

## OXIRM RESEARCH THEMES

# 25 YEARS OF SUPPLY CHAIN MANAGEMENT IN RETAILING AS REFLECTED IN OXIRM RESEARCH AND PUBLICATIONS

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Today, the terms ‘supply chain’ and ‘supply chain management’ are in common use. In the global economy, supply chain is part of everyday business across industries, and retailing is a leading example. On this 25<sup>th</sup> anniversary of the Oxford Institute of Retail Management we look at how the concept of supply chain management was introduced in retailing and how it has evolved over time. This exercise is based on a selective review of OXIRM publications between 1990 and 2010, mainly articles from the Retail Digest (formerly the European Retail Digest).

Supply, distribution, and sourcing have always existed in retailing, even when they were labelled differently. International and even transcontinental trade have their precedents from centuries ago, when products were imported from all parts of the New World to Europe, and local goods exported in the opposite direction. What *has* changed, however, is scale, speed, integration, transparency and control. Today’s retailers have opportunities to manage and control the end-to-end flow of goods and associated information. To achieve the current level of supply chain integration, well over a decade was needed, during which different concepts, ideas and technical solutions were proposed, tried, adopted or rejected.

In 1995, the European Retail Digest included an article by Henk de Wilt and Trichy Krishnan<sup>1</sup>, following an OXIRM European Retailing Seminar dedicated to the concept of supply chain management. So let’s look how the concept of supply chain management evolved in retailing, how this was reflected in OXIRM publications, and what was written about supply and logistics both before that Digest article in 1995 and after.

## SUPPLY CHAIN IN THE 1990S: BIRTH AND FOCUS ON EFFICIENCY

Even though supply chain management was present in the retail literature in the

late 1980s and early 1990s, its function was still largely considered as operational, as part of the retail distribution system. However, the potential strategic impact was noted by eminent retail academic and prolific writer John Fernie in his book published in 1990 on retail distribution management.

The *European Retail Digest* was established in 1993 as a flagship

## Key Drivers For Supply Chain Development

Increasing retailing concentration, centralisation and power

Concentration of manufacturing sector and absorption into multinational companies

Internationalisation in the single European market, single sourcing, cross-border retailing

European legislation

Changes in customer needs

Segmentation, by format and value

Diversification

Alliances between suppliers and retailers

Push towards rationalisation and costs reduction

Information Technology enables SC implementation

*Source: The European Retail Digest*

publication for the Oxford Institute of Retail Management. The quarterly publication’s aim was and remains to bring rigorous research and sound practice to academics, practitioners, analysts and commentators focused on the retail industry. Earlier OXIRM research was published in the series of *Oxford Reports of Retailing*. In

1992, following the signing of the Maastricht Treaty that created a common market for 12 countries in Europe, reports concentrated on retail internationalisation, where the importance of supply chain was acknowledged. Free flow of goods across borders and transport deregulation influenced supply chain design, encouraging a European perspective instead of focusing at the national level. The creation of the common trans-European transport network (TEN) was actively supported by the European Commission with the establishment of ‘transport corridors’, while changes in eastern and central Europe opened new markets and provided lower-cost manufacturing.

One of the internal success factors required for internationalisation was control over supply chains, which allows high responsiveness to changes in consumer tastes, as explained in the introduction to the Oxford Report on Retail in the run-up to the 1992 treaty<sup>3</sup>. The importance of control over the supply chain, and the blurring of the division between retailing, distribution and manufacturing was discussed in the 1988 OXIRM report written by Alan Treadgold and Ross Davies<sup>4</sup>. In 1993, the concept of supply chain management as the next step in the development of physical distribution management and logistics management was already present in retailing, with a dedicated chapter in books, such as Gary Davies book on trade marketing strategy<sup>5</sup>.

A similar trend was reflected in the European Retail Digest. Efficient customer response (ECR) and its implications for just-in-time grocery supply chain were discussed, with the main focus on increased efficiency in the assortment, replenishment, promotions, and new product introductions. However this discussion was mainly based on US examples, revealing opportunities for efficiency improvements in the UK and France<sup>6</sup>.

1. de Wilt H. G. J. & Krishnan T. V. (1995) Supply Chain Management, *The European Retail Digest*, Spring (6) pp. 33-49 2. Fernie, J. (1990) *Retail Distribution Management: A strategic guide to development and trends*, London: Kogan Page Limited 3. Bendall, A. (1989) Introduction and executive summary, In Treadgold, A.D. (1989) *Responding to 1992: Key factors for retailers*, Oxford Reports on Retailing, Harlow: Longman 4. Treadgold, A. D. & Davies R. J. (1988) *The Internationalisation of Retailing*, Oxford Reports on Retailing, Harlow: Longman 5. Davies, G. (1993) *Trade Marketing Strategy*, London: Paul Chapman Publishing 6. Rose, J. (1994) Spinning the ECR wheel in Europe, *The European Retail Digest*, Autumn (4), pp. 408 7. Robson, A. (1995) Deriving the Benefits of Returnable Transit Packaging in the European Grocery Supply Chain, *The European Retail Digest*, Spring (6), pp. 16-21 8. Cameron, K. (1996) Retail Operations under Cost Pressures, *The European Retail Digest*, Autumn (12), pp. 20-25 and Koistinen, J. (1996) The Success Factors of S-Group within the Growing Pressure of Price Competition and Costs, *The European Retail Digest*, Autumn (12), pp. 26-30 9. Williams, G. J. (1997) Exploiting New Market Opportunities in the Middle East, *The European Retail Digest*, Autumn (16) pp. 25-27 10. Kociejcki, R. E. (1998) Barriers to Entry in Central European Markets. Case Study: Office Depot, *The European Retail Digest*, September (19), pp. 54-55 11. Bell, D. (1999) Creating a Global Brand: Interview with Sir Geoffrey Mulcahy, Group Chief Executive, Kingfisher plc, *The European Retail Digest*, March (21), pp. 14-18

The previously mentioned 1995 article by Henk de Wilt and Trichy Krishnan was the first Digest article fully dedicated to supply chain management. The same edition of the Digest included a paper that concentrated on pan-European returnable transit packaging in grocery supply chains<sup>7</sup>. Both articles listed key drivers for supply chain development.

The increased tendency to shorten and increase the efficiency of supply chains, thus reducing costs were explored further in the Digest in 1996<sup>8</sup>. This was also the time when the focus moved from internationalisation to globalisation, to look for further opportunities to extend operations, brand building and sourcing, not only into eastern and central Europe, but also to Asia and the Middle East - to the regions where integrated supply chains were still at the early stages of development<sup>9</sup>. Such regional differences required to build a retailer's supply chain from scratch was described in the example of the Office Depot entry to Poland, emphasising the importance of knowledge transfer and training<sup>10</sup>.

Recognition of the differences in the local markets was seen as a requirement to operate a supply chain, build infrastructure and develop relationships efficiently. Retailers, taking advantage of scale and global supply, emphasised the importance of local marketing and multicultural organisations<sup>11</sup>. At the end of the last millennium, a new theme was introduced related to the globalised scope of operations: social rights and agreed labour standards<sup>12,13</sup>. The second theme was the integration of e-commerce into the supply chain and the advantages of online traders with established logistics and distribution structure, as discussed by Jonathan Reynolds<sup>14</sup>, as well as the impact of information technology on retailer-supplier relationships as discussed by Richard Cuthbertson<sup>15</sup>.

On the customer side, mobile-commerce had been presented as a future

opportunity<sup>16</sup>. Supply chain management became a key issue and a major success factor in global retailing. As retailers increased the scale of their operations, the critical mass to allow the design of expensive supply networks was achieved, according to Elizabeth Howard<sup>17</sup>. However, as was pointed out, world-trade was still in practice mainly regional and there was some shift from thinking globally to look at the regions with common economic

## Supply Chain As Represented In The Retail Digest

1994: Effective Customer Response

1995: SCM introduced; Packaging in supply chains

1999: Focus on costs and efficiency, globalisation; European supply chain extended into central Europe; E-commerce and Information Technology

2000: Local, regional supply chains, local sourcing

2001: Supply chain performance measurement

2003: Benchmarking in supply chains

2004: Ethics and work standards

2005: 'Organic' supply chains

2007: Supply chains and impact sustainability

Source: *The European Retail Digest*

and cultural features<sup>18</sup>, this tendency went further with the re-introduction of local supply from national/regional sources<sup>19</sup>.

### SUPPLY CHAIN FROM 2000: KEY COMPETENCE, GLOBALISATION AND PERFORMANCE

In the new century, there was a whole Digest issue dedicated to the supply

chain relationships and best practices exchange<sup>20</sup>. The edition included an article from Richard Cuthbertson on exchanging best practice with Tesco, and one from Gerd Islei and Johannes Becker on performance measurement in supply chains.

Since 2001, articles on supply chain and supply chain management have regularly appeared in all Digest issues in the form of research, interviews, conference and book reviews. This is no surprise as now supply chain is perceived as a core competency for retailers, as it integrates people and processes, allows flexible and responsive design, includes local and global suppliers, performance measurement and return logistics<sup>21</sup>. It has become one of the main OXIRM research themes.

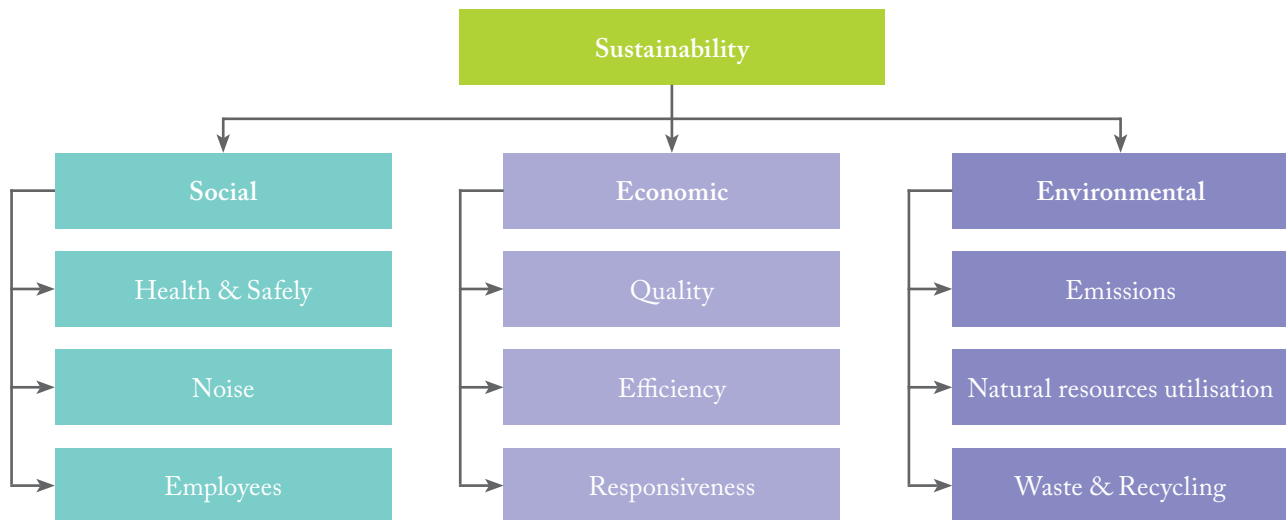
The Winter 2003 edition of the Digest was dedicated to two main themes: supply chain in retailing and the enlargement of the European Union, planned for 2004, when eight central European countries and Malta and Cyprus were to join the EU. The sub-themes in supply chain included benchmarking through a presentation of the GLOSUP project. OXIRM was involved in the CIES Global Supply Chain Performance (GLOSUP) initiative. During the project, a benchmarking tool for supply chain was developed<sup>22</sup>. Application of benchmarking at Gillette was presented<sup>23</sup> to demonstrate supply chain improvement and alignment. Supply chain flexibility, efficiency achieved via benchmarking and the need to select different supply chains for different countries, the importance of reverse logistics and collaboration were listed as key factors for supply chain success<sup>24</sup>.

### BEYOND PRODUCTIVITY: SUSTAINABILITY IN SUPPLY CHAINS

Tensions between economic performance and work standards in the apparel industry were discussed in 2004. As global sourcing became common, differences in goals emerged between ethical and buying

12. Ernst B. (1999) Amnesty International and the Promotion of Social Rights, *The European Retail Digest*, March (21), pp. 69-70 13. Plasa, W. (1999) View from the European Commission, *The European Retail Digest*, March (21), pp. 69-70 14. Reynolds, J. (1999) Backdoor Globalisation: Who will dominate European e-commerce?, *The European Retail Digest*, June (22), pp. 5-9 15. Cuthbertson, R. (1999) IT and Future Retailer-Supplier Relationships, *The European Retail Digest*, September (23), pp. 6-8 16. Denver, P. (2000) Innovations in Mobile Telephony: Nokia collaborates with Amazon.com to pursue WAP-based M-Commerce market, *The European Retail Digest*, June (26), pp. 54-56 17. Howard, E. (2000) Competing on a Global Scale, *The European Retail Digest*, June (25), pp. 6-8 18. Rugman, A. M. (2000) The myth of Global Strategy, *The European Retail Digest*, December (28), pp. 5-9 19. Quinn, B. (2000) Food Retailing in Ireland: Problems and prospects for new market entries, *The European Retail Digest*, December (28), pp. 31-33 20. *The European Retail Digest*, December (32) 21. Cuthbertson, R. (2002) Supply Chain: A core competency for retailers, *The European Retail Digest*, December (36), pp. 34-38 22. Cuthbertson R. (2003) Retail Supply Chain, *The European Retail Digest*, Winter (40), pp. 7-10 23. Newman, B. (2003). "How benchmarking customer service can lead to improved service and reduced costs", *The European Retail Digest*, Winter (40), pp. 14-17 24. Cuthbertson, R. (2003) Choosing the Right Supply Chain: Interview with Dieter Dornauer, Head of Logistics and Organisation, Spar Austria, *The European Retail Digest*, Winter (40), pp. 21-27

## Supply Chain Impact on Sustainability: Metrics Dimensions and Sub-Dimensions



teams within an organisations, as both had different principles. Thus the need to manage both aspects in supply chain arose<sup>25</sup>. Soon after, as 'organic' product entered mainstream trade, this was reflected in an article that looked at the incorporation of organic products into a retailer's supply chain<sup>26</sup>. Green and social aspects were linked together in further issues, where sustainability in retailing and throughout the retail supply chain were discussed<sup>27,28</sup>.

The focus continued with further work related to my own study of close-loop supply chain design in electronic equipment retailing<sup>29</sup> and, as the European Retail Digest was re-launched as the Retail Digest to reflect OXIRM's increasingly international focus and audience, fair trade<sup>30,31</sup>. The selection of such topics reflected the sustainability issues that became important for customers and retailers<sup>32</sup> and at the same time created the need to address different trade-offs between

“Supply Chain is a core competency for retailers”

*Richard Cuthbertson writing in The Retail Digest, 2002*

“The key know-how is in managing the supply chain, dealing directly with suppliers, managing their own distribution, using information systems and to understand sales, control ordering and assist marketing”

*Elizabeth Howard writing in The Retail Digest, 2000*

25. Dhanarajan, S. (2004) Faster, Longer, Cheaper: The nexus between poor labour standards and supply-chain management in the apparel industry, *The European Retail Digest*, Autumn (43), pp. 43-46 26. Sahota, A. (2004) Changing Retail Landscape for Organic Products, *The European Retail Digest*, Winter (44), pp. 50-53 27. Cuthbertson, R. (2007) Sustainability and the Market Challenge: Interview with David Whiting, T-Shed and Sally Bagenal, Director of T-Shed and founder of OMSCO, *The European Retail Digest*, Autumn (55), pp. 52-53 28. Payton, P. (2005) Wal-Mart Experimental Stores: Environments of scale, *The European Retail Digest*, Winter (48), pp. 7-12 29. Piotrowicz, W. (2008) Designing Closed-loop Supply Chain: Implementation of the WEEE directive in the UK, *The European Retail Digest*, Autumn (56), pp. 12-15

environmental and social dimensions<sup>33</sup>, as well as differences in cultures and the different needs of different countries, including OXIRM's continued interest in developments in India<sup>34,35</sup>.

### SUPPLY CHAINS TODAY: LATEST OXIRM RESEARCH

Between 2006 and 2010, OXIRM members (including the author of this article) carried out research for the European Commission, as part of the Bestlog (Best Practices in Logistics) project team. We looked at links between supply chain and sustainable development, including areas such as: supply chain performance measurement<sup>36</sup>, education, best practices, and the transferability of best practices across industries, sectors, countries and regions<sup>37</sup>. Our research was based not only on the academic literature and an analysis of existing case studies, but also our study of different supply chain practices across Europe. We ran a number of workshops with policymakers and practitioners.

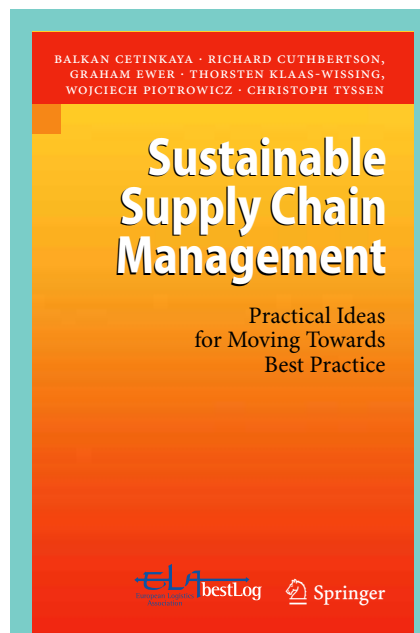
The project covered several industrial sectors, and retailers, due to their important role in the supply chain, were well-represented. We collaborated with retailers such as IKEA, Marks & Spencer, Inditex and Auchan, as well as with third-party logistics providers that work with retailers such as Wincanton and Unipart. While the BestLog project was formally completed, its work is carried forward by the European Logistics Association (visit ELA BestLog Platform at [www.elabestlog.org](http://www.elabestlog.org) to see reports, analysis and best practice case studies – including cases from the retail sector).

During the BestLog research we confirmed and identified several main themes, which are summarised in a forthcoming book. The aim of the project was to help managers to develop supply chains that are sustainable in three dimensions: economic, social and environmental. While it is easy to label supply chains 'green' for marketing purposes, to be sustainable in the long-term the whole chain should deliver economic value for all its participants.

However, increasing centralisation, outsourcing of transportation and the tendency to design global supply chains creates external costs for the environment and society. As a result of supply chain redesign there is an increased need for transport services, especially in its most flexible form – road transport. External costs associated with transport include pollution, congestion and accidents, which also negatively influence retailers in terms of reduced speed, flexibility, costs, and potential damage to the company reputation. Thus in the long-term, a reduction of the negative impacts could be profitable for all supply chain members. Such a process requires the inclusion of sustainability issues into strategy and long-term planning, and the development of measures that reflect the impact of the supply chain on economic, social and environmental dimensions (see figure).

The integration of products, processes, knowledge and infrastructure, as well as communication with all the relevant stakeholders is essential. As two large markets, India and China, develop rapidly, there is an opportunity to provide for the rising customer demand. However, this further increase in the scope of activities requires new skills to operate in different cultural and political contexts. In the search for efficiency and economy of scale, there is also the issue of how to maintain supply chain flexibility, agility in the face of uncertainty, and how to manage the expected and unexpected risks, as the supply chain become global.

Nowadays, the role of supply chain management is different, having evolved from being a supportive function, through becoming a core competence, to the stage where it enables the increased power of retailers over suppliers. Today, retail has become the last step to the consumer in an integrated supply chain that links not only different markets, but also cultures, with the aim of delivering value to all its participants.



Common issues in supply chain are explored in the forthcoming book "Sustainable Supply Chain Management: Practical Ideas for Moving Towards Best Practice" written by the BestLog project team and published by Springer. Sustainable Supply Chain Management is the culmination of a three-year search for best practices in supply chain and logistics internationally. This book, written for supply chain and logistics managers and in cooperation with practitioners, answers questions such as:

- What is a successful supply chain strategy?
- How should supply chain performance be measured?
- How should organisation be managed?
- How should stakeholders be influenced?
- How can unexpected events be incorporated?

We include examples from a wide range of real-life case studies, and synthesise the learning from these many different situations to provide the fundamental building blocks at the centre of successful logistics and supply chain management.