

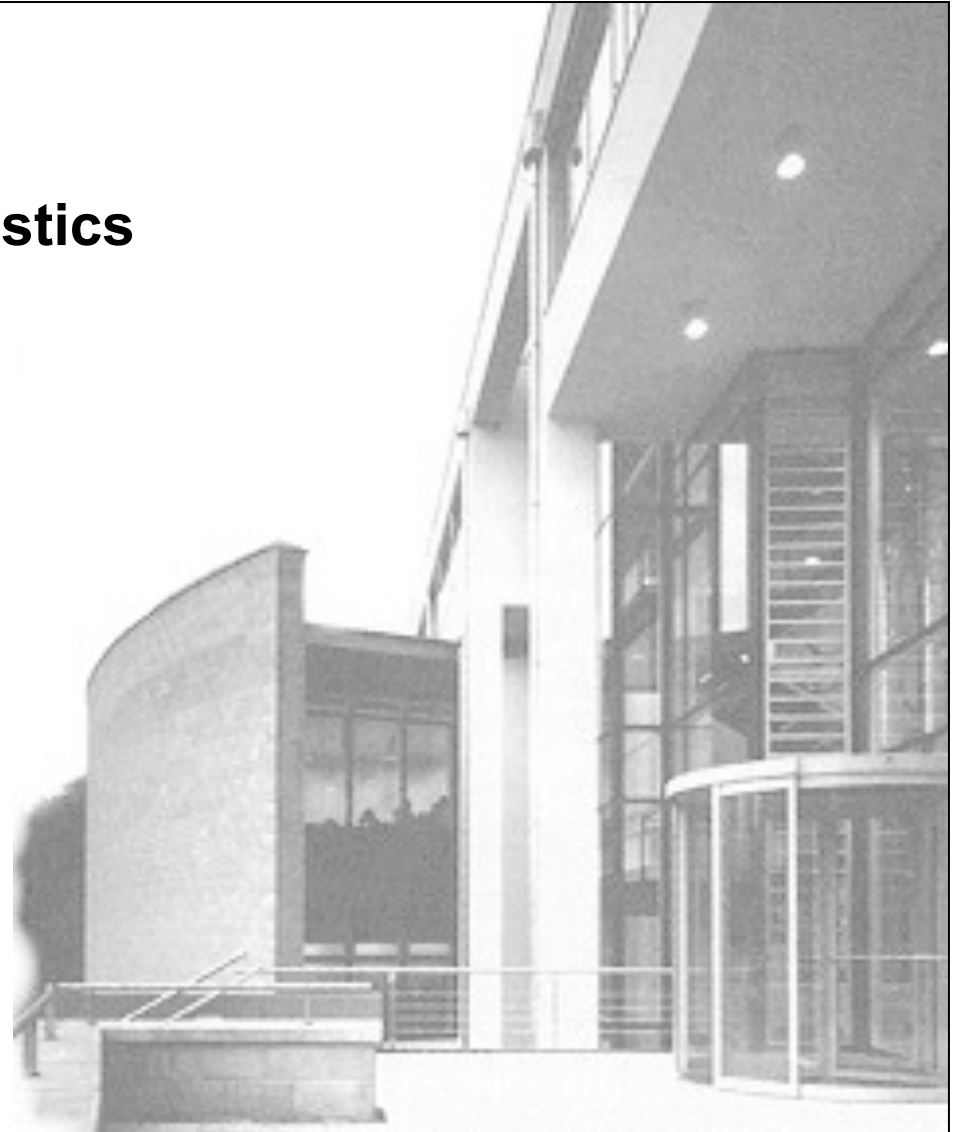
Value Chain Management – Integrating Marketing and Logistics

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1. Introduction
2. Vertical Cooperation
3. Research
4. Results
5. Conclusions

1. Introduction

Vertical cooperation

- cooperation on different levels in the value chain

Examples of vertical cooperation

- Siemens and Simon Hegele:
logistic cooperation between
manufacturer and logistics
- Procter&Gamble and Tengelman-Group:
marketing cooperation between
manufacturer and retailer



2. Vertical Cooperation

Concepts on vertical cooperation

BLANCHARD, 2007	Supply chain management (SCM) “concludes ... collaborating with channel partners, including suppliers, intermediaries, third parties and customers”
SETH/ RANDALL, 2001	Efficient consumer response (ECR) is “an initiative to get manufactures, wholesalers an retailers to co-operate ”
PETER/ DONELLY, 2004	Vertical marketing systems (VMS) are “channels in which members are more dependant on one another and develop long-term working relationships ”

- discussion in literature is often conducted separately
- execution often independently due to functional organization of firms

2. Vertical Cooperation

Value chain management (VCM)

- refers to the value chain concept by PORTER
- is proposed to be an integrating cooperation concept

BRANDT
1996

Value chain management “is an operating strategy that emphasises **linking your organisation with others** in the value chain“

KANNE-
GIESSER ET
AL. 2009

Value chain management is “the integration of **demand-**oriented management concepts ... [and] **supply-**oriented logistics management concepts”

- value chain management currently lacks concision

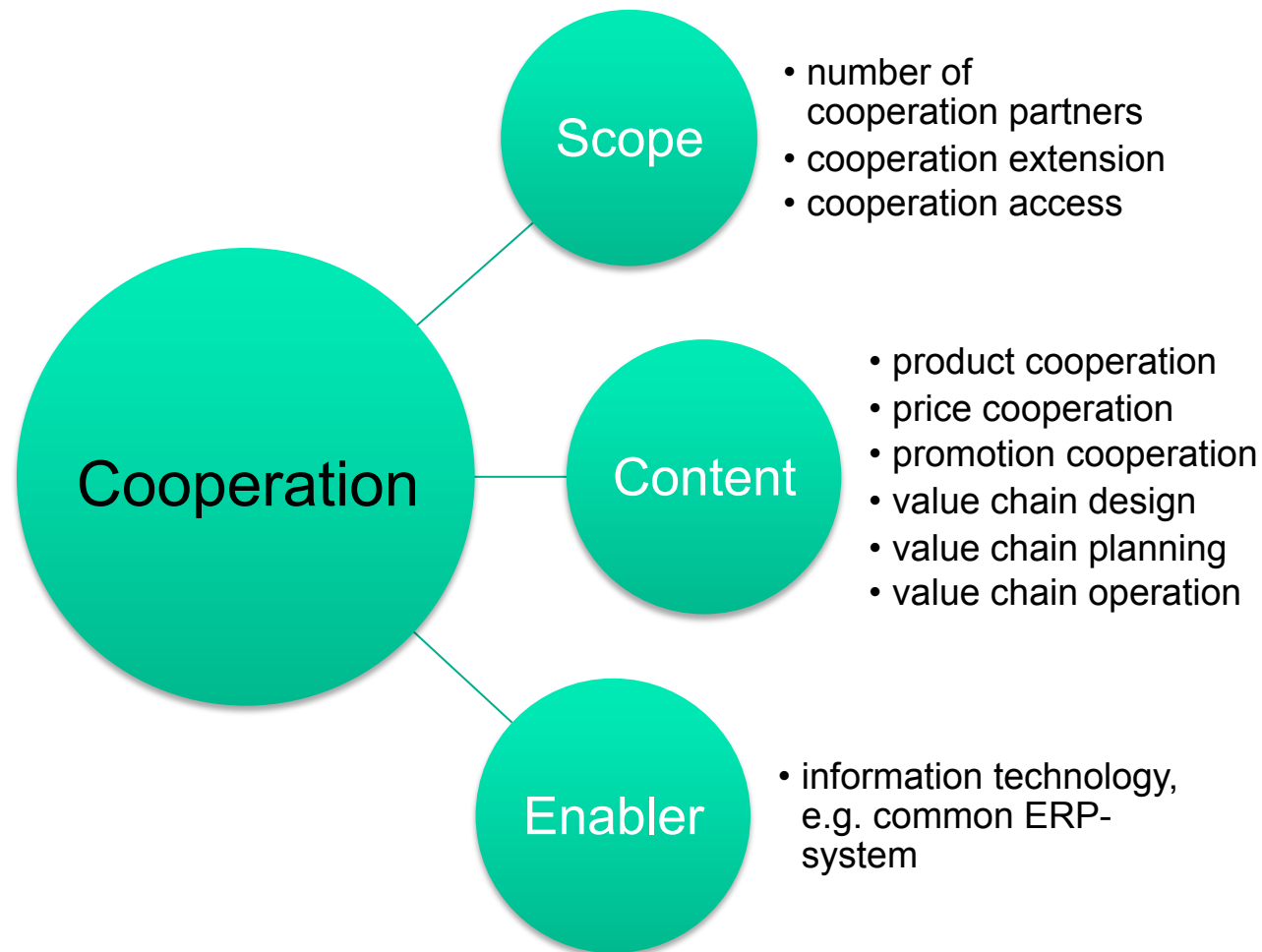
Research objective

- improving the concept of value chain management

Research set-up

- 1 obtaining cooperation differentiators (literature)
- 2 obtaining evaluation criteria for cooperation concepts (literature)
- 3 evaluation of cooperation concepts (experts)
 - importance of criteria (factors)
 - scoring of concepts (score)
 - multiplication of score and factor (weighted score)

1 obtaining cooperation differentiators (literature)



Verbal description of six cooperation concepts

- supply chain management

Seven companies in a value chain cooperate **globally**. The value chain can be designed via **direct or indirect distribution**. New companies that offer value for the unique chain **can access the cooperation anytime**. The cooperation objective is the **optimisation of logistics** through cooperative planning, forecasting and replenishment. Information is **exchanged electronically**.

- low intensity concept

Two companies cooperate **locally** in a **decentralized** chain of **distribution**. The cooperation does **not** allow new companies to **access**. The cooperation partner exchange information, e.g. concerning **orders** or **demand changes**. A special mean of communication is not employed.

- vertical marketing systems

Two companies cooperate in a **decentralized** chain of **distribution** on a **national** level. The cooperation focus is the common **product development** and **introduction**, a recommended retail **price**, agreed terms of conditions, common **advertisement** and **promotion** and **order assistance**. A special mean of communication is not employed.

Verbal description of six cooperation concepts

- efficient consumer response

Six companies have a **international** vertical cooperation. New companies offering value for the unique chain can **access** the cooperation **anytime**. The cooperation focus is a common **product development**, such as private labels, and **product introduction**. **Product promotion** is planned and carried out together. Same goes for the **assortment**. A common **controlling** is installed to insure efficiency of the common output. By common **sourcing** and the integration of modern logistic approaches, like **Cross Docking**, advantages are achieved. A common **enterprise resource planning system** is installed.

- maximum intensity concept

Ten companies of a value chain cooperate **globally**. New companies offering value for the unique chain can **access** the cooperation **anytime**. The cooperation focus is a common **product development**, such as private labels, and **product introduction**. **Product promotion** is planned and carried out together. Sames goes for the **assortment**. **Pricing** decisions are taking commonly. A common **controlling** is installed to insure efficiency of the common output. By common **sourcing** and the integration of modern logistic approaches, like **Cross Docking**, advantages are achieved. A common **enterprise resource planning system** is installed.

2 obtaining evaluation criteria for cooperation concepts (literature)

- implementation expenses*
- cost cutting potential
- sales growth potential
- risk reduction
- interdependence risk*
- flexibility
- innovation potential
- service quality

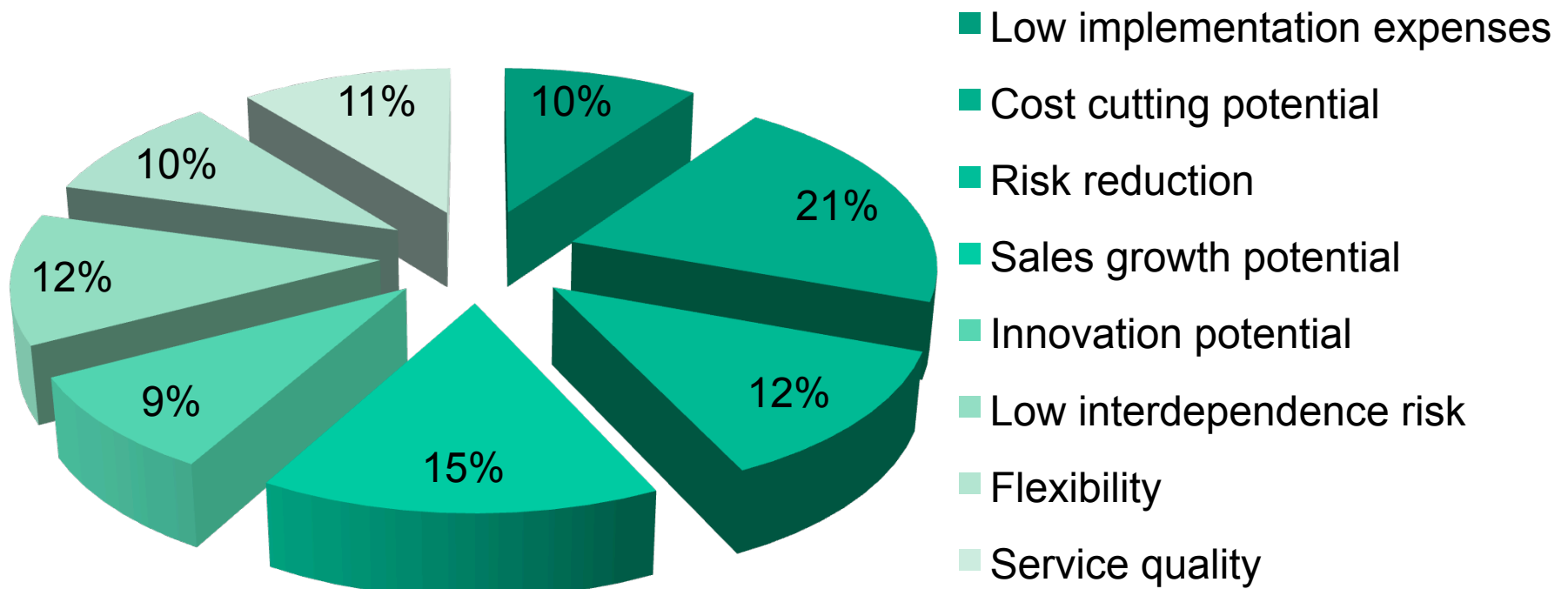
* for analysis, these criteria
have been expressed positively
in the questionnaire by adding
,low‘

3 evaluation of cooperation concepts (experts)

	supply chain management	low intensity concept	vertical marketing systems	medium intensity concept	efficient consumer response	maximum intensity concept
implementation expenses						
cost cutting potential						
sales growth potential						
risk reduction						
interdependence risk						
flexibility						
innovation potential						
service quality						

Lower scores indicate better evaluation results

Importance of the evaluation criteria

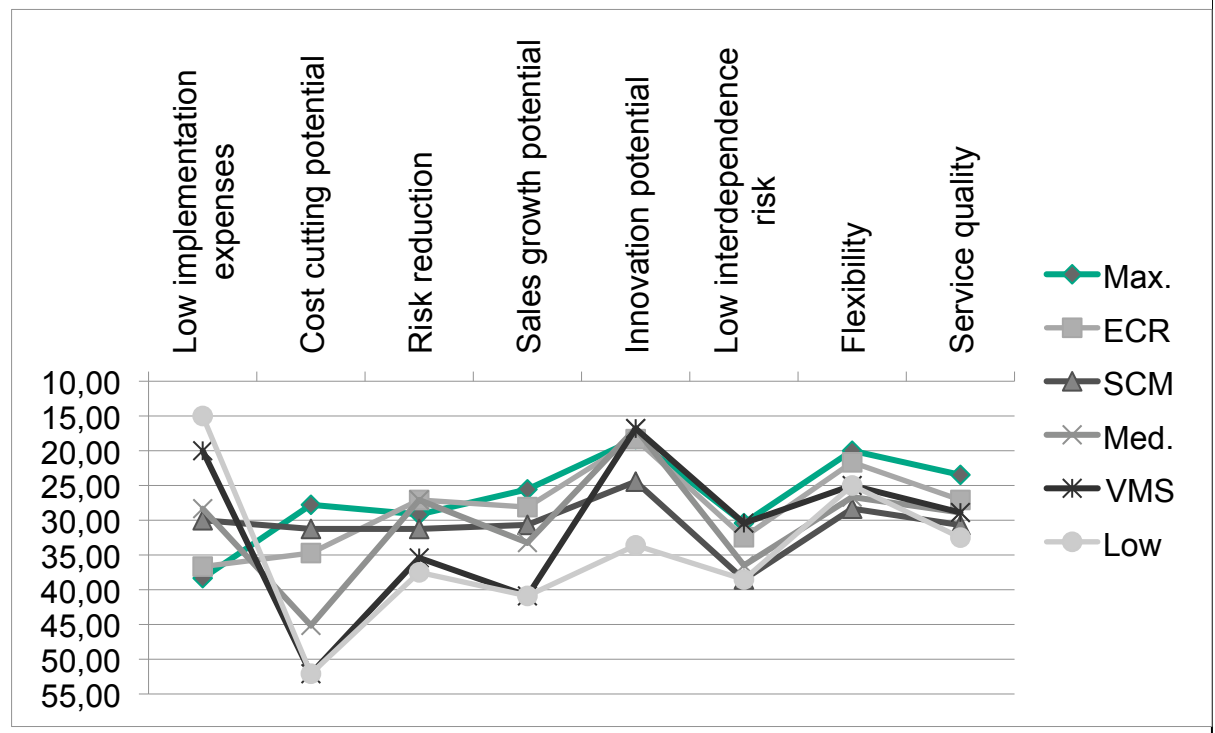


4. Results

Maximum intensity concepts is the winning concepts

- cooperation scope: big group cooperation / entire value chain
- cooperation content: price cooperation

Criteria	Max.	ECR	Med.	SCM	VMS	Low
Low implementation expenses	38,33	36,67	28,33	30,00	20,00	15,00
Cost cutting potential	27,78	34,72	45,14	31,25	52,08	52,08
Risk reduction	29,17	27,08	27,08	31,25	35,42	37,50
Sales growth potential	25,56	28,11	33,22	30,67	40,89	40,89
Innovation potential	18,33	18,33	16,81	24,44	16,81	33,61
Low interdependence risk	30,42	32,44	36,50	38,53	30,42	38,53
Flexibility	20,00	21,67	26,67	28,33	25,00	25,00
Service quality	23,47	27,08	28,89	30,69	28,89	32,50
Total weighted average	26,63	28,26	30,33	30,65	31,19	34,39



5. Conclusions

Maximum intensity concept

- can be used as the fundament for VCM
- integration of existing concepts into one concept will not be state-of-the-art of science and practice
- goes beyond ECR
- integration of e.g. cooperative pricing into VCM

Critics

- verbal paraphrase harbours individual interpretation
- implementation expenses are in trade-off conflict
- no input of SME

Further research

- differentiated VCM for different industries necessary?
- how to cooperate on pricing?
- how to put VCM into practice?
- how to integrate sustainability?

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Thank you for your
kind attention.

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