# Building Relationships by Leveraging your Supply Chain

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## EXECUTIVE OVERVIEW

This white paper illustrates why a fusion of Customer Relationship Management (CRM) and Enterprise Resource Planning (ERP) functionality is vital to building and maintaining profitable customer relationships. Additionally, this partnering ensures that an organization has the right supply of the right products, at the right time, for the right customers.

Effective demand management requires the marketer to overcome the traditional information barrier drawn between the CRM system and the organization's supply chain. Real-time knowledge generated from the ERP system replaces the uncertainties associated with stand-alone marketing automation. By having direct visibility into real-time key decision factors, the marketer ensures the optimum efficiency of CRM initiatives and supply chain operations. Oracle Marketing Online provides such access through seamless integration with Oracle ERP modules. It offers strategies to overcome the evolution of the supply chain; from front-end customer interactions to back-end supply and manufacturing processes.

## INTRODUCTION

The shift from the era of mass production and mass marketing to an age of customer segmentation and meeting individual customer requirements has forever changed the role of the marketer. The resulting advent of CRM, coupled with the proliferation of multiple business channels, requires the marketer to be an active agent.

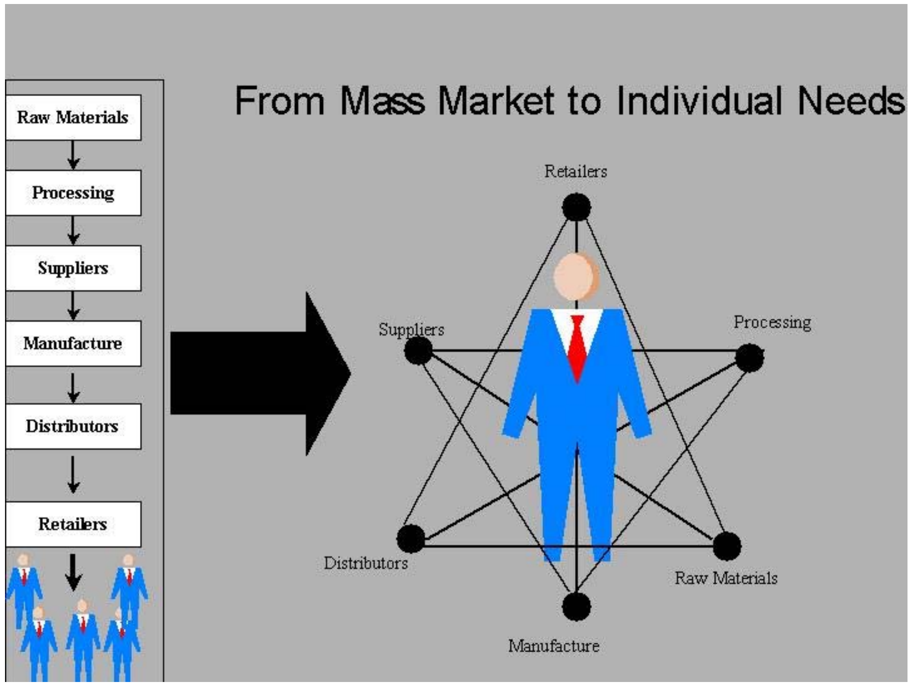
**The 20th Century competitive advantage comes from products and brand.**

**The 21st Century competitive advantage materializes from real-time information.**

Rather than simply executing the marketing role as a result of developed sales forecasts and production runs the marketer must drive ERP processes and have a complete understanding of ERP variables. These variables can include inventory levels, quality of components by vendor, and production constraints. Only then can the marketer intelligently design campaigns with appropriate product offerings and ensure the demand generated is synchronized with availability constraints.

Also, today's marketer can no longer operate solely with a product focus, but rather must understand the complexity of both the customers and the supply chain. CRM systems, which typically provide views of customer interactions and preferences, must be integrated with back-office ERP systems and historical transactions to gain further insight into customer needs and value. This allows the marketer to leverage true 360-degree customer profiles when developing specific target segments.

Traditional supply chain evolved from mass production to demand networks meeting individual needs.




As a result, organizations can no longer view marketing responsibilities as the job of a standalone department. Rather, it is a collaborative effort among all production and operational units in an organization.

CRM systems also need to address real-time inventory management and capacity of the supply chain. This enables marketers to proactively adjust their campaigns to the specific supply situation or modify their supply chain strategy to meet campaign-generated demand. Effectively matching supply with demand requires visibility into the intricacies of the product's ERP variables.

## HOW CAN ERP HELP THE MARKETER ANSWER THIS CHALLENGE?

Let us take a look at a situation where the marketer's goal is to sell 2000 PDAs (personal digital assistants) online. By the end of the campaign, only 1000 units were sold. The reasons for the shortfall could be anything from erroneous pricing to poor customer profiling, a lack of support, or an out-of-stock situation.

While the inventory management database may have reported the product 's three-week backorder status to order entry personnel, the marketer typically does not have visibility into this information through traditional marketing automation. But CRM-ERP integration supports the marketer in identifying and preventing such situations either before or during a campaign execution.

### Marketing and Inventory Control

The following scenarios illustrate how integrating CRM and inventory control can help the marketer:

**Scenario 1: Can Campaign Meet Demand?**
This requires the marketer to ensure that the anticipated number of responses from a targeted campaign can be fulfilled, given the inventory position of the promoted product.

For example, when forecasting different campaign response rates and margins of error, the marketer is in a position to evaluate the ability to fulfill product demand, given the most favorable response scenario.

**Scenario 2: Which Products Need to be Pushed?**

In addition to assessing the viability of existing campaigns, inventory integration provides the marketer with information to determine which products are candidates for campaign offerings.

For example, if there is a large on-hand quantity of a slow moving, obsolete, or discontinued item, this information could drive the marketer to initiate a campaign. Ultimately, the marketer can avoid excess and obsolete inventory resulting from latent demand forecasts.

In addition to the above scenarios, the integration of CRM and inventory control can also help identify if the product has any sell-with requirements or dependencies, such as bundling or kits.

## Marketing and Purchasing

The integration of CRM and purchasing allows the marketer to review product costs to evaluate if the product margin is high enough to justify a campaign initiative.

If the product is purchased, the marketer can review the different prices charged by various suppliers. This strengthens negotiations for improved pricing based on anticipated purchase volume as generated by campaigns.

Additionally, the marketer can assess whether product stock can be replenished in a timely manner, given the lead-time for purchasing and receipt, should the campaign succeed beyond anticipation. The marketer can also improve customer satisfaction by compressing lead times.

The marketer may need to juggle between costs and lead-time, depending on the campaign strategy. For example, if the campaign strategy is to promote a new product, then the marketer must identify the most efficient combination of costs and lead-time.

If the product is manufactured in-house, the marketer can review the bill of materials components, the dependencies, and structure. By understanding the production requirements, the marketer can identify the different make-to-order combinations. This information empowers the marketer to recommend product enhancements and product design changes to meet individual needs.

## Marketing and Order Management

By integrating CRM with order management, the marketer can quickly review information related to the current demand situation, pricing, and other sales order attributes.

By leveraging real-time information regarding pricing, quantities, and true demand information, the marketer can:

- Maximize profits within and across the product line
- Maximize revenues within and across the product line

- Increase market penetration for a particular product
- Speed new product introductions

By identifying the most profitable orders, the marketer can design offers that target the optimum order quantity.

The marketer can also:

- Examine the current demand for a product and assess if the product needs to be promoted to increase current demand level.
- Identify which customer class is more attracted to the product line, and determine if a product is geared more towards business customers or end consumers.
- Spot the high-value customers for a particular product in terms of either revenue or volume purchased.
- Review offers discounts by examining the different price points at which the product has sold at in the past.
- Proactively suggest potential product substitutes in case of product shortages, due to underestimated demand generated by a campaign.
- Monitor sales volumes of the highest margins product and identify any fluctuations.

  The marketer must investigate fluctuations as a sales volume increase may reveal a sales volume reduction for another product. Therefore, the marketer needs to identify that the sales increase of product A was not made at the expense of another product.

The marketer also has visibility into the ratio of returns, and can assess whether the returns are a result of a quality problem or a poor marketing decision based on improper understanding of targeted customers needs.

### Marketing and Price Management

With the integration of CRM and price management, the marketer can create and view product price levels and discounts. Then when the sale occurs, the system automatically generates the appropriate selling price based on the products, customer, quantity, or a combination of these factors. This ensures the compliance of the campaign's promotional pricing in the order management module.

The marketer can also analyze the different price levels and identify if the price represents a key promotional attribute. By using and directly accessing pricing information, the marketer can anticipate product margins and promotional return on investments (ROI) as generated by campaigns.

The marketer can also review the current price level by customer, and adjust the promotion so the deal offered is better than the price the customer is already paying.

### Marketing and Financials (Account Receivable)

In addition to providing insight into customer lifetime value variables, the integration of financial modules with CRM can embrace sensible business practices.

The marketer can proactively identify customers who are on credit hold or who are 90 days past due and decide whether to exclude them from the target group or create a more suitable offer.

Understanding the relationships among customer accounts, organizations, parents and subsidiaries represent a vital element in the creation of offers and promotion pursuits. For example, the marketer can be cautioned by the fact that a customer on credit hold may be a subsidiary or a parent of another very profitable customer.

Since financial systems generate several sensitive customer touch points such as invoices, statements of account, and dunning notices, it is important for the marketer to understand and respect billing preferences. These include desired formats and frequency considerations, and the client's sensitivity in terms of accuracy and respect of policies.

The marketer can also foresee the customer's preferences in terms of shipping methods and preferred carriers. Knowing in advance exact delivery costs enables the marketer to calculate a true ROI per customer. For each campaign initiative, the marketer can tag the cost of the promoted product to the promotion costs, and to the delivery costs for each customer. This approach is very compelling in a make-to-order environment.

## CONCLUSION

In order to succeed in this new role, marketers require a CRM application suite that seamlessly integrates with a robust ERP applications suite. Oracle Marketing Online empowers the marketer with the vital product attributes required to better target, define, and manage marketing initiatives.

It provides them with a consolidated view of key ERP decision-making variables from the inventory, purchasing, sales, and CRM modules. Thus, the marketer gains insight into the overall impact of all marketing actions.

The marketer can leverage this tool during campaign planning. By assessing the current status of products under consideration for promotions, the marketer ensures to foresee any ERP constraints that may impact a campaign.

During campaign execution, Oracle Marketing Online allows the marketer to review the dynamic impact that the campaign has had on the supply chain. The marketer can then proactively make adjustments to the supply chain policies or campaign strategy in order to attain the optimum balance.

Oracle Marketing Online is not simply an application but also a strategy. It helps the marketer go beyond looking simply at the product life cycle by leveraging their complete e-business data to make better marketing decisions. The consolidated and transparent display of information is intended to facilitate the marketer's development of marketing strategies.

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