

Role of CRM in Supply Chain Management

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ABSTRACT

A “basic supply chain, consists of a company, an immediate supplier, and an immediate customer directly linked by one or more of the upstream and downstream flows of products, services, finances, and information. An “ extended supply chain” includes suppliers of the immediate supplier and customers of the immediate customer, all linked by one or more of the upstream and downstream flows of products, services, finances, and information. An “ultimate supply chain” includes all the companies involved in all the upstream and downstream flows of products, services, finances, and information from the initial supplier to the ultimate customer. Implementing supply chain management (SCM) must undertake acquiring, retaining, and selectively and strategically partnering with customers. This would bring about an integrated and well- aligned supply chain in terms of its objectives and goals. The way supplier relationship management (SRM) can be enabled by IT solutions in SRM, the management of customer relationships can also be IT- enabled by customer relationship management (CRM) solutions available with various vendors. The way sourcing and supply management is linked to the ERP system, CRM is also functionally linked to ERP. The ERP systems provide the backbone of the relationship between SCM and CRM. Relationship marketing is the essential virtue of all CRM programmes. This is also justified by the fact that most companies implementing CRM have customer loyalty programmes such as membership rewards programmes in a place. Also the CRM programmes would invariably require a reasonable amount of automation services rendered, because of the huge number of customers and their transactions involved.

Keywords: Supply chain management (SCM), supplier relationship management (SRM) Customer Relationship Management (CRM), Enterprises Resource Planning (ERP)

1. INTRODUCTION

Supply chain management (SCM) thus refers to the PODSCORB (planning, organizing, directing, staffing, controlling, reporting and budgeting) decisions as related to the coordination of flows (including reverse ones) of information, cash, credit, order, and materials right from supplier(s), the point of origin to the ultimate customer, the point of consumption in a logistical and preferably an it- enabled environment, in tune with the corporate gals for being competitive in the market-place. The flows of information may pertain to sales, pricing, forecasted demands/ orders, scheduling of operations, and deliveries, downstream and upstream, as the case may be.

The supply chain management as the network of organizations that are involved, through the upstream and downstream linkage if different processes and activities that produce value in the form of products and services in the hands of the ultimate customer. Supply chain is made up of processes that cover a broad range, such as sourcing, manufacturing, transporting and distributing products and services. Information and financial flow components are as important as physical flow

in supply chain over the life cycle of product and services, i.e., market life cycle and usage life cycle.

(A) BASIC SUPPLY CHAIN

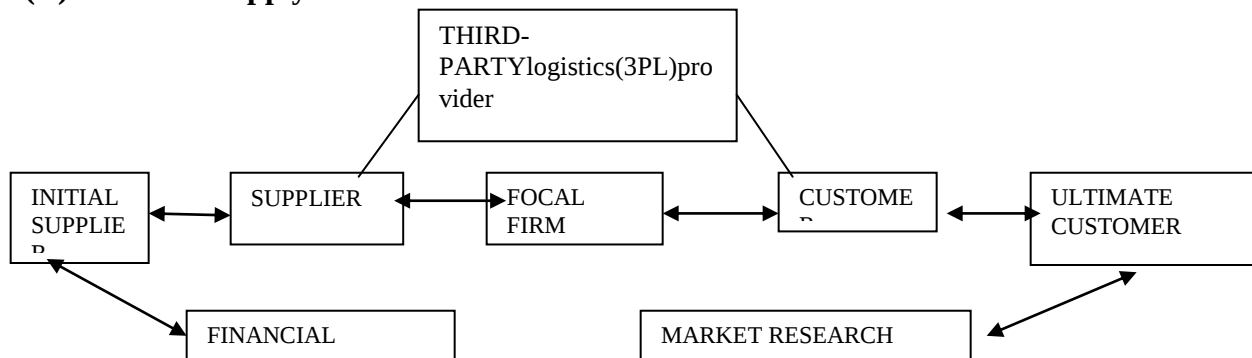
(A) Extended Supply Chain



(B) Extended Supply Chain



(C) Ultimate Supply Chain



2. OBJECTIVES OF SCM

The objectives of a supply chain are manifold but most of them are derived from the primary objective. The primary objective comprises creating a superior mutual value for the customer in terms of the product and service delivered at a time and place in response to customer needs and demands. The secondary objectives are given as follows.

PROFITABILITY

There must be supply chain profitability all over the chain, not only at individual stages or to individual partners. The revenue must exceed the expenses or the costs of the supply chain. In a competitive market, this implies decreasing the costs and not decreasing the price to ensure supply chain profitability.

RELIABILITY

A supply chain aims to provide time and place specific delivery with a superior service level in fulfilling the order, practically with negligible stock out rates however, stock –out rates of 2.5% are still common.

FLEXIBILITY /AGILITY

A good supply chain must be flexible to absorb fluctuations in demand without any extra costs. It refers to the upside production flexibility that can be absorb extra demand. A flexibility to absorb a 20 per cent extra demand is quite desirable.

RESPONSIVENESS

It refers to how much time takes to meet the customer's needs, particularly when the design and volume needs to undergo a change.

TURNOVER RATE

It is important that a high turnover rate of assets used in the supply chain, whether financial, inventory, or machine resources, is set as only a fast turnover would not block capital, reduce the risk of obsolescence, increase productivity, and thus profitability or the return on investment used in these resources or assets.

COMMUNICATION AND COORDINATION

A supply chain objective is to provide good communications, coordination, and information sharing and competence across all the channel partners, right from suppliers/retailers, the 3PLs and finally the customers.

3. BENEFITS OF SCM

Key benefits accrued by implementation of SCM, mainly using an SCM decision making framework with enables approach would the following.

- Reducing in working capital deployment inventories, warehousing, and financial costs
- Re –engineering simplification and optimization of processes across different components and stages at different levels
- Optimization of workforce across various orders/clients at different levels and locations
- Reductions in time to market through disintermediation and better logistics
- Capturing and tracking of feedback from all supply chain partners at each stage and better collaboration based on the feedback
- Bringing about accurate inventory forecasting and planning
- Streamlining incoming material flow and synchronizing it with production at the plant level, particularly in a lean environment
- Ensuring a certain in – process/work – in – process (WIP) material and finished goods flow
- Tracing and tracking of order information, its fulfillment status, and maintaining a certain promised service delivery level
- Improved satisfaction levels of internal and external customers.

Though supply chain and logistics business in India is still at its infancy, there is tremendous potential ahead. The reason for the last start of supply chain and logistics business in India Is that a took some time for Indian industryto stream – streamline and reorganized there business processes and restructure their supply chain. According to an ETIG study, the state of the Indian industry in various SCM elements are compared with the state In the west and relevance focused is highlighted in table 1.1.

In most industries, Such as automobiles., FMCG, consumer durables, foods, pharma, garments, paints, cement, and steel , SCM as chains are being restructured and integrated, while in some other industries, the concept of SCM is yet to find takers. So, there is a lot of variability in terms of the extend of implementation of SCM in different industries in India.

As per center for monitoring Indian economy (CMIE) data available in 2006 and given in table 1.2, the industries have been reported to spend a total of 4.1 per cent (1.4% for inbound and 2.7% for outbound/distribution) of their net sales on logistics. However, these figures may not include losses. Transactions, administrations, and personnel costs together with costs of reverse logistics and marketing costs related to supply chain.

**STATES OF INDIAN INDUSTRY VS. THAT IN THE WEST WITH RESPECT TO
VARIOUS SCM ELEMENTS**

SCM ELEMENT	STATE IN WEST	STATE IN INDIA
1. Approximate costs	9% of GDP	13% of GDP
2. Transportation	Fleet Management concept	Tracking concept
3. Warehousing and inventory	Collaborative/vendor-managed inventories(VMI)	Minimal disruption of line, stocking at various stages of the chain.
4.Inventory costs	Increasing far slower than rise in other costs	Rising
5.Information	Free flow, real time	In islands of knowledge, reluctance to share
6.Personnel	Trained logistics managers	Personnel move from distribution stores and sales, few professional managers
7.Organizational structure	Logistics function is separate (stand-alone) with its own defined objectives, roles and targets	Only leading companies are giving logistics a full functional status
8. Infrastructure	Supports and enables sophisticated and efficient logistics solutions	Poor quality, spread, and facilities.

Source: Adopted from Economic Times Intelligence Group (ETIG)

TABLE NO 1

SCM SPEND IN MAJOR INDIAN MANUFACTURING INDUSTRIES

SCM SPEND INDICATORS	2000-02	2002-03	2003-04	2004-05
Inbound transportation costs as percentage of net sales	1.5%	1.4%	1.3%	1.4%
Inventory related costs as percentage of net sales	13.3%	13.9%	13.1%	13.1%
Distribution expenses as percentage of net sales	3.0%	2.8%	2.8%	2.7%
Total SCM spend as percentage of net sales	17.8%	18.1%	17.2%	17.2%

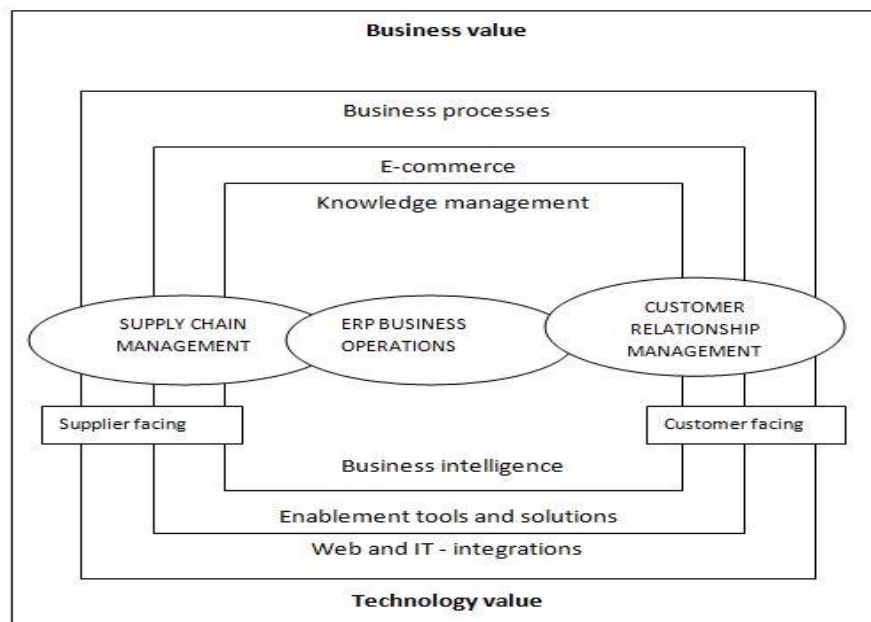
Source: CMIE,2006

TABLE NO 2**LINKAGE BETWEEN CRM AND SCM**

The CRM initiative should be viewed from a corporate level perspective rather than just as a ‘call centre’ approach. The key to using an interactive voice response system (IVRS) is certainly the technology working at the back-end, but it is also the people using this technology. As is evident from the figure that follows CRM interfaced with SCM in a company through the enterprise resource planning(ERP) system. This interface between CRM and SCM is facilitated by:

- Business intelligence
- Enablement tools and services
- Web and IT integration

These interfaces help in arriving at a technology value. On the other hand, the business value would be determined by the business processes, applications in e-commerce, as also the knowledge management. The interface of CRM and SCM through enterprise resource planning (ERP) systems is very critical. In fact, the most of the enterprise solution vendors have added the CRM Component to their offerings. Most vendors are hawking the complete suite with ERP, CRM, and SCM. The future lies in complete integration of company-wide business planning and transaction systems that will involve technology, business processes, and people in a manner that can deliver value to all the stakeholders, and provide a sustainable competitive advantage to the enterprise.

**IMPLEMENTATION OF CRM**

A company's interface with customers had been through its sales people or sales agents. Nowadays, most companies interface with customers through variety of channels, in addition to that of sales people and service personnel, e.g., call centers, internet, websites, marketing departments, fulfillment houses, and market and business development agents. For large companies, it may include cross-functional teams which could include personnel from various functional departments. While each of these units could operate independently, they need to share information about individual customers and their transactions with the company on a real-time basis.

Effective CRM implementation, therefore, inevitably requires front-line information system that shares relevant customer information across all interface units. Needless to mention, CRM systems and solutions inevitably use relational databases, data warehousing, and data mining tools. The real requirement is to develop an integrated CRM platform that collects relevant data inputs at each customer interface, and concurrently provide knowledge output about the strategy and action plans appropriate to capture or regain customer business, and help maintain customer loyalty.

The system used for CRM should first identify appropriate data inputs at each customer interaction point, and use analytics to generate appropriate knowledge output for the front-line staff during customer interactions.

4. CONCLUSION

The key to sustainable competitive advantage in today's business market is the customer. Companies must know who their customers are, which customer populations most directly drive their profits, and what will keep these customers loyal and happy over time. Customers drive business success and the winners on this playing field will be those organizations who most effectively and positively manage their relationships with their customers. The interface of CRM with SCM through enterprise resource planning (ERP) systems is very critical. In Fact, most of the enterprise solution vendors have added the CRM component to their offerings. Most vendors are hawking the complete suite with ERP, CRM, and SCM. The future lies in complete integration of companywide busy planning and transaction systems that will involve technology, business processed, and people. In a manner that can deliver value to all the stakeholders, and provide a sustainable competitive advantage to the enterprise.

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