

CSCP

CERTIFIED SUPPLY CHAIN
PROFESSIONAL

MODULE 6: SUPPLY CHAIN RELATIONSHIPS

SECTION A: CUSTOMER RELATIONSHIPS

Section A Introduction

Section A Key Processes:

- Cultivate customer relationships.
 - Interpret VOC.
 - Design customer service offerings.
 - Define measurements and KPIs with the customer.
- Measure customer service, manage customer feedback, and resolve issues.

Section A Topics:

- Customer Relationships and Segmentation
- Customer Relationship Management
- Customer Service Metrics and Performance

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.

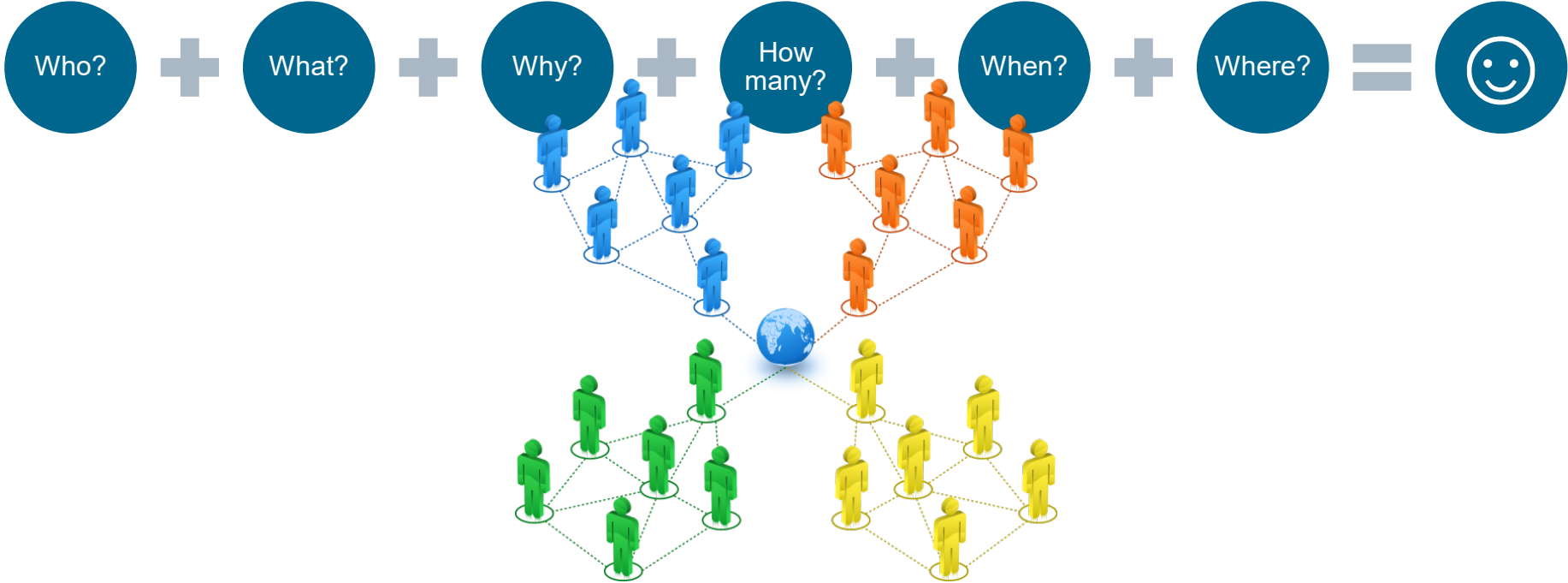
Customer Relationships and Segmentation

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

Customer Relationships and Segmentation

Segmentation and Customer-Focused Marketing



Segmentation and Customer-Focused Marketing

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

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.

Customer Relationships and Segmentation

Defining Segments

Historic Segmentation

- “Representative” groups
- Preconceptions of groups

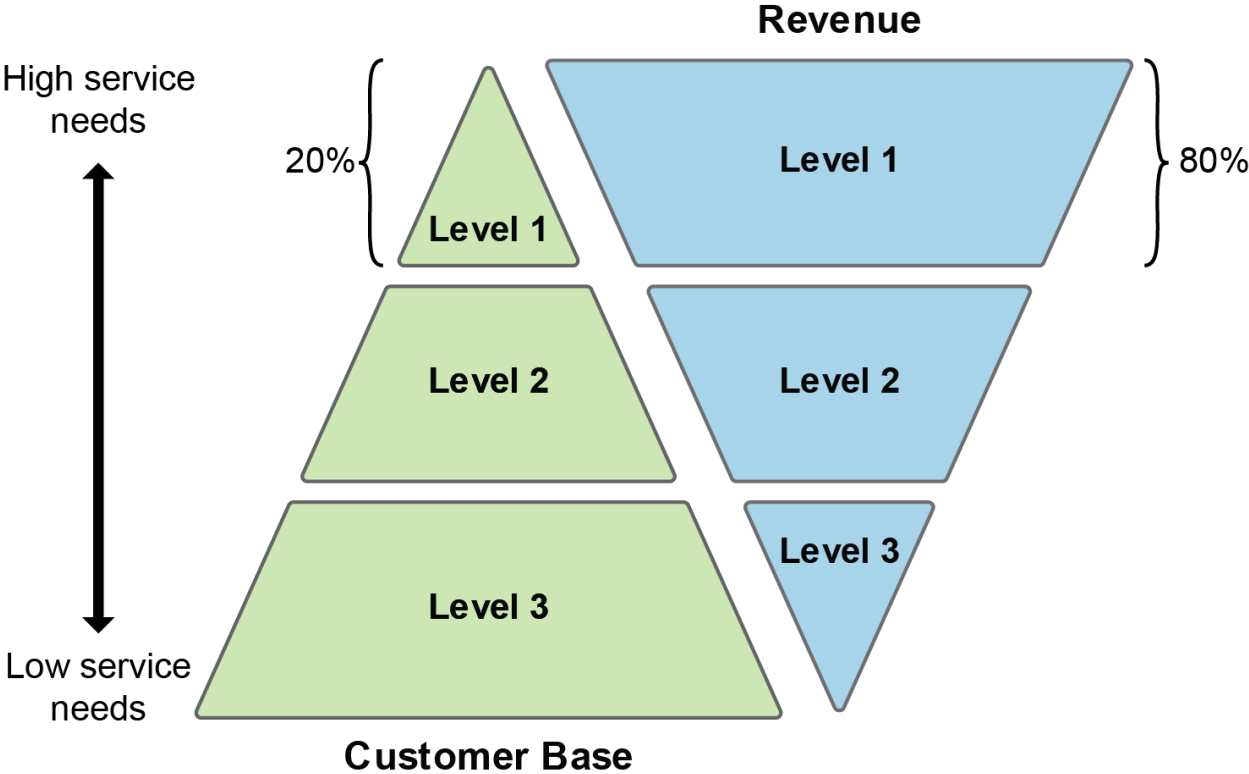


CRM Segmentation

- Actual buying behaviors
- Finer segments (e.g., ecologically oriented products)

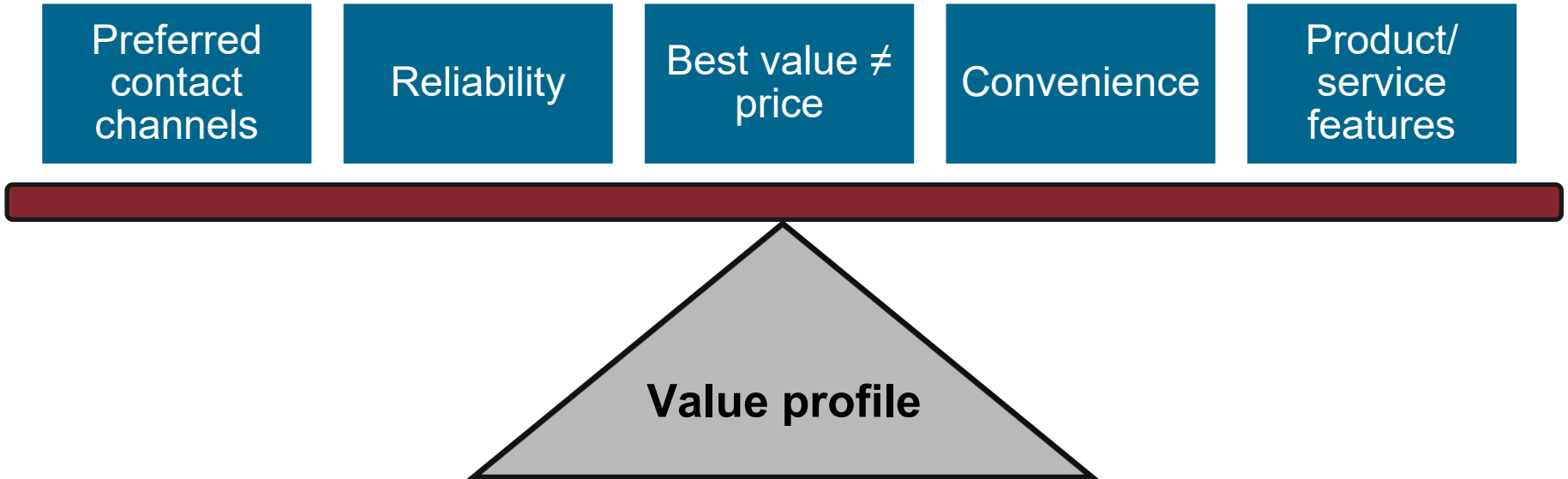
Customer Relationships and Segmentation

Pareto Effect in Customer Segments



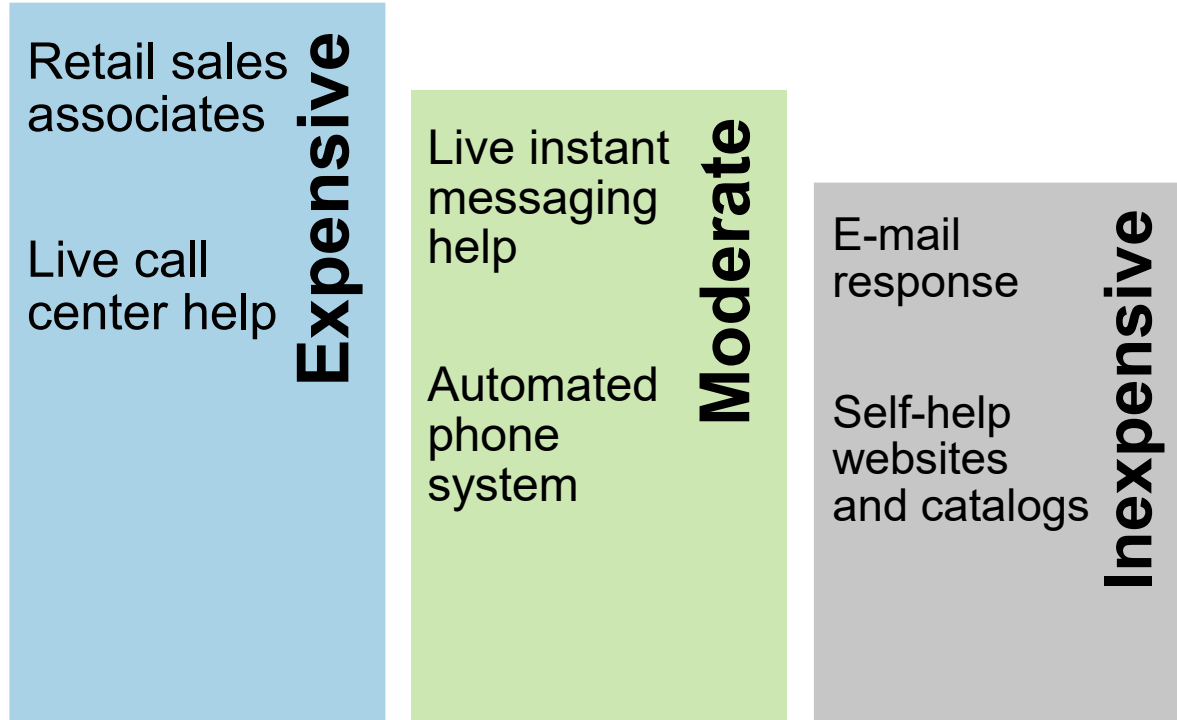
Customer Relationships and Segmentation

Segmentation by Customer Needs



Customer Relationships and Segmentation

Segmentation by Preferred Channel



- Test customer receptiveness to each channel.
- Inexpensive methods encouraged and rewarded, but not required.
 - E.g., phone system refers people to web for faster service.

Customer Relationships and Segmentation

Segmenting Customers

Sources of customer information in CRM

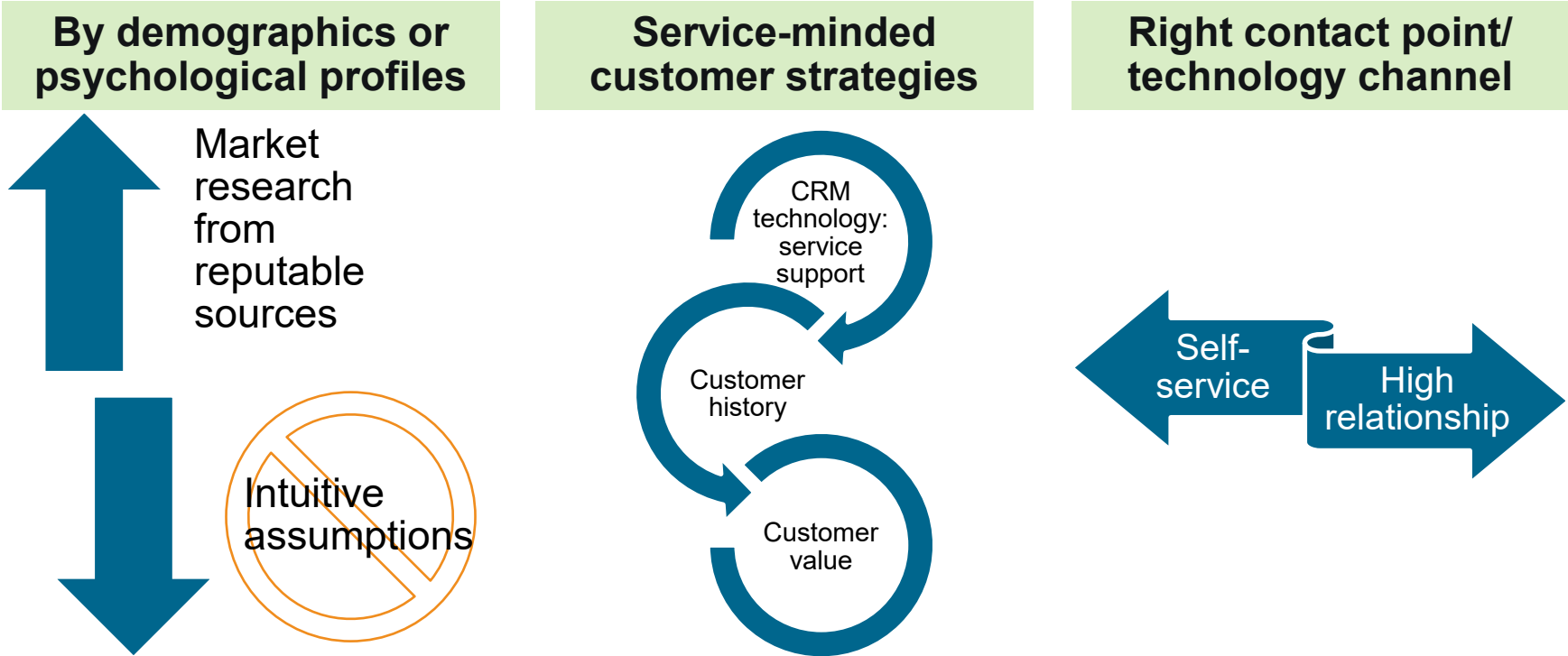
- Transaction records
- Sales and service representatives
- Distribution points
- Purchased data
- Internal market research

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

Customer Relationships and Segmentation

CRM Segment Strategies



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.

Customer Relationships and Segmentation

CRM Segment Strategies: Retail versus B2B

Retail Customers

Ranking of importance

1: Bundle of services

2: Product quality

3: Price

B2B Customers

Expectations

- Complementary core competencies
- Knowledge of customer's business requirements
- Continuous improvement

Customer Relationships and Segmentation

CRM Strategies for Customer Relationship Types

Prospective customers

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

Vulnerable customers

- Early and accurate identification
- Predictive churn model

Loyal customers

- Increase sales
- Cross-selling
- Up-selling

Win-back customers

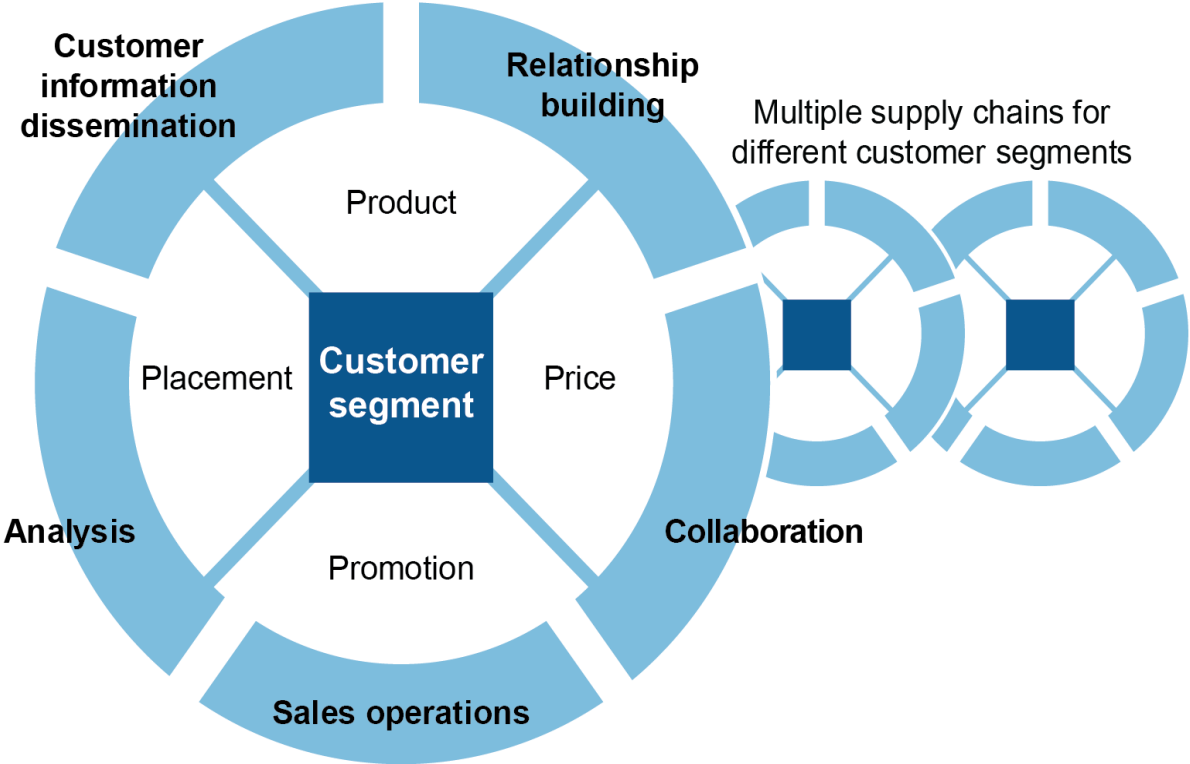
- Target most valuable customers
- Rapid communication internally with customer

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

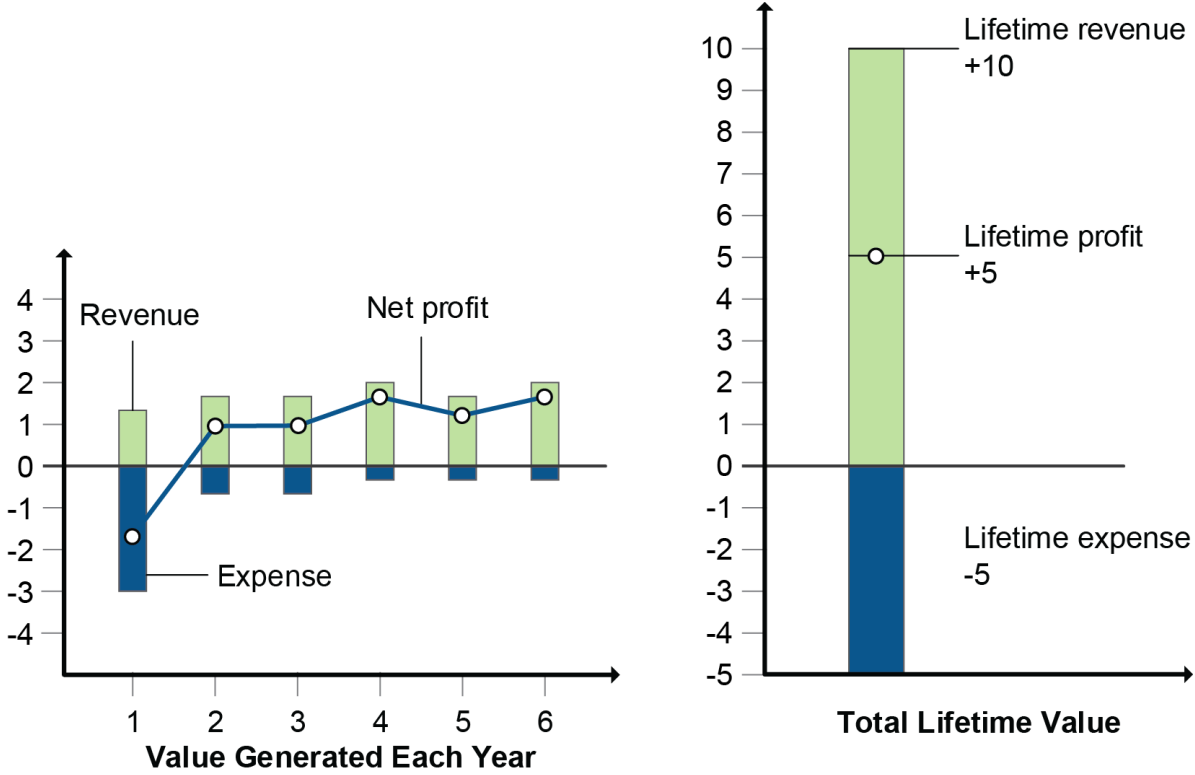
Customer Relationship Management

Scope of CRM



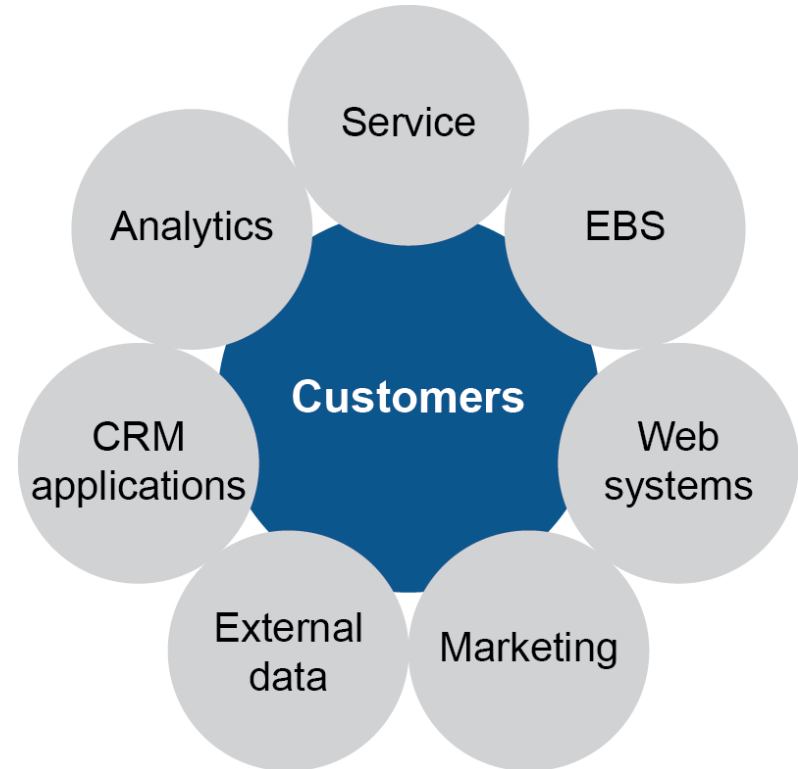
Customer Relationship Management

Development of Lifetime Value



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.



CRM Organizational Structures and Technologies

Organizational structures

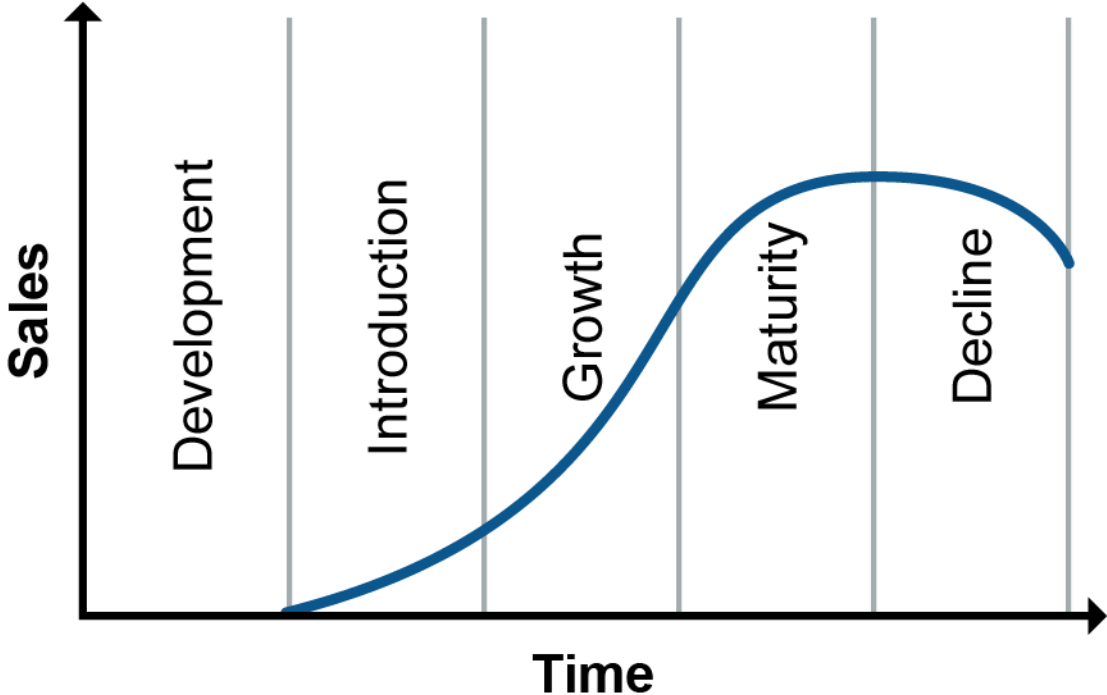
- Demand management activity teams
 - Media-based vs. direct marketing
 - Marketing to prospects, vulnerable, win-back, etc.
- Job rotation and mentoring
- Customer-focused jobs, structures, etc.

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

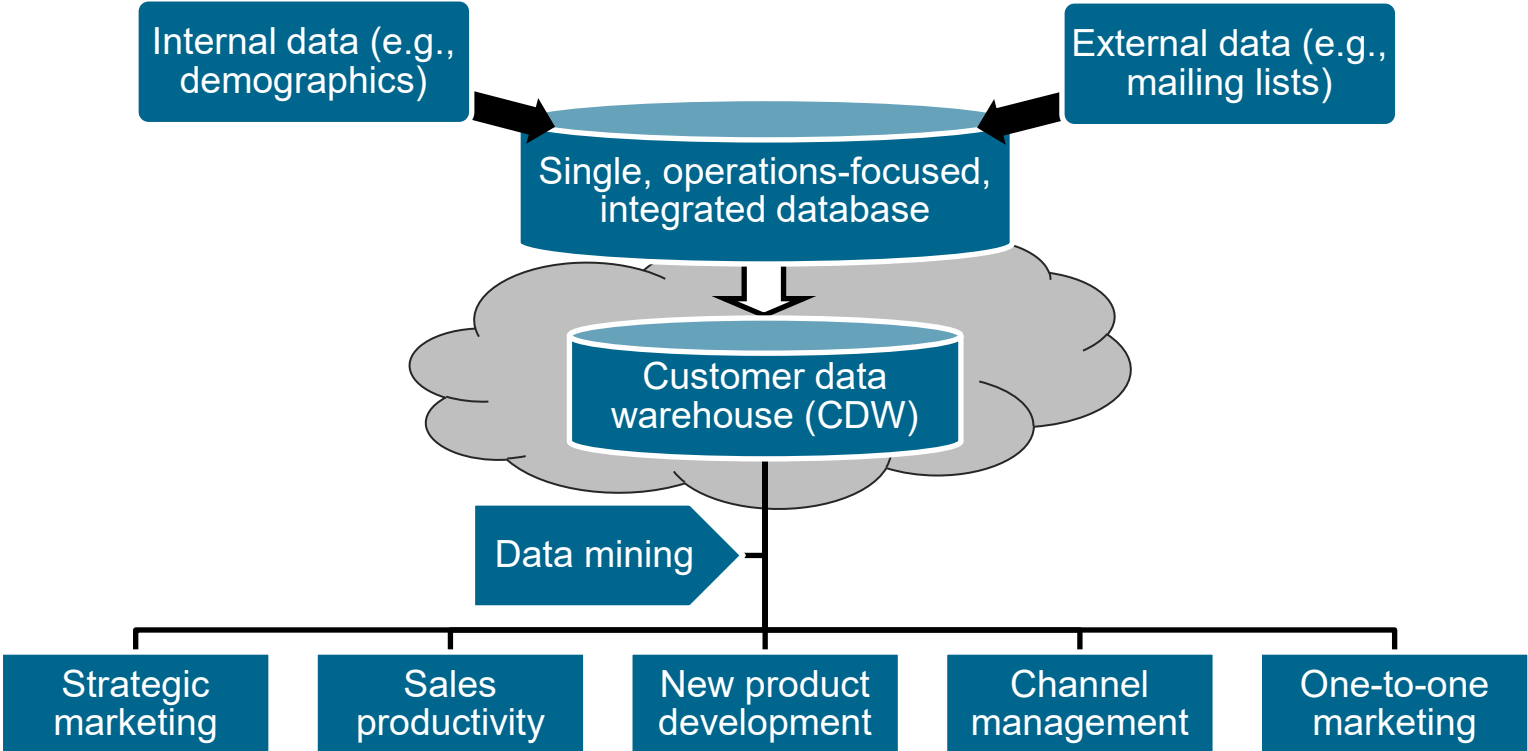
Customer Relationship Management

Aligning CRM Strategy and Product or Service Life Cycle



Customer Relationship Management

Using Technology to Implement CRM



CRM Technologies

Business systems

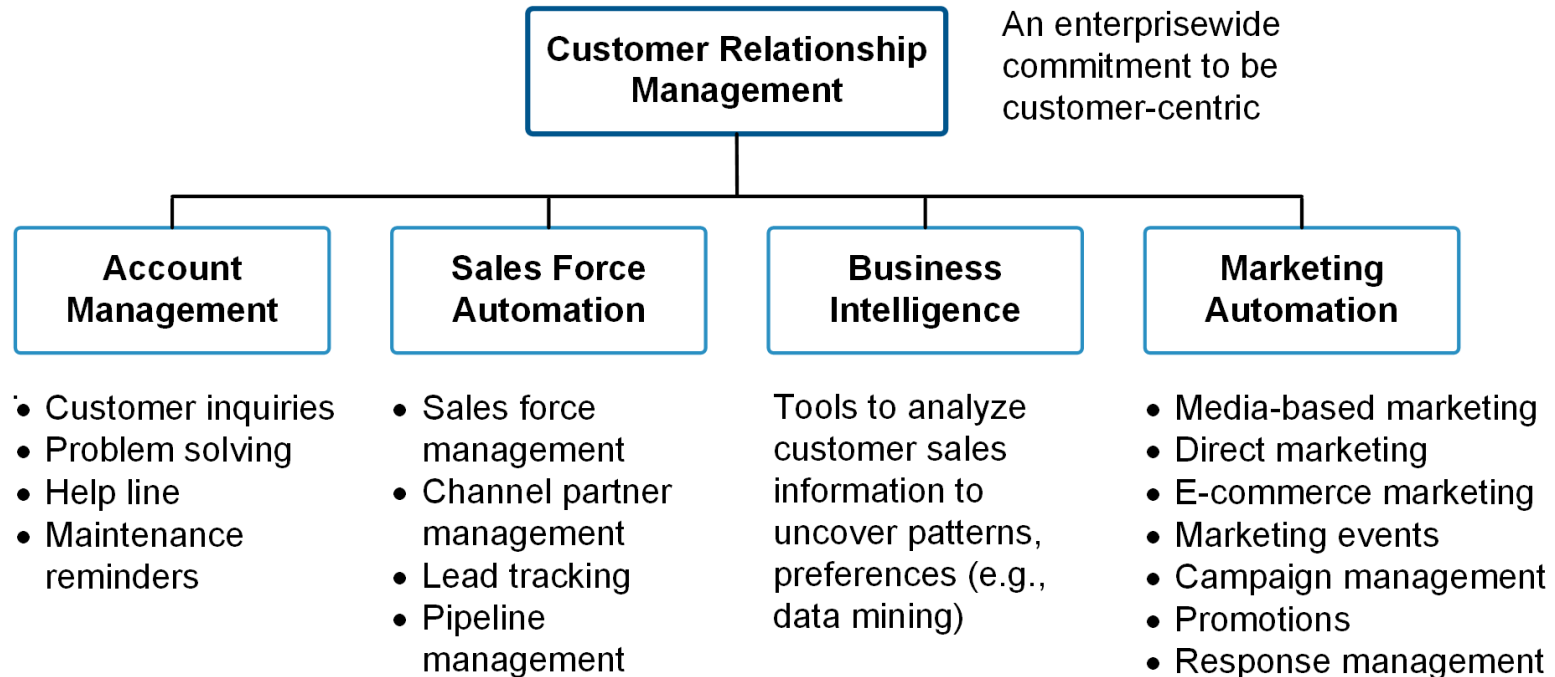
- Transaction maintenance
- Information (pricing, promotions, inventory)
- Financial details

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

Customer Relationship Management

CRM Technologies Support Marketing and Sales



Customer Relationship Management

Sales Force Automation (SFA)

Customer Retention

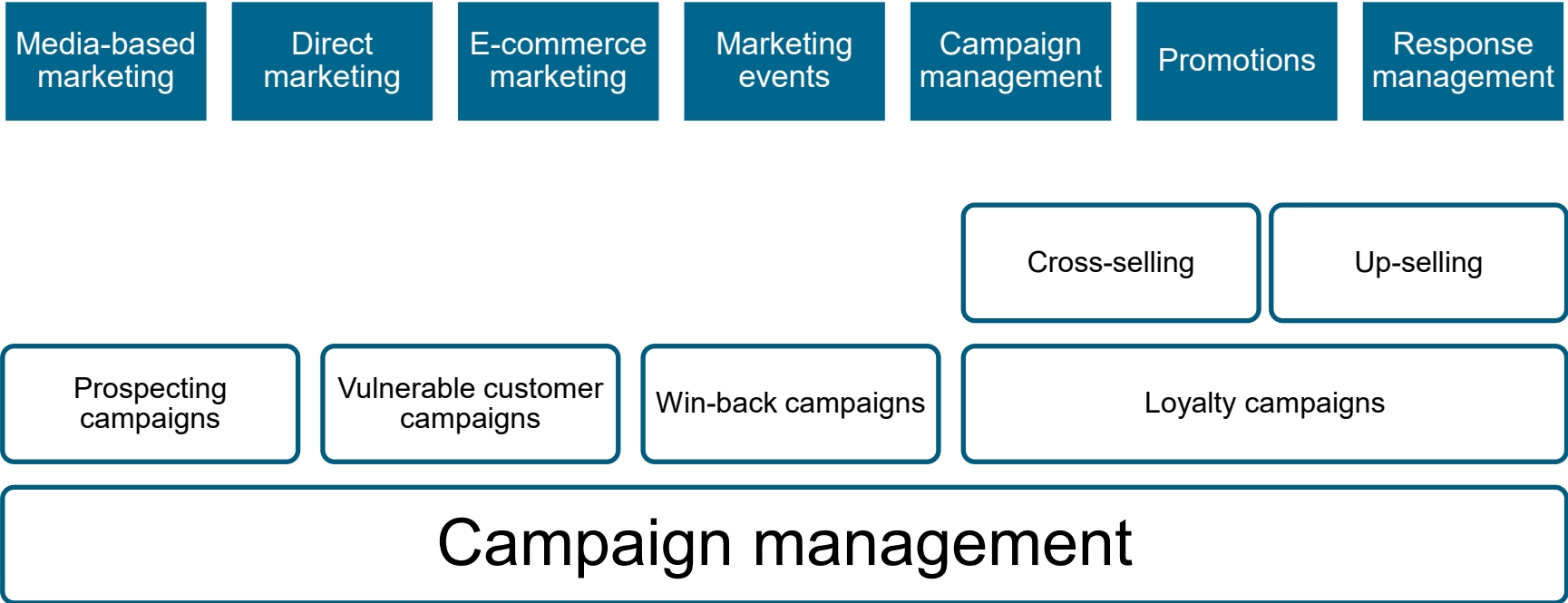
- Promotion and discount management
- Dashboards
- Mobile device data synchronization
- Calendars and contact lists for automated workflow
- Real-time visibility
- Online networking (e.g., SaaS)

SFA Tools

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

Customer Relationship Management

Marketing Automation



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

Customer Service Metrics and Performance

Customer-Focused Metrics

Attribute	Metric	
Availability	<ul style="list-style-type: none">• Stockout frequency• Fill rate	<ul style="list-style-type: none">• 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	<ul style="list-style-type: none">• Flexibility• Malfunction recovery
Product support	<ul style="list-style-type: none">• Response time to inquiries• Response accuracy	<ul style="list-style-type: none">• Customer complaints
Overall satisfaction	<ul style="list-style-type: none">• Repeat purchases	<ul style="list-style-type: none">• Referrals to other potential customers

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

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
- Transaction/monthly/quarterly customer feedback questionnaires
- Performance review participation
- Social networking negative comment response

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**SECTION B:
SUPPLIER AND SUPPLY CHAIN
RELATIONSHIPS**

Section B Introduction

Section B Key Processes:

- Cultivate supplier relationships.
 - Set up supplier development, improvement, and management programs.
 - Define measurement needs and KPIs with supplier.
- Measure supplier performance (quality cases, claims) and give feedback and remediation plan.

Section B Topics:

- Supplier Relationships and Segmentation
- Strategic Sourcing and Alliances
- Supplier Performance
- Supply Chain Relationship Management

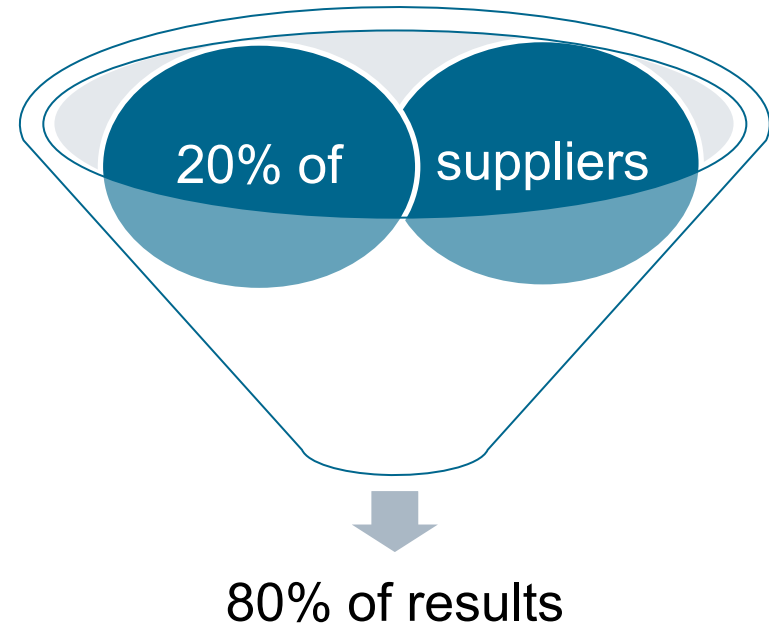
Supplier Relationship Management (SRM)

- 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.

Supplier Relationships and Segmentation

Supplier Segmentation Methods

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



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.

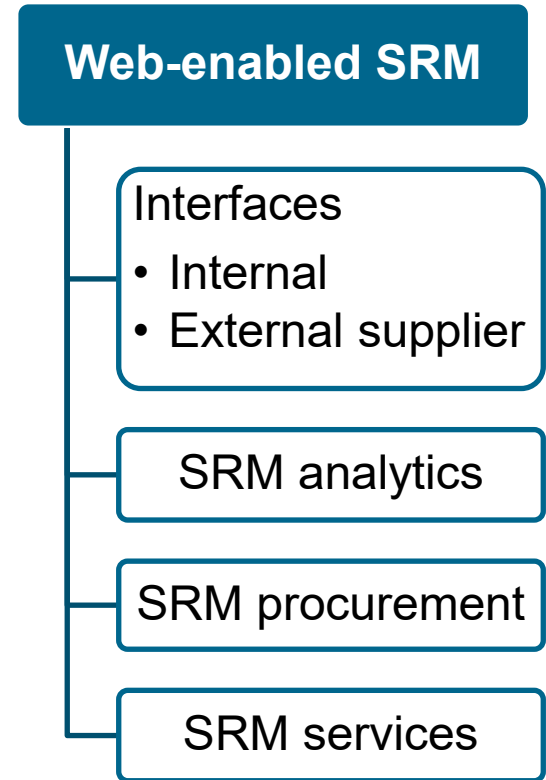
Benefits of SRM Software

- **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.

Supplier Relationships and Segmentation

Components of an SRM System

- Strategic sourcing/RFQ/ITT submission and analysis
- Procurement via trade exchanges or auctions
- Collaborative product design and planning
- Direct links for purchasing and supplier scheduling
- Catalog management
- Supplier databases and rating systems



Strategic Sourcing Using SRM

Strategic Sourcing

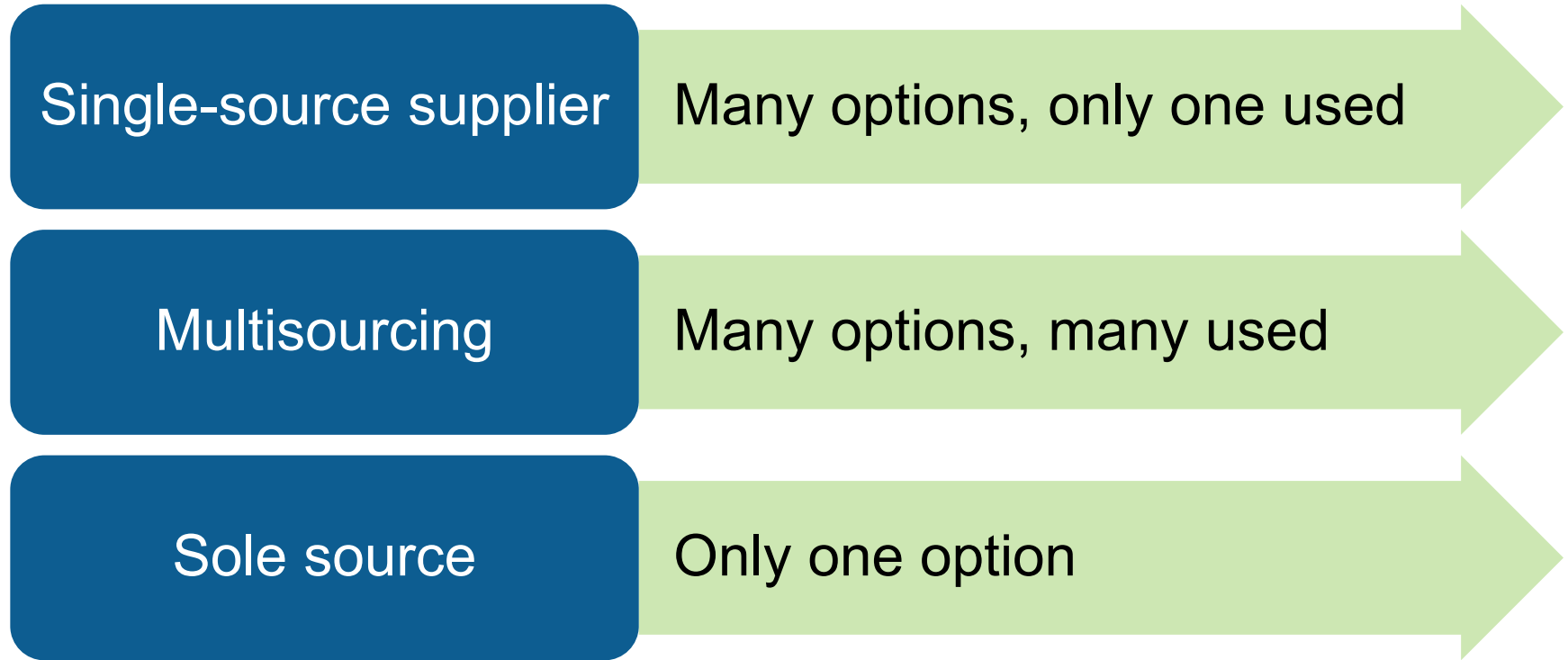
- Comprehensive approach for locating and sourcing key material suppliers
- Focus on development of long-term relationships with trading partners who can help the purchaser meet profit and customer satisfaction goals

Tactical Buying

- Purchasing process focused on transactions and nonstrategic material buying
 - Stable, limited fluctuations
 - Defined standard specifications
 - Noncritical to production
 - No delivery issues
 - Reliable quality

Strategic Sourcing and Alliances

Consolidating Purchasing Power at a Risk



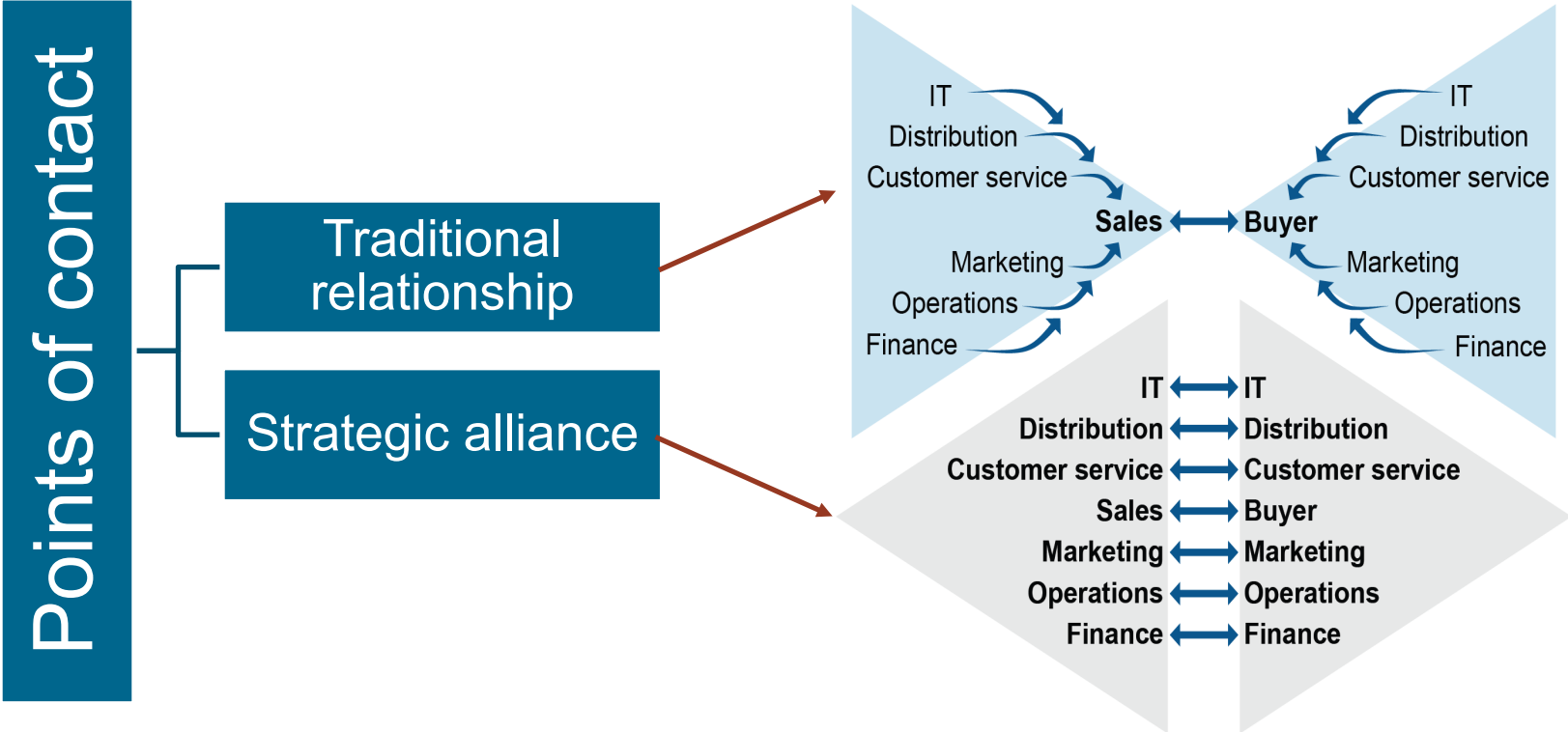
Strategic Sourcing and Alliances

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

Strategic Sourcing and Alliances

Traditional Relationship vs. Strategic Alliance



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

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

Commitment Required for a Successful Alliance

To Change

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

To relationship

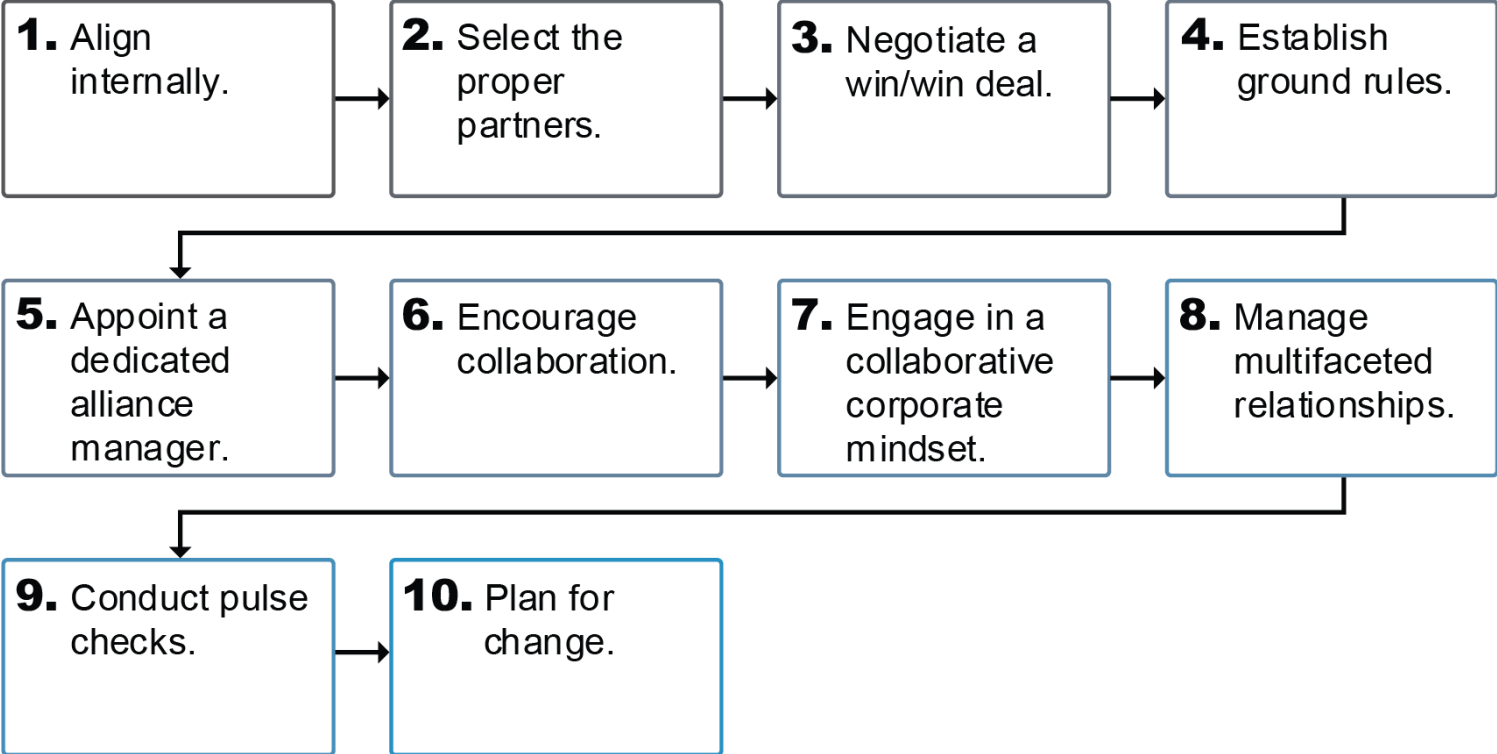
- Maximum commitment. (New alliances cost more than existing ones.)
- Common models, structured methods, and decision-making structure to drive efficiency and effectiveness.

To communication

- Dynamic interaction at all points and mutual decisions.

Strategic Sourcing and Alliances

Steps to Successful Alliances



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 critical data.• Collaborate on measures, reporting, improvements.• Automate supplier KPIs.• 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, incentives.• Apply SCOR DS metrics to suppliers.• Interview users of supplier's products for internal customer satisfaction.• Communicate level of satisfaction.

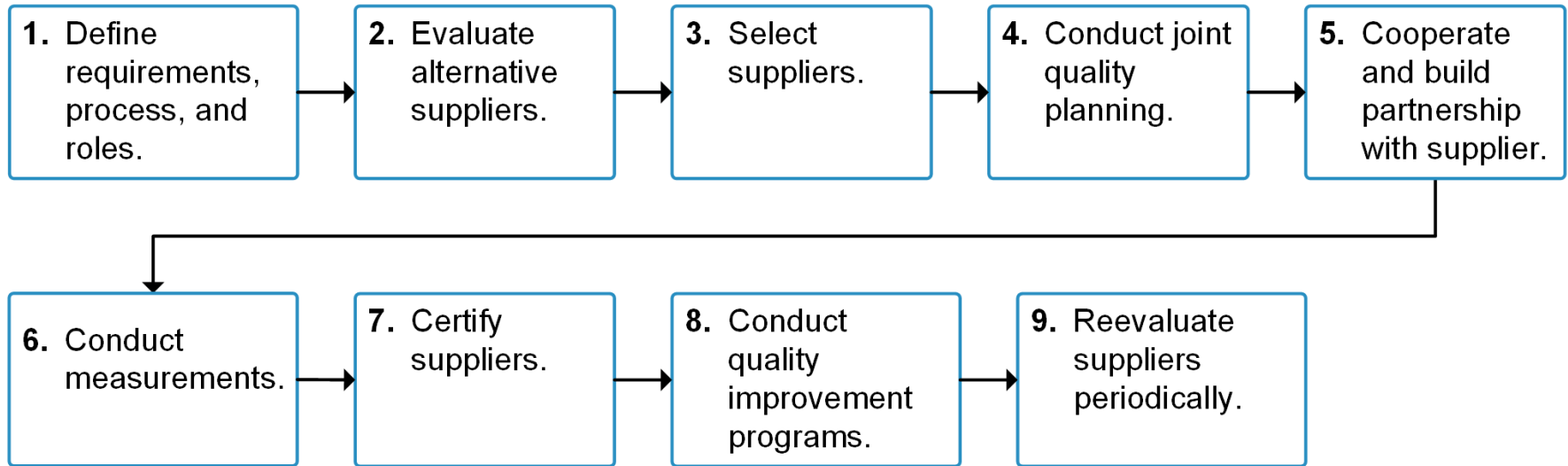
Supplier Performance

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

The Certification Process

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



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.

Supplier Performance

Performance Report

- Quality rating = A-

Date: January Y1			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			

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.

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

- Greater internal and external integration with select group of key suppliers



CRM

- Greater focus on customer

Supply Chain Relationship Management

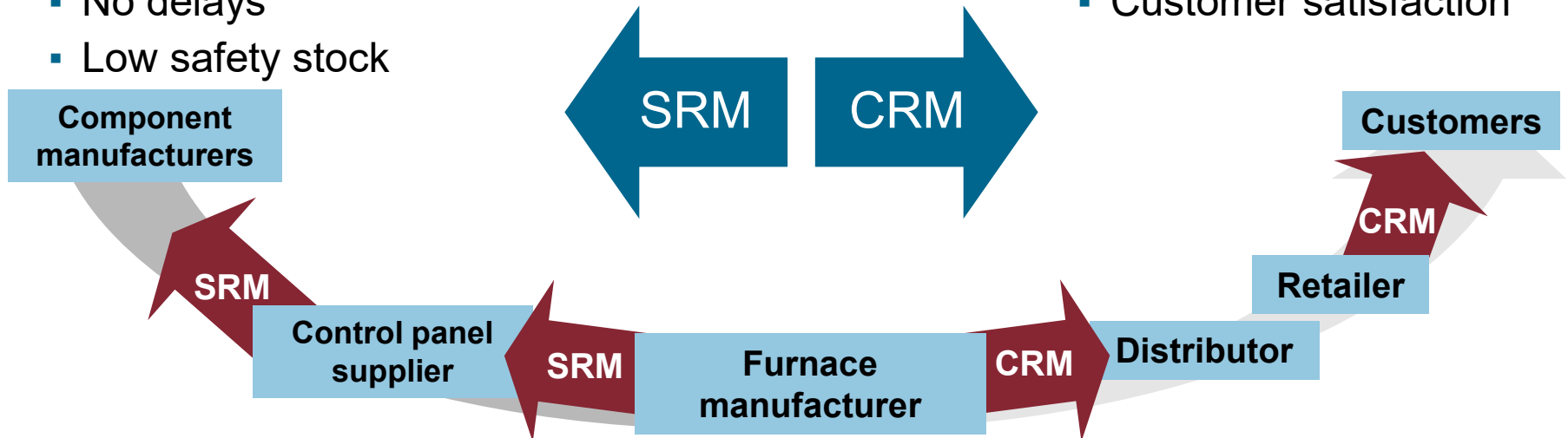
CRM and SRM Collaboration Case Study

SRM

- Parts integrated
- Few failures
- No delays
- Low safety stock

CRM

- How to present
- Installation service
- Customer satisfaction



Supply Chain Relationship Management

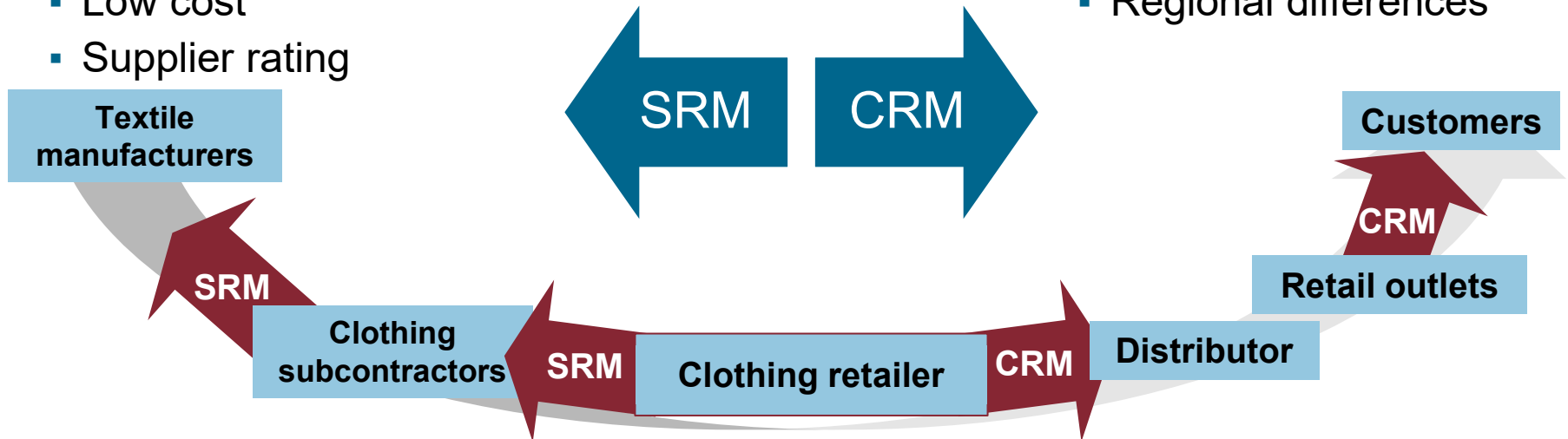
Case Study: Clothing Retailer

SRM

- Visibility
- Time to market
- Low cost
- Supplier rating

CRM

- How to present/price
- “Hot” fashion trends
- Regional differences

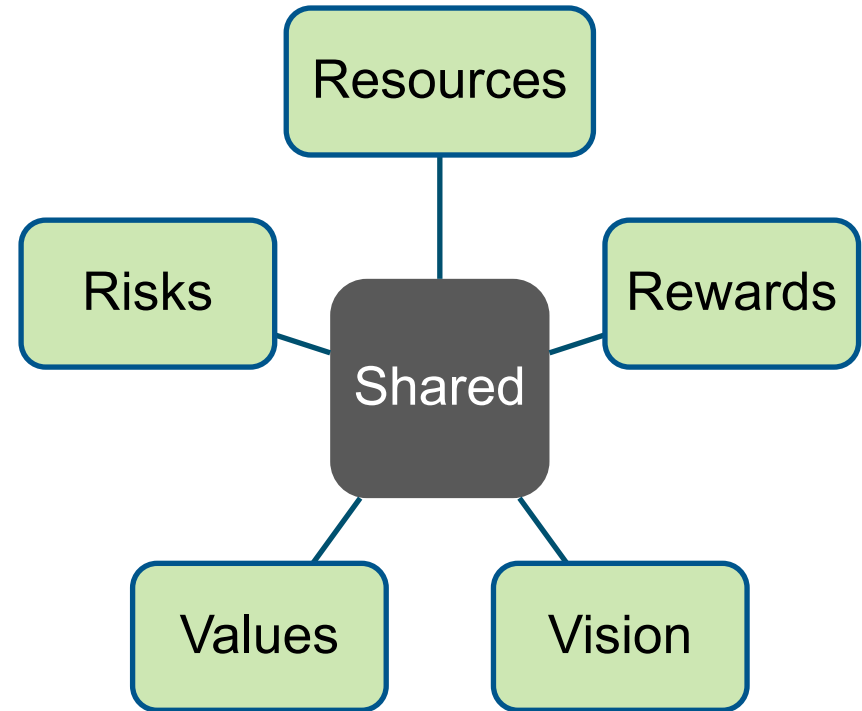


Developing Collaboration: Virtual Organizations

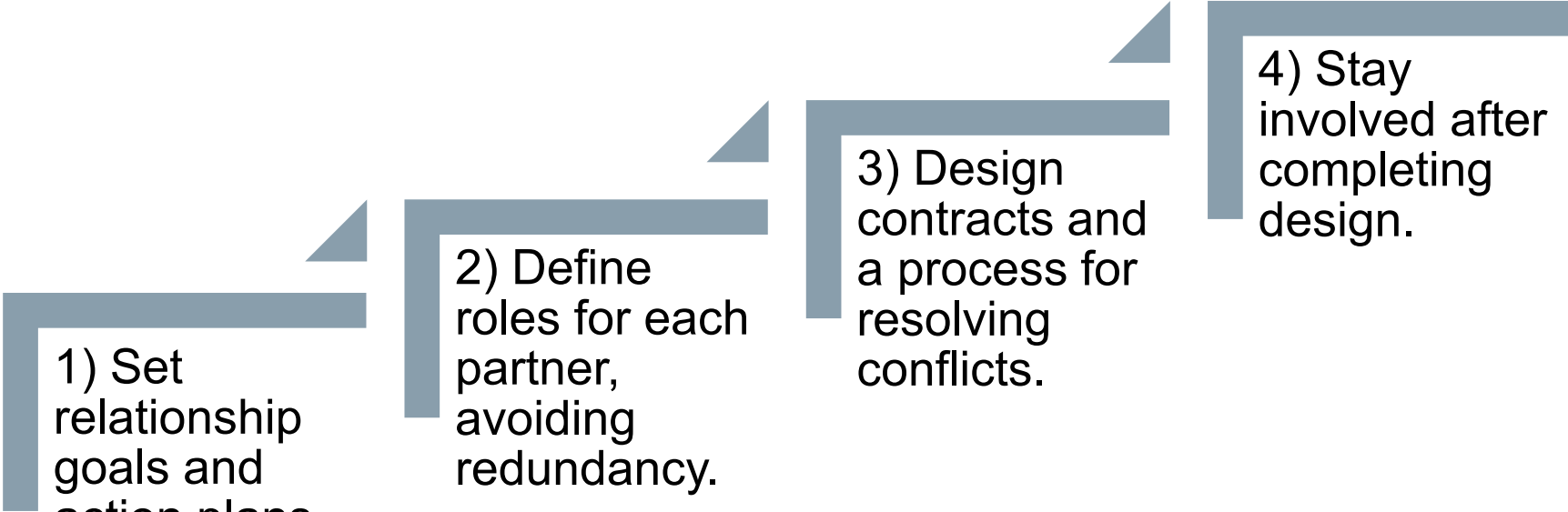
- Short-term alliances in potentially long-term relationship to design, produce, and distribute product
- Mutual values
- Acts as single entity
- Enabling virtual organizations
 - Use POS to replace push with pull.
 - Share data with suppliers to build trust.
 - Consult with partners on product design.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

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



Initiate Management Tasks



1) Set relationship goals and action plans to achieve them.

2) Define roles for each partner, avoiding redundancy.

3) Design contracts and a process for resolving conflicts.

4) Stay involved after completing design.

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

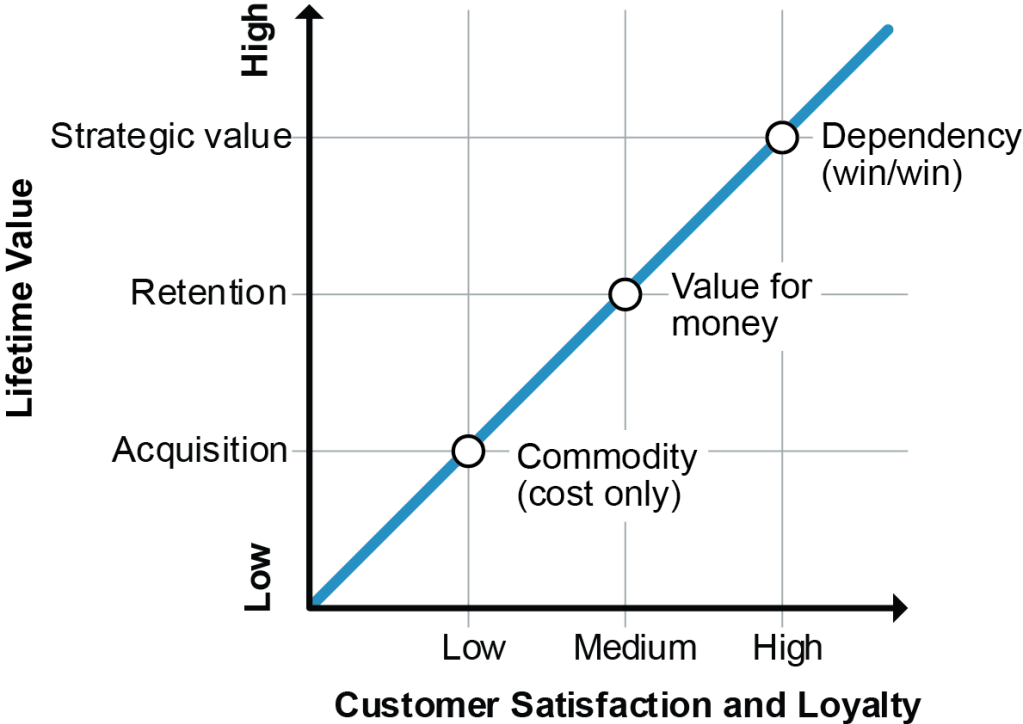
Supply Chain Relationship Management

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	Complete backward and forward integration (in theory).	Long term (if successful)

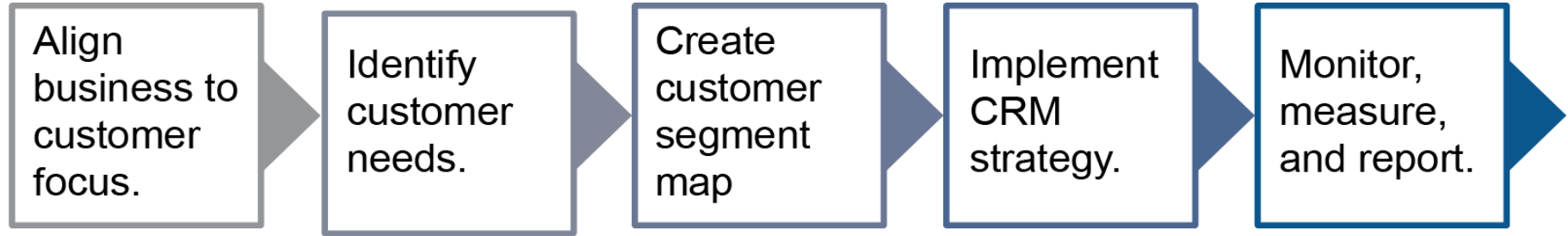
Supply Chain Relationship Management

Evolving Relationship with Lifetime Customers



Supply Chain Relationship Management

Creating and Maintaining a Customer-Centric Business



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

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

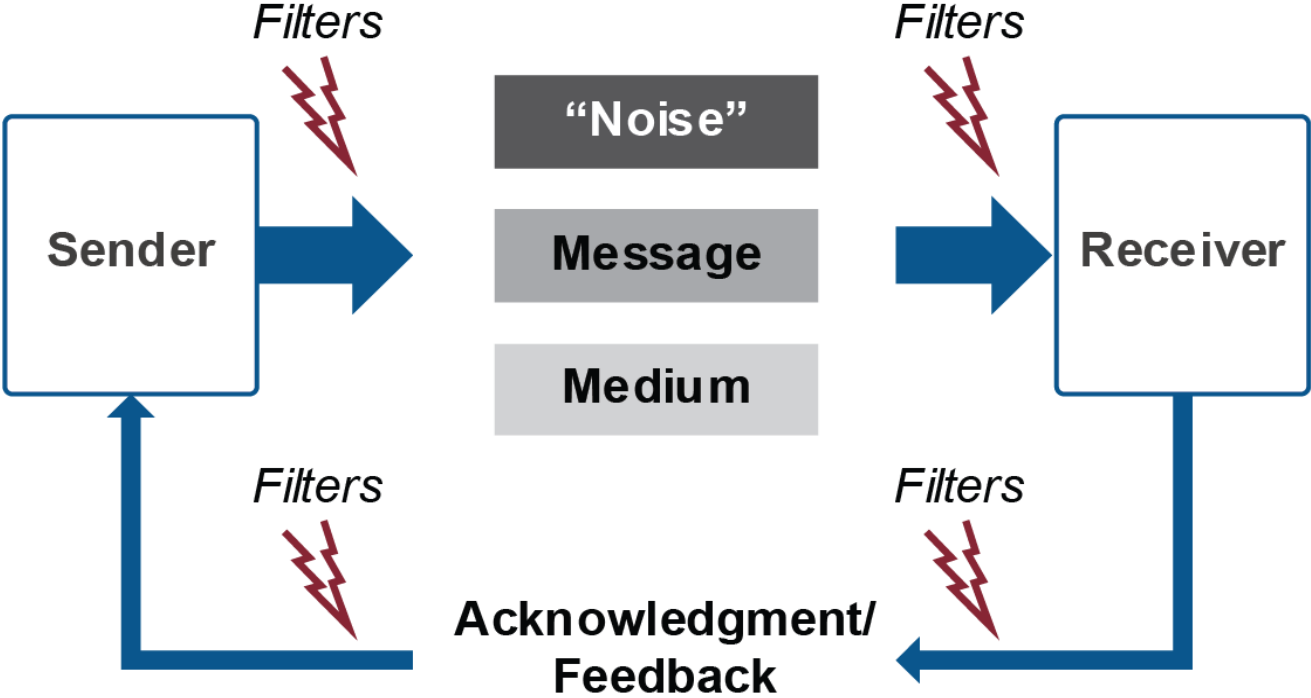
- Financial analysis

Logistics

- Logistics details and department impact

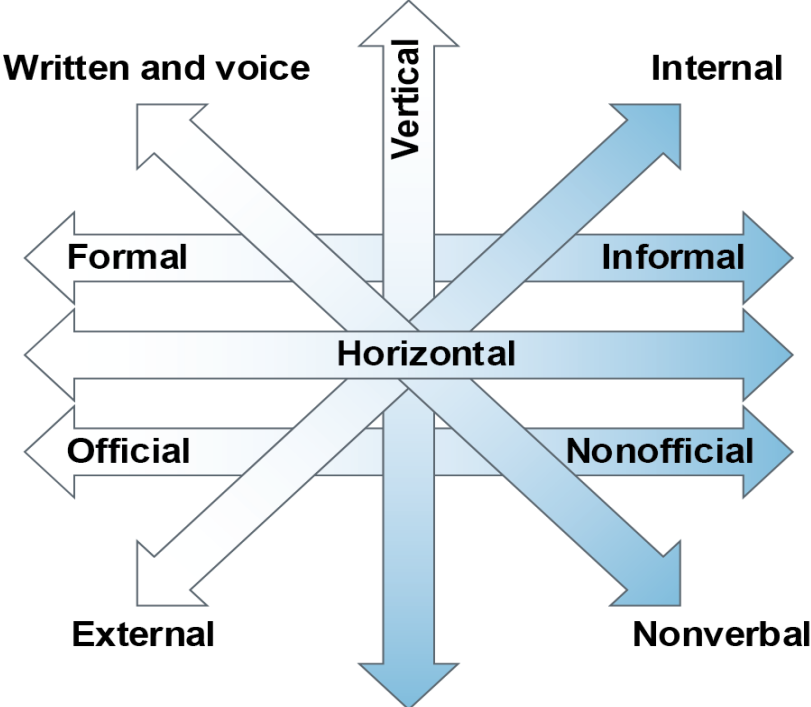
Supply Chain Relationship Management

Basic Communication Process



Supply Chain Relationship Management

Communication Dimensions



Source: Holmes Corporation. Used with permission.

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

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

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
culture

“Guanxi”
Chinese close and informal
relationships

“Ringi”
Japanese consensus building
from ground up

Supply Chain Relationship Management

Hofstede's Cultural Dimensions and Related Issues

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
Indulgence/restraint	Indulgence = freedom, good life; restraint = duty, hard life
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