Customer Relationship Management and Supply Chain Management

CHAPTER OUTLINE
11.1 Defining Customer Relationship Management
11.2 Operational Customer Relationship Management Systems
11.3 Analytical Customer Relationship Management Systems
11.4 Other Types of Customer Relationship Management Systems
11.5 Supply Chains
11.6 Supply Chain Management
11.7 Information Technology Support for Supply Chain Management

LEARNING OBJECTIVES
1. Define customer relationship management and collaborative CRM, and identify the primary functions of both processes.
2. Describe the two major components of operational CRM systems, list three applications used in each component, and provide at least one example of how businesses use each application.
3. Describe analytical CRM systems, and describe four purposes for which businesses use these systems.
LEARNING OBJECTIVES (continued)

4. Define mobile CRM systems, on-demand CRM systems, and open-source CRM systems, and identify one main advantage and one main drawback of each.

5. Define the term, supply chain, and describe the three components and the three flows of a supply chain.

LEARNING OBJECTIVES (continued)

6. Identify two major challenges in setting accurate inventory levels throughout the supply chain, and describe three popular strategies to solve supply chain problems.

7. Define the terms electronic data interchange (EDI), extranet, and portal, and explain how each of these applications helps support supply chain management.

Chapter Opening Case: The Next Step in Customer Relationship Management
VIP Auto Appearance Center
(IT’s About Business 11.1)

11.1 Defining Customer Relationship Management

From Neighborhood Stores……

Personal
To Today…..

Mobile population

Giant malls

Impersonal

The Need for CRM

It costs six times more to sell to a new customer than to sell to an existing one.
A typical dissatisfied customer will tell 8-10 people.
By increasing the customer retention rate by 5%, profits could increase by 85%.
Odds of selling to new customers = 15%, compared to the odds of selling to existing customers (50%)
70% of complaining customers will remain loyal if their problem is solved

Tenets of CRM

One-to-one relationship between a customer and a seller.
Treat different customers differently.
Keep profitable customers and maximize lifetime revenue from them.
Data Consolidation = 360-Degree View of Customers

11.2 Operational Customer Relationship Management Systems

Two major components of operational CRM

Customer-facing applications
Customer-touching applications

Customer-Facing Applications

Customer service and support
Sales force automation
Marketing
Campaign management
Refining the Call Center
(IT’s About Business 11.3)

Marketing
- Cross selling
- Up selling
- Bundling

Customer-Touching Applications
- Search and comparison capabilities
- Technical and other information and services
- Customized products and services
- Loyalty programs
11.3 Analytical Customer Relationship Management Systems

Analytical CRM systems analyze customer behavior and perceptions in order to provide actionable business intelligence.

The Relationship Between Operational CRM and Analytical CRM

Customer-facing Applications
- Sales
- Marketing
- Customer Service and Support
- Campaign Management

Customer-touching Applications
- Search and Comparison
- Customized Products
- Technical Information
- Personalized Web Pages
- FAQ
- E-mail / Auto Response
- Loyalty Programs

Customer Data Warehouse
- Data Mining
- Decision Support
- Business Intelligence
- OLAP

11.4 Other Types of Customer Relationship Management Systems

On-demand CRM Mobile CRM Open-source CRM
Mobile CRM on a Smartphone
(IT’s About Business 11.4)

11.5 Supply Chains

Generic Supply Chain
8/14/2012

Supply Chain (recall Figure 1.5)

The Flows of the Supply Chain

11.6 Supply Chain Management

Supply chain management (SCM)
Interorganizational information system (IOS)
Push Model

Pull Model

Problems Along the Supply Chain

- Poor customer service
- Poor quality product
- High inventory costs
- Loss of revenues
The Bullwhip Effect

Solutions to Supply Chain Problems

Using inventories
- Just-in-time inventory
- Information sharing
  - Vendor-managed inventory

11.7 Information Technology Support for Supply Chain Management

- Electronic data interchange (EDI)
- Extranets
EDI Benefits

- Minimize data entry errors
- Length of messages are shorter
- Messages are secured
- Reduces cycle time
- Increases productivity
- Enhances customer service
- Minimizes paper usage and storage

EDI Limitations

- Significant initial investment to implement
- Ongoing operating costs are high due to the use of expensive, private VANs
- Traditional EDI system is inflexible
- Long startup period
- Multiple EDI standards exist

Comparing Purchase Order Fulfillment Without EDI

Source: Drawn by E. Turban
Comparing Purchase Order Fulfillment
With EDI

Extranets

The main goal of extranets is to foster collaboration between business partners.

An extranet is open to selected B2B suppliers, customers and other business partners.

The Structure of an Extranet
Types of Extranets

- A company and its dealers, customers or suppliers
- An industry’s extranet
- Joint ventures and other business partnerships

Chapter Closing Case

- The Problem
- The Solution
- The Results