

# CSCP

CERTIFIED SUPPLY CHAIN  
PROFESSIONAL

## MODULE 6: SUPPLY CHAIN RELATIONSHIPS

### SECTION A: CUSTOMER RELATIONSHIPS

## Section A Introduction

### Section A Key Processes:

- Cultivate customer relationships.
  - Interpret VOC.
  - Design customer service offerings.
  - Define measurements and KPIs with the customer.
- Measure customer service, manage customer feedback, and resolve issues.

### Section A Topics:

- Topic 1: Customer Relationships and Segmentation
- Topic 2: Customer Relationship Management
- Topic 3: Customer Service Metrics and Performance

# Topic 1: Customer Relationships and Segmentation

## CRM and the Need for It

- Marketing philosophy: putting customer first.
  - Collection and analysis of customer data for sales and marketing decision support.
  - Understand and support customer and prospect needs.
- Competitive survival strategy: Responding to change quickly is differentiator between winners and losers.
- Provide a product-service package.

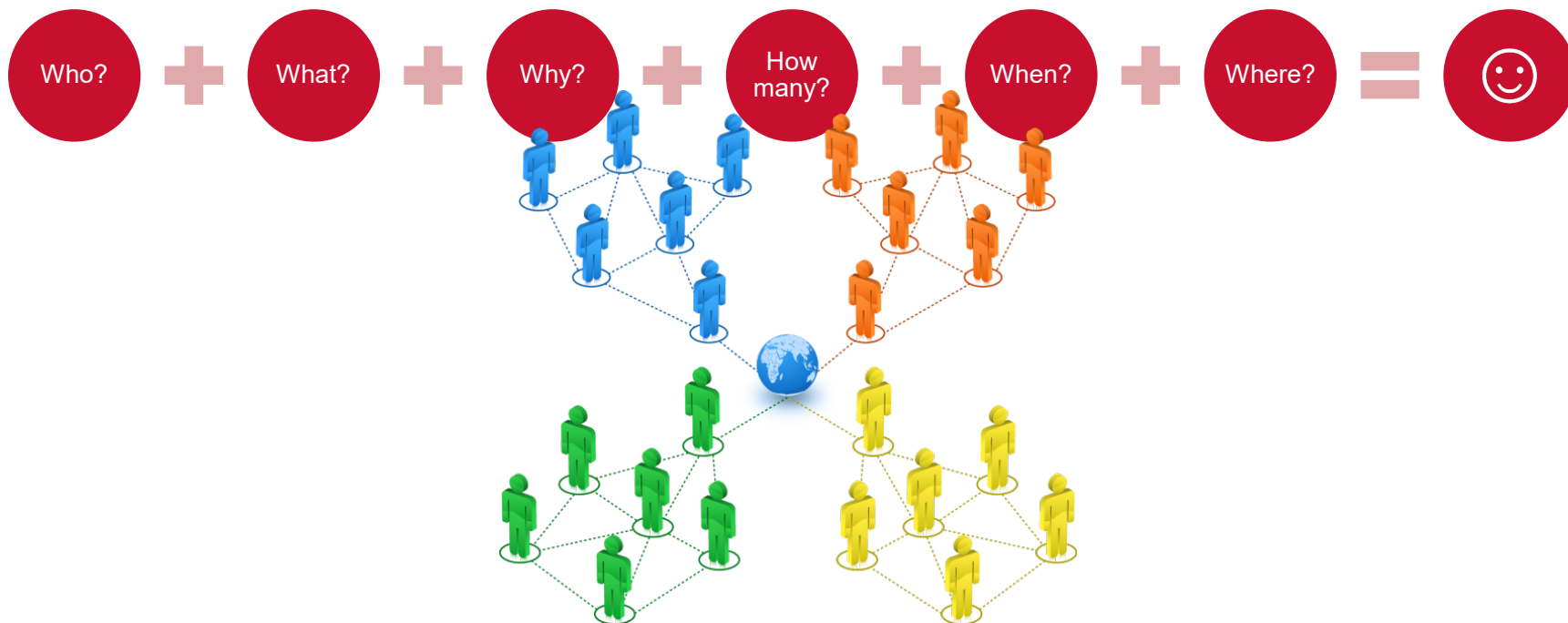
# Topic 1: Customer Relationships and Segmentation

## Customer-Centric Organizations

- Are easy to do business with
- Add value to their products/services by integrating products and information
- Educate customers during and after the decision-making process
- Are innovative in design of services, marketing, delivery, customer care
- Design business contact points from customer perspective
- Share insights about customers within SC network

# Topic 1: Customer Relationships and Segmentation

## Segmentation and Customer-Focused Marketing



# Topic 1: Customer Relationships and Segmentation

## Segmentation and Customer-Focused Marketing

- Customer segmentation: “...groups of individuals who are similar in specific ways relevant to marketing.”
- Why do it?
  - Primary reason: To increase the organization’s profits (or its equivalent) over the long term

# Topic 1: Customer Relationships and Segmentation

## Customer-Focused Marketing

Customer requirements must drive product and service design.

All products and services have more than one market segment.

Profitability is more important than sales volume.

Logistics and marketing strategy must focus on customer segments.

# Topic 1: Customer Relationships and Segmentation

## Defining Segments

### Historic Segmentation

- “Representative” groups
- Preconceptions of groups



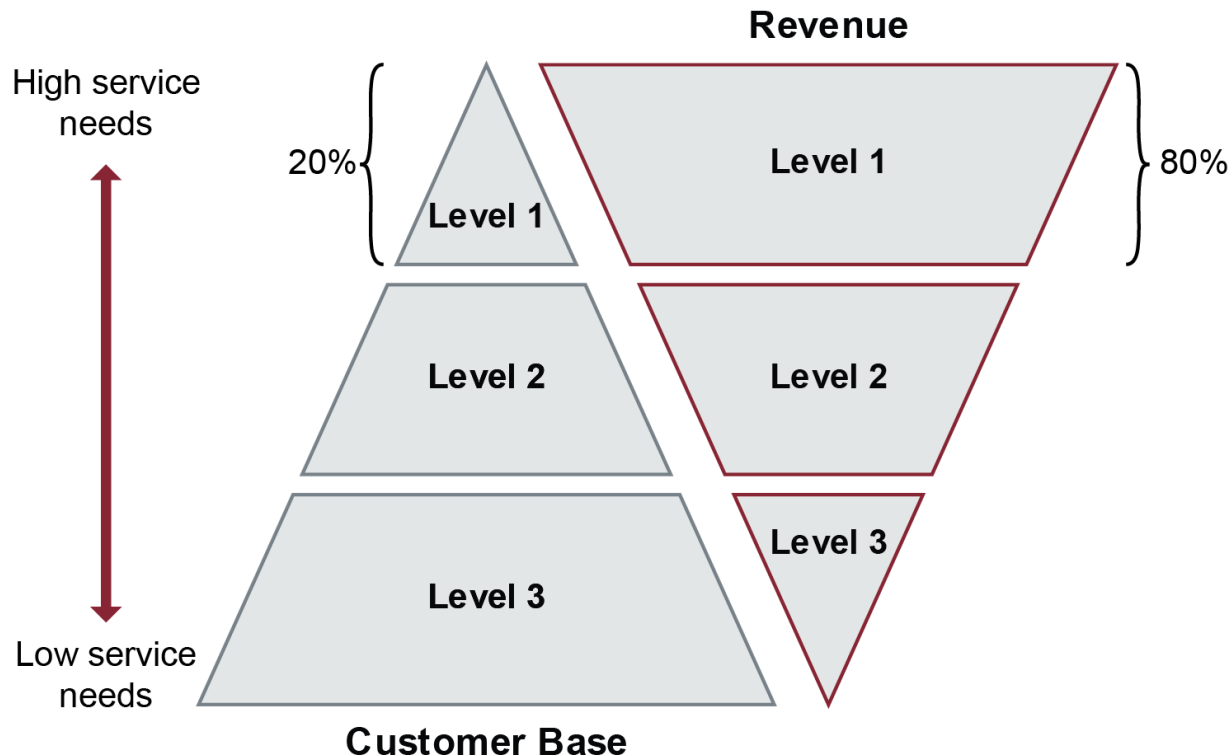
### CRM Segmentation

- Actual buying behaviors
- Finer segments (e.g., ecologically oriented products)



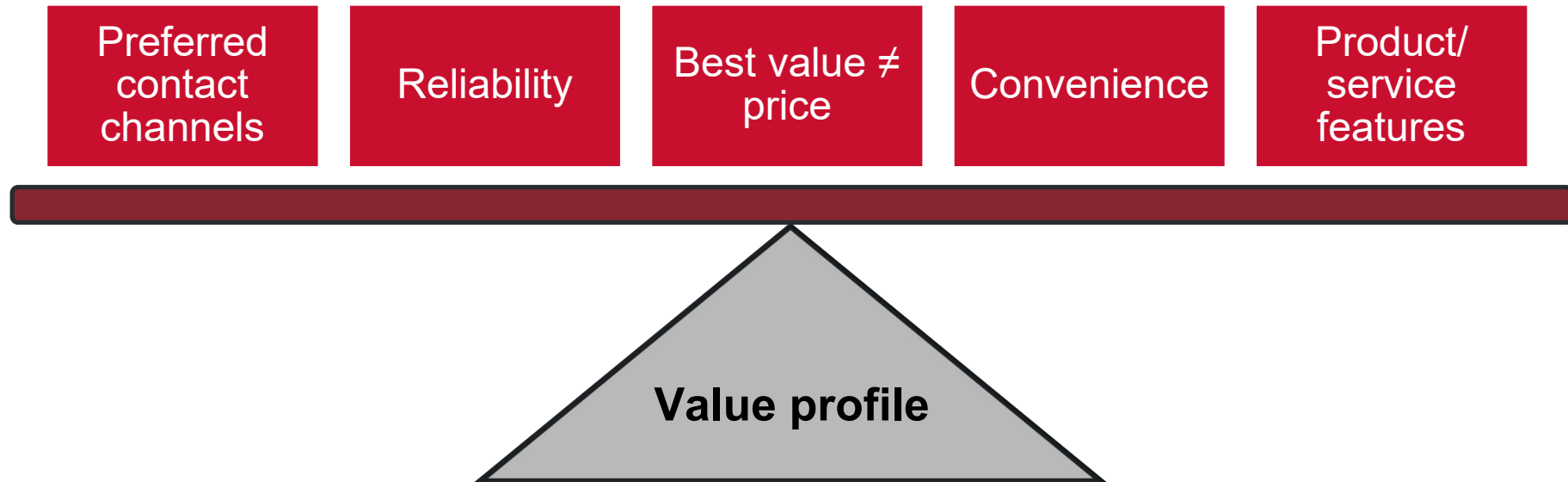
# Topic 1: Customer Relationships and Segmentation

## Pareto Effect in Customer Segments



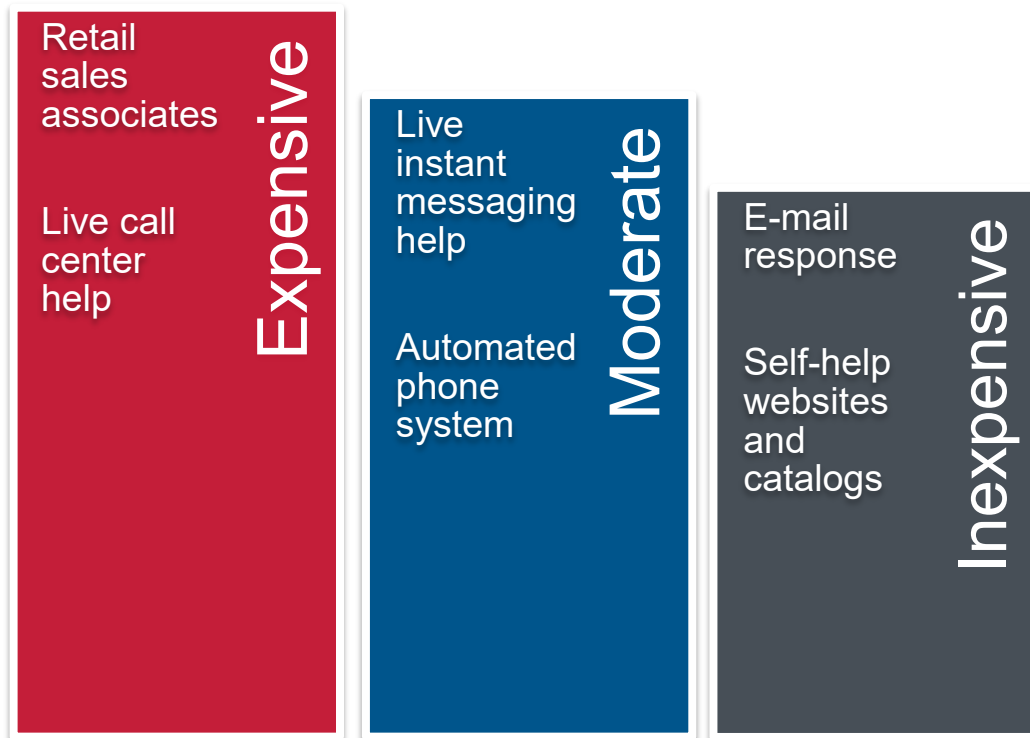
# Topic 1: Customer Relationships and Segmentation

## Segmentation by Customer Needs



# Topic 1: Customer Relationships and Segmentation

## Segmentation by Preferred Channel



- Test customer receptiveness to each channel.
- Inexpensive methods encouraged and rewarded, but not required.
  - E.g., phone system refers people to web for faster service.

# Topic 1: Customer Relationships and Segmentation

## Segmenting Customers

### Sources of customer information in CRM

- Transaction records
- Sales and service representatives
- Distribution points
- Purchased data
- Internal market research

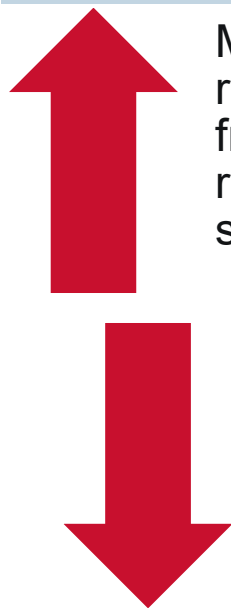
### Voice of the customer (VOC)

- Research and measurement tool
- Scripted: why leaving, how satisfied, etc.
- Customers talk freely: what company won't usually hear
- Know customers intimately; anticipate desires

# Topic 1: Customer Relationships and Segmentation

## CRM Segment Strategies

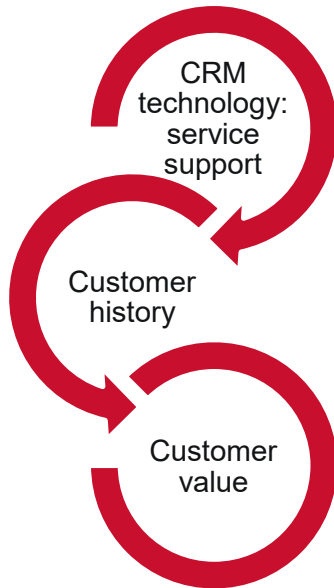
**By demographics or psychological profiles**



Market research from reputable sources



**Service-minded customer strategies**



**Right contact point/technology channel**



# Topic 1: Customer Relationships and Segmentation

## CRM Segment Strategies: Customer Value

- Define “valuable” customers.
- Deliver timely, detailed information to help identify the most valuable customers.
- Define what product features/services mean the most to the best customers.
- Measure impact.

# Topic 1: Customer Relationships and Segmentation

## CRM Segment Strategies: Retail versus B2B

### Retail Customers

#### Ranking of importance

1: Bundle of services

2: Product quality

3: Price

### B2B Customers

#### Expectations

- Complementary core competencies
- Knowledge of customer's business requirements
- Continuous improvement

# Topic 1: Customer Relationships and Segmentation

## CRM Strategies for Customer Relationship Types

### Prospective customers

- Market research
- Pricing
- Segmentation
- Promotional message and contact channel

### Vulnerable customers

- Early and accurate identification
- Predictive churn model

### Loyal customers

- Increase sales
- Cross-selling
- Up-selling

### Win-back customers

- Target most valuable customers
- Rapid communication internally with customer



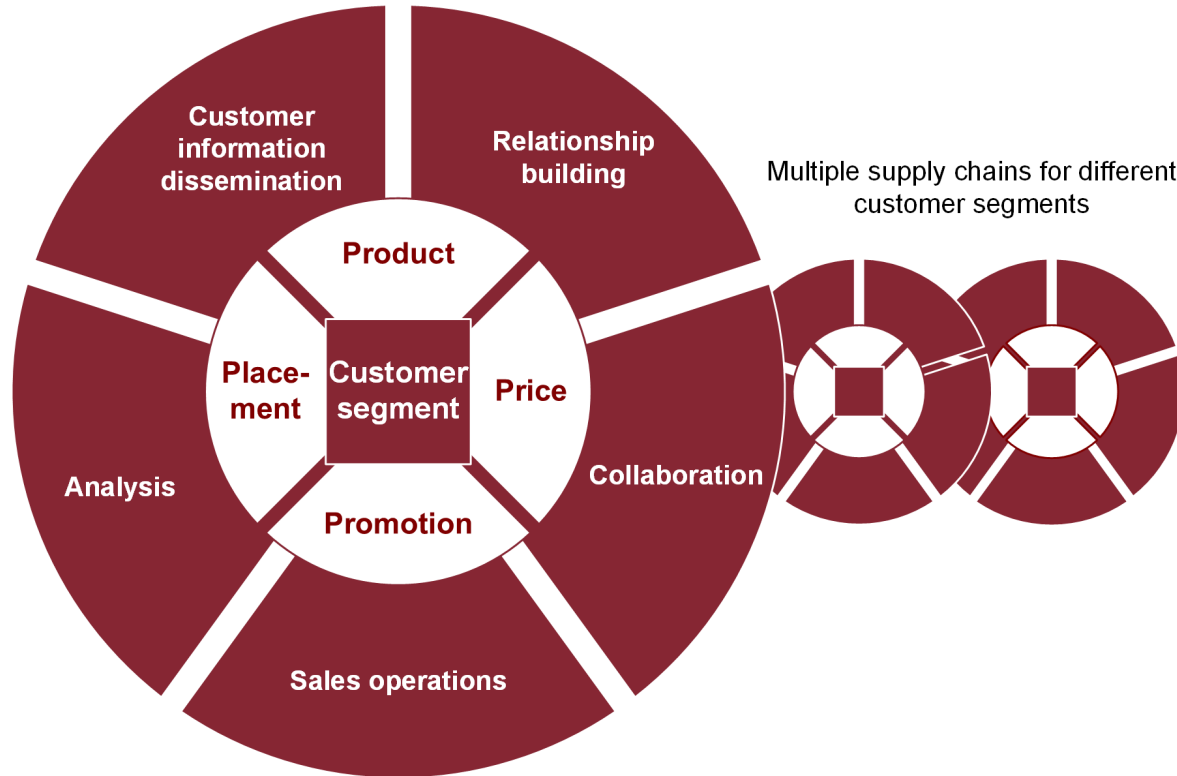
# Topic 1: Customer Relationships and Segmentation

## Loyalty Program Design Considerations

- Encouraging specific customer behavior
- Targeting segments' needs
- Position (including resource allocation)
- Program offer
- Cost and benefit structure
- Communication of loyalty program

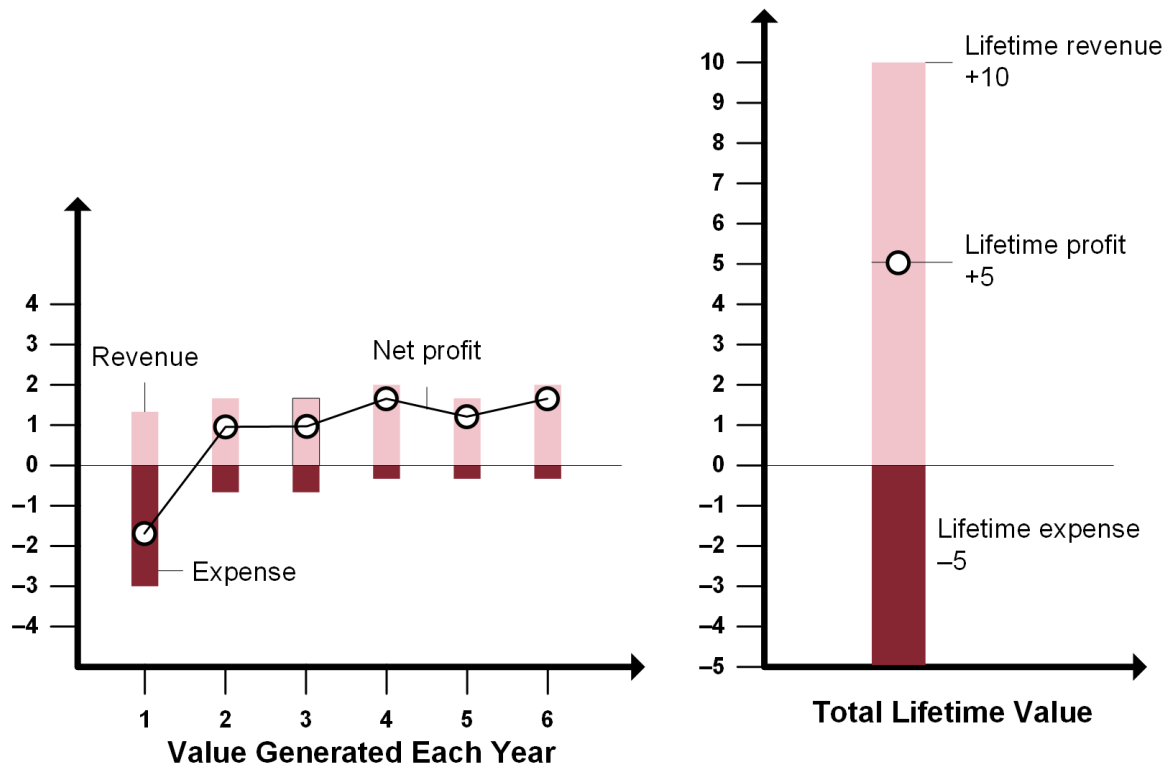
# Topic 2: Customer Relationship Management

## Scope of CRM



# Topic 2: Customer Relationship Management

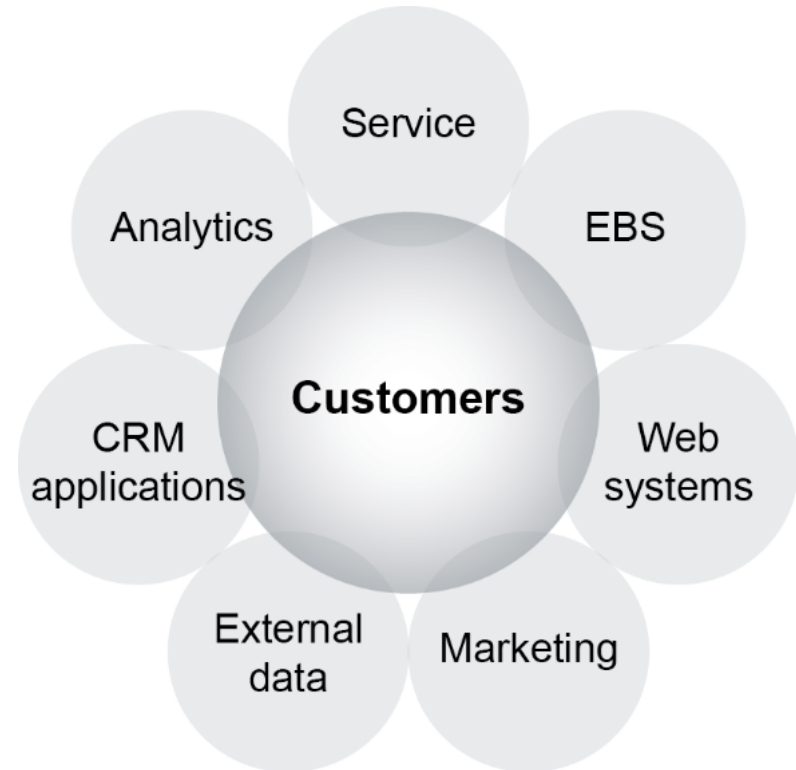
## Development of Lifetime Value



# Topic 2: Customer Relationship Management

## CRM Strategy and Processes

- CRM strategy — Plans to initiate, develop, or sustain relationships with customers.
- CRM processes — Order of marketing, sales, and customer service activities.
  - Improves time to market.
  - Formal monitoring and feedback are essential.
  - Implement with the plan, do, check, action model.



# Topic 2: Customer Relationship Management

## CRM Organizational Structures and Technologies

### Organizational structures

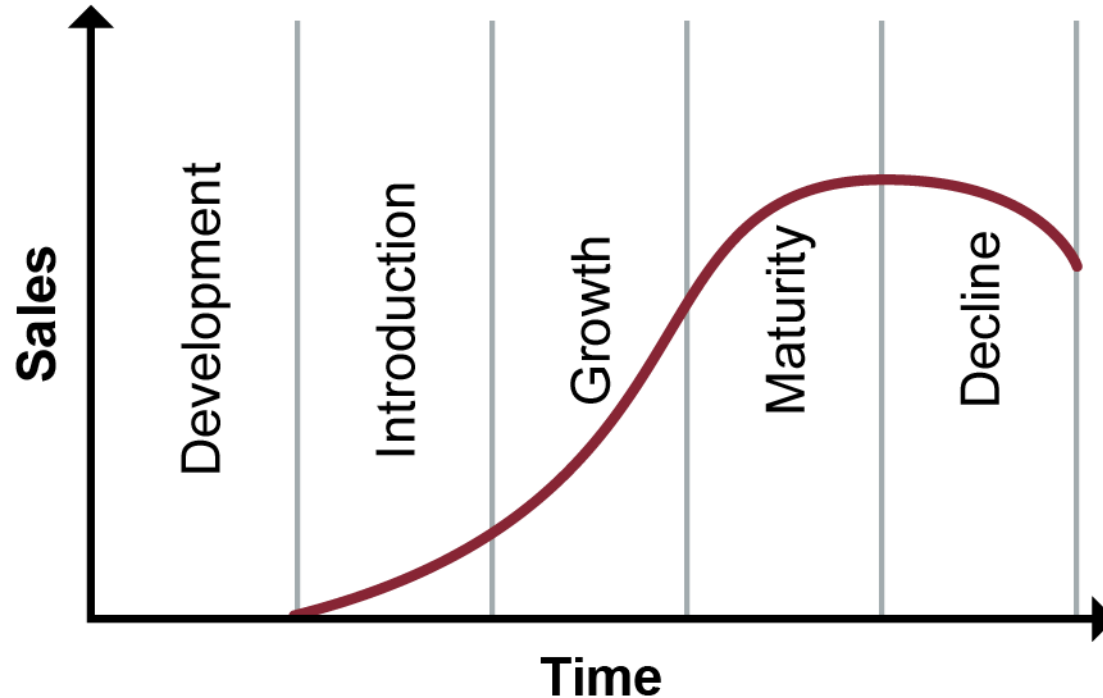
- Demand management activity teams
  - Media-based vs. direct marketing
  - Marketing to prospects, vulnerable, win-back, etc.
- Job rotation and mentoring
- Customer-focused jobs, structures, etc.

### Technologies

- Collection, storage, and use of customer data
- Single integrated transactional database
  - Customer data warehouse for analysis
- Data mining and DSS
- Call center
- Campaign management

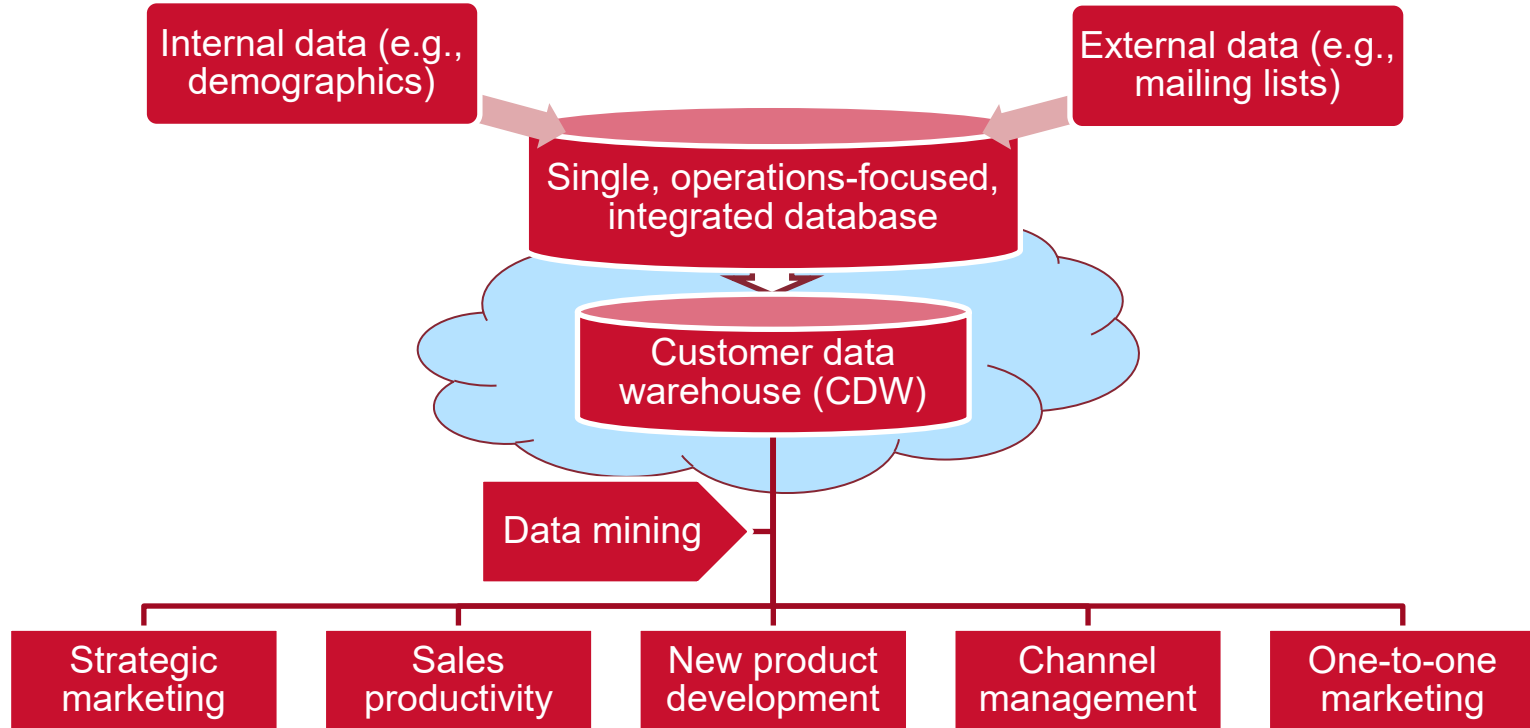
# Topic 2: Customer Relationship Management

## Aligning CRM Strategy and Product or Service Life Cycle



# Topic 2: Customer Relationship Management

## Using Technology to Implement CRM



# Topic 2: Customer Relationship Management

## CRM Technologies

### Business systems

- Transaction maintenance
- Information (pricing, promotions, inventory)
- Financial details

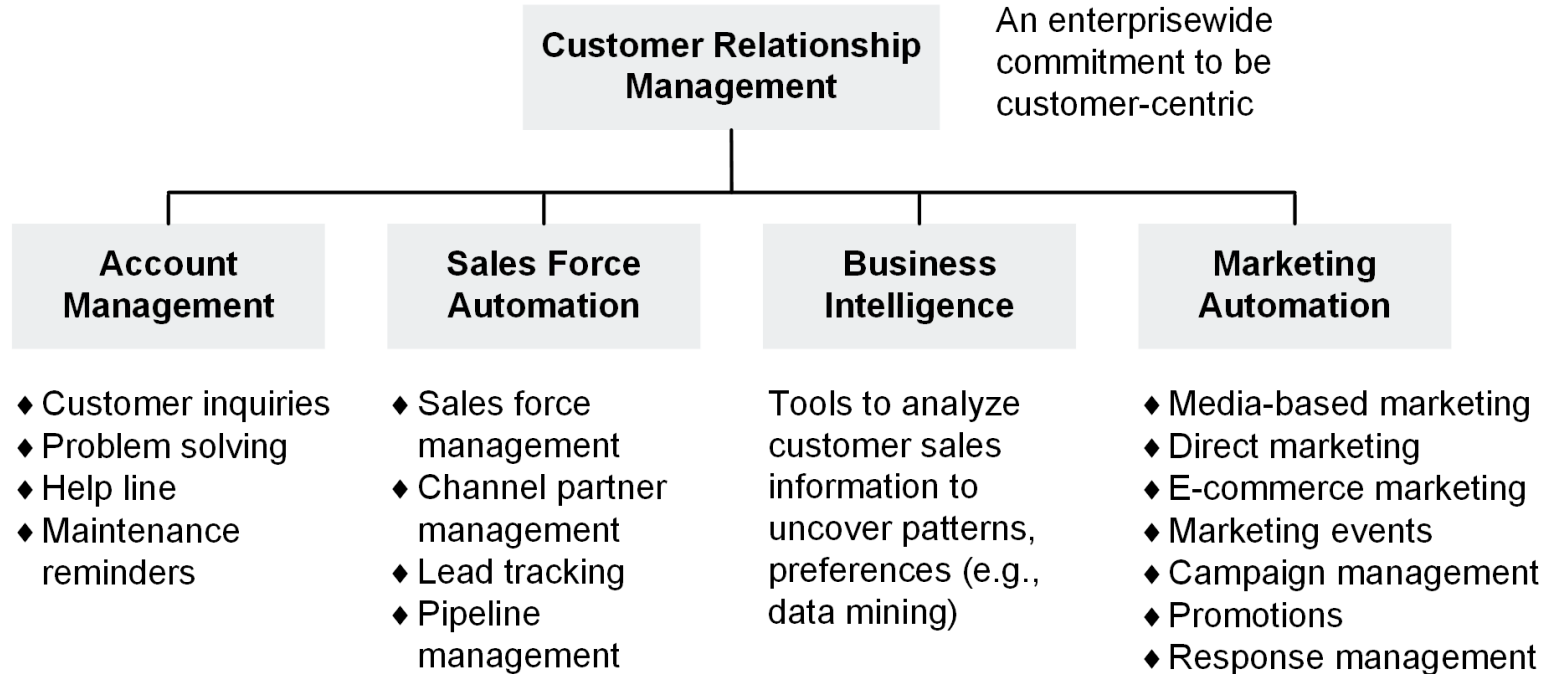
### Customer care (web-enhanced)

- Response, product customization, convenience, order visibility, returns
- Online FAQ, customer service representatives, chat rooms, detailed product data, service call wait choices
- Can reduce product returns



# Topic 2: Customer Relationship Management

## CRM Technologies Support Marketing and Sales



# Topic 2: Customer Relationship Management

## Sales Force Automation (SFA)

### Customer Retention

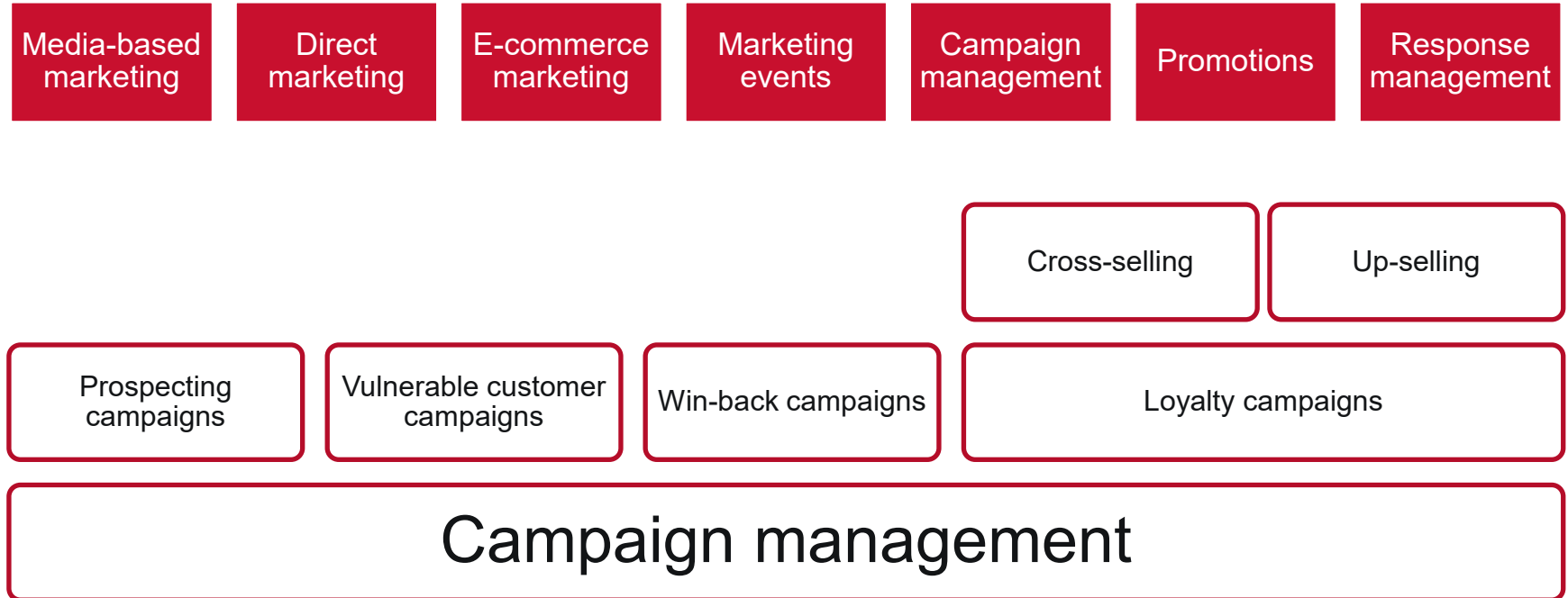
- Promotion and discount management
- Dashboards
- Mobile device data synchronization
- Calendars and contact lists for automated workflow
- Real-time visibility
- Online networking (e.g., SaaS)

### SFA Tools

- Contact management
- Account management
- Sales activity management
- Event management
- Opportunity (pipeline) management
- Quotation management
- Knowledge management

# Topic 2: Customer Relationship Management

## Marketing Automation



# Topic 2: Customer Relationship Management

## Keys to Successful CRM Implementation

- Determine thorough, well-thought-out architecture in the beginning
- Enhance, not sacrifice, efficiency.
- Coordinate implementation across firm.
- Train all who will use system according to need; keep staff informed.
- Measure implementation against customer needs and expectations.

Levels of technology integration



- ☐ 1) Disconnected
- ☐ 2) Interfacing
- ☐ 3) Internally integrated
- ☐ 4) Multi-enterprise integrated

# Topic 3: Customer Service Metrics and Performance

## Customer-Focused Metrics

Attribute	Metric	
<b>Availability</b>	<ul style="list-style-type: none"><li>• Stockout frequency</li><li>• Fill rate</li></ul>	<ul style="list-style-type: none"><li>• Orders shipped complete</li><li>• Backorders</li></ul>
<b>Time needed to deliver customer order</b>	<ul style="list-style-type: none"><li>• Speed of performance</li><li>• Supply chain cycle time</li><li>• Delivery consistency</li></ul>	<ul style="list-style-type: none"><li>• Flexibility</li><li>• Malfunction recovery</li></ul>
<b>Product support</b>	<ul style="list-style-type: none"><li>• Response time to inquiries</li><li>• Response accuracy</li></ul>	<ul style="list-style-type: none"><li>• Customer complaints</li></ul>
<b>Overall satisfaction</b>	<ul style="list-style-type: none"><li>• Repeat purchases</li></ul>	<ul style="list-style-type: none"><li>• Referrals to other potential customers</li></ul>

# Topic 3: Customer Service Metrics and Performance

## Operational Customer Service Levels

- Is cost of a given service level a sound investment?
- Customer service ratio
  - On-time delivery
  - On-time in full (OTIF)
  - Unit fill rate
  - Line-item fill rate
  - Monetary value fill rate
- Stockout frequency
- Lead time monitoring
- Speed of performance (e.g., order delivery cycle time)
- Consistency (e.g., query response)
- Flexibility
- Malfunction recovery
- Order status reporting
- Customer satisfaction
- Establish/fulfill expectations

# Topic 3: Customer Service Metrics and Performance

## CRM Performance: Measuring Customer Service

Category	Goal	Metrics
<b>Response to inquiries</b>	Prompt, accurate	<ul style="list-style-type: none"><li>• Time delay from initial contact to response</li><li>• Number of errors detected in responses</li><li>• Executive complaints</li></ul>
<b>Order processing</b>	Fast, accurate, on-time delivery	<ul style="list-style-type: none"><li>• Order cycle time</li><li>• Percentage of orders with errors</li><li>• Website ease of use</li></ul>
<b>Level of service</b>	Correct product, time, place, condition, packaging, quantity, and documentation	<ul style="list-style-type: none"><li>• Percentage of orders shipped complete and on time</li><li>• Number of backordered items</li><li>• Average age of backorders</li><li>• Value of backordered items</li></ul>
<b>Product or service quality</b>	Cost of quality	<ul style="list-style-type: none"><li>• Executive complaints</li><li>• Defect rates</li><li>• Warranty costs</li><li>• Product returns</li><li>• Website downtime</li></ul>

# Topic 3: Customer Service Metrics and Performance

## Performance: Measuring Customer Satisfaction

### Traditional Metrics Issues

- Absence of issues, not satisfaction
- Complaints measure dissatisfaction
- Only small number reported

### Quality of Channel's Service

- Trustworthiness
- Treated fairly, with respect, in competent, friendly manner?
- Resolution effectiveness

### Measurement Approaches

- Voice of the customer
- Transaction/monthly/quarterly customer feedback questionnaires
- Performance review participation
- Social networking negative comment response



# CSCP

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## SECTION B: SUPPLIER AND SUPPLY CHAIN RELATIONSHIPS

## Section B Introduction

### Section B Key Processes:

- Cultivate supplier relationships.
  - Set up supplier development, improvement, and management programs.
  - Define measurement needs and KPIs with supplier.
- Measure supplier performance (quality cases, claims) and give feedback and remediation plan.

### Section B Topics:

- Topic 1: Supplier Relationships and Segmentation
- Topic 2: Strategic Sourcing and Alliances
- Topic 3: Supplier Performance
- Topic 4: Supply Chain Relationship Management

# Topic 1: Supplier Relationships and Segmentation

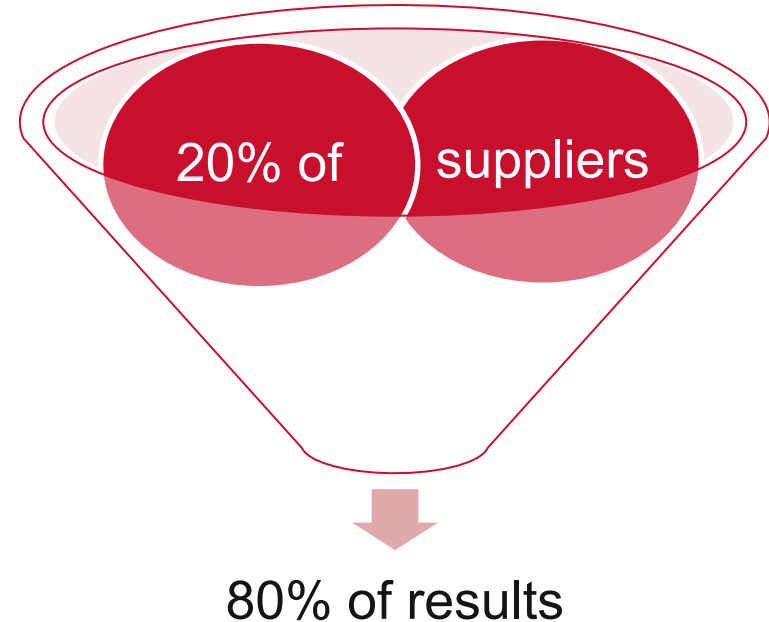
## Supplier Relationship Management (SRM)

- Comprehensive approach to supplier interactions.
- Goal is to streamline organization–supplier processes and make them more effective.
- Includes e-procurement.
- Methodology will assist in:
  - Reducing procurement and excess inventory costs
  - Supporting a customer-focused business (customization and quality in desired time frame)
  - Continuously improving supply processes.

# Topic 1: Supplier Relationships and Segmentation

## Supplier Segmentation Methods

- Product or service type
- Ideal relationship type
- Supplier capabilities
- Customization versus standardization
- Level of innovation
- Lead times



# Topic 1: Supplier Relationships and Segmentation

## Supplier Co-Location

- Typically locates a supplier or multiple suppliers within a single location.
- May bring together people or groups in related roles for product and process innovation.
- Level of integration can vary.
- May be market-driven or may involve exploiting technology-based products and services.

# Topic 1: Supplier Relationships and Segmentation

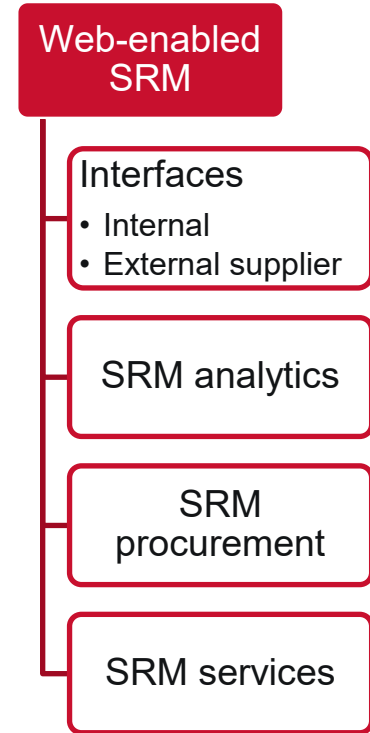
## Benefits of SRM Software

- Compatibility: works with most ERP systems.
- Sourcing process improvements:
  - Simplified, repeatable sourcing reduces cycle time and cost.
  - Comparison easy: price and criteria visible.
- Standardize purchasing decisions.
- Communication improvements:
  - Faster, sometimes fully automated.
  - Real-time information.

# Topic 1: Supplier Relationships and Segmentation

## Components of an SRM System

- Strategic sourcing/RFQ/ITT submission and analysis
- Procurement via trade exchanges or auctions
- Collaborative product design and planning
- Direct links for purchasing and supplier scheduling
- Catalog management
- Supplier databases and rating systems



# Topic 2: Strategic Sourcing and Alliances

## Strategic Sourcing Using SRM

### Strategic Sourcing

- Comprehensive approach for locating and sourcing key material suppliers
- Focus on development of long-term relationships with trading partners who can help the purchaser meet profit and customer satisfaction goals

### Tactical Buying

- Purchasing process focused on transactions and nonstrategic material buying
  - Stable, limited fluctuations
  - Defined standard specifications
  - Noncritical to production
  - No delivery issues
  - Reliable quality



# Topic 2: Strategic Sourcing and Alliances

## Consolidating Purchasing Power at a Risk

Single-source supplier

Many options, only one used

Multisourcing

Many options, many used

Sole source

Only one option

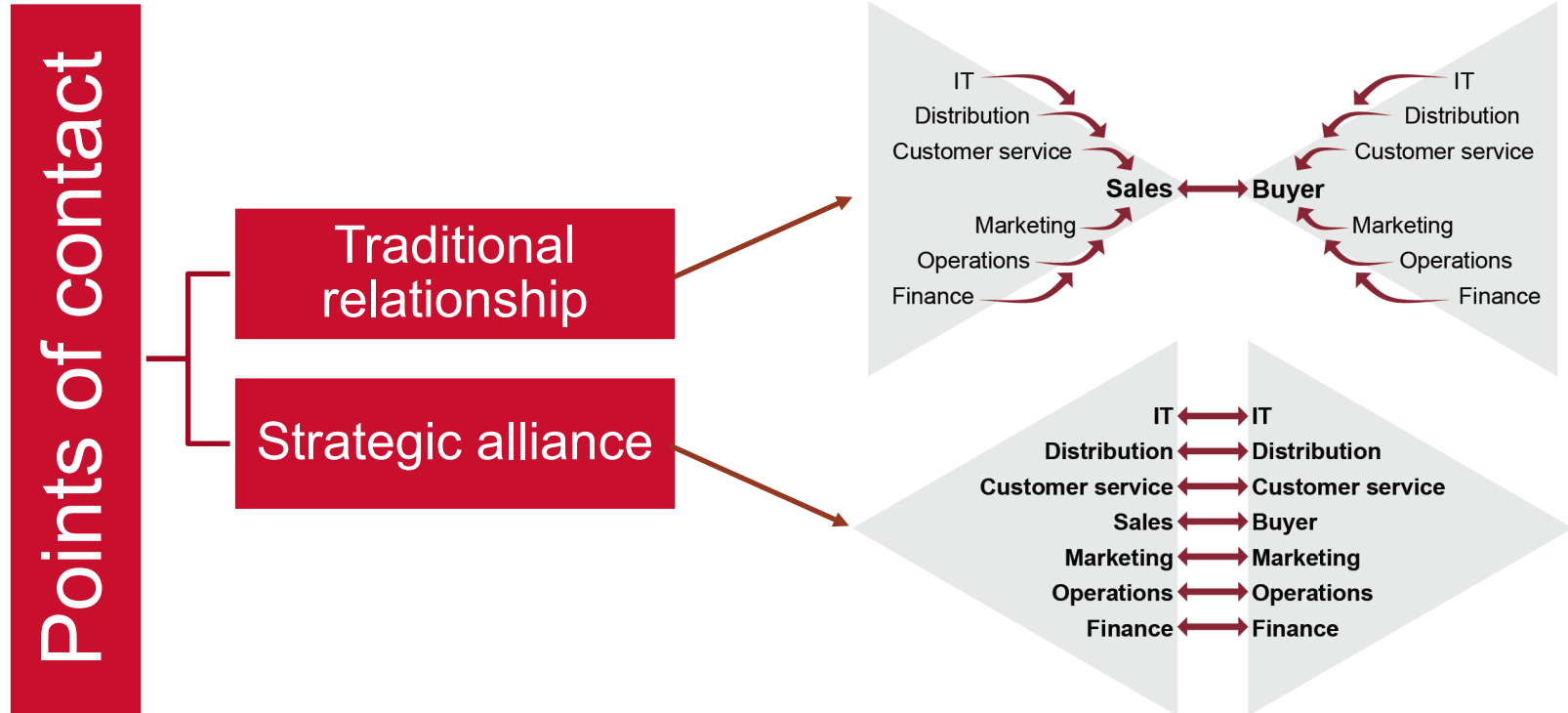
# Topic 2: Strategic Sourcing and Alliances

## Strategic Sourcing and SRM vs. Traditional Purchasing

	Traditional purchasing	Strategic sourcing
<b>Focus</b>	Purchase price or landed cost	Total cost of ownership
	Transactional	Collaborative
<b>Business boundaries</b>	Never crosses	Opportunities for realigned and collaborative processes, data flow, and workflow
<b>Technology</b>	Benefits from technology	Applies to higher degree
<b>Visibility</b>	Internal	Entire supply chain

# Topic 2: Strategic Sourcing and Alliances

## Traditional Relationship vs. Strategic Alliance



# Topic 2: Strategic Sourcing and Alliances

## Why Some Alliances Fail and Some Succeed

### Effective Relationships

- Integration
- Institutionalization
- Interdependence
- Individual excellence
- Information
- Investment
- Importance
- Integrity

### Failure Issues

- Immature IT
- Uncertain marketplace
- Shift in corporate strategy
- Treat like merger
- Poor monitoring
- Inadequate resources
- Poor management
- Lack of trust

# Topic 2: Strategic Sourcing and Alliances

## Forming Strategic Alliances

### Proactive Reasons

- Add value to products.
- Enable strategic growth.
- Increase market access.
- Strengthen operations.
- Increase organizational expertise.
- Build organizational skills.
- Enhance financial strength.

### Factors to Consider

- Strategic importance
- Number of suppliers
- Complexity
- Uncertainty
- New relationships

# Topic 2: Strategic Sourcing and Alliances

## Commitment Required for a Successful Alliance

### To Change

- Change is constant, inevitable.
- Reinvent self and alliance incrementally.

### To relationship

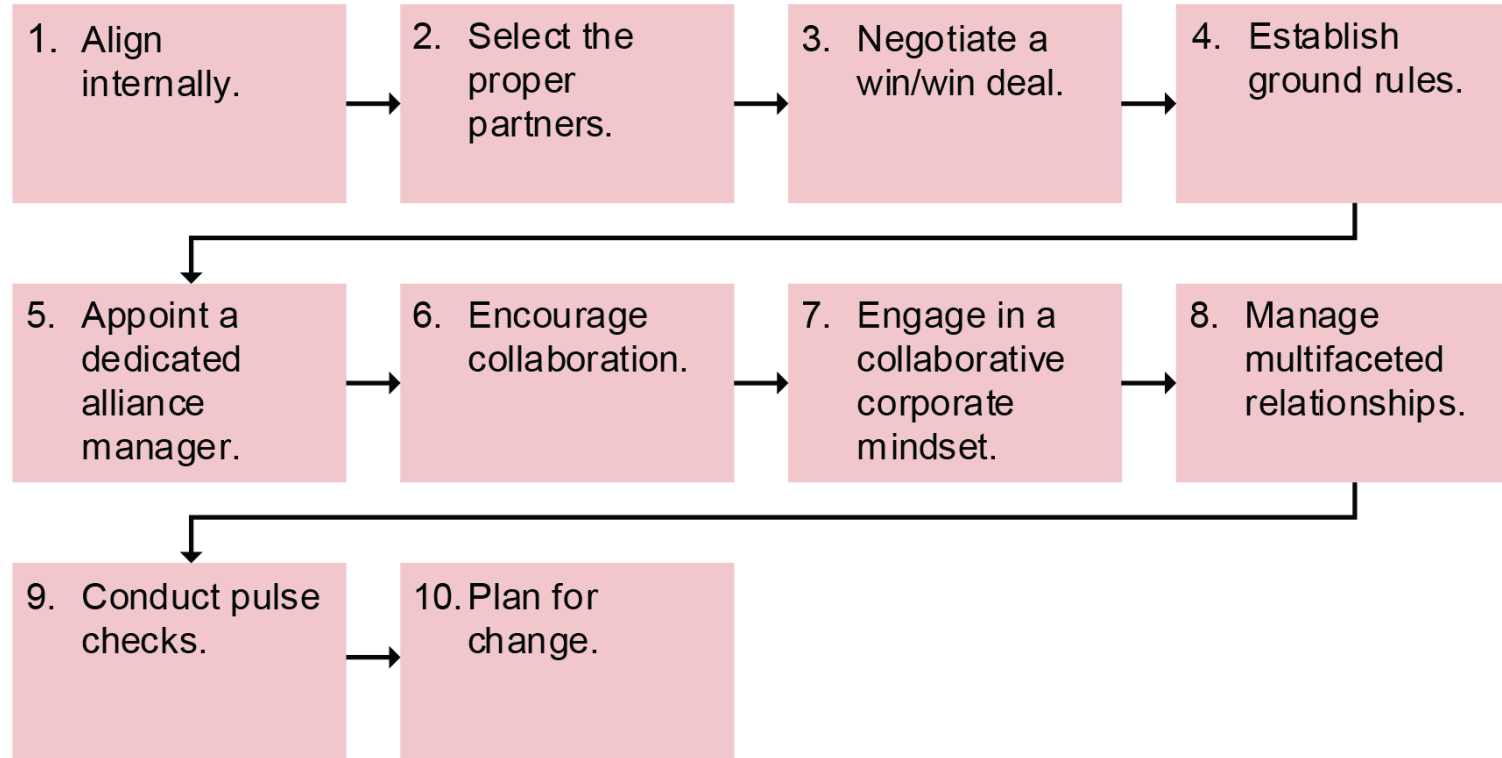
- Maximum commitment. (New alliances cost more than existing ones.)
- Common models, structured methods, and decision-making structure to drive efficiency and effectiveness.

### To communication

- Dynamic interaction at all points and mutual decisions.

# Topic 2: Strategic Sourcing and Alliances

## Steps to Successful Alliances



# Topic 3: Supplier Performance

## Supplier Performance Measurement

Performance Measurement Systems	Verify Suppliers	Best Practices
<ul style="list-style-type: none"><li>• Track performance of all suppliers to some extent.</li><li>• Track critical data.</li><li>• Collaborate on measures, reporting, improvements.</li><li>• Automate supplier KPIs.</li><li>• Standardize measures.</li></ul>	<ul style="list-style-type: none"><li>• Promptness, flexibility, consistency</li><li>• Reliability</li><li>• Commitment to QA</li><li>• Financial stability</li><li>• Technology investment</li></ul>	<ul style="list-style-type: none"><li>• Set goals, incentives.</li><li>• Apply SCOR DS metrics to suppliers.</li><li>• Interview users of supplier's products for internal customer satisfaction.</li><li>• Communicate level of satisfaction.</li></ul>



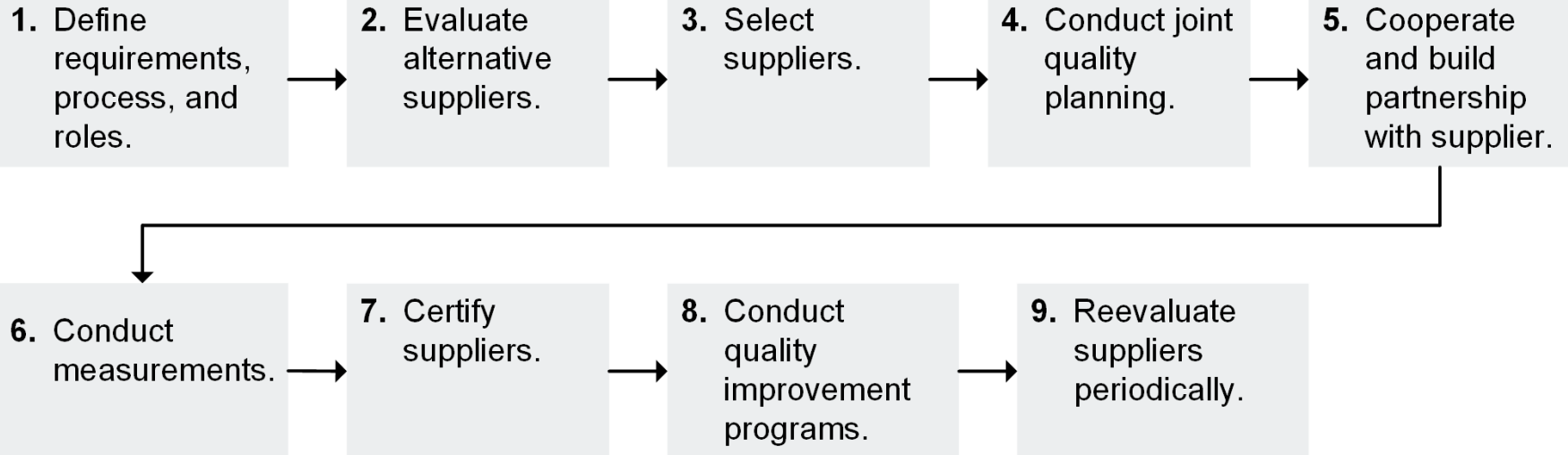
# Topic 3: Supplier Performance

## Supplier Certification Benefits

Customer Benefits	Supplier Benefits
<ul style="list-style-type: none"><li>• More efficient, safer, and cleaner products</li><li>• Safeguards consumers</li><li>• Extend CSR to suppliers</li><li>• Selection and performance evaluation</li><li>• Consolidate suppliers</li><li>• Trust suppliers/share information</li></ul>	<ul style="list-style-type: none"><li>• Access to wider market</li><li>• Market capabilities</li><li>• Higher quality lowers costs</li><li>• Learn intermediate customers' needs</li><li>• Learn best practices</li><li>• Single source provider</li><li>• Shows commitment</li></ul>

# The Certification Process

*Complete and thorough understanding of third-party standard or organization's needs.*



# Topic 3: Supplier Performance

## Supplier Rating Systems

### Rating Systems

- Use data from SC information systems.
- Can be ongoing, real-time rating based on:
  - Conformation rates
  - Number of floor failure events
  - Amounts of conditionally accepted materials
  - Time line performance.

### Communicating Ratings

- Suppliers know ratings and when they trigger corrective action.
- Automated systems can allow them to self-correct.
- Scorecards, performance alerts, surveys.

# Topic 3: Supplier Performance

## Performance Report

- *Quality rating = A–*

Date: January Y1			Supplier No. 100 Acme Mfg. Co.				Purchase Order No. 100			
Product	Qty Ordered	Qty Rec'd	Qty Rejected	UM	Std Cost	Purchase Price	Purchase Price Variance	Date Due	Date Rec'd	Variance
Wheels	250	250	0	ea	60.00	62.00	2.00	1/5	1/7	+2
Rims	250	248	2	ea	30.00	29.00	<1.00>	1/5	1/5	0
Spokes	5,000	5,012	0	ea	5.00	5.00	0	1/5	1/5	0
Reliability		Quality		Cost				Lead time		

# Topic 3: Supplier Performance

## Controlling Errors

- Compliance scanning and package label control.
- Rules minimizing rejected shipments, for example:
  - “Do not ship unless it is included in the most recent version of PO release.”
  - “Do not ship +/- days outside of delivery request date.”
  - “Do not ship +/- amount outside of PO.”
  - “Do not ship +/- amount outside of PO total.”
- Recovery strategies after rush orders, delays, slowdowns in customs.

# Topic 4: Supply Chain Relationship Management

## Interrelationship Between CRM and SRM

- *Goal: All parties consider needs of not only own intermediate customers but also needs of their suppliers, their suppliers' suppliers, etc.*
- *Mirror image: Each focus on developing relationships.*

### SRM

- Greater internal and external integration with select group of key suppliers



### CRM

- Greater focus on customer

# Topic 4: Supply Chain Relationship Management

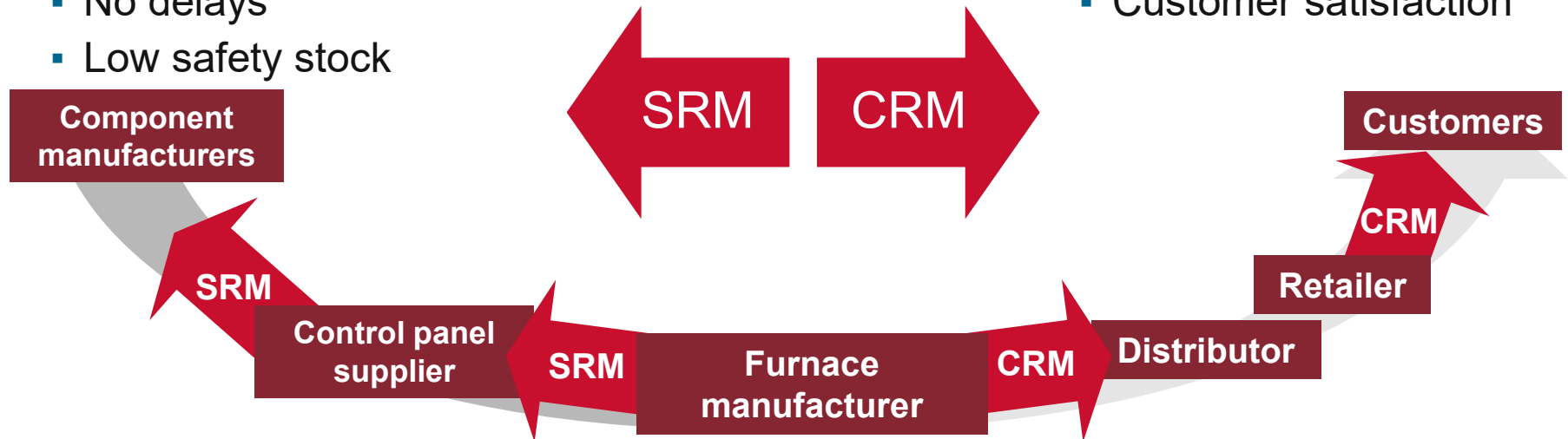
## CRM and SRM Collaboration Case Study

### SRM

- Parts integrated
- Few failures
- No delays
- Low safety stock

### CRM

- How to present
- Installation service
- Customer satisfaction



# Topic 4: Supply Chain Relationship Management

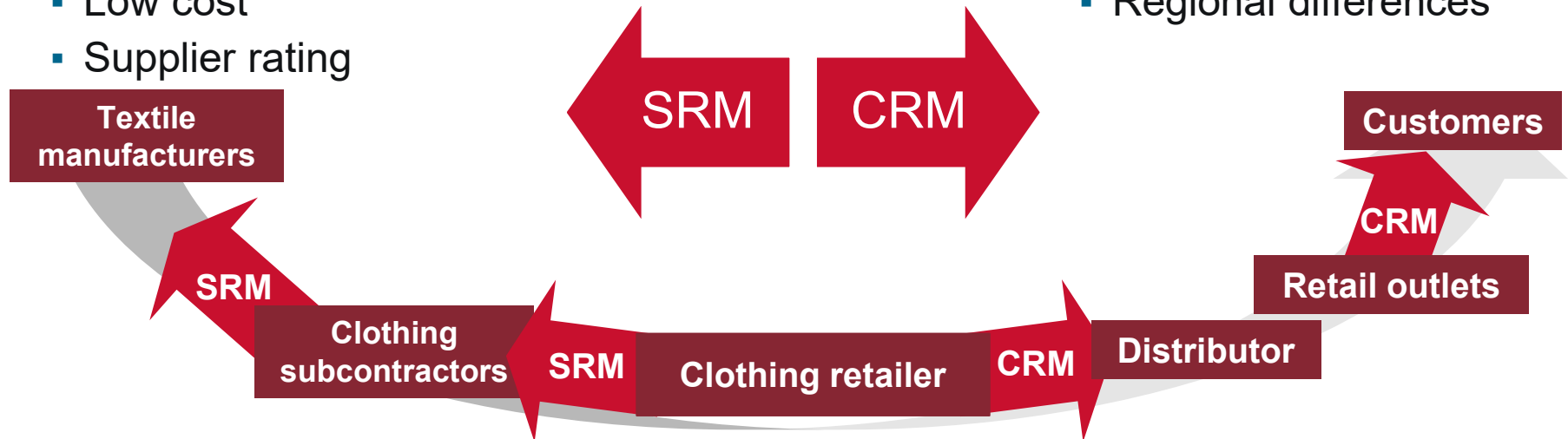
## Case Study: Clothing Retailer

### SRM

- Visibility
- Time to market
- Low cost
- Supplier rating

### CRM

- How to present/price
- “Hot” fashion trends
- Regional differences





# Topic 4: Supply Chain Relationship Management

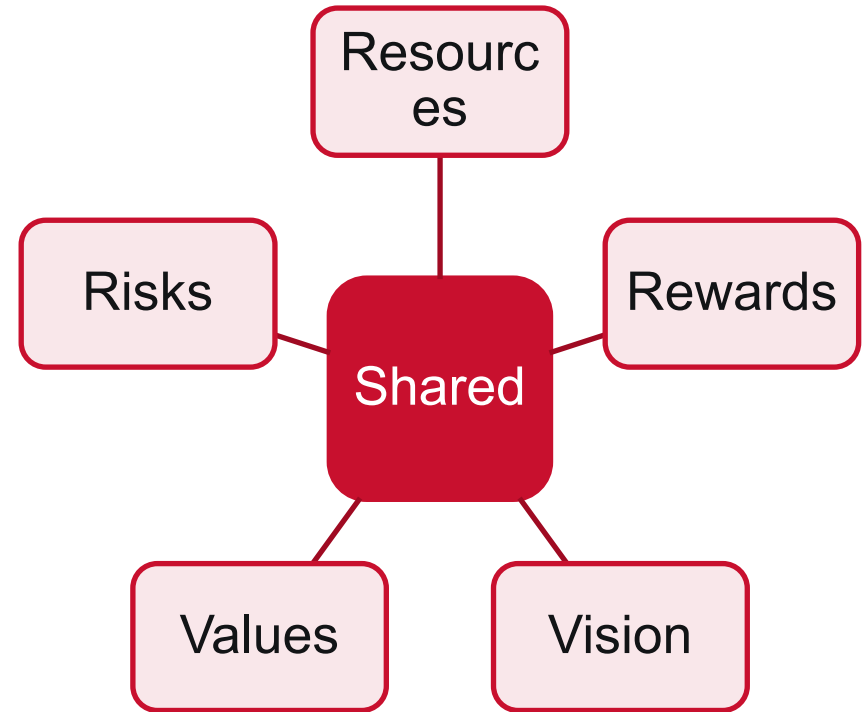
## Developing Collaboration: Virtual Organizations

- Short-term alliances in potentially long-term relationship to design, produce, and distribute product
- Mutual values
- Acts as single entity
- Enabling virtual organizations
  - Use POS to replace push with pull.
  - Share data with suppliers to build trust.
  - Consult with partners on product design.
  - Constantly adapt flexible relationships.
  - Empower individuals, disaggregate control.

# Topic 4: Supply Chain Relationship Management

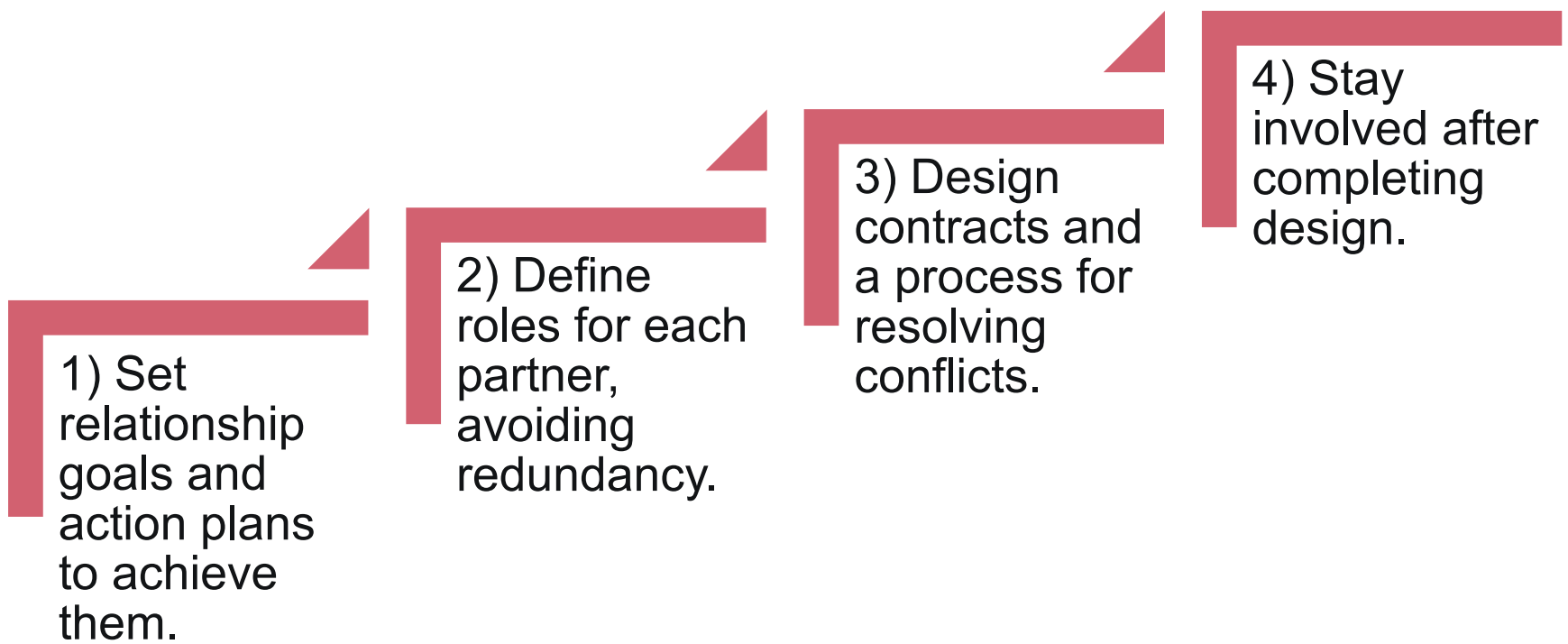
## Requirements for Success

- Add value
- Improve market access
- Strengthen operations
- Add technological strength
- Enhance strategic growth
- Share insights and learning
- Increase financial strength
- Improve trust and communication



# Topic 4: Supply Chain Relationship Management

## Initiate Management Tasks



1) Set relationship goals and action plans to achieve them.

2) Define roles for each partner, avoiding redundancy.

3) Design contracts and a process for resolving conflicts.

4) Stay involved after completing design.

# Topic 4: Supply Chain Relationship Management

## Barriers to Collaboration

- Suboptimization
- Misaligned incentives
- Working with competitors
- Weak partner bottlenecks
- Regulations and legal issues
- Technology barriers
- Power-based relationships
- Underestimated benefits
- Culture conflicts

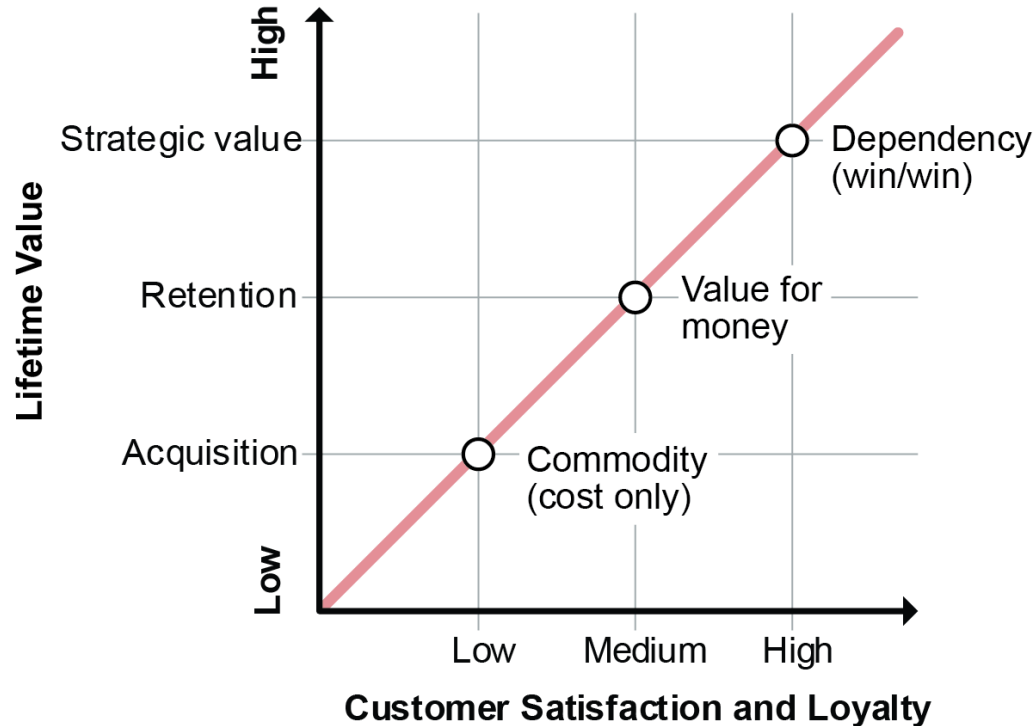
# Topic 4: Supply Chain Relationship Management

## Levels of Communication

Level/Type of Communication	Degree of Collaboration	Length of Relationship
<b>Transactional with information sharing</b>	Each partner has access to single data source.	Generally medium term
<b>Shared processes and partnership</b>	Partners collaborate in specific processes and share knowledge.	Longer term
<b>Linked competitive vision and strategic alliance</b>	Partners function as a virtual entity, even collaborating on strategy.	Long term, possibly decades
<b>Mergers/acquisitions</b>	Complete backward and forward integration (in theory).	Long term (if successful)

# Topic 4: Supply Chain Relationship Management

## Evolving Relationship with Lifetime Customers



# Topic 4: Supply Chain Relationship Management

## Creating and Maintaining a Customer-Centric Business



# Topic 4: Supply Chain Relationship Management

## Benefits of Collaborating with Customers

### Benefits for Customers

- Tailored experience
- Higher satisfaction
- Improved relationships

### Benefits for Organization

- Increased customer retention
- Increased profits
- Better customer visibility
- Better monitoring/control
- Improved relationships



# Topic 4: Supply Chain Relationship Management

## Identify the Purpose of Communication

- What does your audience need?
- How does your communication fill this need?
- How can you make the benefits of the presentation clear to the audience?

### Executives

- Just enough to make a wise decision

### Finance

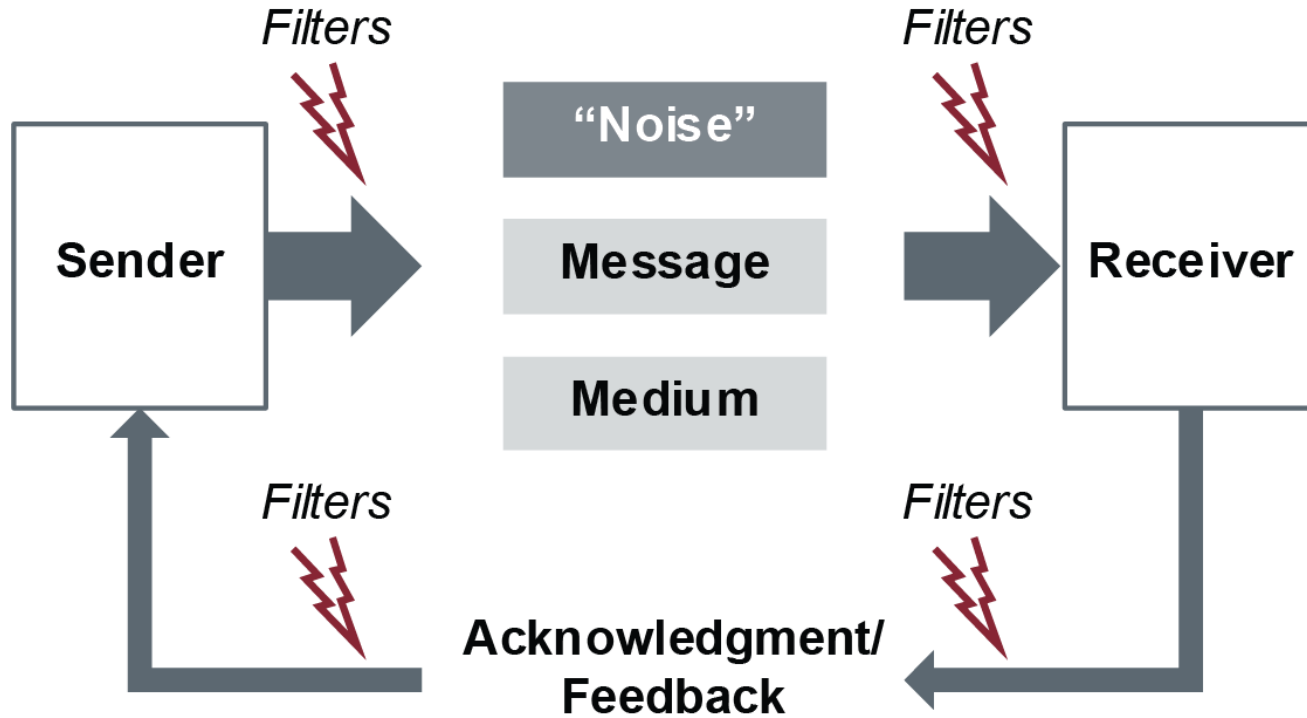
- Financial analysis

### Logistics

- Logistics details and department impact

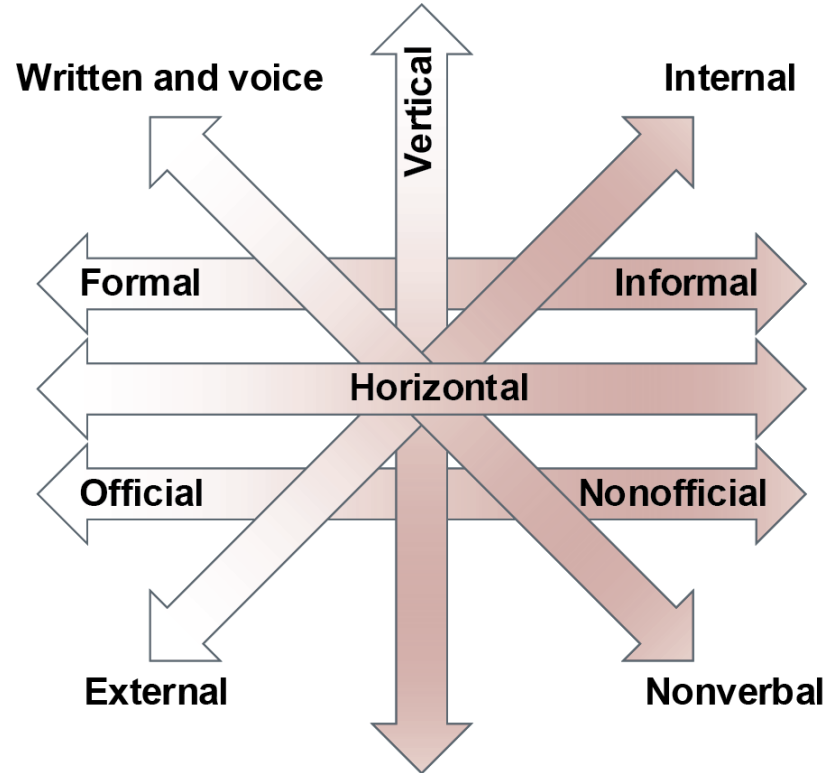
# Topic 4: Supply Chain Relationship Management

## Basic Communication Process



# Topic 4: Supply Chain Relationship Management

## Communication Dimensions



# Topic 4: Supply Chain Relationship Management

## Communications Management Plans

### Identify Target Audience(s)

- Preferred types, media, formality, and format
- Information needs
- RACI

### Identify Target Channel(s)

- Communications complexity increases risk, cost
- Control number of formal channels

# Topic 4: Supply Chain Relationship Management

## Communication Management Plans (continued)

<b>Create message</b>	<ul style="list-style-type: none"><li>• Communication purpose (e.g., consensus)</li></ul>	<ul style="list-style-type: none"><li>• Craft to audience (e.g., experts)</li><li>• WIIFM</li></ul>
<b>Choose media</b>	<ul style="list-style-type: none"><li>• Urgency</li><li>• Distribution</li><li>• Constraints</li><li>• Security/sensitivity</li></ul>	<ul style="list-style-type: none"><li>• Retention</li><li>• Cost</li><li>• Preference</li></ul>
<b>Capture feedback</b>	<ul style="list-style-type: none"><li>• Nonverbal cues</li><li>• Acknowledge receipt</li></ul>	<ul style="list-style-type: none"><li>• Feedback: agree or understand</li><li>• Hone messages</li></ul>
<b>Close the loop</b>	<ul style="list-style-type: none"><li>• Monitor stakeholder communications</li><li>• Review, approval</li></ul>	<ul style="list-style-type: none"><li>• Timing and release</li><li>• Improve processes</li></ul>

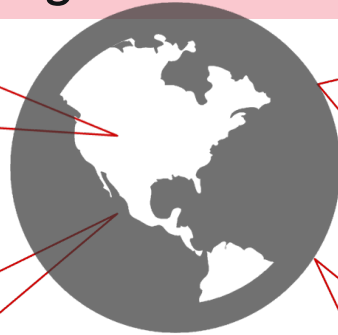
# Topic 4: Supply Chain Relationship Management

## Cultural Issues

- *What is culture?*
  - *Shared system of values, beliefs, and attitudes*
- *Requires research and consultation with local experts on culture, laws, and regulations*

“Speak your mind”  
Honest, forthright  
speech in America

“Saving face”  
Asian and Latin  
culture



“Guanxi”  
Chinese close and informal  
relationships

“Ringi”  
Japanese consensus building  
from ground up

# Topic 4: Supply Chain Relationship Management

## Hofstede's Cultural Dimensions and Related Issues

Issue	Description
Power distance	High = managers dictate; low = consult
Individualism/collectivism	Individualist = self-reliant; collectivism = loyal to group
Uncertainty avoidance	High = intolerant of outside ideas; low = fewer rules
Masculine/feminine	Masculine = work over family; feminine = balance
Long-term/short-term	Long-term = traditions change; short-term = no change
Indulgence/restraint	Indulgence = freedom, good life; restraint = duty, hard life
Language/communication	Differences require interpreters, written records
Attitudes	Negotiations vary: patience, formality vs. free opinions
Customs and etiquette	Must understand what is/is not appropriate behavior
Work values	"Get down to business" vs. relationship development