

POSSIBILITIES OF DEEPENING COOPERATION OF SELECTED STAKEHOLDERS WITHIN A CAR OIL DISTRIBUTION CHAIN

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Abstract

This paper presents the results of the primary research, which aimed to select areas where it would be suitable to look for a way how to deepen mutual relations among selected distribution chain members on the car oil market to make the total value for all the involved parties grow. The research succeeded both in mapping of the current situation in mutual cooperation among manufacturers, distributors, and garages in the areas of development, production, distribution, and sale of car oils, and in identifying significant opportunities for future improvements and optimization. The recommendations resulting from the research and published herein can be, in our opinion, used with an advantage to improve cooperation of distribution stakeholders in any similar chemical products.

Keywords: Car oil distribution chain, cooperation of stakeholders

1. INTRODUCTION

The present markets see the trend of a growing interest in the problems of business partner relationship management, i.e. relations of different groups of so-called stakeholders, within distribution chains or networks. Businesses cooperating in creation of the customer value are more and more aware of the importance of their relationships and they are trying to benefit from the mutual synergy [1], which makes it possible for them to achieve, within the partnership, such goals that they would never be able to achieve as independent entities. This then creates the basis of their unique competitive advantage. However, there is still a question how to manage the given relationships properly, i.e. how to optimize mutual cooperation to increase the perceived partnership value for all the involved partners and to enhance the competitive advantage of the given chain or network on the market. Particular ways of mutual cooperation of individual partners within distribution chains or networks will definitely be specific as per the market type, offered products, market conditions, etc., and so it is suitable to direct research in this area at a specific area. We aimed, within the primary research, to map the possibilities of optimization and deepening of mutual cooperation among manufacturers, distributors, and garages in the area of development, manufacturing, distribution, and sale of car oils. However, we believe that it is possible to apply the outcomes of the given research successfully to any similar product and market types.

2. VALUE CHAINS AND NETWORKS

The literature often mentions the terms value or supply (distribution) chains and uses them as synonyms. A certain closeness of the terms is obvious from the fact that in both cases the authors emphasize the fact that there is bidirectional financial, material, information, and decision-making flows between individual segments, while the bonds between individual segments are changing dynamically with respect to the customer's requirements [2]. From the marketing point of view, it is rather possible to tend to use the term value chain, which better emphasizes the purpose of the interconnection of individual chain segments, which is creation of a unique customer value. This is also reflected by some definitions of the value chain, where e.g. Solomon et al. [3], and subsequently Žáček [4] can see a value chain as all the activities that are, not only in the company, but also beyond the company limits, connected with manufacturing and supply of a product or service, and that gradually increase the customer value. The authors assert that the value chain helps to determine the ways by means of which it is possible to provide the customer with a higher value than that offered by the

competitors. As Hollensen [5] declares: “the opportunities to improve or distinguish a product or service can often be found in a lot of activities across the entire value chain.” This view is also supplemented by Nagurney [6] and Kashani et al. [7], who point out the environmental impacts of the value chain operations and add the recycling stage.

It is obvious that it is essential, on the current hypercompetitive markets, to make strategic partnerships, which are a prerequisite for ensuring competitiveness of the partner companies. Successful businesses are those that can develop cooperation with their business partners and build supply chains of various lengths with them. [8] Enterprises gradually stop focussing on optimization of their own business (entrepreneurial activities), but they approach planning to the benefit of the entire chain. Therefore, currently it is the value (or supply) chains, rather than their individual segments, which compete. [9] Encompassment of supply chain management is becoming an important competitive advantage for individual companies. [10] However, integration of businesses on the current markets goes even further. Strategic partnerships often arise between value chains, where cooperation involves entire value chains, or the chains incorporate additional partners outside the supply chain - e.g. research institutes, schools, universities, etc. The literature calls the given strategic connections “a value network” (e.g. [11], [12], [13], [14]) or “a business network” (e.g. [15], or [16]). Creation of the given network relationships is always aimed at optimization of activities and thus ensuring enhanced competitiveness, which can be achieved e.g. thanks to an access to new markets, or to specialized and complementary abilities. Therefore, it is obvious that the network structure plays a significant role when a company enters a market, and also in its future development [11], [14]. As Money declares [1]: “success of a partnership results from the synergy of skills and bright prospects between the merging parties.” However, it is essential to develop and optimize relationships within value chains and networks permanently. A value chain or network then becomes more flexible and enables quicker adaptation to a change in the requirements of their customers [17].

3. AREAS OF POSSIBLE COOPERATION IN VALUE CHAINS (NETWORKS)

The possibilities of building and developing partnerships within value chains or networks are often solved in the literature from the general point of view as certain framework recommendations [18]. Therefore, we aimed to identify particular possibilities of development of mutual cooperation of value chain or network entities in the areas of development, manufacturing, distribution, and sale, which could probably lead to optimal customer service and to strengthening and development of customer relations. The given areas were specified on the basis of information acquired from the literature, consultations with experts, and our own experience, and they were divided into two separate categories as described below [17]:

a) Cooperation in product modification, development, and supplies

Cooperation in development of new products; cooperation in product parameter modification according to customer requirements; cooperation in the quality control of the supplied products; cooperation in package parameter specification and in development of new packaging; mutual information support of the cooperating entities; JIT supplies; cooperation in product transport arrangement; cooperation in complaints settlement; cooperation in disposal of worn products, waste generated within consumption, or empty packaging.

b) Cooperation in promotion and product sale support

Cooperation in promotion of product brand names (promotional material, promotional panels, brochures, etc.); cooperation in finding new customers - references, recommendations e.g. on the web, etc.; cooperation and participation in provision of customer discounts; cooperation in and co-financing of contests for customers; cooperation in and co-financing of events for customers; delivery of promotional novelties; cooperation in customer loyalty programs; cooperation in equipment of the sales point interior, assistance and support concerning quality technical equipment of a shop; seller's image support.

It is obvious that the picked areas of cooperation within a value chain or network are far from an exhaustive list, but we believe that they cover the main areas of possible cooperation of a value chain (or network) entities. Our primary research aimed to identify which of the above picked areas of possible cooperation within a distribution chain are applied most, which less, and between which distribution chain segments which types of cooperation occur most often. Garages became particular areas of our primary research as one of the basic segments of a car oil distribution chain.

4. RESEARCH INTO THE POSSIBILITIES OF DEEPENING MUTUAL COOPERATION WITHIN A CAR OIL DISTRIBUTION CHAIN

The primary research, which was performed in 2014 at our department, basically aimed to analyse the current situation in mutual cooperation among manufacturers, distributors, and garages in the areas of development, manufacturing, distribution, and sale of car oils, and also to discover the possibilities of future improvements and optimization. The research was conducted using the method of personal interviewing. The respondents were employees of 30, mostly smaller, garages in the region of Pardubice. The research outcomes statistically processed.

The first stage of the research was focussed on identification of the rate and areas of cooperation between garages and car oil manufacturers. It found that only 30% of the addressed garages cooperate with car oil manufacturers at least to a certain extent. **Tables 1** and **2** demonstrate the areas of the current cooperation between garages and car oil manufacturers, and also the respondents' evaluation of how much individual cooperation areas contribute to acquisition and creation of positive relations with garage customers.

Table 1 Areas of cooperation of garages in modification, development, and delivery of car oils with car oil manufacturers and evaluation of their significance for acquiring garage customers and creation of positive relations with them

| Cooperation area | Relative cooperation frequency | Evaluation of cooperation significance* | |
|--|--------------------------------|---|---------|
| | | Median | Average |
| Complaint settlement | 89% | 5 | 4.7 |
| Information support of garage employees (counselling, training, lubrication plans, etc.) | 67% | 5 | 4.7 |
| Quality control of supplied oils | 67% | 4 | 4.2 |
| Disposal of used oils | 56% | 4 | 4.2 |
| Disposal of empty packaging | 44% | 4 | 4.0 |
| Product transport arrangement | 22% | 4 | 3.6 |
| JIT car oils supplies | 11% | 2 | 2.4 |
| Development of new car oils | 11% | 2 | 2.4 |
| Specification of car oil packaging parameters | 11% | 2 | 2.4 |
| Adjustment of car oil parameters according to client requirements | 0% | 2 | 2.3 |
| Development of new car oil packaging | 0% | 2 | 2.1 |

*Evaluation scale: 1- no significance, 7- extraordinary significance

Table 2 Areas of cooperation of garages in promotion and support of car oil sales with car oil manufacturers and evaluation of their significance for acquiring garage customers and creation of positive relations with them

| Cooperation area | Relative cooperation frequency | Evaluation of cooperation significance [*] | |
|--|--------------------------------|---|---------|
| | | Median | Average |
| Promotion of car oil brand names (promotional materials, promotional panels, panels, etc.) | 100% | 5 | 4.7 |
| Garage image support - supplies of work clothes, supplies of plastic film for seats, etc. | 77% | 5 | 4.7 |
| Supplies of promotional novelties | 44% | 5 | 4.6 |
| Cooperation in equipment of garage interior, assistance and support concerning quality technical equipment of the garage | 44% | 4 | 4.5 |
| Acquisition of new garage customers - references, recommendations, e.g. on manufacturers' webs, etc. | 33% | 4 | 4.4 |
| Manufacturer's cooperation and participation in provision of car oil discounts | 33% | 4 | 3.5 |
| Cooperation in and co-financing of events for garage customers | 11% | 3 | 3.3 |
| Cooperation in and co-financing of garage customer contests | 0% | 4 | 3.2 |
| Cooperation in garage customer loyalty programs | 0% | 3 | 3.1 |

* Evaluation scale: 1- no significance, 7- extraordinary significance

The research clearly showed that cooperation of garages, at least the smaller ones, with car oil manufacturers is not very developed. We assume it results, to a considerable extent, from the lack of interest from the side of manufacturers, who try to promote their products through garages, but the effort for closer cooperation and feedback in this area is still lacking. Car oil representatives are certainly not able to fully appreciate the importance of cooperation in the area of car oil modification and development, which, in our opinion, could be, e.g. from the point of view of proposals for product innovations, very beneficial not only for manufacturers, but also for the customers. An indication of a certain interest in deeper cooperation with manufacturers from the point of view of garages can be seen in the area of cooperation of garages in promotion and support of car oil sale. However, garages face unwillingness of manufacturers, who do not see clear benefits in this area. We assume that the primary step in the solution to the given situation is improvement in the communication between the given business partners. They should mutually clarify the advantages and disadvantages of mutual cooperation in various areas, where a suitable topic could be the above specified list of areas of possible cooperation between garages and car oil manufacturers.

The second part of the research focused on identification of the rate and areas of cooperation of the addressed garages with car oil distributors. It found that as many as 83% of the addressed garages cooperate to a certain extent with at least one distributor. The rate of cooperation of garages with car oil distributors in individual monitored areas, as well as evaluation of the significance of this cooperation for development of relationships between garages and their customers are presented in **Tables 3 and 4**.

Table 3 Areas of cooperation of garages with distributors in car oil supplies and evaluation of their significance for acquiring garage customers and creation of positive relations with them

| Cooperation area | Relative cooperation frequency | Evaluation of cooperation significance | |
|--|--------------------------------|--|---------|
| | | Median | Average |
| Complaint settlement | 92% | 5 | 4.8 |
| Disposal of used oils | 56% | 4 | 3.9 |
| Quality control of supplied oils | 56% | 3 | 3.3 |
| Disposal of empty packaging | 48% | 4 | 3.7 |
| Information support of garage employees (counselling, training, lubrication plans, etc.) | 44% | 4 | 4.3 |
| Product transport arrangement | 36% | 3 | 3.4 |
| JIT car oils supplies | 0% | 2 | 2.2 |

* Evaluation scale: 1- no significance, 7- extraordinary significance

Table 4 Areas of cooperation of garages with distributors in promotion and support of car oil sales and evaluation of their significance for acquiring garage customers and creation of positive relations with them

| Cooperation area | Relative cooperation frequency | Evaluation of cooperation significance | |
|--|--------------------------------|--|---------|
| | | Median | Average |
| Promotion of car oil brand names (promotional materials, promotional panels, panels, etc.) | 88% | 5 | 4.7 |
| Garage image support - supplies of work clothes, supplies of plastic film for seats, etc. | 64% | 5 | 4.8 |
| Supplies of promotional novelties | 56% | 5 | 5.0 |
| Cooperation and participation of a distributor in provision of car oil discounts | 36% | 5 | 4.7 |
| Acquisition of new garage customers - references, recommendations, e.g. on distributor's web, etc. | 32% | 5 | 4.1 |
| Cooperation in equipment of garage interior, assistance and support concerning quality technical equipment of the garage | 24% | 3 | 3.3 |
| Cooperation in garage customer loyalty programs | 16% | 4 | 3.6 |
| Cooperation in and co-financing of events for garage customers | 8% | 4 | 3.3 |
| Cooperation in and co-financing of garage customer contests | 4% | 4 | 3.6 |

* Evaluation scale: 1- no significance, 7- extraordinary significance

Obviously, cooperation between garages and car oil distributors is more developed than cooperation between car oil manufacturers and garages. The reason can be seen in the direct contact between the given business partners. The research clearly implies that even in this case garages would probably appreciate extension of their cooperation with distributors. Particularly in the areas to which the respondents attribute relatively great

significance, but the actual cooperation is in less than 50% of the cases. This category mainly includes cooperation and participation of a distributor in provision of car oil discounts, information support of garage employees by a distributor (counselling, training, lubrication plans, etc.), and assistance with acquisition of new garage customers - references, recommendations). It is also interesting that it is cooperation in areas with an obvious benefit for garages, while a benefit for distributors is not directly apparent. The initiative should thus come from garage employees, who should give the distributors clear evidence of the advantages of cooperation in the given areas, where an increase in the customers' interest will be beneficial not only for the garage, but certainly also for the distributor.

On the basis of the research, it is possible to specify the following recommendations for extension and optimization of mutual cooperation within supply (value) chains:

- Be more active in seeking possibilities of cooperation beneficial for the involved stakeholders,
- Be more communicative and point out the common goals that can be achieved by mutual cooperation,
- Not to consider only the direct results and profits, think in a long-term perspective,
- Think marketing - the cooperation outcomes must increase the customer value,
- Think more about the fact that partners do not always have to benefit from cooperation, but that they can also "just" save something,
- Build mutual confidence - be trustworthy and try to be trusting,
- Find more time for building business partnerships.

We assume that the recommendations outlined above could help to remove a number of critical points that prevent extension of valuable cooperation between business partners in distribution channels generally, but also in the case of cooperation of garages with car oil distributors and manufacturers.

5. CONCLUSION

The research aimed at mapping mutual cooperation among manufacturers, distributors, and garages in the areas of development, manufacturing, distribution, and sale of car oils showed that garages much more often cooperate, within car oils, with distributors than directly with manufacturers, which is probably given by the fact that their mutual contact is more direct. The research implied that garages would appreciate, in a lot of areas, extension of mutual cooperation, which is often impeded by the lack of time, communication, and also by the lack of interest from the side of their business partners. Based on this experience, we have specified general recommendations contributing to valuable development of mutual relations of business partners in distribution (value) chains generally, but especially in the given particular case of car oil distribution channels.

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