Adapting Customer Relationship Management to Strategic Supply Challenges: Clues for Success

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Abstract. The paper highlights the strategic and operational efficacy of integrating customer relationship management (CRM) within the fabric of supply chain management mandates. CRM is presented as a comprehensive business model with revenue implications. As supply chain managers grapple with an array of stakeholder challenges, it is essential to integrate customers from a CRM perspective.

Introduction and Background. Organizations have long heralded the merits of being customer-centric, both externally and internally. Genuine commitment to customers at all levels has been and continues to be the ultimate hallmark of success. Over the past quarter century or so, supply professionals have increasingly adopted customer-centric perspectives in all aspects of their relationships. This evolution toward a customer focus has yielded increased supply performance dividends, both strategically and operationally. The next logical phase of this evolutionary process is the formal adoption and execution of customer relationship management-related (CRM) methodologies in supply organizations. While CRM is not a novel concept, the careful application of CRM philosophies, perspectives, and processes have yet to be fully implemented within the supply context. As strategic supply challenges escalate, it is essential for supply professionals to embrace enthusiastically CRM techniques to heighten the probability of increased supply success. The remainder of the paper focuses on understanding the fundamentals of CRM in supply settings and how core CRM concepts offer specific potential for solving some key supply challenges.

What Is CRM and What Can It Deliver to SCM? While there are numerous definitions and perspectives on CRM, at the core each perspective addresses CRM’s role in maintaining competitiveness, relationship building and maintenance, market orientation, and tactical/procedural/process of executing CRM initiatives. Two specific definitions that embody the essence of CRM follow.

“The infrastructure that enables the delineation of and increase in customer value, and the correct means by which to motivate valuable customers to remain loyal – indeed to buy again.” (Dyche’, 2004)

“An interactive process for achieving the optimum balance between corporate investments and the satisfaction of customer needs to generate the maximum profit.” (Shaw, 1999)

Both definitions identify the importance of casting CRM from the perspectives of customer value, investment, and profitability. Ultimately, CRM must contribute in a significant manner to each of these three areas. Not coincidentally, this triumvirate of customer value, investment, and profitability are the often-stated pillars of sustained supply chain success. In reality, CRM
is a business model that requires an integrative, holistic approach to bringing customers, information, and organizational resources together for mutual gain. It requires conceptual buy-in and commitment to execution by a wide cross-section of the organization.

While CRM is most often associated with marketing and sales efforts within and among organizations, the CRM business model offers considerable potential for current and future SCM challenges. Some SCH challenges include supply chain responsiveness, integration of the supply chain, strategic sourcing, effective management of global initiatives, supply base rationalization, and strategic cost reductions. The CRM mentality is a useful conceptual lens from which to view and analyze SCM phenomena.

Swift (2001) provides great insight into the CRM mentality. More specifically, Swift describes the CRM process cycle to include the following phases: knowledge discovery, market planning, customer interaction, and analysis and refinement. Knowledge discovery involves the analysis of market information from all customer segments from all sources. SCM examples of knowledge discovery include information ranging from functional components in the organization to the activities of first- and second-tier suppliers to far-flung customer sets. The knowledge discovery phase of CRM can be as specific and focused or as broadly defined as required by each of the system subsets. Any customer contact information useful in making the system more customer- and market-centric should be included in CRM.

The market planning phase focuses on the strategies and processes dictated by the knowledge discovery phase. Marketing planning assists supply chain managers in defining specifically the types of relationships between and among each of the participants in the chain. This is really the core of understanding and responding to the specifics of the exchange process. Since all supply chain relationships are a series of network exchanges, it is essential to understand each one of the exchange processes and develop ‘market strategies’ accordingly.

The customer interaction component of the CRM process deals primarily with the specific ‘touchpoints’ where all aspects of the organization actually come in contact, in some way, either directly or indirectly, with ‘customer segments.’ How do we interact with customers? What changes should be made in the interaction process? These are two fundamental questions that must be addressed, from an execution perspective, during the customer interaction phase.

Finally, the analysis and refinement phase of the CRM cycle focuses attention on assessing, measuring, and evaluating the CRM process. This is basically a continuous improvement initiative that ensures that the CRM system delivers consistent quality for the organization.

**Making CRM Work in Supply Environments.** In order for supply professionals to gain the most from a CRM-like system, it is essential to understand the ‘problem centers’ of CRM and how to avoid them. Kale (2004) identifies the ‘seven deadly sins’ of CRM failure. These seven areas form an excellent backdrop from which to view what should and should not be done to develop, implement, and sustain a viable CRM network that assists in the attainment of supply goals. The seven reasons given for unsatisfactory CRM outcomes are:
1. Over-focusing on CRM as a purely innovative technological tool or technique. While technology is a pivotal ingredient in any CRM system, to conceptualize CRM around technology is to under-utilize the potential of the method. Technology is an enabling component, but not the key ingredient.

2. Lack of a customer-centric vision. Customers must be at the center of CRM decision-making. If the CRM system is not ‘grounded’ in customer needs, it is prima facie doomed to fail. Total and complete customer satisfaction should be at the core of the system.

3. Understanding the real importance of the lifetime value of customers. Given the effort to acquire customers, it is incumbent upon organizations to go the extra mile to retain them. The concept of the lifetime value of customers must be taught and ingrained into the culture.

4. Lack of genuine and sustained support from senior management. As with any comprehensive initiative, reinforcement from top management is a critical success factor. Senior managers must be willing to thoroughly understand CRM and commit to its success.

5. Process re-engineering. For CRM to have maximum impact, it is important to re-think every single process and procedure that is directly or indirectly related to customers, internally and externally.

6. Data mining and integration. All key partners should understand the nature of the information needs required in the various segments to make the CRM system work.

7. Securing loyal customers. Developing and sustaining relationships with loyal customers can be enhanced immensely with a properly functioning CRM system.

Agarwal (2004) believes that organizing for CRM is one of the most critical success factors. Organizational difficulties with CRM can thwart the overall effectiveness of an otherwise well-conceptualized system. Additionally, Agarwal asserts that ‘companies should view CRM as a product or service target at internal customers. Like any product or service, CRM must be infused with clearly defined value, priced appropriately, and provided with after-sales support.’ Correspondingly, Bland (2003) identifies similar approaches to realizing the full benefits of CRM. In particular, Bland recommends: identifying current CRM strengths and weaknesses; setting a CRM budget; starting out small and then progressing to larger CRM initiatives; approach vendors with a specific problem statement (this delineates the scope of the project); understand the significance of CRM integration; and measure the success of CRM, but be patient. Each of these hints for success provides opportunities for specific actions that allow organizations to realize the full potential of CRM.

Specifically, What Can CRM Do for Supply Organizations? Supply environments are continuously evolving into more complicated and sophisticated organisms. Corresponding with this growth and evolution are more varied internal and external linkages than ever before. To ensure that these linkages are customer-focused or market-centric, a CRM-like mindset is an
essential success prerequisite. This mindset ensures that supply professionals view each ‘touchpoint,’ regardless of position in the supply chain, as a marketing opportunity.

Other significant changes in the supply landscape that predispose supply to the benefits of CRM are:

- Compressed time frame for decision making
- Increased focus on value, both creation and delivery
- More stringent definition of customer satisfaction (all supply chain components have much greater performance expectations of all chain participants)
- More emphasis on internal and external partnering.

Collectively, all of the above point to the need for a CRM orientation in modern supply organizations. CRM offers a composite of concepts, tools, technology, architecture, and organization required to facilitate goal attainment in complex and multifaceted supply networks.

Summary. Progressive supply professionals are in constant pursuit of concepts, methodologies, and techniques that encourage performance enhancement across the supply system. CRM provides an overarching methodology that accommodates individual supply partner demands by systematically integrating network-wide customer-centric discipline. Sustained supply success is inextricably connected to its capacity to pull together the CRM-like willpower required for long-term performance growth.

REFERENCES