

## Chapter 72

# Encouraging Supply Chain Networks and Customer Loyalty in Global Supply Chain

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### **ABSTRACT**

*This chapter aims to encourage supply chain networks and customer loyalty in global supply chain, thus distinguishing the theoretical and practical concepts of supply chain management (SCM) and supply chain networks; the multifaceted applications of supply chain network design (SCND); the overview of customer loyalty in global supply chain concerning customer value, customer satisfaction, switching barriers, customer loyalty programs, and customer-company identification (CCID); and the linkage between customer loyalty and supply chain networks in the retail setting. Encouraging supply chain networks and customer loyalty is critical for modern organizations that seek to serve suppliers and customers, increase business performance, strengthen competitiveness, and achieve continuous success in global supply chain. The chapter argues that encouraging supply chain networks and customer loyalty has the potential to improve organizational performance and gain sustainable competitive advantage in global supply chain scenarios.*

### **INTRODUCTION**

Supply chain management (SCM) becomes a long-term strategy for businesses, as customer demands have become more diversified and international sales competition has intensified. Supply chains are the worldwide networks with facilities and distribution entities (e.g., suppliers, manufacturers, distribution centers, and retailers) (Pop, Pintea, Sitar, & Hajdu-Măcelaru, 2015). Designing a distribution network involves making several decisions in different levels (Yolmeh & Salehi, 2015). SCM is implemented by businesses as a process of remaining competitive, and decisions on product distribution and freight transport are made by implementing the relevant supply chain networks as a whole (Yamada & Febri, 2015).

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Cost-effective SCM through integrating strategic decisions (e.g., network design) along with tactical decisions (e.g., production, distribution, and inventory decisions) under various markets, logistics, and production uncertainties is a critical issue for companies in different industries (Akbari & Karimi, 2015). Companies should expect and react to customer desires through effective supply chain networks toward achieving better customer loyalty in the retail industry (Kurt Salmon, 2014). Cultivating customer loyalty is one of the important goals of relationship marketing (Palmatier, Dant, Grewal, & Evans, 2006).

Firms in various industries adopt the customer loyalty programs to encourage the customer relationships (Kivetz & Simonson, 2002; Nunes & Drèze, 2006). Loyal customers practically spend more money and spread positive reviews through word-of-mouth (WOM) communication (Qiu, Ye, Bai, & Wang, 2015). Customer loyalty programs constitute an important customer relationship management (CRM) tool, adopted by various industries (Kang, Alejandro, & Groza, 2015). Customer loyalty programs have become common in many service and retail industries (Melancon, Noble, & Noble, 2011). Customer loyalty programs generate customer loyalty to the firms through loyalty to the program (Yi & Jeon, 2003).

## **BACKGROUND**

The increased span of supply chains and emerging global distribution networks along with increasing competition in the production environment have highlighted the importance of optimizing the supply chain networks to enhance their performance and increase their responsiveness to the customers' changing demands (Badri, Bashiri, & Hejazi, 2013; Goetschalckx, Vidal, & Dogan, 2002). The fundamental objective of SCM is to develop effective supply chain networks among businesses toward creating supply chain networks (Kopczak, 1997; Lee & Ng, 1997). SCM focuses on the agility and responsiveness in supply chain networks for quickly reacting the changing market requirements (Roh, Hong, & Min, 2014; Wu & Barnes, 2011). Many firms cooperate with customers through a variety of information and material flows toward achieving a balance between supply and demand (Cheng, Chen, & Chen, 2014).

A loyal customer is regarded as a type of competitive asset for an organization (Dekimpe, Steenkamp, Mellens, & Abeele, 1997). Customer loyalty has a tremendous impact on business profits for business survival (Oliver, 1999; Olsen & Johnson, 2003) and paves the way for modern organizations to achieve sustainable competitive advantage (Grönroos, 2009; Gummesson, 2008). Keeping a long-term customer relation is a challenge for business practitioners (Grönroos, 2009). The consensus in business literature is that firms benefit from the creation of customer loyalty (Dick & Basu, 1994; Jacoby & Chestnut, 1978). Improving customer value and workgroup performance requires the adoption of the appropriate human resource practices in order to enhance the level of innovation (Kasemsap, 2013). Customer value, customer satisfaction, and brand loyalty have the strengths to mediate the positive effect on CRM performance (Kasemsap, 2014).

## **ENCOURAGING SUPPLY CHAIN NETWORKS AND CUSTOMER LOYALTY IN GLOBAL SUPPLY CHAIN**

This section distinguishes the theoretical and practical concepts of SCM and supply chain networks; the multifaceted applications of SCND; the overview of customer loyalty in global supply chain concerning

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