

The Overview of Supply Chain Management Practices and the Performance of Marketing Channels for Agro Processing Firms in Jabalpur District of Madhya Pradesh

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Abstract

The purpose of this study is to investigate how alternative supply chain management practices adopted by leading firms engaged in agro-processing in Jabalpur district of Madhya Pradesh impact on the performance of the supply chain. We investigate on-going changes in the supply chain using information from leading agro-processing firms and related firms who are also engaged in the agro-processing activities. The information sheds light on how the new supply chain management policies and procedures have affected the cost structures, long-term profitability and organizational viability of the system. The emergence of agro-processing firms over the last decade or so has profoundly influenced Madhya Pradesh agriculture marketing system, and the trend is expected to continue into the foreseeable future. The efforts of profit-motivated giants to sustain a very competitive market have altered traditional production and marketing channels. Evidence suggests that the firms are competing to adopt a range of supply chain management strategies to offer quality products, a wider choice, reduced wastage, greater value for money and shorter, but more effective supply chains. The impact of agriculture supply chain (here we give special emphasis on agro-processing chain) on global and local supply chains, and its implications for actors in the supply chains have received much attention in recent years. This research study will utilize standard performance measures to compare performance of competing supply chains including Satisfaction of stakeholders, Price performance (profitability), Labour employment, Efficiency (price stability, timely delivery of orders, quality management). Information will be collected through a series of interviews with the appropriate personnel concerned in the agro-processing firms and their supply chain partners.

Keywords: Supply Chain Management; Distribution System; Stakeholders; Startups and Agribusiness

Introduction

The emergence of agro-processing enterprises is dependent on a number of economic, social, political and psychological factors often termed as supporting conditions for the development of agro-processing enterprises. These conditions may have both positive and negative influences on the emergence of these enterprises. Positive influences constitute facilitative environment whereas negative influences inhibit the emergence and growth of these enterprises.

Marketing management getting a good market is very important for sustainability of any enterprise. Unless the entrepreneurs get good market facilities, it would be impossible to sustain the agro processing enterprises. Marketing management is one of the vital factors for the success of agro processing enterprises. Today's market is said to be a buyer's market. The entrepreneur has to face competition from indigenous producers and also from the producers from other parts of the world. Efficient marketing enables the entrepreneurs to sell the products on profitable terms. An attempt has been made to study the supply chain management practices and marketing channel adopted by agro processing enterprises under study.

Scope of the Study

One of the most significant and important sectors of the Indian economy is the agro-based and food processing industry. Post-harvest losses and wastages are a significant problem throughout the whole supply chain of the food processing industry in India due to a number of variables. Since identifying the problems and difficulties may open the way for effective decision-making to be planned and implemented in the supply chain network of India's agricultural and food processing industries. As a result, the current study is limited to examining the current supply chain processes in a few Indian firms that handle agricultural-based foods. Studying crucial components of the agrofood processing supply chain has been prioritised.

Data Collection

Primary Data

For collect primary data a survey form was developed consisting of various questions related to various aspects of the agro-processing industry. In-depth interviews, direct observation & Audio visual materials are the specific tools that was used to construct primary data.

Secondary Data

The secondary data about the relevant firms & small holder producers will be documented from various sources the Jila Udyog Karyalaya Jabalpur; Madhya Pradesh, Chamber of Commerce; Jabalpur, Madhya Pradesh Agro Industries, Madhya Pradesh Audyogik Kendra Vikas Nigam, Confederation of Indian Industries, NABARD and also from State Agriculture Department; Government of Madhya Pradesh.

Study Area: Adhartaal, Maneri and Richhai Industrial Area of Jabalpur, Madhya Pradesh

Number of Respondents: 40

Data Analysis

The collected data through interviews and different sources will be analysed. Questionnaires will be administered and checked for correction on completeness and stored for analysis.

Source of Measurement

Simple statistical tools like tabular analysis was utilized to analyze the data gathered from the field. Graphical methods (Bar graph, Pie graph) will be used to illustrate the data. Likert scale with a 5-point Agree/Disagree scale, Logistic Regression Model When it is important to evaluate the function of the supply chain in the agro-processing units, frequencies and percentages will be utilised to analyse the findings.

Research Findings

Marketing Methods Adopted by the respondents

An attempt has been made to study different methods adopted by the entrepreneurs for marketing the products. The efficiency of the enterprise is determined by the use of the product by a large number of people spread over a large area. Study reveals that highest number of enterprises 50.00 per cent in Adhartaal, 30.00 per cent in Maneri and 30.00 per cent in Richhai areas market their products

direct through sales outlets. It is worthwhile to probe into the marketing problems of enterprises. The sale of products in the market and overcoming the problems shows the efficiency of the enterprises.

Problem faced by the respondents in the marketing

It is found that 14.29 per cent of the enterprises in Adhartaal, 10.00 per cent in Maneri and 13.00 per cent of the micro enterprises in Richhai area have no problems of marketing. Majority of the enterprises in the study area face problems by way of competition from local units followed by competition from multinational companies.

No proper label or packaging material is used by the units. The almost processed products are packed in plastic bags and jute bags without any brand or label marked.

Enterprises faced tough competition as many opened these units in the same locality. Since there was no organized procurement system, hence units faced difficulty in marketing their products. However the entrepreneurs were forced to sell their products at cheaper rate to the middlemen / intermediaries cause there was no cold storage facilities. The units were not able to diversify their activities and did not receive any help to access wider market. The almost units sell their products only in the local market as their products were not branded. It is very difficult for them to compete in the wholesale market outside the locality without a brand name.

Methods employed to exploit the markets

Entrepreneurs have to adopt different methods to exploit the market from time to time. Different methods adopted by the enterprises to exploit the market are shown in table 5.29.

Interestingly, about one fourth of the entrepreneurs capture the market through Supplying Quality Product followed by personal contact. There are different methods mentioned under 'others' by the respondents such as competitive price, timely customer service, regular follow-up services etc.

Sector wise distribution of units based on profitability in Jabalpur

Profitability of the activities differs from sector to sector depending upon the demand for the products, infrastructure availability and marketing strategies followed by the entrepreneurs. Sector wise performance of the enterprises in Adhartaal area reveals that units engaged in agro produce processing (50.00 per cent) followed by agro produce manufacturing units (28.57 per cent), agro-service centres (14.29 per cent) and agro input manufacturing units (07.14 per cent) were able to reap profit. Sector wise performance of the enterprises in Maneri area reveals that units engaged in agro produce processing are in highest number (60.00 per cent) followed by agro produce manufacturing units (20.00 per cent), agro-service centres (10.00 per cent) and agro input manufacturing units (10.00 per cent) were able to obtain profit. From the study sector wise performance of the enterprises in Richhai area reveals that units engaged in agro produce processing are in highest number (50.00 per cent) followed by agro produce manufacturing units (25.00 per cent), agro-service centres (12.50 per cent) and agro input manufacturing units (12.50 per cent) were able to get profit.

Operational location of Enterprises

From the table majority of the enterprises in all the areas are run in their own building 35.71 per cent in adhartaal area, 40.00 per cent in Maneri area and 31.00 per cent in Richhai area) followed by leased premises.

Feasibility study

Once the idea of enterprise is conceived, the owner of the enterprise usually undertakes a feasibility study. The feasibility study is mainly aimed at finding out whether the idea can be implemented successfully or not and if implemented whether one can get profits or not. For this purpose the entrepreneur has to study about the financial, marketing and technical feasibility and other related matters including formalities to be observed for promotion of the enterprises.

Feasibility study of the units

Nearly 28.57 per cent of the entrepreneurs in Adhartaal area, 10.00 per cent in Maneri area and 13.00 per cent of the entrepreneurs in Richhai area had not undertaken any kind of feasibility study while the rest representing nearly 50.00 per cent of the entrepreneurs in Adhartaal area, 50.00 percent in Maneri area and 56.00 per cent of the entrepreneurs in Richhai area undertook the feasibility study of their enterprises on their own without taking the assistance of any organization. Remaining entrepreneurs conducted the feasibility study by others, contributed 21.43 per cent in Adhartaal area, 40.00 per cent in Maneri area and 31.00 per cent in Richhai area.

Awareness about Supply Chain Management services

Awareness about supply chain methods is essential for adoption. An attempt has been made in table 5.37 to find out the awareness level of entrepreneurs in the study area. A three point scale was constructed (to a large extent, to some extent, poor with respective scores of 3, 2, and 1) and administered to the respondents. The sum of the scores for each component of awareness constitutes the awareness scores of the respondents. The weighted index was computed for each respondent. The respondents were classified according to their awareness level which measures as high (above mean +standard deviation), low (below mean +standard deviation) and medium (between the two scores). The awareness level of the entrepreneurs about supply chain management activities based on awareness scores is presented in table 5.37.

Awareness about Supply Chain Management services

It was found that nearly more than half 57.05 per cent of the enterprises in the study area have high level of awareness about the SCM activities followed by entrepreneurs have medium level of awareness 37.71 per cent in the case of Adhartaal, 20.00 in Maneri and 25.00 per cent in Richhai area. Entrepreneurs with low level of awareness about SCM practices constitute 21.83 per cent in Adhartaal, 10.00 per cent in Maneri and 13.00 per cent in Richhai area. Majority of the enterprises in all the areas under study have the high level of awareness about SCM and realize that SCM is an important component of strategy for gaining competitive advantage. Awareness leads to adoption and performance.

Importance of the factors while selecting the key suppliers

It was learnt from the respondents that Flexibility to respond to Unexpected Demand Changes is ranked first because as nearly 23.81 per cent entrepreneurs in Adhartaal area preferred it. Ability to meet due date is ranked second as 21.43 per cent of the owners preferred it. Correct quantity provided is ranked as third one preferred by 20.24 per cent of the entrepreneurs.

Ability to meet due date is ranked first as 23.81 per cent of the respondents in Maneri area preferred it. Correct quantity from the supplier is ranked second as 22.22 per cent of the owners preferred it. Flexibility to respond to Unexpected Demand Changes is ranked as third one preferred by 20.63 per cent of the entrepreneurs.

Correct Quantity provided is ranked first as 31.31 per cent of the respondents in Richhai preferred it. Ability to meet due date is ranked second as 26.26 per cent of the owners preferred it. Flexibility to respond to Unexpected Demand Changes is ranked as third one preferred by 20.20 per cent of the entrepreneurs.

Importance of the issues in Customer Relation Strategy

It was learnt from the respondents that Firm's ability to meet customer due dates is ranked first as 19.05 per cent of the respondents in Adhartaal area preferred it, Flexibility in meeting changing needs of the customers is ranked second as 14.29 per cent of the owners preferred it and Locating closer to customers is ranked as third one preferred by 13.10 per cent of the entrepreneurs.

Resolving customer's complaints 20.00 percent, firm's ability to meet customer due dates 15.00 per cent and Determining customer's future expectations 15.00 per cent are the three factors which are preferred by most of the owners of Maneri to promote Customer

Relation Strategy. It was found that in the Richhai area Firm's ability to meet customer due dates (15.63 Per cent), Entering into long term contract with customers (15.63 per cent) followed by Flexibility in meeting changing needs of the customers (12.50) are the three factors which are preferred by most of the owners of the owners to promote Customer Relation Strategy.

Best practices adopted by the agro processing units

It was learnt from the respondents that around 80.00 per cent of the enterprises do not follow bar coding system and 62.50 per cent of the enterprises do not use recyclable package. No enterprise reported use of radio frequency identification (RFID). Around 60.00 per cent of the enterprises do not follow milk round system followed by drop shipping 57.50 percent, plough back profit 30.00 per cent and third party logistics 25.00 per cent.

It is somewhat surprising that some of the more technology oriented options such as integration of the firm's computer system with the customer's and supplier's computer system, utilizing supply chain software and technical issues such as RFID and bar coding were not adopted by many enterprise owners. Many enterprises were not sufficiently sophisticated yet to consider the need for these types of skills. Rather than pressurizing the owners to adopt the new methods firms should voluntarily move forward with supply chain methods to enable themselves to be more competitive in the market place.

Availability of transport facility

It was found that as high as 85.71 per cent of the enterprises in Adhartaal area have proper transport facilities followed by Richhai 81.25 per cent and Maneri 70.00 per cent. 30.00 per cent of the enterprises in Maneri area do not have proper transport facilities followed by Richhai 18.75 per cent & Adhartaal 14.29 per cent.

Availability of Storage & Warehouse Facility

It was learnt from the study that 70.00 per cent of the enterprises in Maneri area have storage and warehouse facility followed by 68.75 per cent in Richhai and 64.29 in Adhartaal area. Whereas 35.71 per cent of units do not have storage and warehouse facility in Adhartaal area followed by 31.25 per cent in Richhai and 30.00 per cent in Maneri area.

Conclusion

From the study it is concluded that in the contemporary business world, competition has become more intense. Location advantage is eroded as trade barriers are being lifted. As access to market is becoming less localized, the need and demand on logistic management, customer service and distribution partnership are becoming more significant. Markets are becoming more fragmented. The global economies are moving from mass marketing towards individualized marketing. The customers expect reliable product and responsive service. Customers are becoming more demanding. Product quality has gained significance. As product quality has gained significance, the firms are seeking competitive advantage in closer, services focused relationship.

In today's competitive environment, enterprises have to focus on new means of increasing profit by implementing so called customer Management Relationship system (CRM). But the need to cut down the costs and focus on competencies and efficiency has led the enterprises to focus on how to improve the supply chain and leverage their supply base. Primarily the suppliers and customers are the fundamental building blocks towards the success of any business. Hence nurturing effective relationships with them is the priority. In the above context, the study investigated the importance assigned by the micro enterprise-owners to the factors such as delivery performance, proximity, flexibility in production targets, ability to meet due dates etc for the enterprises in the study area while selecting key suppliers.

Recommendation

Supply chain strategy formulation and its execution are of critical importance for successful supply chain in a competitive environment. The enterprise owner has to make a choice – selection of goals as objectives, choice of products and services, product market, choice of an appropriate level of diversity and design of the organization structure, administrative system and policies to design coordination. The basic proposition of strategic management is that these choices critically influence the success or failure of the enterprise and they must be integrated. The integration of the choices forms strategy. The linkages between business strategy and supply chain strategy must be properly aligned.

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