THE SUPPLY CHAIN, A STRATEGIC MARKETING APPROACH

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Abstract:
The main objective of this article is to integrate strategic marketing instruments within the supply chain in relationship with the suppliers. In order to integrate the commercial and economic activities at the supply chain level there is a need of developing tight relationships between the customer and the supplier. Thus, it is justified to approach the supply chain from a strategic perspective and the strategic marketing tools are perfectly applicable on the business-to-business market. Our research, has led us to the conclusion that, especially on business to business markets, organizations focus their marketing activities not only on the relationship with their customers, but on the relationship with their suppliers as well. In the supply chain, companies appear as buyers and as clients for the suppliers of goods, financial resources and of work force. Starting from this, we have developed a quantitative marketing research, interviewing 60 organizations from the business-to-business Romanian market, with the purpose of identifying the way in which companies from the B2b market integrate strategic marketing in their supply-chain.

Keywords: Supply-chain, suppliers’ segmentation, suppliers targeting, suppliers positioning, marketing mix in relationship with suppliers

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Introduction

The main objective of this article is to integrate strategic marketing instruments within the supply chain in relationship with the suppliers. The organization on the business to business market is develops, implements, leads and coordinates marketing processes both downstream and upstream, in relation with its customers and suppliers (Olteanu, 2003)

The entire marketing theory resides in the concepts of marketing environment and market orientation, the philosophy according to which organizations are as successful as they adapt their actions to the evolution and dynamics of the environment (Florescu, 1992). According to the classical model of the relationship management with the suppliers, the purchasing company has a “passive” attitude, while the “active” role is that of the suppliers for which the organization appears as customer. However, in many cases, the company assumes an “active” role and we can consider another strategic alternative policy (an active one). By

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placing suppliers in a position of “customers”, the company conducts a thorough research on them in order to better know them, and then develops supplier selection on this information, in order to select an appropriate policy expressed through similar objectives and strategies, up to the point of those used on classic markets. As already mentioned, in all cases the demand of supplied goods and products appears as “derived” demand (Tull and Kahle, 1990), so it relates to the demand of own customers. Consequently, the strategic marketing policy developed in the relationship with the suppliers depends on the trading policy and can be conceptually placed within the supply chain management area.

Starting from this approach the B2B organization uses the marketing research process in relationship with suppliers (Ketchen et al, 2007; Lee and Grewal, 2004) (suppliers as a component of the microenvironment and suppliers SWOT analyses), based on which defines its strategic marketing strategy in relationship with suppliers (Bowersox et al, 2002) (segmenting, targeting, positioning and portfolio analyses of suppliers), and the implementation of a marketing mix relative to suppliers (Hutt & Spech, 2004 This paper emphasizes the results of a research regarding the way Romanian companies on business-to-business market are using strategic marketing to build and develop the relationship with their suppliers, with an emphasis on the methods used in selecting a supplier, criteria considered in evaluating suppliers and the retention methods for the main supplier.

1. The supply-chain

The supply chain is a network of suppliers, production capacities, warehouses, wholesale and retail centres through which the raw materials are purchased, transformed, and delivered to the consumers and users. Therefore, the problem is to synchronize the enterprise flows with those of entities with which it interacts (Vasiliu, 2008). The supply chain management is the strategic tool by which operational decisions are made leading to the performance of the entire supply chain optimization (Seitan, 2008). The essential point of a supply chain is that it links all the activities between suppliers and customers in a timely manner (Felea, 2008). The strategic level defines the network of the supply chain that covers the selection of suppliers, transport routes, production facilities, warehousing, etc. The tactical level deals with planning and programming of the supply chain to meet the actual demand, while the operational level refers to the actual enforcement of the planning performed at tactical level. The decisions made at tactical and operational level are distributed back and forth along the supply-delivery chain.

To optimize the performance of the supply chain, its functions must be used in a coordinated manner, but the dynamics of the socio-economic environment in which the company is acting make the coordination very difficult (Barrales-Molina et.al, 2010). Thus, the supply chain system must constantly coordinate the revising of the activities that take place. The ability to efficiently lead and plan the tactical and operational levels of the supply chain determines the achievement of company goals.

In order to integrate the economic and commercial activities within the supply chain, there is a need for close partnerships to be developed between customers and suppliers. If supply chain management presumes a relevant focus on logistics services, and logistics service is a part of the distribution system of marketing strategy, then supply chain management, logistics, and marketing are very strong linked (Flint, 2004). The development of the supply chain implies that all firms involved in the process to share information about customers,
actual level of demand, transactions level at the point of sale and corporate strategic plans (Mele, 2011). The supply chain involves a large amount of joint planning and communication, companies often create joint staff teams to facilitate and coordinate the circulation of the products on the market. In other words, supply-chain development requires not only the integration in the various departments of organizations but also among departments of partner companies. Traditionally, not-integrating information among partner companies in the supply-chain is more costly and time consuming. Such an approach often involves much higher costs of transport and handling, a larger sales force, more involvement from the purchasing departments and other components of the organization.

2. Methodology

In Romania, the use of strategic marketing as a core element in the relationship with suppliers by companies on the business-to-business market is still in its early evolution, in some cases even at the “unconscious” level. In order to develop the practice, it takes a well-proven theory that must also be adapted to the current demands of the domain of business relationship with suppliers.

Thus, it is necessary to have the required information about the current state of implementation of the strategic marketing by the companies that are active on the business-to-business market in Romania, and especially to identify the ways in which organizations use these techniques and instruments to develop the relationships with their suppliers.

The goal of the research. Starting from the issue presented in the previous stage, this research aims to analyze how organizations operating on the Romanian business-to-business market integrate strategic marketing in their relationships with suppliers. The research has a secondary purpose, to see if there are identifiable elements of relationship marketing in the relationships that companies on the B2B market are developing with their suppliers.

Among the objectives of the research there can be mentioned: identifying the most important criteria used in supplier evaluations; the most important elements used in supplier selection; the relationship between the company on the B2B market and its main supplier; the type of relationship between the company on the B2B market and their main supplier as well as the analysis of the way the relationship is conducted.

The method of gathering the information. The researched collectivity is represented by the companies operating in Romania on the B2B urban market (cities with over 50,000 inhabitants), either domestic or foreign, in any field of activity. Variables were defined both conceptually and operationally. To measure as exactly as possible the phenomena within this research, both metric and non-metric scales were used (Cătoiu, 2002:278). The personal “face to face” survey was used as an information gathering method for this research and the instrument used was the questionnaire. In order to determine the sample to conduct the research on, the decision was to use a random sampling method, as the issue studied is a new element in the Romanian marketing research that is why it was regarded as an exploratory research that will make available information necessary to a future design of a research on a representative sample. Thus format sample included a total of 60 companies surveyed in the B2b in Romania.
3. Results

When we analyzed the results of the research we have considered the four parts of the questionnaire. The first part of the questionnaire was focused on the method of evaluation of potential suppliers, in order to identify the underlying elements that are the basis of the purchasing centre decisions. The second section presents the companies’ perspective on the main criteria considered in supplier selection so to identify the elements that are the basis of the supplier selection, segmentation, and targeting processes. The last two sections of the questionnaire are presenting in mirror view the opinion the company has on their main supplier and the attitude towards them in order to identify how strategic marketing elements are used in the relationship with the supplier, particularly the product and price policies. The behaviour towards the main supplier was chosen to be analyzed in order to better evaluate the attitude towards establishing long term relationships. This research was also aimed to highlight the correlation relationships between the different research variables.

Considering the main criteria used in evaluation of suppliers that were considered in supplier management by the companies on the B2B market in Romania, these are in the order of their importance (Figure no.1): the quality of the supplied products, the products price, payment facilities and discounts offered by the suppliers. These results prove that although the most important aspect considered is the quality, then all the others are price connected, meaning that although the Romanian companies are seeking high quality products, they cannot really afford them and aim to purchasing them at the lowest cost possible and on credit terms.

Despite the fact that internationally the most important attribute for the companies on the B2B market is the product availability (from the point of view of the purchasing centre), the research revealed that for the Romanian companies this attribute is situated on the fifth place, with regards to its importance. This proves that the supply chain is not very well developed and companies are using large inventories of input products instead of JIT systems that would allow them to solve more efficiently the other issues connected to their liquidity (Bălan, 2008) (large raw material inventories -> financial assets - > low cash flow position - > focus on price advantageous conditions, discounts, payment methods).

![Figure no. 1: Criteria used in supplier evaluation](image-url)
Interesting is also the fact that, analyzing the questionnaires for the most important four criteria, the answer most frequently selected was “total agreement”. The low score obtained by the additional services offered by the supplier represents the willingness of the companies to waive certain additional services so to obtain a lower price for the supplied product. However, this statement reflects a simplistic thinking from the companies on the business-to-business market in Romania that are looking at supply cost only from the point of view of basic price, and not through the aspect of the integrated logistic cost that contains also the services offered that can generate economies of scale to the company. We can also add, in this context, the result obtained to the question “providing discounts to the supplier”.

A low importance is given also to the novelty of purchased product, which is understandable considering that a new product is usually associated with a higher price and possibly lower reliability. We can also note that the least important criteria in supplier evaluation is the method of promotion of the supplied product, and this only reconfirms the minor role played by the promotional techniques such as sales promotion or advertising on the B2B markets (Hellman, 2005).

Given the current market context, the financial crisis clearly affects the profitability of the firms, if not its survival and it is understandable that organizations place a greater emphasis on quantitative evaluation criteria (criteria that are linked most often with lower costs).

Concentrating our attention on the most important elements considered in supplier selection, the first one was the “supplier reliability, business references”, this showing the desire companies have to establish long term relationships with their suppliers (figure no.2). Nevertheless, correlating this characteristic with the importance of the long term relationships in the supplier, evaluation that received only a mediocre score in the first section of the questionnaire we can say that the desire to evaluate suppliers firstly on their reliability resides primarily in a certain convenience. It is also noted that the production facilities of suppliers prove to be the least important in the supplier selection process, which shows that although quality is the most important attribute in supplier evaluation, it has no objective criteria estimation. The fact that the production and sale technique were inferiorly ranked also supports this affirmation. Continuing analyzing the results from this section we can see that organizations don’t value greatly the human resources of the suppliers, this being proved by the low scores obtained by the supplier’s sales force, management and even technical personnel. Analyzing the responses in terms of their frequency it was observed that for the first five criteria considered the response that occurred with the most frequency is that of “partial agreement”.

![Figure no. 2: Criteria used in supplier selection](image)
Moving to the third section of the questionnaire, where companies on the B2B market express their opinions on their main suppliers, one can note that these companies consider the relationship with the main suppliers as being a partnership one. Developing a long term relationship specific to relational marketing approach is a typical of B2B field.

In general, companies believe that their main suppliers “are serious”, “are trying to carry out their obligations”, in most cases “negotiate fairly”, are “telling the truth”, are a “real partner for discussion” and “not trying to deceive”. It should be noted however that although the responses in this section indicate a strong relationship of partnership, the companies on the B2B market in Romania do not consider very important “the possibility of developing partnerships” with their main suppliers. Turning to the last section of the questionnaire, we can note that the highest score is given to a statement that also reveals the partnership relation between the two companies, namely that “there is an exchange of information between the two entities”. However, it should be noted further that although there is some openness to the exchange of information between the parties, this does not apply when it comes to “confidential information” or access to “patents and inventions”, although they could be useful to the supply-chain.

Regarding the assessment of suppliers, this section repeats what was presented in the first part, that quality is very important and there is a need for the supplier to be quality-certified. The performance of a supplier is not only evaluated in terms of production costs but using several evaluation criteria. It should be noted that there is collaboration between the two parties in terms of reducing production costs. Although there is a partnership and trust relation between the two parties, there is also a form of contract that takes the form of a general framework agreement to coordinate the relationship between the two parties involved in the supply chain.

As a final conclusion, based on their importance, the criteria used by the companies on the Romanian B2B market to assess their suppliers is: product quality, product price, payment facilities obtained, discounts offered by the supplier, availability of the supplied product, long term relationships and services offered by the supplier. When comparing these with the theory that places first the product availability, then quality, price, services offered and the long term relationships, we can state that for Romanian companies the purchasing decision is mainly made on quality and price criteria. It is surprising that although the other characteristics that are related to price are considered important, product availability that generally equates to liquidity is not considered important. This can be analyzed in a future research because it represents a major difference from the theory to specialist and researcher expectations.

Regarding the elements taken into account when selecting suppliers, a higher importance is held by the reliability of the supplier, then the attitude of the sales staff, supplier experience and its economic stability. Generally, the respondents opted for criteria related to safety of the relationship, which highlights the interest in developing partnerships. With regards to the opinion and attitude of the companies on the B2B market towards their main supplier, a relationship of duality can be noted, as the supplier is considered to be seriously involved and this is also the attitude of the company. There is also some scepticism in the relation with the supplier, as the contract is considered very important, the exchange of confidential information is almost nonexistent and generally the supplier is not helped in quality issues, although this may affect the company.
Interesting are and the results achieved from the analysis of the relationship with the marketing mix elements. On the product policy, the focus is centred on the quality of the product, and less on its novelty as companies prefer the safety of the known product. The supplier is also involved in the process of new product development. With regards to the pricing policy, the emphasis on its importance can be noted, and that of offered discounts and payment facilities. The negotiation process is also very important, although there is a certain pressure from the main suppliers that tries to have the last word, but that characterize this relationship more transactional than a strategic approach.

As a final observation of the research, we can say that the relationships between the Romanian companies and their suppliers are still in their early stages of strategic marketing usage, and the price is generally the core of the decisions made along the supply-chain.

4. Implications

If we use segmentation as a strategic marketing tool to identify the segments of suppliers, it is recommended to use the following criteria (Rangan and Shapiro, 1995; Dibb and Wensley, 2002): criteria for long term company vision with the following variables: economic performance and financial stability, organizational strategy and culture, financial aspects, technologic aspects, supplier reliability, business references; criteria regarding the supplying company that contain variables such as: general company coordinates, company human resources and management, supplier experience, production facilities; criteria regarding the supplier business behaviour with the following variables: production and sales available equipment, the quality and availability of the products offered, the attitude of the sales staff, the behaviour of the technical staff, the management competence.

Developing of the marketing mix for one or several segments of suppliers, identified as a result of the segmentation process represents the process of suppliers targeting. Two very important factors must be considered when a target segment of suppliers is chosen by one company or another: the compatibility between that segment and the company purchasing objectives, strategies and resources and the attractiveness of that segment of suppliers. The compatibility is the result of the extent to which the supplier segment is able to satisfy the company expectations on the B2b market with regards to (Webster, 1991): product availability, product price, product quality, services offered, and the availability of a partnership relationship. The attractiveness of the segment of suppliers is determined by specific consumer behaviour and competitor (Sollner and Rese, 2001). It may be evaluated through one of the following aspects: size of the segment (number of potential suppliers); competition on the segment, the greater the competition, the better conditions can the company obtain for the purchase; loyalty manifested by the supplier segment towards the company; expected profit margins; growth rate of the segment.

Based on the two elements there are the following market strategic variants of targeting a certain supplier segment: market concentrated strategy when the company on the business to business market is focused on a single segment of suppliers; market differentiated strategy of focusing on two or more segments (the optimal alternative would be with two segments with a sharing ratio of 60/40); non-differentiated market strategy of targeting all the segments of potential suppliers.
In order to analyze the suppliers efficiency to be targeted the company may also use the ABC (Pareto method) (Chen et al., 2006). This allows suppliers to be classified in three categories:

- “A” high importance (“strategic”) suppliers, with an important share in providing the organization’s resources; usually, the A type suppliers hold 65-70% of the total volume of resources inputs and represent 20-25% out of the total number of suppliers;

- the next category is represented by “B” medium importance suppliers, holding a relatively reduced share in ensuring the resources for the organization; usually the B type suppliers hold 30-35% out of the total volume of resource inputs and represent 45-50% from the total of suppliers;

- the last category is represented by “C” low importance suppliers, with a low share in ensuring resources for the organization; usually the C type suppliers hold approximately 10%-15% out of the total input level and represent roughly 30-35% out of the total suppliers.

After segmentation and targeting process, the next step of the strategic marketing process is represented by the positioning that defines how a company’s marketing program is perceived by the buyer to apply the main competitors marketing (Dumitru, 2004).

Suppliers positioning towards the company using the “perceptions map” consists of the succession of two stages: identification of the main features required by the company from potential suppliers (product availability, quality, price, services offered, etc.) and the intensity of each of these characteristics for each particular supplier. Based on the two variables a “perceptions map” for every supplier can be drawn (Noir, 1977; Bobin, 1988; Kotler and Armstrong, 2005) that would represent basis of the purchasing decision made by the company.

The positioning of the company towards potential suppliers follows two stages: the company identifies the main advantages sought by the supplier in the partnership relation and their importance; maximizing the position, which represents the attempt to reduce the gap between the position of the company and the provider’s expectations.

Moving to the marketing mix the product policy in the relationship with the suppliers involves several aspects such as:

- Research of new products from new supplier categories considering the type of the purchase, repeat purchase, modified or new purchase. The main products purchased on the B2B market within the acquisition process are: heavy equipment (investment property), light (auxiliary) equipment, raw materials, parts and consumables. Besides these goods, companies active on the manufacturing market are also involved in the trade of services for the manufacturing. Their role is very important for the activity of any company and often contributes to the improvement of the offer and to the creation of a solution that the company then offers to its customers (Anghel and Petrescu, 2001);

- Identifying products that meet the level of quality the purchasing centre of the company is seeking and the collaboration with suppliers in order to ensure the necessary qualitative level. The strategies applied in the relationship with the suppliers may be: the qualitative consistency when large purchased volumes are involved and the qualitative consistency for the purchasing process that are very important; qualitative adaptation of the
merchandise to the purchasing centre demand; qualitative differentiation based on the characteristics of the products to be manufactured.

- The warranty and service policy offered by suppliers for the products that are purchased and are incorporated in the final product sold to the final customer. Considering that a main characteristic of the products on the business market is the complexity of products this shows that a large number of components are involved and ensuring service and warranty is very important to be offered by suppliers. In fact, the service and warranty policy of the company is a sum of the service and warranty services offered by its suppliers. For example, products from different suppliers can be returned under warranty or sent to a services for remedy them from where return to the market (Kotler and Keller, 2009).

- New product launch on the market, assumes that the company on the business to business market establishes new relations with the current supplier or identifies new suppliers from which purchases new products that undergo the same stages as when new products are launched on the market: setting of the launching period, the targeted area, the supply channels, preparing the purchasing centre, choosing the methods of supply;

After we have discussed the product policy regarding the suppliers the next step is represented by the pricing policy. The pricing policy in the relationship with supplier supposes the following aspects:

- Establishing the final price of the product offered on the market that depends highly on the price of the products supplied. Generally the price is established based on three elements: costs, competition and demand. A cost based price involves considering the purchasing cost of the products supplied. When the company on the B2b market purchases high volumes from a single supplier it can also impose certain price policy elements on the supplier: maintaining of the price a certain period of time, maximum cost for certain cost components;

- With regards the pricing policy in the relationship with suppliers, the discount policy is very important, based on: the products purchased, the quantities supplied and the payment methods applied. If on the consumer goods market the customer usually pays for the full list price and usually on the spot (cash, card, check), on the business market there are actual pricing policies with regards to the supply of products. These involves discounts offered based on the size of the order, based on the quantities ordered, and on the payment conditions (on the spot or in advance);

Distribution policy in the relationship with suppliers involves all the elements of developing the distribution channels upstream from the company on the business to business market (supply channels). This is the most important marketing mix component in the relationship with the suppliers. Thus, here we can consider:

- Supplying channel dimensions with its three components: the length of the channel that depends on the number of intermediate levels used in supplying products or services; the width of the channel that regards the number of suppliers used on a certain level and selected to supply a certain product; the in-depth of the channel reflects the geographic proximity between the supplier and the purchasing company. Based on the volume of the purchase, there are certain production or storage facilities that can be developed even within the purchasing company;
The types of supply channels used. If the company purchases from the local or international (import) market it may act or not, through intermediaries in order to make more efficient its purchasing process. Thus, we can have long, short or direct distribution channels;

Intermediaries used. They can be trading houses, whole-sale storages, export agents of the manufacturer or brokers;

Strategic alternatives considered. Based on the number of suppliers used the company may opt for an exclusive supply when only one supplier is used, an extensive supply (large number of suppliers) or a selective supply (reduced number of suppliers, usually two, with the share of 60/40);

The promotional policy reflects the communication flow between the purchasing company and its supplier and how the company is positioned to communicate with the supplier, how the procurement centre communicates to the supplying company. The purchasing centre of the business to business organization is the main element of communication with the supplying company. It is very important that they “sell” the company as a reliable partner for the supplying company. There are promotional techniques that can be used in the relationship with suppliers, such as sales promotional techniques. The purchasing company may offer bonuses to its supplier (as higher accepted prices or payment in advance) if the latter succeeds to meet unscheduled needs of the company on the business to business market.

Conclusions

The presented research, considering the usage of the strategic marketing instruments on the relationship between companies and their suppliers represents one of the first of its kind in Romania. In B2B markets a suppliers segmentation can be done by considering which is, the most important criteria taken into consideration when acquiring a product (Dibb and Wensley, 2002). A company generally acquires in the importance order based on: product availability, quality, price, services offered and possibility of long term relations (Laiderman, 2005).

In using segmentation as a strategic marketing method for identifying potential suppliers the following criteria are recommended (Rangan and Shapiro, 1995; Taylor, 2003): organizational criteria regarding the supplying company, its business behaviour and its long term vision.

Targeting of suppliers means developing the marketing mix for the segments identified based on the segmentation process. Two main factors are to be considered when a segment of suppliers is targeted by a company: the compatibility of the segment with the acquisition objectives, strategies and resources of the company and the attractiveness of the segment of suppliers and (Webster, 1991).

Suppliers positioning by using the “perception map” (Noir, 1977; Bobin, 1988; Kotler and Armstrong 2005) means following two stages: which are the main characteristics of the supplied products and the intensity of each one of this characteristics for every supplier. Last, but not the least elaborating strategic marketing planning in relationship with
suppliers, stands also in applying the main components of the marketing mix: product, price, placement and promotion.

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References


