SUPPLY CHAIN MANAGEMENT PRACTICES AND THEIR APPLICABILITY IN SRI LANKA'S SUPERMARKETS

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Abstract

Modem trade or the self-service chains as opposed to traditional retail shops are growing fast now. Customers always want to touch and feel the products. As economy expands and self-service chains / supermarkets business develops rapidly, Supply Chain Management (SCM) has become one of the key determinants of success against increasing competition. Effective SCM develops value-added processes that deliver innovative, high quality, low cost products on time with greater responsiveness than ever before to meet the exceptional value demanded by customers. The challenge is to implement a supply chain solution that brings maximum return on investment and efficiencies to the business. This research focused on identifying current SCM practices in Sri Lankan supermarkets, benchmarking them with global SCM best practices and recommending improvements based on demographics and business characteristics.

The qualitative and quantitative benchmarking' research methodologies were adopted for the study. The convenient sample of four supermarket chains in Colombo and suburban areas were selected. In-depth interviews were conducted with various supply chain and operation management professionals in supermarket Retail Outlets (RO), Head Offices (HO) and Distribution Centers (DC) / Central Purchasing Unit (CPU). The collected data was analyzed and benchmarked against the global supermarket SCM best practices. The Supply Chain Operations Reference-model (SCOR2) developed by Supply Chain Council was also used as the guideline for the study. It was identified that supermarkets in Sri Lanka use SCM best practices to a certain extent, however they need further improvements for, more efficient operations. Suitable best practices and strategies are recommended to the four supermarket chains covered in this study.

1 1 "Quantitative benchmarking" which has exactly measurable indicators and aims at effective measurements of the process in different implementation environments.

"Qualitative benchmarking" which examines the way in which work is performed. Some trend indicators and other measures are also used but the focus is on "method" and an examination of the alternatives. In this case the input of an expert group is vital. In order to set qualitative benchmarks, it is necessary to 'know what good looks like' and set a profile of best practice with which to compare against. (DigiCult, 2006)

2 SCOR is a process reference model that has been developed and endorsed by the Supply-Chain Council as the cross-industry standard diagnostic tool for supply-chain management. It isolates key supply-chain management processes and matches their process elements against industry-specific best practices, benchmarking performance data, and appropriate software applications, providing users with a framework for understanding where they need to make improvements. SCOR builds on the concepts of business process reengineering, benchmarking, and process measurement by integrating their techniques into a cross-functional framework that addresses management issues at the enterprise rather than at the functional level.

3 Supply-Chain Council (SCC) is an independent., not-for-profit, global corporation with membership open to all companies and organizations interested in applying and advancing the state-of-the-art in supply-chain management systems and practices (www.supply-chain.org).