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Effective leather procurement strategies for leather products retail industry

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Abstract--Now a days lot of corporate giants and World leading brands such as TATA ,Aditya Birla Group, Reliance, Future group, Walmart, Zara etc.. has been performing well in the leather retail industries. As to promote a leather product as a retail brand or to promote the sales of an existing brand the retailer has to attract the customers through their discounts, quality, services and customer focus. Giving discounts and to reduce the product price, it is mandatory to reduce or minimize the product costing. In leather production the leather is the essential raw material. Reducing the leather products cost, retailers have to minimize the raw /wetblue leather purchase price. But this may not happen because the supplier of raw leather / Wetblue leather is influenced by the availability of good quality leather, animal slaughtering rate and the demand for superior selection / superior grade leather. This study is attempted to know alternative leather procurement methods which is required for leather and leather products industry. The data are collected from 80 samples at TATA International Ltd -Chennai by using convenience sampling Techniques.

Keywords--leather procurement, leather products, retail industry.

Introduction

Leather and Leather product industry is not a new business or new concept. The ancient people / Tribal's were using Leather garments only. Once upon a time leather coins also were in practice. Due to pollution, restriction in cow slaughtering and state pollution boards strict rules and regulations, the leather

and leather products industry is facing a lot of challenges. Even though the consumers are having some grace on leather products, the cheapest synthetic non leather products which are made by using non leather materials like canvas material, Poly Urethane, Textile materials , PVC and foams also affecting the sales of leather products considerably. As to face the competition and to attract the consumers towards leather products the retailers has to reduce the leather products price, To reduce the leather products price ,it is essential to control / develop some effective long term strategies to procure the raw / wet blue leather.

Literature review

Gidhwani Draupadi A (2015) explored on the procurement and training practices of selected dairy units in Gujrat. She has collected the data from 100 respondents through simple random sampling. She has used ANOVA and T test to analyze the data. The researcher has suggested that the Procurement system should be adoptive, responsive to the immediate requirement and cost effective. Ala Pazirendeh and Andreas Norman (2014) has done an interrelation model of power and purchasing strategies-for purchasing the vaccine for developing countries. The data has been collected from 16 cases of 4 countries (Iran, Latvia, Oman and Zambia).The researchers used purposive sampling method for data collection and the data was analyzed by systematic combining, interpretive techniques and structured discussions with experts from the context. As per the study, researchers concluded that there were 3 common strategies such as shelf purchase, co-operative purchase and out source of part or whole purchase. The researchers suggested that the following strategies such as withdrawal, network expansion, status increase, coalition formation and socialization or formalization. Jain Mukul (2018) researched on e-procurement espousal and assessment of Indian Car Manufacturers. The data has been collected and analysed by case studies of 3 automobile companies (named A, B, & C) and surveyed 6 industrial Experts with 10 years of Experience and 3 Academicians with 5 years of experience. The study revealed that the e-procurement has 3 phases such as pre-espousal, during espousal and post espousal or assessment. These three parameters should be monitored and controlled effectively for the success and adoption of e- procurement.

Sharma, Sunil Kumar (2018) carried out a risk analysis in Public Procurement. In this research he has utilized a combination of Fault Tree Analysis (FT) and Failure Mode Effects and Critical Analysis (FMECA) with Ground Theory Method (GT).This researcher identified the essential categories of procurement risks such as financial loss, reputation loss, wastage, undue private gain, potential safety hazards, unfair contract awards and sub optimal performance. Julien Chicot (2017) examined the strategic use of public procurement for innovation, rationales, instruments and practices. He has collected the data from buyers and suppliers through qualitative interviews which was followed by a snowball sampling technique from Buyers and suppliers. He has conducted 13 interviews between April and October 2016 and collected the perspective from 17 individuals from 12 Organization. Researcher revealed that the importance and the requirement of collaborative procurement.

Objectives

- To find out implementation of effective raw / wet leather procurement strategies.
- To reduce the raw material cost and maximize the profitability.

Research Design

The study is attempted to know the procurement strategies of TIL procurement team, Chennai. The study to know the current strategies used in TIL, Chennai. The study is carried at TIL, Chennai. The secondary data is used in excising the strategies used in the company and data was taken from data base of TIL. A sample of 60 was taken from TIL managers, Procurement team, leather suppliers and leather experts for this study. The study was planned for three months. A convenient sampling was adopted in this study. The data was analyzed by Correlation Method, Percentage Analysis and Weighted Average Method.

Data analysis and interpretation

Table 5.1
Shows the correlation between Leather price and Footwear price

$$\text{Correlation } r = \frac{\sum xy}{\sqrt{\sum x^2 \sum y^2}}$$

Finished Leather Price(RS)- X	Footwear Price(Rs)-Y	x=X-X'	y-Y-Y'	xy	x ²	y ²
112	928.78	-7.83	-57.02	446.4666	61.3089	3251.28
115	975.88	-4.83	-9.92	47.9136	23.3289	98.4064
118	977.12	-1.83	-8.68	15.8844	3.3489	75.3424
120	1005.02	0.17	19.22	3.2674	0.0289	369.4084
125	1005.02	5.17	19.22	99.3674	26.7289	369.4084
129	1023	9.17	37.2	341.124	84.0889	1383.84
719	5914.82			954.0234	198.8334	5547.686

5.1 Table

n=6, $X' = \frac{\sum X}{n} = 119.8333333$, $Y' = \frac{\sum y}{n} = 985.8033333$, Correlation $r = \frac{\sum xy}{\sqrt{\sum x^2 \sum y^2}}$, Correlation $r = 0.000864884$

Inference: Since the value of r is a positive value. It is concluded that there is a high degree of correlation between Leather price increase and footwear price.

Table 5.2
Reasons for unstable raw material Price :(Percentage Analysis Method)

Reason for unstable Raw material price	No. of Respondents	Percentage (%)
In availability of Raw leather	30	50
Demand for leather products	18	30
Govt restriction's due to Pollution problem	6	10
Increase in production cost	3	5
Others	3	5

Table 5.2: Percentage of respondents = No of respondents * 100 / Total no of respondents

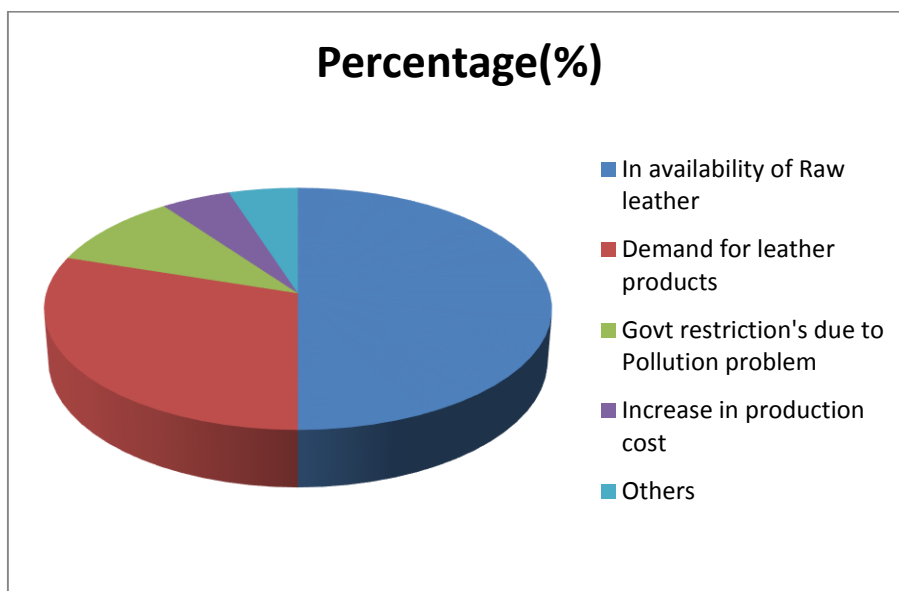


Chart 5.2

Interpretation: The chart 5.2 is showing that the reasons of unstable raw material price. Here, due to in-availability of raw leather, demand for leather products, government restriction's and increase in production cost are involving 50%,30%,10%,5% & 5%. In -availability of raw leather is the main factor which cause unstable raw material price.

Table 5.3
Leather procurement strategies: (Weighted Average Method)

$$\text{Weighted average } W = \frac{\text{Total Weighted Score}}{\text{Total Number of Weightage}} = \frac{\sum w_i X_i}{\sum w_i}$$

Weight (w)	1	2	3	4		
Priorities	Not important	Little Important	Important	Very Important	Weighted Average	Rank
Immediate payment	3	9	18	30	19.5	1
Continuous orders to the supplier	6	12	15	27	18.3	2
Volume Purchase	9	18	21	12	15.6	5
Negotiation skills	9	12	21	18	16.8	3
Development of alternative vendors	21	9	15	15	14.4	6
Smooth relationship with supplier	6	18	21	15	16.5	4

Table 5.3

Interpretation: This table 5.3 is showing that the ranking of leather procurement strategies. Here, immediate payment, continuous orders, volume purchase, negotiation skill, alternative vendor development and smooth relationship with supplier are getting the ranks 1,2,5,3,6 and 4. Immediate payment system is getting first rank than the other strategies.

Table 5.4
Suggestions for livestock population and leather procurement

S.No	Description / Important questions of Questionairs)	Strongly Disagree	Disagree	Neither disagree nor agree	Agree	Strongly agree	Weighted Average	Rank
		1	2	3	4	5		
1	Modernization & real estate boom are affecting the farms and livestock population	1	2	1	24	32	17.6	1
2	Increase in raw/ wet blue price causes increase in footwear price	3	3	12	21	21	15.6	2
3	Development of farms will increase the livestock (Domestic animal)population	3	6	6	27	18	15.4	3
4	If You give/get immediate payment, can you reduce the raw leather price for 2 to 5 %	9	3	6	21	21	14.8	4
5	If you give/get volume orders, can you procure/supply the leathers for minimum margin?	15	12	3	15	15	12.2	5
6	For direct raw material purchase and process, huge infrastructure and investment is required	18	9	6	12	15	11,8	6

Table 5.4

Interpretation: This chart 5.4 is showing that the ranking of leather livestock population and recommendations for procurement strategies. From the above chart it revealed that if raw leather price is increased, there should be an increase in footwear price and the Modernization and real estate boom are affecting the Farms and Live Stock (Cow, Buffalo, Sheep and Goat) population.

Conclusions

Leather is the major and expensive raw material for leather shoes / Footwear. Raw leather price is unstable and increasing every month. Raw leather market is a supplier market. Due to the un-stability and increase in raw leather price, finished leather price also getting increase. Important reason for raw leather price is due to non-availability of good selection in leather leather quality. Finished Leather price and Shoe/ Footwear price are having high degree of co-relation (Positively co-related).If there is a increase in finished leather price, there were an

increase in footwear price also. Footwear price (End product) is positively correlated with leather price (Major raw material). In this competitive scenario, industry should effectively utilize the available resources within the target budget. The effective procurement strategies like, immediate payment system, continuous orders to the suppliers, better negotiation skills, bulk purchase, personal relationship with the supplier, development of alternate vendor/ vendor base and direct raw material purchase will reduce the leather price. The industry can reduce the end product price and giving discount to the customer with good quality. This will improve our brand image and increase the profit. When the industries have a good control on the procurement or purchase, business may acquire profitably.

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