

К. Білінська-Реформат, М. Стефаньська\*  
Економічний університет в Катовіцах, Польща,  
\*Економічний університет в Познані, Польща

## СПІВПРАЦЯ ТОРГОВИХ МЕРЕЖ ІЗ ПОСТАЧАЛЬНИКАМИ У КОНТЕКСТІ КОНЦЕПЦІЇ КОРПОРАТИВНОЇ СОЦІАЛЬНОЇ ВІДПОВІДАЛЬНОСТІ

© Білінська-Реформат К., Стефаньська М., 2013

Взаємовідносини між торговими мережами, виробниками і постачальниками, разом з заходами CSR, які здатні посилити ці взаємовідносини, – є об'єктами зацікавленості авторів цієї роботи. Перетворення, які існують в торгівлі протягом останніх 20 р. у Польщі та 40 р. – в Європі, дають нам можливість говорити, що цей сектор на сьогоднішній день характеризується асиметрією влади стосунків в каналах розподілу. З метою пояснення значення CSR в утворенні партнерських взаємозв'язків у роботі наводяться моделі взаємозв'язків у каналах розподілу, розглядається асиметрія стосунків у торгівлі і вказуються джерела її виникнення; визначається роль CSR у зміні взаємозв'язків у каналах розподілу. Робота профінансована за кошти гранту на основі NCN рішення DEC-2011/03/B/HS4/03576.

**Ключові слова:** CSR, постачальники, комерційні ланцюги, стратегії кооперації, позиційна школа.

## COOPERATION OF COMMERCIAL CHAINS WITH SUPPLIERS IN THE CONTEXT OF CSR CONCEPT

© Bilińska-Reformat K., Stefańska M., 2013

The relationships between commercial chains and producers and suppliers, as well as CSR initiatives that make the tools strengthening these relationships are the object of authors' interest in this paper. Transformations that have taken place in trade for the last 20 years in Poland and for the last 40 years in Europe let us state that it is the sector that at present is characterised by asymmetry of the power of relationships in the channel of distribution. For the purpose of explaining CSR significance in formation of the relationships, models of relationships in the channels of distribution are presented in the paper, asymmetry of relationships in trade and its source are indicated, and the role of CSR in change of relationships in the channel of distribution is defined. Work is funded by the NCN grant based on the decision number DEC-2011/03/B/HS4/03576.

**Key words:** CSR, suppliers, commercial chains, strategies of cooperation, positional school

**Problem formulation.** CSR concept is reflected in numerous initiatives presented in the text, that are undertaken by retailers for the purpose of integration of the participants in the channels of distribution and formation of barriers for other entities to enter them. The wide scope of activities of retailers directed toward suppliers is large but their influence on relationship between retailers and suppliers is still unknown.

**Analysis of current research outputs and publications.** Various models that describe relationships between producers and networks are presented in the literature. The subject matter of collaboration and cooperation between the sphere of trade and suppliers is undertaken by such authors as P. Stannack, M. Jones, T. Wojciechowski, R. F. Reck or W. Szczepankiewicz. Some models study the analysed subject matter from the perspective of bargaining power like for example M. Porter's model of five forces that

derives from positional school. Others focus on cooperation and development of partnership relationships, like for example partnership marketing. In the first case, Porter's approach shows not only the sources of bargaining power but also the sources of competitive advantage and strategy of competition [1]. Relationship marketing, or partnership marketing, is the approach that frequently occurs in the sphere of identification and assessment of the character of relationships that appear in the chains of supply or channels of distribution. This approach is, among others, the result of the adoption, by all participants in the channel of distribution, of the assumption that they aim at realisation of common goals, and partnership cooperation guarantees the best satisfaction of needs to all of them. Authors from Poznan [2, p. 20] also write about purchase marketing as the key sphere of marketing activities of a commercial enterprise.

M. Bensaou's model is another model describing relationships between suppliers and purchasers (in the sphere of trade, among others). The author distinguished four categories of relationships between them according to the degree of specificity of investment. They are: firstly strategic partnership, secondly the purchaser subordinated to the supplier, thirdly the supplier subordinated to the purchaser, and fourthly market exchange [3, p. 459]. According to presented approach, enterprises cannot establish their relationships with all suppliers while following a single pattern. It is recommended to model these relationships depending on competitive conditions that exist around the particular product, and then to create an appropriate, suitable management model for each type of relationships.

However, it ought to be indicated that the character of relationships between the entities undergoes evolution. The model related to making a purchase in an enterprise, presented by R.F. Reck and B.G. Long which distinguishes four stages of purchase functions [4, p. 2-8] and that can be referred to Polish conditions is the example of their changes:

1. Passive phase – the purchase function does not have a strategic significance in the enterprise,
2. Independent phase – in implementation of purchase function, the latest techniques and processes of purchase are started to be applied, but its strategy is independent of competitive strategy of the enterprise,
3. Support phase – the function of purchase supports implementation of competitive strategy of the enterprise through application of techniques related to purchase and products that strengthen the competitive position of the enterprise,
4. Integration phase – the strategy of purchase is fully integrated with competitive strategy of the enterprise and makes a part of integrated inter-functional activities undertaken on various levels for the purpose of formulation and implementation of strategic plan of activity.

**Article objectives.** While performing the function of purchase and sale, enterprises make decisions that should contribute to satisfying consumers' needs and establishment of competitive advantage. In the paper the phase of purchase is focused on, however, it ought to be remembered that decisions in this sphere are determined by expectations of final consumers. The aim of the paper is to indicate the scope of activities undertaken by retailers and directed to suppliers. We assume this is the first stage for future research to explain how deeply CSR idea is included into strategy of retailers and what kind of effects are expected by them.

**Presentation of main materials.** Commercial networks operating in Poland are located on various levels of purchase relationships. The first phase is characteristic, among others, of the enterprises that focus more on sale and do not feel a strong enough pressure from the competitors to optimise the supply. Other indicated phases show the growth of their strategic significance for strengthening of resources, although at the beginning not necessarily in the sphere of competition. It becomes more important as the sector approaches the phase of maturity. It seems that in the case of majority of foreign commercial chains the phase of purchase oriented only to products is already behind them. These enterprises realise that activity that consists in making purchases is related to both the types of activities that make the chain of values and also to the external surroundings, for example suppliers that can contribute to achievement of enormous competitive advantage by a particular economic entity. Considering what has been said, it is necessary to establish relationships with these enterprises on the grounds of the strategy of cooperation. However, the

complex character of conditions that results from the specific role of commercial enterprises makes the relationships between the producer and the supplier change dynamically, moving to successive levels of relationships which is reflected by the analysed R.F. Reck and B.G. Long's model and implemented cooperation strategies based on the model of formation of long-term relationships.

In the paper, the positional school is referred to because of the character of relationships that occur in trade. They are described among others by the concept according to which trade is compared to the so-called "Gate Keeper" that decides what lines of products will reach the sphere of distribution and how the stream of amounts due and information will flow [2, p. 28]. Because of significant bargaining power of retailers these are the enterprises that perform the key roles in shaping the relationships with suppliers. The occurrence of a small number of commercial enterprises that operate in a lot of countries and have a strong position on home market generating higher and higher share in retail sale of a particular country, makes them, because of their purchasing and selling potential, a very attractive partner for the suppliers, but also a risky one because excessive dependence on a particular entity brings numerous risks. Referring to M. Porter's model, among factors determining sources of bargaining power, we ought to indicate the following, among others:

- amount of realised purchase,
- number of purchasers and sellers,
- degree of concentration of purchasers and sellers,
- quality dependence,
- costs of change of the supplier,
- barriers to enter the sector.

They significantly determine the character of relationships with suppliers, however, we have to emphasise that the structure of Polish trade is made of entities of various bargaining power, and therefore their relationships are also established on the grounds of different premises. Large chains perform superior role towards suppliers, however, on local markets on which individual or small chains of shops operate, the character of relations can change from the superior role of a retailer to a partnership of producer – retailer, supported by wholesaler – integrator.

The growth of bargaining power of large commercial networks as associated with numerous abuses of both legal and ethical character (starting from the lack of payments for the suppliers, a few months' delays in payment, collection of additional payments for entering the commercial chain, breaking cooperation as a result of strong pressure to lower the prices, price-fixing conspiracy, etc.). For suppliers of the local range or of a weaker brand, this de facto means in general the inability to start or continue cooperation in case of development of the chain that is more dynamic than the development of the supplier. Both the protests of suppliers and pressure from other stakeholders show more and more demand on strategies based on the concept of corporate social responsibility. They show the enterprises the necessity to pay much more attention to results of activity that is run by them for the wide circle of stakeholders, while following particular principles at the same time. On the other hand, higher ethical standards of managers also contribute to changes in strategies of enterprises.

**Social corporate responsibility of commercial networks in strategies of formation of relationships with suppliers.** Social corporate responsibility is the concept according to which enterprises voluntarily take upon themselves economic, legal, ethical and philanthropic responsibility towards stakeholders and the natural environment [5, p. 39-48]. In Polish reality, initiatives that are included in CSR are often a transfer of the strategy initiated in the country of the company origin and implemented in all markets on which operations of a particular organisation are performed. Also, the range of these activities is narrower when compared to home markets [6, p. 14 – 22]. This results, among others, from a strong pressure from stakeholders on home markets, the purchasers, suppliers and competitors and also media, that make commercial enterprises develop comprehensive strategies within CSR. Consequently, retail companies operating by chains of store such as: Tesco, Carrefour, Ikea or H&M, are involved in CSR programs. We may think that the strategy of international retailers, based on CSR concept on Polish market is for now a derivative of globalisation strategy and not a local demand on "corporate responsibility".

What makes CSR so interesting for retailers? Thanks to activities undertaken by retailers within CSR concept and addressed at the suppliers, they achieve the following benefits:

- they create their positive image in local environment (particularly in the view of communal decision-makers) which allows to obtain favourable decisions for the benefit of the network in particular communes.
- they obtain "access" to local companies that are leaders in particular businesses.
- they reach synergy effects resulting from the fact of pursuing cooperation that is profitable for both parties,
- thanks to CSR, stronger partnership relations are established and this provides the grounds for long-term cooperation.

More frequent application of CSR concept by retailers is also associated with crisis situations. This is because activities within CSR are treated as a kind of insurance policy that ought to protect the enterprise reputation in the situation that threatens the image, especially in the context of information that commercial networks abuse their position in relationships with suppliers. This is confirmed, among others, by P. Flatter and W. Willmot's work. They identified major tendencies in consumers' behaviour in the period of economic crisis. We can find among them the factor related to expectations of target markets to run business activity in an ethical way [7, p. 106-112].

In commercial enterprises that have a strategy based on CSR concept, marketing activities are implemented in the way that is appropriate for partnership marketing (relationships). CSR concept is the value that both establishes and strengthens the relationships. It determines the standards of cooperation and the principles that are followed by the retailer in cooperation with suppliers. Thereby, it establishes its reliability and facilitates achievement of strategic goals. Table 1 shows exemplary areas and ranges of activities undertaken by chains for the purpose of establishment of relationships with suppliers in the context of CSR.

Table 1

**Selected CSR areas and activities of commercial chains with suppliers**

| <b>Entities and areas of cooperation</b>                    | <b>Exemplary solutions implemented by commercial chains</b>   |
|---|---|
| <b>Direct addressees of activities of commercial chains</b> |   |
| Employees   | Trainings for suppliers in the sphere of CSR concept implementation<br>Transfer of employees to companies for the purpose of implementation of standards within CSR as required by commercial chain<br>Expanded range of occupational safety and health   |
| Local suppliers   | Starting cooperation with local suppliers<br>Support for suppliers interested in export<br>Promotion in commercial premises of local suppliers<br>Knowledge transfer in the sphere of enterprise and sale management<br>Knowledge transfer within CSR   |
| Local communities   | Collective creation of working places<br>Joint activities for the benefit of institutions or selected social groups (for example investments in infrastructure)<br>Common initiatives of philanthropic character  |
| <b>CSR areas</b>  |   |
| Environment protection                                      | Reduction of fume emission<br>Reduction of CO <sub>2</sub> emission<br>Reduction of power consumption<br>Limiting the number of packages in logistics<br>Recycling<br>Control of product quality and safety   |
| <b>Tools of CSR implementation</b>                          |   |
| Negotiations  | Defining Fair Play principles operating in the commercial chain towards suppliers<br>Development of the code of good practices<br>Transparency of conditions of cooperation as defined in codes<br>Development of whistleblowing policy<br>Disclosure of real fees for promotion of supplier in the chain |

Source: own case study

In order to include retailer's activities towards suppliers in CSR concept, they should consider the following: influence of the supplier on natural environment, quality of relationships with suppliers that represent microenterprises and SME, observance of human rights, safety and philanthropy [8, p 177 – 194]. In the light of studies performed in 2011 among producers on Polish market, communication with employees, observance of occupational safety and health, being guided by honesty towards suppliers, limiting the amount of waste, using biodegradable waste, enabling the employees to participate in decision-making processes can be found on the list of activities associated with CSR of commercial enterprises.

Implementation of CSR concept by retailers may encourage the suppliers to make:

- changes within their own purchase function (resources, materials for production, and also technology),
- changes in logistics (e.g. optimisation of transport of goods or use of vehicles of reduced amount of fume emission or those that run on ecological fuels),
- changes in management of employees (observance of employee rights, equality of rights),
- changes in production technologies,
- participation in joint social programs.

However, we ought to pay attention to the attitude of suppliers towards CSR. Some of them may be assessed by suppliers as additional costs that have to be incurred to ensure continuation of cooperation. In this meaning, for suppliers, CSR becomes a solution imposed by retailers that results from their bargaining power. However, we have to remember that fulfilment of the requirements of a commercial chain means that the offer will be found on the market and the purchasers will receive the offer that meet the statutory and voluntary requirements adopted by the chain. What is more, there will appear a new barrier for other suppliers to enter, because the entities aspiring to cooperate with the particular chain may not meet its requirements in the context of CSR.

IKEA Group, that has restrictive requirements towards its suppliers, is an interesting example of the chain of developed CSR practices in the sphere of cooperation with suppliers. All of them have to comply with specific standards. First of all, high quality of production, competitive prices or supply timeliness are essential here. The products have to be made in responsible way which means taking into consideration

Table 2

#### Exemplary activities of commercial networks aimed at suppliers

| Commercial chain | Activities   |
|------------------|--|
| Auchan           | Report on Sustained Development of Auchan: principles concerning suppliers include, among others, honest and transparent treatment of business partners<br>Support for small and medium-sized enterprises, promoting local products, hygiene audits at suppliers' premises according to IFS/BRC Standards, Signing Auchan Principles of Ethics by 100% of suppliers  |
| Carrefour        | Sharing the knowledge and experience in the sphere of trade with partners, franchise holders and other subordinate entities,<br>Transparent and partnership principles of cooperation with suppliers,<br>Educating the suppliers in the field of sustained development,<br>Ensuring the sales market for products of local suppliers – in 2012 Polish suppliers made 92% of suppliers of own brand food products,<br>Possession of ethical principles of Carrefour Group by the chain<br>Auto-diagnostician – the system of self-assessment of activities in the sphere of sustained development for suppliers of own brand. |
| Intermarche      | "Supplier Worth Recommending" realised by Intermarche chain was presented as an example of the company good practice in the Report "Odpowiedzialny Biznes w Polsce 2010" [ <i>Responsible Business in Poland 2010</i> ].   |
| Tesco            | "Academy of Regional Suppliers" program<br>Joint Business Planning<br>Jointly Agreed Growth  |

Source: own case study on the grounds of [10], [11], [12], [13]

environment problems and working conditions of employees. These regulations are included in the code of conduct that was drawn in 2000. Ikea suppliers do not have a permanent contract with the chain, and bidding system is applied towards all the suppliers. In the situation when a particular supplier has got problems with fulfilment of fundamental requirements of Ikea Group, auxiliary activities are undertaken.

Other numerous initiatives in the sphere of establishment of relationships with suppliers are undertaken by such chains as Tesco, Auchan, Carrefour and Intermarche. They are presented in table 2.

Table 2 shows the activities in the sphere of cooperation with suppliers that become an important element of the chain policy within CSR solutions that are applied. It ought to be added that the analysis of retailers' internet pages let us formulate the conclusion about a very important role of suppliers in the policy of chain activity. Each of the chains emphasises (at least they declare it) that the pursued policy is based on ethical criteria. Tesco can serve the example here, in the case of which, a private investor managed to gather appropriate support to present on general meeting the motion to perform the ethical audit in the chain of Tesco suppliers. The motion did not pass. However, the information about Tesco suppliers' salaries was publicised in media and influenced the company image in a negative way. In 2009 Tesco commenced the developed program "Trading Fairly" that includes selection of suppliers, risk monitoring and assessment in the chain of supplies, including for example working conditions created by the suppliers, cooperation with suppliers and transparency of the chain, and illustrates the importance of relationships with suppliers in activity of commercial chains [14, p. 9].

**Conclusions and perspectives for further research.** On the grounds of collected information we can state that strategies of cooperation with suppliers, based on CSR becomes more and more important part of strategy for commercial chains. In their reports, they emphasise the fact of acquisition of goods from Polish suppliers and ethical conduct towards them. The range of actually realised cooperation by individual chains is various. We can indicate the practices of close cooperation that bring integration of activities and activities in the sphere of transaction rather than real partnership. Execution of CSR strategies in practice is associated with high costs, however they should not be analysed in the context of "empty expenditures", but as long-term investment that brings profits in a longer time perspective because CSR activities increase the value and competitiveness of the enterprise. The relation between retailers and suppliers in the context of bargaining power is unknown so far, but we assume it should be the area of further research. In CSR activities commercial chains pay larger attention to suppliers, because good relationships with them may contribute to the growth of consumers' trust, improvement of image, and as a consequence, the increase in their value. However, we have to emphasise that implementation of projects in the sphere of corporate social responsibility requires true involvement from the company management and employees.

1. Śmigielska G. *Kreowanie przewagi konkurencyjnej w handlu detalicznym* / G. Śmigielska. – Wydawnictwo Akademii Ekonomicznej w Krakowie, 2007; 2. Pilarczyk B. *Strategie marketingowe przedsiębiorstw handlowych* / B. Pilarczyk, M. Sławińska, H. Mruk. – PWE publishing house. – Warsaw, 2001; 3. Bensaou M. *Portfolios of Buyer – Suppliers Relationships* / M. Bensaou. – Prentice-Hall. – New Jersey, 1992; 4. Reck R. F. *Purchasing a Competitive Weapon* / R. F. Reck, B.G. Long. – *Journal of Purchasing and Material Management*, 1988. – Vol.24, No.3; 5. Carroll A., *The pyramid of Corporate Social Responsibility: Toward the Moral Management of Organizational Stakeholders* / A. Carroll. – *Business Horizons*, nr 34, 1991; 6. Stefańska M. *Komunikacja marketingowa a społeczna odpowiedzialność handlu* / M. Stefańska. – *Handel Wewnętrzny*. – №1-2, vol.2, 2012; 7. Flatters P. *Understanding the post – recession consumer* / P. Flatters, W. Willmott. – *Harvard Business Review*, Vol.7, Issue 7/8; 8. Carter C. R. *Purchasing social responsibility and firm performance: The key mediating roles of organizational learning and supplier performance* / C. R. Carter. – *International Journal of Physical Distribution & Logistics Management*, Vol. 35, №3, 2005; 9. Słomińska B. *Społeczna odpowiedzialność handlu sieciowego i niezależnego* / B. Słomińska. – *Handel wewnętrzny*. – January-February 2012; 10. *Raport zrównoważonego rozwoju Auchan Polska 2011*; 11. [www.tesco.pl](http://www.tesco.pl); 12. [www.carrefour.pl](http://www.carrefour.pl); 13. [www.muszkietierowie.pl](http://www.muszkietierowie.pl); 14. *CSR Info, Jak zyskać na odpowiedzialności? CSR w strategiach spółek giełdowych, Przewodnik dla CEO i Executives, Stock Exchange in Warsaw, 2011.*