

## How to improve your company by Efficient Consumer Response (ECR).

### What is ECR?

“Working together to fulfill consumer wishes better, faster, and at less cost”

This is the key statement to understanding the fundamentals of ECR. There are two principles that could be derived from this statement. First principle is “focus on consumers”, a belief that a business success lies in the ability to provide consumers with products and services that meet or surpass their demands and expectations. The second principle is “working together”; the greatest consumer value can be obtained only when organizations work together, internally and with their trading partners, to overcome barriers that impede efficiency and effectiveness. ECR focused on three major areas of continuous improvements: supply side, demand side, and enabling technologies. Furthermore ECR is also about Category Management and Electronic Catalog.

### Supply Side Concepts

The supply side of ECR focuses on a set of six improvement concepts. All the concepts address the need for efficient and fast replenishment of products at various points in the supply chain. The supply side is often the primary subject companies look at for cost reduction; they see profit improvements or price reductions as their critical business goal. The supply side concepts has less direct impact on sales and market share than the demand side concepts, but rather to fulfill the need to get the right product in the right place at the right time.

There are four notions that can help implement ECR on the supply side.

1. Companies should portray themselves as a company with *Reliable Operations* by placing serious effort into improving relationships between trading partners.
2. Companies should use *Continuous Replenishment (CRP)* to drive inventory out of pipeline. This will enable the company to response faster to unanticipated shifts in shopper buying behavior. With the use of scanned data and sales forecast CRP will drive replenishment orders and shipping.
3. *Integrated Suppliers*, successful partnerships between all players in the supply chain rely on the integration of key processes to facilitate information flow, which is critical to all the players.
4. The key to extremely rapid response is *Synchronized Production*, allowing production schedules to be more closely aligned with actual consumer demand. Moving towards shortening order lead times, manufacturing companies can reduce the potential errors a traditional forecasting method creates.

### Demand Side Concepts

The demand side of ECR includes all of the management associated with managing and understands the nature of demand for products and services. The effect of ECR on demand is immediate and direct and relevant to consumer and shopper’s satisfaction. As a result, implementing ECR will yield increased sales and market share for trading partners. Some companies in the past have tried to implement this strategy, they

devised good plans, but failed to deliver bottom line results or create long term relationships, too much talk and little action. This strategy can be difficult to get started but when approached correctly, delivers big benefits to both companies.

1. The best way to tailor ECT concepts to the specific needs and capabilities of the two trading partners is by using *Demand Pilots*.
2. Many companies who focused in *Assortment Rationalization* experienced big improvements in consumer satisfaction and business results. It focuses on eliminating SKUs with poor performance and improving the location of the rest.
3. Companies have to Optimize Promotion. The emphasis is placed on defining promotion objectives, internal and external communication, timely distribution and placement of promotions and regular evaluation.
4. In New Production Introduction phase, the emphasis is on screening products against critical success factors early in the development process. This also leads to the reduction of process complexity and time and cost to market.

### Enabling Technologies Concepts

ERC focuses on technologies that develop the use of data management and processing capabilities. These are needed to promote rapid communication of accurate information in a timely manner between trading partners. Typical issues such as EDO message format, barcodes and article numbers are requirement for many ECR improvement concepts. Technology is essential in ECR, delaying the process of upgrading or implementing new technologies will extent out return on investment (ROI) period.

1. Electronic Data Interchange (EDI) is needed to easily communicate and manage orders, deliver, invoices and payments, both within a company and between the company and its trading partners. It allows business partners to exchange vast amount of information with great speed and accuracy.
2. Activity Based Costing (ABC) is an accounting methodology used widely among businesses who are concerned on the real cost in logistics terms. This accounting methodology is different from the traditional way in that it does not see the products or services as the primary cause of costs, but rather the activities involved. This provides an insights into the sources of costs and the possible impact if different decisions were to be made.

### Others

Other than supply, demand, and technologies; ECR also deals with category management and electronic catalogues. *Category management* focuses on all possible ways to maximize the potential of a category. Their strategies for the products include managing the variety, merchandising, stocking, pricing, introducing new products and re-supplying products. They employ the use of POS (point of sale) data to develop strategic category plan, monitoring space allocations and measuring category performance in order to make adjustments. As a result, there could be an increase in retail sales per square foot/meter by directing companies to focus on categories that offer the best return. An *Electronic Catalogue* is a repository of data where trading partners can obtain, maintain or exchange information about any products, services or party/location in a standard format using electronic means. This leads to the increase of efficiency of the partners' entire supply chain and encourage inter-operability of world-wide.