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### THE EFFECT OF EMERGENCE OF E-COMMERCE ON TRADITIONAL SUPPLY CHANNELS IN FMCG INDUSTRY

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#### **ABSTRACT**

The research paper is aimed at studying the effect of E-Commerce on the Supply Chains in the FMCG Industry. The research is introduced by defining the supply chain process and evaluating the usefulness that it possesses in the FMCG industry. The review of Literature aims at the changing demands of the customers in the FMCG industry. A questionnaire was prepared in the process to provide answers to questions about the E-Commerce industry and its effects. Professionals were chosen to participate in the research process. Open ended questions were chosen by the researcher as they reveal much more about the topic of research from the participants.

#### **1. Introduction**

In business, especially in case of FMCG, where there is always a high level of need in terms of the movement of products from one place to another, there are numerous uncertainties. These uncertainties can aggravate themselves and become the source of serious obstacles for the business chain of command. For the business persons, it is essential to ensure that the obstacles are taken care of. The business should either devise strategies that should make the obstacles ineffective in posing a challenge for the business. In other situations, the business has to ensure that it finds a way to work around the obstacles and make sure that their working metrics do not get dissolved due to the presence

of the obstacles. The presence of the supply chain in case of FMCG products ensures that there are always numerous ways for the businesses to make sure that the in-flow and outgoing of products are not hampered at any stage of their operations. With the introduction of the modern E-commerce business and the new techniques introduced in the market as a result of the e-commerce business, the dynamic of relationships between the brands, the distributors and the supply chain need a thorough definition and purpose.

## **2. Research Questions**

The aim of the research is to find out whether E-Commerce Industries have initiated a change in the functioning of supply chain for FMCG products and brands and whether the change has the potential to re-design the supply chain of FMCG in a new manner.

### **The objectives of the research are as follows**

- To investigate about the operations in the E-Commerce industry
- To make a comparison between the E-Commerce Industry and the other forms and types of industries and gain knowledge about the factors that make a difference in the two.

### **The research questions:**

1. Is E-Commerce making a real difference in the operations of the brands and the products?
2. What does improvement or underperformance in the demand and supply of the products or the brand mean for the stakeholders of the business?

## **3. Application of Literature**

One of the areas that is important to consider in case of FMCG product is that the demands for the customers change quickly across time. It can happen that a bunch of customers would want one type of product for a period of time and that very demand becomes essential and is picked up by another set of customers followed by another (Colicchia, Creazza and Dallari, p. 327, 2017). The essential of FMCG business, which is based on marketing and promotion and the feel-good factor of influence that the product has on people, makes the business cater to the demand of a set of customers that is in the trend at the moment (Ogunlela and Lekhanya, p. 164, 2016). As a result of this, the other brands in the FMCG industry would also have to devise or establish products that cater to the same needs and requirements of the common people. The trend here is important and the FMCG brands always have to follow it. However, the same needs and requirements of the demand do not remain in the trend for a very long time. In that case, it is essential for the brand to be innovative (Singh and Misra, p. 7, 2018). It is also important for the brand to make sure that the needs and the requirements of the customers are fulfilled and there is no lack in part of the personnel of the brand. By doing so, it would be a smoother process for the FMCG brands to ensure that they are always on the lookout for any new opportunity that the market presents to them. For this exact purpose, it is essential for the FMCG brands to make sure that the supply chains are reactive and efficient in delivering the services (Ray, Basak, Fatima and Seddiq, 4971

2016). If the supply chain does not manage to keep up the work according to the need of the hour, it would be difficult for the organization to make sure that the partnership would go on. There are many areas that the FMCG brands and the distributors need to address with respect to the products (Nemati and Alavidoost, p. 4877, 2019). While quality remains one of the most important areas that drive the relationship between the brands and the customers, the ability of the supply chains to make sure that the product is delivered in time to the customers is also highly important.

Another issue that the FMCG companies need to address is the competition in the market in the 21st century. It is a fact that the competition in the market has increased in leaps and bounds and there has been an emergence of numerous brands and a variety of products (Oey and Nofrimurti, p. 9, 2018). Today the customers do not have 3 or 4 brands to choose from. He has the opportunity to make a choice among 10 or more brands. There is also a high level of exposure of the customers to the brands. A customer sitting in Valencia, Spain would be impressed by what an American brand has to offer. This would then lead to the same among other customers and there would be a high level of demand to make sure that the American brand finds its presence in the market of Valencia and other areas around (Yu, Wang, Zhong and Huang, p. 182, 2016). This would inevitably lead to a very high level of competition in the region and as a result, the local brands would have to make sure they find a mechanism to deal with the competition that is often arriving quickly from an unknown region in the market. To live up to that standard, it is important that the supply chains of the local brands deliver the requirements that are needed to upgrade the products and compete with the level that the successful outsider brands have to offer.

In case of the E-Commerce industry, there is always a better design within the companies that make sure that the requirements of the customers of the new age is fulfilled. The operations consist of management that makes sure that communication is continuously happening with the distributors. If there is a mistake on part of any one in the chain of products, the brand of the product and the E-Commerce brand would have a lot to answer. Therefore, the tasks that includes packaging and arranging of the materials have to be performed with a high standard of efficiency before that same materials are delivered to the customers (Wang, Yu and Shen, p. 2797, 2019). The emergence of the E-commerce industry has made sure that the customers would not have to make a lot of effort to make a purchase. The standard of choices that is presented through E-Commerce also has increased substantially over the years. It has led to a situation where the customers would feel that making the effort in going to the market is not as much worth at all (Zhong, Guo, Wang and Tang, p. 536, 2019). Having conversations with the people who are involved in selling the product would not make sure that the product that they buy in the market is more authentic than the product that they would find online in the E-commerce website or the mobile application. It is also a fact that many people are not willing to trust the sales persons and the pitches that they have to make. They believe that the graphic that is presented to them through the E-commerce

websites have a much better case of authenticity than anything that the false promises of the sales pitches that the sales persons have to offer (Fernie and Sparks, 2018). This has resulted in the fact that there is an increase in the performance of the products that the people have developed a liking towards. The operations of the E-Commerce industry ensure that the products of the FMCG industry would run on a much higher demand and supply rate. Since it is possible to ensure that the material is delivered to the doorstep of the individuals, the performance of the supply chain industry would also have to match with the requirements of the brands in the FMCG industry (Wang, Yu and Ji, p. 253, 2020). That is why E-Commerce has the potential to create a more dynamic industry as far as the supply chains are concerned. The supply chains would perform numerous tasks and would be led by a few individuals. It would perform the tasks for numerous brands and would not be overly dependent on a few companies.

#### **4. Research Methods**

##### **Philosophy of Research**

In research, the researcher has to follow specific steps in order to address the problems of the research (Kennedy, p. 352, 2017). The philosophy of the research provides the path to the researcher to follow and the reason why the researcher would follow that exact path would also be well defined through the philosophy. There is a reason the researcher undertakes the activities in order to take the research forward. The activities of the research would be needed to be streamlined in one direction (Dougherty, Slevc and Grand, p. 369, 2019). The researcher would need to be careful in selecting each and every step of the research. However, the discretion and the decision making in the process of the research is solely on the shoulders of the researcher as he is proceeding with the project. The types of philosophy in research are as follows

- **Ontology:** Ontology deals with the reality and the presence of elements that make up the reality. In the real world, the progression of anything would be dependent on a lot of factors. Ontology can be divided into two different parts – subjectivism and objectivism. Subjectivism deals with the perceptions of the actors of reality. For example, an event occurs that is highly important in its field. Let us take the example of the introduction of Calculus to the world by Sir Isaac Newton. This is a phenomenon that affected the lives of everybody in the planet (Žukauskas, Vveinhardt and Andriukaitienė, p. 121, 2018). However, the eminent mathematicians were the people in the forefront of this event. Subjectivism deals with the perception of each and every prominent individual in the field of mathematics to his event that changed the lives of people. Objectivism on the other hand, defines the relationship of factors that end up creating an event to the event itself.
- **Epistemology:** Epistemology deals with the knowledge that is verified and projected in a particular field of study. This philosophy can also be divided into further subdivisions. The first subdivision deals with the perspective of the resource researcher who wants to find the facts with the application of data (Da Veiga, p. 1009, 2016). The second subdivision deals with the perspectives of

the feelings researcher who deals with the feelings of the workers and the professionals in the field of study.

- **Interpretivism:** This branch of research philosophy deals with the roles that human beings play in any occurrence around the world. This philosophy emphasizes that in any event, the role of the factors would not be properly defined without defining the roles that the human beings play in these circumstances. The philosophy advocates that the role of the human beings should be studied properly and only in this way, the research activity can be streamlined according to the existing problems posed by the research.

Out of these three types of research philosophies, it was decided that the research philosophy of the Interpretivism would be the most appropriate for the type of research that is undertaken in this process. In this research, the human factors are some of the most important factors in the process of the research. The reactions and the choices made by the human beings constitute the behavior that they would show while purchasing the product. Therefore, the suitability of this type of research makes it the most appropriate and proper choice in this research process.

### **Reliability of Research**

The research activity that was chosen for this particular type of research is quantitative questions. These questions would be posed to the personnel in the industry of FMCG in order to make sure that a proper understanding of the requirement of the subject is present among the participants of the research. This particular research would be highly reliable because it would be repeated across the population sample numerous times. The problems that are posed by false answers would not be an issue in this particular research. The researcher has made sure that the activity of the research would be conducted thoroughly in order to remove the mistakes that might happen. If there are errors in the process, they would be identified by the repeated probe of the researcher. This makes the choice of the researcher to conduct an extensive research process an appropriate one. The researcher has already made sure that the questions that would be posed to the participants of the research process would be open ended ones. They would provide the researcher with a lot more valuable and important information regarding the topic of the research. In the research process, a close ended survey questionnaire would not serve the purpose of the research process. To gain knowledge about the operations of the E-Commerce organizations, it is highly important that the open-ended questions would reveal information about the operations to the researcher. That level of knowledge is highly valuable to the researcher to proceed with the research process.

### **5. Analysis**

These were the following questions that were posed to the participants of the research process that gave the research the data to proceed with the research. It needs to be noted that the participants comprised of personnel that are professionally involved in the business of FMCG and handling of the products of the same.

1. Do you think there is a change in the demand of FMCG products with the introduction of E-Commerce? If so, why?
2. How much was the FMCG industry diversifying before and after the introduction of E-Commerce?
3. Are the E-Commerce companies sustainable in the due process or do you think there would be a time that their productivity would reduce?
4. How much has the product specification of FMCG industry changed according to the needs of the customers?
5. Have you needed a change in the supply chain of the products while operating on E-Commerce?
6. How many times have you needed the change in the supply chain of your organization or your brand? Can you provide more information as to whether this is specific to your region?
7. Do you think supply chains are having difficulty in keeping up with the pace of the demands of E-Commerce players in the industry?
8. Do you feel that a trusted business partner who have been a part of your supply chain for a long time can be replaced?
9. Do you feel the value that was posed by the system that was in place for your products has been completely lost or do you feel the services of previously prominent members can be useful?
10. Does the introduction of E-Commerce mean that your employees have to overwork and thus signal a need for more jobs in the process?

According to the answers provided by the participants of the research, it is visible that the E-Commerce industry and its presence or introduction in the last few years have made changes in the supply chain that are irreplaceable. The main change that it has been able to produce is in the fact that the supply chains that were already in place within the industry has to struggle as far as the production of the materials are concerned. They have not been able to deliver the materials that are necessary in the manufacturing of the products (Schöder, p. 1, 2016). This is true for numerous supply chains. Therefore, it has provided the companies with no choice but to avail the services that other and more efficient supply chain organizations have to offer. A total of 99% of the participants of the survey answered that the E-Commerce industry is here to stay. It has revolutionized how the company can reach out to the customers themselves (Lim, Jin and Srai, 2018). Until there are other mechanisms to do the same in a much better and much more effective way, there is no expectation that the influence of the E-Commerce industry would go away. This is true for any product as much as it is true for FMCG products.

Another important thing that was revealed in the data was that the participants felt that the existing supply chain that is in place for the organization can be replaced if the new organization is promising a better delivery of the tasks (Wu and Lin, p. 240, 2018). Around 84% of the participants in the research activity were in favor of replacing the existing supply chain for another medium that would ensure a more efficient supply. However, it was also revealed that the supply chain candidates would be valuable to numerous tasks that are needed in the process of FMCG industry. The same professionals could be used for

something that is valuable to the operators and the managers of the FMCG products and brands (Lahkani, Wang, Urbański and Egorova, p. 3968, 2020). The change is mainly in the requirement of the modern times. The skillset of the people is still highly valuable.

## 6. Conclusion

E-Commerce industry is a revolutionary industry that changes the outlook of any sector. FMCG is such a sector in which E-Commerce has managed to bring out a massive change. It is important to note that the change that is being talked about here is related to the perception of the people and how the needs and demands of the people develop over a particular period of time. For this, the FMCG brands have to make sure that they have all the information in relation to the latest trends and the latest fashion. With the introduction of E-Commerce in the process, it means that the competition between the brands has reached a level that had not been seen before. Therefore, it creates a situation where the supply chain, which is dependent on the needs and demands of the FMCG industry itself, has to re-evaluate themselves. The working capacity of the supply chains in this situation does not keep up to the level that is required by them to stay in the industry. The production of materials and the deliverance in time are the factors that these supply chain organizations have failed to follow up with.

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