Constrains In Dairy Supply Chain Management-An Empirical Study Of Albania

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Abstract:
Supply chains are at the heart of the way in which organizations operate and compete today; they also play a critical role in the overall performance of the organization.

Competitive supply chain serves to create an advantage that meets customer requirements with a much lower cost. Therefore, the supply chain is seen as an integral part of the company's strategy to be more successful in the market. Supply chain depends on effective logistics, companies face challenges in aspects of supply chain, including the need to build the chain of low cost and quality, to be closer to the customer, to benefit various products and resources based the location of suppliers and distribution centers to stores.

Regarding this, the main purpose of this paper is that it serves as a further guide on the role that plays an effective logistics to enable an effective supply chain which meets the customer's needs and how it will try to reduce constrains in this market.

We have used dairy market in Albania as case study. We conducted an empirical and quantitative analysis, through which clear conclusions on the importance of a well-structured supply chain came out.

Keywords: supply chain, logistic, dairy market, constrains

Introduction
Increasing competitiveness has forced companies to increase their rates of innovation. Findings and innovation in technology shorten the duration of productivity for a product. Inadequate management will bring products with high cost, poor quality and may require additional resources to develop the product to be more competitive in the market. This problem can be managed through supply chain design, it manages and reduces costs caused by increased competition. When talking about supply chain we must consider generating and maintaining a high stage of product to remain on the market competitiveness of the diversity of substitute products. Supply chain management has a coordinating role on companies and decisions taken on this cycle (supply chain management processes is a cycle).

Supply chain is important for companies because it is considered as an important part of business management. Business management requires that suppliers and customers establish long-term strategic relationship

Albanian dairy market still an unstructured one, lacking standarts, restrictions from governments, right logistic, knowledge on supply and demand, linkage between farmers, procesors, row materials is trying to build a structure in dairy market and its subproducts.

There is a ready market for milk and milk produced in Albania. About two thirds of sheep and goat milk is sold to commercial processors, while the rest goes for home consumption.

This market is devided between two types of suppliers:

- Factory/Companies (which try to fullfill hygiene standarts, with a higher price)
- Farmers (no standarts, lower price)

There excists a need to link this two actors in supply chain.

Constrains in producing a qualitative products, processing it through the right tecnology and marketing inceases the need to link this two markets.

The purpose of this paper is to analyze the relationship between supply chain and logistic strategy of companies and the impact it has on consumers. Traditionally companies globally have had high interest to focus on supply chain and logistics combine to be more effective in a competitive market.

In this study we will focus in

- laying out the constrains in supply chain in dairy industry.
- appreciate the importance of logistic services in market competition
• highlight and appreciate the impact of the supply chain market competitiveness.

While hypothesis will be:

• Hypothesis 1. Logistics matters for companies in order to achieve success in the market

Literature Review

The concept of supply chain is well established in the literature and is generally referred to as the alignment of firms that bring products or services to market (Lambert et al., 1998). In fact, supply chain is the network of organizations that are involved, through upstream and downstream linkages, in the different processes and activities that produce value in the form of products and services delivered to the ultimate consumer (Christopher, 1992, cited at Mentzer et al., 2001). A supply chain is the raw material and component producers, product assemblers, wholesalers, retailer merchants and transportation companies are all members of a supply chain (La Londe and Masters 1994, cited at Mentzer et al., 2001). Another way, a supply chain is a network of autonomous or semi-autonomous business entities collectively responsible for procurement, manufacturing, and distribution activities associated with one or more families of related products (Swaminathan et al., 1996). SCM is a set of beliefs that each firm in the supply chain directly and indirectly affects the performance of all the other supply chain members, as well as ultimate, overall supply chain performance (Cooper et al. 1997). Also, the supply chain is a network of facilities and distribution options that performs the functions of procurement of materials, transformation of these materials into intermediate and finished products, and the distribution of these finished products to customers (Ganeshan et al., 1995). Supply chain management is defined as the systemic, strategic coordination of the traditional business functions and the tactics across these business functions within a particular company and across businesses within the supply chain, for the purposes of improving the long-term performance of the individual companies and the supply chain as a whole (Mentzer et al., 2001)

SCM philosophy suggests the boundaries of SCM include not only logistics but also all other functions within a firm and within a supply chain to create customer value and satisfaction (Mentzer et al., 2001). An ultimate supply chain includes all the organizations involved in all the upstream and downstream flows of products, services, finances, and information from the ultimate supplier to the ultimate customer (Mentzer et al., 2001). Mentzer et al. (2001) describes a supply chain as “a set of three or more entities (organizations or individuals) directly involved in the upstream and downstream flows of products, services, finances, and/or information from a source to a customer”. The philosophy of supply chain management extends the concept of partnerships into a multifirm effort to manage the total flow of goods from the supplier to the ultimate customer (Ellram 1990; Jones and Riley 1985, cited at Mentzer et al., 2001). Mentzer et al. (2001) proposed that SCM as a management philosophy has the following characteristics:

- A systems approach to viewing the supply chain as a whole, and to managing the total flow of goods inventory from the supplier to the ultimate customer;
- A strategic orientation toward cooperative efforts to synchronize and converge intra firm and inter firm operational and strategic capabilities into a unified whole; and
- A customer focus to create unique and individualized sources of customer value, leading to customer satisfaction.

An integrated supply chain model can generally containing three interrelated flows: material flows (which has itself three different stages (purchasing, transformation and distribution), informational flows (electronic data exchange or website linkages) and the financial flow (which include the payment to suppliers and subcontractors for the goods and services and the payment by the customer to retailer for the final product) (Waller, 2003, cited at Felea and Albastriou, 2013). This set of activities is a coordinated effort called supply chain management between the supply chain partners, such as suppliers, carriers, and manufacturers, to dynamically respond to the needs of the end customer (Greene 1991, cited at Mentzer et al., 2001). Chopra and Meindl (2007, cited at Felea and Albastriou, 2013) believes that a supply chain consists of all parties involved, directly or indirectly, in fulfilling a customer request. Within each organization, such as a manufacturer, the supply chain includes all functions involved in receiving and filling a customer request. Bowersox and Closs (1996) argued that to be fully effective in today’s competitive environment, firms must expand their integrated behavior to incorporate customers and suppliers. Related to integrated behavior, mutually sharing information among supply chain members is required to implement a SCM philosophy, especially for planning and monitoring processes (Cooper et al. 1997, cited at Mentzer et al., 2001). Cooperation among the supply chain members is required for effective SCM (Tyndall et al. 1998).

Methodology
This research is based on primary and secondary sources. Methodology used is a mixture between qualitative and quantitative analysis. As secondary sources earlier studies by different authors, periodic reports, etc are used. Collecting data in this study was conducted through questionnaires and closed questions as the most used research methods in social science, which explores a number of aspects dealing with supply chain, logistics, provision of raw materials of the company, competitiveness in the market, customer loyalty, partnership relations with suppliers as and distributors, and the company's performance in the market. The population for this study are companies in the dairy market. The study involved managers of companies, with a sample of 120 people.

1. How important is the company’s logistic service for it to be successful in the market
2. Do the products offered by dairy companies meet customer needs through the use of logistic.
3. How efficient is supply of raw materials through logistics systems.
4. Knowing that dairy companies is engaged in standardization of supply chain operations, what influence does it have so that the company can be successful in a competitive market.
5. Your company cooperates with different partners, how does this partnership work towards company performance

Analysis of findings
The dairy market has begun to emerge recently changes with milk producers trained in animal health care farmers, new production technologies and milk marketing, but there still remain constrains in dairy supply chain that which hinder this market to develop.

Main Constrains are related to:

- Limited production which is highly dependent on natural resources which are linked closely with weather conditions and seasonal changes (limited pasture/grazing resources, especially during the winter season, limited water points in summer pastures),
- Low breeding quality,
- Difficulties in disease control and vaccination (as was the case of being vaccinated in time and throughout the territory of cattle nodular dermatomes which was affected Albania during 2016)
- Lack of infrastructure and obsolete processing technologies related with absence of storages to preserve milk or containers needed for transportation. This is closely linked with limited hygienic conditions in processing units.
- Lack of formal contractual agreements between processor and traders, which arises in disagreements, taking over each-others market and customers, higher costs for both parties and lower gains.
- Lack of financing in breeding, improvement of technology and creating of wholesale points.

Logistics is an important part in the development of supply chain in dairy companies

Graph no. 1. How important is the company’s logistic service for it to be successful in the market

Graph no. 2. Do the products offered by dairy companies meet customer needs through the use of logistic.
Do the products offered by dairy companies meet customer needs through the use of logistics.

Graph no. 3 How efficient is supply of raw materials through logistics systems.

Graph no. 4 Knowing that dairy companies are engaged in standardization of supply chain operations, what influence does it have so that the company can be successful in a competitive market?

Graph no. 5 Dairy companies cooperate with different partners, how does this partnership work towards company performance.
Conclusion

The study concludes that supply chain is one of the main constrains on Albanian dairy market, however dairy companies in Albania are realizing every day and more the importance of the supply chain and are working on improving it.

Integrated supply chain allows companies to reduce costs, improve quality and reduce order fulfillment cycle, improve productivity due to inventory reduction and reduction of errors. Lower costs, improve flexibility and extension of their turn lead to higher levels of consumer satisfaction, resulting in higher sales and better organizational performance. In this way a spiral continued improvement and success is achieved, with better performance that leads to increased satisfaction and vice versa.

For Albanian dairy companies we can say that they have a with selectively supply chain by selling products to a moderate number of sellers in certain areas, this relates closely with the area where they have supplier farmers because as we have mentioned above logistics and transport are one of the main problems which do not allow them to have suppliers from all over the country and at the same time does not allow to sell everywhere across the country because they cannot transport their product based on hygiene and sanitary conditions.

The supply chain represents the customer's requirements. Therefore, the supply chain is seen as an integral part of the company's strategy to be more successful in the market. Supply chain depends on effective logistics. As we quoted earlier, companies face challenges in the supply chain, including the need to build a low cost and qualitative supply chain, to be closer to the customer, to benefit various products and resources based the location of suppliers and distribution centres to stores.

Logistic service for companies is of little consequence, since about 60% of said that logistic service has been low for the success of companies in the market. However, on the other hand resulted in the logistic service implementation meets the requirements of customers by 77%.

Today's market offers us informal farmer/producer clusters centered on processing units and milk collection points, which have potential for development into formal associations, if this comes to happen than Albanian dairy market would transform itself in an industry that can supply not only within borders but even start exporting.

Main benefits that would come from this business would be:

- **Poverty reduction - improving the level of rural households.** Livestock production is one of the most important sources of income for the majority of rural households in the area. It is even more important for those living in very remote, mountainous and poorer villages of Albanian Communes where livestock products are almost the only source of cash income other than remittances and economic assistance.

- **Market opportunity.** Dairy production has increased substantially in Albania, especially over the past five years. While it is leading, slowly, towards saturation of the market for traditional dairy products there are niches in the market, particularly for new, better quality, better presented products.

- **Quality.** Dairy products from the area are widely recognized to be of superior quality. Several traders interviewed in the district and, especially, in larger cities (Tirana, Durres and Fier) stated that there is an increasing demand for better quality products based upon improvements in milk quality, hygiene, packaging conditions and new types of packaging.

- **Committed Processors and Farmers:*** Producers are conscious of the need and are willing to improve product quality and expand market to meet consumer demand. Producers have the capability to expand production. New investments are being made to improve processing technology and storage.

- **Location and know-how:** There are large numbers of small stock in the region, traditional perception of quality for dairy products of the region, good access to main markets, sound technical knowledge and experience of small stock/dairy production and effective linkage between farmers and processors.
References:


