

NEW APPROACHES TO THE MODERN RETAIL MANAGEMENT

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Abstract

A concentrational retail development has effectuated further changes in its structure and, accordingly, the changes in the retail economic entity management. In that respect, altered is also a heretofore retail marketing paradigm, as the assortment formation, based upon category management and other vertical marketing types, becomes preponderant. On the other hand, in addition to the cognizance of developmental legalities of the new business unit types, new technologies, and human resources, the knowledge of retail-oriented buyer interconnection modalities becomes ever so pronounced in the new circumstances. Of course, it is harmonized with the newest marketing development phase, based upon an orientation toward buyers and processes.

Such an approach is in a direct function of creation of presuppositions for the achievement of a more efficacious and effective economic growth and development in the retail sector.

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1. Introduction

This paper provides for a short retrospection to the modern trends in a retail-company management. The purpose of the paper would be to provide for a basis for further research in the corporate retail management in the Republic of Croatia in the modern circumstances of large foreign retail chains' penetration into the Croatian market.

2. From marketing to the commercial corporate management

Up to the 1980s, it was interesting to discuss the emancipation of a store-oriented marketing with regard to that of a producer, as well as an individual store marketing (Theis;1999,30–42). However, many scientific papers on commercial business transactions, i.e., on commercial management, have been already recorded nowadays (Foscht et al.;2008,22). The formation of small-sized but transportationally strong commercial concerns and consolidational tendencies (of the small-sized toward the large-sized stores) has significantly modified retail

structure. Modern commercial management is being developed in these circumstances.

Namely, it has been perennially emphasized that the knowledge of commerce gains its importance, and an increasing power of commercial companies in a distributional process between production and consumption is adduced as a reason for this phenomenon (Rudolph;2005,9).

In that respect, H. Liebmann has paid his attention while focusing on the purchaser-oriented benefit as a key task in commercial management already in 1988 (Foscht et al.;2008,22). This is in conformity with the newest phase in the post-1980 marketing development (characterized by a special market orientation). It is therefore emphasized that the most significant strategic mistakes in many contemporary commercial companies consist not of an ignorance of business units' formal developmental legality, new technologies, and personnel and other cooperants cognizance but of a knowledge how to be interconnected with the retail customers, related to a retail business unit's location.

Thus, the very commercial marketing is nowadays more an abstract model, for essential is the assortment formation, related to an increased category management (CM) program and other vertical marketing forms' introduction. It pertains to the large-sized commercial companies and their cooperation with the suppliers.

On the other hand, it has been established already in the 1980s that an enforced orientation toward customers may prove successful only if the realistic logistics solutions are found, e.g., a supply-chain management (SCM). In that respect, one should emphasize that nowadays the just-in-time (JIT) strategies gained significance in commerce as well, and vertical cooperation emerges as a supposition of reengineering. This pertains to the optimization of partnership concerning a creation of values between commerce and industry.

Based upon contemporary practice favoring customers and logistics, new concepts have been developed in retail business with regard to the participants' cooperation within a distribution channel. These new concepts are predominantly an efficient consumer response (ECR), quick response (QR), continuous replenishment (CR) and the aforementioned category management (CM). In this correlation, we may accept that a just-in-time (JIT) orientation has determined the first generation of modern retail logistics, while an orientation toward the creation of value chains has provided for the second commercial logistics generation.

Naturally, a confrontation between various strategic issues within a commercial company has been intensified by an increasing size of many commercial retail companies. One may differentiate between the strategic business units (especially regarding the product categories and store lines, i.e., the business unit types) in the commercial retail companies as well, what improves an excogitation of portfolio theory, so that the forms for the strategic planning phases, strictly connected to a general phase planning form, have been developed. Based upon these

excogitations, the contributions to a commercial retail company's strategic planning have also been created.

3. Various theoretical approaches to a commercial company's strategy

One may analyze the following as strategic decisions in a commercial company (Müller-Hagedorn & Toporowski; 2007, 49–51): a) selection of a business unit type; b) internationalization-related decisions; c) diversification direction and scope; d) scope of cooperation between commerce and industry; e) decisions on the formation of central resources, especially the IT and logistics systems, as well as on the formation of informational structures, predominantly related to centralization and decentralization.

According to some sources, the contributions related to the business units' type selection pertain to the concrete business units, e.g., to discounting, department stores, etc., or to their combination, i.e., to the multichannel systems, according to other authors. In the center of attention are frequently the theories that explicate the consumer purchase site selection. Provided hereby are economic models. In any case, dominant are the setups based on an attitudinal theory, emanating from the fact that a consumer selects a business unit type based upon his or her attitudes.

Finally, the theoretical approaches, based upon an access to emotions, are also being applied in addition to the exclusively cognitively-oriented models. In this context, an orientation to an experience as a strategic concept has gained its importance.

In the discussions on the internationalization of distributive commerce business activities, one may predominantly find the application of general attitudes pertaining to distributive commerce, theming both the basic internationalization decisions and internationalization types. Hereby, a series of theories have been interpolated. A supposition based on resources and a new institutional economics gains special importance herein.

When debating over the distributive commerce internationalization, especially great attention is paid to the issue of market penetration type and thus to the issue of coordination between the domestic and foreign activities. How much the theoretical suppositions may explain certain developmental internationalization trends is equally critically tested. Additionally, themed are also the decisions pertaining to the target countries' selection, market entrance time selection, as well as the issue whether a market-political toolbox should be standardized or differentiated.

Empirically, an approach to the commerce involves both the companies that limit their service offer to a single unique business unit form and the companies that encompass a spectrum of business unit types or even expand their activities to other vocations and economic activities. An issue of concentration or entrepreneurial activity diversification stands behind this decision.

Namely, both the companies that concentrate their activity on a single business unit type and the concerns with multiple business unit types exist in commerce. They can be directed to one or more vocations, can be exclusively stationary or nonstationary, or can incorporate both commerce types and be affiliated with only a wholesale or a retail level or with both tiers.

A thesis that rationalization possibilities can be detected via economic cross-level cooperation effectuates the fact that commercial companies increasingly have to deal with the issue how important is a strict coordination or even cooperation with the upstream-located production levels. The concepts such as the aforesaid efficient consumer response (ECR), category management (CM), or the so-called “collaborative planning, forecasting, and replenishment” (CPFR) exist in practice as a visible result of such debates. They are an instant follow-up to the question of how useful is a coordination of various functional areas, especially marketing and logistics. Both hypotheses—a crossing of economic levels and crossing the boundaries of individual business functions within a company—are reflected exactly in the supply chain management (SCM) concept, whereby this concept should not be solely reduced to the physical distribution tasks.

Approximately ever since 1994, the efficient consumer response (ECR) idea has initiated many activities between commerce and industry. According to the ECR idea, efficacy may be increased if certain cooperation between industry and commerce is effectuated while planning the market-political instruments. Collaborative planning, forecasting, and replenishment (CPFR) presents a setup whereby commercial and production companies are cooperating in order to develop planning and prognostic data pertaining to the demand for the products sold by these companies. The jointly retrieved data are firstly used to modify the product stocks at the terminal point of sale (POS) within a store as to avoid the out-of-stock (OOS) cases, provided that it is economically justified, as well as to optimize the entire supply chain. A basis for CPFR is provided by data interchange between participating companies, whereby historical data (sales amounts) and specially processed plan data are especially relevant.

Within the efficient consumer response (ECR), category management (CM) is also being developed, whereby the assortment should be divided in categories that correspond to the consumer desires and needs, and correspondent strategies and tactics should be developed for these categories. Hereby, category is defined as a “group of products that can be extracted and managed individually ... and is recognized as different and/or replaceable by the consumers in the satisfaction of their needs.” (Müller-Hagedorn&Toporowski;2007,50) The handling of formed product categories is located into one process scheme, the CM process, which also involves the creation of strategies and tactics, as well as an introduction of a procedure-control plan, in addition to a category analysis. An ECR idea, i.e., a CM idea, was later transferred to certain market-

political and marketing instruments, e.g., to the sales improvement, commercial branding, or price strategy.

We may purport that efficient consumer response (ECR) and collaborative planning, forecasting, and replenishment (CPFR) imply an interconnection between marketing and commercial logistics. The decisions within these conceptions relate to the construction of warehouse network, structural conditions of a warehouse or a transit terminal, and current operations, whereby prognoses, orders, stocks and processes are lead. Of course, efficient logistics gains its significance for a commercial company predominantly due to a competitive pressure. In order to raise efficiency, certain value-creative stages are interconnected. Hereby, one should emphasize the creation of an integrated supply management, creation of adjusted warehouse structures, vendor managing inventory (VDI), as well as standardization and automation of further data transfer, up to the concentrated commerce and industry procedures for the application of product-oriented radio frequency identification (RFID) technology as a consequence of an integrated supply chain management (SCM). Through a narrower collaboration between individual value-creative stages, a debate on the creation of certain supply condition system is reopened.

4. New distribution channel forms

In addition to the “classical” distribution channel types, it has been opined that some new forms, especially in the consumables sector, have been recently developed, based upon the adduced new managerial conceptions. Thus, with regard to the new managerial conceptions, one should again mention the new distribution channel forms:

- (a) the appearance of new commerce centers, e.g., factory outlet centers (FOC);
- (b) a quick response (QR) concept;
- (c) an efficient consumer response (ECR) concept;
- (d) e-retail within e-commerce (Ehrmann;2003,466–467).

As a rule, the FOCs are created by virtue of multiple producers’ collaboration. Their commodities are offered without the stores involved. Frequently, arranged is an “experience purchase.” The buyers should be attracted by catering facilities, motion picture theaters, natatoriums or certain entertaining performances.

The QR system was developed in the US as a strategy concept as to shorten the the current time in an overall logistics channel (supply chain). It can be defined as a “partner delivery system harmonized with demand of all companies participating in a logistics channel, based upon constant data interchange” (Ehrmann;2003,467). Known are the QR system in the textile industry. They pertain to data interchange systems that cross the boundaries of a company and

effectuate a pronounced reaction and delivery time reduction. The concept can be observed as a specific just-in-time (JIT) retail delivery type .

Although the ECR concept was introduced already in 1992, there is no unified definition thereof so far. One should emphasize that ECR is practically predominantly concentrated on retail sale and wholesale, i.e., almost exclusively on consumables.

The ECR concept actually represents a follow-up to the QR concept and can be translated as a “successful reaction to consumer demand.” As a strategic concept of an interorganizational collaboration between producers, wholesalers, and retailers within a distribution channel, ECR is especially significant, for the objective of an increase in the market-change reactional capacity, i.e., a reaction to customer desires, should be achieved through an integrated management at the level of an overall supply chain, while simultaneously optimizing the costs and effects in the commodity assortment, supply, stocks and advertising areas and introducing the products into an overall distribution channel. In that respect, the ECR setup is based on a CM idea regarding a supply-oriented management and SCM, i.e., on an interorganizational supply-oriented logistics chain management.

In any case, ECR may be also observed as an expression of SCM in the consumables niche. In SCM, the cooperation between companies is also extended both to the supply and to the demand side, so that marketing, product, and logistics are being controlled. A data warehouse and the aforementioned CM are of special importance for the introduction of ECR, and thereby the observation of a supply chain from a marketing point of view as well (Zschom;2004).

This means that consumer behavior while purchasing serves as an impuls to the production and logistics processes. Thus, an overall observation presupposes that collaboration of all distributional degrees is necessary for the realization of ECR as to optimize merchandise and information flows. A fundament for corporate cooperation is a rapid electronic data interchange (EDI).

The ECR is a method for an efficacious value chain formation focused on a consumer-oriented benefit (Corsten&Pötzl;2004,7). A value chain is an analytical strategic planning toolset (Porter) and was increasingly applied in many marketing-based papers, expenditure calculations, controlling and strategic management (Schmickler&Rudolph;2002,19).

E-commerce could be opined of as a further developmental stage of parcel trade. It is essential that the overall supply, marketing, promotion, customer service and payment processes are supported by the Internet technology. Commodity delivery is complemented by complete services.

5. Some remarks on the situation in the Republic of Croatia

In the Republic of Croatia, the concentrational processes in retail sale were initiated not sooner than on the occasion of an accelerated entrance of the large-sized foreign retail chains after 1998. Thus, the problems are nowadays existent in Croatia especially in the relations between domestic producers and the large foreign retail chains (Segetlija;2006,1324). The proposals for the development of cooperation between domestic retail companies and domestic production are therefore important as a strategy to increase their competitiveness. Equally, partner relations with foreign suppliers are also being proposed for the enforcement of competition of Croatian retail companies and for a successful CM implementation. Therefore, both partnership (with production) and cooperation within the overall value chain are pronounced for the development of the Croatian retail sale.

6. Conclusive thoughts

Concentrational processes in economy have also effectuated further changes in marketing, so that an individualized commercial marketing is already an obsolete category, because various forms of partnerships and cooperation between commercial and productional companies are being developed, including the entire supply chains. In these conditions, new management concepts pertaining to the large-sized commercial companies, where both the marketing and logistics elements are equally important, have been created out of an individual commercial marketing.

Therein, the Croatian companies and retail commerce groups should use the benefits and advantages brought by partnerships and cooperations with both the productional and commercial companies on the international market.

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