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A FRAMEWORK OF MANUFACTURER-RETAILER COOPERATION AND CO-OPETITION: A PERSPECTIVE OF SIX CONSUMER DURABLES MANUFACTURERS

Summary. The purpose of this paper is to develop a framework of cooperation and co-opetition between manufacturers and retailers based on a theoretical review and a verification set from six case studies of consumer durables manufacturers. The approach takes the form of six in-depth case studies, which involved relationships (including cooperation and co-opetition) between six medium and large durables manufacturers and their retailers on the Polish market.

Keywords: consumer durables, cooperation, co-opetition, manufacturer-retailer relationships

RAMY KOOPERACJI I KOOPERENCJI MIĘDZY PRODUCENTAMI A DETALISTAMI: PERSPEKTYWA SZEŚCIU PRODUCENTÓW DÓBR KONSUMPCYJNYCH TRWAŁEGO UŻYTKU

Streszczenie. Celem artykułu jest identyfikacja ram kooperacji i kooperencji między producentami a detalistami na podstawie przeglądu literatury oraz weryfikacji sześciu przypadków producentów dóbr konsumpcyjnych trwałego użytku. Analizy przypadków opracowano na podstawie wywiadów pogłębionych dotyczących relacji (w tym kooperacji i kooperencji) między sześcioma średnimi i dużymi producentami dóbr konsumpcyjnych trwałego użytku oraz ich kluczowymi pośrednikami detalicznymi na polskim rynku.

Słowa kluczowe: dobra konsumpcyjne trwałego użytku, kooperacja, kooperencja, relacje producenci-detaliści

1. Introduction

Inter-organizational relationships¹, including those between buyers and suppliers in the supply chain², have been researched for several years. They were seen from the perspective of value chain management³ or relationship marketing⁴. In the last two decades, a number of changes have been observed in the relations between manufacturers and retailers that are accompanied by, among others, the transformation of the role and the balance of power between retailers and manufacturers in the value chain⁵ and an increase in the share of retailers' private brands in the market⁶ – smaller in the markets of consumer durables than FMCG⁷. Among others, this is due to the consolidation and internationalization of retail chains⁸, the development of customer relationships management systems⁹, and the diversity of distribution channels¹⁰; including the development of e-commerce and m-commerce¹¹. Related changes in business models contribute to the disappearance of traditional borders between manufacturers and retailers¹² and conduct to the intensification of cooperation and co-opetition between them. There are still very few works on the relationship between

¹ Nooteboom B.: *Inter-firm Collaboration, Learning and Networks. An integrated approach*. Routledge, London-New York 2004, p. 2.

² Chen Z.-L., Hall N.G.: *Supply Chain Scheduling: Conflict and Cooperation in Assembly Systems*. "Operations Research", 2007, p. 1072-1089; Jap S.D.: *Pie sharing in complex collaboration context*. "Journal of Marketing Research", Vol. 38, No. 1, 2001, p. 86-99.

³ Salmon K.: *Efficient Consumer Response. Enhancing Consumer Value in the Grocery Industry*. FMI, Washington DC 1993; Svensson G.: *Firm's driving force to implement and incorporate a business philosophy into its current business activities: the case of ECR*. "European Business Review", Vol. 14, No. 1, 2002, p. 20-29.

⁴ Corsten D., Kumar N.: *Do suppliers benefit from collaborative relationships with large retailers? An empirical investigation of Efficient Consumer Response adoption*. "Journal of Marketing", Vol. 69, 2005, p. 80-94; Dhar S.K., Hoch S.J., Kumar N.: *Effective Category Management Depends on the Role of the Category*. "Journal of Retailing", No. 77, 2001, p. 165-184; Gruen T.W., Shah R.H.: *Determinants and outcomes of plan objectivity and implementation in category management relationships*. "Journal of Retailing", Vol. 76, No. 4, 2000, p. 483-510.

⁵ Bloom P.N., Perry V.G.: *Retailer power and supplier welfare: the case of Wal-Mart*. "Journal of Retailing", Vol. 77, No. 3, 2001, p. 379-961; Amatao L.H., Amato Ch.H.: *Changing retail Power and performance in distribution channels*. "International Journal of Retail & Distribution Management", Vol. 37, No. 12, 2009, p. 1057-1076.

⁶ Soberman D.A., Parker P.M.: *The economics of quality-equivalent store brands*. "International Journal of Research in Marketing", Vol. 23, No. 2, 2006, p. 125-39.

⁷ PLMA Private Label Yearbook (2015), http://plma.com/share/press/resources/PLMA2015YB_COMB_RPT.Pdf, 27 May 2016.

⁸ Gomez-Arias T., Bello-Acebron L.: *Why leading brand manufactures supply private labels?* "Journal of Business & Industrial Marketing", 23.04.2008.

⁹ Corsten D., Kumar N.: *op.cit.*

¹⁰ Seiders K., Berry L.L., Gresham L.G.: *Attention retailers! How convenient is your convenience strategy?* "Sloan Management Review", Vol. 41, No. 3, 2000, p. 79-89; Friedman L.G.: *Go to Market Strategy*. Butterworth-Heinemann, Woburn, MA 2002.

¹¹ Gemius: *E-commerce w Polsce*, <https://www.gemius.pl/files/reports/E-commerce-w-Polsce-2015.pdf>, 27 May 2016.

¹² Yew C., Johansen W.J.: *A framework of manufacturer-retailer coordination process: three case studies*. "International Journal of Retail & Distribution Management", Vol. 36, Iss. 5, 2008, p. 387-408.

manufacturers and retailers and, according to Ailawadi *et al.*¹³, they concern, above all, balance of power and sources of leverage¹⁴. Research has been conducted from both the perspective of retailers¹⁵ and manufacturers¹⁶.

For many years, researchers focused on the study of cooperation and co-opetition between retailers and their suppliers in the FMCG market, including the food industry¹⁷; this is because in this market the above-mentioned phenomenon was noticed first. In recent years, a change is observed in the market of consumer durables¹⁸. However, there are few studies on the specifics of cooperation and co-opetition of consumer durables manufacturers with retailers¹⁹.

In order to fill the highlighted gap in the literature, this paper presents a framework for cooperation and co-opetition between manufacturers and retailers from the perspective of consumer durables manufacturers. The paper aims to clarify the scope, strength and benefits of cooperation and co-opetition from the perspective of the manufacturers of these goods. The theoretical framework of cooperation and co-opetition between manufacturers and retailers was developed based on a literature study and was subjected to empirical verification based on six in-depth interviews with managers of consumer durables manufacturers.

¹³ Ailawadi K.L., Bradlow E.T., Draganska M., Nijs V., Rooderkerk R.P., Sudhir K., Wilbur K.C., Zhang J.: Empirical models of manufacturer-retailer interaction: A review and agenda for future research. "Market Lett", Vol. 21, 2010, p. 273-285.

¹⁴ Bloom P.N., Perry V.G.: op.cit.; Dickson M.A., Zhang L.: Supplier-retailer relationships in China's distribution channel for foreign brand apparel. "Journal of Fashion Marketing and Management: An International Journal", Vol. 8, Iss. 2, 2004, p. 201-220; Dobson P.W., Clarke R., Davies S., Waterson M.: Buyer power and its impact on competition in the food retail distribution sector of the European Union. "Journal of Industry, Competition and Trade", Vol. 1, No. 3, 2001, p. 247-8; Kadiyali V., Chintagunta P., Vilcassim N.: Manufacturer-retailer channel interactions and implications for channel power: an empirical investigation of pricing in a local market. "Marketing Science", Vol. 19, No. 2, 2000, p. 127-48.

¹⁵ Chavhan R., Mahajan S.K., Sarang P.J.: Supplier Development: Theories and Practices. "Journal of Mechanical and Civil Engineering", No. 3, 2012, p. 37-51; Ahmed M., Hendry L.: Supplier development literature review and key future research areas. "International Journal of Engineering and Technology Innovation", Vol. 2, No. 4, 2012, p. 293-303; Dapiran G.P., Hogarth-Scott S.: Are cooperation and trust being confused with power? An analysis of food retailing in Australia and the UK. "International Journal of Retailing & Distribution Management", Vol. 31, No. 5, 2003, p. 256-267.

¹⁶ Gomez-Arias T., Bello-Acebron L.: op.cit.; Blundel R.K., Hingley M.: Exploring growth in vertical inter-firm relationships: small-medium firms supplying multiple food retailers. "Journal of Small Business and Enterprise Development", Vol. 8, Iss. 3, 2001, p. 245-265.

¹⁷ Kotzab H., Teller C.: Value-adding Partnerships and Co-opetition Models in the Grocery Industry. "International Journal of Physical Distribution and Logistics Management", Vol. 33, No. 3, 2003, p. 268-281; Vlachos I.P., Bourlakis M., Karalis V.: Manufacturer-retailer collaboration in the supply chain: Empirical evidence from the Greek food sector. "International Journal of Logistics Research and Applications", Vol. 11, No. 4, 2008, p. 267-277.

¹⁸ MarketLine Research, <http://www.marketresearch.com/MarketLine-v3883/>, 25 May 2016.

¹⁹ Chow C.S.F., Kaynak E., Yang C.J.: Channel power struggle between a manufacturer giant and a retailer giant in China. "Competitiveness Review: An International Business Journal", Vol. 21, Iss. 3, 2011, p. 306-321.

2. Cooperation and co-opetition between manufacturers and retailers – a literature review

Various definitions and typologies of relationships between manufacturers and retailers are suggested and many authors identify these relationships only as cooperation²⁰. Singh & Power²¹ mention cooperation, coordination, and collaboration, wherein cooperation means that the partners exchange basic information and maintain long-term relationships, coordination – a continuous flow of critical and necessary information using information technology, and collaboration – a high level of commitment, trust and information exchange. On the other hand, Vlachos *et al.*²² distinguish three levels of collaboration: cognitive (the manufacturer and retailer, usually as competitors, cooperate to achieve common goals, achieve common benefits and their cooperation is characterized by a high level of confidence), cooperative (exchange of information, cooperation in the framework of processes and setting common goals for the supply chain, although partners aim to achieve their own goals and maximize their individual profits), and transactional (the retailer and manufacturer only exchange data, including by order via a website). Buxmann *et al.*²³ list the three variants of relationships: 1) the lack of cooperation between the parties, when there is no form of coordination of the planning process among participants in the supply chain and there is no exchange of information between them; 2) decentralized cooperation, where the parties independently develop plans and then exchange information on the said plans and on issues that may be relevant to the planning process of other parties of relations; 3) centralized cooperation, when one player deals with planning for all interested members of the supply chain. According to the typology of Bengtsson & Kock²⁴, we can identify four basic types of relationships between the manufacturer and the retailer due to the nature of the relationship (competition, cooperation): competition (low level of cooperation and high level of competition), cooperation (high level of cooperation, low level of competition), co-opetition (high level of cooperation and competition), and coexistence (low level of cooperation and competition). According to this typology, cooperation between a manufacturer and a retailer being an intermediary in the sale of the manufacturer's products can take the form of cooperation or co-opetition, which is a mix of cooperation and competition in a vertical set

²⁰ Blundel R.K., Hingley M.: *op.cit.*

²¹ Singh P.J., Power D.: The nature and effectiveness of collaboration between IRMS, their customers and suppliers: a supply chain perspective. "Supply Chain Management: An International Journal", Vol. 14, No. 3, 2009, p. 189-200.

²² Vlachos I.P., Bourlakis M., Karalis V.: *op.cit.*

²³ Buxmann P., von Ahsen A., Diaz L.M.: Economic evaluation of cooperation scenarios in supply chains. "Journal of Enterprise Information Management", Vol. 21, No. 3, 2008, p. 247-262.

²⁴ Bengtsson M., Kock S.: Coopetition in business networks – to cooperate and compete simultaneously. "Industrial Marketing Management", 2000, Vol. 29, No. 5, p. 411-26.

up²⁵. A manufacturer or a retailer can be a dominant party of the relations of cooperation and co-opetition²⁶.

Cooperation usually has a high frequency and power of links that can take both formal and informal forms, as well as a high level of confidence²⁷. The basis for manufacturers and retailers entering into this type of a relationship are inadequate resources and (sometimes) a weak market position of one or both parties. Cooperation may take both forms, long- and short-term.

Co-opetition between the manufacturer and the retailer is the simultaneous relationship of cooperation in a horizontal orientation and competition in a horizontal as well as vertical orientation²⁸. It is characterized by a high frequency and power of links that can take both formal and informal forms and an average level of trust between the parties²⁹. According to Zerbini & Castaldo³⁰, vertical relationships of co-opetition between manufacturers and retailers (characterized by duality) are more stable and durable than horizontal relations between competitors.

Cooperation between retailers and suppliers may involve different processes in the value chain, including: 1) innovation-oriented, e.g. market analysis, product design, assortment development; 2) focus on the supply chain, e.g. distribution, purchasing and production planning, inventory management and procurement, planning and satisfying the needs of customers using the CPFR and ECR concepts³¹, and production by manufacturers of exclusive goods or marked with private brands³²; 3) customer-oriented, e.g. decor shops, training of sales staff, the exposure of products, loyalty programs, advertising³³ and other

²⁵ Borsenberger C., Doisy N.: Business relationships between suppliers and retailers. "Trésor Economic Focus", No. 3, 2003, p. 2; Zerbini F., Castaldo S.: Stay in or get out the Janus? the maintenance of multiplex relationships between buyers and sellers. "Industrial Marketing Management", Vol. 36, No. 7, 2007, p. 941-54; Kim S., Kim N., Pae J.H., Yip L.: Cooperate "and" compete: co-opetition strategy in retailer-supplier relationships. "Journal of Business & Industrial Marketing", Vol. 28, No. 4, 2013, p. 263-275.

²⁶ Kotzab H., Teller C.: op.cit.

²⁷ Bengtsson M., Hinttu S., Kock S.: Relationships of Cooperation and Competition Between Competitors. Work-in-Progress Paper submitted to the 19th Annual IMP Conference, 4-6 September 2003, Lugano, Switzerland, <http://www.impgroup.org/uploads/papers/4294.pdf>, 18 may 2014.

²⁸ Kotzab H., Teller C.: op.cit.

²⁹ Bengtsson M., Kock S.: op.cit.

³⁰ Zerbini F., Castaldo S.: op.cit.

³¹ Corsten D., Kumar N.: op.cit.; Chen M.-C., Yang T., Li H.-C.: Evaluating the supply chain performance of IT-based inter-enterprise collaboration. "Information and Management", Vol. 44, No. 6, 2007, p. 524-534; Derrouiche R., Neubert G., Bouras A.: Supply chain management: a framework to characterize the collaborative strategies. "International Journal of Computer Integrated Manufacturing", Vol. 21, No. 4, 2008, p. 426-439.

³² Oubina J., Rubiuo N., Yaüge J.: Strategic management of store brands: an analysis from the manufacturer's perspective. "International Journal of Retail & Distribution Management", Vol. 34, No. 10, 2006, p. 742-760; Gomez M., Benito N.R.: Manufacturer's Characteristics That Determine The Choice of Producing Store Brands. "European Journal of Marketing", No. 42/1/2, 2008, p. 154-177; Witek-Hajduk M.K.: Cele wywarzania przez producentów produktów pod markami detalistów. „Gospodarka Materiałowa i Logistyka”, No. 11, 2015, p. 24-31.

³³ Ailawadi K.L., Bradlow E.T., Draganska M., Nijs V., Roederkerk R.P., Sudhir K., Wilbur K.C., Zhang J.: op.cit.

promotional activities, often in the form of promotional support from manufacturers to retailers, or using other models of cooperation³⁴. A special case of co-opetition or cooperation between manufacturers and retailers is an alliance between the manufacturer's and the retailer's brands³⁵, which may affect the launch of a new product under the co-branding of these brands or the so-called ingredient co-branding³⁶.

An important aspect of manufacturer-retailer cooperation and co-opetition is the form and duration of these relations. The literature on manufacturer-retailer relations indicates the issue of long-term vs. short-term orientation of a company and continuity of transactions. The long-term orientation means the company expects benefits from cooperation in the long run and a series of transactions, while the short-term-oriented company is focused on immediate results and profits derived from a single transaction. According to Hogarth-Scott and Parkinson, the forms of manufacturer-retailer cooperation in terms of the degree of control in the pursuit of economic efficiency are as follows: "pure transactions", repeated transactions, long-term relationships, real partnership, strategic alliances, and network organizations.

Cooperation between buyers and suppliers can contribute to the operational performance improvements, integration-based improvements, capability-based improvements and financial performance outcomes³⁷. Cooperation in the supply chain leads to better results than the competition³⁸, because it promotes not only lower costs but also improves the level of customer service; thereby, creating competitive advantages of cooperating parties³⁹. Cooperation and co-opetition between manufacturers and retailers makes it possible to achieve both the individual benefits by either party of the relationship and joint benefits to both sides, including better financial results⁴⁰, where the stronger the cooperative dimension of co-opetition, the greater the joint benefits achieved by the retailer with manufacturers-suppliers. The strength of the competitive dimension of co-opetition does not affect the

³⁴ Tsou C-S., Fang H-H., Lo H-C., Huang C-H.: A Study of Cooperative Advertising in a Manufacturer-Retailer Supply Chain. "International Journal of Information and Management Sciences", No. 20, 2009, p. 15-26; Park H.: US retailers' cooperation with manufacturer promotional support. "Journal of Fashion Marketing and Management", Vol. 8, No. 4, 2004, p. 412-424; Huangl Z., Lil S.X., Mahajan V.: An Analysis of Manufacturer-Retailer Supply Chain Coordination in Cooperative Advertising. "Decision Sciences", Vol. 33, Iss. 3, 2002, p. 469-494.

³⁵ Arnett D.B., Laverie D.A., Wilcox J.B.: A longitudinal examination of the effects of retailer – manufacturer brand alliances: the role of perceived fit. "Journal of Marketing Management", Vol. 26, No. 1-2, 2010, p. 5-27.

³⁶ Vaidyanathan R., Aggarwal P.: Strategic brand alliances: implications of ingredient branding for national and private label brands. "Journal of Product & Brand Management", Vol. 9, Iss. 4, 2000, p. 214- 228.

³⁷ Terpend R., Tyler B.B., Krause D.R., Handfield R.B.: Buyer-supplier relationships: derived value over two decades. "Journal of Supply Chain Management", Vol. 44, No. 2, 2008, p. 28-55.

³⁸ Palmatier R.W., Dant R.P., Grewal D., Evans K.R.: Factors influencing the effectiveness of relationship marketing: a meta-analysis. "Journal of Marketing", Vol. 70, No. 4, 2006, p. 136-53; Anderson J.C., Narus J.A.: Model of distributor firm and manufacturer firm working partnerships. "Journal of Marketing", Vol. 48, No. 1, 1990, p. 62-74.

³⁹ Svensson G.: The theoretical foundation of supply chain management: A functionalist theory of marketing. "International Journal of Physical Distribution & Logistics Management", Vol. 32, Iss. 9, 2002, p. 734-754.

⁴⁰ Kim S., Kim N., Pae J.H., Yip L.: op.cit.

change of joint benefits and the stronger the synergistic dimension of co-opetition, the greater the joint benefits achieved by the retailer with suppliers.

Based on the literature review, it can be concluded that the framework of cooperation and co-opetition between manufacturers and retailers consists of the following key elements: the strength of the cooperation and competition between them, forms of cooperation, the scope and areas of cooperation, and both individual and joint benefits of this cooperation.

3. Research methodology

Semi-structured, in-depth and face-to-face interviews were conducted with managers of six medium and large manufacturing companies operating in Poland producing consumer durables and selling them, among others, through independent retailers. This made it possible to acquire a broad set of data on the managers' opinions and their actions on their relations with retailers. To provide a variety of perspectives, a purposive selection of companies in the sample was used⁴¹. In each case, interviews were conducted with one or two managers responsible for cooperation with retailers. Among them, there were: Chair of the Board, co-owner – Board Member, two Brand Managers, two Sales Managers, two Commercial Directors and a CEO. The characteristics of the surveyed companies are presented in Table 1.

Table 1

General characteristics of the surveyed consumer durables manufacturers

No.	Legal form	Categories of consumer durables manufactured by the company and sold to retailers	Size of the company due to the number of employees	Origin of capital
I.	Joint-stock company (JSC)	Porcelain tableware	large	Polish
II.	Joint-stock company (JSC)	Equipment and computer accessories	medium	Polish
III.	Limited liability company (LLC)	Equipment and computer accessories, electronics and household appliances	large	foreign
IV.	Limited liability company (LLC)	Home automation, drives to the gates and gates	medium	foreign
V.	Limited liability company (LLC)	Men's clothing	large	Polish
VI.	Limited liability company (LLC)	Thermal insulation systems	large	foreign

Source: Authors' own work.

All the surveyed companies sell their products not only on the Polish market; although, they differ in the degree of internationalization.

⁴¹ Saunders M., Lewis P., Thornhill A.: Research Methods for Business Students. Pitman Publishing, London 1997.

All interviews lasted 2-2.5 hours. Anonymity was provided for the people participating in the interview and the names of the companies. The researchers used the interview protocol and each interview was recorded. Transcripts of interviews were coded⁴² with highlights and keywords on the sidelines with numbers and letters identifying the different topics and subtopics.

4. The framework of cooperation and co-opetition between manufacturers and retailers in the market of consumer durables in Poland – research findings

The surveyed companies differ in scope, forms, and subject of cooperation with retailers, which depends on, among others, the balance of power. Company I establishes long-term partner relationships but retailers have relatively low bargaining power. Relations with retailers of Company II take different forms depending on the strength of retailers, i.e. long-term agreements or contracts for individual supplies. In this industry, specialized retailers have a high bargaining power. Company III has an advantage over retailers and its share in the sale of some retailers is even 40-60%. There is a visible resistance from retailers who do not want to be dependent on one manufacturer, so they diversify their product range to avoid the superiority of one brand. However, relationships with key retailers have an affiliate character and contracts, often long-term, are tailored to a specific retailer. Company IV operates in an industry characterized by the low loyalty of distributors, with which only contracts for individual supplies are often signed. The company meets the distributors' low desire to develop as they don't want to be dependent on a single supplier. In contracts, specific provisions for a different kind of bonuses for increased turnover are used with some retailers, by which, in the case of low-margin products, a manufacturer is unable to cooperate. Company V, despite the absence of written exclusivity agreements, often uses them in relations with retailers because of their great trust and loyalty. The position of the manufacturer in relation to retailers is strong as it is often the primary supplier of the product. The manufacturer wants to maintain cooperation with retailers and the development of their shops. Key retailers of Company VI, despite small turnover, have a high bargaining power due to the network of local connections and the ability to block a large supplier. The manufacturer uses annual framework agreements with the option to extend, which determine, *inter alia*, a minimum purchase, and thresholds for bonuses.

Table 2 presents a framework for cooperation and co-opetition of the surveyed manufacturers with their retailers from the manufacturers' perspective.

⁴² Miles MB., Huberman AM.: *Qualitative Data Analysis*. Sage Publications, Thousand Oaks, CA 1994.

Table 2

A framework of cooperation and co-opetition of the surveyed manufacturers
with their retailers from the manufacturers' perspective

No.	The manufacturer's retail distribution structure	Retailer's bargaining power	Forms of cooperation with retailers	Cooperation and co-opetition with retailers	Cooperation benefits from manufacturer's perspective
I.	<p>-available in 250-300 retail stores in Poland</p> <p>-most retailers have only one shop</p> <p>-20% of sales – retailers</p> <p>-65% -70% of sales – wholesalers supplying retailers, some of which have their own stores</p> <p>Key retailers:</p> <p>-retail chain owned by one of the distributors (approximately 6-7% of sales)</p> <p>-retail stores of interior design (3% of sales)</p>	<p>-low bargaining power of the retailer</p>	<p>-dominant partnerships</p> <p>-long-term agreements</p>	<p>Cooperation:</p> <p>-exclusive production for a retailer of specific sets of porcelain, including through co-branding</p> <p>-collections created under the manufacturer's brand, but decorations are exclusive to the retailer</p> <p>-promotional discount price</p> <p>- exposure in stores</p> <p>-training for retailers, e.g. exposure of the product on the shelf, taking care of porcelain</p> <p>-exchange of market information</p> <p>Co-opetition:</p> <p>-production of limited edition products as the retailer's private brands</p> <p>-the manufacturer's own stores: stationary and online store (share in sales of about 0.5%)</p>	<p>-financial, image and relational (e.g. to rebuild relationships with young consumers through collaboration with EMPIK stores)</p>
II.	<p>-25-30% of sale – large, specialized retailers (e.g. RTVEuroAGD, Media Expert, Media Markt, Saturn)</p> <p>-smaller retailers are supplied through the so-called resellers (30%)</p> <p>-occasionally sales to supermarkets (e.g. Carrefour)</p> <p>-stands at petrol stations</p> <p>-sales online in the manufacturer's own store and of other retailers, e.g. E-market SA - approx. 5%.</p> <p>Key retailers:</p> <p>specialized retail chains</p>	<p>-high bargaining power of large retailers</p>	<p>-dominant partnerships, frequent trading relationships</p> <p>-depending on the strength of retailers: long-term agreements, contracts for individual supplies</p>	<p>Cooperation:</p> <p>-joint promotional campaigns, including the implementation of retailers' promotional materials (e.g. leaflets)</p> <p>-occasionally, the temporary exclusive right to sell a certain manufacturer's branded products by selected retailers</p> <p>Co-opetition:</p> <p>-occasionally products are made under private brands (e.g. for Komputronik, rarely for large specialized retailers)</p> <p>-some retailers offer selected competitive products produced by other suppliers under their private brands</p> <p>-manufacturer's online store</p>	<p>-business: growth in sales and market share</p> <p>-branding: improving the manufacturer's brand image</p>

cont. table 2

III.	<p>-approx. 10% of sales – stores under the manufacturer’s brand name working as a franchise</p> <p>-approx. 40% – depending on the category, medium and large specialized retailers (e.g. Media Markt, Saturn, Neonet),</p> <p>-approx. 10% – hypermarkets (e.g. Tesco, Real).</p> <p>-sales online – approx. 20%, including manufacturer’s online store – 1%</p> <p>Key retailers: large specialized retailers</p>	<p>-diversified bargaining power, in most categories the manufacturer has an advantage (even 40-60% share)</p>	<p>-mainly trading relationships</p> <p>-the agreement depends on the partner, transparency for all retailers</p>	<p>Cooperation:</p> <p>-the exposure of products in the store (funding furniture), and in large retailers – the so-called shop in shop</p> <p>-joint ATL and BTL campaigns, including sales promotions (e.g. competitions)</p> <p>-training for retailers</p> <p>-exchange of market research results</p> <p>-exclusivity on the sale of certain products of this brand in the retailer’s store at a given time</p> <p>-occasionally – category management in the retailer stores</p> <p>Co-opetition:</p> <p>-private brands produced by other suppliers, which are not perceived by the manufacturer as high risk (the biggest threat to the so-called B brands in the category of computer accessories)</p> <p>-the manufacturer’s stores - the franchise and its online store</p>	<p>-business: growth in the sales value, e.g. in the area of shop in shop</p>
IV.	<p>-sales in approx. 1,500 entities.</p> <p>-approx. 10-12% of sales in the DIY retail chains, but not under the manufacturer’s leading brand to protect its image</p> <p>-approx. 80% of sales to distributors, wholesale and retail, of which only approx. 30 has more than one shop, a few have online sales</p> <p>Key retailers:</p> <p>-distributors who independently install products to customers (approx. 60% of all distributors)</p>	<p>-not loyal retailers</p>	<p>-dominant trading relationships</p> <p>-annual agreements with the option to extend, negotiable</p> <p>-bonuses for turnover</p>	<p>Cooperation:</p> <p>-incentive programs for retailers (bonuses, awards, events)</p> <p>-sales promotional materials</p> <p>-joint activities in the field of sales promotion</p> <p>-creation of new products and brands – DIY retailers</p> <p>-sales of products in sets (basic and complex versions) – special offer addressed to distributors</p> <p>-exchange of market information with distributors</p> <p>-maintenance services</p> <p>-training for distributors and installers</p> <p>Co-opetition:</p> <p>-occasional products made to order under private brands</p> <p>-DIY retailers offer competitive private brands</p>	<p>-business: increase in market share</p> <p>-branding: cooperation with local distributors and strengthening the brand on the local market</p>

cont. table 2

V.	<p>-retail sale via approx. 40 entities, including small retail chains (3-4 stores), specialized stores with a wide product range and bazaars</p> <p>-manufacturer's online store and chain of stores in smaller shopping malls</p> <p>-sales in independent retail stores in terms of quantity – slightly larger, in value – similar to sales in the manufacturer's own stores</p> <p>Key retailers:</p> <p>-specialized stores with a wide product range</p>	<p>-loyal retailers</p> <p>-low bargaining power</p>	<p>-trading relations or partnerships</p> <p>-annual agreements with the option to extend, negotiable</p>	<p>Cooperation:</p> <p>-in the case of long cooperation – unwritten loyalty program: bigger retailers are able to obtain trade credit or delivery on the principles of commission</p> <p>-decor store</p> <p>-sharing knowledge about the market</p> <p>-developing the collection, taking into account the suggestions of retailers</p> <p>-after-sales service, warranty services</p> <p>Co-opetition:</p> <p>-the manufacturer's own stores</p>	<p>-business: sales growth of 1 meter area of the store</p> <p>-increase in market share of the manufacturer and the retailer</p> <p>-improving the profitability of the manufacturer and retailer</p> <p>-easier retailer's acceptance of price increases</p>
VI.	<p>-retail sales (approx. 20-30% of total sales of insulation materials) in approx. 1,000 points of sale: structure of wholesalers (often regional), large DIY retailers (Leroy Merlin, Castorama, Bricoman, Intermarche, Bricomarche – manufacturer makes sure that none of the retailers dominate in sales)</p> <p>-approx. 60 construction warehouses (e.g. PSB, GHB, 3W), to which innovative products that require expert knowledge are delivered</p> <p>Key retailers:</p> <p>-large construction wholesalers – largest value share of sales (2% of the total market for thermal insulation)</p>	<p>-high bargaining power of retailers, even with small turnover</p> <p>-it is a network of local connections that can block a large supplier</p>	<p>-dominant partnership</p> <p>-annual framework agreements with the option to extend</p> <p>-price volatility clauses</p> <p>-established minimum purchase</p> <p>-thresholds for bonuses</p> <p>-annual rebates</p>	<p>Cooperation:</p> <p>-specialized training for retailers (e.g. for construction warehouses)</p> <p>-events related to products</p> <p>-favorable payment terms – e.g. the possibility of deferred payment</p> <p>-market information exchange</p> <p>-joint promotional activities</p> <p>-greater availability of materials, lowering the unit price</p> <p>-loyalty program for the B2B market</p> <p>-taking into account retailers' suggestions for new products</p> <p>-help for wholesalers in worse periods of sales</p> <p>-discounts at annual term payments</p> <p>-awards for long-term cooperation – bonuses, marketing, and promotional support</p> <p>-financing or co-financing of banners, flags, internal or external exhibitions</p> <p>No co-opetition</p>	<p>-greater brand awareness</p> <p>-lower transaction costs</p> <p>-financial benefits</p> <p>-market development by introducing new products and identifying customer needs</p> <p>-cross verification of customers</p> <p>-obtained information</p> <p>-modification of packaging, products, offer</p> <p>-promotion of quality</p>

Source: Authors' own work.

Summary

Empirical research in the form of in-depth interviews with managers of six large consumer durables manufacturers confirms the complexity of their relationships between manufacturers and retailers. Relations between consumer durables manufacturers and their key retailers have both the nature of cooperation and co-opetition⁴³.

The scope of cooperation is not wide and it is diverse primarily due to the balance of power between the manufacturer and retailers and industry/product category specifics. Cooperation relates primarily to actions oriented at a supply chain and, above all, distribution, but it is not declared as cooperation in the field of inventory management, procurement, and planning. In addition, cooperation concerns the customer-oriented processes, including promotion, especially promotion at the point of sale co-financed by the manufacturer⁴⁴, and less-jointly developed promotional campaigns, exposure design, market information exchange and sometimes also training of the sales staff. Single surveyed companies cooperate with key retailers in the innovation-oriented processes, including in the design and manufacturing of products under private brands or on the principles of co-branding, but only occasionally and to a limited extent. A few of the surveyed manufacturers provide retailers with newly marketed products exclusive for a limited time.

The study also confirmed the co-opetition between manufacturers and retailers⁴⁵ depending on the industry. A small power of co-opetition between the sampled consumer durables manufacturers and their retailers results, on the one hand, mainly from the small scope of the private brands in surveyed product categories and, on the other hand, from a small share of their own retailing stores, including online shops in the sale of surveyed manufacturers.

Repeated transactions as dominant forms of cooperation between manufacturers and their key retailers prove that studied companies are not yet long-term oriented.

According to consumer durables manufacturers, cooperation with their retailers brings them mainly economic-financial and market benefits. Compared to those described in the literature – cooperation and co-opetition relations between manufacturers and retailers in the FMCG market – it can be stated that the scope and the power of cooperation and co-opetition are much smaller, which probably translates to a range of performance benefits from this cooperation⁴⁶.

The qualitative research conducted is exploratory. Studies on cooperation and co-opetition between manufacturers and retailers need to be deepened in the result of

⁴³ Kim S., Kim N., Pae J.H., Yip L.: op.cit.

⁴⁴ Park H.: op.cit.

⁴⁵ Kim S., Kim N., Pae J.H., Yip L.: op.cit.

⁴⁶ Kotzab H., Teller C.: op.cit.

quantitative research that will help to determine the impact of the nature (cooperation or competition), forms and scope of the relations between manufacturers and their key retailers on the financial and non-financial performance from the perspective of both manufacturers and retailers.

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