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INFOPARTNERING AND DEMAND MANAGEMENT IN ECR STRATEGIES

ECR (Effective Consumer Response) as a global strategy for managing the chain of delivery for frequently purchased goods, according to the intention of ECR Europe, relies on substituting the currently visible competition in this field with a system of "close co-operation with existing partners with the aim of fulfilling the demands and wishes of the customer in a better, faster way and at lower costs." This definition contains two fundamental premises of the ECR concept: **focus on the customer** based on the proposition that success in the market is only possible when the goods and services offered meet the demands and expectations of the customer, and **co-operation** which is understood as a far-reaching partnership within the company and with the other entities within the supply chain. [1]

The possibility for actual realisation of the two premises of ECR is connected with a comprehensive rationalisation of processes taking place in the mentioned chain with reference to the management of three basic spheres, i.e. supply, demand, and enabling technology. The aim of this paper is to attempt to show the basic areas of rationalisation of demand management using **infopartnering** as an important and efficient method in the scope of the ECR strategy. Because in the remainder of this study the concept is presented in more detail, at this point only the essence of infopartnering is stressed. **Infopartnering is an innovative trend in the strategy of all participants in the supply chain. Infopartnering relies on a mutual commitment (of producers, wholesalers, and retail traders) to develop partnerships on the basis of information sharing and its proper flow, allowing each entity in the distribution channel to react quickly and more accurately to the demands of their customers and to do so at lower**

costs. [2] Hence the leaders in this field are advised to get ready for infopartnering.

Management of the demand sphere includes, among other things, processes and activities connected with the creation of a range of products on offer, an introduction campaign for the new product, the effectiveness of the promotion, and the effectiveness of the operations in this area. Regardless of the expenditures incurred by the producer in the expected realisation of the matters mentioned above, it is the **experience of the customers in their contacts with retail traders that produces a very important picture and assessment of the functioning of the logistic supply chain.** [3] In this context the current interpretation of the term 'customer' is of interest. Is it the buyer, the one who actually carries out the purchase, the patron, the consumer, or the person with whom you have contact during the sale? It seems that the essence of the old French word *custume*, in itself, is connected with permanence and loyalty towards the chosen retailer. Here it is useful to recall the thesis presented earlier by the author that **greater effectiveness of the ECR strategy is not only connected with 'serving customers' in the strict sense, but also with 'focussing on the customer'.** [4] This means that although serving the customer relates to the quality of goods and services he receives in the logistic supply chain, the focus on the customer is the total of his 'experience' during any interaction with the company. The aim of this is to dissociate oneself from dehumanising the customer-retailer relations (for example cyber purchases on hyper markets) as a consequence of, among other things, sociological and demographic changes as well as a fast paced life-style. Thus there exists an urgent **need for retailers to create strong ties with customers** [5], not on a mass scale, but when possible on the level of expectations of the individual customer. This is because, for example, research in the sphere of banking and catering in Western-European countries has shown that **there exists in this area a considerable efficiency potential** for firms. [6] At the same time it needs to be mentioned that currently the 'strength and value' of information related to the supply chain lies mainly on the side of the retailer who, having data about the level and structure of concluded transactions not only cannot influence his own functioning, but also that of wholesalers and producers. Hence, it may be supposed that, for example, the mission of supermarkets will probably head towards one goal – the right choice. However, in reality this will **not be the choice of the customer, but rather the retailer.** [7]

Optimisation of information with respect to the shaping of demand, for instance, influences in a crucial manner the number of units stocked in the chain (the so-called SKU), as well as the composition of instru-

ments creating effective Management Categories of the types PI, OP, and AP. [8] However, this is only possible when the concept of **infopartnering** is realised in a comprehensive way, helping the company to create strengths and make use of the opportunities created by the ECR strategy. Among other things, with the help of an adequate product-mix accessible at the right time and place, and in the proper amounts. The benefits of this concept are also connected with a faster flow of goods through the supply chain and a considerable reduction in the level of stocks, which goes together with cost savings and rationalisation of warehousing. Thus, infopartnering is a process that **integrates** all participating distribution channels, primarily focussing on the demand side of the supply chain. [9] Because of this, it can be considered as a **demand chain, which directs the supply chain**. In this depiction, properly applied infopartnering ought to strengthen the realisation of the expected ECR vision within the scope of the given channel. It accomplishes this by contributing to the maximisation of the satisfaction of the customer and the minimisation of the incurred costs, as well as the facilitation of the flow of high quality products through a non-bureaucratized system between the production line and the cash register of the retailer. A clear manifestation of activities in this field is the so-called **e-business**, which combines significant links in the activities of the company (customers, employees, sellers, and suppliers) with the help of the internet. This allows integration of the resources of traditional information systems with the huge global range of the electronic network. According to the latest research, the number of people in the world having access to the internet will increase to about 550 mln in the next two years. Furthermore, it has been predicted that the amount of money spent by companies on buying of goods via the internet will increase from 1.3 bln USD in 1996 to 176 bln USD in 2001. Consistent with the idea of infopartnering, the way in which companies co-operate with their business partners can be transformed by new solutions in the field of information co-operation created with the use of internet. The wider the field of co-operation, the greater the gains. [10]

As mentioned before, there exists an urgent need for constructing stronger ties between retailers and customers. However, **it does not seem very likely that classical loyalty programmes**, especially in the case of a stabilised and competitive market **could significantly change the behavioural pattern of buyers**. Hence initiatives in this area ought to be connected with the concept and principles of the strategy of Efficient Consumer Response (ECR). Firstly, this mainly concerns the **construction of closer relations between retailers and customers** through customer/club cards entitling to price reductions, and

secondly the **creation of a customer database**, where each club member filling out a questionnaire with his demographic data is supplied with a unique card with a bar code, making it possible to follow his buying behaviour. [11] This database can be systematically enlarged as a result of the so-called database mergers, creating, for example, consumer segments like: 'recurring purchase', 'urban elite', or 'rational decision'. Thus a sophisticated information system finally develops for recognition and effective performance of any interaction of the retailer with the customer, which among others manifests itself in the following:

1. **The ability to characterise the customer completely** – i.e. to give a precise description of who he is at the moment he enters the shop and what and why he intends to buy.
2. **Using the data for promotion activities as well as internal and external marketing** – this, among other things, concerns the efficient planning of the assortment of and continuous replenishment of stocks, and adaptation to the individual characteristics of the customer and his behaviour during the time he is shopping through the so-called 'neural network' based on neural-genetic conditioning.
3. **Making available (also to producers) information relating to customers and transactions they concluded in the retail sphere**, in order to optimise the range of offered products, maximise the efforts with respect to sales and to facilitate and make more efficient the introduction process and testing of new products.
4. **Using the database for optimisation of the location of shops and determination of the range of effects of social infrastructure institutions**, in which geographical information systems allow an effective visualisation of the key problems with respect to customers and competitors.
5. **Direct connection with the client**: precise and broad knowledge about the individual buyer allows the retailer to aim his promotion activities at specific consumers through the media, mail, e-mail and/or internet. For example, internet pages of a supermarket where new offers, suggestions, hints, cooking recipes tailored to different tastes, as well as special promotion campaigns are presented.

The possibilities mentioned above in the range of information systems show what level of customer identification the retailer can reach using databases with the aim of creating and shaping mutual and direct contact with this customer. Finally, this system allows all subjects in the logistic chain to obtain diverse benefits, making it a fundamental instrument of **infopartnering**. This is of particular importance in the sphere of demand management, where sophisticated and prompt information and the consequences it has can, on the one hand, positively influence

the satisfaction of the buyer while, on the other hand, favourably affect the changes in the method of co-operation between partners in the logistic chain. With respect to management in the sphere mentioned above, of fundamental importance becomes the possibility of refinement of the effects of the **five basic functions** connected with the creation of demand within the ECR strategy [12]:

- a) efficient assortment management;
- b) efficient promotion management;
- c) efficient management of the introduction of new products;
- d) efficient information management concerning demand;
- e) the development of possibilities for common demand management.

Efficient assortment management puts emphasis mainly on the **assurance of consistency in the level and range of offered products with the needs of the target group of consumers**, especially with respect to quality, variety, and prices. Proper management of the shelves in the shops in order to make it easier for the customer to find the product he seeks is also important. This adds to, among other things, the building of a good image of retailers and suppliers with the consumer. This requires taking into consideration tastes and peculiarities of regional buyers, the expectations of selected segments of the market, as well as the refinement of the magnitude and range of offered products (see Figure 1).

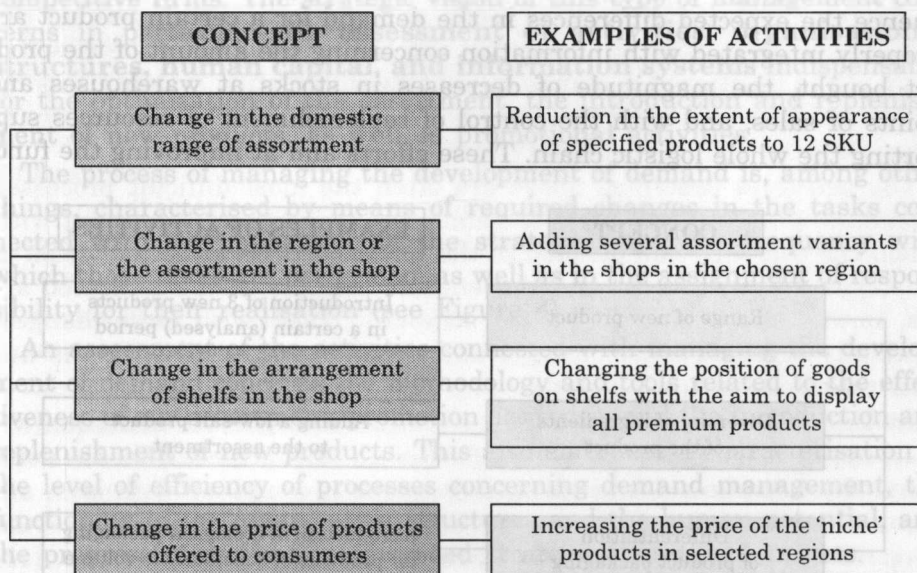


Fig. 1. Concepts of efficient assortment management

Source: Author's own elaboration.

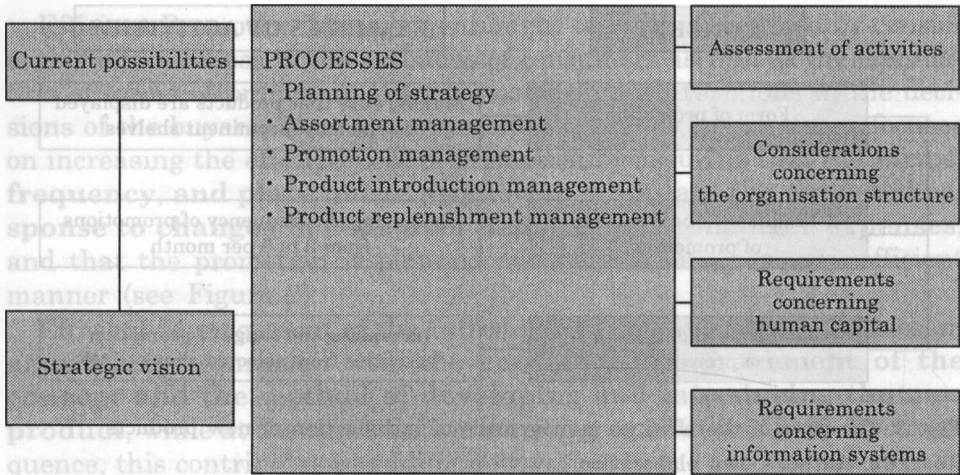


Fig. 4. Ways of managing the development of demand

Source: Author's own elaboration

the required changes in demand management on the one hand, and the assigned areas of responsibility and assessment of activities within this field on the other hand?

The demands concerning human capital determine which changes in its size and qualifications should be made, and also how we will manage the development of our current personnel and the recruitment of the new. Instead of the mentioned demands concerning information systems, this refers to indicating necessary improvements in these systems as a source of promoting the right evolutionary trend in the field considered.

The activities described above are often the most difficult processes determining the effectiveness of demand management. The speed with which the company can develop in the direction of its strategic vision is constrained by the range of indispensable changes in the indicated areas, as well as by the ability of the company to deal with these changes, especially organisational changes and changes connected with the human resources in the company.

At this point it should be stressed that, although the mentioned visions apply to the phenomena that first of all take place within the company, **the common demand management** is combined with new, additional utilisation of the opportunities created by ECR for the co-operation of firms within the framework of the logistic chain. [13] They are also connected with the appearance of a **CKO manager** [14] in the firm, who is responsible for directing and co-ordinating know-how management programs which can lead to a complex of additional com-

mon value-adding activities, making it possible for the co-operating firms to become more efficient in serving real and potential customers. These efforts will be especially effective when, first of all, areas connected with common problems of all partners are included, thus stirring the interest of the participants.

Taking these questions into consideration, ECR Europe specified **three basic levels** for common demand management, all of which are fully accepted depending on, for example, the specific relations between retailer and producer.

Level 1, Separate Management – each company realises its own task related to demand management and co-operation in the field of information is limited to basic trading figures.

Level 2, Common Planning – companies co-operate with each other in order to develop strategic demand management plans and to introduce common projects, which involves sharing of information about the planning and managing of those projects.

Level 3, Common Management – firms not only co-operate with each other in order to improve plans and the implementation of projects, but also to realise together processes connected with the management of assortment, promotion, introduction, and replenishment of products, which is related to the sharing of operational and tactical information in this area.

Looking at the perspectives for the future, it can be presumed that most of the retailers and producers will still benefit from a mixture of the levels mentioned above. For each company the number of partners on each level reflects the business strategy of this company, and this strategy depends on:

- a) the possibilities, abilities, intentions, and obligations of the partners, with the aim of supporting the relations and connections occurring on levels 2 and 3;
- b) the belief of the firm in providing greater additional value to the target customer;
- c) the pressure from buyers and competitors. [15]

Infopartnering and common demand management within the framework of an ECR strategy are modern concepts integrating companies in the structures of the supply chain. The introduction of particular solutions aiming at full utilisation of the opportunities offered by those concepts can take place gradually, because they require firms to undertake organisational, financial, as well as technical activities. The effects and the time in which those effects will become visible depend on the range of initiatives and the speed with which they are put into practice.

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