



Katarzyna Bilińska-Reformat

Department of Market Policy and Marketing Management
Faculty of Management
University of Economics in Katowice
katarzyna.bilinska-reformat@ue.katowice.pl

Cooperation between suppliers and retail chains in developing systemic products

Abstract

Seeking a competitive advantage, retail chains develop systemic products. Introducing systemic products to retailers' offer requires establishment of close cooperation with their suppliers.

In the paper the assumption has been made that offering systemic products makes the offer more attractive for customer. It is also reason for development of cooperation between retail chains and suppliers.

Selected commercial enterprises were research objects in the study. Analyses included in the paper concern the years between 2009 and 2015.

Research methods: critical analysis of the literature, results of own research method concerning cooperation between retail chains and suppliers, and the case research method.

Keywords: systemic products, international retail chains, cooperation between retail chains and suppliers.

JEL Classification: D12.

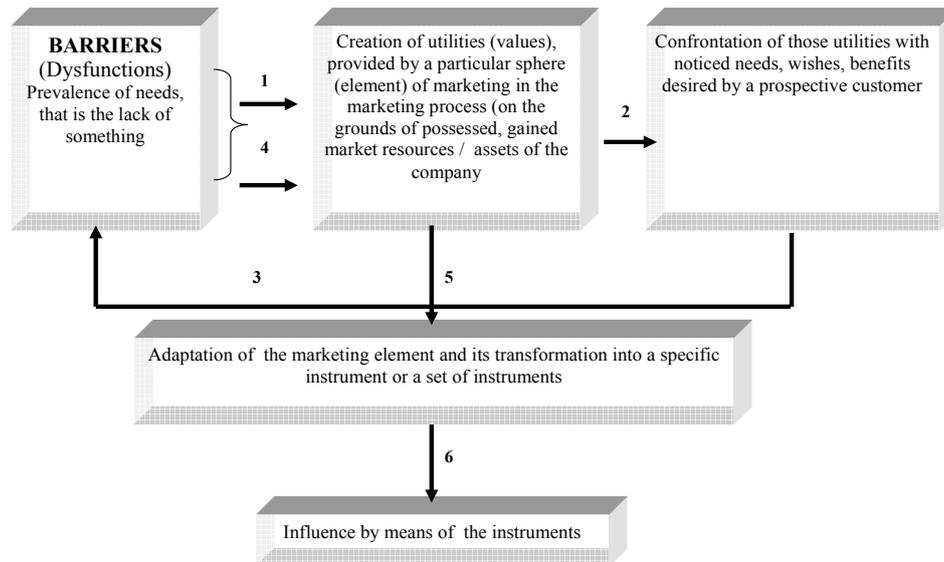
Introduction

Detailed recognition of demands of target segments ought to result in creation of commercial offers satisfying final customers [Sirdesmukh, Singh, Sabol 2002].

The picture below presents the process of formation of a marketing instrument that influences the target market of the retail entities. Depending on marketing composition, the number of instruments that are created is different (in the earliest sources, the composition of marketing mix in trade was interpreted

through the prism of the elements including product/assortment, price/assortment, services, and facilities). Maximizing the lifetime value of a customer is a fundamental goal of relationship marketing [Christopher, Payne, Ballantyne 2002].

Figure 1. The process of formation of a marketing instrument



We can see in Figure 1, that the values are included in a particular marketing offer, which is followed by a confrontation of already created utilities with observed needs, and finally, with the degree of their satisfaction. If the needs are not satisfied or are only partially satisfied we can observe the return to the beginning of the process and creation of modified utilities of the particular sphere of marketing. Consequently, adaptation of the marketing instrument and its transformation into a specific instrument of market influence takes place.

The profile of contemporary customer is definitely different from customers 'of the past' therefore also retail chains need to adapt themselves to new challenges related to the characteristics of active customers [Kucharska 2014, pp. 78-89]. Characteristics of contemporary active consumers bring observation about the necessity to gather knowledge about them by commercial chains. This knowledge is acquired for the need of construction of specific commercial offers and to determine the strategy of cooperation with suppliers who are an integral part of the value chain that contributes to the shape of the offered product. Here it should be mentioned that retail trade enterprises in practice apply measures that aim at better identification of target customers.

The offer for individual customer may become attractive if suitable sources of purchase are provided (in the case of trade, they are suppliers of ready products that offer expected value that is guaranteed for example by chain private brand products). Hence indication of suppliers as partners, who enable in practice, development of competitive market offer [Chen 2009; Mentzner, Ming, Zacharia 2000].

Growing demands of customers and competition, as well as progress in the sphere of new technologies become the reasons for changes in the approach to holistic strategies of retail chains [Gilbert, Sumner 2004]. Customers and suppliers are the key elements of this strategy and creation of relationships with them allows for achievement of competitive advantage [Wathe, Heide 2004; De Wulf, Odekeren-Schroeder, Iacobucci 2001].

1. Strategic approach of retail chains to suppliers

The policy of performing purchase and related problems concerning cooperation is the element of activity of retail chains. The subject of cooperation between the sphere of trade and suppliers is discussed mainly by such authors as P. Stannack, M. Jones, T. Wojciechowski, R. F. Reck and W. Szczepankiewicz. In the approach suggested by the aforementioned authors the attention is focused on relationships between enterprises and their suppliers. The problems *stricte* associated with the issues of selection of suppliers are analyzed. The evolution of the purchasing function was discussed by P. Stannack and M. Jones [1996]. In the case of commercial chains operating in Poland the stage of doing shopping focused only on products, is already left behind in these organizations. Another model was presented by R.F. Reck and B.G Long [1988] and shows four stages of purchasing function. While associating the models of evolution of purchasing function with marketing, the model of integral marketing presented by L. Żabiński must also be mentioned [1996]. According to this concept, while participating not only in their target markets, but in also supply markets (labor markets, market of supply and investment goods and financial markets), the enterprises should have, and apply, towards these markets, appropriate marketing strategies that are coherent with the strategy applied towards the target market. Therefore the markets of supplies allow for generation of surplus of income over costs and this demands cooperation with suppliers [Bilińska-Reformat 2006; Sztangret, Bilińska-Reformat 2013, pp. 53-67].

2. Systemic products in retail trade

Retail trade sector has experienced a series of dynamic changes associated with processes of political changes in Poland. It was totally privatized as first,

and the expansion of foreign commercial chains that was even deeper in the second half of 1990, contributed to dynamic transfer of know-how in the sphere of management of purchase and sale processes. As a result of integration, concentration and globalization, standards corresponding to global and international retail chains were introduced in Poland over several years. Their occurrence in Poland brought evident changes in orientation on customer and very strong competition [Kwiecień, Żak 2013].

This resulted in consolidation processes of national trade that had been fragmented before. The fact of emergence of many new national retail trade chains and strengthening of those already existing in market also need to be emphasized [Pilarczyk, Sławińska, Mruk 2001, p. 20].

The largest European retail trade chains operate on Polish market including Carrefour, Metro, Tesco, Schwarz (Kaufland and Lidl) and Aldi. European enterprises from Germany, Great Britain and France are found among the most powerful retail sellers. Table 1 shows the number of retail trade chains operating in various branches in Poland.

Table 1. Characteristics of commercial chains operating in Poland

Branch in which a commercial chain operates	Number of chains
For kids	14
Markets, shops and building materials warehouses	36
Lighting and interior fittings	7
Furniture shops and showrooms	20
Discounts	5
Local commercial chains	84
Polish commercial chains	18
Foreign chains of super and hypermarkets	7
Jewellery, watches	7
Clothes showrooms and shops	108
Shoe shops	28
Bags and accessories	9
Radio, television and household chains	21
Computer shops	24
Maintenance materials and appliances	1
Alcohols	14
Bakeries and confectioneries	100
Coffee, tea and chocolate drinking rooms	9
Gifts and souvenirs	3
Music shops	3
Tea, coffee, alcoholic drinks and tobacco	1
Own food processing	8
Ecological food	4
Health, cosmetics, beauty goods	27

Source: Own case study on the basis of [www 3].

Important phenomena occurring in the sector of trade includes ‘networking’ of its entities (both in horizontal structure / on the level of retail trade, and also in vertical structure / through deep integration of activities with suppliers or logistics platforms), and also shifting competitive power (integrational) from producer to retail trade (concentrated, the so-called ‘large retail trade’).

Integration of the participants in all areas of cooperation is an advanced form of functioning in the network [Otto, Olaczak 2007, p. 184]. Development of systemic products is the result of cooperation between retail chains and their suppliers. These products enable to satisfy customers’ needs better.

Systemic products are a new generation of complex multicore products including services / service products. They generally satisfy the needs of final buyers, including consumers better and more comprehensively than classical products that provide them ‘only’ with single basic values purchased in separate actions of sale [Żabiński 2013].

Systemic products are characterized by the following features:

- frequent and active participation of consumers and also suppliers or commercial agents of an enterprise in their co-creation,
- market offers of systemic products are becoming a new, more effective and efficient basis for competing and at the same time defined cooperation between enterprises,
- generally they have an innovative character which demands marketing activities and systems of their management that are different from classical organization and also frequently different, innovative business concepts [Żabiński 2013].

The offers that are characterized by these qualities can also be mentioned in trade sector. They emerge on the basis of conducted cooperation with various suppliers.

3. Systemic products as a result of cooperation between commercial chains and suppliers

In practice, starting cooperation with various entities demands shaping appropriate relationships with them. In the literature of the subject a method of assessment of significance of market partners for an enterprise can be found. It consists in determination of elements of the environment that have a significant impact on success of an enterprise and on development of ranking of their significance in comparison with other elements [Obłój, Tyrybuchowski 1995, p. 151]. It results from the studies performed by several research agencies that in enterprises that have centralized purchasing structure, their importance is usually

large [Bilińska-Reformat 2011, pp. 237-247]. In the case of commercial chains the purchasing function is located centrally, and is directly subordinated to head offices of particular chains.

Offering private brands on an increasingly larger scale is a manifestation of cooperation conducted between commercial chains and suppliers. Products labelled with private brands are becoming examples of systemic products because their occurrence on market is associated with previous recognition of needs of target markets. In practice striving for their standardization in the whole chain in various countries and composed of diversified formats of stores is observed. Their presence in retail chains proves strengthening of cooperation with suppliers. Especially in the period of economic crisis, customers want to buy cheaper, but at the same time retain the same quality. Therefore emergence of brands not only associated with FMCG category but also brands of usable electronics or clothes is observed.

It ought to be emphasized that in their policy in the sphere of private labels, chains make a decision of starting cooperation with Polish suppliers [Bilińska-Reformat 2011]. On the other hand, the following brands can serve the example of private labels in chains of usable electronics [www 1].

Ok – the brand is to be classified in the lowest price segment. It gathers first of all the goods from all product categories of usable electronics and is characterized by the lowest price level. It is an economical brand dedicated to people who need simple and functional appliances available at moderate price.

KOENIC – is a brand of household appliances of high quality. It includes the products from the category of small and large household appliances of the highest quality, comparable with renowned world producers.

PEAQ – ought to be associated by customers first of all with the brand of usable electronics offering appliances of intriguing design, latest technologies and high quality. A wide range of products including headphones, hi-fi appliances, TV sets and notebooks is offered.

ISY – is to be the brand mainly in the sector of accessories. It offers various types of accessories necessary for functioning of electronic devices, such as cables, plugs, USB ports, HDMI cables or connectors.

While analyzing own brands implemented by Media Markt – Saturn Holding it ought to be emphasized that this potential has also been noticed by British chain store TESCO, that in this way wants to acquire its competitors' customers while introducing electronic products under the name TECHNIKA in its offer [www 1].

Banking sector is a very important cooperation partner for retail chains. Cooperation with banks finds specific application within activities of trade associated with providing transactional services to customers that involves the pro-

cesses of concluding and executing transactions of sale, while taking into consideration information and financial flows. Activities consisting in collecting and transferring information about the value offer for customer, limiting information gap, establishment of financial terms (e.g. installment), making orders, concluding payments (e.g. non-cash one) and transaction settlement can be indicated here among others [Bilińska-Reformat, Kieźel 2015]. It can be stated that in all commercial chains it is possible to make payments by card, and such chains as Tesco, Auchan, Carrefour and numerous chains of DIY stores as well as those offering usable electronics offer the possibility of crediting purchases if payment is made with the use of card of a particular chain. Furthermore, the fact that customers making payment by e.g. Carrefour card are awarded with special bonuses (PLN 5 voucher for every PLN 50 spent) is quite frequent.

Alior Bank can be an example of cooperation leading to emergence of systemic product. The bank actively cooperates with commercial chains. In the summer 2015 it conducted promotional campaign under the name *Rozsądne Konto (Reasonable Account)* that was free of charge. It was accompanied by benefits in the form of 3% return for shopping in Biedronka chain, many other hypermarkets and grocery shops (this gives even PLN 50 monthly and PLN 400 in a year), free withdrawal of money from cash points and other privileges. This offer concerns payments made by card issued for a bank account or via iKASA application on the phone (it needs to be emphasized that the service works not only on smartphones but on most telephones available on market) [www 2].

Cooperation with commercial chains is established not only by banks but also by card issuers. Visa is an example here. Between 18th May 2015 and 28th June 2015 it conducted promotion under the name “Płać kartą Visa na stacjach Orlen lub w sklepach Biedronka i wybieraj swoje powody do radości!” (*Pay in Orlen petrol stations or in Biedronka stores with Visa and choose your reasons to be happy!*). Purchase by a customer was awarded with a bonus of promotional codes that allowed for using the offer of one of the partners in promotion, i.e. Allegro service, C&A chain, Cinema City, Intersport, Praktiker, Telepizza and own labels of Orlen including Stop Cafe and Verva fuel [Bilińska-Reformat, Kieźel 2016].

Consumers' habits change together with development of information technology. More and more customers do not have time or they do not want to go and do shopping in crowded stores. Instead, they do shopping online. After non-food products, now there comes the time for food, tobacco and other consumer products. Commercial chains notice growing importance of online shopping and created their own systems of electronic sale. These stores include:

- Auchan – AuchanDirect.pl,

- E. Leclerc – E. Leclerc On-Line,
- Tesco – Tesco e-zakupy (Tesco e-shopping).

The possibility to do shopping online in commercial chains is also becoming an expression of creation of a systemic product because customers are involved in the very process of buying. Furthermore, there is a possibility to pay by credit card (cooperation with financial institution) and customers can also collect points on their loyalty cards for example in TESCO [Kwiecień 2014; Kieźel 2012, p. 259-263].

The fact that new technologies facilitate conclusion of contracts and allow for fast acquisition of information about offers is the advantage for customers. The examples include proximity cards (pay-pal systems), electronic purse (IKO system) and mobile applications that allow for comparing prices (for example being in a shop you can scan the bar code of a particular product and compare it on a dedicated page with similar or the same offers in other shops, not necessarily traditional, or for downloading an application on smartphone that will react to messages, sent via Bluetooth, about promotions in the mall where shopping is done) are only selected examples that significantly interfere in consumers' habits [Shopping Show 2013, pp. 5, 17]. Communication in social media is also observed. It is applied by such chains as Lidl (that is the leader in the sphere of influencing customers through Facebook) and Tesco that actively communicates with FB users and has 504 842 fans. Tesco Facebook site is called Tesco Eksperti (*Tesco Experts*). The use of Facebook in promotional activity is a very good example of establishment of relationships through involving them in chain activity. This may be an example of creation of systemic products (through involving customers in the process of product formation). The customers become loyal spokesmen of a particular chain and often lobby for its benefit through encouraging friends to like it [Fanpage Trends 2013, p. 57; Kwiecień, Żak 2013].

Conclusions

Contemporary market challenges forced retailers to develop new marketing strategies. Three major areas of concentration of new strategic guidelines for retail sector can be distinguished. Firstly, it is defence of market shares through implementation of private brands. This will lead to decrease of price by 15% and to achievement of a margin by 25% higher. Secondly, there occurs penetration of new market with the use of existing business models that is included in location tactics (large chains in smaller towns). This represents satisfaction of local customers' expectations. Thirdly, growth of sale in online channel is observed –

45% inhabitants of Eastern Europe did online shopping in 2013. Considering the total number of 500 million Internet users in Europe, this is a significant number. It results from the aforementioned data that it is necessary to conduct cooperation with various suppliers of commercial chains on increasingly larger scale.

Suppliers of various assortments pose a challenge in creation of private brands aimed at various market segments.

Suppliers of financial services allow for offering larger access to products for consumers.

Suppliers of information technology solutions allow for supporting sales in chains, e.g. through increasingly broader application of CRM systems that let gather information about customers' behaviors and allow for supporting managing processes in the very chains.

It must also be noticed that a lot of commercial chains are located in shopping centres that offer customers numerous additional attractions. Therefore the offered final product is a multi-core product that satisfies various customer needs and occurs as a result of cooperation with various suppliers.

References

- Bilińska-Reformat K. (2006): *Teoretyczne podstawy planowania strategii marketingowych organizacji wielkopowierzchniowych działających w Polsce na przykładzie Tesco*. Wydawnictwo Akademii Ekonomicznej, Katowice.
- Bilińska-Reformat K. (2011): *Marketing zakupu jako źródło przewagi konkurencyjnej sieciowych organizacji handlu detalicznego w Polsce*. In: *Orientacja rynkowa we współczesnym handlu detalicznym*. Ed. by B. Borusiak. Zeszyty Naukowe, nr 177, Wydawnictwo Uniwersytetu Ekonomicznego, Poznań.
- Bilińska-Reformat K., Kieźel M. (2015) *Retail Chain Cooperation with Banking Sector in Creating Value for Customers – Polish Perspective*. Proceedings of LCBR European Marketing Conference, Lisbon 2015.
- Bilińska-Reformat K., Kieźel M (2016): *Retail Banks and Retail Chains Cooperation for the Promotion of the Cashless Payments in Poland*. Proceedings of 15th International Marketing Trends Conference, Venice 2016.
- Christopher M. Payne A., Ballantyne D. (2002): *Relationship Marketing. Creating Stakeholder Value*. Butterworth-Heinemann, Oxford.
- Chen Ch.-L. (2009): *Strategic Thinking Leading to Private Brand Strategy that Caters for Customers' Shopping Preferences in Retail Marketing*. "African Journal of Business Management" November, Vol. 3 (11).
- De Wulf K., Odekeren-Schroeder G., Iacobucci D. (2001): *Investments in Consumer Relationships: A Cross-Country and Cross-Industry Exploration*. "Journal of Marketing" October, Vol.65, pp. 33-50.

- Fanpage Trends Polska Podsumowanie (2013). <https://www.sotrender.pl/trends/facebook/reports/2013> (access: 15.07.2015).
- Gilbert D. & Sumner F. (2004): *The Current Use of Marketing in UK Retailing*. "International Journal of Retail & Distribution Management", Vol. 32, No. 5, pp. 242-241.
- Kieźel M. (2012): *Multipartnerskie programy lojalnościowe banków, jako forma tworzenia oferty systemowej*. "Handel Wewnętrzny" wrzesień-październik, pp. 259-263.
- Kwiecień A. (2014): *Management of Knowledge and Intellectual Capital as Success Factor of Contemporary Enterprises*. In: *Trade Perspectives 2014. People, Technology, Knowledge*. Ed. by N. Knego, S. Renko, B. Knezevic. Proceedings of The International Scientific Conference, Zagreb, Croatia, 19th and 20th, November, Ekonomski fakultet, Zagreb, pp. 1-14.
- Kwiecień A., Żak K. (2013): *Relacje z klientami w tworzeniu przewagi konkurencyjnej przedsiębiorstwa*. "Zarządzanie i Finanse" październik, vol. 11, nr 4, cz. 3, pp. 263-276.
- Kucharska B. (2014): *Innowacje w handlu detalicznym kreowaniu wartości dla klienta*. Wydawnictwo Uniwersytetu Ekonomicznego, Katowice.
- Mentzner J.T., Ming S., Zacharia Z.G. (2000): *The Nature of Interfirm Patering in Supply Chain Management*. "Journal of Retailing", Vol. 76 (4), pp. 549-568.
- Oblój K., Tyrybuchowski M. (1995): *Zarządzanie strategiczne*. W: *Zarządzanie i praktyka*. A.K. Koźmiński, W. Piotrowski (red.). Wydawnictwo Naukowe PWN, Warszawa.
- Otto J., Olczak A. (2007): *Marketing w handlu i usługach*. Wydawnictwo Politechniki Łódzkiej, Łódź.
- Pilarczyk B., Sławińska M., Mruk H. (2001): *Strategie marketingowe przedsiębiorstw handlowych*. PWE, Warszawa.
- Reck R.F., Long B.G. (1988): *Purchasing a Competitive Weapon*. "Journal of Purchasing and Material Management", Vol. 24, No. 3, pp. 2-8.
- Shopping Show (2013): *Zwyczaje zakupowe Polaków*. Warsaw, April.
- Sirdesmukh D., Singh J., Sabol B. (2002): *Consumer Trust, Value, and Loyalty in Relational Exchanges*. "Journal of Marketing" January, Vol.66, pp. 15-37.
- Stannack P., Jones M. (1996): *The Heath of Purchasing*. PSERA, Eindhoven.
- Sztangret I., Bilińska-Reformat K. (2013): *Relacje oparte na wiedzy w Media Markt*. "EiOP" marzec, nr 3 (758).
- Wathe K.H., Heide J.B. (2004): *Relationship Governance in a Supply Chain Network*. "Journal of Marketing" January, Vol.68, pp. 73-89.
- Żabiński L. (1996): *Wstęp do koncepcji marketingu integralnego*. „Handel Wewnętrzny”, nr 4.
- Żabiński L. (2013): *Innowacyjne produkty systemowe i ich konsumpcja. Uwarunkowania, mechanizmy rozwoju*. "Konsumpcja i Rozwój", nr 1, pp. 3-18.
- [www 1] <http://finanse.wp.pl/kat,1033691,title,Media-Markt-i-Saturn-maja-az-cztery-marki-wlasne,wid,16084612,wiadomosc.html?ticaid=1124dc> (access: 15.07.2015).
- [www 2] <http://www.biedronka.aliorbank.pl> (access: 15.07.2015).
- [www 3] <http://www.lista.e-sieci.pl> (access: 10.07.2013).