

CSCP

CERTIFIED SUPPLY CHAIN
PROFESSIONAL

MODULE 6: SUPPLY CHAIN RELATIONSHIPS

Section A: Customer Relationships



Section A Introduction

Section A Key Processes:

- Manage customer relations.
 - Cultivate customer relationships.
 - Interpret the voice of the customer (VOC).
 - Design customer service offerings.
 - Define measurements and KPIs with the customer.
- Measure customer service, manage customer feedback, and resolve issues.

Section A Topics:

- Topic 1: Customer Relationships and Segmentation
- Topic 2: Customer Relationship Management
- Topic 3: Customer Service Metrics and Performance

Topic 1: Customer Relationships and Segmentation

CRM and the Need for It

- Marketing philosophy: putting customer first.
 - Collection and analysis of customer data for sales and marketing decision support.
 - Understand and support customer and prospect needs.
- Competitive survival strategy: Responding to change quickly is differentiator between winners and losers.
- Provide a product-service package.

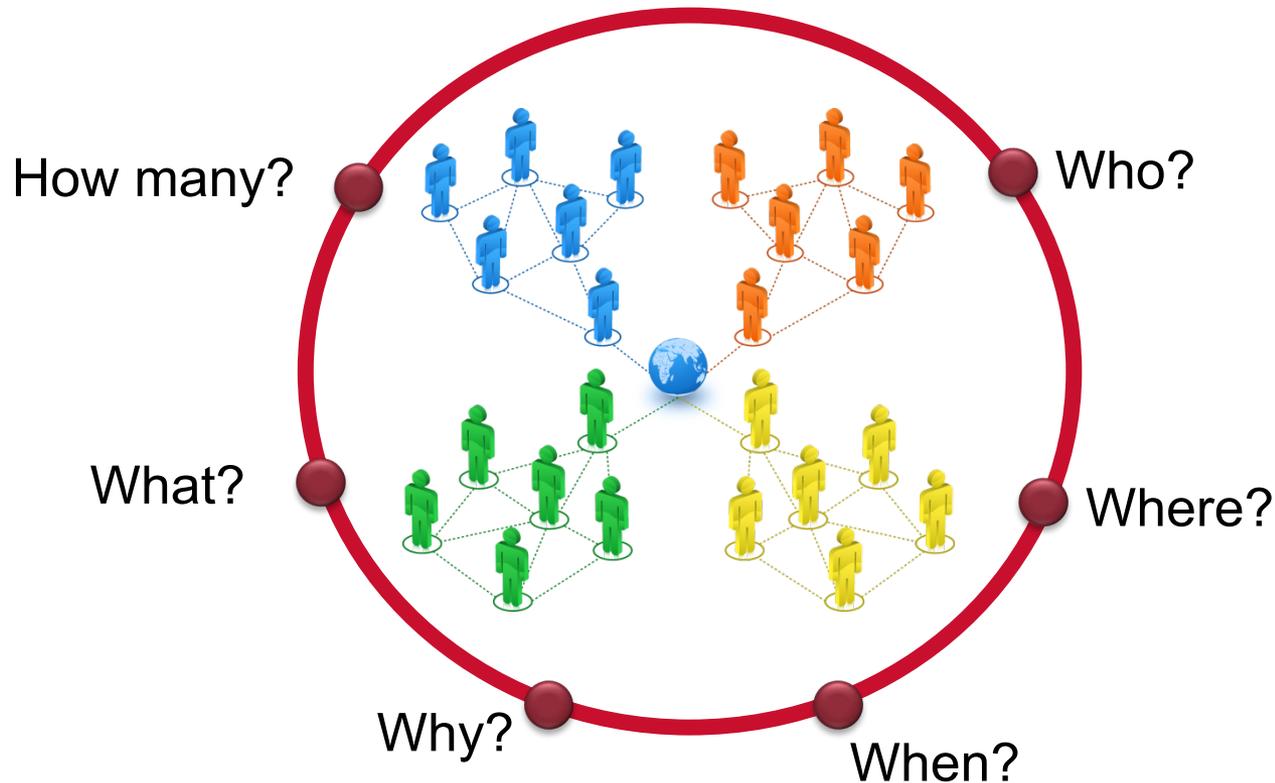
Topic 1: Customer Relationships and Segmentation

Customer-Centric Organizations

- Are easy to do business with
- Add value to their products/services by integrating products and information
- Educate customers during and after the decision-making process
- Are innovative in design of services, marketing, delivery, customer care
- Design business contact points from customer perspective
- Share insights about customers within SC network

Topic 1: Customer Relationships and Segmentation

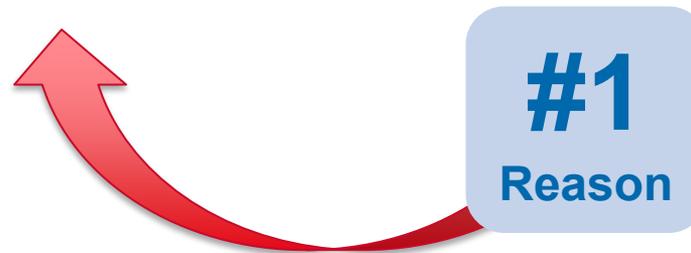
Segmentation and Customer-Focused Marketing



Topic 1: Customer Relationships and Segmentation

Segmentation and Customer-Focused Marketing

- Customer segmentation: “...groups of individuals that are similar in specific ways relevant to marketing.”
- Why do it?
 - To increase the organization’s profits (or its equivalent) over the long term



Topic 1: Customer Relationships and Segmentation

Customer-Focused Marketing

Customer requirements must drive product and service design.

All products and services have more than one market segment.

Profitability is more important than sales volume.

Logistics and marketing strategy must focus on customer segments.

Topic 1: Customer Relationships and Segmentation

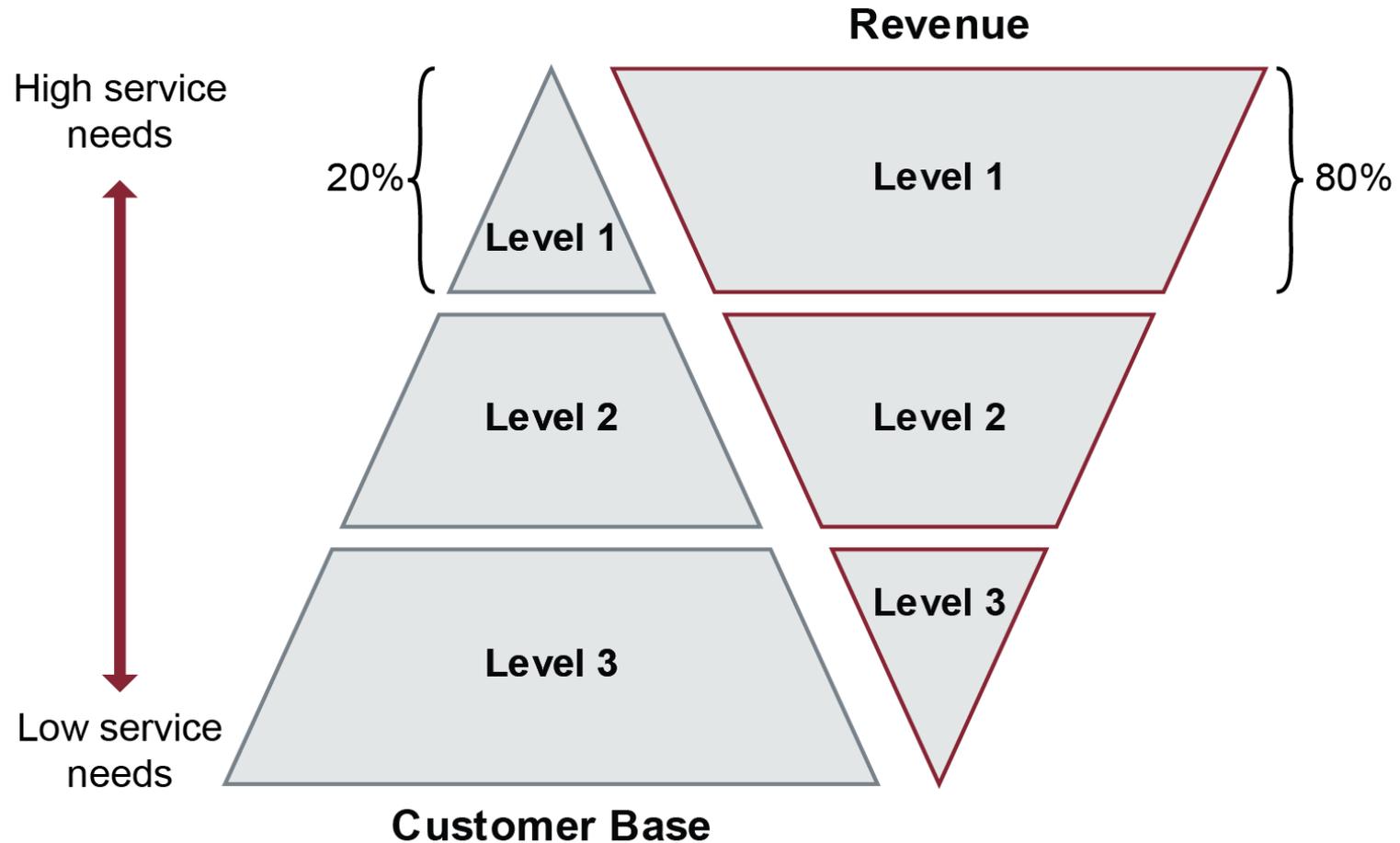
Defining Segments

Historic Segmentation CRM Segmentation

- “Representative” groups
- Preconceptions of groups
- Actual buying behaviors
- Finer segments (e.g., ecologically oriented products)

Topic 1: Customer Relationships and Segmentation

Pareto Effect in Customer Segments



Topic 1: Customer Relationships and Segmentation

Segmentation by Customer Needs

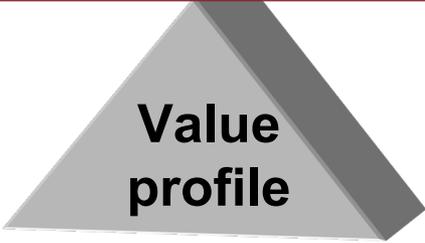
Preferred
contact
channels

Reliability

Best value
≠ price

Convenience

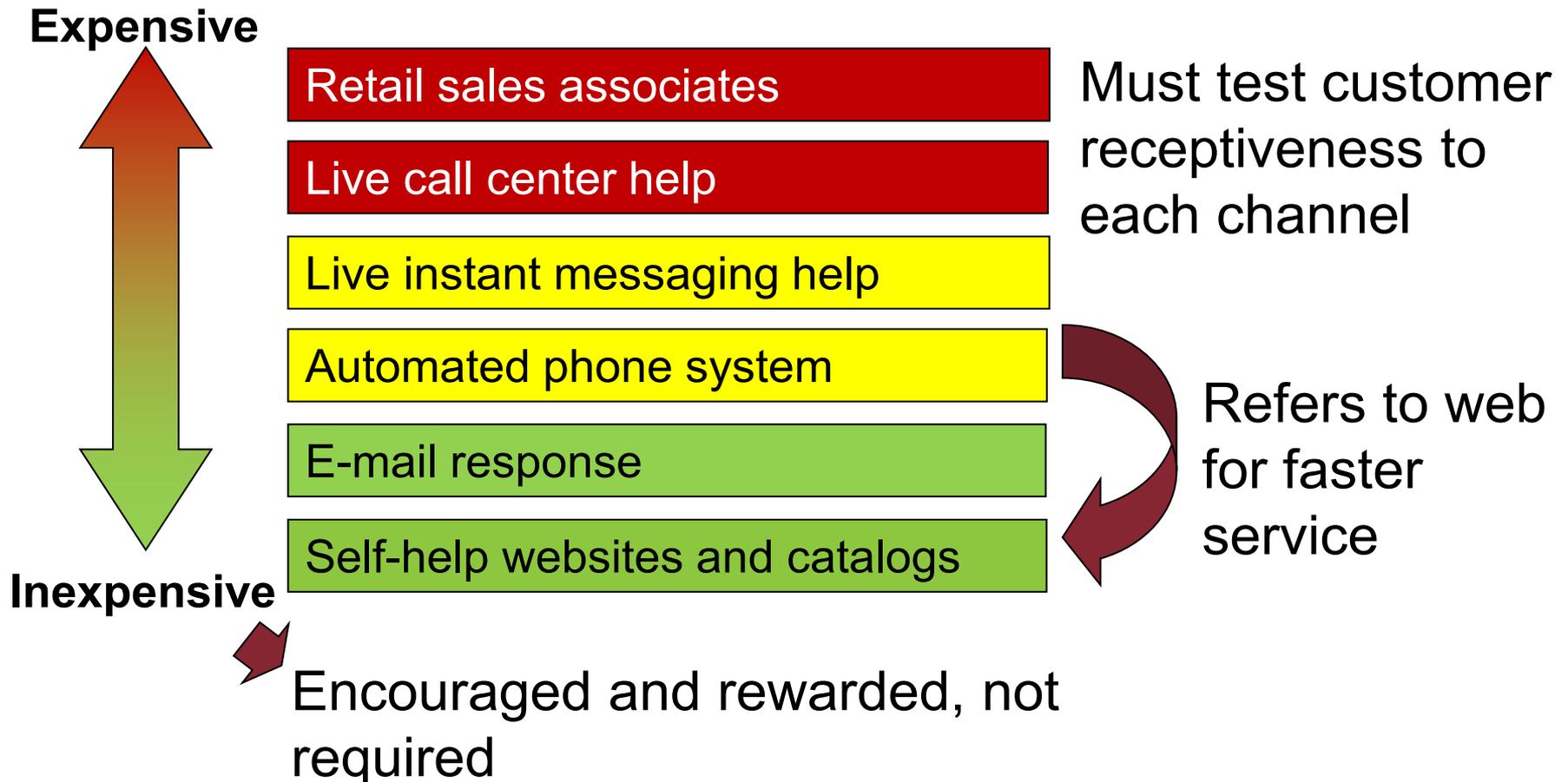
Product/
service
features



**Value
profile**

Topic 1: Customer Relationships and Segmentation

Segmentation by Preferred Channel



Topic 1: Customer Relationships and Segmentation

Segmenting Customers

Sources of customer information in CRM

- Transaction records
- Sales and service representatives
- Distribution points
- Purchased data
- Internal market research

Voice of the customer (VOC)

- Research and measurement tool
- Scripted: why leaving, how satisfied, etc.
- Customers talk freely: what company won't usually hear
- Know customers intimately; anticipate desires

Topic 1: Customer Relationships and Segmentation

CRM Segment Strategies

Segmentation by demographics or psychological profiles

Service-minded customer strategies



Intuitive assumptions



Market research from respectable sources



Customer value
Customer history
CRM technology for customer service support

Strategies for reaching customers via technology channels



Topic 1: Customer Relationships and Segmentation

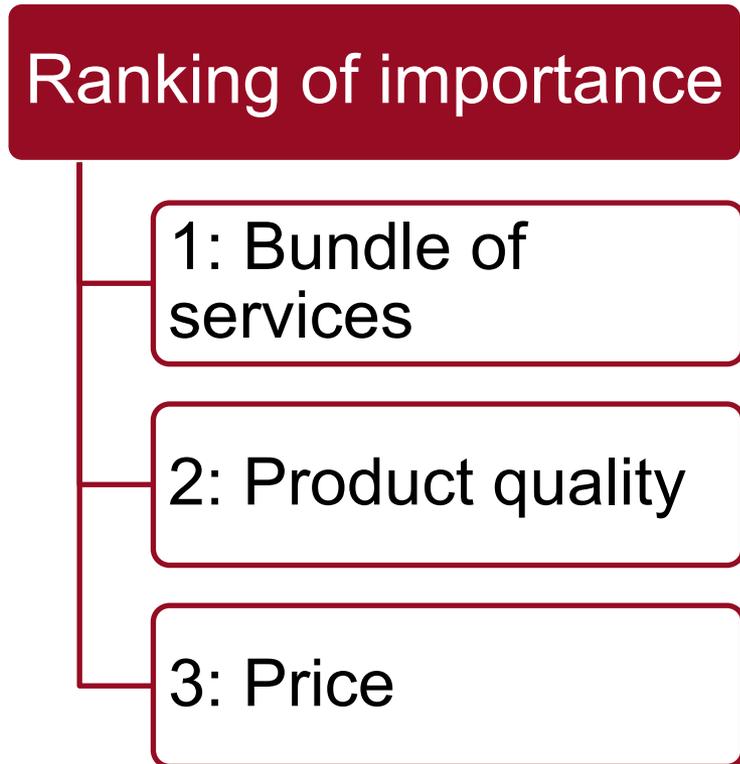
CRM Segment Strategies: Customer Value

- Define “valuable” customers.
- Deliver timely, detailed information to help identify the most valuable customers.
- Define what product features/services mean the most to the best customers.
- Measure impact.

Topic 1: Customer Relationships and Segmentation

CRM Segment Strategies: Retail versus B2B

Retail Customers



B2B Customers



Topic 1: Customer Relationships and Segmentation

CRM Strategies for Customer Relationship Types

- Market research
- Pricing
- Segmentation
- Promotional message and contact channel

- Increase sales
- Cross-selling
- Up-selling



- Early and accurate identification
- Predictive churn model
- Target most valuable customers
- Rapid communication internally with customer

Topic 1: Customer Relationships and Segmentation

Loyalty Program Design Considerations

- Encouraging specific customer behavior
- Targeting segments' needs
- Position (including resource allocation)
- Program offer
- Cost and benefit structure
- Communication of loyalty program

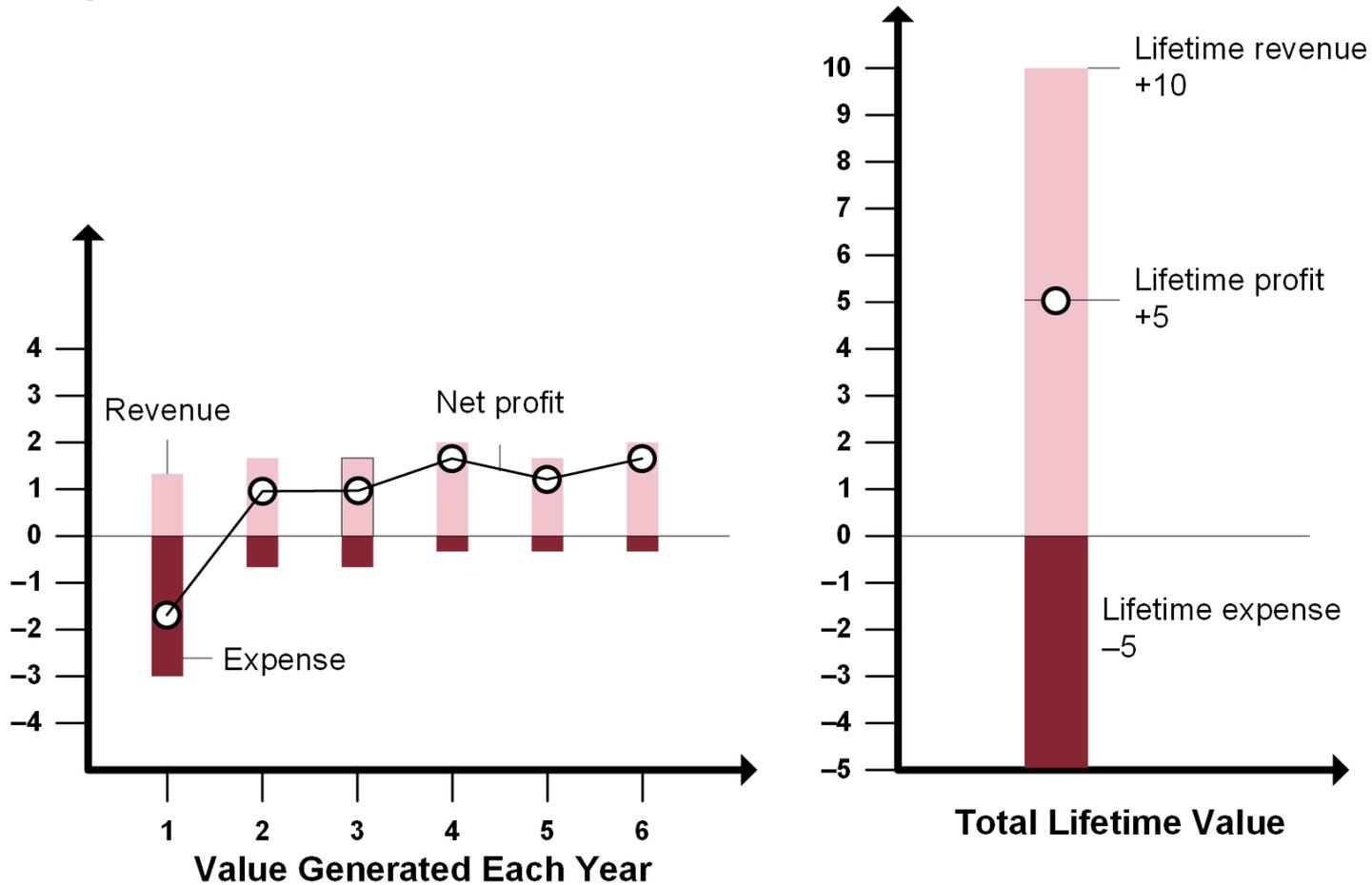
Topic 2: Customer Relationship Management

Scope of CRM



Topic 2: Customer Relationship Management

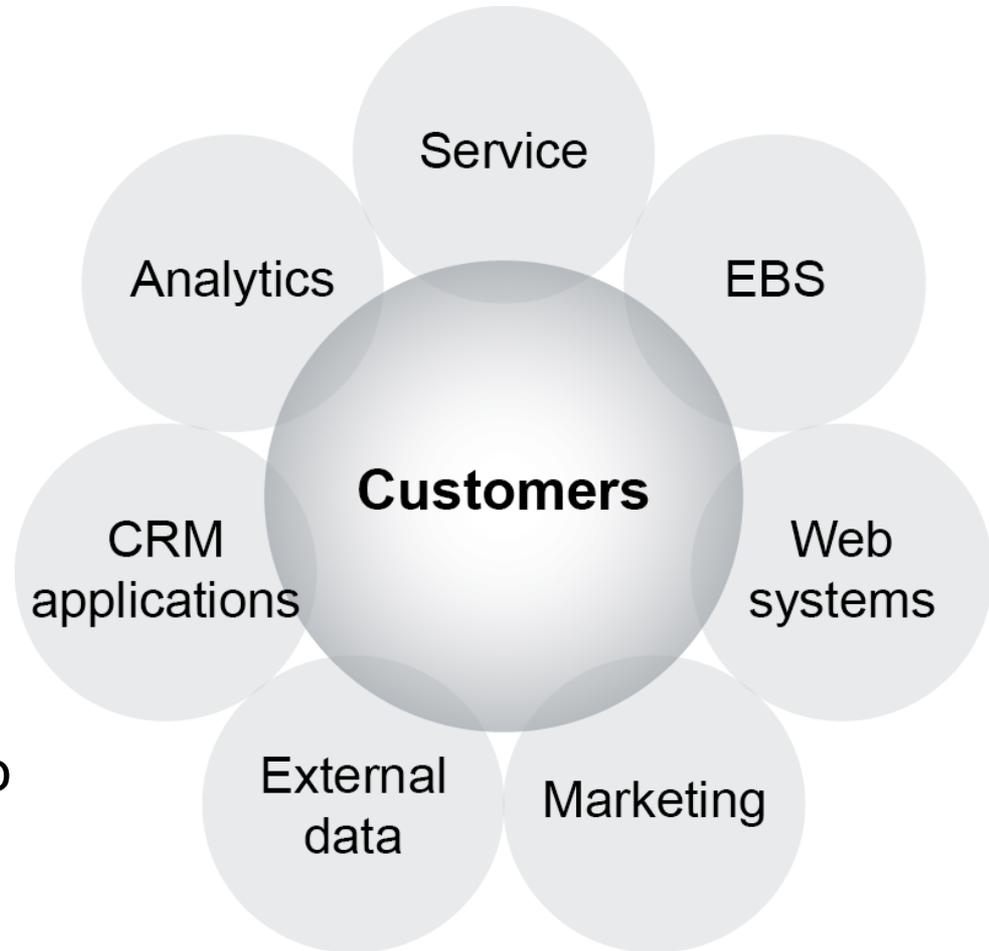
Development of Lifetime Value



Topic 2: Customer Relationship Management

CRM Strategy and Processes

- **CRM strategy** — Plans to initiate, develop, or sustain relationships with customers.
- **CRM processes** — Order of marketing, sales, and customer service activities.
 - Improves time to market.
 - Formal monitoring and feedback are essential.
 - Implement with the plan, do check, action model.



Topic 2: Customer Relationship Management

CRM Organizational Structures and Technologies

Organizational structures

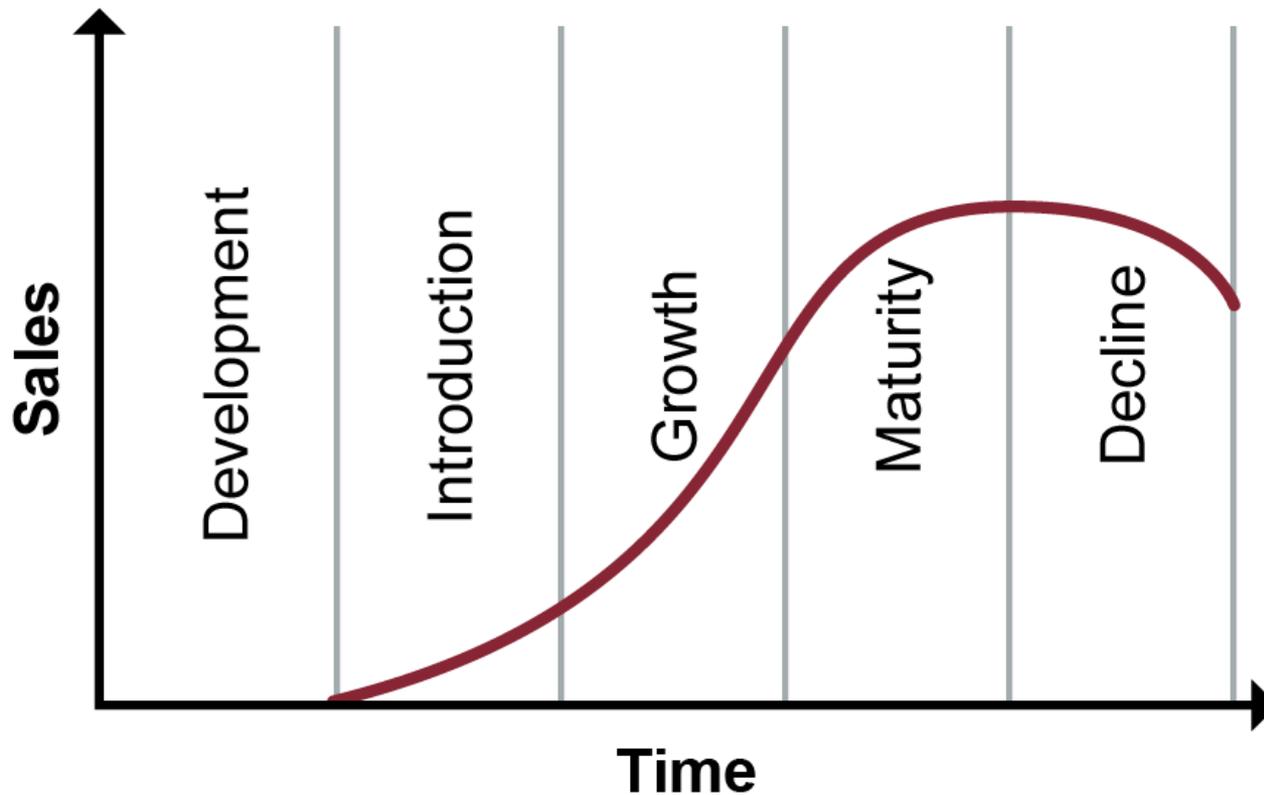
- Demand management activity teams
 - Media-based vs. direct marketing
 - Marketing to prospects, vulnerable, win-back, etc.
- Job rotation and mentoring
- Customer-focused jobs, structures, etc.

Technologies

- Collection, storage, and use of customer data
- Single integrated transactional database
 - Customer data warehouse for analysis
- Data mining and DSS
- Call center
- Campaign management

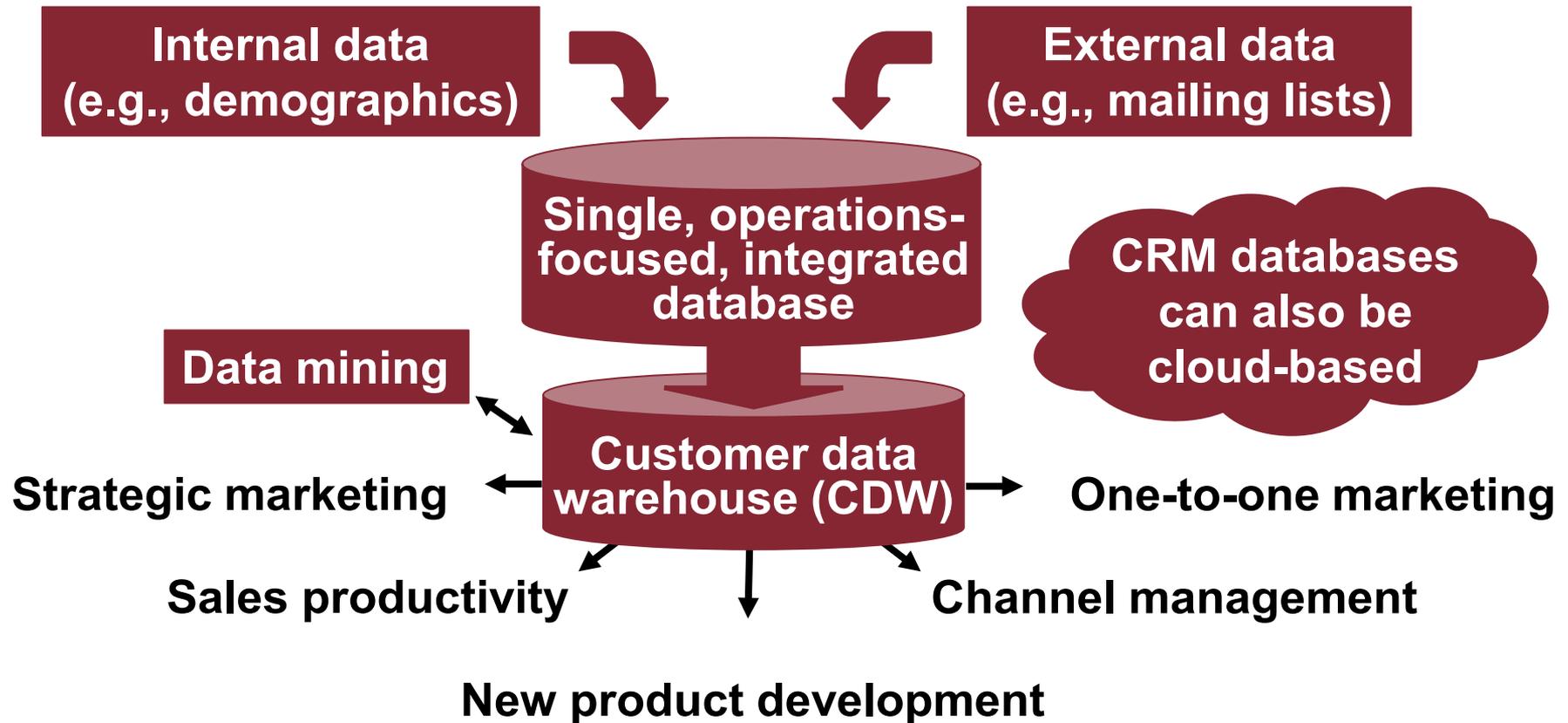
Topic 2: Customer Relationship Management

Aligning CRM Strategy and Product or Service Life Cycle



Topic 2: Customer Relationship Management

Using Technology to Implement CRM



Topic 2: Customer Relationship Management

CRM Technologies

Business systems

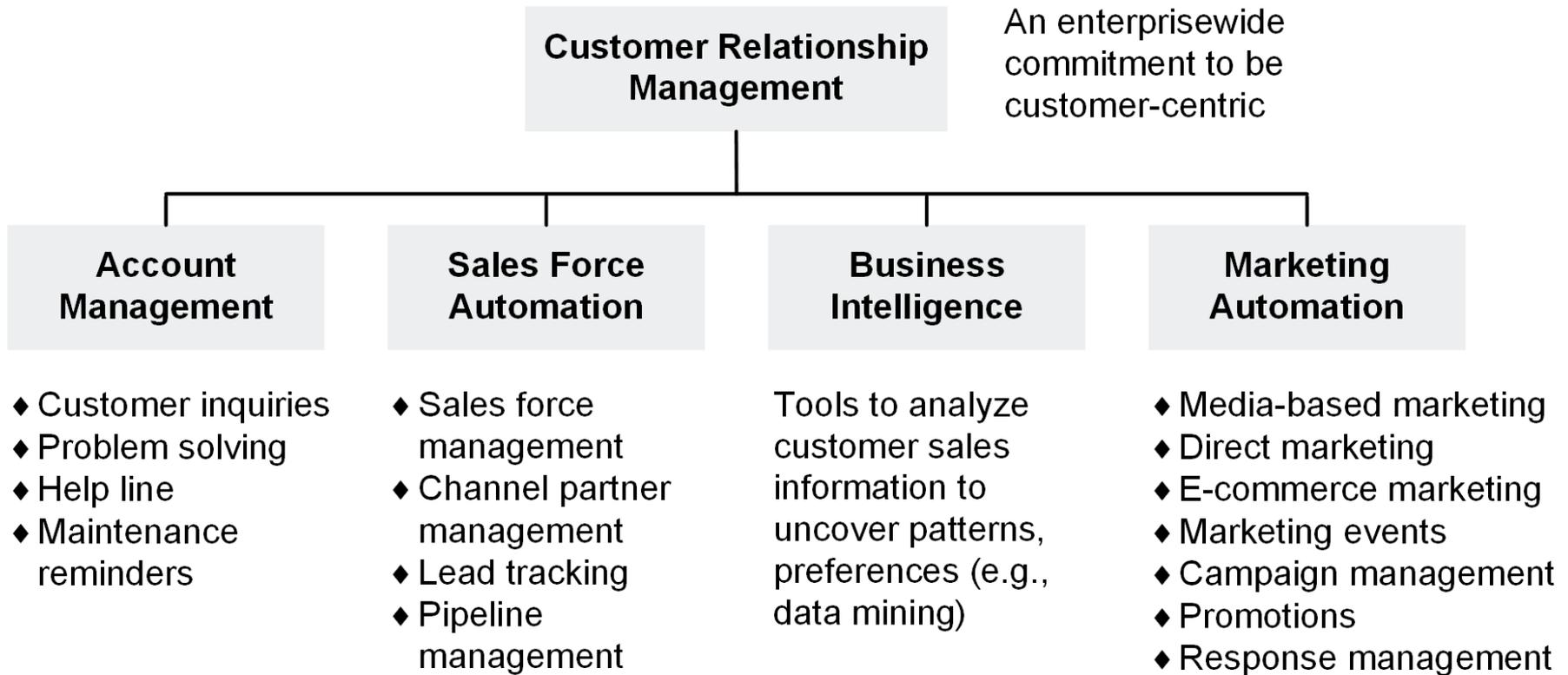
- Transaction maintenance
- Information (pricing, promotions, inventory)
- Financial details

Customer care (web-enhanced)

- Response, product customization, convenience, order visibility, returns
- Online FAQ, customer service representatives, chat rooms, detailed product data, service call wait choices
- Can reduce product returns

Topic 2: Customer Relationship Management

CRM Technologies Support Marketing and Sales



Topic 2: Customer Relationship Management

Sales Force Automation (SFA)

Customer Retention

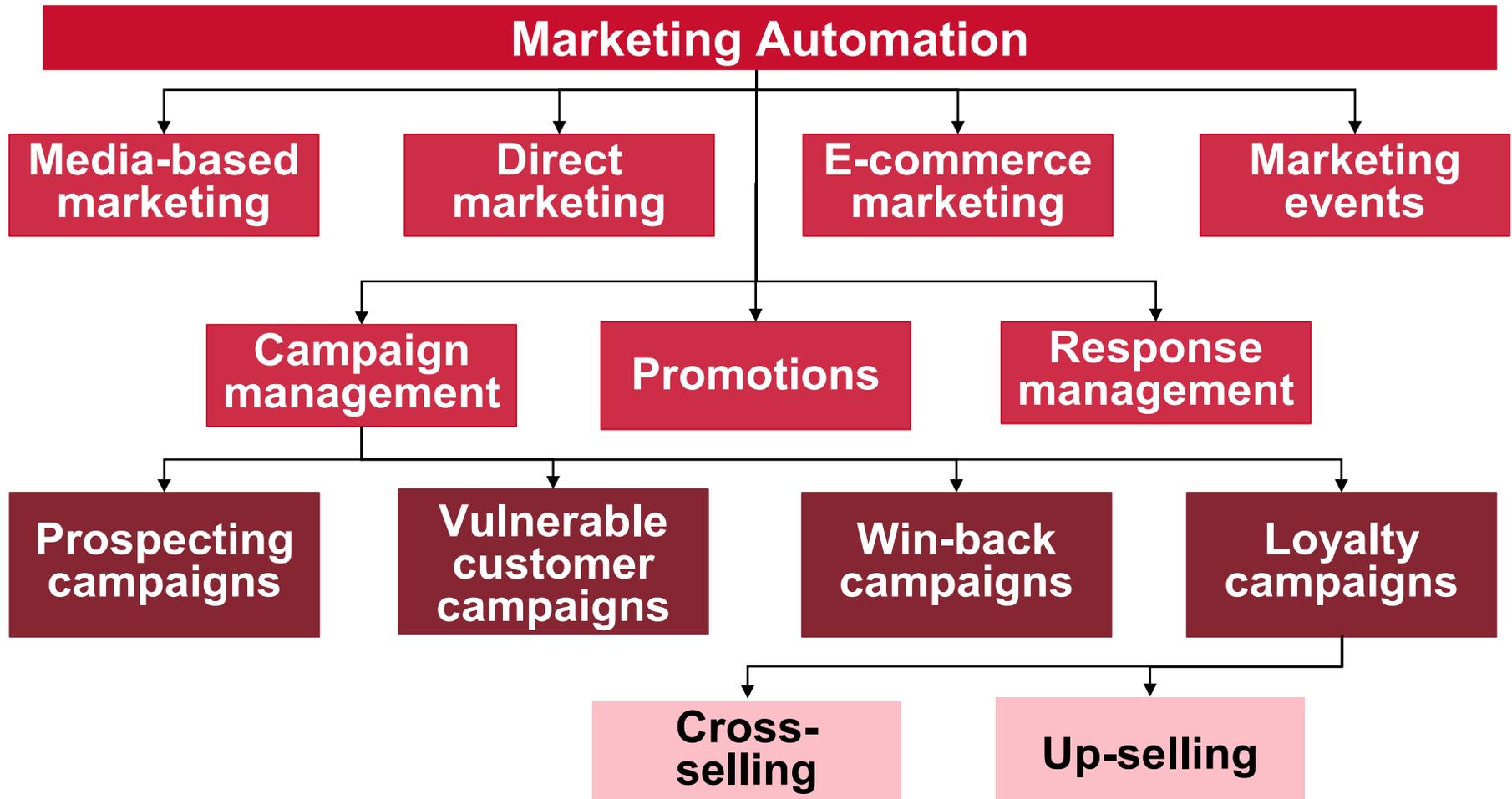
- Sales promotion and discount management
- Dashboards
- Data synchronization with mobile devices
- Calendars and contact lists for automated workflow
- Real-time visibility
- Online networking (if SaaS or cloud computing)

SFA Tools

- Contact management
- Account management
- Sales activity management
- Event management
- Opportunity (pipeline) management
- Quotation management
- Knowledge management

Topic 2: Customer Relationship Management

Marketing Automation



Topic 2: Customer Relationship Management

Keys to Successful CRM Implementation

- Determine thorough, well-thought-out architecture in the beginning
- Enhance, not sacrifice, efficiency.
- Coordinate implementation across firm.
- Train all who will use system according to need; keep staff informed.
- Measure implementation against customer needs and expectations.

Levels of technology integration

| | |
|---|-----------------------------|
| 1 | Disconnected |
| 2 | Interfacing |
| 3 | Internally integrated |
| 4 | Multi-enterprise integrated |

Topic 3: Customer Service Metrics and Performance

Customer-Focused Metrics

| Attribute | Metric |
|---------------------------------------|--|
| Availability | <ul style="list-style-type: none">• Stockout frequency• Fill rate• Orders shipped complete• Backorders |
| Time needed to deliver customer order | <ul style="list-style-type: none">• Speed of performance• Supply chain cycle time• Delivery consistency• Flexibility• Malfunction recovery |
| Product support | <ul style="list-style-type: none">• Response time to inquiries• Response accuracy• Customer complaints |
| Overall satisfaction | <ul style="list-style-type: none">• Repeat purchases• Referrals to other potential customers |

Topic 3: Customer Service Metrics and Performance

Operational Customer Service Levels

- Is cost of a given service level a sound investment?
- Customer service ratio
 - On-time delivery
 - On-time in full (OTIF)
 - Unit fill rate
 - Line-item fill rate
 - Monetary value fill rate
- Stockout frequency
- Lead time monitoring
 - Speed of performance (e.g., order delivery cycle time)
 - Consistency (e.g., query response)
 - Flexibility
 - Malfunction recovery
- Order status reporting
- Customer satisfaction
 - Establish/fulfill expectations

Topic 3: Customer Service Metrics and Performance

CRM Performance: Measuring Customer Service

| Category | Goal | Metrics |
|-----------------------------------|---|--|
| Response to inquiries | Prompt, accurate | <ul style="list-style-type: none">• Time delay from initial contact to response• Number of errors detected in responses• Executive complaints |
| Order processing | Fast, accurate, on-time delivery | <ul style="list-style-type: none">• Order cycle time• Percentage of orders with errors• Website ease of use |
| Level of service | Correct product, time, place, condition, packaging, quantity, and documentation | <ul style="list-style-type: none">• Percentage of orders shipped complete and on time• Number of backordered items• Average age of backorders• Value of backordered items |
| Product or service quality | Cost of quality | <ul style="list-style-type: none">• Executive complaints• Defect rates• Warranty costs• Product returns• Website downtime |

Performance: Measuring Customer Satisfaction

Traditional Metrics Issues

- Absence of issues, not satisfaction
- Complaints measure dissatisfaction
- Only small number reported

Quality of Channel's Service

- Trustworthiness
- Treated fairly, with respect, in competent, friendly manner?
- Resolution effectiveness

Measurement Approaches

- Voice of the customer (VOC)
- Transaction customer feedback questionnaires
- Monthly/quarterly customer feedback questionnaires
- Performance review participation
- Responses to social networking negative comments

CSCP

CERTIFIED SUPPLY CHAIN
PROFESSIONAL

SECTION B: SUPPLIER AND SUPPLY CHAIN RELATIONSHIPS

APICS

ASCM

Section B Introduction

Section B Key Processes:

- Manage supplier relations.
 - Cultivate supplier relationships.
 - Establish supplier development and improvement programs.
 - Perform periodic supplier evaluation or audit.
 - Define measurement requirements and KPIs with supplier.
 - Establish supplier management programs and partnerships.
- Measure supplier performance and provide feedback.
 - Execute supplier remediation plan.
 - Manage quality cases or claims.

Section B Topics:

- Topic 1: Supplier Relationships and Segmentation
- Topic 2: Strategic Sourcing and Alliances
- Topic 3: Supplier Performance
- Topic 4: Supply Chain Relationship Management

Topic 1: Supplier Relationships and Segmentation

Supplier Relationship Management (SRM)

- Comprehensive approach to supplier interactions.
- Goal is to streamline organization–supplier processes and make them more effective.
- Includes e-procurement.
- Methodology will assist in:
 - Reducing procurement and excess inventory costs
 - Supporting a customer-focused business (customization and quality in desired time frame)
 - Continuously improving supply processes.

Topic 1: Supplier Relationships and Segmentation

Supplier Segmentation Methods

- Product or service type
- Ideal relationship type
- Supplier capabilities
- Customization versus standardization
- Level of innovation
- Lead times



Topic 1: Supplier Relationships and Segmentation

Supplier Co-Location

- Typically locates a supplier or multiple suppliers within a single location.
- May bring together people or groups in related roles for product and process innovation.
- Level of integration can vary.
- May be market-driven or may involve exploiting technology-based products and services.

Topic 1: Supplier Relationships and Segmentation

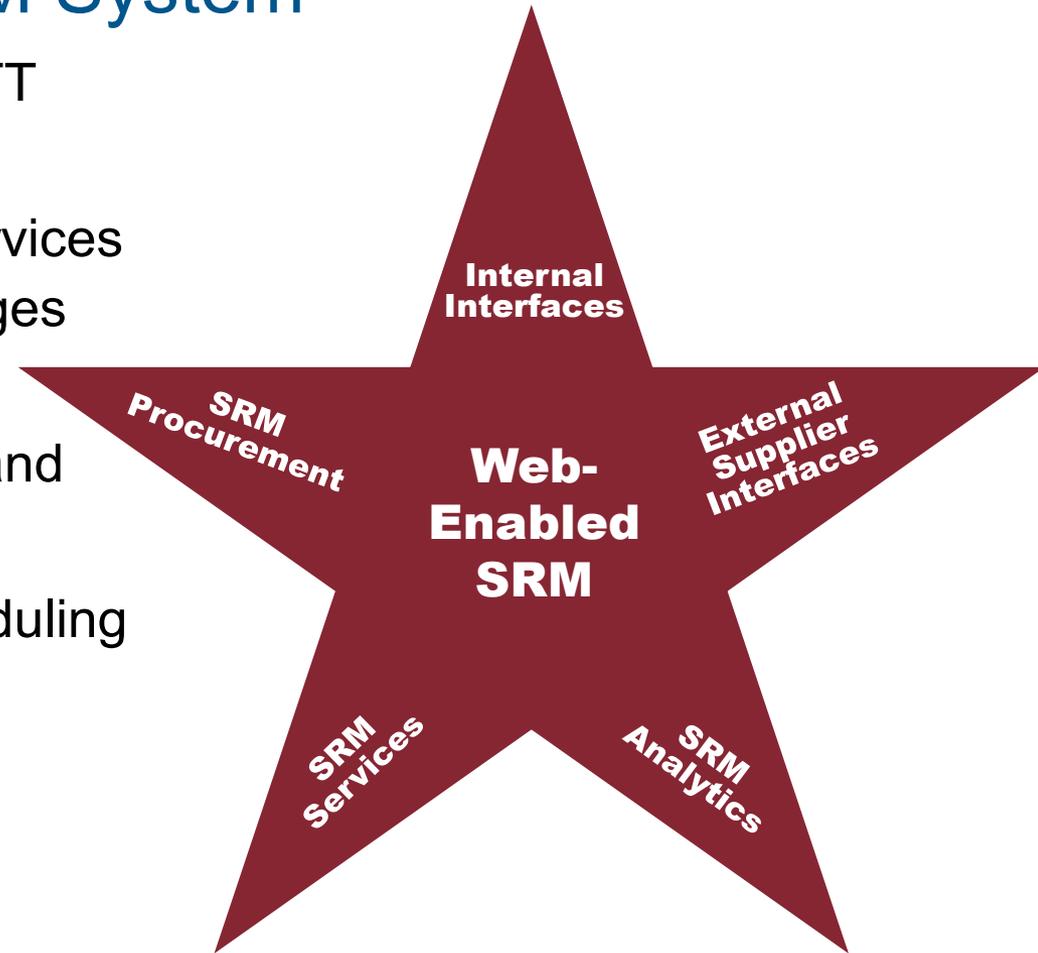
Benefits of SRM Software

- **Compatibility:** works with most ERP systems.
- **Sourcing process improvements:**
 - Simplified, repeatable sourcing reduces cycle time and cost.
 - Comparison easy: price and criteria visible.
- **Standardize purchasing decisions.**
- **Communication improvements:**
 - Faster, sometimes fully automated.
 - Real-time information.

Topic 1: Supplier Relationships and Segmentation

Components of an SRM System

- Strategic sourcing and RFQ/ITT submission and analysis
- Procurement of goods and services through internet trade exchanges or auctions
- Collaborative product design and planning
- Purchasing and supplier scheduling using direct system links
- Catalog management
- Supplier databases and rating systems



Topic 2: Strategic Sourcing and Alliances

Strategic Sourcing Using SRM

Strategic Sourcing

vs.

Tactical Buying

- Comprehensive approach for locating and sourcing key material suppliers
 - Focus on development of long-term relationships with trading partners who can help the purchaser meet profit and customer satisfaction goals
- Purchasing process focused on transactions and nonstrategic material buying
 - Stable, limited fluctuations
 - Defined standard specifications
 - Noncritical to production
 - No delivery issues
 - Reliable quality

Topic 2: Strategic Sourcing and Alliances

Consolidating Purchasing Power at a Risk

Single-source
supplier

Many options, only one
used

Multisourcing

Many options, many used

Sole source

Only one option

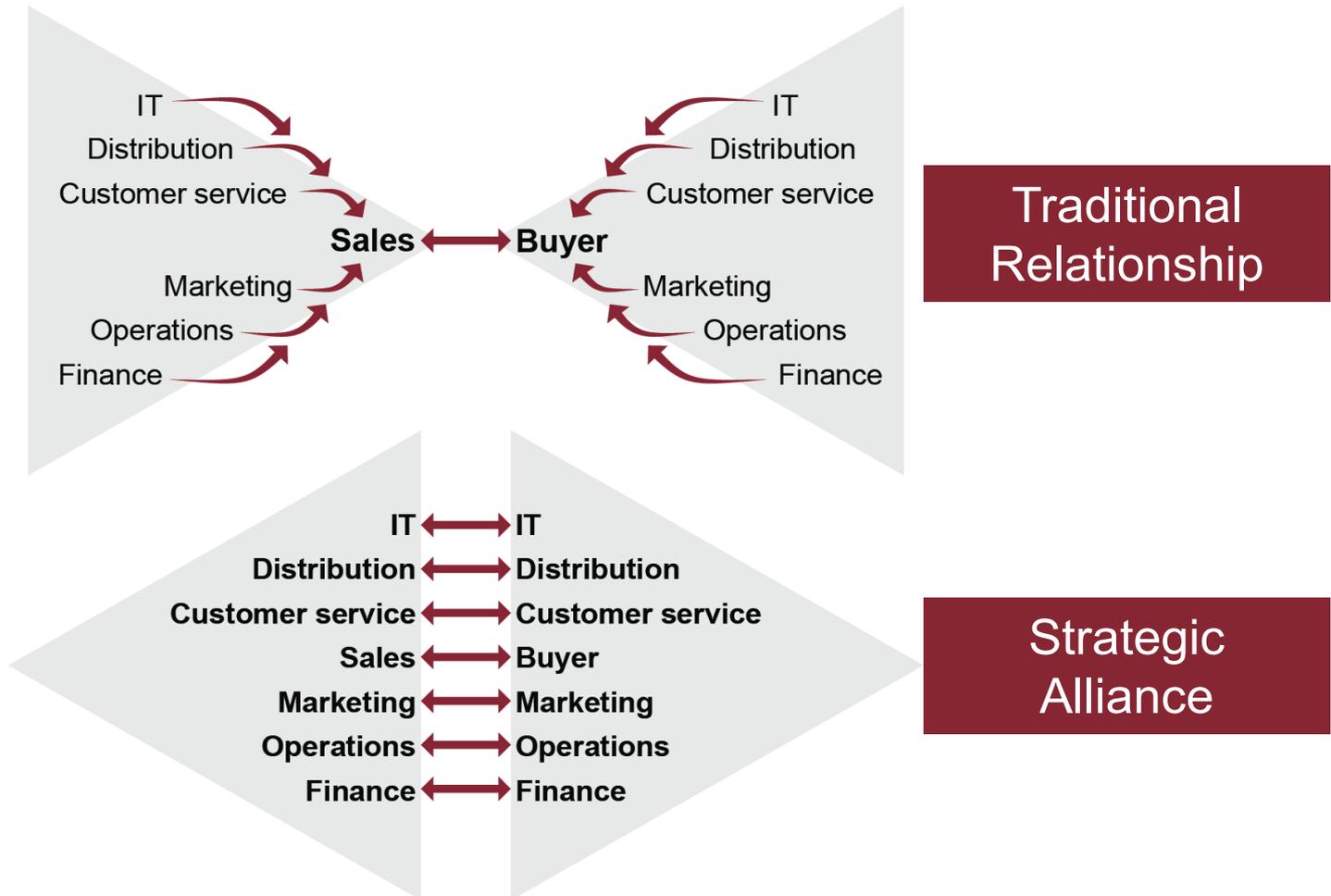
Topic 2: Strategic Sourcing and Alliances

Strategic Sourcing and SRM vs. Traditional Purchasing

| | Traditional purchasing | Strategic sourcing |
|----------------------------|-------------------------------|--|
| Focus | Purchase price or landed cost | Total cost of ownership |
| | Transactional | Collaborative |
| Business boundaries | Never crosses | Opportunities for realigned and collaborative processes, data flow, and workflow |
| Technology | Benefits from technology | Applies to higher degree |
| Visibility | Internal | Entire supply chain |

Topic 2: Strategic Sourcing and Alliances

Traditional Relationship vs. Strategic Alliance



Topic 2: Strategic Sourcing and Alliances

Why Some Alliances Fail and Some Succeed

Effective Relationships

- Integration
- Institutionalization
- Interdependence
- Individual excellence
- Information
- Investment
- Importance
- Integrity

Failure Issues

- Immature IT
- Uncertain marketplace
- Shift in corporate strategy
- Treat like merger
- Poor monitoring
- Inadequate resources
- Poor management
- Lack of trust

Topic 2: Strategic Sourcing and Alliances

Forming Strategic Alliances

Proactive Reasons

- Add value to products.
- Enable strategic growth.
- Increase market access.
- Strengthen operations.
- Increase organizational expertise.
- Build organizational skills.
- Enhance financial strength.

Factors to Consider

- Strategic importance
- Number of suppliers
- Complexity
- Uncertainty
- New relationships

Topic 2: Strategic Sourcing and Alliances

Commitment Required for a Successful Alliance

To **change**

- Change is constant, inevitable.
- Reinvent self and alliance incrementally.

To **relationship**

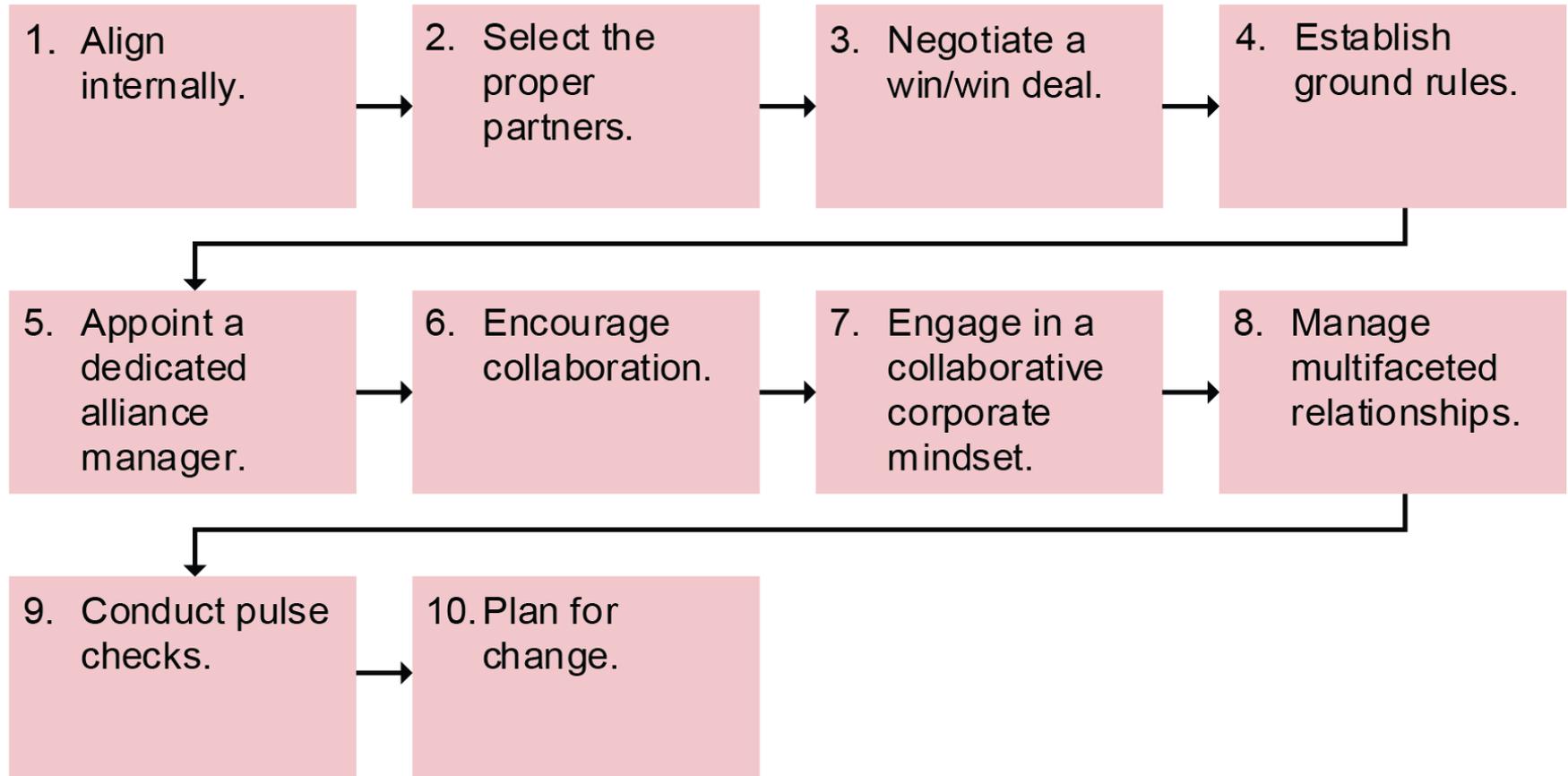
- Maximum commitment. (New alliances cost more than retaining existing ones.)
- Common models, structured methods, and decision-making structure to drive efficiency and effectiveness.

To **communication**

- Dynamic interaction at all points and mutual decisions.

Topic 2: Strategic Sourcing and Alliances

Steps to Successful Alliances



Topic 3: Supplier Performance

Supplier Performance Measurement

| Performance Measurement Systems | Verify Suppliers | Best Practices |
|--|---|--|
| <ul style="list-style-type: none">• Track performance of all suppliers to some extent.• Track performance of critical data.• Collaborate on measures, reporting, improvements.• Automate key supplier measures.• Standardize measures. | <ul style="list-style-type: none">• Promptness, flexibility, consistency• Reliability• Commitment to QA• Financial stability• Technology investment | <ul style="list-style-type: none">• Set goals and incentives.• Apply SCOR metrics to suppliers.• Measure internal customer satisfaction by interviewing users of supplier's products.• Communicate level of satisfaction. |

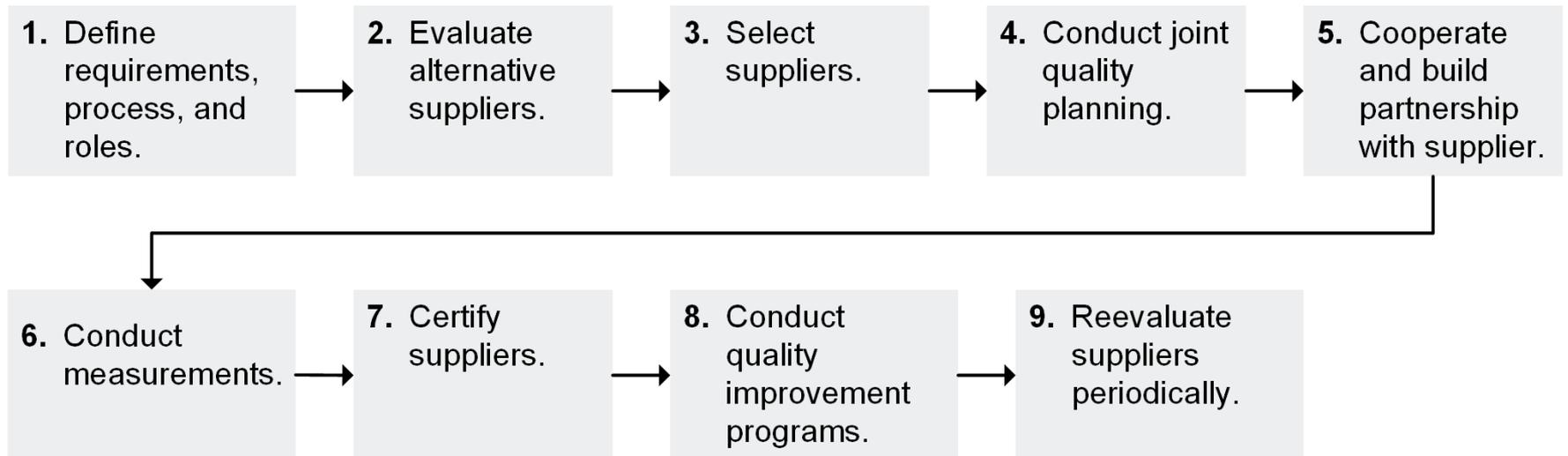
Topic 3: Supplier Performance

Supplier Certification Benefits

| Customer Benefits | Supplier Benefits |
|---|---|
| <ul style="list-style-type: none">• More efficient, safer, and cleaner products• Safeguards consumers• Extend CSR to suppliers• Selection and performance evaluation• Consolidate suppliers• Trust suppliers/share information | <ul style="list-style-type: none">• Access to wider market• Market capabilities• Higher quality lowers costs• Learn intermediate customers' needs• Learn best practices• Single source provider• Shows commitment |

Topic 3: Supplier Performance

The Certification Process



Complete and thorough understanding of third-party standard or organization's needs.

Topic 3: Supplier Performance

Supplier Rating Systems

Rating Systems

- Use data from SC information systems.
- Can be ongoing, real-time rating based on:
 - Conformation rates
 - Number of floor failure events
 - Amounts of conditionally accepted materials
 - Time line performance.

Communicating Ratings

- Suppliers know ratings and when they trigger corrective action.
- Automated systems can allow them to self-correct.
- Scorecards, performance alerts, surveys.

Topic 3: Supplier Performance

Performance Report

Date: January 201X

Supplier No. 100 Acme Mfg. Co.

Purchase Order No. 100

| Product | Qty Ordered | Qty Rec'd | Qty Rejected | UM | Std Cost | Purchase Price | Purchase Price Variance | Date Due | Date Rec'd | Variance |
|---------|-------------|-----------|--------------|----|----------|----------------|-------------------------|-----------|------------|----------|
| Wheels | 250 | 250 | 0 | ea | 60.00 | 62.00 | 2.00 | 1/5 | 1/7 | +2 |
| Rims | 250 | 248 | 2 | ea | 30.00 | 29.00 | <1.00> | 1/5 | 1/5 | 0 |
| Spokes | 5,000 | 5,012 | 0 | ea | 5.00 | 5.00 | 0 | 1/5 | 1/5 | 0 |
| | Reliability | | Quality | | Cost | | | Lead time | | |

Quality rating = A-

Topic 3: Supplier Performance

Controlling Errors

- Compliance scanning and package label control.
- Rules minimizing rejected shipments, for example:
 - “Do not ship unless it is included in the most recent version of PO release.”
 - “Do not ship +/- days outside of delivery request date.”
 - “Do not ship +/- amount outside of PO.”
 - “Do not ship +/- amount outside of PO total.”
- Recovery strategies after rush orders, delays, slowdowns in customs.

Topic 4: Supply Chain Relationship Management

Interrelationship Between CRM and SRM

- Goal: All parties consider needs of not only own intermediate customers but also needs of their suppliers, their suppliers' suppliers, etc.
- Mirror image: Each focus on developing relationships.

SRM



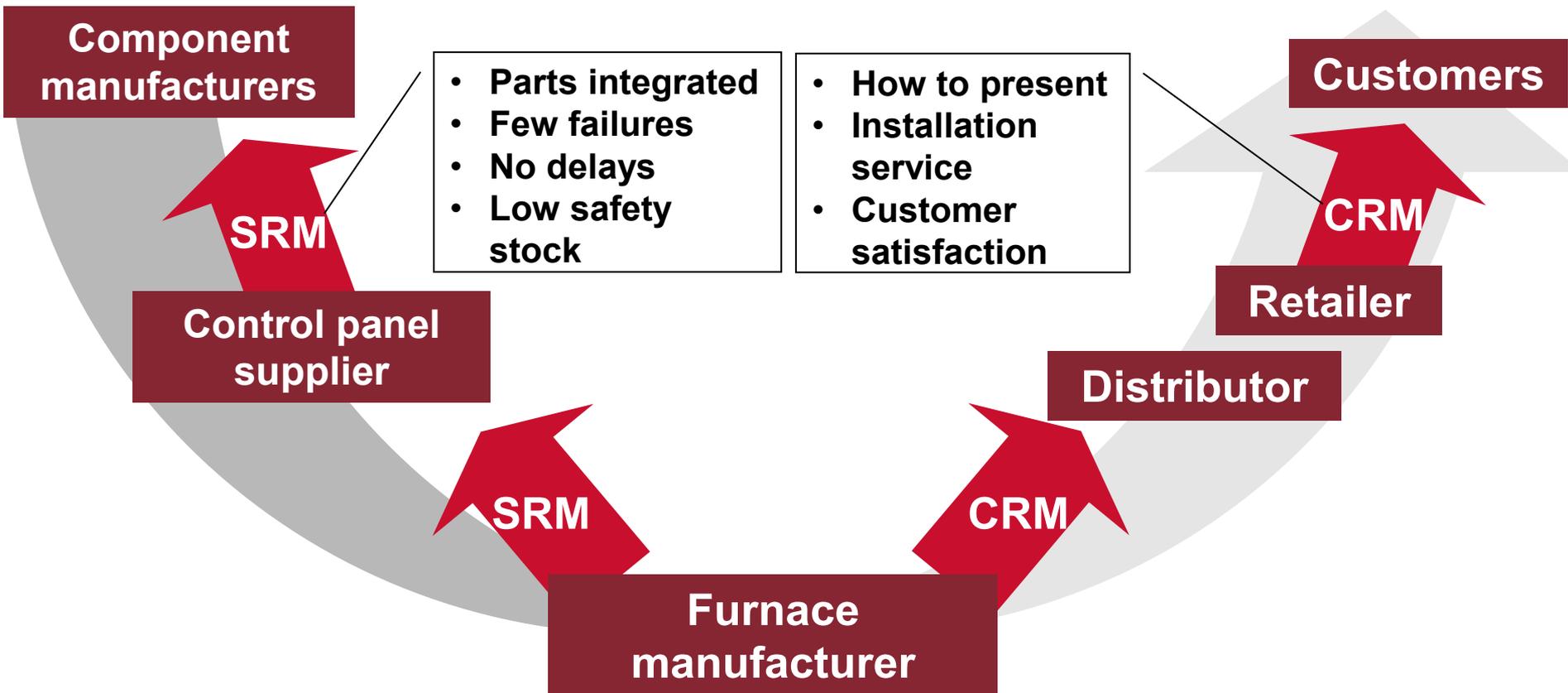
CRM

Greater internal and external integration with select group of key suppliers

Greater focus on customer

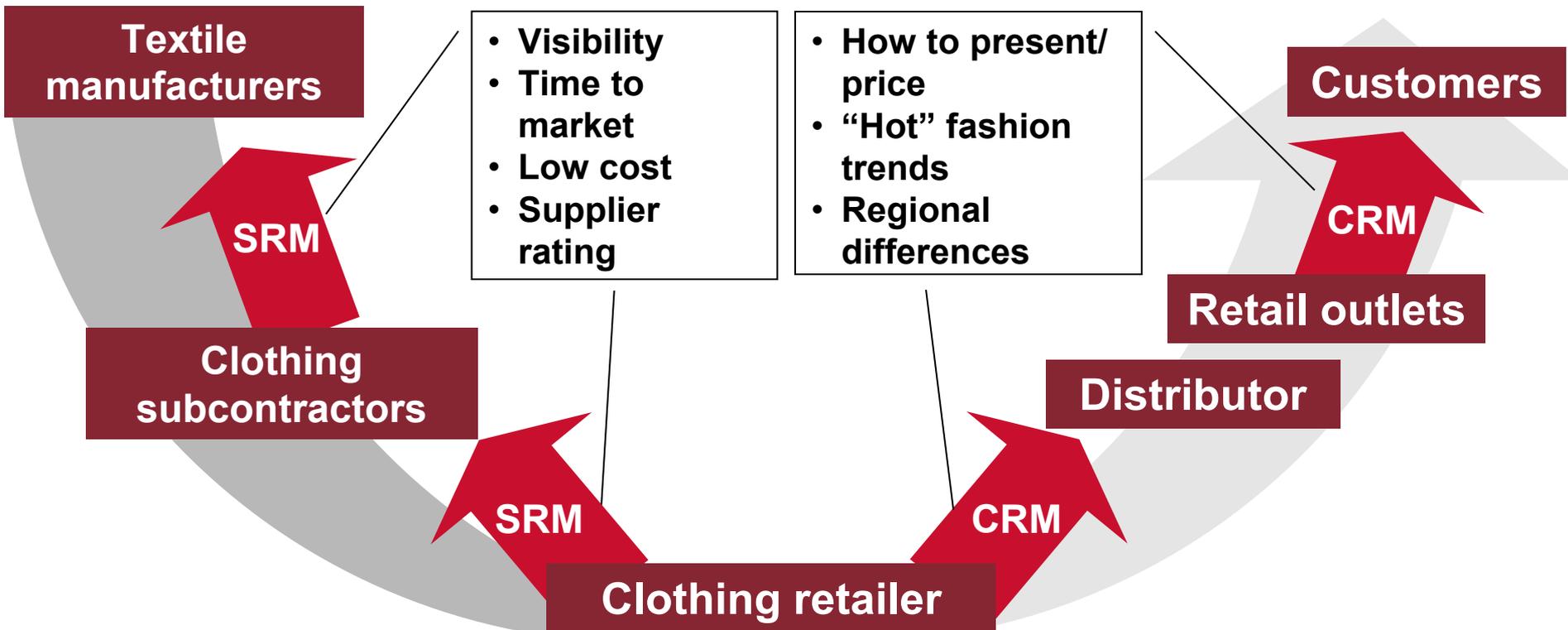
Topic 4: Supply Chain Relationship Management

CRM and SRM Collaboration Case Study



Topic 4: Supply Chain Relationship Management

Case Study: Clothing Retailer



Topic 4: Supply Chain Relationship Management

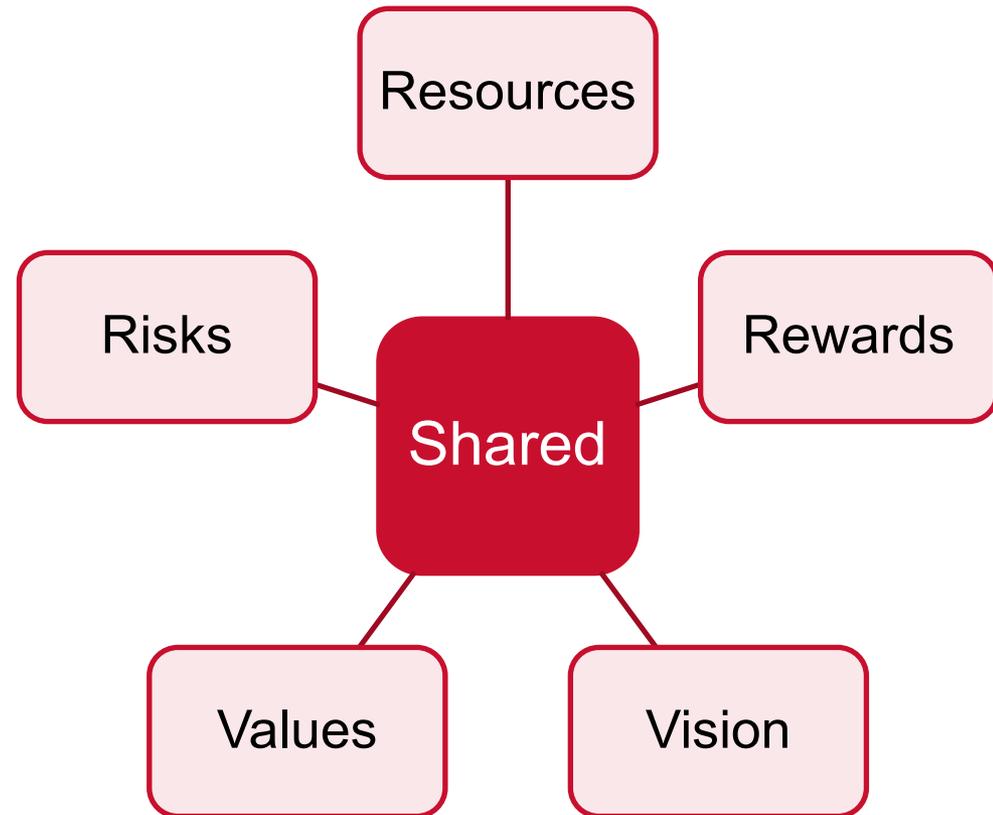
Developing Collaboration: Virtual Organizations

- Short-term alliances in potentially long-term relationship to design, produce, and distribute product
- Mutual values
- Acts as single entity
- Enabling virtual organizations
 - Use POS to replace push with pull.
 - Share data with suppliers to build trust.
 - Consult with partners on product design.
 - Constantly adapt flexible relationships.
 - Empower individuals, disaggregate control.

Topic 4: Supply Chain Relationship Management

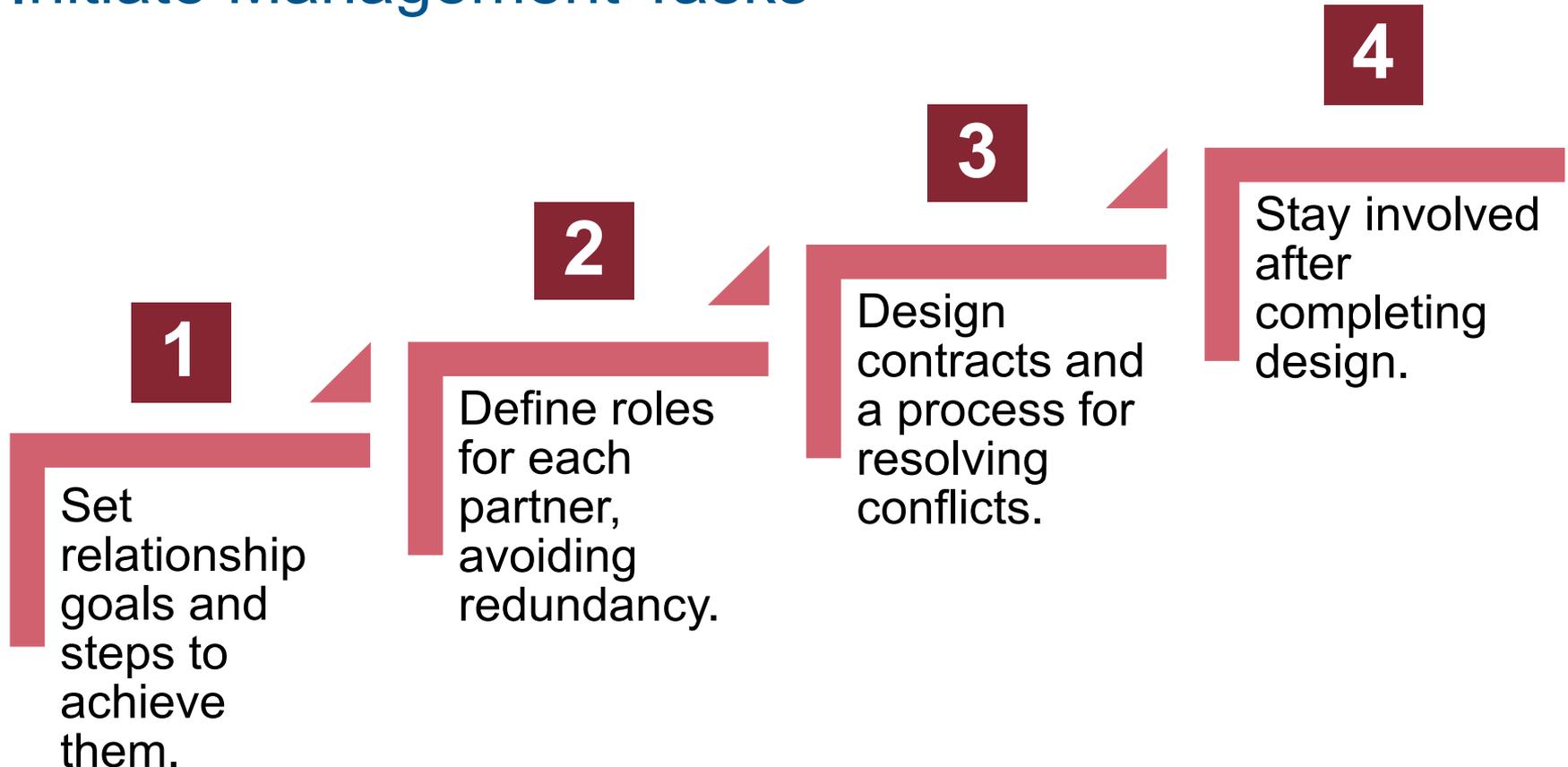
Requirements for Success

- Add value
- Improve market access
- Strengthen operations
- Add technological strength
- Enhance strategic growth
- Share insights and learning
- Increase financial strength
- Improve trust and communication



Topic 4: Supply Chain Relationship Management

Initiate Management Tasks



Topic 4: Supply Chain Relationship Management

Barriers to Collaboration

- Suboptimization
- Misaligned incentives
- Working with competitors
- Weak partner bottlenecks
- Regulations and legal issues
- Technology barriers
- Power-based relationships
- Underestimated benefits
- Culture conflicts

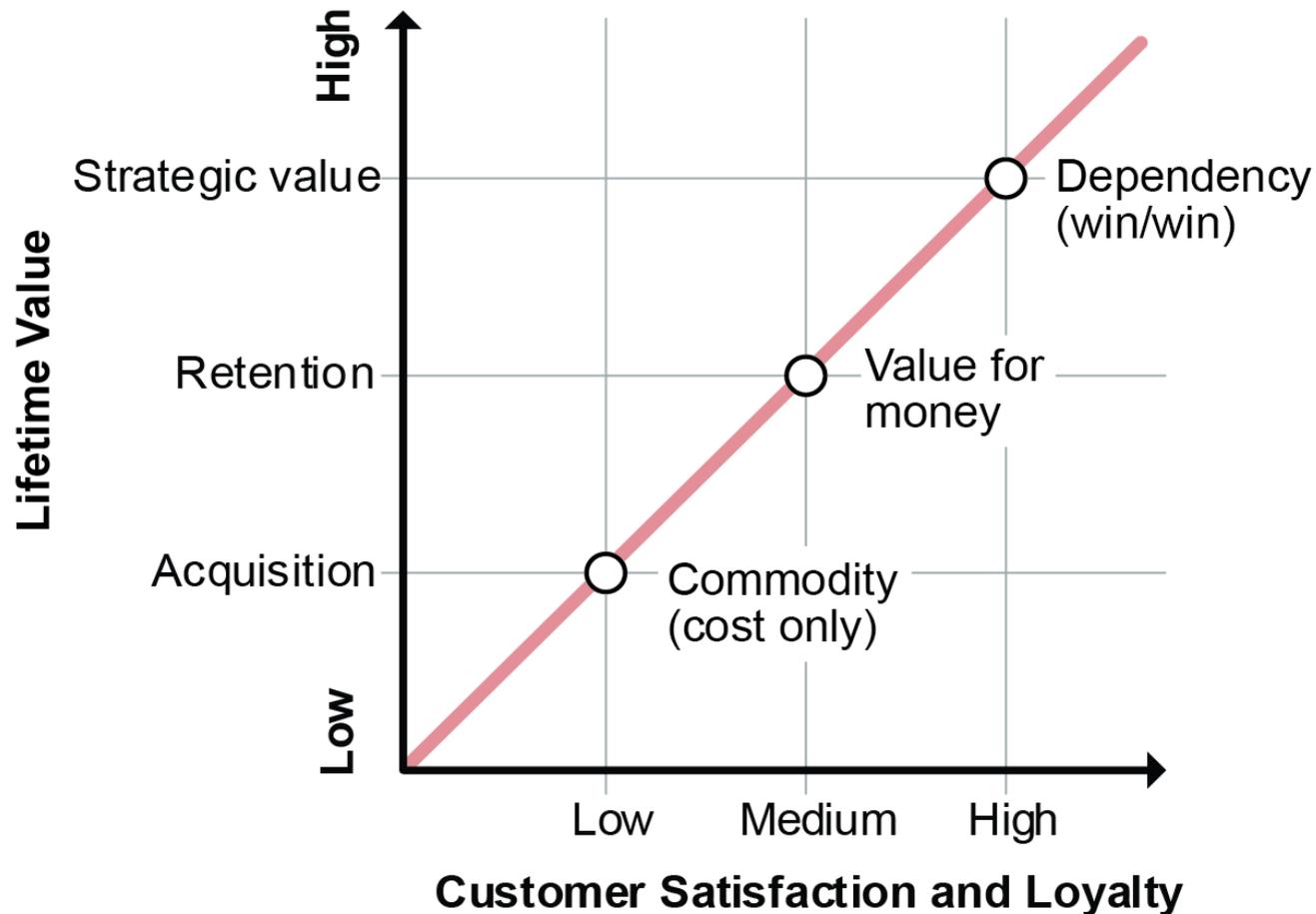
Topic 4: Supply Chain Relationship Management

Levels of Communication

| Level/Type of Communication | Degree of Collaboration | Length of Relationship |
|--|--|-------------------------------|
| Transactional with information sharing | Each partner has access to single data source.= | Generally medium term |
| Shared processes and partnership | Partners collaborate in specific processes and share knowledge. | Longer term |
| Linked competitive vision and strategic alliance | Partners function as a virtual entity, even collaborating on strategy. | Long term, possibly decades |
| Mergers/acquisitions (backward and forward integration) | Complete integration (in theory). | Long term (if successful) |

Topic 4: Supply Chain Relationship Management

Evolving Relationship with Lifetime Customers



Topic 4: Supply Chain Relationship Management

Creating and Maintaining a Customer-Centric Business



Topic 4: Supply Chain Relationship Management

Benefits of Collaborating with Customers

Benefits for Customers

- Tailored experience
- Higher satisfaction
- Improved relationships

Benefits for Organization

- Increased customer retention
- Increased profits
- Better customer visibility
- Better monitoring/control
- Improved relationships

Topic 4: Supply Chain Relationship Management

Identify the Purpose of Communication

- What does your audience need?
- How does your communication fill this need?
- How can you make the benefits of the presentation clear to the audience?

Executives

- Just enough to make a wise decision

Finance

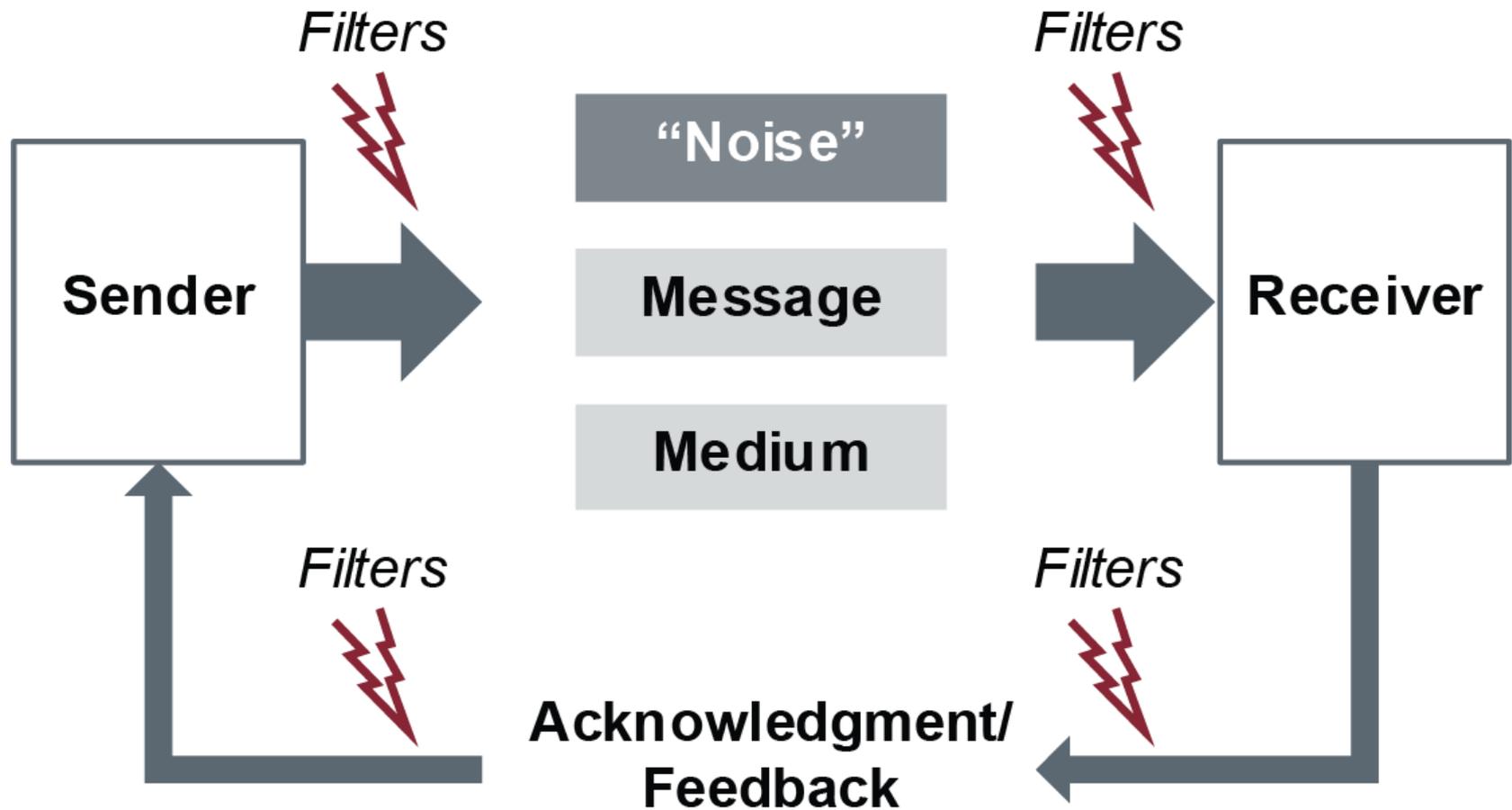
- Financial analysis

Logistics

- Logistics details and department impact

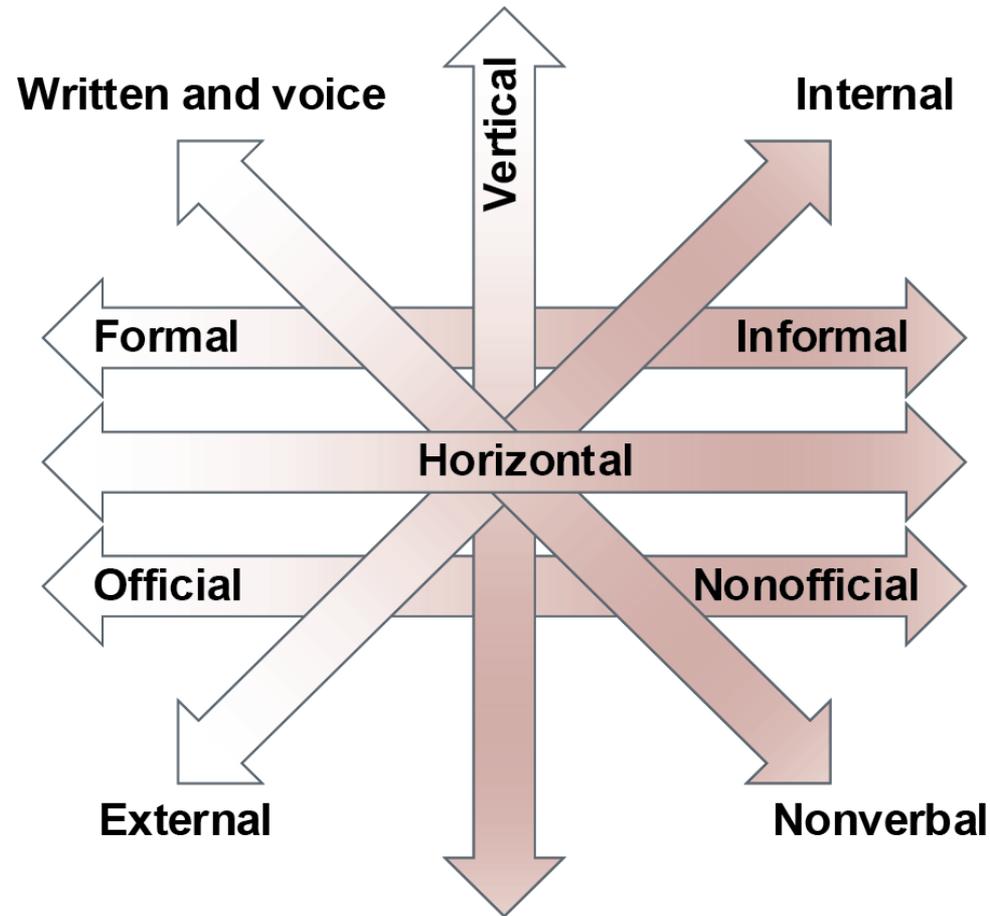
Topic 4: Supply Chain Relationship Management

Basic Communication Process



Topic 4: Supply Chain Relationship Management

Communication Dimensions



Topic 4: Supply Chain Relationship Management

Communications Management Plans

Identify Target Audience(s)

- Preferred types, media, formality, and format
- Information needs
- RACI

Identify Target Channel(s)

- Communications complexity increases risk, cost
- Control number of formal channels

Topic 4: Supply Chain Relationship Management

Communication Management Plans (continued)

| | | |
|-------------------------|---|---|
| Create message | <ul style="list-style-type: none">• Communication purpose (e.g., consensus) | <ul style="list-style-type: none">• Craft to audience (e.g., experts)• WIIFM |
| Choose media | <ul style="list-style-type: none">• Urgency• Distribution• Constraints• Security/sensitivity | <ul style="list-style-type: none">• Retention• Cost• Preference |
| Capture feedback | <ul style="list-style-type: none">• Nonverbal cues• Acknowledge receipt | <ul style="list-style-type: none">• Feedback: agree or understand• Hone messages |
| Close the loop | <ul style="list-style-type: none">• Monitor stakeholder communications• Review, approval | <ul style="list-style-type: none">• Timing and release• Improve processes |

Topic 4: Supply Chain Relationship Management

Cultural Issues

- What is culture?
 - Shared system of values, beliefs, and attitudes
- Requires research and consultation with local experts on culture, laws, and regulations

“Speak your mind”
Honest, forthright
speech in America

“Saving face”
Asian and Latin
cultures



“Guanxi”
Chinese close and
informal
relationships

“Ringi”
Japanese
consensus
building from
ground up

Topic 4: Supply Chain Relationship Management

Hofstede's Cultural Dimensions

| Issue | Description |
|----------------------------|---|
| Power distance | High = managers dictate; low = consult |
| Individualism/collectivism | Individualist = self-reliant; collectivism = loyal to group |
| Uncertainty avoidance | High = intolerant of outside ideas; low = fewer rules |
| Masculine/feminine | Masculine = work over family; feminine = balance |
| Long-term/short-term | Long-term = traditions change; short-term = no change |
| Language/communication | Differences require interpreters, written records |
| Attitudes | Negotiations vary: patience, formality vs. free opinions |
| Customs and etiquette | Must understand what is/is not appropriate behavior |
| Work values | “Get down to business” vs. relationship development |