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SIGNIFICANCE OF THE LIAISON BETWEEN THE PARTICIPANTS IN THE CUSTOMER SERVICE MARKET

Case Study

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Abstract

The major transformations in the supply of goods and services during the last decades entailed the development of some interactive relations between the various participants engaged in commercial operations. These relations, although naturally conflictive as for the classic negotiations between the participants, became, in certain fields, cooperation relations or even partnerships in the service of the clients on the relevant market.
In this work, we intend to analyse the most significant participants in the market of lighting sources and devices (LSD) and to underline the importance of the cooperation between these participants in the satisfaction of the final client requirements. The specific of this market entails the preparation of some marketing strategies to prevent the conclusion of some partnership relations at the procurement-delivery chain level as well as between the participants in this chain and the so-called market "influencers" (architects, installation companies, builders).
The purpose of this approach consists in the preparation of a proposal package dedicated to the companies participating in this market for the purpose of cooperating in providing intelligent lighting solutions.

Introduction

The evolution of worldwide market economies, the development and diversification of goodsand services production, the multiplication of international exchanges along with the integration of the good and service markets, the increment of the consumers' exigencies and the need to identify new efficiency development sources of all the participants in the market are major influence factors which resulted in a strong economic sector, the one of the supply chain management (SCM).

1. Cooperation and partnership in the SCM

Many companies have dramatically transformed their production processes and as a result, enjoyed great rewards. These led to the idea of SCM, a paradigm that starts with the services offered to the clientele and argue that the output is the result of the cumulative efforts of all the members of the channel.

A spectre starting from the most functional to the most innovating products may be used to determine which of the philosophies of the procurement – delivery chain is the most suitable for a certain product. The innovating products, whose demand is fundamentally volatile, require procurement – delivery chainsto promptly answer to the market signals. The functional products, whose demand is a steady one, require procurement – delivery chainthat maintains costs at a low level(Coughlan, Anderson, Stern & El-Ansary, 2006).Both types have become more feasible along with the development of new technologies and the changes that took place in the management practices.

We are currently assisting at a significant upstream penetration of the distributors along the procurement – delivery chain. The stake is a greater control of the added value. This tendency manifested by the distributors is possible by centralised logistics and by the development of new informational and communication technologies, to strengthen the power of the final client, without negatively affecting the adjustment of the activities to the particularities of the local markets(Rushton, Croucher& Baker, 2006).Especially, we note that the distributors take over the control of the sale areas, centralise their logistics, develop their own products and invest in the advertising of their trademarks. The redundancy of the manufacturers' and distributors' functions increases the need for a new cooperation between the two,byconcluding partnerships and alliances(Ristea, Ioan-Franc&Purcărea 2005).

The cooperation is placed in the core of the sectorial development of the SCM. The flow integration involves the design of the systems starting with the analysis of the challenges and objectives of several actors involved in the logistic chain. The motivations that determine the development of the cooperation behaviours are of different nature (Dornier& Fender, 2007):

- **Seeking an alternative to the competition's actions**: the competition theory launches the ides that the company must hold a competitive advantage. A first approach consists in considering the cooperation development as a means in the creation of the competitive advantage to allow the company fight more efficiently against its competitors. To become competitive, it must cooperate. It may choose to cooperate to counterbalance the competitors' actions or, another alternative would be to cooperate in order to avoid competitors, to limit their influence. This last approach (the defensive) is focused on the seeking of safety and it is interested in the competition's game only to a limited level. Alliances are only seen as means of collective consolidation of the allies group, however they may weaken the power of a partner in favour of another;

- **Reduction of transactional costs:**this motivation is specific only to a global approach, supported by a cooperative approach that integrates the overall costs of a logistic chain. These can be minimalized, as high costs are generated by the lack of coherence between the operational interfaces of the chain actors;
- **Creation of a distinct and unique value**: there is a completion approach and a cooperating approach. The second one consists in long-term arrangements, cooperation oriented towards mutual targets within distinct organisation in order to obtain a competition advantage from other companies that do not belong to such networks. The advantage consists in the network's capacity to create new and distinct resources;
- **Uncertainty management**: the company operates in a tumultuous environment marked by an exacerbation of uncertainty factors that take different shapes and cooperation occurs as an organisational solution that allows their efficient reduction.

A specific feature of the current period (which started to manifest as of the 1980s) is the increment of the changing rhythm. The speed the new concepts, products and technological innovations are launched, become popularity and are then replaced increased so much, that the supply of components for a new electric or electronic product may take longer than the actual life span of the product(Gattorna, 1999).

The shortening of the life span of products, the fast progress of technological innovationsandthe high cost of the capital force the companies to find other ways to satisfy the consumers' demand, others than the ones that involve great stocks of finished products. The companies must respond to the exigencies of more and more sophisticated consumers' categories who order more and more frequently smaller quantities and require much shorter delivery times. If the internal organisational structures are not capable of satisfying these requirements, the company's profitability and market share will be affected(Hammer& Champy, 1996).

The success of an organisation is not only the result of its internal strategies and tactics. In fact, it is determined by the assembly of the interactions with the upstream and downstream organisations. The development of partnership relations with the suppliers and clients that are significant for the organisation is the major tendencyin the logistics field. A very important aspect within the company is the progressive understanding and implementation of an increasing integration between the provision of logistic services and the informational system(Bălan, 2006).

2. Typology of the participants on the lighting products market

The procurement – delivery chains (SCM)must be analysed within the market context where the good and service producer performs its activity. The particularities of the good and service markets determine the selection of the distribution circuits. These particularities are specific to each type of market.

The key element of every marketing system is the market. According to certain works the concept of "market" (Ristea, Ioan-Franc, Tănăsescu, Toma & Topiţa, 2002)is understood in two ways, that are complementary: in a restricted sense, the term designates an assembly of indicators referring to the significance, structure and sales evolution of a product; in a wider sense, the market refers to the assembly of the actors who influence the sale of a product.

In order to analyse the market of a product or service, we may start by answering the following questions:

- Who does the purchase?
- Who uses the products?
- Who influences the decision to purchase?

To answer to these questions, we will take into account the point of view of the authors Lendrevieand Lindon(2006),who define the "market" term as the "assembly of the actors most likely to exercise an influence on the sales of a product or, more generally, on a company's activities". Generically, there are four such categories:

a. The final clientele: the consumers;
b. The buyers;
c. The influencers;
d. The distributors.

a. Final clientele. Exercisesa direct influence on the sales of a product.Within the lighting market, we may consider the sources of light as consumption goods and then the final clients are individuals or households, but we may deem these products as being destined to industrial consumption, and then the final clients are industrial companies. Moreover, the public institutions and the service provision companies may be clients within the business to business market for these products. Therefore, the clients of a LSD manufacturer are divided in the following categories:

- **Industrial users** – purchase goods to reintroduce them in the production circuit (e.g.a vehicle manufacturer who purchases lighting sources to become an integral part of the final product) or for the performance of its activity;
- **distributors**– purchase in order to resell;
- **consumers** – purchase for their own consumption (households);
- **public institutions** – purchase the goods they need in their missions (e.g. City Halls who purchase lighting ornaments for the holidays for the citizens in their jurisdiction);
- **service providers** – purchase the goods to be used in the performance of their activities.

b. **Buyers**. Within the consumer goods market, the final users and the buyers of these products are confounded, however the surveys show that the one of the family members purchases lighting sources and devices (LSD), further to a prior consultation with the other members. Furthermore, within the business to business market, the purchase process is much more complex, and the persons appointed to carry out the purchase act on behalf of the company.

c. Influencers. This category includes:

- *opinion leaders*: are those persons with influence over a group of individuals (such as journalists, politicians, actors or other media persons, but also persons in the user's entourage who may influence the SCI purchase decisions);

- *prescribers:*persons who establish, imperatively, the product or the service that someone else needs to buy and use; this category includes designers, electrical engineers, installation contractors or other lighting specialists, especially when dealing with those products belonging to the medical field that need to comply with certain standards;

- *visualizers:*persons whose recommendations may strongly influence the buyer, but who do not impose themselves (as the prescribers do); these are, for example, the interior designers, designers, installation contractors in charge with selecting the lighting equipment in a household.

d. Distributors. Are those entities that ensure the provision of the products for the final consumers.Thus, the presence of intermediaries – wholesale traders, retail traders – is likely to facilitate this target.

As the lighting products are present on the consumption good market as well as on the business to business market, the procurement - delivery chains must be designed to address both types of market.

3. Importance of the connections between the participants in the LSD market

The good relations developed by the **producers** with the upstream partners, as well as with the downstream ones within the procurement – delivery chain may create the premises of the certain collaboration relations. This aspect may be vital for the distribution strategy the producer who may develop together with the other participants in the LSD markets strategic partnerships and alliances.

Within the LSD market, the producers represent a significant part of the offer. However, besides them, a significant part is played by the designers and installation contractors. These services may be offered by one entity (e.g. a manufacturer who provides design and installation services as well), as well as by companies specialised in the following types of activities:

- manufacturing and/or assembly of LSD;
- design;
- installation;
- design-installation;

The manufacturing company may offer the entire package of services or may contract specialised companies. If, however, a manufacturing company does not offer this package of services and does not contract specialised companies, leaving these decisions to the distributors or final clients, this shall be reflected by the satisfaction degree of the final consumer. Furthermore, the manufacturer may adopt an upstream integration strategy, by creating shops / showrooms, thus trying to provide the demonstration effect as well as the closeness of the final client.

The manufacturer plays a very important part in the preparation/setting up of the LSD offer on the market. Nonetheless, the **influencers**have a very significant role in the decision to purchase these products.

The worldwide transformations due to the more and more significant competition determined a redesign of the distribution methods and channels. The manifested tendency is to draw the tenderer (especially the manufacturer) closer to its clients(Cliquet, Fady & Basset, 2006). This closeness may be mainly reached by the use of personnel skilled and specialised in the sale, advertising and distribution of the organisation's products. This personnel, is known, by the specialised literature as the **sales force**(Donaldson, 2001).

The producers of goods and services use the sale force, on one hand to distribute the products and communicate the company's image, the technical and commercial information related to the products, and, on the other hand, to collect real and pertinent information from the market, from the clients – companies (distributors, installation contractors, final users of the products, etc.).

The role of the distributorsontheLSD market is to purchase in order to resell (to other distributors, industrial users), to provide information, technical consultancy, to provide logistic services (transportation, storage, stock management, post-sale service, reversed logistics, informational system). Besides these activities, the distributors choose to integrate in their offer additional services (normally provided by the designers and installation contractors), specific to the lighting field, such as: design and/or interiordesignof lighting systems, installation of lighting equipment etc.

The designers are the ones who can influence the manufacturers, distributors, as well as the final users of the SCI. They are the ones who design the lighting system, recommend the devices, perform the computer rendering, and propose lighting control and dimming means (the so called dimming system, i.e. the reduction of the power consumption), the integration of the natural lighting. These participants recommend the lighting equipment according to the following elements: equipment cost and quality, light quality, easy replacement of lamps, power saving possibility. The tendency is to design and then to manufacture those lighting solutions that lead to an efficient power consumption, to environmental protection and to the improvement of the lighting quality.

We must mention that the designers as well as the architects are not the ones who make the final decision in relation to the purchase of the installations and SCI. This is the reason why, although they propose viable and modern solutions, sometimes the purchased or installed products are different from the original specifications of the projects.

Within the LSD market, **the installation contractors** are a category of participants who may play a very significant part in the **recommendation** of these products, or may imperatively determine their selection by the final user, or the beneficiary of the LSD installation/execution work. Moreover, the installation contractors may act on this market as distributors, when the purchase, install and then resell the lighting products at the end of the work.

Conclusions and proposals

By this paper we intended to approach the SCM from the perspective of the LSD producer in the marketing optics. The producer must analyse the clients' needs, be receptive to the transformations in the field, and allocate resources for the implementation of the distribution strategy to satisfy the clients' needs. In the implementation of the LSD producer's distribution strategy there intervene a series of participants in the market with different roles, who contribute to the offering of intelligent lighting solutions. Without those participants and without the functions they cover, the producer would not be able to implement its strategy. Obviously, some participants may take over the functions of other (by integrating the activities upstream or downstream the distribution channel).

The progressive integration of the goods and service markets in the world market entails an accentuation of the competition but at the same time a greater openness of the external markets. At worldwide level there are market globalisation and internationalisation tendencies reflected by the company's activity performance. In this sense, the strategic decisions taken by the companies who act on international markets involve, on one hand the need to standardise (in order to reduce costs), and, on the other hand, the need to differentiate the offer in order to properly serve the various market segments.

What can the participants do in order to be competitive at national, as well as at European and international level? The answer is not an easy one. They should consolidate their advantages and try to eliminate their weaknesses. They should also value their opportunities (on all the three levels – national, European and international), to anticipate and prevent any threats.

One solution would consist in the **research** and **collaboration**. The research should be performed at technological as well as at economic level. The research and the anticipation of the needs, wishes, and expectations of the individuals as well as of the companies must be simultaneously performed with the technological research.

The participants in the market must be **specialised** and must **collaborate**. Unlike the large companies holding a certain financial power and able to provide full services, the small-sized companies cannot offer the same services at the same competition level. This is why their solution is the specialisation. However, the clients need products and full services, at competitive prices. This is the reason why the small companies, already having the small price advantage further to their specialisation, can collaborate with other small companies in offering full services.

The collaborations, partnerships may be concluded between the great companies,famous at world level, and the small ones,the first having the competitive advantage of notoriety and the product quality guarantee, and the other ones the advantage of specialisation and flexibility.

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