

Supply Chain and Value Delivery Network of CRM: Approach of Literature Review

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Abstract

Understand the concept of relationship marketing, its evolution and its role in current business scenario. This study is proposed to understand the basic research problem. The study concludes by proposing a hypothetical model of relationship marketing across a value delivery network. Effort is being made hereby to identify various types of relationships that exist across value delivery network, their functions, and finally to identify the key performance variables that add value through relationship marketing in a value delivery network. The proposed model further provides a scope for research by identifying various research questions and hypothesis to test its applicability in various industries in the current business scenario.

Key Terms: Relationship Marketing, value delivery network and key performance variables

Introduction

In the present era of intense competition and demanding customers, relationship marketing has grabbed the attention of scholars and practitioners. It has its proponents not only in the marketing academia but in industry as well. It had a major impact upon the marketing discipline, triggering a paradigm shift away from transaction-based marketing towards a relationship focus (Kotler, 1992; Webster, 1992). A number of terms synonym to Relationship Marketing, have evolved over the period of time. Some of these terms are relational contracting (Macneil, 1980), symbiotic marketing (Varadarajan and Rajaratnam, 1986), relational marketing (Dwyer et al 1987), working partnerships (Anderson and Narus, 1990), strategic alliances (Day, 1990), internal marketing (Arndt, 1983; Berry and Parasuraman, 1991) and co-marketing alliances (Bucklin and Sengupta, 1993). Though all these proposed terms are encompassed in the concept of Relationship Marketing, it is further used to reflect a variety of themes and perspectives (Nevin, 1995). The concept of Relationship Marketing has evolved gradually. It was first evident in service marketing as customer was identified as an integral part of the marketing and delivery process which subsequently necessitates a close relationship between the customer and the service provider. The phenomenon Relationship Marketing was first identified by some of the insightful writers like Berry (Berry et al, 1983), Gronroos (1990) and McKenna (1991). Although McKenna has often been credited with the term "relationship marketing", but it was Berry who first defined and analyzed in scientific literature. However there was also a parallel development in industrial marketing which contributed to the development of RM (Gronroos, 1990).

Reviews

According to Berry et al (1983) customer relationship can be best established around a core service, which ideally attracts new customers through its need-meeting character. However, creating customer loyalty among the old customers is one of the main goals of Relationship Marketing. Finally, Berry et al (1983) define internal marketing as a pivotal relationship marketing strategy, where employees are seen as customers inside the corporations. At the same time, Gronroos (1990)

developed several new concepts in service marketing, which were later incorporated as part of the Nordic School of Services. He identified relationship marketing as a central theme of service marketing with no separation between production, delivery, and consumption, thus the buyer-seller interaction must be considered as part of marketing's task which can be fulfilled through relationship with the customer. Strangely enough, traditional marketing concepts omitted or ignored it.

Industrial marketing has traditionally been seen different from consumer or service marketing. As Gronroos (1990) points out that some of the tasks other than traditional marketing functions are important in industrial selling. These tasks may include repairs, servicing, maintenance, delivery, product development, installation, training, etc. Performing these tasks necessitates a close seller buyer connection and often involves partners other than the seller and the buyer. Consequently, even if the term "relationship marketing" was not used in industrial marketing, the nature of industrial marketing clearly demonstrates several of its core characteristics.

Thus it can be concluded that there have been in fact two routes to the present day RM. The first was a gradual realization of the importance of relationships, initially in service marketing and partly in industrial marketing. The second route was through a transformation of business in general, due to rapid and radical changes in the environment. These changes resulted in an emphasis on service, close customer contact, and a holistic view of the parties and processes involved in marketing and business. The emphasis is on a holistic view of the supplier-manufacturer-customer chain and process quickly became visible (Aijo, 1996). Cravens and Piercy (1994) suggested that the cornerstones of relationship marketing are 'customer retention' and 'process orientation', two issues that are likely to strike a chord with every organization at the present time. Relationship marketing is now considered to be a feasible strategy in mass consumer markets (Christy et al 1996; Gronroos, 1996; Sheth and Parvatiyar, 1995).

The earlier definition of marketing by American Marketing Association (1985), states that "Marketing is the process of planning and executing the conception, pricing, promotion and distribution of ideas, goods and services to create exchange and satisfy individual and organizational objectives". However, this view of marketing was considered outdated, and its' relevance was found only to certain types of firms and markets (Hakansson 1982; Gummesson, 1987, 1994; Gronroos, 1989). Further, argument was made that this perspective is overly clinical and based solely on short-term economic transactions (Moller, 1992). Such criticisms have led to the suggestion that a paradigm shift in marketing is needed if marketing is going to survive as a discipline (Gronroos, 1995) and companies must move from short-term transaction-oriented goal to long-term relationship-building goal (Kotler, 1992). Relationship marketing has been viewed as buyer-seller encounters that accumulate over time with opportunities to transform individual and discrete transactions into relational partnerships (Czepiel, 1990). This view supports the notion that a relationship exists when an individual exchange is assessed not in isolation, but as a continuation of past exchanges likely to continue into the future (Wong and Sohal, 2002). Thus it is pertinent to say that RM ensures the continuation of exchange process between buyer and seller by managing the existing relationship (Levitt, 1986). Nevin (1995) quotes that relationship marketing has been used to reflect a variety of themes and perspectives which range from

industrial marketing perspective to service marketing perspective and has been defined in numerous ways by different scholars and practitioners.

Theoretical Views

Key words that appear in contemporary definition of relationship marketing are identified as follows: Attracting/getting customers, Retaining customers/loyalty; Relational exchange/mutual/reciprocity; Time dimension–extended time horizon; Value creation and sharing; Personalized marketing process; Structural/social bonds; Asymmetrical marketing process; Strategic orientation; Input-outcome and ongoing assessment

Relationship Marketing: On the basis of above-mentioned definitions of Relationship Marketing and considering its applicability in current business practices, an appropriate interpretation of the term is proposed as, “Relationship Marketing can be defined as a strategic marketing approach which is oriented towards attaining long-term profitability and value creation by interactions and mutual exchange among customer’s suppliers and other stakeholders.”

Models give an explicit description of the various dimension associated with a particular aspect. For the purpose of the aforesaid study effort is made to identify and select various models by reviewing various literatures related to relationship marketing. These models have been developed and tested by various authors. These models/literatures are based on different dimensions viz, the process of relationship marketing, phases of its development, different markets where relational exchanges take place, various types of relationships that can be developed, managed and enhanced and finally identifying the variables of relationship marketing for value creation leading towards attaining the long term profitability

The Relationship Marketing Models/Literatures

These selected relationship marketing models/literatures suggest that:

- These models have been developed as an extended perspective of relationship marketing. It includes not only marketing as a discipline but also has various human resource implications at different levels.
- These models have been developed to identify different relationships which are to be managed by a firm.
- Different types of relational exchanges exists in form of different markets have also been identified.
- Key Relationship Marketing process can be identified as: Formation or development of relationship, management of relationship, measurement of performances and finally relationship enhancement or termination.
- Key performance variables of Relationship marketing is a synergy of various functional areas.

Value Delivery Network

Globalization and technological innovation are creating dynamic network or chain of interconnected players to bring and deliver value to the end user. The notion that value can be created by cooperation has led marketers to search for “win-win” positions as a way to enhance profitability through collaborative value creation (Anderson, Hakansson, & Johanson, 1994; Kanter, 1994). The idea of value

creation and exchange is the foundation stone of relationship marketing. This view is based on three different assumptions of value exchange potentialities (Christopher et al., 2002). These value perspectives suggest that value is created; as an offering and delivered through recurrent transactions within a supplier-managed relationship; through mutually interactive processes and shared through negotiated agreement within the life of a relationship and shared in interactions that emerge from within networks of relationships.

Thus value has been considered to be an important constituent of relationship marketing and the ability of a company to provide superior value to its customers is regarded as one of the most successful strategies. This ability has become a mean of differentiation and a key to the riddle of how to find a sustainable competitive advantage (Ravald and Gronroos 1996; Heskett et al 1994; Nilson 1992; Treacy and Wiersema, 1993).

Walters and Lancaster (1999a and 1999b) determine value as the utility combination of benefits delivered to the customer less the total costs of acquiring the delivered benefits and is then a preferred combination of benefits compared with acquisition cost. There seems to be an agreement that value is a function of what a customer gets, the solution provided by an offering, and the sacrifice of the customer to get this solution. Consumer's overall assessment of the utility of a product based on a perception of what is received and what is given, is known as perceived value (Zeithaml, 1988). In a relational context the offering includes both a core product and additional services of various kinds.

Many companies today have partnered with specific suppliers and distributors to create a superior value delivery network, also called a supply chain (Magnet, 1994). Brown (1997) has defined supply chain/value delivery network as a tool to disaggregate a business into strategically relevant activities which enables identification of the source of competitive advantage by performing these activities more cheaply or better than its competitors. It comprises of larger stream of activities carried out by members like suppliers, distributors and customers. Further Christopher (2002) defines a value delivery network/supply chain as the network of organizations that are involved through upstream and downstream linkages in the different processes and activities that produce value in the form of products and services in the hands of the ultimate consumers. In order to gain competitive advantage value delivery network/supply chain collaboration or integration is required i.e. the backward/upstream and forward/downstream collaboration/integration. Mentzer (2001) says a value delivery network comprises of number of players in which a firm whether manufacturing or service, holds the key by creating and offering values in terms of output to its customers. This further can be justified with the help of the notion that the core of relationship marketing is relations, maintenance of relations between the company and the actors in its micro-environment, i.e. suppliers, market intermediaries, the public and of course customers as the most important actor. Thus the more pertinent issue is not what kind of an offering the company provides - rather it is what kind of relationship the company is capable of maintaining.

Relationship Marketing and Value Delivery Network

Considering the significance of relationship marketing in a value delivery network it becomes imperative to develop a model so that it can be explicitly described. The objective of the proposed model is:

- To identify various types of relationships across a value delivery network.
- To find out the function of various types of relationship across a value delivery network.
- To identify key performing variables for relationship marketing across a value delivery network.

Feasibility of the model

Types of Relationships in a Value delivery network: The basic thrust of the model is how the focal firm manages the relationship with the players at both the ends of network or in other words how the focal firm practices relationship marketing across value delivery network. The key and more visible relationships across the network can be identified as relationship of focal firm with suppliers and with customers, which in the proposed model of value delivery network has been identified as RI and RIV respectively. These relationships can be termed as Supplier relationship management (SRM) and customer relationship management (CRM) respectively. In the proposed model of value delivery network, following various relationships can be identified:

- (a) Relationship between Focal Firm-Suppliers (B2B)
- (b) Relationship between Focal Firm-Customers/End Users (B2C)
- (c) Relationship between Focal Firm-Intermediaries (B2B)
- (d) Relationship between Intermediaries-Customers/End Users (B2C)

Relationship between Focal Firm-Suppliers: At the backward end/upstream of value delivery network, supplier can be identified as the player supplying inputs to the focal firm which subsequently provides value to the customer or end user. The usual approach of value adding strategies is that the supplier adds technical product features or supporting services to the core solution so that the total value of the offering is increased (Christopher et al, 1991). A firm's goal is to establish and maintain a competitive advantage in its product markets (Walker, 1988) and central to achieving this goal are the firm's sourcing policies and relationships with its suppliers (Porter, 1979). Sheth and Sharma (1997) have identified four reasons for this phenomenon. First, marketers or sellers are driving this change as firms have started identifying and catering to the needs of specific customers. Thus, having a relationship with suppliers will enable firms to receive better service and therefore be more efficient in procurement. Second, firms will recognize that supplier relationships will allow them to be more effective and implement strategies such as quality platforms. Third, there are enabling technologies that allow firms to select their best customers and suppliers through computer programs that allow firms to calculate profitability associated with each customer or supplier. Finally, competition and the growth of alliances will force firms to develop better supplier relationships to maintain a competitive edge. Kalwani and Narayandas (1995) have found a positive correlation between long-term relationships and profitability of suppliers, has yet empirically demonstrated the association or correlation between a company's adoption of relationship marketing programs and its performance. A successful relationship with supplier can result into a number of economic consequences. Eccles (1991) has further identified various relationship benefits viz cost benefits and revenue benefits to create value across the network.

Relationship between Focal Firm-Customers/End Users:

Customer or end user at the forward end/downstream consumes the offerings and decides whether the offering is up to his/her perceived value. The relationship with customers is the foremost relationship which ensures not only the growth prospects for a firm but also the profitability of a firm (Sheth, 1996). More personalized, customized and valued offerings are made to the costumers to gain competitive advantage. The impetus for managing relationships with customers came from Reichheld (1996), who verified that dramatic increase in profits can be achieved from small increases in customer retention rates. The need to better understand customer behavior and to focus on those customers, who can deliver long-term profits, has changed the way marketers used to view the world (Winer, 2001). Customer Relationship Management is a comprehensive strategy and process of acquiring, retaining and partnering with selective customers to create superior value for the company and the customer. It involves the integration of marketing, sales, customer service, and the supply-chain functions of the organization to achieve greater efficiencies and effectiveness in delivering customer value (Parvatiyar and Sheth, 2002). The overall purpose of customer relationship management is seemed to improve marketing productivity and to enhance mutual value for the parties involved in the relationship. Improving marketing productivity and creating mutual values can be achieved by increasing marketing efficiencies and/or enhancing marketing effectiveness (Sheth & Parvatiyar, 1995a; Sheth & Sisodia, 1995).

Key performance variables in relationship marketing and value delivery network

These can be used to formulate hypothesis for further research study and exploration:

- Competitive advantage can be gained through relationship marketing across a value delivery network.
- Profitability can be enhanced through relationship marketing across the value delivery network.
- Integration of various functions can be achieved through relationship marketing across value delivery network.
- Mutual values can be developed through relationship marketing across value delivery network.

Conclusions

Relationship Marketing has evolved as a strategic marketing approach which is oriented towards attaining long-term profitability and value creation by interactions and mutual exchange among customers, suppliers and other stakeholders. It is an approach which can be adopted to enhance the competitiveness and profitability of a value delivery network. Better integration and shared mutual values can be developed through relationship marketing across value delivery network.

- (a) To find out the nature of existing relationships.
- (b) To identify variables in different relationships that exists in a network.
- (c) To find out correlation among various types of relationships.
- (d) Role of Information Technology (IT) in relationship marketing.

- (e) Measuring return on relationships and evaluating the contributions to profits from the various players in a network.
- (f) Indicators to monitor productivity and quality in a network and
- (g) Specific issues hindering relationship marketing practices.

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