



Carborundum

Professional update from the Marketing Network

Issue Number 1

ECR: Putting the customer in the supply chain

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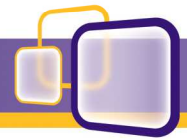
What is ECR?

ECR (efficient customer response) was formulated as a part of a grocery industry investigation by Kurt Salmon Associates in the USA in the early 1990s. It illuminated which activities in the distribution channel either did or did not add value. ECR is defined as a holistic strategy in supply chain management, developing capabilities across the supply-demand network to deliver product efficiently to the customer. Its fundamental tenets are based on closer relationships between suppliers and retailers, understanding customer needs, and smooth material and information flow.

What are the big issues in ECR?

The four driving mechanisms of ECR are usually described as “continuous replenishment”, “efficient promotional practices”, “efficient assortment”, and “efficient new product activities”. Through these activities, the needs of the customer, the retail organisation, and its suppliers are addressed as a seamless whole, with the goal of integrating the supply and demand parts of value chain. Five factors are seen as critical to achieving effective ECR:

1. Focus on customer-perceived value, rather than simply cost reduction.
2. Maintaining a “win-win” rather than adversarial relationship, with supply chain partners.
3. Focusing resources on value-adding processes rather than “invisible” processes.
4. Creation and dissemination of accurate, timely information across the value chain.
5. Continuous measurement of the value chain performance.



Benefits of ECR best practice

Although the focus of ECR is on customer value, the advantages of ECR best practice also accrue to suppliers and retailers, as summarised in this table:

Consumer benefits	Retailer Benefits	Supplier Benefits
Fresher products	Increased customer loyalty	Reduced out of stock
Increased choice	Better customer knowledge	Enhanced brand integrity
Increased convenience	Improved supplier relationships	Improved distributor relationships

What should we do differently?

In addition to investment in ICT systems, ECR requires a degree of “out-of-the box” thinking and challenges existing processes for working with both supply chain partners and internal functions such as purchasing, operations and logistics. In short, ECR is the missing link between “upstream” and “downstream” logistics. As such, it tends to require connecting existing systems, rather than additional systems or bureaucracy.

Key further reading

For further reading on ECR, I recommend:

- Richard, D.D. (2003) “The Customer Response Management Handbook: Building, Rebuilding, and Improving Your Results”, McGraw-Hill Australia.
- Svensson, G. (2002) “Efficient consumer response - its origin and evolution in the history of marketing”, *Management Decision*, 40(5), pp. 508-19.
- Hoffman, J.M., Mehra, S., 2000. Efficient consumer response as a supply chain strategy for grocery businesses, *International Journal of Service Industry management*, 11(4), pp. 365-73.
- Kotzab, H., 1999. Improving supply chain performance by efficient consumer response? A critical comparison of existing ECR approaches, *Journal Of Business & Industrial Marketing*, 14(5/6), pp. 364-77.
- Pearce, A.M., 1996. Efficient consumer response: managing the supply chain for ultimate consumer satisfaction, *Supply Chain Management*, 1(2), pp. 11-4.