EXPERIENCE DISTRIBUTION NETWORK
The Case of URSUS Breweries Company

Lect. PhD Ciprian-Marcel Pop[1], PhD stud. Ioan Pop[1]

[1] Babes-Bolyai University, Faculty of Economics and Business Administration,
58-60 Th. Mihali st, 400591, Cluj-Napoca, Romania,
popmarcel@hotmail.com

Abstract. A company survives in nowadays tumultuous (even hostile) environment because of the close and strong relationships among its partners. Today, companies compete less on the basis of isolated resources and capabilities, and more on the totality of the network's resources and capabilities. In terms of mitigating the risk factors, we're proposing a partnership-based distribution model that ties services and operational fees to performance outcomes. URSUS Breweries is one of the biggest beer producers in Romania. As a subsidiary of SAB Miller, this company is continuously preoccupied in implementing the newest politics and procedures in the selling field, as support of continuous development on a dynamic market. A major decisions recently adopted is focused on building a solid, a strong partnership with company's distributors. The firm's task is now to build an experience network, together with the distributors, a network which will gain a stronger competitive position on the market.

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- Distribution channels;

1. The essence of experience concept

Traditionally, the brand has been a centerpiece of a firm's communication with customers. Companies communicated a bundle of benefits through their brand positioning. In the battle for market share, products and brand differentiation were carefully orchestrated toward different segments in the product space. More, the advertising industry was created in order to persuade groups of customers to buy a product, an image, a virtual benefit.

Today, the rise of the active consumer has shattered the old company-centric model of brand creation. Consumers now have access to the information they need to assess value on their own terms and decides for themselves how they want to act.

Communication once flowed almost entirely from companies to customers. Now customers' feedback is beginning to overwhelm the voice of the company. At one time, brands could be created by companies through advertising and other communications. Today, *brands evolve through experiences*. [4, 133] Companies must seek not to target customers but to hold dialogues with them.

The strategy is not entirely new; older firms such as Starbucks and Harley-Davidson are practicing this kind of experience-based strategy. But if in the past this form of brand building was the exception, in the future companies will widely applied it. This is a new opportunity space and as long as the company can continue to innovate by compelling experience environments, the brand can sustain itself.

An experience is an outcome of the individual's interaction with an experience environment. It isn't predictable; it cannot be predetermined or promoted by an advertiser.

The new orientation must be on fostering a consistent quality of co-creation experience. The challenge to managers is one of ensuring a consistent quality of experience across multiple channels, while simultaneously enabling a personalized co-creation experience for each individual.

2. The new marketing challenge

The business environment, as well as the companies' efforts on strategic planning, is changing fast. All the companies must pass through a very profound restructuring process, mainly because of the information technology development. More, a major economic problem is overcapacity in most of the world's industries. Customers are scarce, not products. Demand, not supply, is the problem. Overcapacity leads to hyper competition, with too many goods chasing too few customers. And most goods and services lack differentiation. Thus, marketing must be deconstructed, redefined and stretched. Marketing should be positioned as the driver of corporate strategy in the digital economy. Companies need a new corporate and marketing mind-set to perform successfully in the digital age.

Some worldwide companies' leaders, such as IBM and General Electric, are focusing on the potential impact of the Internet on future market and business behavior. But the Internet, with its underpinnings in digitalization and networks, is only one of several technological advances dramatically reshaping markets and businesses. Others include biotechnology, nanotechnology, new materials, new medical treatments, new communication advances etc.

Globalization is another major force affecting our lives. Consumers around the world are exposed to new ways of living and consuming and want many of the things they see. Deregulation and privatization (especially in the changing economies of small countries, but even in the well developed countries) are additional forces opening up markets and creating vast new opportunities.

Nowadays, world economy is facing, on one hand, remarkable alliances (e.g. Daimler - Chrysler, Hewlett-Packard - Compaq, Sony – Ericsson) and, on the other hand, significant failures or at least difficulties (e.g. Enron or, recently, Parmalat).

Companies need to retain most of the skills and competencies the have made them successful in the past. But if they hope to grow and prosper in today's economy, they will need to develop major new understandings and competencies. They must fundamentally rethink and revise their corporate strategies, aligning them with their marketing strategies, and they will have to rethink marketing's role inside corporate strategy. Along this academic approach, we argue that companies will have to institute a more comprehensive marketing process for exploring, creating and delivering value, in order to continuously renew their markets. We particularly emphasize that marketing must play the lead role in shaping this new strategy.

The advance of the information age has required another corporate mind-set shift. Companies have had to invest heavily in information technology and network connectivity. Their investment in information technology has far exceeded their investments in materials and equipments. In the present, we are talking more every day about e-commerce, e-procurement, e-recruitment, e-learning, e-training and other electronic pathways into a company daily practices and procedures.

The information age has created hypercompetitive markets. Buyers are more aware of competitive offers, more prices conscious and more demanding than in the past. Power has migrated from the manufacturers and retailers to the consumers, who can now define what they want in the way of customized products and services, prices, distribution channels and even advertising and sales promotion.

The digital economy has reached a stage at which companies must define their scope and the position of their markets more robustly. They need new marketing concepts, capabilities and linkages that extend far beyond the boundaries of the conventional marketing department. Marketing must be made a greater force in the company's corporate strategy and organization. This is the next transformation imperative determining the fate of companies in the nowadays economy.

3. The change of strategic marketing

As a major effect, the four value-driving forces (companies, customers, partners and communities) are significantly changing strategic marketing thinking and operational marketing. These changes are summarized in Table 1.

Table 1: The Classic and Present Strategic Marketing [3, 40]

The Classic Strategic Marketing	The Present Strategic Marketing
Marketing department does the marketing	Marketing integrates the work of exploring, creating and delivering customer value
Marketer focuses on „embarrassing" marketing actions	Marketer focuses on „permission" marketing
Marketing focuses on acquiring new customers	Marketing focuses on customers retention and loyalty building
Marketing focuses on immediate transactions	Marketing focuses on capturing customers lifetime value
Marketing expenditures are viewed as expenses	Many marketing expenditures are viewed as investments

1. Marketing integrates the work of creating and delivering customer value and must have more influence on the rest of the organization. Marketing has traditionally been viewed as the department whose work was limited to planning and integrating the company's marketing activities. If the company achieved its sales goals, the department was well regarded; if the company failed to achieve its sales goals, the marketing department was to blame. An important leader of Hewlett-Packard had observed that marketing is far too important to leave to the marketing department. The implication was that a company could have the best marketing department in the world and still fail at marketing if other departments failed to act in the customers' interests. The best marketing plans would not succeed if the manufacturing group didn't

create the right product, if the logistics people didn't deliver the product on time, if the accounting department didn't explain its bills properly and if the telephone operators didn't provide helpful information to the prospective buyers. Although marketing efforts are normally directed forward toward the middlemen (push) and the final consumers (pull), senior marketing executives must also direct their effort backward, to ensure that new product development designs the right products, purchasing buys the right inputs, manufacturing produces the right quality and logistics delivers the products on time. Marketing must go beyond operating as a department. Marketing and customer-centric thinking must permeate the company's outlook, providing perspectives, principles and practices intended to satisfy any kind of interest-holders which addresses to the company.

2. Marketer focuses on „permission" [1] marketing. In the digital economy of today, consumers pull the information that they need and initiate exchanges. They increasingly stipulate the exchange terms. Even if customers visit a company's Web site, that company now must ask for and receive permission from individual customers or prospects in order to communicate and build a relationship with them. Accordingly, marketing perspectives and practices are changing from an "embarrassing" marketing to "permission" marketing.
3. Marketing focuses on customer retention and loyalty building. Traditionally, the company's sales force devotes substantial time to acquiring new customers. The sales force heroes are those who have won important new accounts. But the flip side is a heightened danger of neglecting current customers. After all, a company can grow in two ways, either by finding new customers or by selling more to existing customers. Companies are now placing more emphasis on the latter. Managers are training their sales force in customer relationship building, cross-selling and up-selling as ways to increase growth.
4. Marketing focuses on capturing customer lifetime value. Companies don't like to lose money on a transaction. The loss means time, when a customer returns goods, requests a deeper discount or requires special services and, as we know, "time is money". These episodes reduce the company's profits. But the correct vantage point is to view how profitable the customer might be over the long term. The company must accept occasional losses to preserve high lifetime value customers. Those customers with small or negative lifetime value can be treated differently. The company needs to raise its fees or lower its costs of serving less desirable customers. Either these actions will raise their lifetime value or these customers will decide to exit at no great loss to the company.
5. Many marketing expenditures are viewed as investments. Companies tend to view marketing expenditures on the sales force, advertising and sales promotion as expenses rather than asset-building investments. Top management frequently cuts marketing budgets toward the end of the year if profits are falling below expectations. Yet those slashes lead to cutbacks in communication, service and on-time delivery, threatening the company's capacity to deliver promised value and satisfaction to the target customers. To illustrate the investment value of marketing expenditures, consider the vast

amount of money Coca-Cola spends to advertise itself and to place its products within reach of everyone in the world. As a brand, Coca-Cola has an estimated market value, as an effect of the marketing efforts, of more than 70 billion US dollars. Thus, we must consider marketing as an investment center whose expenditures create long-lasting customers and income flows.

Under the selling concept, a company's task was to sell and promote the products coming out of its factories in an effort to win as much volume, and therefore profits, as possible. The job was to hunt down prospects wherever they could be found and use the mass-persuasion power of advertising and the individual-persuasion power of personal selling to make a sale.

Management gave little thought to segmenting the market and developing different product and service versions that met the more sophisticated needs in the marketplace. The success was based on product standardization followed by mass production, distribution and marketing.

The marketing concept shifted the company's attention from the factory to customers and to their varying needs.

Now, a company's aim was to develop appropriate segment-based offerings and marketing mixes. Companies refined their skills in market segmentation, targeting and positioning. Delivering high customer satisfaction in each chosen segment would produce loyal customers whose repeat purchasing would lead to an upward spiral of high profits.

4. The value-oriented marketing

The value-oriented marketing concept represents a development of the marketing concept, made possible by the digital revolution. It is a dynamic concept derived from the electronic connectivity and interactivity among the company, its customers and its partners. It integrates the value exploration, value creation and value delivery activities with the purpose of building long-term, mutually satisfying relationships among the key stakeholders.

Under this new concept, new paradigm, the starting point is individual customer requirements. Marketing's task is to develop contextual offerings of products, services and experiences to match individual customers' requirements. To explore, create and deliver individual customer value in a very dynamic and competitive environment, marketers need to invest in the company's relational capital, covering all stakeholders: consumers, collaborators, employees and society. Companies therefore must go beyond the business concept of customer relationship management toward the concept of whole relationship management. [3, 27] Marketers constantly renew the market by building and managing a customer database and delivering value, with the help of collaborators linked together in a value network. Value-oriented marketers succeed by managing a superior value chain that delivers a high level of product quality, service and speed. Value-oriented marketers achieve profitable growth by expanding customer share, building customer loyalty and capturing customer lifetime value.

To exploit a value opportunity, the company needs value creation skills. Marketers need to:

- Identify new benefits of the products expected by the customer;

- Use core competencies from its business domain;
- Select and manage business partners from its collaborative network.

The new marketing paradigm (right value for each customer) provides guidance for reconfiguring a company’s current organizational structure. Three organizational functions will play the major role in the digital economy: the demand management function, the resource management function and the network management function. For example, the process along the demand management function starts with assessing the customer’s characteristics, then progresses with identifying customer benefits and ends with building the relationship with the customer.

In conclusion we can say that the world economy is undergoing a sea change of new technologies, globalization and hyper competition. Some authors describe this as a transition from an old economy to a new economy. Though, we must accept that, more or less, both of them are presented. The new economy is here, but it is unequally distributed in different companies, industries and countries.

The old economy is based on the model of manufacturing that came out of the industrial revolution. To succeed, manufacturers must pay close attention to such principles as standardization, replication, scale economies, efficiency through command-and-control management. The new economy, by contrast, emerges from the information revolution, with its advances in computerization, digitization and telecommunication. These advances allow companies and individuals to transmit themselves dates at lightning speed, providing substantial gains in efficiency and accuracy. Businesses can manipulate all these advances in order to create higher customer value through customization, personalization, and speed and value transparency.

But the new economy is not only about information. It is about something more fundamental: the emergence of a network economy. Today, businesses are more able to connect, communicate and transact one to another and with their customers. Companies can exchange messages, orders and payments electronically at great savings. Furthermore, companies can attract customers and suppliers from all over the world; they are no longer limited to their localities.

The message in all of this is that companies must now review and revise many of their basic strategies, channels, policies, procedures and organizations to take advantage of the opportunities that the network economy presents. New business strategies call for new marketing strategies and practices. We believe that the marketer’s job is not anymore limited to managing the Four Ps or to determining segmentation, targeting and positioning. If they are to deliver value, marketers must conduct four activities in the new economy:

1. identify new market opportunities
2. evaluate the opportunities and recommend the best ones
3. formulate the value proposition and market offering that best address the target market’s need
4. propose the value chain that will best deliver the promised value

To succeed, marketers must acquire skills in exploring, creating and delivering value. They have to develop a real understanding of their customers, assemble the core competencies needed in their business and partner with collaborators that can deliver the other competencies needed for success. Besides the savings, digitized business can know each customer more deeply. They develop a learning relationship with each customer through their data gathering and data mining and so are better able to sense customer needs and recommend other products and product upgrades.

5. Case study: the experience distribution network built by Ursus Breweries Company

In the next part, through a case study, we link the emerging value-oriented and experience-oriented view of competition with building an experience network, the infrastructure for effectively creating and delivering value through personalized experience. This infrastructure enables managers to compete on experiences.

5.1 The distribution system

URSUS Breweries Company uses an indirect distribution channel for distributing the beer to its consumers. This channel has the following structure:

Producer → Distributor → Retailer → Consumer

Fig. 1: The main distribution channel used by Ursus Brew

This distribution channel has been gradually built since 1994, its value and efficiency being highly recognised and appreciated.

The URSUS company works very close with about 80 distributors, who cover different areas and counties (generally, there are 1-2 distributors by county)

These distributors have territorial exclusivity and receive many incentives as part of the distribution contract they have with URSUS. Among these incentives we mention:

- Full brands portfolio for all market segments
- Important discount to the delivery price (fix discount)
- Variable discounts based on qualitative indicators (total volume, volumes by brands, market monitoring results, packaging return, and payment at the time of delivery, without credit request).
- 21 days for commercial credit (sometimes it can reach even 90 days)
- Free transport of products to the distributor’s warehouse.
- Free POS materials
- Direct investments in the retail network made by URSUS (cabinets, beer coolers, branded furniture, outdoors, billboards, etc)

We would like to add that URSUS provides financial support for the development of the distributors’ logistics. This discount represents a percentage of the sales volume (depending on the investment size) and is provided quarterly. For all the distributors that improve their IT system and adapt it to the URSUS system, our company offers a financial support (credit for the beer purchased on long term (up to 12 months).

5.2 The partnership history

The URSUS Company uses two types of contracts:

A. Regular contract (annual)
B. Long term contract (5-10 years)

The long-term contracts are designed for our loyal distributors (we have worked with them for 8-10 years) who succeeded in extending their business and increasing the sales volume (about 10 000 hl/year). These contracts offer other incentives, especially oriented to joint programs for selling beer in the covered area (in these cases it covers 2-3 counties).

5.3 Incentives for distributor as an organisation

Besides those mentioned before, the distributors benefits from other forms of support:

- Supplementary packaging offered for increasing sales, beyond the established target.
- Access to different means of transportation, for free or for a special rent.
- Training for the distributor's sales force (organised and financed by URSUS)
- Annual contests with important prizes such as vehicles valuing about 20 000 euros) for the most competitive and efficient distributors.

The entire contract provisions reflect the special attention paid to the distributor, in order to maintain its loyalty to our company. Regardless the nature of the incentives, they serve the previously mentioned goal; the producer benefits from this close relationship and he strengthens its position on the market. In the same time, the producer is highly concerned with the welfare of his distributors, transferring partly the benefits to them (both in discount system and investments in the distributor's infrastructure). This approach explains why more than 80% of the distributors have had contracts with our company for more than 5 years (the regular contract can be renewed annually).

5.4 Incentives for the distributor's employees

The most important incentive offered to the employees is represented by the flexible payment and motivation system, depending on the sales results, included in the distribution contracts signed with URSUS. In the same time, the staff benefits from branded working clothes and tailored training programs offered and financed by URSUS.

We like to add that one of the most appreciated incentives is represented by the opportunity to participate in the national competitions organised for the annual promotion periods. The holidays abroad are highly appreciated by sales agents with best results (12 agents from the entire country participate in these competitions).

In 2004, the producer organised a 7 days trip to Milan, Italy which included the *Monza Formula 1 Grand Prix* and in 2005 URSUS organises a 6 days trip in Monte Carlo and the budget includes even 500 euros/person as pocket money.

5.5 ”Push” strategy elements

In the pre-season period (up to May) URSUS produces a quantity exceeding the beer demand in order to create stocks able to cover the high level of demand registered in summer time. These huge stocks cannot be kept in the company’s warehouses. Therefore, our company uses the “push” system, so the merchandise is pushed to the market through the distributor-retailer channel. These middlemen benefit from credit facilities offered by URSUS (up to 90 days). In the same time, our company offers financial, logistic and organizational support to those who invest in supplementary warehouses.

For retailers, the “push” strategy consists of the increase of the stocks compared to the previous period and in the organising of supplementary displays. The most competitive retailers are rewarded annually with cabinets, small vehicles or cash boxes.

5.6 The partnership with the distributors for achieving other objectives

The most common forms are represented by:

- The support offered to the distributor to participate in local events organised in his area (festivals, open days, cultural events, and sport events). This support consists of financial, logistic and representation assistance.
- Discounts for different beer assortments in order to impose a recommended price by retailers and the right positioning of the products.
- The branding of the company’s vehicles and of the agents’ with URSUS logo
- The selection, in partnership with the distributor, of the locations where URSUS will invest (investments consist of cabinets, beer coolers, branded umbrellas, and furniture).
- The support for distributors in order to facilitate their access to distribution contracts from the big companies manufacturing complementary products (distilled drinks)
- Annual Distributors’ Conference - this event is organised at the end of the financial year (March) and gathers the entire sales force and 3 representatives of each distributor. After the annual results’ presentation, the best distributors are rewarded. A special focus is dedicated to the future strategy and the necessary steps to be taken in order to improve the company’s competitiveness.

6. The perspectives of Ursus distribution network

The Ursus Breweries example illustrates the possibility of creating unique value via an experience network. An experience network does not simply link components, products or even information, though it incorporates the traditional supply chain. A firm that contributes intellectual leadership builds coalition and forges pathways for products, information and expertise becomes a nodal company.

We can notify some key implications of this basic transformation:

- The company's task today is to build an experience network such that consumers can easily interact with experience environments to co-construct the value and further to develop the network. the new competitive differentiation may rest in the quality of the experience network that all the stakeholders have access to;
- Ursus Brew, as a nodal firm can create the experience enablers, and in this way Ursus will become the heart of an effective experience network;
- Consumer initiated co-creation experiences can selectively activate the entire supply process, managed by a nodal firm like Ursus, which provides the intellectual leadership and influence.
- The traditional supply chain remains important; the physical movement of products and services will not disappear. But the supply chain will morph in some predictable ways.

This example also suggests that creating an experience network entails the capacity to adapt and rapidly reconfigure resources, [4, 98] accommodating wide swings in consumer demands in the experience space. We cannot outsource manufacturing or logistics without taking responsibility for ensuring a quality of experience for consumers, even as their needs change. Delivering consistently high quality experiences requires the ability to quickly adjust to shifts in demand.

As we discussed earlier, a nodal firm provides the intellectual and technical leadership needed to establish an effective experience network, as well as the incentives that hold participating firms in the network together.

But why should a company participate in a network. A significant factor may be the sheer size. The prospect of working with a very large company is enough incentive for distributors to join the network around that firm. On the other hand, another reason for developing a network is to renew your own market, or to revitalize an existing industry by creating a new market space.

Building an effective experience network requires learning how to access and leverage a broad competence base, drawing on the resources of companies and other entities.

7. Total Quality Management vs. Experience Quality Management

A basic tension is emerging between the Total Quality Management of products and processes versus what might be called Experience Quality Management. Or, we can also consider it such as a tension between the classic marketing orientation and the new one, value-oriented marketing approach.

We must consider, nowadays, that the same consumer who demands a unique, personalized experience also demands responsiveness, speed, reliability etc. The solution lies in the crucial distinction between variability in consumer experiences (access to many alternative channels, products and services) and variability in the underlying processes. This means that companies must configure an array of resources so as to create a multitude of possible experiences while maintaining the quality of each of the underlying actions.

The experience network must be designed to accommodate variation in experiences while reducing variation in the quality of the supply process.

The underlying features of the Experience Quality Management are shown in the following table: [4, 114]

Table 2:The features of Experience Quality Management

	Total Quality Management	Experience Quality Management
View of quality	Quality is associated with products, services and processes	Quality is associated with individual co-creation experiences and the quality of the infrastructure for enabling experiences. The quality of products, services and processes are necessary, but not sufficient determinants of the quality of the experiences
Goal	Eliminate known variability in processes; maintain quality across identical products and services	Accommodate heterogeneity of consumer experiences; variability in experiences with identical products and services
Methodology	Internal disciplines and processes; customer satisfaction survey	Co-creation protocols, disciplines and rules of engagement
Outcomes	Predictable; measured against specs	Unique as a result of contextual interaction between individual consumers and experience environments

Here are some of the key-concepts and organizational challenges in building an experience network:

- The company must facilitate the continuous creation of experiences at points of interaction, viewing products, distribution channels, technologies and employees as experience gateways;
- The experience environment should be oriented around the experience space, allowing consumers to initiate experiences on demand;
- Accommodating consumer heterogeneity is crucial. The company must understand its various sources and forms as well as its implications for co-creating unique experiences;
- The experience network should provide consumers with various levels and forms of access, mechanisms for dialogue with the company and other customers;
- The logistics infrastructure should link closely to the experience environment, balancing the consumer's desire for access with the company's desire for control;
- Managers need the capacity to react quickly and continuously based on events, along with the capacity to reconfigure resources flexibly and quickly;
- All infrastructures have both a technical and a social side. An effective experience network requires both technical and social enablers of experiences;
- The strategic architecture of the experience network is a creative combination of the appropriate technical and social experience enablers along with selective activation of the competence base to facilitate heterogeneous, individual-centric experiences.

Finally, we can point out the reasons and, further, the necessity of the shift between the classic firm-centric distribution chains and the new individual-centric distribution network, based on experience.

Table 3: The shift in distribution strategy [4]

The reason for shifting	Starting point: the classic view	Goal: the value-oriented view
Consumer-company interaction is the locus of value creation	Consumers are passive recipients of the firm's offerings. The firm-consumer interaction is the locus of value extraction. Focus is on managing the quality of products, services and processes.	Consumers are active co-creators of value. The firm-consumer interaction is the locus of co-creation of value. Focus is on Experience Quality Management.
Individual co-creation experience is the basis of value	Products and services are the basis of value. They represent value added by the firm and its supply base.	Individual co-creation experiences are the basis of value. Products and services are a subset of an experience environment.
Multiple channels are gateways to experiences	Channels represent distribution of products from the supply chain. The firm fulfills orders for products.	Channels represent gateways to experiences. Consumers are engaged in personalized experiences.
Infrastructure must support heterogeneous creation experiences	Infrastructure is oriented toward managing assets, processes, resource allocation and efficiency of the firm	Infrastructure is oriented toward supporting the experience environment, facilitating resource reconfiguration and efficiency in enabling experiences.
Enhanced network is the locus of core competence	Competence resides in the firm and its suppliers and partners. Supply chains are the predetermined sequence for fulfilling products.	Competence resides in an enhanced network that includes customers.

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