

A study on the Impact of Procurement in Promoting Effectiveness of Logistics Operations of Retail Organizations in the UAE

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Abstract: The retailing business has been expanding globally and many multi-national chains are getting established in almost all the countries of the world. From customer's point of view, multitude options are available as all the brands in the global market is available everywhere. The market place has become market space and to link the customers, meta-marketers got established. In the wake of this retail market explosion, the retail sales organizations have been constrained by complex limitations imposed in the form of price wars, discounts, offers etc. Many of the retailers have adopted everyday low price strategies to attract massive customer traffic with the expectation to promote cross selling. Since price wars are rampant, it is difficult for retailers to earn better margin of profit as it can be found that their costs have been increasing whereas the prices are falling. In order to maintain and sustain the market share, firms are forced to reduce the cost by resorting to various operational measures related to procurement, inventory decisions and logistics management. Hence, in this paper an attempt is made to explore the impact of procurement and its various elements in promoting effectiveness of logistics operations in retail organizations in the UAE..

Keywords: Retailing, Multi-National Chains, Global Market, Market Place, Market Space, Customers, Meta-Marketers, Price-Wars, Discounts, Offers, Every Day Low Pricing, Customer-Traffic, Cross Selling, Market Share, Procurement, Inventory Decisions, Logistics Management

1. Introduction

The economic outlook from global perspective signals that the integral part of economic growth is the structural transformation of economies through a gradual shift from primary sector to manufacturing sector and finally to the tertiary sector (Noland, Park and Estrada, 2012). One of the fastest growing sectors in service industry has been retailing which is projected to reach a figure of 30 trillion USD by the end of the year 2023 (Deloitte, 2019) and the retailing that comprises of various activities such as grocery stores, restaurants, clothing, bookstores, stationery, toys, technology products etc., has been growing at exponential rate by permeating to sub-urban centers and even rural centers from urban spots during the last two decades (Kearney, 2019). The world's top ten retailers grabbed 31.6% of the total revenue during the year 2017 which is around 0.9% increase as compared to 2016 and the top three retailers maintained their top position with Walmart in number one position while Amazon gearing up to number two position (Deloitte, 2019). In the Middle East also, the same trend is visible as retailing has been growing at a rate of 3.9% over the past few years due to the increasing per capita income, population growth, higher consumer spending and opening up of the market (Government.ae, 2018). In a country like UAE which is one of the leading economies in the Middle East and Africa region, the retail industry has been growing at a rapid momentum during the last two decades due to the development of infrastructure, opening up of the market and immigration of various nationalities across the world in search of employment opportunities. Of late, the competitive scenario has undergone rapid change due to heavy competition in between the global players in this market along with many local retail chains and many retailers adopt various cost controlling techniques to promotion operational effectiveness in the market place irrespective of their size (Wilson, 2011; Eckel, 2009).

2. Background Of The Study

The developed countries of the world such as Western Countries and the US have been witnessing unprecedented trend in the development of retailing activities since 1990s onwards as a part of urban dynamics by focusing on retail formats restricted within urban pockets of all these countries (Espinosa, 2011; Massad, Víctor, Mary and Joanne, 2011). Gradually the retail formats got percolated to the semi-urban and rural pockets through infrastructural building in these countries (Reardon, Henson, and Berdegué, 2007). The same trend has been witnessing in the other parts of the globe since 2000 onwards due to the liberalization and globalization trend that started during 1990s (Reardon, Timmer, Barrett and Berdegue, 2007). The retailing trend acquired strong accelerated momentum after the development of logistics across the world which enabled organizations to move goods and services across the globe within limited time span with higher level of accuracy in delivery

(Manners-Bell, 2017). In order to generate these results in logistics and to connect it with retailing, development of technology has played a significant role as organizations around the world has been adopting various new technological tools to enable logistics to perform all the activities accurately within restricted time, cost and effort. All these trends got developed through various stages in the development of retailing in the world and the assimilation of retailing with logistics and technology got developed during these stages. In the United Arab Emirates, the people habitation is only in the urban centers and as urban centers are focus of attention of shopping malls and modern infrastructure, the retail formats are getting more and more favorable opportunities to flourish; it is possible to witness internationally renowned retail brands in all types of products. Due to the strategic location of the country, availability of most modern infrastructure and as it is one of the leading economies in the Middle East, the country has gradually evolved as a logistics hub. Since the success of retailing depends upon the effective management of logistics that comprises of the movement of goods throughout the supply chain system by way of procurement, materials handling and physical distribution system, firms have been found to focus on each element in the logistic system to generate operational efficiency and thereby create competitive advantage. Among the various elements of the logistics system, procurement can be considered to be very crucial, as an effective procurement system can generate far reaching effects on the overall operational performance of the retailers as it enable them to reduce various costs and thereby able to compete on the basis of price (Mentzer, Stank, and Esper, 2008).

3. Retailing And Logistics

The retailing and logistics are interconnected as it works together to make the product available to the ultimate customers. It is estimated that on an average nearly 50% of the sales income in a business firm is spent on logistics operation (Chunawalla, 2009) and nearly 70% of the annual business turnover of transport firms depends upon logistic (Burnhan and Anderson, 2009).

3.1. Retailing

The term ‘retail’ is derived from the French term which means “to cut again”. Practically, retailing is a disbursing function where the bulk is cut into small lots and then sell it to the customers. It can be treated as a socio-economic system that interlink people together in a process of exchange of goods and services for considerations which are minute and thus integrate the need of different actors in the system such as consumers, manufacturers, agriculturists etc which not only satisfy the day to day requirements of life but also creates new lifestyle and thus prosperity of the community (Rudrabasavaraj, 2010). Thus it consists of activities involved in selling directly to the final consumers of a product for personal use and it embraces direct interface with the ultimate customers through sales activities of the producer or manufacturer, either through directly owned stores or through distribution system that supply goods to house to house or through direct mail order business activities. Thus it involves direct first hand transaction with the ultimate consumers or customers (Ramaswamy and Namakumari, 2002; Berman and Evans, 2001; Dhotre, 2010; Amit & Kameshvari, 2012).

3.2. Logistics

Logistics is that part of supply chain system which plans, implements and controls the forward and backward flow and storage of goods and services and information in between the point of origin and point of consumption, so as to meet the customer requirements effectively and efficiently (CSCMP, 2020). This implies that the right product, at the right location in right time and in right condition is made available to the target customers. The table shows the logistics dimensions of a retail concept.

Table 1: Various Components of Logistics Management

Logistics Management

Materials Management		Physical Distribution Management
Procurement Activities	Inventory Decisions	
1.Material Specifications	1.Raw Materials	1.Finished Goods Inventory
2.Value Analysis	2.Warehousing	2.Outbound Transportation
3.Supplier Research	3.Packing Materials	3.Field Inventory
4.Negotiation	4.Assembly	4.Sales to Customers
5.Buying		5.Customer Service
6.Quality Assurance		6.Reverse Logistics
7.Inbound Transportation (Buying)		

The table 1 shows the various elements in logistics management which are inter-related to each other. From the above, it is clear that the logistics is very closely linked to cost, time and service (Fernie, Fernie and Moore, 2013). These elements become remarkably expensive if not managed effectively. Holding stock involves various types of hidden costs, developing a distribution center need heavy investment and transportation involves high level of risk due to unforeseen situations. Among the three different areas mentioned in the table, the procurement is the gateway which enables the products to enter the system. If procurement activities are not streamlined, monitored and properly controlled, it will breed various inefficiencies in the system in the form of cost escalation, quality deterioration, delay in delivery which ultimately leads to decreasing margin and increasing customer dissatisfaction (Kotler and Keller, 2012).

4. Literature Review

Traditionally logistics has been considered as an operational factor and thus treated as outcome of the strategy of a company (Sandberg, Abrahamsson and Kihlén, 2011). Scholars and researchers focused on development of logistics strategies without giving any attention to profitability and growth (Abrahamsson and Rehme, 2010; Schramm-Klein and Morschett, 2006). Of late, experts in the field have realized the importance of various components of logistics such as procurement, inventory decisions and physical distribution management in promoting the operational efficiency and effectiveness of logistics so that the firm can develop sustainable competitive advantage through generation of better margin of profit and improved customer satisfaction (Schramm-Klein & Morschett, 2006). In logistics, one of the major components that creates an interface between external supply system with the internal processes has been the procurement process (Humphreys, Lo and McIvor, 2000). The successful fulfillment of the entire operational activities that follows procurement depends upon the effectiveness by which the procurement and its related components are managed by logistics system (Möller, Kristian and Pekka Törrönen, 2003). The logistics system can fulfill its core goals of customer satisfaction and high profit margin by a well synchronized integration of various components of procurement, inventory decisions as well as physical distribution management system.

5. Relevance Of Industry And Country Selection

The retail sector in UAE is one of the fastest growing segments of business in the UAE, with an annual retail turnover of \$56.60 billion in 2016 which is expected to exceed \$71 billion by the end of 2021 with a CAGR of 4.9% (www.dubaichamber.com). The sector accounts for 11% of the country's GDP. Even the e-commerce market has been gaining strong acceptance in the entire GCC which is expected to achieve \$41.50 billion by 2020 with a market share of 53% for UAE followed by KSA (14%), Oman (12%) and Qatar (10%) (Alpen Capital 2017). According to CBRE Group study on global retailing, Dubai has the presence of 62% of the international retailers whereas it is 55.3% in Shanghai, 51.7% in London and 46.3% in New York. Since UAE has emerged as a major global retail center, we can see the presence of almost all the famous retailers in the country now. Since the Govt., has been following a liberal policy towards opening up the market for global players, the market has become highly competitive due to the rivalry between existing competitors, threat of entry of global players, strong threat of substitute products manufactured locally, customer bargaining power as well as supplier leverage (Porter, 1990). The existing retailers are competing by offering massive price discounts which is a regular feature of the UAE market now. Majority of the retailers go for price discounts up to 70% to 80% on weekdays. Along with this, new retailers are entering the market with economies of scale in global operations. Substitute products are entering the market as majority of the leading retailers have developed own brands for almost all the FMCG products now. Customer leverage is experienced in the supply chain system wherein almost all the leading retailers negotiate for consignments sales and vendor managed inventory (VMI). The overall impact of this strong competitive trend has eroded away the profit margin of almost all the supply chain partners who are involved in the movement of logistics in the retail system. Due to the decreasing margin of profit in retailing, majority of the retailers have been found to focus on promoting operational efficiency by maintaining strong control over procurement and its related activities.

6. Research Problem

Price competition is rampant in UAE retail industry, irrespective of the fact that whether the retailing firm is big or small. It can be found that the retailing industry has gradually become more and more oligopolistic in the country due to the emergence of large retailers, which are local firms as well as international entities. Since the competitive framework resembles to the Five Force Model of Michael E. Porter, it is difficult for small firms to survive, majority of the firms focus on competing on price war. The big retail entities reduce prices on holidays and weekends to grab the market share and the reduction of price forces them to satisfy with decreasing margins (KPMG, 2018). Hence, many retailers focus on reducing the operations costs by focusing on procurement and inventory maintenance related areas. Firms follow various methodologies such as branding own products, vendor managed inventory (VMI), global procurement etc., to reduce the cost and thereby maintain fair margin of profit.

So the research topic is an attempt to study the impact of procurement and its various elements on the effectiveness and efficiency of the overall logistics operation of the retail chains that operate in the UAE.

7. Research Question

Question 1:

Is there any existence any relationship between procurement and the overall performance of the logistics operations of the retail chains in the UAE?

Question 2

What is the impact of procurement and its various components on overall cost and time of the logistics operations of the retail chains in the UAE?

Question 3

By improving procurement operations, is it possible for a retail chain to improve its performance in the form of better customer service and improved margin of profit?

8. Objectives Of The Study

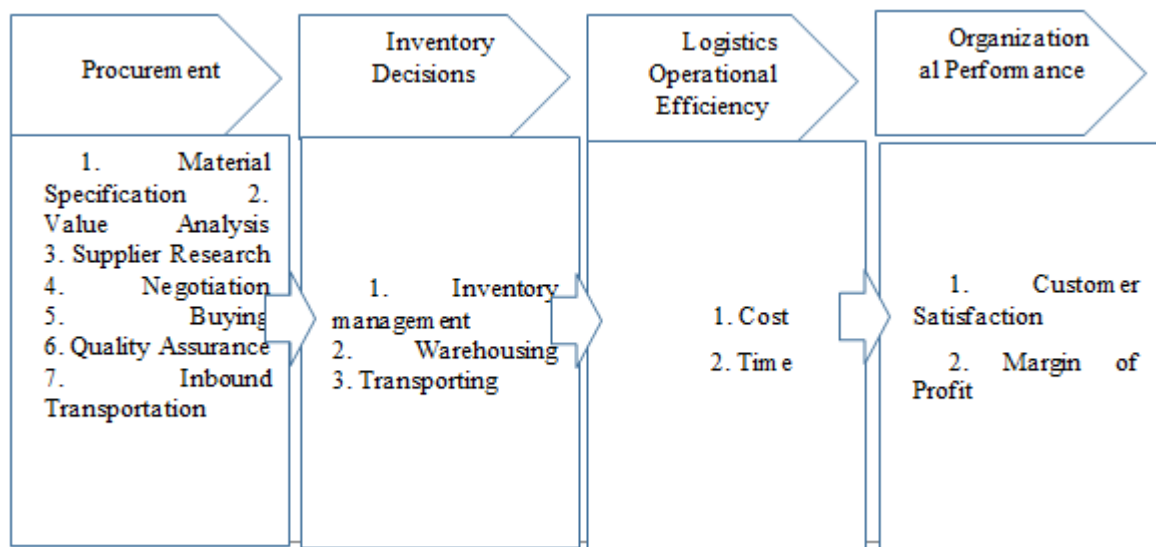
UAE has been witnessing unprecedented transformation in the field of retailing, as giant retailers are gradually taking control over the market by utilizing economies of scale in operations and technology application. The market rule is framed on the basis of the old adage of the survival of the fittest. The overall aim of the study is to find out the role of procurement and its impact on overall performance of the retail chains that operate in a country like UAE. The major objectives are:

1. To find out the impact of procurement and its various elements on cost and time of logistics operations of the retail chains.
2. To establish relationship between procurement and overall performance of the retail firms.

9. Model Of The Study

Based on the objectives of study and research, a conceptual model is postulated to examine the relationship between procurement and the logistics performance of the retail chains. The performance of the logistics operation is measured in terms of cost reduction and time savings. The model framed is provided in the figure 1.

Figure 1. Conceptual Framework of the Study



The conceptual model of the study is outlined in figure 1. The model attempts to trace out the relationship between the procurement activities and inventory decisions to explore the impact of these variables on cost and time taken by the retail chains in managing the operational activities related to logistics. By linking relationship between these variables, the study attempts to find out the impact of these variables on the performance of the retail chains by measuring the customer satisfaction as well as the margin of profit earned by the firms. The primary focus of the study is on the logistics operation of the hypermarket chains in the country. A brief outline of the various components considered in the study are furnished below.

Seven variables are considered in procurement. Out of the variables, material specification is not an important factor for the hyper-market chains as they are procuring branded goods manufactured by reputed organizations. The only area where the retailers give importance is certain local products and food materials. There are strict government regulations are implemented for the sale of products that are consumed by people. The other six elements are important as the retailers has to give priority to these factors due to its importance in business operations. Value analysis is of utmost importance as the procurement department has to consider whether the product generate value to the company during the course of its procurement and storage and distribution to various branches of the outlets that are located in different parts of the country. The supplier research, negotiation and buying is crucial as many of the major retailers give primary importance to these variables as it can influence the margin of profit through price bargaining, developing contractual relationship for establishing VMI (vendor managed inventory) etc. Quality assurance is important in the case of many products as the government scrutiny and monitoring is very high in the country in connection with the quality standards. The last element of procurement, the inbound transportation, is of crucial importance due to its impact on cost of transportation. It has been found that many retail chains depend upon FOB pricing while procuring the goods from other countries of the world.

In the case of inventory related decisions, the most important factors considered are the management of the inventory, maintenance of warehousing and utilization of internal transport network by the retailers to distribute the products to different branches located in different parts of the country. This aspect is very crucial as these retailers have been maintaining well established warehouses in the free zones and many of the retailers are found to implement most modern inventory management system through automation. In the operational efficiency area, two major factors are considered, the cost and time consumption by various activities related to logistics operations. The impact of procurement and inventory decisions are analyzed by looking at its influence on cost management and time management by linking it with movement of goods, flow of money, flow of information and the return merchandize management.

10. Scope Of The Study

The scope of the study is vast in the sense that we live in a world of globalization and retail organizations are operating in a borderless world, as retailing has taken the non-spatial approach through the application of online business, e-procurement, e-retailing etc. Customers' expectations have been increasing and instant satisfaction of requirements has become a need of the retail system now. Both individuals as well as business units expect to get goods faster, more flexible with the lowest delivery cost etc. Manufacturing is becoming more and more customized and retailers are competing to retain the customers. Hence the scope of this study extends to all the various activities related to procurement of goods, maintenance of inventory levels, adoption of modern supply chain system, application of modern technology in procurement and inventory related activities, physical distribution management, the link between stock maintenance and customer service, quick response system etc.

11. Importance Of The Study

The study is important as the information provided will enable the firms and its stakeholders to have a deeper insight into the various aspects of procurement, inventory decisions, the influence of cost and time on operational efficiency, improvement of customer service, implementation of quick response system, minimization of distribution cost, management of physical distribution, management of product lines, application of modern logistics and supply chain system etc. The study also will impart information on adoption of operational measures to ward off the problem of contraction of product life cycles.

12. Research Methodology

The study is an empirical study conducted to explore the association of procurement on inventory decisions through its impact on elements such as cost and time, so that the firms that operate in the retail industry can reap better margin of profit and improved customer satisfaction. The methodology adopted in this study is based on 'research onion' developed by Saunders et al., (2009). The onion offers an exhaustive explanation of the important layers or stages that are to be followed to formulate an effective research methodology (Bryman, 2012). The layers of the research onion are philosophy of research, approaches to research, strategy, time horizon, choices and methods of data collection and these elements provide requisite information to conduct a research study.

12.1. Research Philosophy

In this research study, it is proposed to use "positivism research philosophy" coupled with interpretation as the researcher assumes that the research problem is going to be addressed in objective manner with quantitative data which is value free. Positivism depends on observation and quantity (Easton, 2000) and hence in this project researcher has used positivism because the researcher emphasizes on methodology to enable quantification and

replication of observations for statistical interpretations (Denzin and Lincoln, 2011) based on data collected through questionnaire.

12.2. Research Approach

Research approach is a plan that consists of various steps of making broad assumptions, detailed method of data collection, analysis and interpretation (Creswell, 2014). In this research study, a deductive approach is applied by developing certain hypothesis related procurement and its various elements, inventory related areas of logistics as well as the performance of the organization in the form of better customer satisfaction and higher margin of profit. Here the researcher is using deductive approach which helps to formulate a set of hypotheses to design research strategy to test the hypothesis and through this the hypothesis is tested using various quantitative statistical tools such as correlation, mean, median and mode, standard deviation etc. The hypothesis is based on the relationship between procurement practices, inventory related decisions, its effect on cost and time of operation of logistics and finally its impact on customer satisfaction and organizational profitability.

12.3. Research Design

Since the study focuses on exploring the relationship between procurement, inventory decisions, cost and time and its ultimate impact on organizational profitability and customer satisfaction, it is pertinent to consider only the characteristics of the phenomenon without assessing why it happens or occurs. Apart from this, the generalization made from the study is applicable to the whole retail firms that operate in the UAE as well in different countries of the world. In addition to this, since the study focuses only on single sample group which is the staff employed in the retail industry without any comparison with other industries, the descriptive design can be treated as the best design application for such a study (Brinkmann, Jacobsen & Kristiansen, 2014). Historical

12.4. Collection of Data

The data needed for the study is collected by way of two different sources such as primary source as well as secondary source. The primary data is sourced from the samples selected for the study in which a detailed questionnaire is used to derive information on topics related to procurement, inventory management, warehouse management as well as distribution management of the selected retail chains that exists in the country. The secondary data is obtained from sources such as textbooks, journals and magazines, database of selected retail chains, data maintained by chamber of commerce and other related governmental agencies in UAE. The secondary information is used to develop the theoretical and conceptual frameworks in the literature review also.

12.5. Sampling

The sampling strategy is chalked out based on a rigorous sampling plan so as to avoid undue bias in the sample selection. The universe of the study is the total staff that is employed in selected seven hypermarket chains in the country which amounts to a total staff strength of 16470 people. Out of this total population, a sample of 300 staff members are selected to derive information related to various areas such as procurement, inventory management, operations and distribution management.

12.6. Questionnaire

A comprehensive questionnaire was designed to elicit information from the primary respondents. The distribution of questions in the questionnaire is broadly divided into four broad areas based on the conceptual framework of the study mentioned earlier. The four broad areas are procurement, inventory decisions, operational efficiency and organizational performance. In order to collect information on procurement and its seven various components, 70 questions were asked. In inventory decision area of logistics management, 30 questions were designed which is distributed as 10 questions each on three different components such as inventory management, warehouse management as well as transportation management. In order to derive information on operational efficiency of logistics operations, 20 questions were employed to derive information on cost and time. For collecting information on organizational effectiveness, 20 questions were used for the two components such as organizational profitability and customer satisfaction. Thus the total number of questions in the questionnaire is 140 which enabled the researcher to obtain a detailed information on various aspects of logistics operation and its impact on organizational performance.

12.7. Scaling Technique

For this research work, a 5 point Likert scale is used which enabled the respondents to provide freedom to select own opinion as well as it was found to be easier for the researcher to conduct the survey by saving time and effort. The scale and rating is furnished in table 2.

Table 2: Likert Scale

Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
1	2	3	4	5

The questionnaire is validated by content validity and face validity as the researcher adopted a trial initially during the month of July-August 2020 to assess the relevance of the questions.

12.8. Research Ethics

Utmost care and vigilance is adopted to fulfill all the ethical considerations and thereby safeguard the interests of all stakeholders who comes under the ambit of the sample and collection of information. The following factors are given importance to ensure fulfillment of ethical considerations:

1. Voluntary nature of participation in the survey by the respondents
2. Strict confidentiality of the information given by the respondents
3. Avoiding collecting sensitive information from informants
4. The information collected has been used only for ethical purpose by keeping confidentiality.

13. Analysis Of Data

The collected data is classified, tabulated and coded to make it highly structured so that further statistical treatment is possible to derive information from the data. The analysis of data is furnished in two different broad headings which is furnished under the following part of the content of the study.

13.1. Validity and Reliability Check

To check the reliability and internal consistency, the Cronbach’s Alpha coefficient is used. The coefficient is based on correlation variables and higher value shows higher consistency and reliability. A value of 0.7 is considered to be an internationally accepted standard but studies relating to human behavior and psychology consider a value less than 0.7 is also valid. The Cronbach’s alpha values of the different categories of questionnaires in the survey are furnished in table 3.

Table 3: Data on Validity and Reliability Check.

Sl. No.	Description of Variables	No of Items	Cronbatch’s Alpha Values
I	PROCUREMENT		
(i)	Material Specification	10	0.697
(ii)	Value Analysis	10	0.537
(iii)	Supplier Research	10	0.689
(iv)	Negotiation	10	0.763
(v)	Buying	10	0.721
(vi)	Quality Assurance	10	0.890
(vii)	Inbound Transportation	10	0.770
i to vii	Total Items Under Procurement	70	
II	INVENTORY DECISIONS		
(i)	Inventory Management	10	0.788
(ii)	Warehouse Management	10	0.804
(iii)	Transportation Management	10	0.722
i to iii	Total Items Under Inventory Decisions	30	
III	LOGISTICS OPERATIONAL EFFICIENCY		
(i)	Cost	10	0.885
(ii)	Time	10	0.816

i to ii	Total Items Under Logistics Efficiency	20	
IV	ORGANIZATIONAL PERFORMANCE		
(i)	Customer Satisfaction	10	0.664
(ii)	Margin of Profit	10	0.736
i to ii	Total Items Under Organizational Performance	20	
I+II+III+IV	Grand Total of Items	140	

The result indicates that one variable stands relatively below acceptable value which is value analysis that shows a Cronbach’s Alpha value of only 0.537 that is below the threshold value of 0.700. There can be possibility that the respondents might not have properly understood the concept of value analysis and its relationship with procurement.

Table 4: Summary Statistics on Different Variables Under Study

Sl. No.	Description of Variables	Mean	Standard Deviation	Number of Items
I	PROCUREMENT			
(i)	Material Specification	3.665	0.437	10
(ii)	Value Analysis	3.732	0.389	10
(iii)	Supplier Research	4.561	0.562	10
(iv)	Negotiation	4.667	0.499	10
(v)	Buying	4.516	0.504	10
(vi)	Quality Assurance	3.489	0.457	10
(vii)	Inbound Transportation	4.675	0.592	10
i to vii	Mean Value of Procurement			
II	INVENTORY DECISIONS			
(i)	Inventory Management	4.569	0.298	10
(ii)	Warehouse Management	4.478	0.488	10
(iii)	Transportation Management	4.625	0.487	10
i to iii	Mean Value of Inventory Decisions			
III	LOGISTICS OPERATIONAL EFFICIENCY			
(i)	Cost	4.662	0.587	10
(ii)	Time	4.524	0.483	10
i to ii	Mean Value of Logistics Efficiency			
IV	ORGANIZATIONAL PERFORMANCE			
(i)	Customer Satisfaction	4.234	0.393	10
(ii)	Margin of Profit	4.762	0.410	10
i to ii	Mean Value of Organizational Performance			
I+II+III+IV	Grand Total of Items			140

The mean values and the mean of the aggregates show that all the values are above 4 which is rated as ‘good’ in the studies. Hence, it can be stated that there is high degree of agreement among the respondents in providing answers to the questions in the questionnaire. In addition to this, the standard deviation values are less which implies that there is lesser dispersion of the data from its central tendency.

13.2. Correlation between Procurement Practices and Inventory Decisions

The relationship between different variables is explained by using Pearson’s Correlation Coefficient values.

Table 5: Correlation Between Procurement Practices and Inventory Decisions

Sl. No:	Procurement Practices	Inventory Decision Areas		
		Inventory Management	Warehouse Management	Transportation Management
(i)	Material Specification	0.885	0.365	0.660
(ii)	Value Analysis	0.567	0.330	0.330
(iii)	Supplier Research	0.665	0.567	0.550
(iv)	Negotiation	0.789	0.669	0.489
(v)	Buying	0.774	0.598	0.662
(vi)	Quality Assurance	0.783	0.662	0.278
(vii)	Inbound Transportation	0.770	0.772	0.799

An analysis of correlation between various elements of procurement practices and inventory decisional areas show that the correlation is not uniform in between all the variables under analysis. In the case of material specification and inventory management, the correlation value is very high which shows that inventory management becomes easy if the procurement is done strictly as per the material specification stipulated by the contracts. In the case of value analysis, supplier research, negotiation, buying, quality assurance and inbound transportation, there is strong positive correlation exists with inventory management. Since all these variables are very closely linked to inventory system and inventory management, it can be confirmed that the procurement practices are very important to management the inventory system effectively. The same is applicable to warehousing system, but the correlation level between material specification and value analysis shows poor correlation with warehouse management. This can be mainly due to the fact that many of the products are supplied in the format of Vendor Managed Inventory (VMI) and hence, the issue of warehousing is not a major issue. In addition to this, many of the suppliers supply on the basis of Return Merchandize Acceptance (RMA) so that unsold items will be taken back by the suppliers. In the case of relationship between value analysis and quality assurance, the correlation values show that it is 0.330 and 0.278 respectively with transportation management and this weak correlation is because the concept of value analysis and quality assurance is not directly related to transportation. The retail firms procure finished goods and these goods are standardized and hence, the question of value analysis and quality assurance is not a major concern.

Table 6: Correlation between Inventory Decision Areas and Logistics Operational Efficiency.

Sl. No.	Inventory Decision Areas	Logistics Operational Efficiency	
		Cost Reduction	Time Savings
(i)	Inventory Management	0.789	0.899
(ii)	Warehouse Management	0.833	0.767
(iii)	Transportation Management	0.811	0.844

All the components of inventory decision areas such as inventory management, warehouse management and transportation management has got strong positive correlation with cost reduction and savings of time in operations. A well-structured management system in inventory and transportation can reduce cost and time utilization appreciably.

Table 7: Correlation between Logistics Operational Efficiency and Organizational Performance

Sl No.	Organizational Performance
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	Operational Efficiency	Customer Satisfaction	Margin of Profit
(i)	Cost Reduction	0.576	0.851
(ii)	Time Savings	0.788	0.667

From the table it is obvious that cost reduction and time savings can enhance customer satisfaction of the retail outlets. These elements of operational efficiency can also promote margin of profit for the company.

14. Findings

From the analysis, it can be found that organizational performance in the form of better customer satisfaction and enhanced margin of profit can be achieved by effectively managing the procurement system and inventory decision areas through better operational efficiency in the form of lower costs as well as savings of time. Thus better management of logistics can pave way for the enhancement of profit as well as better customer satisfaction in retail logistics system. Many of the retail companies have been found to operate with lesser margin of profit and delay in responding to the customers' complaints. By linking the procurement with inventory decision areas, a firm can develop a strong physical distribution system and thereby promote the efficiency and effectiveness of the organizations. Since competition is high and price war is rampant in retailing in the UAE, firms can create competitive advantage by managing the logistics effectively and thereby reduce cost and increase profitability.

15. Conclusion

The research study is an attempt to explore the intriguing relationship that exists between procurement, inventory decisions and physical distribution management, which are considered as the core operating areas of logistics function. The study focusses on the procurement activities of retailing organizations that operate in the UAE. Since the retail market has become highly competitive due to the entry of global players, price-wars are common. A retail entity can survive only if they are able to contain and control the costs so that sufficient margin can be generated in its operations. For containing the costs, the most important variables are the logistics variables. Hence, the study can be treated as an attempt to explore the linkage between the various aspects of logistics and its ultimate impact on organizational performance of the retail outlets in the UAE.

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