Chapter 8

Achieving Operational Excellence and Customer Intimacy: Enterprise Applications
STUDENT OBJECTIVES

• How enterprise systems achieve operational excellence by integrating and coordinating diverse functions and business processes in the firm.

• How supply chain management systems coordinate planning, production, and logistics with suppliers.
STUDENT OBJECTIVES

• How customer relationship management systems achieve customer intimacy by integrating all customer information and making it available throughout the firm.

• Assess the challenges and new opportunities raised by enterprise applications.
Whirlpool Fixes Its Supply Chain

- **Problem**: Uncontrollable supply chain, outdated systems.
- **Solutions**: Eliminate manual procedures and implement supply chain software suite to allocate inventory more accurately and forecast demand.
- **i2 Technologies forecasting software and SAP ERP software** reduce inventory and increase sales.
- IT’s role in coordinating supply chains.
- Illustrates digital technology as part of a solution that can benefit both a firm and its customers.
Whirlpool Fixes Its Supply Chain

Interactive Session: Whirlpool

• What experiences have you had with trying to purchase a product that wasn’t immediately available?
• What reasons did the vendor give for the product being unavailable?
• How could the vendor have managed its supply chain better?
• How was the problem eventually resolved?
Enterprise Systems

- **What Are Enterprise Systems?**
  - Based on integrated software modules and a common central database

- **How Enterprise Systems Work**
  - Best practices

- **Business Value of Enterprise Systems**
  - Increase operational efficiency
  - Support decision making and rapid responses to customer requests
  - Include analytical tools to evaluate overall performance
Enterprise systems feature a set of integrated software modules and a central database that enables data to be shared by many different business processes and functional areas throughout the enterprise.
China Telecom Turns to Enterprise Resource Planning

- Read the Focus on Technology and then discuss the following questions:
  - What problems did China Telecom face?
  - How did these problems affect China Telecom’s business?
  - How has the company chosen to solve these problems?
  - What other solutions might the company have tried?
  - Analyze the solution that China Telecom chose from the people, technology, and organization perspectives.
  - Did China Telecom choose the best solution? Explain your answer.
The Supply Chain

- A network of organizations and processes for procuring raw materials, transforming them into products, and distributing the products
- Upstream supply chain: firm’s suppliers, suppliers’ suppliers, processes for managing relationships with them
- Downstream supply chain: organizations and processes responsible for delivering products to customers
This figure illustrates the major entities in Nike’s supply chain and the flow of information upstream and downstream to coordinate the activities involved in buying, making, and moving a product. Shown here is a simplified supply chain, with the upstream portion focusing only on the suppliers for sneakers and sneaker soles.
Information and Supply Chain Management

• Inefficiencies cut into a company’s operating costs
• Just-in-time strategy
• Safety stock
• Bullwhip effect (accumulation of misinformation)
Supply Chain Management Applications

- Information visibility
- Supply chain planning systems
- Demand planning
- Supply chain execution systems
Supply Chain Management and the Internet

- Intranets
- Extranets
- Demand-driven supply chains
  - Push-based model \((\text{Forecast based, supply push})\)
  - Pull-based model \((\text{demand driven})\)
- Digital logistics nervous systems
Supply Chain Management Systems

**Push- Versus Pull-Based Supply Chain Models**

**Push-Based Model**
- **Supplier**
- **Manufacturer**
- **Distributor**
- **Retailer**
- **Customer**

- Supply to forecast
- Production based on forecasts
- Inventory based on forecasts
- Stock based on forecasts
- Purchase what is on shelves

**Pull-Based Model**
- **Supplier**
- **Manufacturer**
- **Distributor**
- **Retailer**
- **Customer**

- Supply to order
- Produce to order
- Automatically replenish warehouse
- Automatically replenish stock
- Customer orders

The difference between push- and pull-based models is summarized by the slogan “Make what we sell, not sell what we make.”

**Figure 8-5**

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Business Value of Supply Chain Management Systems

- Match supply to demand
- Reduce inventory levels
- Improve delivery service
- Speed product time to market
- Use assets more effectively
- Reduced supply chain costs lead to increased profitability
- Increased sales
What Is Customer Relationship Management?

- Knowing the customer
- Touch points
- Single enterprise view of customers
- Data and analytical tools answer important questions about customers
CRM systems examine customers from a multifaceted perspective. These systems use a set of integrated applications to address all aspects of the customer relationship, including customer service, sales, and marketing.
CRM Software

- CRM packages are available with a wide spectrum of functions
  - Partner relationship management (PRM)
  - Employee relationship management (ERM)
  - Sales force automation (SFA)
  - Customer service
  - Marketing
    - Cross-selling
    - Up-selling
    - Bundling
Operational and Analytical CRM

- **Operational**: customer-facing applications such as sales force automation, call center and customer service support, and marketing automation

- **Analytical**: applications that analyze customer data output from operational CRM applications
  - Based on data warehouses populated by operational CRM systems and customer touch points
  - Customer lifetime value (CLTV)
Business Value of Customer Relationship Management

- **Business benefits:**
  - Increased customer satisfaction
  - Reduced direct-marketing costs
  - More effective marketing
  - Lower costs for customer acquisition/retention
  - Increased sales revenue
- **Churn rate**
Challenges and Opportunities

- Technology changes
- Business process changes
- Organizational changes
- Switching costs
- Data management
Extending Enterprise Software

• Getting more value from enterprise applications
  • Flexibility
  • Integration with other systems
  • Enterprise suites
  • Links to customer and supplier systems