TATA CONSULTANCY SERVICES

CRM-SRM Integration Promises Transformational Growth

Abstract

Customer relationship management (CRM) has become indispensable. Robust CRM systems let managers achieve high-level customer segmentation, standardize sales processes, reduce the sales cycle time, and manage communications with customers to achieve the highly differentiated customer experience that is the hallmark of all successful businesses today.

But, just as businesses have developed close relationships with key customers, they must also nurture close, cross-functional relationships with their suppliers – critical players at the other end of their value chains. The success of automakers Toyota and Honda[1], for example, greatly rests in their ability to harness deep supplier relationships. By using supplier relationship management (SRM) systems they, and others, are able to weed out non-performing suppliers, keep inventory low, reduce costs, and serve customers faster.

This paper suggests that companies that recognize the commonalities between CRM and SRM, and then use them in conjunction can be pioneers in a new era of relationship management. It specifically explores the potential for CRM-SRM integration in the auto spares industry.

CRM and SRM Systems are Mirror Images of Each Other

Distinguished only by name and the end of the supply chain they cater to, CRM and SRM share commonalities in function and purpose.

Both systems are repositories of profile details, past deals, business leads, governance documents, and market intelligence. Just as the customer lifetime value demonstrates the relevance and valuation of customers in CRM, supplier scorecards do the same in SRM. Best practices of CRM can be directly applied to SRM execution.

Systemic commonalities aside, it also makes business sense to link and jointly implement CRM and SRM. We explore this in the following sections, and also look at how far the maturity in integration, including shared data quality and accessibility attributes, impacts company performance.

A Connected CRM-SRM Environment Enhances Your Business Capabilities

There is tremendous potential in sharing inputs from the customer with the enterprise and its suppliers. As soon as an enterprise receives requests for quotations and proposals from its current and prospective customers, it can use integrated CRM-SRM to minimize the response time by instantaneously sharing such requests with a few trusted suppliers. The final customer response can then be fine-tuned with the combined inputs of the suppliers and the enterprise.

As well as efficient call management, enterprises will benefit from effective maintenance and repair operations. When customers make requests for field services, an enterprise using connected CRM-SRM can immediately act upon the requirement and assign relevant resources. With deeper relationships and shared knowledge, enterprises can take informed calls on the levels of available inventory and commit realistic repair time to customers. Suppliers can rely on usage logs to directly schedule preventive maintenance for customers.

The downstream gains of such connected CRM-SRM environment include a broader revenue base, reduced cost of customer servicing, higher customer retention, and market

relevance. As one moves up the chain, the enterprise will be able to rationalize the supplier base, manage production time and cost, and innovate faster.

The resulting profitability is a win-win situation for customers and suppliers alike.

Coordinate and Simplify Your CRM and SRM Systems with Technology

Technology can provide unparalleled visibility into your customer base. Cloud hosted data increases transparency in the value chain. As product catalogs, pricing details, and customer buying preferences become available on the cloud, authorized users can retrieve data by simply logging on the internet. This reduces wasteful inventory build-ups, back logs and higher turnover.

Technology can enable SRM teams to work with key suppliers to tailor product and service agreements to meet the needs of the enterprise and the selected suppliers. Popular SRM solutions being offered by tech giants are Oracle's PeopleSoft Supplier Relationship Management & SAP Supply Network Collaboration. These help enable automation and orchestration of transactions like data flow, order processing, and invoicing along with inventory control. Close, cross-functional relationships can be forged with a small number of key suppliers, and more traditional buying and selling relationships maintained with others. For example, Toyota[2] considers all its suppliers as strategic and approaches them with the same core beliefs. But in terms of the depth of activities, especially in the area of R&D, Toyota draws a line between its strategic co-development partners and the other suppliers. It also consistently works hard to improve its relational activities that help the component manufacturers improve their productivity and earn increased supplier benefits. In effect, suppliers with good working relations with the OEMs enable a way superior customer experience.

Implementing CRM and SRM in Tandem – A Case Study

There are various ways to illustrate the powerful effect of integrating CRM and SRM. Let's consider an example of a digitally driven CRM-SRM amalgamation that brings mobility in the automotive spares industry. This use case can be modified and applied to suit different industry needs.

The Indian passenger car production grew at a CAGR of 7%[3] to 3.79 million passenger vehicles by FY 2017. Figures 1 and 2 depict the volumes of passenger vehicles produced and turnover from 2011-2017.
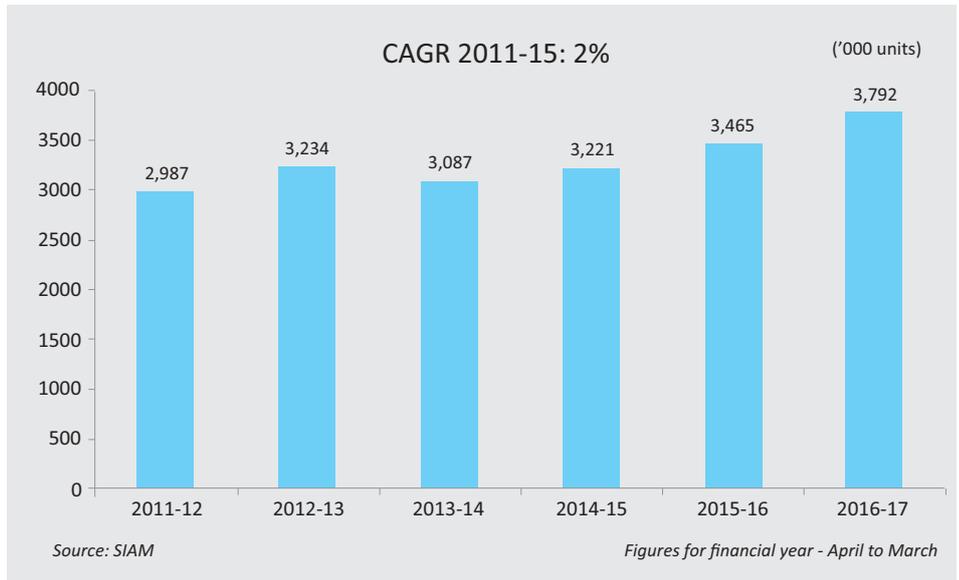

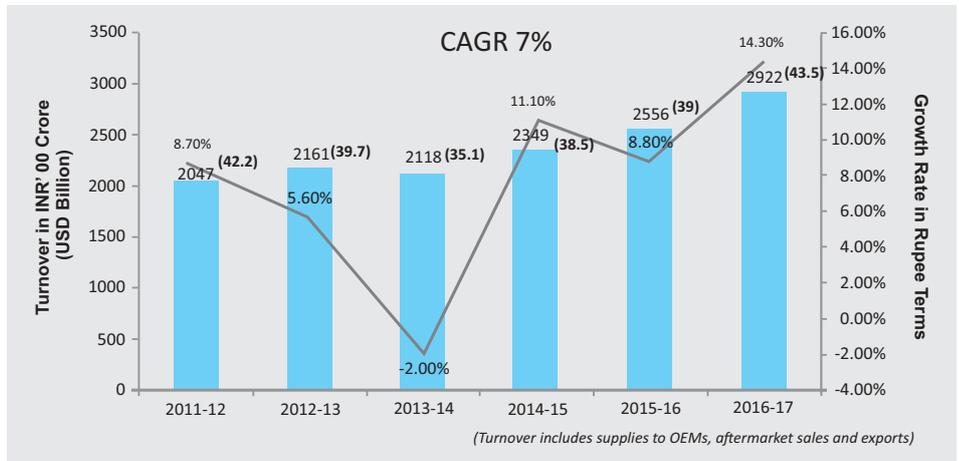*Figure 1: Passenger Vehicles Production from 2011 to 2017*[4]

Figure 2: Auto Component Industry Turnover from 2011 to 2017[5]

With such a large number of cars for sale, demand for spare parts is also massive. Poor road conditions, improper driving techniques, and rough weather-terrain also contribute to rising demand.

Yet the auto spare parts industry suffers from a perpetual back order list. The aftermarket service levels of most carmakers meet neither quality nor quantity expectations. Repairs have thus become an inefficient time-consuming activity for consumers and disgruntled customers often turn to unauthorized repair garages for support.

To address this situation, car manufacturers can amalgamate their CRM and SRM systems to provide an aftermarket service solution that addresses customer pain points effectively. Here's how.

Most vehicles have a radio frequency identification (RFID) tag pasted on the windshield. This is a tracking mechanism used to identify a vehicle in the manufacturer's master database. The solution here would be to use a mobile application (app) that can connect the customer directly to the service center and then the respective component supplier.

In case of break down or defects such as broken parts, unknown noises and the like, the driver can use the app to scan the RFID tag. The app will populate the vehicle details including the date of manufacture, warranty coverage, and a list of the nearest authorized service centers.

The customer can use the app to click a photo or shoot a video of the defect and describe the problem. The user can then choose a specific service center or allow the app to pick the nearest one where a complaint can be submitted. When the service center receives the complaint, its service executive can conduct a preliminary examination to decide whether or not sufficient information is available to pinpoint the root cause of the complaint.

In case of availability of direct replacement, the service executive can check the spares inventory and update the complaint with an expected time of replacement and repair once the car rolls into the service center. If the part is unavailable, the service executive can raise an order to the supplier and update the complaint.

In case of complex defects, the service center can do one of two things: If the vehicle has not been incapacitated, the executive can request the customer to bring the vehicle for inspection at a particular date and time, or share the complaint with the respective supplier to attempt finding the root cause. When the supplier updates the service center on the root cause, the center can communicate the appropriate repairs and estimated cost to the customer on the app as a push notification. The customer is then free to decide on the next step.

When the customer visits the service center, the real time status of the complaint, actual problem description, expected time to repair, and estimated cost will be automatically populated on the app screen.

With such clarity and visibility of the repair process, the manufacturer and service center can ensure customer satisfaction. The supplier can identify and correct the parts that fail frequently, and achieve operational efficiencies and quality improvements.

CRM-SRM Integration Heralds the Future

Partnerships are a supply chain's lifeblood. With scale-driven, technology-intensive global commerce, organizations must focus on CRM-SRM integration to achieve complete visibility and control. The manager of the future must be able to understand how SRM yields results when implemented in conjunction with CRM.

To gain competitive edge, you must identify opportunities for integrated implementation that are best suited to your industry needs. Industry norms, product attributes, customer loyalty, supplier base are all amongst the factors that control the interplay between CRM and SRM of an enterprise. By linking up your diverse network of business relationships you can create significant value.

References

[1]   Detroit Free Press, Supplier relations: GM better, but Toyota, Honda lead, accessed on July 21, 2017, http://www.freep.com/story/money/cars/general-motors/2016/05/16/supplier-relations-gm-better-but-toyota-honda-lead/84284124/

[2]   OEM-Supplier Relations Study Shows Strong Gains for Toyota and Honda, with Ford, Nissan, FCA and GM falling well behind, Cision PR Newswire, May 18, 2015, accessed July 21, 2017, http://www.prnewswire.com/news-releases/oem-supplier-relations-study-shows-strong-gains-for-toyota-and-honda-with-ford-nissan-fca-and-gm-falling-well-behind-300084605.html

[3]   The Indian Auto Component Industry: Performance Review 2016-17, ACMA, accessed on July 21, 2017, http://www.acma.in/docmgr/ACMA_Presentation/ACMA_Presentation.pdf

[4]   Ibid

[5]   Ibid

TATA CONSULTANCY SERVICES

About The Author

Sudeep Dayal

Sudeep Dayal is part of the Consulting and Services Integration practice at Tata Consultancy Services (TCS). He is a certified supply chain professional (APICS CSCP) with over six years of experience in the supply chain domain. Sudeep has deep knowledge in sourcing operations including supplier selection, supplier handling, ordering and costing, quotation management, localization of parts, as well as R&D ideas implementation. He has worked on account planning, S&OP planning, demand forecasting, sourcing and procurement, and SAP IBP implementation. Sudeep holds an MBA in finance and operations, along with a mechanical engineering degree.

Contact

Visit the Consulting & Systems Integration page on www.tcs.com

Email: global.consulting@tcs.com

Blog: #Enterprise Insights

Subscribe to TCS White Papers

TCS.com RSS: http://www.tcs.com/rss_feeds/Pages/feed.aspx?f=w
Feedburner: http://feeds2.feedburner.com/tcswhitepapers

About Tata Consultancy Services Ltd (TCS)

Tata Consultancy Services is an IT services, consulting and business solutions organization that delivers real results to global business, ensuring a level of certainty no other firm can match. TCS offers a consulting-led, integrated portfolio of IT and IT-enabled, infrastructure, engineering and assurance services. This is delivered through its unique Global Network Delivery Model™, recognized as the benchmark of excellence in software development. A part of the Tata Group, India's largest industrial conglomerate, TCS has a global footprint and is listed on the National Stock Exchange and Bombay Stock Exchange in India.

For more information, visit us at www.tcs.com

Experience certainty. IT Services Business Solutions Consulting