

## Chapter 6.3

# Corporate Strategies in a Digital World:

## Supply Chain Management and Customer Relationship Management – Development and Integration–Focus

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### **ABSTRACT**

These days, the majority of management literature stresses the concept of “learning organizations”, i.e., an organization’s capacity to change. However, it is not easy for people to accept this fundamental aspect especially when it comes to the Internet and technologies’ growing importance in business operations. They claim it’s a temporary trend that will leave little visible change in the way business is conducted. For these businessmen, the philosophy seems to be “keep making better products and offering new services, and the customers will keep buying”. They ignore changes occurring in the buying habits of cus-

tomers and impact of technology. There are some businesses who are happy to follow the leader and adopt tools like supply chain management. Supply chain management is a recognized discipline to shorten cycle times, reduce inventories, decrease logistics costs and streamline communication process across the business network. On the other hand are the businessmen who understand the learning organization concept and develop a forward orientation. They are prepared to ride the technology wave to new heights and accomplishments by using technology as a defining element in business operations. This chapter suggests a new approach to this new breed of entrepreneurs. In this chapter, we are trying to give supply chain

management a customer orientation and to study its results. We highlight the synergistic advantage of linking supply chain management with customer relationship management into a tightly knit network using technology. The main focus is on finding a solution to deal with Internet empowered customers and to learn how to apply technologies demanded in the new digital economy.

## **INTRODUCTION**

The corporate strategies drawn by companies in today's digital world have forced them to inculcate technology in all spheres of their operations. Satisfaction in a consumer emanates from the feeling of pleasure or disappointment resulting from comparing the products perceived performance in relation to his/her expectations (Kotler, 1998).

Conceptually, if performance falls short of expectation, the customer is dissatisfied. If it matches his expectations, the customer is satisfied and if it exceeds his expectations the customer is delighted.

As put forth best by Sam Walton, this concept can be simply stated, "There is only one boss, the customer. And he can fire everybody from the chairman on down, simply by spending his money somewhere else" (*Your Customer – Your Boss*, 2003). This has led to the development of customer-oriented markets, i.e., "Buyers Markets." Therefore, successful companies these days are targeting customer delight as a tool for retaining customers and ensuring success. The increasing use of technology in the development and marketing of products has forced companies to turn toward customer retention as an essential ingredient of corporate success.

Moreover, researchers have pointed out that these days retaining customers is a smart strategy. Their work has proven that it is more economical to retain customers than to acquire new ones. The Forum Company estimated as early as 1989

that the cost of winning the new customer is five times as much as that of pleasing an old customer (Sellers, 1989).

On similar lines, Dr. Jason Chen (2002) stated that:

- A 60-100% company profit boost can be achieved by only 5% customer retention efforts
- One dissatisfied customer tells eight to ten people about his experience
- Odds of selling a product to a new customer is 15 % while selling to a existing customer is 50%
- Up to 98% of promotion coupons are thrown away
- Referred customers generally stay, use more products and become profitable customers.

Quantitative analyses like these have motivated companies to understand "customer expectations" and to find tools which would help them achieve customer delight (Gattorna and Walters, 1996). In this paper we discuss two such tools, Customer Relationship Management (CRM) and Supply Chain Management (SCM). The use of technology to integrate these tools has become a focal point in many firms to gain competitive ground.

Many companies have been using these tools profitably however in others the approach has been centered around adopting them individually. In this paper we establish how the singular approach managed to change the expectation set of the customers permanently. However, with the proliferation of these technologies and tools, gaining competitive advantage has become increasingly difficult. Thereby, it is essential for companies to search for new tools to gain a competitive edge in the market.

We explore the feasibility of one such tool, i.e., an interactivity approach between SCM and CRM vis-a-vis India.

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