

Study on the Operation Mode of Customers Relationship Management Based on Supply Chain Integration

Wenqin Jiang^{1*}, Songqing Li²

1 School of management

Shandong Institute of Business and Technology, Yantai City 264005, P.R. China

2 Department of College English Teaching

Shandong Institute of Business and Technology, Yantai City 264005, P.R. China

*EMAIL: jwq96@126.com

Abstract: Customer Relationship Management (CRM) is honored to be the “password” by enterprises winning in the competitions in the 21st century. But nowadays, the relationship between enterprises becomes closer and closer, so the foundation of carrying out CRM must push on from single enterprise to entire supply chain. This enterprise will be on the core superiority, outsourcing the business of non-core advantages to other enterprises. By establishing effective supplying chain integration customer relationship management operation mode, and good cooperation as well as scientific allotment for interests, making good use of the cooperative enterprises’ superior resources to integrate core competitive force, in order to serve the relationship customers effectively. And take part in the market competition, thereby reducing operation cost and raise the customers’ loyalty, trying to achieve true win-win realm of both maximum value of enterprises and customers.

Keywords: supply chain integration; customers relationship management; operating mode

I. Operation Mode of Customers Relationship Management Based on Supply Chain Integration and Market Advantages

The Implication of Customers Relationship Management Based on Supplying Chain Integration

Customer relationship management is called CRM briefly. Contemporary management idea, now the competition among enterprises is neither the one-to-one strife in certain time and space nor scrambling for large-scale markets share, but it is the integrated competition based on product development and design, manufacture, distribution and retail, sale and service. And also it is the competition of the

occupying of high quality markets, which is called the competition among the supply chains as well as the competition of customers’ loyalty. See [1]. This means that the foundation of the CRM should be extrapolated to the entire supply chain from the individual enterprises. Also it means that the customer service, enterprises and customer relationship should be established and maintained in the coordinated action of the supply chain integration. So CRM of the modern western economics refers to basing on supplying chain integration, via business partnership and customers relationship realizing co-share information, resources mutual supplement, various interactive maximum customer value in order to boost enterprises’ competition ability.

Customers’ Relationship Management Mode Based on Supply Chain Integration

CRM of supply chain integration is the most promising dynamic integrated service organizations and value-created system in the 21st century. As a new kind of management operation pattern, it mainly relies on modern information technology, the core enterprise connects suppliers, manufacturers and distributors and customers to an integrated as a whole. This enterprise is based on the core superiority, outsources the business of non-core advantage to other enterprise which has the core competitiveness so that the advanced cooperative resources of the enterprises are integrated into core competitiveness to participate in market competition. Customer relationship management is a platform where the supply chain management (SCM) and external clients meet each other, which establishes an intelligence filter net between the enterprise system and external customers, and at the same time provides a unified effective platform. Both of CRM and SCM should form a closed-loop system without seam. See [2]. The relationship between the two is shown in the diagram I.

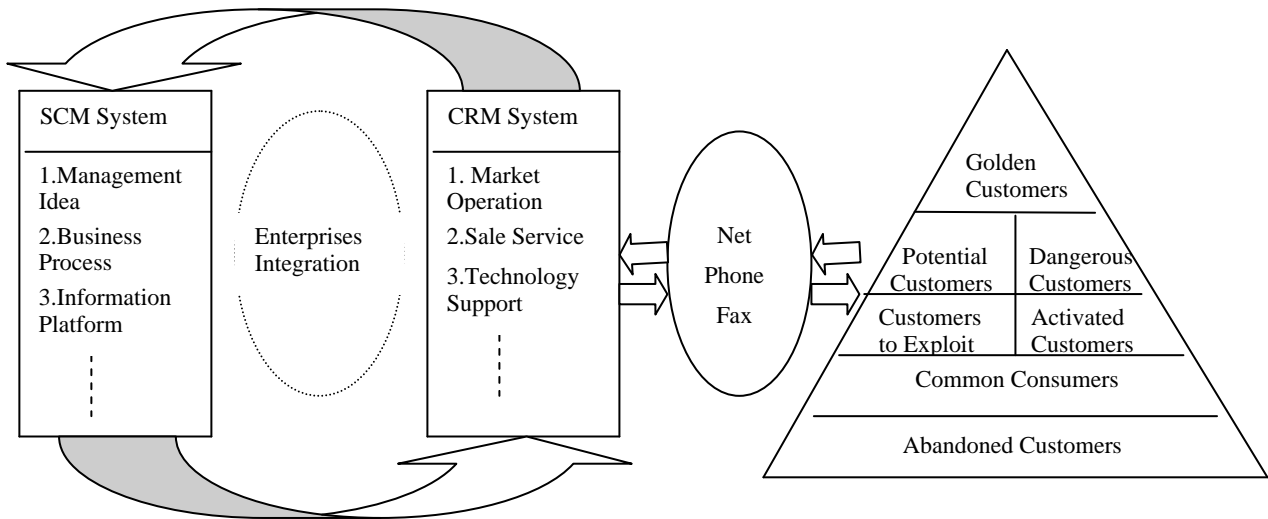


Diagram I CRM Mode in Supply Chain Integration

Market Advantages of Customers Relationship Management Based on Supply Chain Integration

The mode of CRM based on supply chain integration has the following obvious market advantages: First of all, it can effectively overcome the external information isolated island and realize the multidimensional two-way communication and information sharing. Secondly, it prompts members of cooperative enterprises cooperate actively to form network chain with quick response to customer demand synchronously. Thirdly, it will minimize the costs, namely, it can make the enterprises find out existing, lower cost than the enterprise will cost in its self-operation when the enterprise integrates and cooperates external resources with its core superiority resources. Finally, the customer relationship is sustained, because the resources integration mechanism of supplying chain integration can promote the flexibility of the every enterprise' activities in the chain, strengthen the ability to respond the demand of customers, and realize the market purpose and customer service performance which can not be achieved by single enterprise. Therefore, CRM of the supplying chain integration overcomes maximally the limitations of the ability of each individual enterprise, maximizes customer value through the entire supply chain, and eventually realize the maximization of both enterprise value and customer value. See [1][3].

II. Basic Requirements to Construct the Customers Relationship Management Mode Based on Supply Chain Integration

Enterprise Value of Constructing the Customer Value Is the Most Important

Customers and the realization of their value are the driving force and the decisive factors of supplying chain integration. But the traditional analysis of the supplying chain value starts from the supplying subject, which is based on costs or

profits, emphasizes the formation and realization of the enterprise value in the chain, but neglects that the source of values is the requirements of customers and to be "myopia" when analyzing value. This misplacement of value cognition and customer value makes some enterprises in the industry value chain, even with stronger value ability, difficultly to keep growing rapidly for a long time, so always at a lower level of earning benefits. After transforming the values of supplying chain into customers' value, it is possible to take the market as the guide, improve the performance of the enterprise management while satisfying customers' demands. In the process of the realization of the customers' value, we can identify and improve the weak linkage, raise the efficiency and quality of the realization of customer's value. With the larger quantity and the higher quality of the customers' value, the closer ties will be formed between consumers and enterprises, to make the more frequent trades possible, and the relationship will last much longer. In the course of keeping improving the customers-oriented and transmission of the customer values, we realize the satisfaction and loyalty of customers. As a result, achieve the maximization of the customer value and enterprise value simultaneously.

To Change the Supply Chain from Vertical Integration to Horizontal Integration

Before the integration of supply chain, The management of leading enterprises is the operation mode of vertical integration, which is a vertical integration of markets, taking the production function as the center, and the enterprise keeps the state of self-sufficiency with some problems such as high cost, many administrative levels, long business process, difficult management, heavy burden, high risk and uncertain markets, etc. But the new CRM of supply chain integration requires to observe all things with the eyes of customers, to reconstruct the process of operation basing on the adding value in the supply chain so as to establish the

operation mode of enlarging the markets, satisfying requirements, sharing the information and process-oriented. This requires the transformation horizontal integration for supplying chain basing on the evaluation of advanced resources or the competitive ability itself. The method is as followings: At first, the enterprises observe the whole value chain in the eyes of the customers, experience the various requirements of using, maintaining and upgrading, pursuing the additional value. Also the enterprises look for the partnerships and customer relationship by providing the timely, comprehensive and suitable products and services, thus to win the enterprises which attach the importance to customers. Then, on the one hand, the enterprises take part in the competitive supply chain to obtain the advantages from others and improve themselves, on the other hand, by purchasing and producing to deliver the products and services to the customers by sale net. In the chain, the core enterprise combines the membership enterprises superior resources to make the value chain coordinate, in the meanwhile, to make use of the enterprise's good resources to achieve higher value. To establish firm and long-lasting relationship with the enterprises, it can bring most benefits. See [4]. As Intel takes advantage of its core power-chip technology to integrate the software advantage of Microsoft, hardware manufacture and market advantages of Lenovo so that it forms the best supply chain in the market of China. The enterprises enforce their competitive ability but try to avoid risks.

Implement Seamless Joint and Synchronous Optimization of Two Chains

In the view of the supplying chain integration, the supplying chain can realize the enterprise values as well as can realize customers' value. The customers' value chain makes the enterprises' value chain grow and enforce the competitive ability. If the enterprise can joint both of them in a balance, then the driving force from the enterprise value chain and the pulling power from the customer value chain will form a combined force, which embodies that the information transmission, logistics business and funds flow go smoothly in the supply chain, and to achieve the synchronous optimization of the values of suppliers, manufacturers, logistics businessmen, sellers and customers. Thus, it is able to deliver the desirable products of proper amount to appropriate place at the right time, rapidly and efficiently to meet the needs of the customers, realizing the maximization of customer value while reducing cost of supply chain.

To Establish Flat Enterprise Support System

CRM of supply chain integration is not only a material flow, an information flow and a capital flow connecting the suppliers and customers, but also a service flow and a value flow. Therefore, the enterprise treats the relationship with the customers not only from the technology, but also from the organization structure and enterprise culture, and requires every clerk provides satisfactory products and

service according to the changes of the customers' requirements. Edison Spans said: "in the ideal structure of enterprises, the thoughts flows not only from up to down but also from down to up. The thoughts become more valuable in the flowing, participating and sharing goals becomes more important than the command of managers." Accordingly, the enterprise must change the traditional "pyramid" inside organization structure into a new flat organization structure. In the new organization structure, the customers are at the top position to reflect fully the management idea that the customers are supreme. At the same time, the management function will be partly transferred from the managers to the employees so that they are able to have the freedom and right to work creatively. In the new style of organization structure, some of the policy-making rights have shifted to the employees with and the guide of the managers, encourage and make the performance evaluation in a proper way. The managers must help employees to get the correct information, provide various supports, and make the employees to take part in the creation of the supply chain value. See [2][5].

Establish the Cooperation Mechanism among the Members in the Supply Chain Integration

Essentially, supply chain integration is the integrated management of supplying and demanding of internal enterprises as well as among enterprises. The partnership in the supply chain includes the partnership between the core enterprise and the suppliers, the manufacturers, the sellers and the retailers. The relationship must be established basing on common desires and interests and they play different roles in the supply chain. Communications, coordination, learning from each other and mutual complementary in advantages are the important ways of forming good cooperation relationship. In the supply chain each enterprise is not only a relatively independent unit, but also owning unique resources. And enterprises are not only as the creators of values, but also enjoyers of the service. As upstream suppliers are the suppliers and service providers for the downstream enterprises. The service quality is good or not directly determines the speed, efficiency and profits realized in the whole supply chain. See [6]. Therefore, the enterprises need to take the whole interests and target of the supply chain as their guide, cooperate to form a functional network. In this system, the core enterprise is only in charge of competitive core business, and outsource non-core business to the other enterprises, to make good use of every enterprises and to enforce the competitive abilities to take part in the market competition, the cooperative power will avoid and resist risks. And also it will raise the competitive ability of individual enterprise to avoid risks in the supply chain. Anyhow, the members of the cooperative enterprises must coordinate for the existing problems, will-be problems and services, establish the cooperative mechanism to share interests and to avoid and resist the risks.

To Set up Reasonable Sharing Profits Mechanism in the Supply Chain Integration

The ultimate purpose of any enterprises participating in a supply chain alliance is to pursue the economic benefits. Therefore, it is particularly important to set up a reasonable, satisfactory sharing profits mechanism in the supply chain integration. Generally, there are two stages to realize the share of profits in the supply chain. At the first stage, before the interests have been achieved, the method of negotiations are used, which makes a profit distribution scheme according to some factors which can be easily identified such as investment in fixed assets and the relationship among partners in the supply chain, so that each enterprise is satisfied with the initial allotment of profits. At the second stage, after the winning the interests, it needs to re-allot the extra interests, that is, to make an adjustment to the initial distribution plan. The factors considered in the second stage is the risk born by the partners of supply chain, the contributions which the enterprises for realizing the goal, See [7][8]. We must note that there is a phenomenon, that is, the core enterprise use the dominant position in the supply chain to squeeze the interests of the other enterprises, which is very wrong! Because the size of the value of the supply chain cooperation is reflected in various aspects such as the delivery, standardization, low stock which can bring the enterprises benefits, the core enterprise should pay fully attention to play a leading role in stimulating the members in the supply chain.

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Background of Authors

Wenqin Jiang received Bachelor's degree of economics from Shandong University in 1987, and received master's degree of Engineering from China University of Mining and Technology in 1997, being a teacher in management department of Shandong Institute of Business and Technology since 1987 and became a professor of this college in 2008, mainly engaged in marketing and customer relationship management.

Songqing Li received bachelor's degree in Shandong Normal University in 1987, being an interpreter and a translator in a cooperated company by China and America from 1987 to 1988, being a teacher in English Department of Shandong Institute of Business and Technology since 1988, studied Linguistics and Literature in postgraduate class in Qufu Normal University from 1997 to 2000, and became an associate professor of Shandong Institute of Business and Technology since 2000, mainly engaged in cross-culture communication, EMAIL: lsq@sdbt.edu.cn.