

Amazon in India: Re-Building the Supply Chain Maverick



Manoj K. Sharma

Professor,
University Business School,
Panjab University, Chandigarh



Abhishek Misra

Research Scholar,
University Business School,
Panjab University, Chandigarh

Abstract

The academic focus on supply chains and the issue of their subsequent alignment with business strategy is again into limelight with the emergence of supply chain based e-commerce and online ventures. The pressures from across the strategy matrix and the business modeling amidst uncertain business environments are compelling the online retailers like the Amazon to focus more on supply chain integration in order to be customer centric as well as lead with service as differential element in their marketing mix. In this endeavor, the role of suppliers is significant.

The paper seeks to understand the factors those locally influence the online retail supply chain and the business model. Amazon being a new entrant into the price conscious Indian e-commerce space, offered tremendous scope for interpretation of firm's operational effectiveness. At the same time the paper distinguishes the Indian scenario from the global scenario. The paper also seek to address some of the concerns that Amazon faces vis a vis local players like the Flipkart and the Snapdeal.

Keywords: Supply Chain, E-Commerce Firms, Operational Effectiveness, E-Business Model, Going Local

Introduction

The supply chains (Fisher, 1997) are the life lines of modern value creation enterprises (Storey, 2006). The issue of purposive alignment of supply chains with overall business strategy (Fisher, 1997) is not a new debate. Such an alignment of supply chain with business objectives has its primitive roots in Porter's strategic analysis and the need to leverage the inherent advantage across market based positioning. The value chain concept and the operational effectiveness (Hammer, 2004) of business proposition aims at improving product flow, seeks cost rationalization as well as addresses the need of the firm to differentiate its offering and the operational existence across the market space.

Supply chains (Storey, 2006) have long been regarded as the crucial element of strategic matrix and the ability of a firm (Boyaci, 2003) to leverage the potential could in itself be a bigger differentiator in the market place. The physical retail as well as the electronic commerce is not an exception at all in this regard. As the businesses are globalizing and adopting new business models, the supply chain essentially constitute an important axis that contributes to operational innovation and effectiveness in more than one means.

Amazon is an international online retailer with innovative e commerce based business models. Its Indian operations are facing stiff competition from Indian variants like the FlipKart, Snapdeal and the ShopClues.com. The challenge before the Amazon in India was multifold in terms of possible dimensions of customization, addressing the business sensitivities and the infrastructural divide in terms of internet penetration, broadband connectivity, roads and logistics services providers and the choice of merchandise to be put on sales. More than that the key question was to understand the local and national fluctuations in terms of pre and post diwali shopping hues, marriage and climatic influences as well as the youth's consumption trends and cycles.

The main objectives could thus be classified as:

1. To understand the strategic role of supply chain in being a basis for competitive advantage in e commerce based venture's success in a n emerging economy like India.
2. To evaluate the role of the suppliers and the need for their subsequent development along with product portfolio transitions.
3. To understand the factors those locally influence the online retail supply chain and the business model.
4. To interpret the role of product selection and methods of operational

effectiveness in determining Amazon's survival and dominance in Indian e-commerce market place.

5. To understand the Indian scenario and the elements that differentiates it, as well as bring it closer to global e-commerce paradigm.

Changing Nature of Supply Chains in Online Retail

The retail industry is evolving worldwide (Fisher, 1997). Such transitions in retail industry comprise the emergence of the internet driven platforms that are bringing together the physical stores and their customers over the internet. Such brick and mortar business models are just one form of rapid transformations. On the other side, the pure play internet based retailers emerged that relied on leveraging the gap between the customer and the physical retailer (Balakrishan, 2004) in terms of choices before customer and the pricing factors. Such factors leads to risks, and counter effects for supply chain management, coordination as well as the challenges for established neighborhood physical retail spaces and brands.

Such transitions (Abernathy, 2000) have impact not only on the customer decision making but also on the manner in which enterprises exist to create or engineer the value for the customer (Kouvelis, 2009). Such transitions have a vital consequence (Fisher, 1997) for product marketing as well as the product distribution, supply chain configuration and decision making (Oke, 2009) across the enterprise or the manufacturer's level as well (Hammer, 2004). It is more of a dual play. Internet is evolving the supply chain management (Lancioni, 2003) as well as supply chain coordination itself. The rising internet usage and incorporation with in the corporate supply chains (Johnson, 2002) has consequences for productivity (Kent, 2003), costs and margin enhancement. At the same time it has consequences for customer's decision making as well. The quick response (Qr), efficient consumer response (Ecr) and collaborative planning, forecasting and replenishment (Cpfr) are believed to contribute towards supply chain efficiencies (Sparks, 2003).

Any how the supply chain (Abernathy, 2000) based competencies and capabilities are now widely regarded as central to survival (Admer, 2006) in online business platforms. The online retailers in their bid to pamper the customers with multiple product categories and varieties (Gunasekaran, 2004) often run the risks of maintaining larger inventory volumes (Gunasekaran, 2004) that often involve investments, capital expenditure and effective management.

The issue of operational effectiveness (Hammer, 2004) in internet retail or online ventures is a narrowly debated topic in academic literature. In comparison with traditional retail, online retail faces the challenge of technology usage and adoption in appropriate manner and consistency (Sparks, 2003). The scope for innovation (McGrath, 2010) in such online retail business models (Sorescu, 2011) seems to be fuelled more by demand based perspective on sustaining the competitive advantage (Admer, 2006) rather than by interests in the fixed and static retail outlets.

The operational effectiveness perspective (Hammer, 2004) could be regarded as the result of

ongoing transformations in the e-commerce (Johnson, 2002) contexts and their incorporation across supply chains. Not only the e-business expansion is impacting the supply chains of products (Sparks, 2003) to be merchandised but also the manner and context of exchanges (Storey, 2006) across B2B and B2c perspective as well.

The real time information with regard to supply and demand across the internet is emerging as a game changer (Gunasekaran, 2004). Such a e-business environment in turn exhibits marked changes in sourcing strategy and supplier relations (Pyke, 2002) as well. In this entire debate regarding the influences on the supply chain in online business platforms, the issue of inventory management and the resultant inventory inaccuracy (Fleisch, 2005), extent of inventory liquidity, delivery tradeoffs and appropriate catalogue driving; have become central in ensuring the product fit and revenue management. The resultant design of network (Boyaci, 2003), access markets (Cigolini, 2004) and compulsions for driving the growth (Lancioni, 2003) have emerged as another challenges (Fleisch, 2005) for operational excellence (Abernathy, 2000)

As such new forms of supplier and consumer interaction are bound to emerge (Storey, 2006). The success and survival in such uncertain business environments is thus largely a function of the extent to which the incumbent firm (Johnson, 2002) could adapt to market realities as well as position itself as benefitting from the existing asymmetries, deficiencies as well as imperfections in markets, information or operational parameters. The online business has emerged and acquired a growth only on account of catering to these abnormalities in traditional retailing model (Chopra, 2003).

e-business and supply chain integration at Amazon's operations in India, seems to focusing on information integration, planning synchronization, work flow coordination and encouraging the operational development of economy specific business model (Lee, 2004).

Indian Scenario: How it is Different from Global Scenario?

Yet the success of an e-business model (Johnson, 2002) relies not on the abstraction but on the ability to churn out a local and customized distribution and sales platform, that suits the local economic systems and contours (Chopra, 2003). A lot depends on the manner (Fisher, 1997) in which the operating firm seeks to leverage the potential of the supply chain (Balakrishan, 2004) as a competitive weapon amidst the change in business and operating infrastructures and networks (McQuitty, 2002). Despite the differences with regard to age and profession, the infrastructural bottlenecks mar the even reach out across Indian business landscape (Gunasekaran, 2004).

Indian traditional retail network comprises the multi layer reach out structure that extracts excessive margins from the customer across each and every exchange. The Indian retail landscape is highly disorganized and retailing is a politically sensitive issue as it acts a source of livelihood for millions of Indians across rural and urban India.

The existing supply chains and trade linkages in Indian industry offers the first line of

resistance to online business platforms. The unorganized retail sector and attempts to organize it with super markets and malls have attracted immense political resistance. The issue of Fdi in retail is in itself was a political issue in recently conducted general elections.

Secondly the increase in mobile phone subscribers (Babin, 2000) or access to broadband is vital for the model to sustain. Beyond that, the traditional Indian consumer seeks to sample the product before its actual purchase or consumption. This acts as major barrier towards selling the clothes, jeweler items, home décor and related products across the online platform. The ability to retain the customers (Keen, 2002) is a further issue of vital concern.

The traditional emphasis on global quality at Indian prices stems from the price conscious nature of Indian consumer. This translates into margin squeezing across the retailers. In online perspective, the nature and type of product or service sold online is based on the extent to which the price is lower than available alternatives in market.

The Indian players often compete not with supply chain (Boyaci, 2003) but as individual identities. The established and branded retailers like the Future Group, Reliance Retail, Birlas, Vishal Mart and Vmart source from the same suppliers and set the prices as per their financial ability to absorb the initial financial losses. This translates into price related differences that benefit the consumer on the short note yet the online players gets marginalized. The issue of trust is another critical factor in Indian scenario. At the same time the dearth of facility of onsite demos and installation of electronic gadgets further weaken the case of online retail and exchanges regarding white consumer electronics.

Amazon in India seems to have overcome a majority of these challenges with the presumptive adoption of "going local" approach. Amazon's efforts at supplier development and vision of promoting supplier-customer intermediation have proved to be an industry benchmark. The industry structure related changes initiated by Amazon's Indian management has narrowed the competitive space for new players to enter. The replication of American business model in Indian conditions was not at all straight forward.

Traditionally the Amazon's business model has relied on strategic operations management amongst the enterprise, the suppliers, customers, media as well as the logistics services providers. It harps on low cost structure that leads to low prices for a unique customer experience. This ultimately builds up traffic and motivates the sellers to join the Amazon.

The larger the number of registered as well as unregistered customers more could be the implications for lowering the bargaining power of suppliers as well as sellers. This in other ways reduce supplier's bargaining power, initiates inter supplier rivalry as well as offers a larger portfolio to customers to the website. This also helps it serve three broader sections of customers: those who wish to buy those who wish to sell across Amazon's platform and those who wish to use the Amazon developing services.

The tactical and planned reduction in bargaining power of suppliers leads to cost effective supplier development. The indirect boost to inter

supplier rivalry enables the Amazon to realize low cost sourcing benefit. Making the local suppliers fight for consumer by offering its unique marketing platform has benefits for firm, customers, financial management as well as sustenance of competitive advantage and the incumbent business model. In other words, it is able to re shape the industry structure in the manner that suits its long term interests. Such a proposition by Porter could enable one to understand that how the change in bargaining power of either the customers or the suppliers has vital consequences for all those involved in the supply chain.

Further the Amazon in India seems to have initiated special measures to enhance engagement with the potential customers in their local language that evokes faster responses and broadens the scope for information collection as well. The ambitious tactics to connect with Indian masses have been evident in form of interaction with web site visitors, personalization, co creation and recognition, customization, ownership and developing a sense of belongingness. At the same time Indian portal of Amazon is remarkably different from American interface. Perhaps it seems to be following the wisdom of being relevant with India specific content as well as the user specific merchandised products and services.

The issue of convenience has been addressed on priority basis. The Indian marketplace website offers easy navigation, variety, speed and delivery, all in one single click. Such a unique experience further strengthens customer loyalty. The consistent innovation in other ways also serves to reduce the threat of new entrants.

The threat of substitute has been addressed tactfully. Indian Amazon is not only working with industry but also investing in industry infrastructure. It is not only working with online retail players but is envisioning keen interest in working with physical retailers like the Big Bazaar as well. Big Bazaar is a traditional brand outlet under Kishore Biyani's Future Group. At the same time it has been interested in buying novel customer centric innovation technologies that helps it to understand the customers. The remarkable cash on delivery options, diversification of the portfolio, ensuring investments and consistent acquisitions has been a prime driver of strength.

The competitive supply chain linkages (Cigolini, 2004) are often regarded as contributing towards the effective supplier development, executing own distribution network in a supply chain (Chopra, 2003), ensuring economies of scale, leveraging the expertise in technology as well as seeking operational effectiveness (Hammer, 2004).

Indian Scenario: How it is Alike to Global Dynamics?

Globally the surge in mobile users has been identified with brightening of prospects for virtual and online marketplaces. The enhanced usage of social media is providing a further boost to online sales and consumption. The globally extendable 4Ps of marketing (Abernathy, 2000) in case of digital marketplaces further enhance the prospects (Allen, 2001) for uniformity in approaching the markets.

The academic literature regarding application of traditional 4Ps of marketing to e commerce

(Constantinides, 2002) is still confused and is in a state of disarray regarding the interpretation of marketing with regard to electronic commerce. Yet one thing is sure that online market environments require a different approach. It is not a question of national sensitivities rather a mix of elements that have a strong bearing on the customer's web experience (Goi, 2009).

On the other side, these so called electronic markets have never ever been static like their physical retail counterparts. The marketing in India or in America is equally affected by web site's competitive advantage in weaving a customer experience (Constantinides, 2002) that is driven by market impulses as well as relies on the development of synergies (Moller, 2006) across suppliers and customers.

Marketing mix (Goi, 2009) needs to vary as per firm's resources (Bhatt, 2001), market conditions, changing needs of customers (Beckwith, 2001) and national economic sensitivities (English, 2000). Indian market conditions have responded like its global counterparts with regard to other forms of marketing namely the sensuous retailing, fest retailing, lean retailing or even the media inspired marketing. In many ways that has equally contributed towards the successful extension of Amazon's magic in Indian business conditions as well.

Future Research

Further research could be conducted in the areas of uneven spread of Amazon's penetration and loyalty across Indian online shoppers. The regional imbalances despite infrastructural similarities could be explored. At the same time, the prospects are bright for comparing the respective areas of contrast and similarities across the Amazon and the niche players from native nation.

Conclusions

In this paper we discussed the supply chain as an element of strategic importance in the emerging e-commerce players. The paper aims at broadening the academic understanding of the strategic role of supply chain in being a basis for competitive advantage in e-commerce based venture's success in an emerging economy like India. The Amazon was chosen as the case company. The factors that locally influence the online retail supply chain and the business model, were interpreted in a manner that reflects the business environment transitions. Amazon in India was not aloof from operational and business challenges. The Indian e-business scenario is remarkably different from global business landscapes. The ability of the Amazon to tailor an India specific solution was at the root of successful Indian operations. More than that, the customization of product flow or the supply chain as per Indian business challenges offered it the advantage despite tough competition from native players like the Flipkart. It can thus be concluded that the supply chain would remain as the locus of attention as the industry structure transforms across Indian e-commerce space.

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