

# Chapter 8

## CRM, SRM and Marketing in Supply Chain

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### ABSTRACT

*In today world of competency, organizations and companies are realizing just by serving a better quality product or service or by decreasing the price or differentiating of products, it is not possible to survive in this highly competitive environment. Thus, a new business strategy seems to be needed, and companies must investigate new means of finding the competitive edge and building and maintaining of a profit-maximizing portfolio. A key driver of this new business strategy is the advent of Customer Relationship Management (CRM).*

*The first goal of this chapter is to disclose different aspects of this customer-focused strategy, such as CRM definitions, goals, perspectives, and SCM and CRM integration features. But due to the continual needs of cutting costs, organizations realized the necessity of long term buyer-seller relationships, and they were forced to improve their supply chain and leverage their supply base. The key solution to this necessity is Supplier Relationship Management (SRM). After describing various aspects of CRM, therefore in the second part the different characteristics of SRM and the way going from CRM to SRM is being discussed.*

### CUSTOMER RELATIONSHIP MANAGEMENT (CRM)

#### Introduction

In today's extremely competitive environment, one of the main factors determines the success or failure of a business understands the customer's needs and services (King 2007). Organizations

and companies are realizing the notion that lowering the costs and differentiating of products and competing with other companies are not the only determining factors of successful results and instead, they must focus on reliable customer service and enhance customer relationships.

However, consumers are being exposed to low costs almost everywhere and could simply employ their allegiance to another company. Therefore, considering the daily growing expectations of

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customers in today's world, companies and corporations are shifting their business strategies from product-oriented strategies to customer-oriented ones. An avenue of success in the world of e-Business and optimizing a lifetime value of customers is customer relationship management (CRM). With the intent of achieving enduring success, not only global, multinational enterprises but also small organizations are increasingly using CRM in order to find durable competitive advantage perspectives.

For all intents and purposes, CRM is a corporate approach to assist businesses in making the most of customer-success from the integrated customer-facing processes. Therefore, Companies have perceived it as a success tool in the world of e-Business. Before turning to CRM, it is vital to know the key to success of applying CRM, which is an inclusive awareness of strategic implications and performing issues of CRM. Hence, it is vital for organizations to understand CRM strategies, technologies and important CRM implementation issues under e-Business circumstances.

## **PART I: PHILOSOPHY OF CRM**

According to earlier research, keeping customers rather than attracting new ones is more cost-effective due to expensive advertising and marketing costs. Therefore, organizations should individualize customers instead of individualizing products and they should emphasis more on customer share instead of market share. Furthermore, studies have shown that companies must not only preserve their customers but also increase the fruitful lifespan of customers with the company by means of IT. Through such technologies, one-to-one relationships, value creation, cost containment, customer value analysis, product and website customization are possible on a scale that was not available in the past (Teo et al. 2006).

Customer relationship management (CRM) requires business approaches and IT to discover

and learn up-to-date information about current and potential customers to forecast their needs and necessities. With this effective use of information, organizations are being able to provide their customers with personal services, exclusive products, and cheaper prices. For specific business marketing purposes, organizations collect information from internal and external sources to assemble an organized individual customer profile. The basis of CRM is the understanding of customer necessities and using the knowledge to provide a company's long-term profitability. If it is applied correctly, CRM can have a major impact on the performance of a company (Stringfellow et al. 2004; Karakostas et al. 2005). The concept of CRM is dependent on:

- Relationship orientation.
- Customer retention.
- Superior customer value created through process management.
- IT as the enabling technology for the discovery and management of customer knowledge.

The long-term benefits of implementing a Customer Relationship Management programmed are widely accepted as being: learning from customers, building customer retention, and reduced market uncertainty (Maklan et al. 2005).

## **CRM and Business**

CRM specializes in the major areas of business: marketing, sales, and customer support. Although it usually organizes around these basic segments, many customer relationship functions deal with more than one segment, because all three activities are intertwined.

Mass-market and individual-costumer activities are split sections of CRM. Much of the lead generation, campaign management, and sales support, as well as customer purchase and support analysis, are aimed at mass-market channels, both

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