INTRODUCTION

As our economy is booming and every organization is facing severe competition in the market whether it may be local or an international market. The traditional corporate model of organization was based on vertical integration, hierarchy, and functional management. There is a drastic change in the traditional and modern business world, where in the modern world, when demand became unpredictable in both quality and quantity, when the domestic and international markets became too diversified and thereby difficult to forecast, and when there is a dynamic change in the technology which made single-purpose production equipments obsolete, the mass-production system became too costly and too rigid. Emerging technologies now allow for the transformation of assembly main characteristic of the large corporation into easy-to-program production units with product flexibility sensitive to market variations, and process flexibility sensitive to changes in technology.

Most of the modern organizations have adapted the new environment and the main shift is featured as the shift from the vertical bureaucracies to horizontal corporations. There are seven major modern trends which features such corporations and they are as organizing around process, not tasks; a flat hierarchy; team management; measuring performance by customer satisfaction; maximization of contacts with suppliers and customers; information, training and retraining of employees at all levels and rewards based on team performance.

Contemporary business life cycle is process driven and chain oriented; hence integration has become a core-question for companies. The problems and challenges with the traditional vertical co-operation between organizations are costly and time consuming, instead of cooperating, there is also no scope of cost reductions or profit improvements at the expenses of someone else in the supply chain.

What exactly is Supply Chain Management?

There are various ways to look at supply chain. One can say that it starts from the raw material vendor and ends with the customer; thus, it includes purchasing, marketing and even consumer buying the product. Therefore all the processes involved in the entire spectrum from demand generation to demand satisfaction can be called as supply chain management. Today, in some advanced companies supply chain extend right from the vendor procuring his raw material to the
point of sale where the last sale of the product takes place. This implies that there is transparency and information flow in the entire chain resulting in appropriate action at each point. This action by each entity contributes to the smooth functioning of supply chain.

In some companies supply chain could only be internal that is across the manufacturing facilities to company owned depots. One can always choose a part of the supply chain that is most relevant and focus resources to achieve increased productivity.

The objective of every supply chain should be to maximize the overall value generated. The value a supply chain generates is the difference between what the final product is worth to the customer and the costs the supply chain incurs in filling the customer's request. For most commercial supply chains, value will be strongly correlated with supply chain profitability (also known as supply chain surplus), the difference between the revenue generated from the customer and the overall cost across the supply chain.

For example, a customer purchasing a mobile Best Buy pays Rs.1800, which represents the revenue the supply chain receives. Best Buy and other stages of the supply chain incur costs to convey information, produce components, store them, transport them, transfer funds, and so on. The difference between the Rs.1800 that the customer paid and the sum of all costs incurred by the supply chain to produce and distribute the router represents the supply chain profitability or surplus. Supply chain profitability or surplus is the total profit to be shared across all supply chain stages and intermediaries.

The higher the supply chain profitability, the more successful is the supply chain. Supply chain success should be measured in terms of supply chain profitability and not in terms of the profits at an individual stage.

Having defined the success of a supply chain in terms of supply chain profitability, the next logical step is to look for sources of revenue and cost. For any supply chain, there is only one source of revenue: the customer. Thus, the appropriate management of these flows is a key to supply chain success. Effective supply chain management involves the management of supply chain assets and product, information, and fund flows to maximize total supply chain profitability.
Retailing is largely consolidated, with large chains buying consumer goods from most manufacturers. This consolidation gives retailers sufficient scale that the introduction of an intermediary such as a distributor does little to reduce costs and may actually increase costs because of an additional transaction. In contrast, India has millions of small retail outlets. The small size of Indian retail outlets limits the amount of inventory they can hold, thus requiring frequent replenishment—an order can be compared with the weekly grocery shopping for a family in Mumbai.

The only way for a manufacturer to keep transportation costs low is to bring full truckloads of product close to the market and then distribute locally using "milk runs" with smaller vehicles. The presence of an intermediary who can receive a full truckload shipment, break bulk, and then make smaller deliveries to the retailers is crucial if transportation costs are to be kept low. Most Indian distributors are one-stop shops, stocking everything from cooking oil to soaps and detergents made by a variety of manufacturers. Besides the convenience provided by one-stop shopping, distributors in India are also able to reduce transportation costs for outbound delivery to the retailer by aggregating products across multiple manufacturers during the delivery runs. Distributors in Mumbai also handle collections, because their cost of collection is significantly lower than each manufacturer collecting from retailers on its own. Thus, the important role of distributors in Mumbai can be explained by the growth in supply chain surplus that results from their presence. The supply chain surplus argument implies that as retailing in Mumbai begins to consolidate, the role of distributors will diminish.

**Research Purpose**

Due to the power that comes with control over consumer contacts, retailers are often dominant in
the supply chain. Nearness to end consumer markets provide retailers fast and precise information about matters such as shifting fashion preferences and attractiveness of competitor’s offerings, comparable to continuous market research. Even though power is no end in itself, it does include the opportunity to organize the supply chain in a suitable way. Many challenges face retailers today. Expanding product variety, greater fluctuation in demand, and shorter product life cycles make time-to-market reductions essential. The ever-increasing need for reduce lead times continues. Maximum co-ordination of work in and between companies is therefore necessary, as otherwise it will lead to higher costs as well as to longer lead times.

There is however no single best way to manage a supply chain; the way retailers complete in consumer markets influence what should be focused on. As no company can be everything, there is interdependence between what a company sets out to be for a consumer, i.e. the company’s value proposition, and that company’s supply chain. According to Christopher, a value proposition concerns how, where, and when a company creates value for its customers, and that all activities – from product development to order fulfillment – should be based upon it.