A Study on the Implementation of Relationship Marketing Approach in Supply Chain Performance: An analytical Literature Review

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Introduction:
It is now widely believed that the reason for existence of a business is to create and build profitable customer relationships (Ryals and Knox, 2007). During the past decades, the dynamic business environments and competitive market pressures have encouraged the formation of a network-based business model called the supply chain (Lambert and Cooper, 2000; Jüttner et al., 2010). Thus, it is of particular interest to many enterprises to develop successful long-term relationships throughout the supply chain which have the potential to render efficiencies, overall firm profitability, higher service, customer satisfaction and overall corporate growth (Lambert and Pohlen, 2001; Keller, 2002; Bowersox et al., 2007).

Relationship creation is clearly a marketing domain; as the Relationship Marketing (RM) concept is described as responsible for creating, building and sustaining customers’ relationships within business networks (Morgan and Hunt, 1994; Gummesson, 2002; Kotler and Armstrong, 2011). Knoppen et al. (2010) have labelled the integration of industrial marketing and supply management as supply chain relationship (SCR) referring to the inter-organisational adaptation phenomenon. Both disciplines should be integrated on an inbound and an outbound level since supply chain management (SCM) strategies are concerned with improving cross-organisational performance depending on this integration. Thus, marketing strategies should function in an inter-organisational business process to ensure a customer and market oriented supply chain network (Jüttner, et al., 2010).

The need for good coordination of inter-organizational and cross-functional relationships has been significantly supported in scholarly work. Moreover, research within both disciplines emphasizes the mutual benefits of the proposed integration. However, evidence has been revealed that integration throughout the supply chain is an objective of the conceptual theory yet not realized in practice (Fawcett and Magnan, 2002; Shepherd and Gunter, 2005). The main reason might be failure to identify and assign specific measures to assess the performance of the supply chain after the integration of RM. As stated by Kaplan (1992), ’No measures, no improvement’. Hence, it is important to measure certain attributes’ relationship to performance so as to prove the benefits of accommodating marketing and SCM.

This paper is a part of a work in progress which at this stage aims at presenting a conceptual framework suggesting that RM influences supply chain performance (SCP), thus contributes in rendering supply chain competitive advantages that can be measured by market and customer oriented SCP measures. At the present time it builds only on the current body of knowledge in an attempt to consolidate the discussed disciplines. Therefore, the structure of this paper is organized as follows: first, an analytical literature review on the integration between marketing, RM, SCM and SCP measures is presented. Then, an inductive methodological approach is followed to identify specific SCP measures for assessing RM impact on SCP. Next, findings alongside the suggested conceptual framework are drawn. Finally, suggestions for future research and conclusions are outlined.

Literature Review
Scope of SCM versus marketing/RM
SCM has evolved over time becoming more multidisciplinary in nature. Along the way there were disagreements and confusion with regard to a unified understanding of the SCM concept. The Council of Supply Chain Management Professionals (CSCMP, 2007) defined SCM as:

Supply chain management encompasses the planning and management of all activities involved in sourcing and procurement, conversion, and all logistics management activities. Importantly, it also includes coordination and collaboration with channel partners, which can be suppliers, intermediaries, third-party service providers, and customers. In essence, supply
chain management integrates supply and demand management within and across companies.

The argument here, as opposed to the CSCMP definition, is that the coordination and collaboration with channel partners does not solely fall under the spectrum of SCM. Evidently, SCM incorporates many activities and practices common with the concept and practices of marketing and RM. As the CSCMP describes the integration of supply and demand as a fundamental objective for SCM throughout the supply chain (Mentzer and Gundlach, 2010), the demand side in terms of coordination and collaboration with channel partners, in an attempt to create value and customer satisfaction, is believed to be the main domain of RM.

Integration views and perspectives
After reviewing a significant number of papers discussing the integration of marketing and supply chain (e.g. Lambert and Cooper, 2000; Alvarado and Kotzab, 2001; Flint, 2004; Jüttner et al., 2007; Mentzer and Gundlach, 2010; Jüttner et al., 2010), and in particular papers describing and analyzing the existing body of knowledge on the integration aspect (e.g. Knoppen et al., 2010; Jüttner et al., 2010), it was decided to follow the classification of one of the most recent and comprehensive paper, conceptualizing the integration from a strategic perspective by Jüttner et al. (2010). Lambert and Cooper (2000) who are major contributors to the marketing/SCM integration perspective, identify two aspects of integration which are the inter-functional aspect and the cross-organizational aspect. This classification has been supported since then by scholars and by the CSCMP. Jüttner et al. (2010) further divided the current research carried out on the integration into three perspectives, namely, an inter-functional perspective, a process perspective and the perspective of integrating business concepts.

First, the inter-functional perspective mainly refers to the close connection between logistics and marketing. SCM has evolved from the logistics concept and logistics was originated as the physical side of distribution, which is a main pillar of the marketing concept. Hence, logistics and marketing are inextricably linked (Alvarado and Kotzab, 2001; Flint, 2004). Within the marketing discipline distribution channels are interchangeably called marketing channels (intermediaries i.e. distributors, wholesalers and retailers), mainly downstream the supply chain, as they are a vital connection between the company and its customers (Kotler and Armstrong, 2011). Accordingly, logistics helps optimizing marketing strategies in terms of transforming the marketing mix (product, price, place and promotion) into value delivered to customers throughout the supply chain. This is realized through effective and efficient logistics management when the products are delivered at the right time, at the right place for the right price and still in the appropriate condition (Flint, 2004). Therefore, this inter-functional link, particularly delivery, positively affects customer service performance and delivers customer value, thus more satisfied customers. Nevertheless, it does not reflect the overriding level of integration from a cross-organisational perspective; the inter-functional perspective is more of a subset to marketing/SCM interface (Jüttner et al., 2010).

Second, the process perspective mainly incorporates the cross-organizational collaboration and coordination aspect that is designed to create value throughout the supply chain. From this standpoint the term supply chain may be too limited and a more appropriate term is the value delivery network which contains all channel members who align their activities to improve performance of the overall chain and deliver customer value (Kotler and Armstrong, 2011). According to Gummesson (2002) “the core values of relationship marketing are found in its emphasis on collaboration and the creation of mutual value”. This leads to considering all supply chain members: suppliers, retailers, customers and others as partners in value creation rather than adversaries. Thanks to advancements in Information Technology (IT) and automation customer value creation will be maximised through the Customer Relationship Management (CRM) concept which has evolved from RM. CRM comprises a strategic relational aspect as well as operational programs aiming at turning the values and strategies of RM, with particular emphasis on customer relationships, into practical application (Gummesson, 2002).

Third, although not necessarily always referred to as a part of marketing/SCM link, integrated business concepts such as quick response, agile SCM and demand chain management, are the most recent trends concerning the integration between marketing and SCM. The integrated business concepts are
built to establish solid competitive advantages enhancing performance of supply chain against competing chains. Zaho et al. (2008) emphasized that supply chain partners have to encompass competitive performance advantages such as quality, price, delivery speed, responsiveness, flexibility, and dependability. Moreover, these integrated business concepts aim at closing the gap between SCM and the market (Jüttner et al., 2010), which is defined by marketing scholars as a set of actual and potential buyers (Kotler and Armstrong, 2011). So, again the focus has to be put on the market, i.e. the customers, whether by responding quickly to demand changes, improving customer service or shorter delivery cycles.

The classification of Jüttner et al. (2010) was specifically followed as it adopts the perspective of the integrated business concepts addressing the most recent view of marketing/SCM integration that clearly emphasizes the importance of a customer oriented supply chain. Marketing researchers were pioneers in studying critical issues related to what is currently called SCM (Cooper and Lambert, 2000). Thereafter, they suggested that the creation of successful relationships relies, firstly, on customer knowledge, in other words starts from the market, i.e. customer backwards supply chain design rather than the factory outwards supply chain design (Kotler and Armstrong, 2011). Today the integrated business concepts claim the same argument especially when the value creation strategy needs to be directed towards profitable target segments.

Literature Review findings
Developing on the current body of knowledge, it is logical to conclude that the interface between marketing and SCM, on an inter-functional level or cross-organizational on the three integration perspectives by Jüttner et al. (2010), is mainly concerned with market or customer orientation, in terms of building and sustaining customer relationships, creating value, delivery and customer satisfaction. Unfortunately, while this concept is clearly sound on a conceptual level, the actual implementation is inherently very difficult and hardly realized in practice (Mentzer and Gundluch, 2010) as no specific measures have been assigned in the literature to assess the impact of the marketing/SCM integration on performance. Moreover, a scant attention has been given to the dilemma on decision making methods in relation to which performance measures to be adopted (Neely, 2005). These literature review findings assisted the researcher in choosing an appropriate research approach to select and assign SCP measures that can assess the integration between marketing/RM and SCM.

Research methodology
The initial methodology focuses on examining exploratory data. An inductive reasoning approach is followed as the literature search is usually based on qualitative methods. Hence, the researcher will be able to generate substantive understanding and knowledge about this new concept. As SCM research has often been criticized of following the positivist approaches, while qualitative and interpretative research is rather scarce (Kotzab, 2000), the findings of this study will later on be analysed and validated by more quantitative techniques. As a result, a balanced approach of triangulation will be achieved.

Content Analysis
Content analysis method is used to explore the existing SCP measures that can assess the marketing impact on SCP, as the content is a research tool that aims at determining the presence of certain words or concepts within texts or other audio/visual materials (Krippendorff, 2004). Following this method, academic papers and the supply chain operations reference (SCOR) model, as its proposed supply chain processes contain delivery and return processes (also called customer satisfaction), were analysed. The content analysis was conducted on two levels:

- First, to select the papers related to SCP measures published between 1995 and 2010.
- Second, further refine the findings by using purposeful sampling to select the papers that contain a specific set of SCP measures or a individual SCP metrics (Neely, 2005) related directly to marketing or to its activities, excluding papers with general methodologies of SCP design and strategies etc.

While the first search attempt was directed at journals in the field of SCM and logistics, an important observation was made. The majority of the pioneering research work and the pragmatic papers on SCP measures are not published in SCM and logistics related journals. On the contrary, a number of substantive papers on SCP measures are published in other fields’ journals such as the International
Journal of Productivity and Performance Management (Sheppard and Günter, 2005), Business Process Management Journal (Morgen, 2004), Computers & Industrial Engineering (Bahgawat and Sharma, 2007) and International Journal of Operations & Production Management (Gunasekaran et al., 2001). Thus, search was expanded to include a vast variety of academic journals from two leading academic databases, namely, Emerald and Science Direct. The search resulted in 378 relevant articles identified by searching for key words “supply chain management” with “performance measures” or “performance measurement”.

The results were further filtered to identify articles specifically including performance measurement systems and metrics for supply chains. Furthermore, the text was coded into manageable content categories (Krippendorff, 2004) to reflect measures related to marketing, RM, relationships, delivery, value creation, customer and customer satisfaction. These coding categories used were based on the literature findings that suggest an overlap of SCM and marketing within these categories. A total of 22 papers were identified.

**Findings**

The papers resulting from the search, that contain different SCP measurement metrics, followed a variety of classification for SCM measures. The majority divided measures into strategic, operational and tactical categories (e.g. Gunasekaran, 2001, Bahgawat and Sharma, 2007). Others used the supply chain operations reference (SCOR) model to measure SCP at different stages (plan, source, make, deliver and return or customer satisfaction) (e.g. Huang et al., 2004; Lockamy and McCormack, 2004; Li, S. et al., 2005). Moreover, Beamon (1999) and Chan (2003) classified measures into qualitative and quantitative, while Gunasekaran (2001) categorized SCP measures into financial and non-financial measures. SCP measures are further classified according to competitive performance attributes such as quality, cost, delivery, flexibility, resource utilization, trust, innovativeness and so on (Beamon, 1999). Furthermore, special attention were given to Chan and Qi (2003) and Morgan (2004) in this study as the former present metrics for measuring supply chain processes including marketing and the latter focuses on performance measures assessing collaboration and coordination efficiency within the supply chain.

Moreover, it is worth mentioning the rise and success of the balanced approaches, such as the balanced scorecard, encouraged researchers to use it in the field of SCP metrics design and implementation. A few papers within our research identified papers categorized SCP measures using the balanced scorecard approaches (Bahgawat and Sharma, 2007). Another paradigmatic paper resulting from our search was the contemporary literature review paper of Shepherd and Günter (2005) who presented a taxonomy for measures compiling SCP measures on three different classifications, namely, processes of the SCOR model, five different supply chain competitive advantages that the proposed measures can assess, and whether they are considered quantitative or qualitative performance measures.

Through the use of the taxonomy technique of Shepherd and Günter (2005), the measures resulting from the content analysis of the purposive sample of articles are presented as shown in Table 1.

<table>
<thead>
<tr>
<th>SCP measures major categories reflecting inter-functional and inter-organisational marketing/RM impact</th>
<th>SCOR model (version 8) processes reflection marketing: Delivery (D) Customer satisfaction (CS)</th>
<th>Supply chain competitive advantages: Quality (Q) Cost (C) Speed (S) Agility (A)</th>
<th>Qualitative (QL) or Quantitative (QN) measures</th>
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<tbody>
<tr>
<td>Distribution costs</td>
<td>D</td>
<td>C</td>
<td>QN</td>
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<tr>
<td>Delivery costs</td>
<td>D</td>
<td>C</td>
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<td>Delivery efficiency</td>
<td>D</td>
<td>C</td>
<td>QN</td>
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<tr>
<td>Delivery lead time</td>
<td>D</td>
<td>S</td>
<td>QN</td>
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<tr>
<td>Frequency of delivery</td>
<td>D</td>
<td>S</td>
<td>QN</td>
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<tr>
<td>Percent of on-time deliveries</td>
<td>D</td>
<td>Q</td>
<td>QN</td>
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<tr>
<td>Delivery reliability</td>
<td>D</td>
<td>Q</td>
<td>QN</td>
</tr>
<tr>
<td>Number of on-time deliveries</td>
<td>D</td>
<td>Q</td>
<td>QN</td>
</tr>
<tr>
<td>Quality of delivered good</td>
<td>D</td>
<td>Q</td>
<td>QN</td>
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<tr>
<td>Delivery flexibility</td>
<td>D</td>
<td>A</td>
<td>QN</td>
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### Table 1: Marketing/SCM performance measurement matrix based on the content analysis

Adapted and compiled by the authors from Beamon (1999); Gunasekaran et al. (2001); SCOR (V9); Parker and Axtell (2001); Chan and Qi (2003); Chan (2003); Shepherd and Günter (2005); Bahgwat and Sharma (2007); Cai et al. (2009).

Evidence of synergy, between the proposed attributes to categorize measures by the authors and the taxonomy method followed by Shepherd and Günter (2005), was found. Both studies considered the SCOR model as it already classified the SCP measures into processes including delivery, attempted to cover the competitive advantages that reflect the ability of a supply chain to deliver customer satisfaction and investigated whether the resulting measures are qualitative or quantitative. However, Shepherd and Günter (2005) were not particularly concerned with marketing/SCM integration performance measurements.

One significant observation emerging from the results of the content analysis revealed that the existing supply chain measurements proposed as marketing/SCM performance measurements are more functional logistics measures; rather than supply chain interactive measures; aiming at assessing functional areas and rarely cross-organisational areas. Hence, relatively few measures that are presented in Table 1 reflect the cross-organizational perspective, such as, buyer-supplier partnership, level of information sharing, customer satisfaction, customer complaints rate, rate of repeated orders and level of customer perceived value. Furthermore, the majority of measures are quantitative rather than qualitative measures that would have been more relevant in this context. This observation explains that qualitative metrics of supply chain relationships and customer satisfaction have been overlooked in the literature. Gunasekran et al. (2007) statistically proved that only 27% of the key performance indicators are related to customer satisfaction in measuring supply chain performance.

Thus, the existing measures covered in the literature are not the most appropriate for assessing the marketing/SCM integration phenomenon, as they are mainly functional measures that are not capable of assessing the of collaboration and integration throughout the supply chain. Researchers have to design metrics incorporating supply chain relationships and the whole integrated supply chain, rather than measures of intra-organizational performance.

#### Conceptual framework

Based on the reviewed literature, on the marketing/SCM integration theory and outcomes of the inductive exploratory literature search for measures that can assess the impact of this integration on SCP, the following preliminary conceptual framework was developed.
In order to conceptualize the different aspects of this study a framework (see Figure 1) was proposed. This framework applies to the inter-functional or cross-organisational level of marketing/SCM integration. Empirical studies throughout the literature have suggested the positive impact of marketing/RM on SCP. At the first level the model illustrates the relationship between the different RM approaches and techniques and the relevant proposed marketing/SCM integration measures resulting from the content analysis. At the second level, the positive link between RM and the supply chain competitive advantages is illustrated. These attributes are originally generated through the integrated business concepts (e.g. quick response, agile SCM and demand chain management) which are supply chain customer (market) oriented concepts. Both of the above mentioned illustrations were realized on an inter-functional as well as an inter-organisational level.

Then, the simplest level suggests testing the different supply chain competitive attributes using the marketing/SCM integration measures resulting from the study. Furthermore, the framework demonstrates that when the supply chain competitive attributes are positively affected by RM and properly measured by the proposed marketing/SCM integration measures, value will be created throughout the supply chain. Hence, favourable customer behaviours such as customer satisfaction and increased loyalty, which in turn will lead to higher retention rates of profitable customers, will be achieved. When that is properly achieved, the customer lifetime value will be maximised. Customer retention and improving customer lifetime value is an inherent aim of RM. The more efficient the RM techniques and instruments fulfilling customers’ needs and wants and creating stronger long-term relationships with them, the higher the organization’s profitability. Customers represent value to the firm and, thus, their value should be considered lifetime customer value. It is essential to calculate each customer's lifetime value in order to maximize the long-term benefit to the value chain (Zeithaml *et al.*, 2001).
Conclusions
The literature review, related to the marketing/SCM integration and the content analysis of literature aiming at identifying certain SCP measures reflecting marketing’s impact on SCP, reveal the following findings:

1. Unclear and overlapping domains of SCM and marketing/RM.
2. Supply chain collaboration from supplier to customer exists in theory, yet not realized in practice.
3. No specific work on measures assessing RM impact on SCP.
4. SCP measures still not unified and overlapping in the literature.
5. No evidence that companies’ implementation of theoretical approaches introduced in the literature and, if so, the level of improvement of the overall SCP is unclear.

To conclude, the marketing and SCM scholars and researchers have to unify their efforts to generate a clear understanding of SCM and marketing as interrelated disciplines that cannot be separated, especially when cross-organisational coordination and collaboration is involved. Furthermore, there is an urgent need to design and generate marketing/SCM integration performance measurements that can assess the level of coordination and collaboration of inter-organizational relationships along the supply chain. Otherwise, the positive integration will continue to remain an objective of the conceptual theory, not realized in practice. The development of relational measures assessing the overall integrated SCP rather than functional logistics measures currently used, is believed to close the present gap in the literature.

Further Research
To further develop and refine the proposed framework through field-based research, the current research is going to be supported by a quantitative empirical study on two levels in order. The first part of the deductive study is to conduct semi-structured interviews with marketing and supply chain managers at focal companies on the level of integration of marketing and supply chain in their companies, to validate the literature content analysis proposed measures and to further explore new measures reflecting and assessing marketing/SCM integration levels. The second part is to prioritize the measures resulting from the first part of the study through structured interviews and focus groups with selected experts. A case study on a multinational firm might be conducted as well to further support the outcomes. A suggested decision-making tool for the prioritization of SCP measures is analytic hierarchy processing (AHP). Finally, a proper conceptual framework for a measured marketing/SCM integration model will be developed.

References


