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Supplier relationship management

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Abstract

Working seamlessly with external providers is as important to the contemporary sales and marketing organisation as it is to any other aspect of business. Yet this is an area where solutions that optimise the effectiveness of how the organisation and suppliers work together are far and few between. It is ripe for improvement.

With low-cost web-based customer management and sales development solutions at last gaining market acceptance, the tools are on hand for organisations to link up with their marketing suppliers. These can also be extended, using the same methodology, to working with their channel partners.

The result is massive savings in project management time associated with marketing campaigning, real-time handling of enquiries and leads that convert at a much higher rate into business, the ability to run far more marketing and lead-generation campaigns using the same resources and a substantially better buying and customer service experience.

Keywords: supplier relationship management, sales and marketing supply chain, sales and marketing integration, adaptive application service, on demand, lead allocation and tracking, models of specification and fulfilment

Background to supplier relationship management

Partnerships and alliances are key to any business. Companies are constantly looking for ways to simplify and optimise their supply chains.

The trend towards outsourcing non-core activities means that most companies' supply chains are more complex and expensive to run than ever before. A Forrester report published in 2003, *Preparing for Adaptive Supply Networks*, seems to confirm this.¹ It found that 68 per cent of companies said their supply chains had become more complex in the last three years, while 64 per cent said their supply chains had become more geographically dispersed.

The aim in implementing supplier relationship management (SRM) strategies should not be about negotiating price reductions, which alienate suppliers, but rather focus on creating closer collaboration with key suppliers. Where this is the focus, it enables smaller suppliers to compete on a more equal footing with larger ones, and helps alleviate unnecessary work and errors.

The sales and marketing supply chain challenge

Working seamlessly with external providers is as important to the contemporary sales and marketing organisation as it is to any other aspect of business.

The traditional way of conducting relationships with marketing service

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Marketing departments and their suppliers not effectively integrated

suppliers means that an inordinate amount of marketing time is spent project managing: liaising with information systems departments to define data extracts and imports; trying to minimise the time lapses between campaign execution and follow-through. This will account for a high proportion of a marketing executive's time and is deeply inefficient.

Historically this is an area where solutions that optimise the effectiveness of how organisations and suppliers work together are far and few between. It is ripe for improvement.

One can see why sales and marketing supply chains between organisations' marketing departments and their suppliers have not been effectively integrated. On the one hand customer databases tend to be closed, inflexible, often lacking in adequate validation and de-duplication tools and contain a high percentage of 'dead wood'. On the other hand supplier systems routinely require specific programming for each incoming dataset, and many are rather inflexible in how they are able to adapt working processes to fit the client.

These suppliers will include telemarketing agencies, call centres and research organisations, data processing bureaux, data-driven agencies and fulfilment operations.

Significant barrier to ROI on CRM

Given the extent to which marketing campaigns, target qualification and lead-generation activities are entirely database dependent, data-driven marketing suppliers are increasingly crucial to the success of these kind of initiatives. Not only that, but the integration of systems-led processes is key to successful SRM, and the lack of them is a significant barrier to seeing a return on investment realised out of customer relationship marketing (CRM).

Trend towards partial integration only

Why? Because integration is the area where the greatest problems in terms of implementation have historically occurred, and where the biggest disconnects occur that destroy the potential gains. As a result of the pain felt by organisations over integration projects, Gartner believes that organisations will draw back from enterprise-wide initiatives and go for partial integration only, at least for the next three years.²

Yet the International Data Corporation (IDC) sees addressing customers' needs for shorter implementations and strengthening customer data integration expertise and methodologies as two of the prime keys to successful CRM.³

Traditional forms of computing make these goals extremely expensive for the majority of businesses outside the Fortune 500. Thankfully, there is a way out of this bind — needing to integrate better but not being able to afford to or risk it — which is solutions delivered 'on demand', also labelled 'adaptive', delivered through an external hosted environment or hosted internally.

A basic definition — one relevant to customer needs — is as follows: a model of provisioning IT services (from an internal IT organisation or an outside provider) that delivers greatly improved speed, flexibility and cost performance to the business.

In SRM terms, this means providing a common customer database platform that different parts of the supply chain can access and use effectively, in addition to the organisation that 'owns' the database. This

Common web-based database platforms obviate high-cost integration

model has the potential to change the nature of collaboration between organisations and their suppliers, accessible to all over the web, via application-specific interfaces that are ‘fit for purpose’, easy to use and secure.

So what does this approach offer that XML cannot address? While XML as a standard facilitates systems interoperability, it does require common definitions of every data element between those systems for effective mapping to occur. Without a set of common standards widely used, data transfer between systems will generate errors and duplication, unless unique identifiers are used and properly thought-through rules are programmed.

Common database platforms between organisations and their suppliers and partners obviate the need for time and money spent on integration and high costs associated with real-time feeds, and therefore these are the most practical approach for low-cost realisation of sales and marketing SRM.

The following conditions are key to the success of this model.

- Each supplier must be able to use an application set that is fit for their purposes but which gives access to a common database.
- It must be easy for the supplier to transfer information two ways.
- The client organisation will require that access is restricted to just those functions and views of the database that enable the effective supply of service from each supplier, so that security considerations are not compromised.

This is surely the blueprint for successful integration, which can be quickly deployed, and which is affordable to implement and see the benefits within a short period of time.

Adaptive service provision

An example of this in action is the adaptive service provision offered by Market Developer — and a prime example of an approach to SRM that is practical and low cost.⁴ It meets the definition for adaptive service provision to be flexible, quick and low cost, and provides a methodology and tools to enable sales and marketing organisations to work effectively with their suppliers to improve the impact and measurability of the outcomes they achieve.

The solution focuses on actionable results, followed up in ‘real time’ and instantly measurable. Results are immediately evident, and measurable, to the client organisation and the supplier, which share access to the same data, though they will have different access rights and different data interpretations.

Consequently, it is a viable approach for medium-sized and smaller organisations (as well as larger ones), all of which have a widespread and ongoing need for external specialist assistance.

Current scenario

To understand how this approach can lead to profound changes, and to examine what this means in more detail, one can start by examining a common existing marketing and sales scenario.

Kicking the typical process off, customer databases are mined (by marketing executives or database administrators and managers within the organisation) to select the appropriate audience for a given activity, and are usually verified before then being extracted, ready to be used by the organisation or its suppliers.

The data extract is provided to the supplier company, ahead of the project start point. Commonly, sales and marketing suppliers work off their own database applications, which are easy for them because they can support and make changes in-house, and this ensures all their work conforms to a standard process. The supplier reviews the data extract, makes any format or structural changes necessary to use the data within their own systems and loads it in.

The supplier then undertakes and completes the project, either feeding back results on a regular basis or at the end of the project, depending on the time sensitivity of the undertaking.

The organisation may or may not have considered what additional fields within its customer/sales database need to be created to accommodate the incoming data. This is the first consideration when seeking to upload data that contain the results of the supplier activity.

Even if the project specification contains a detailed description of the outputs incoming, very often the work flow proves more difficult than expected, and internal cooperation from information systems will depend upon priorities and resources. Furthermore, specifications change in the light of testing and feedback, and it is often very difficult to predict how these changes will impact on what information needs to be created and actioned.

The second problem is to determine whether changes have been made to records within the organisation's customer database during the period of time that the supplier has also worked on the same records, and whether loading the supplier output will cause recent changes to be erased. Rules need to be created to ensure that merging records back together again is done accurately, and ensure that the integrity of information is safeguarded.

When it comes to business data, where supplier and partner dependencies can be especially complex, applying changes within an incoming file to the organisation's database at site/establishment level almost certainly needs to be handled specifically, as a result of the likelihood of other contacts at the same address residing within the database. If one is not careful, there is a risk of moving multiple contacts that should not be moved, and introducing fundamental errors into the consolidated customer database.

Because data 're-loading' can take time to get right, organisations which receive results from suppliers often allocate follow-ups to front-line staff in spreadsheets or via e-mail, so that they can meet their service and sales standards and get value out of the work undertaken externally.

This creates a crucial break in the information flow that can be analysed within the organisation's customer database/sales systems, and means that it is difficult or impossible to calculate the effect of campaigns or initiatives. Results commonly get hidden within the overall sales and

**Internal cooperation
contingent upon
resources**

**Integrity of
information**

**Break in information
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initiatives**

40 per cent of marketing time can be spent on liaison

marketing activity levels, and there is no guarantee that sales will be coded by source of lead or project.

The effect of this kind of process is that campaigns and lead-generation initiatives take up far too much time within the marketing organisation. Not only that, as time elapses the effectiveness of results is diluted in terms of using them to win sales and grow customer revenues.

Example cases from publishing, pharmaceutical, agriculture and information technology sectors suggest that as much of 40 per cent of a marketing manager's time can be spent on process-related issues liaising internally with information services in relation to incoming data, and with external suppliers to manage the process of transference back of information.⁵

When consultants talk about the problem of multiple database environments — where different databases reside across the company that house islands of information — they routinely exclude or ignore external suppliers' databases containing a subset of the organisation's customer information, however temporary they may be. Yet these are just as important to consider, because of the issues covered within this paper that lead to poor business process issues, underperformance and barriers to successful CRM use.

Figure 1 illustrates the typical fragmented data landscape, encompassing information held within supplier databases as well as internal databases.

New approach to sales and marketing SRM

The way to resolve these issues and effect a step change in the effectiveness of organisation-supplier relationships is to provide a platform that provides application-specific access to the organisation's customer database, or subsets thereof. Simple interfaces need to provide

Figure 1: Fragmented data landscape

Real-time allocation of information and calls to action

the full functionality that specific data-driven suppliers will need to undertake the work required of them.

Key to successful SRM is the ability to integrate tightly the results created externally to the organisation with front-line staff. In sales and marketing terms, this means real-time allocation of information and calls to action to sales or customer service staff, as part of a customer retention programme (customer satisfaction/information gathering), lead generation or other marketing-led initiative.

This integration is enabled, in the case of the Market Developer example, through the real-time allocation of leads, enquiries, alerts and compliment messages. These can be triggered to a single point of contact (eg sales executive) or to multiple points (eg to managers as well). In combination with the sales pipeline, opportunity management and reporting functionality, this provides the immediate allocation and call to action required, with the critical tracking component that provides an organisation with a short- and long-range analysis capability, and feeds into the standard sales management reporting we all expect from sales automation solutions.

Application-specific interfaces

Application-specific interfaces, tailorable through the use of access controls, exist for telemarketing/telesales and research firms (including verification and management controls), and data-processing, enhancement and data analysis bureaux.

Figure 2 illustrates the simplifying effect that solutions like Market Developer will have on integration of sales and marketing suppliers with the organisation.

Using the same methodology and platform to integrate more effectively with external data-processing specialists substantially simplifies the ongoing activity of cleansing and maintaining the database integrity over time. The platform allows a processing house to provide the organisation with a virtual 'self-cleaning' service, which ensures verification of addresses, deduplication and enhancement can be carried out without

Figure 2: Integrating suppliers with the organisation

Self-cleaning: online data processing

intervention by the marketing, information services or database people. It further ensures that data conflicts are avoided as a result of processing and updating the database out of hours.

It is but a short conceptual step to integrate fully online data processing solutions — such as the one offered by Intellidata, a specialist name-and-address processing and database-hosting business.⁶ This solution is now being released in a B2B version as well the existing B2C offering, and is especially appropriate for handling the ongoing cleaning of the database where many incremental data updates and feeds take place regularly. This integration has enormous benefits to a client organisation that would otherwise invest in data-processing tools in-house, backed up with manual verification. This tends to be an adequate solution, rather than an all-encompassing one.

Integration with an online solution such as the one offered by Intellidata has a number of obvious benefits.

- Access to the major suppression files that are increasingly vital to conform to data protection laws such as the Telephone Preference Service and the Corporate TPS, due to launch on 25 June 2004, and which identify key changes to companies within the client database, such as the business suppression file, which indicates, *inter alia*, companies that have gone into liquidation and directors who have resigned or retired.
- No operational interruptions as data processing can be timed to occur over weekends.
- No management of data extractions and reloads, or concerns over changes that might be made within the client database during the time between extraction and re-import, and the associated issues of synchronisation.

Extending SRM concepts to partner management

Especially within B2B marketing and sales environments, organisations are looking for ways to manage indirect channels to market and to allocate leads to chosen distributors or partners based on the type of end-user prospect and territories.

Allocation process

The allocation process tends to be slow, and when the distributor receives the referral there are generally no processes for giving visibility back to the referral organisation.

Organisations need to be able to feed leads through to their distributors, and to undertake direct marketing on their behalf as part of the overall support package. For this reason, it is important that end-user target businesses are mapped against the distribution channels that are used to reach each different segment.

There is additional value in providing distributors with the tools to initiate their own campaigns, as part of the overall distributor support package, and to be able to track these through to sale. This can make a big difference to an organisation being seen as indispensable in the eyes of its distributors.

In many sectors, distributors or value-added resellers are used to

conclude the deal with the end user. They may need to deal with multiple people involved in the buying decision (decision-making units), located across different sites and head office. The channel partner will then either fulfil the order themselves or refer it back to their supplier to complete.

Figure 3 illustrates a lead referral process from a kitchen equipment manufacturer to a distributor.

The same adaptive service provision model used for SRM can be easily applied to value adders, resellers, distributors — in other words any channel partner. In some ways it is easier to gain agreement to partners' use of the same platform because it has obvious benefits to them, in terms of fresh leads, hands-on support and access to a larger prospect base in a structured way provided by the client organisation.

Leads generated from a supplier's website, where code is embedded within the response form, allow any complexity of allocation very easily, meaning rules will route enquiries and leads through to the sales and service teams of resellers, who in turn can see whether there is any history against the enquirer or prospect, perhaps review competitive products installed or services used, and deal better with the qualification of the lead and its progression through the sales pipeline.

Figure 4 illustrates a typical application of this approach to channel partners, which works in exactly the same way as previously described for supplier partners to an organisation. After all, the client organisation is a supplier of goods and services to their channel partners in just the same way that the marketing suppliers are to the client organisation.

Conclusion

The adaptive application service solution exemplified by the Market Developer service solution provides the starting point for an integrated

Figure 3: Lead referral process

Figure 4: Lead generation and distribution

approach that simplifies and improves upon current working processes between sales and marketing organisations and their suppliers.

But the web is far from the whole solution. The success of this approach is based on three further factors.

- First, it requires that each type of supplier can access the organisation's database (or allocated subsets) using tools that are fit for purpose and enable them to work as easily as their own (typically client-server software) applications.
- Secondly, the tools that suppliers use to access the organisation's data must be tightly integrated with a real-time lead allocation and tracking capability and associated reporting that supports real-time short- and long-range analysis.
- Thirdly, the ability to add information dynamically (and easily) to the database, which can then be viewed by sales and service staff, analysed and reported upon without relying upon programming staff, enables initiatives to be kicked off quickly and cuts out set-up fees.

The value in this approach is to cut down internal management time associated with managing functional processes between the organisation and suppliers; to improve the effectiveness, speed and conversion of information, leads and feeds into sales; and to drive more initiatives that further develop business for the organisation.

Closing disconnects makes CRM effective

Critically, closing disconnects between an organisation, its suppliers and partners makes the effective practice of CRM strategies possible.

Integration of front- and back-office systems and across channels is vital because the whole concept of CRM is based on understanding the customer at any point of interaction. Marketing services suppliers are both an intrinsic part of the back office and also often an important function that is needed for channel development. That is why solving

SRM for marketing services is so important. It is central to business development, efficient marketing and sales and customer management.

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