Integration of supply chain management and marketing as a base for the demand chain management concept formation

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Modern business is a complex system. It is a big organism, which includes a lot of different processes. Efficient business is a business where all processes are interrelated and aimed at firm’s goal obtaining. And as we all know, the main business goal of any firm is to create and maximize profitability. It depends on a lot of economic factors such as revenues, cost etc. Today top managers and scientists create many different concepts of business leading. In the proper form concepts implementation enable the efficient firm’s functioning at the market. Sometimes existing concepts can’t be effective any longer. That why, a new extended concepts arise.

In this paper a new concept of Demand Chain Management (DSM) is investigated. DSM integrates Supply Chain Management (SCM) and Customer Relationship Management (CRM) concepts.

First off all we will view SCM and CRM in detail.

SCM and CRM are basic concepts to create management process in marketing and logistics fields. We can meet a lot of different definition of SCM in the literature. SCM has obtained significant attention in the popular business press and in scientific literatures. E.g., Lambert and Cooper has divided SCM into two parts. First, the emergence of SCM from the logistics literature was described. Then, selected marketing literature was related to the SCM concept.

In the article they defined Supply Chain Management as “an integration of key business processes from end user through original suppliers that provides products, services, and information that add value for customers and other stakeholders” [1]. In our opinion this definition reveals the meaning of SCM most accurate. So, SCM is an operative and integrated process. It helps to enhanced firm’s efficiency.

SCM includes all of the activities associated with the goods flow and transformation from the raw-materials stage to the consumer purchase. SCM also encompasses the associated information and financial flows. SCM includes a lot of specific activities such as: sourcing and procurement, product design, production planning, materials handling, order processing, inventory management, transportation, warehousing, and customer service. Themost important aspect of the SCM involves the coordination and integration of all above-mentioned activities among the all supply chain partners (suppliers, distributors, transportation carriers, information systems providers etc.) [2]. It is important to emphasis that the main objective of SCM is to minimize the total supply chain cost.

CRM is the next important concept we are about to consider. All firms all over the world determine a high value of marketing in their effective functioning. Marketing makes decisions on sales force deployment, product offerings, marketing costs, and budgets [3]. According to the American Marketing Association (AMA) marketing is the activity, set of institutions, and processes for creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at large [4]. Usually, the primary objective of the marketing function is maximizing revenues by satisfying customers through the products and services offered. Specifically, to operate most effectively, its activities must be coordinated with the other functional areas of the firm [3]. So, marketing is a sufficient part of firm’s efficiency, but a key component of present conceptualizations of the marketing strategic role is customer relationship management. CRM can be defined as a macrolevel process “that involves the development and leveraging of market intelligence for the purpose of building and maintaining a profit-maximizing portfolio of customer relationships” (Zablah et al. 2004) [5].

To summarize, SCM and CRM are close concepts, but SCM focuses on efficient supply, and tends to be cost-orientated and marketing is more concerned with revenue by focusing on the demand side of the firm. That's why there is an arising conflict between these concepts.

As a result of this conflict in the late 20th century the new expanded DCM concept appeared. According to Selen and Soliman (2002) “DCM is a set of practices aimed at managing and coordinating the whole demand chain, starting from the end customer and working backward to raw material suppliers”. Another definition of DCM was formulated by Gartner Research (2013) “DCM is not only the business strategy corporations' take to keep synchronization of clients, channels, and the partners by various kinds of means but also an integrated strategy which is closely related to the demand chain” [6].

Martin Christopher in his conceptual framework allocated three main components of the DCM:

1. Process – managing the integration between demand and supply processes.

2. Configuration – managing the structure between the integrated processes and customer segments.

3. Social interactions – managing the working relationships between marketing and SCM.

The process of integration between demand and supply is carried out owing to customer’s requirements and needs, macro- and microsegmentation, forecasting and distribution. It’s important to add, that the interrelation between SRM and SCM is based on the informing of all members of the chain (new opportunities in chain etc.). And according to the mentioned above the main goal of the DCM is to create unique competitive advantages by linking together customer values with the most efficient product's flow.

So, only effective interaction between marketing and SCM can ensure organizational goals achieving. That's why DCM is a key driver for firms' financial and operating performance improving.

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