses to exchange information in between businesses. Of late computer technology was introduced in business for storing and retrieving data. After the advent of Information and Communication Technologies (ICT) for businesses, perspective doing business was completely changed. ICT reduces business processes provide fast communication between trading partners or in between customer and organization etc.

Today organizations, want to have a competitive advantage over their competence, continuously rethinking about expanding their business to reach to different customers at different locations. This cannot be possible by normal distribution channel, outlets, etc. For this, they use internet which can be accessible from anywhere in the world and SCM help them to deliver their product to customer wherever they want at an affordable price.

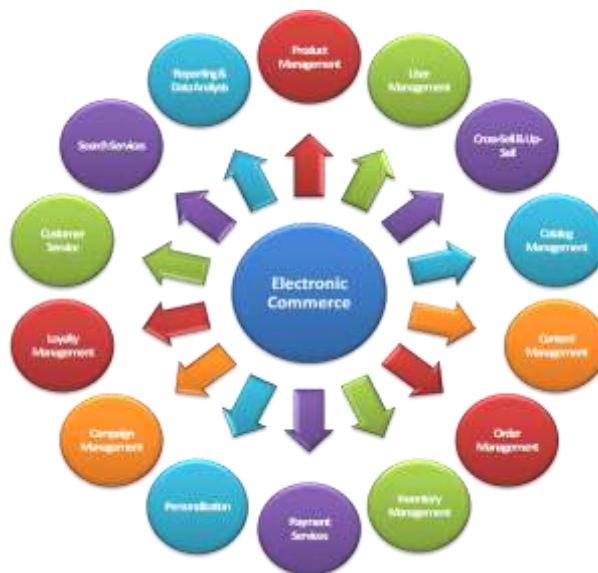


Fig- 1: E-commerce activities.

5. SUPPLY CHAIN MANAGEMENT

Supply Chain Management includes business processes from manufacturing operations, purchasing, transportation, and physical distribution of products to end user.

Successful supply chain management coordinates and integrates all of these activities into a seamless process. In addition to the departments within the organization, SCM deals with partners include vendors, carriers, third party companies, and information systems providers. SCM helps organisations for internal activities such as inbound and outbound transportation, warehousing, and inventory control. Sourcing, procurement, and supply management fall under the supply-chain umbrella. Forecasting, production planning, scheduling, order processing, and customer service all are part of the process as well. Importantly, it also embodies the information systems necessary to monitor all of these activities.

6. SCM IN E-COMMERCE

E-commerce business is completely dependent on SCM. When a customer purchases something using e-commerce site he wants that particular product in minimum time. If the logistic department is not able to provide it fast then the customer will not prefer that site again in future. New e-commerce sites are rapidly coming every day but customers prefer those sites which have proper SCM to deliver the products on time.

ICT and in particular internet plays a key role in the integration of supply chain. While the most visible manifestation of the internet has been in the emergence of electronic commerce as a new retail channel. The Internet has a profound impact on business-to-business interaction, especially in the area of supply chain integration. The Internet can redefine how back-end operations — product design and development, procurement, production, inventory, distribution, after-sales service support, and even marketing — are conducted, and in the process alter the roles and relationships of various parties, fostering new supply networks, services, and business models. The term “e-business”— as distinct from “e-commerce” — can be used to describe this exciting adoption of the internet to accelerate the goal of supply chain integration. In this context, e-business specifically refers to “the planning and execution of the front- end and back-end operations in a supply chain using the internet.”

In last five years, Indian E-Commerce business has grown immensely. People are using e-commerce sites to purchase a product because SCM helps enterprises to purchase/manufacture products on time and can able to deliver to the customer on time.



Fig- 2: Role of E-commerce in Supply chain Management

6.1 Advantages of SCM in E-Commerce

Awareness among businesses in India is rising day by day about the opportunities offered by e-business. According to customer’s point of view ease of internet access is the critical factor that helps them to access e-commerce site and purchase. Safe and secure payment modes are fundamental along with the need to invent and popularize innovations such as Mobile Commerce. E-commerce provides connecting with consumers and conducting transactions. Virtual stores operate 24 hours a day, 7 days a week.

Improved supply chain network

Supply chain management software provides complete visibility across the entire supply chain network. It allows users to monitor the status of all activities across all suppliers, production plants, storage facilities and distribution centers. This enables more effective tracking and management of all related processes, from the ordering and acquisition of raw materials to manufacturing and shipping of finished goods.

Enhanced CRM

SCM plays a vital role in establishing a relationship between enterprise and customer. SCM removes intermediate stages of delivery of product and establishes communication between customer and enterprise directly using websites and internet. Websites help enterprise to keep in touch with the customer directly and they can get requirements and feedback about products directly.

Trade Globally

SCM provides facility to trade globally. If a business wants to do business globally then their SCM should be such that they can import raw material from anywhere through SCM or can export their finished product in any country easily. Indian market is also growing day by day. Business organizations have adopted ICT in their businesses. These organizations are purchasing raw material from different countries, bringing them in their factory, then converting it into the finished product and sending their products to other countries by using proper SCM.

Virtual Businesses

With the advent of dynamic websites, organizations are focusing on virtual businesses like they are listing their products on websites rather than providing it to distributor or C&F by which many people can see their products and can purchase it from websites and further delivery of the product is dependent upon SCM logistic department.

Minimized delays

Many supply chains are plagued by delays that can result in poor relationships and lost business. Late shipment from vendors, hold- ups on production lines and logistical errors in distribution channels are all common issues that can negatively affect a company's ability to satisfy customer demand for its products. With SCM software all activities can be coordinated and executed from start to finish.

Reduction in Cost

SCM based on e-commerce removes various stages of distribution, retailers, outlets, outlet staff etc. This decreases the overall cost of the product and customer gets the direct advantage of reduced cost of products as compared to the cost of product available at stores. SCM provides ICT based facilities to establish communication in between enterprise and customer so that they can directly communicate with each other and SCM takes care of the delivery of product etc.

Customer Satisfaction

Customers expect timely deliveries. E-commerce wants to satisfy their customers and keep the right amount of inventories. Websites help the enterprise to keep track of customer requirements and are attuned to changes in their demand for various products and brands. By using an e-commerce integrated supply chain, the enterprise could track demand, determine how long the suppliers take to fulfill orders and order goods from their suppliers in time to keep their inventories replenished and their customers happy.

7. CONCLUSION

Today effective supply chain management is becoming the strategy choice for the enterprise to compete in the corporate world. E-commerce provides important means for effective operational supply chain management. It uses the ICT to relate the customers, retailers, manufacturers, suppliers, and employers, improve greatly the level of enterprise management. SCM make balance in between supply and demand can receive market information in a very short time, improve the production rate and economic benefit, reduce the production cost and fasten the products circulate, enhance the core competitive force of enterprise. With the spread and improvement of e-commerce technology, it will surely push the further development of supply chain management, and the enterprise who can realize and solve the problems.

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