

FACING THE CHALLENGES OF THE DISTRIBUTION PROCESS THROUGH INTERACTIVE INFORMATION EXCHANGE AND INNOVATION

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From the revolution in distribution
of goods and services to the
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Abstract

There is a challenging perspective, from the revolution in distribution of goods and services to the competition authorities' future need of adjusting their thinking and guidance to reflect today's industrial and real competitive realities. A sound distribution strategy involves many important factors. Innovation is at the heart of economic change. The first business command should be a holistic overview of all of the customer data and customer information and customer institutional knowledge.

Distributors have a multidimensional vocation and duty in the field of information. The evolution and confrontation with the new opportunities and challenges require new abilities and competences.

Key words: revolution in distribution, supply chain management innovation, adjusting thinking and guidance, jointly agreed growth

Many years ago Louis W. Stern and Barton A. Weitz spoke about the revolution in distribution of goods and services, arguing that there are massive changes happening in the transforming environments. In today's "light" and "weightless capitalism" environment, in which you can't afford losing a customer ("understanding who their customers are remains among vendors' greatest challenges") because is costly, planning and executing the right mix of channels is essential for business success. Distribution participants are required to consider their separate obligations in the dimension of facing with the interface situations and relationships inside the whole business of the supply chain. A sound distribution strategy involves many important factors as understanding market objectives and agreeing on the social channel strategy, because the change is driven by the customer, this change being both cultural, internal processes as well as technology and no one really controlling the relationship.

Because how organizations manage their supply chains will be a critical success factor in their survival and success in the next few years, and in the long run this micro-economic performance will make all the difference, Alan Braithwaite and Martin Christopher have five suggestions to release cash from stock and assets, protect the profitable parts of the business and create the focus that will be needed to thrive in the recovery: reduce unprofitable complexity by truly understanding how both customers and products erode margin (the universal experience is that 15% of customers and products erode more than 50% of the profit potential); build customer service excellence into your supply chain (operational excellence lead by supply chain design and planning being a critical capability); become the preferred customer of your key suppliers; design, plan and execute for agility (fast flexible processes to meet real customer demand and put in place only inventory that will not be a risk to the business, the speed being the key); synchronise and integrate to eliminate waste and cost; collaboration – the new critical factor in success (the future being about both co-operating and competing through shared services and assets). Alan Braithwaite and Martin Christopher attracted our attention by underlining that the competition authorities may

Innovation is at the heart of economic change

An interactive information exchange takes place on the market in our days. As consumers, we all require information about this marketing knowledge and we all need to be able to think of it having a deep understanding of the main marketing explanations that give us a framework for making sense of the "marketing world" around us. Therefore, the need to create and deliver information about goods/ services - to the consumer - is more than obvious, and it is challenging to take part to the creative process of investigating and making connections between producers, distributor and consumers. And also to try to express some thoughts about marketing world by analyzing the dynamic distribution channels' to the consumers' benefit (the increase of the use of marketing techniques; the increase in the use of the Web by those responsible with marketing, etc.).

At the beginning of the year 2009, it was estimated that tens of thousands of retail outlets in USA will close in 2009. It is considered that as a symbol of retail performance, Wal-Mart often performs opposite the general market trend, Wal-Mart Leadership speaking about the reshaping of customer thinking, believing that "the average American consumers is becoming more ingrained with a value-conscious buying mentality that should hold even as the economy recovers". Thomas L. Friedman has spoken in 2006 about << „the Wal-Mart Symphony" in multiple movements-with no finale. It just plays over and over 24/7/365: delivery, sorting, packing, distribution, buying, manufacturing, reordering, delivery, sorting, packing... >>. Friedman argued that by bringing this symphony on a global scale Wal-Mart represents „the most important example of the next great flattener", which is „supply-chaining" – „a source of competitive advantage and profit in a flat world". And in the same time, making global supply chains work „requires constant innovation and constant adjustments". There is no doubt that innovation is at the heart of economic change.

The focus on customer and adequate information

Efficient distribution with adequate pre and post sale support is a part of the competitive process which brings significant benefits to the consumer. Consumers' feelings about the product depends on product distribution and consumer experience during the purchasing process. Consumers' perception about the product affects how they mentally position the product in relation to competitive products. As distributor's actions can affect how consumers view the marketed products and as the marketer's distribution system must deliver these products to the right place, in the right amount, in the right condition (efficacious), at the right time and for the right cost (efficiency), marketers must look for distribution assistance for their channel arrangements.

When a firm is oriented towards customers it is able to see how customers respond to its efforts to meet their needs and expectations. This customer alignment and integration presumes having good customer data and using it efficiently. Customers always appreciate the manner in which the company and its partners deal with dissatisfaction, inefficiency and opportunity. The "machinery" made up of the employees' engagement and the clients' engagement can significantly influence the company's performance.

Why is this phenomenon possible? Because in reality people feel more than they think, while "models" require and expected too much thinking from customers. Today's marketing people - brand managers - are more preoccupied about customer engagement rather than finding new customers, the difficulty consisting in the fact that the recognition of the customer engagement's need and the actual measurement of the real engagement are two different things. And real engagement is the consequence of the marketing/ communication programme which produces and increased level of brand perception as meeting and overwhelming customer expectations ("brand equity"), while customer expectations are generally based on emotions.

Successful retailing involves making sure that stores are stocked with the right products at the right prices at the time the consumer wants them and this aim can be achieved by implementing ECR strategy. Implementing ECR means dramatic change in current business practices. ECR is about redesigning the processes, altering paradigms and changing attitudes. Proper management of the ECR process is effective in mitigating resistance and increasing co-operation. A clear communication by top management of the benefits and rewards of ECR will make the process more effective. To implement ECR, distributors and suppliers are making fundamental changes in the business process using today's technology tools. Their goals are clear: provide consumers with the products and services they want; reduce inventory; eliminate paper transactions; streamline product flow.

It's very important to understand the consumer behavior, how customers buy products, what products are purchased together and what is the meaning of a satisfied consumer experience – which can be defined as the cognitions and feelings the consumer experiences during the use of a product or service; managers' goal must be the converting of merely satisfied customers into completely satisfied customers: only the completely satisfied customers should be considered loyal.

That is why we need to see what kind of customer data there are inside the company and bring all of the various types of captured and stored information together - by conducting an audit of all customer information that is available within the organization. But as we face some practical obstacles in making the needed changes we have to assign a budget and it ideally should be coming from the top of the organization (the cost really has to be an organizational expense, not a departmental or group expense). The first business command should be this kind of a holistic overview of all of the customer data and customer information and customer institutional knowledge.

Vincent Grimaldi argues that resistance to change – which is ingrained in human nature - makes good marketing difficult in practice. He adds that in order to maintain competitive company's marketing must be given a role that is both strategic and systemic, managing to live in a symbiosis with the increasingly demanding customers and the changing environment, going beyond marketing's support role and penetrating most aspects of the organization. What is marketing in fact? It is worth to consider the opinions expressed by Grimaldi that marketing is the corporate equivalent of a central nervous system; it is an art and also a management science calling for the implementation of rigorous processes and metrics; it should be both creative and accountable.

Technological innovation and stiff competition for distribution progress

Philip Kotler mentioned in a famous book that marketing people use three types of marketing channels: communication channels, distribution channels and service channels. Distribution channels - that are used for displaying, selling or delivery of product or service to the consumer or user - include distributors, engross sellers, retailers, agents. In a market approach, competitors are represented by those companies which satisfy the same requirement to the consumer. The competitive advantage is referring to a company's ability to perform better than its competitors in one way or another. Long term competitive advantage is a profitable target for companies. Distribution efficiency requires finding out inventory, location and transportation savings.

A study about goods distribution identified two main factors which create the motivation which is necessary to the distribution progress: technological innovation and stiff competition.

Specialists underline the need to build a creative marketing organization, the capacity for strategic innovation and imagination coming from the assembly of instruments, processes, abilities and measures which will allow the company to generate more and better ideas than their competition. And this requires also assuming social responsibility because the business success and the client's continuous satisfaction are closely related to the implementation of high leadership standards of a business and marketing.

This preoccupation towards distribution efficientization is also demonstrated by the role played by the unique European market that is referring to: the creation of new market opportunities in Europe; costs savings and increase of productivity as a result of distribution methods' efficientization – required by the sustaining of business strategies.

Efficient distribution facilitates innovation in the distribution process, new technology implementation, and also low price products' at high quality and high service for the client.

Romania is an important market for the large international distribution networks, a fact proven by the investments that continue to increase constantly, due to the following factors: Romania is a continually developing (increasing) market, with a significant economic growth rate, both effective and forecasted, above other European economies, the consumption market being far from saturated; the size of the Romanian market is significant (second place in terms of size in Central and Eastern Europe, after Poland); the average income per capita registers growth; on the first of January 2007 Romania has become member of the European Union.

At present numerous international distribution networks are active on the Romanian market: Metro, Carrefour, Intermarche (Interex), Rewe Zentral AG (Selgros, Billa, XXL Mega Discount), Louis Delhaize (Cora, Mega Image, Profi), BricoStore (each having a network of stores developed according to the target market and the specifics of the group), Auchan, Ikea, ...waiting for and Tesco. Their entry on the Romanian market was determined by the development potential and opportunities offered. The entry of new players on the Romanian retail market and the development intentions of those already existing cause the growth of competition at a market level and consumer is the one who gains important advantages. We can consider the evolution of the retail market in Romania to be significant, in tune with the evolution of consumption behaviour which is referring to: target clients, buyers with medium and high income, targeting time and energy savings and the satisfaction of various needs; the increase of the number of products sold (FMCG); the increase of the presence of private brands (products marketed under their own private label); the increase of promotional efforts. The big companies on the retail market are continuing their aggressive expansion nationally. The supermarket chains are looking to cover well defined areas from a client potential point of view. The strategy of these companies that invest in Romania takes into consideration the trends of the Romanian market. An important element is therefore represented by the changes in consumer behaviour, which is modeled by outside stimuli and which, in the conditions of an ever stiffer competition, will become more and more demanding regarding services, price and placement. The competition on the retail market is stiffer and stiffer. The following period will impose major changes on the retail market. Traditional trade will reduce its share with the development of modern forms of trade. The importance of the niches left open on the market will increase, one of these being represented by neighbourhood trade and specialized small stores. It is surely that in the near future significant changes will take place on the retail market.

Time will demonstrate if the traditional commerce will keep the tempo with modern commerce development, generated by: the increase of marketing competition for gaining free market niches and new ones' identification; more frequently usage of participation marketing; authorities' attempts to achieve indispensable commercial balance between city centre and peripheral areas (by net evaluation of commercial implants' contribution to the social-economic development).

Distributors have a multidimensional vocation and duty in the field of information. The value of information is universally acknowledged and the importance of certain issues such as information management and IT resources management has increased accordingly. Information technology is what today connects the business strategy and quick organizational reaction time. Strategic management and the demands of artificial intelligence, information systems management, integrated electronic businesses and marketing in the IT sector, all of these require a careful evaluation of the technology trends in technology, economy and abilities, as well as the periodic auditing of information systems.

The globalization process accelerates the distributors' will to rationalize and improve administration. The priorities in terms of investment will be: client performance; running activities from an operational point of view and an economic point of view. A generalization of technology is noted and the realization of the strategic importance of a better knowledge of the client base. We see today a multiplication of the methods of consumption, a modernization of logistic structures, an evolution of conceptions and store formats. Consumers want more and more choices, more and better services, more information, increasingly better price/quality ratios, less and less expanded time and energy, higher and higher trust in the distributors and the products offered.

Efficient distribution (distribution efficiency requires finding out inventory, location and transportation savings) facilitates innovation in the distribution process, new technology implementation, and also low price products' at high quality and high service for the client. In the case of FMCG, for example, consumers obtain the marketed products by requiring them while visiting retail outlets, retailers selling in many different formats (physical location or virtual space) and using multiple distribution methods.

Romania has confirmed its positioning as an important market for the large distribution chains, the consumer behaviour being the promoter of the development of retail networks, within the challenging framework of the relation between marketing's impact on consumer and consumer' impact on marketing strategies.

Despite the fact that we showed in march 2007 that there is a real challenge for the competition authority - the significant growth of buying power (from suppliers) of the large distribution chains, the first week of march 2008 was marked in Romania by a conflict largely commented between retailers and Romanian producers. From our point of view it was clear that in the actual context there is a certain need to build a conversation ecosystem, based on interpersonal communication, resulting in a shared experience, building trust and strengthening the relationships between participants in the supply chain. On the occasion of 2008 ECR Europe Forum & Marketplace, Ian Cook has identified the "Keys to Delivering Shopper Value Together" (sharp focus, great global brands, disciplined global innovation process, deep consumer and shopper insights, innovative retail partnerships) and underlined a real trend: "Retail Reinvention". Cook argued that the boundaries between retail, manufacturing and distribution are dissolving, and emotional equity and consumer expectations are redefining goods and services. On the other side, R. Brasher and L. Cantarell have approached the so-called "Jointly Agreed Growth" (JAG), starting from the fact that ECR has been a platform for collaboration and underlining the focus on driving profitability through efficiency. They showed the levers of growth at both, Supply Side Projects (Merchandisable Units, Short order lead time, Collaborative forecasting, SRP, Better information sharing) and Demand Side Projects (Category management): Service offerings (Employee skills/attitude, Shopper services, Convenience areas); Product offerings (Assortment range/current & NPI, Product presentation, Price); Shopping environment (Store location, Appeal/layout of stores, Quality of facilities); Communications (Advertisement, Promotion events, Loyalty programs).

Conclusions

We are all consumers and we require to be informed about the marketing knowledge and eager to participate in this debate about knowledge to the consumers' benefit by creating internal information networks about distribution channels that are constantly changing. Consumer's feelings about the product depends on product distribution and consumer experience with the purchasing process.

Consumer marketing targets the consumer. But who knows the consumer better? The retailers, of course, who know what is happening at the level of the store and want to improve the category management, while the manufacturers need their point of view: a feedback which represents the synergy of the partnership's knowledge in which are involved the producer, the distributor and the consumer.

Innovation, a driver of productivity growth, is an essential instrument in the knowledge economy. Knowledge is continually updated and the clients have to be served differently, but appropriately, building performing information and communication systems and analyzing profitability by segment, by client and by distribution channel. This evolution and confrontation with the new opportunities and challenges require new abilities and competence.

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