THE IMPORTANCE OF REPUTATION BUILDING FOR THE SUPPLY CHAIN

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Abstract

The constant evolution of the Internet brings with itself changes in business communication with customers and in the distribution ways of products to customers. Nowadays, e-shop sales are in the forefront of all sales which puts higher demands on supply chains. Businesses lay down requirements because they need to deliver the materials in the shortest possible time and at the lowest cost to manufacturing so that their customers get their goods as early as possible and at the best possible price. If there is any weak link in the supply chain, damage can affect the entire supply chain, which often has a negative impact on reputation, especially for businesses that offer the final products to customers. This article focuses on impacts that can damage the reputation of businesses that are part of the supply chain. The methodological part of the article includes an analysis of secondary data sources from which it was possible to deduce a relation and influence on the reputation of components of the supply chain. In the discussion and conclusion of the article presents possible recommendations through which is possible help build the supply chain company's own reputation as well as the common reputation of the entire supply chain.

Keywords: Reputation, Supply Chain, Impact on Reputation

1. INTRODUCTION AND THEORETICAL BACKGROUND ABOUT SUPPLY CHAIN REPUTATION

The supply chain represents a set of businesses and their business activities. Through these activities the businesses design, produce, send and use services and products. [1] All this aims to ensure the entire transformation process up to the delivery of the customer's product. According to Lu (2011), activities of cooperative enterprises within the supply chain also include activities that add value to the transformed input across the whole stream of the supply chain. [2] Lambert et al. (1998) define the supply chain as a set of harmonized companies that bring products and services to the market. [3] Chopra and Meindl (2001) extend this definition and the concept of the supply chain. According to them it also includes transport operators, retailers, warehouses and customers themselves. [4] The supply chain may also be seen as one aggregate divided into smaller parts, including suppliers, manufacturer, retailer, etc. The purpose of the supply chain is to maximize the profit of the entire system. [5] The supply chain structure according to Hittmar et al (2013) is illustrated in the following figure.

The supply chain is characterized by the flow of material, finances and information in both directions. [6] On this basis, the supply chain can be understood as a system that includes various business activities within as well as between different businesses. These activities include in particular: [7]

- selection and management of relationships with suppliers and related activities for a particular market,
- purchasing, logistics and inventory management,
- in-house and manufacturing activities,
- distribution and marketing activities,
- closing-the-loop activities in connection, for example, with recycling, re-use, reprocessing, etc.

The scope of the structure and activities within the supply chain does not have to be precisely specified, as shown below in **Figure 1**. The structure, activities and flows within the logistics chain are subject to the

business model conditions between the partners, depending either on the requirements of the customer or on the delivered product, its parameters, complexity of production, etc.
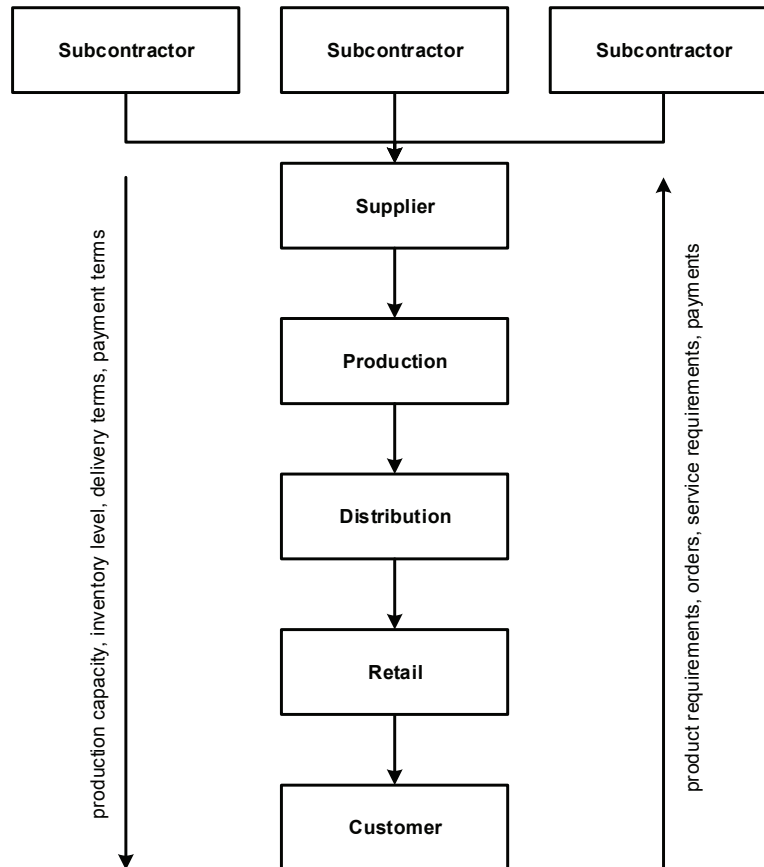

Figure 1 Supply chain structure according to [7]

Thus, the supply chain can be seen as a network of businesses that cooperate with one another. The purpose of this cooperation is to implement processes and activities to achieve the main goal, i.e. to create a product or service values. Subsequently, these products/services are provided to consumers or customers. The logistics chain consists of active and passive elements that are listed in the following table [7].

Table 1 Active and passive elements of the supply chain

Active elements	Passive elements
technical equipment and devices	material, unfinished and finished products,
technical equipment and devices	basic and supporting material
management	packaging and shipping equipment
	waste
	information

The concept of supply chain management originated in the late eighties of the 20th century [1]. Metzner et al. define supply chain management as a systematic and strategic coordination of business functions within affiliated companies within the supply chain. The goal of this activity is to improve the performance of businesses throughout the supply chain over the long term. [8] Hugos (2003) claims that supply chain management is the coordination of production, inventory, localization and transport among participants in the

supply chain [1]. According to the US organization The Council of Logistics Management, SCM represents the process of planning, implementing and managing efficiently the flow and storage of goods, services, and related information from the point of origin to the point of consumption. The goal of this process is to satisfy customer requirements. [6] Supply chain management also represents an approach that allows for more effective integration between suppliers, manufacturers, distributors, retailers and customers. [9] The purpose of SCM is to ensure that the products are manufactured in the right amount, at the right time and in the right place. The goal is to minimize costs and achieve the required level of service [10]. In general, the role of supply chain management is: [6]

- increase sales through more effective implementation of customer requirements,
- balancing supply and demand sides in order to better manage the production of each entity throughout the supply chain,
- coordinate the activities of supply chain entities in order to optimize them as a whole,
- use real-time data to increase transaction speeds,
- maximize supply chain values across the entire network structure, that is, the difference between the cost of requested goods and the efforts that the supply chain spends on order fulfilment.

Logistics chain management has a significant impact on the coordination of the activities of the individual entities within the chain. This includes in particular the promotion of the use of information and communication technologies to ensure the proper coordination of the above-mentioned tasks, thanks to rapidly available and relevant information. As every entity acts as an independent entity within the supply chain and pursues its own interests, it is necessary that these interests be coordinated and synchronized by a single system. This is the task of the SCM.

As mentioned above, the supply chain contains individual elements and the quality of this whole chain depends on these individual elements. If one of the supply chain companies is irresponsible and fails to meet obligations on time, the whole supply chain will be perceived negatively, which will affect the reputation not only of a particular business company, that is, a particular element in the supply chain, but also the reputation of other elements of the supply chain. Today in particular, reputation is extremely important because it is an intangible asset for all businesses [11-15] Reputation creates a certain image of a business. This image presents the values of the business and how it tries to act towards the customers, but also towards other stakeholders, and other elements of the supply chain. At present, the internet and the online business environment imply a significant risk for corporate reputation. Today, customers can use different social media such as websites, social networks, blogs, etc. to get information about the business and its products. This information can be based on own experiences that can support or discourage any potential customers in their purchasing decisions, so it is possible to claim the following: Reputation is a prediction of future behaviours that is based on an assessment of how past behaviours meet the role expectations that follow occupying a particular social status [16]. Positive reputation is essentially a sign of quality for the businesses, which all stakeholders perceive and require during cooperation [17]. Reputation is also the issue of consideration by Farmer and Glass, and they claim the following about reputation: „Reputation is information used to make a value judgment about an object or a person" [18]. Reputation also represents the views and the opinion of the stakeholders about the company and its products. Views and opinions about the company, if they are positive, create trust, respect and admiration. Reputation must be perceived by the whole business, and the whole business must strive to build it in a positive light. According to Fombrun, there is a relationship between reputation and enterprise strategy, but also marketing strategy [19]. Reputation building consists of building valuable content, its appropriate placement, promotion and communication to stakeholders. Building a reputation thus involves building the trust of stakeholders towards the business. Impression is a significant and important part of reputation. The company can produce a positive impression through marketing tools, which ultimately brings a positive reputation. In order to be able to influence positively the company's reputation, it must first know the

present state and must be able to identify the problematic areas which can be subsequently solved and thus provide positive results in terms of its reputation.

2.   METODOLOGY OF THE RESEARCH

In the research was used the method of document analysis. It was obtained and analyzed data from secondary information sources. Literary sources and the Internet were used as sources of information. Based on this information, It was maked an analysis of reputation impacts in the supply chain. Subsequently, in the analysis, the method of qualitative data evaluation was used based on the theoretical and practical knowledge in the field of reputation. Based on the results of the analysis and synthesis it was possible to deduce impacts on reputation in the supply chain.

3.   ANALYSIS OF REPUTATION IMPACTS IN THE SUPPLY CHAIN

We hear very often about reputation in the media, especially in the sphere of showbusiness, but in the last few years it has become important in business too. Continuous development in the area of information and communication technologies contributes to the expansion of customers' purchasing opportunities. In this sense, it is also possible to consider a rapid change in consumer/customer purchasing behaviour. The emergence of this phenomenon is caused, in particular, by sufficient information or over-information and in some cases misinformation of customers, as they currently have a lot of information, particularly through the global Internet network. Use of Internet by individuals (potential customers) or households (from an economical point of view) for purchasing is a common way of purchasing products today. The fact that online shopping is a common practice and also one of the most popular activities of Internet users is also proven by statistics data. For example, according to The Statistic Portal (statista.com), internet sales amounted to 10.2 % of all retail sales in the world. The trend in this field suggests that these sales will grow to 17.5 % by 2021. This information can be seen in the following figure. [20]
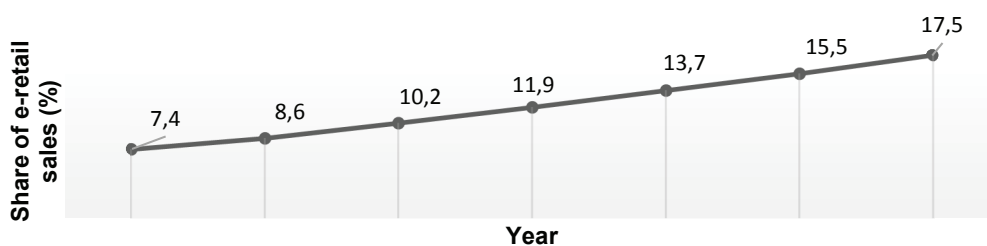

Figure 2 E-commerce share of total global retail sales from 2015 to 2021 [20]

As the Internet contains a large amount of data, it is increasingly difficult for the customer to evaluate these data and obtain the required relevant information for purchasing products. The Internet represents a free virtual space for disseminating information and the marketing message. This information can be distributed by individuals (Internet users) or businesses. Similarly, to spreading true messages, the Internet can also be used to spread false and misleading messages. These activities and information arise as a result of customer dissatisfaction or strong competitive struggle between companies active in the same market and offering substitution products. The customer's decision to purchase a product/service (or his/her purchasing behaviour) is thus influenced not only by the needs, requirements and aspirations but also by the available information on the Internet. The sources of this information include, for example, various manufacturers' websites, blogs, forums, social networks and media, or Internet feeds. If the customer does not have enough product information and experience with purchases over the internet, he or she may be exposed to misinformation in the media mentioned above which are produced by competitors or dissatisfied customers. It is for this reason that the reputation of the business is of great importance and why it impacts the consumer's buying behaviour.

As the supply chain is a set of cooperative enterprises, it is important for the reputation of these businesses to favourable influence the customers. This means that the final product purchased by customers does not have to be produced directly by the company selling the product, but it is only a part of the chain, i.e. the company acts as a distributor / retailer, etc. It is possible to assume that in the event of a customer's negative attitude towards a supply chain element, for example, based on negative references or own experience, the customer does not make the purchase or completes the purchase with competitors. Such a customer's decision then affects the entire supply chain as well as the reputation of the various elements of the supply chain. An example of such a situation is illustrated by the competition battle between Intel and AMD. Both companies are processor manufacturers for both regular and professional and corporate customers. The question is which of these products is better? In the case of ordinary customers (non-professionals), the answer to this question can be very complex. Answers to the question can be found on various sites, blogs, or forums that deal with this issue. The problem is that these sites are very large, which has a negative impact on time spent by customers. [21-23] Additionally, the information value for the customer may be misunderstood because of his or her knowledge, so the customer will use another alternative, for example, the rating by another customer in a catalogue portal or online product price comparator (such as heureka.sk). In this case, however, the customer cannot be sure that the information is true or just a misinformation by a competitor or dissatisfied customer. Negative reputation can ultimately act as a negative advertisement for the customer. This negative promotion subsequently leads to a negative perception of the brand and hence also the whole business which owns that brand and production. [24-26] In general, this means that if the customer has positive perception of Intel, but also perceives some negative reputation of ASUS, he or she would never, or probably never, purchase a product by ASUS as an Intel product distributor, i.e. ASUS and Intel are connected in the context of supply chain issues.

In addition to the ever-increasing attractiveness of e-shopping and similar virtual shopping, it is also essential that there is also an increase of number of warehouses in recent years. The economy is evolving, e-shops are evolving, and so the need to rent storage space is growing. At present, approximately 44 % of US customers use online shopping instead of a store, and up to 51 % of B2B customers have their distribution chain based on online relationships. Today, most of the retail shops also offer e-shop purchasing so as to increase the number of customers as much as possible. In US, the number of these warehouses has grown by 6.8 % over the last 5 years, which also means a greater need for building and managing reputation for individual elements of the distribution chain. Reputation is affected by every business in the supply chain, and it is for this reason that it is necessary to automate as many processes as possible in the supply chain. As far as the automation of the supply chain is concerned, according to statistics, it is assumed that by the end of 2018, only 17 % of business will stay not automated, whereas the same figure would have been 40 % just 4 years ago. Consequently, competition in the supply chain is getting stronger and if businesses want to keep up with competitors, they must invest in continuous improvement, for example by using current trends in IoT and IoE [27]. According to a PwC survey, conducted in cooperation with 400 retail managers, up to 83 % of respondents believe, and are sure that their supply chains are ready for day-to-day business challenges. This means that if there is a failure in one of the supply chain links, there is a chance of a quick replacement, which for the business causing the disruption means a catastrophic scenario in terms of its reputation and the future of the business [28]. More than 51 % of retailers offer delivery of products on the same day as the day of purchase, with high responsibility and high expectations being placed on the supply chain. According to data of Invesp, up to 60 % of online consumers are 18-34 years old and expect delivery on the same day. Invesp further states that up to 61 % of these online consumers are willing to pay extra for fast delivery. In today's bustling times, no one is willing to wait for 3-5 business days, with up to 96 % of retail customers thinking that fast delivery means delivery on the day of ordering [27]. In connection with supply chain failure, a survey was recently conducted by Deloitte Touche Tohmatsu Limited, which states that up to 85 % of the global supply chains surveyed have experienced at least one critical situation in a period of 12 months. This high number is alarming and points to the importance of proactive risk management, as the neglect of this issues may ultimately be

liquidating for the entire chain [29]. Increasing pressure on the supply chain through greater use of online purchases has been reflected in the US, for example, by the increased need for truck drivers. By 2017, approximately 3.5 million drivers were driving trucks, but in 2017 there was an additional demand of 100,000 people for this job. [30]. If there is any shortage in the supply chain, whether it is transport drivers, shortage of warehouses, lack of material, etc., all this may result in a loss of trust in businesses. It can mean damaged reputation in B2B or in relation to the final consumer. Such a loss of trust and therefore damage to reputation does not require a long time, the loss of reputation of a business can occur in a second, but its correction takes years. Positive reputation for business means a competitive advantage. Businesses with a positive reputation can reduce costs, increase market prize, and even spend less time in recovery from a decline in market share [32].

4. DISCUSSION AND CONCLUSION

Supply chain performance has a significant impact on the overall reputation of the business and its products and even brands. Greater influence can be seen especially in the manufacturing, automotive and industrial sectors, as the supply chain tends to be extensive in the production area and consists of a large number of businesses, with the supply chain depending on strength, skill, competence and abilities. Besides the production area, there are similarly high demands on consumer goods, food and beverages where, most often, the most important demand for the supply chain is reducing the delivery times to maintain product quality. There are strategies that can optimize the supply chain, whereby businesses can jointly achieve a common goal of not only improving statistics and improving the quality of the entire supply chain, but also building up reputation. Such strategies relate to supply chain optimization, increased transparency, and socially responsible business activities, in terms of processes, towards automation and demand-driven activity. In particular today in the 21st century businesses should also include ethical behaviour, waste management, human rights protection, the protection of the environment, the fight against corruption and continual improvement into their business activities. Steeves argues that the risk of corruption or concerns regarding employees' treatment are factors that have a profound impact on the supply chain's perception of companies in the supply chain [31]. Based on the above information and knowledge, it is possible to deduce impats on reputation in the supply chain. If companies improve their mutual relations with one another and they will also try to identify the potential problems before their emergence, resulting in catastrophic scenarios, they will also be able to deal more effectively with the situations in the whole supply chain, which ultimately will act positively on the reputation of all members of the supply chain. Increasing transparency in informing both the supply chain members and the end consumer brings confidence among the businesses and also from the customers, which is once again necessary in building a positive reputation. Transparency, fairness and openness bring with them a willingness to tolerate complications to a certain extent, as customers and businesses in the supply chain will not be deceived and misled. In addition to external behaviour, it is also necessary to think about the requirements and needs of the customer or the business partner. Businesses in relation to customers can use various marketing tools and online marketing to communicate and gather information about their needs and business perception. For example, in the online environment these tools can include social media such as social networks, websites, blogs, audio and video content, and so on. However, these tools can also be used by businesses in B2B, where communication is extremely important to avoid misunderstandings. In the supply chain, it would be advisable to introduce not only reputation management but also proactive risk management in businesses, which could also aim to reduce the costs and consequences of supply chain disruptions. Any disruption of the supply chain causes long-term damage and has a major impact on reputation. An example we can see it when a company introduces a new product. The company announces the official date when the product will be available on the market, but the supply chain fails somewhere in the process. Such a situation results in sales losses, cost increases, and in essence, the extra costs of reducing delays (gifts, discounts and similar customer justifications for delays), loss of customer confidence and other participants of the supply

chain (if there is a delay in relation to customers), loss of respect and increased uncertainty, which can ultimately lead to customers shifting to competition and damage of good reputation of the business.

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