

Business to Business Strategy through Supply Relationship Management

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ABSTRACT

Supplier Relationship Management (SRM) is a systematic, enterprise-wide assessment of suppliers' strengths, performance and capabilities in relation to overall business strategy, determining what activities to perform with different vendors, planning and execution of all interactions. And Business-to-business (B2B) strategy involves the determination of what activities to engage in with different suppliers and planning and execution of all interactions with suppliers in a coordinated fashion across the relationship life cycle to maximize the value realized through those interactions. This paper proposes the establishment of a Business-to-business strategy using SRM. Starting with a theoretical review of SRM, we analyse what models are suitable for B2B. Based on the analysis, we would like to propose a Business-to-business strategy establishment plan combined with SRM. The results is that is possible to establish a B2B strategy using SRM for each industry, and it is expected that various types of results can be derived. In order to propose more concrete measures through additional research, it is judged that it is necessary to study the system as well as a deep understanding of individual industries.

Keywords: Supply Relationship Management, Business-to-business, Systematic approach, E-commerce, Strategy.

1. Introduction

Supplier Relationship Management (SRM) is a systematic, enterprise-wide assessment of suppliers' strengths, performance and capabilities in relation to overall business strategy, determining what activities to perform with different vendors, planning and execution of all interactions.

The focus of SRM is to develop mutually beneficial two-way relationships with strategic supply partners to provide a higher level of innovation and competitive advantage than can be achieved independently or through traditional transaction purchase agreements. Fundamental principles that support effective SRM include vendor information management, compliance, risk management, and performance management. The purpose of SRM is to maximize the value of these interactions. In fact, SRM involves building closer and more collaborative relationships with key vendors to discover and realize new values and reduce the risk of failure. SRM is an important area of procurement and supply chain management and is critical to business success. SRM is similar to Customer Relationship Management (CRM). Just as companies interact with customers multiple times over time, they interact with suppliers such as contract negotiation, purchase, logistics and delivery management, and product design collaboration (Daghar et al., 2021).

A Business-to-Business (B2B) strategy is a marketing strategy that sells products or services to other companies or organizations. It refers to a situation in which one company engages in commercial transactions with another. This usually occurs when a company-sources-materials for the production process for production, i.e., when it provides raw materials to other companies that will produce production (Geyskens et al., 1999; Hamidin & Rofaida, 2021; Hoyt & Huq, 2000). Businesses need other people's services for operational reasons (e.g. when a food manufacturer employs an accounting firm to undergo a financial audit). Companies resell goods and services produced by others (for example, retailers who purchase final products from food manufacturers). Business-to-business (B2B) strategy through supply relationship management (SRM) is the systematic, enterprise-wide assessment of suppliers' strengths, performance and capabilities with respect to overall business strategy. It involves

the determination of what activities to engage in with different suppliers and planning and execution of all interactions with suppliers in a coordinated fashion across the relationship life cycle to maximize the value realized through those interactions (Shin et al., 2019; Towers & Burnes, 2008)

- Today business drivers require fast reaction to the changing environment. Business is product-centric to customer centric, and it more focus on one competency
- Business Sphere Drivers have Globalization, High rate of Change, Specialization, and International Alliance.
- Market Drivers have New sales channels, Tailor-made products, Electronic contact, Global Customer, e-business, and Boundless industry wall
- Technology Drivers have Internet, Intelligent Agent, Pervasive Computing, and Common IT Infrastructure
- Customer Sphere Drivers have Customer power enlarged, Decreasing Loyalty, High expectation, Anytime / Anywhere, Shorter Lead Time, and Higher Information Demand
- Enterprise makes customer centric, and one competency

This paper proposes the establishment of a B2B strategy using SRM. Starting with a theoretical review of SRM, we analyse what models are suitable for B2B. Based on the analysis, we would like to propose a B2B strategy establishment plan combined with SRM.

2. Literature Review

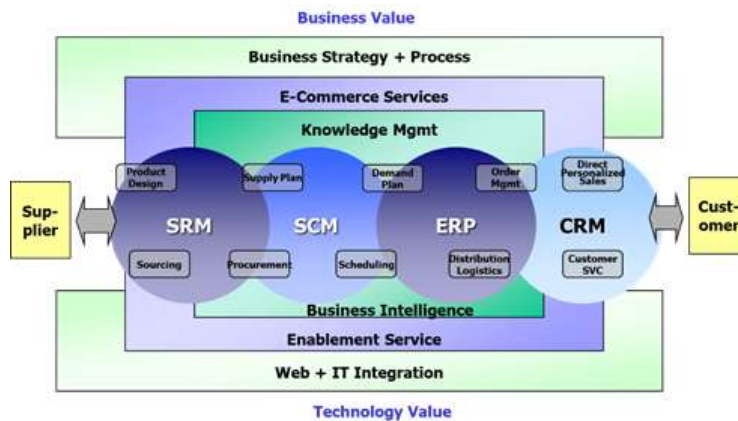
SRM is a Combination of tools, process, metrics and organization that allows enterprises to optimize the value achieved via effective management of the company's Supply Chain & Suppliers and enable enterprise and their supplier to collaborate, create and introduce better products faster and at lower cost, it's about right part, right supplier, and right price. SRM is Enterprise's Critical Competency and SRM brings enterprise higher return on assets and market valuation. Also, customer value could be created from Supplier value. SRM is the systematic approach to evaluating vendors that supply goods, materials and services to an organization, determining each supplier's contribution to success and developing strategies to improve their performance (Leonidou, 2004; Li & Yan, 2018; Marcinkowski & Bożydaj-Jankowska, 2019; Marcinkowski & Kutzner, 2019). The SRM discipline helps to determine the value each supplier provides and which ones are most critical to business continuity and performance. It also enables managers to cultivate better relationships with suppliers based on each supplier's importance. SRM is used by supply chain professionals who regularly deal with suppliers in areas such as procurement, project management and operations. Sometimes, SRM is one of the many disciplines of supply chain management. It is similar to vendor management and procurement processes, but there are key differences (Beier et al., 2016; Qian & Wagner, 2021). Vendor management generally focuses on establishing costs and service-level agreements between the organization and its vendors, while procurement focuses on the purchase itself (i.e., ordering, contracting, invoicing and paying).

2.1. Goals of supplier relationship management

Although different industries have differing categories of critical suppliers and each organization has its own unique mix, the overarching goal of SRM remains the same: to streamline and improve the processes that take place between the organization as buyer of products and services and the businesses that supply them (Aloui et al., 2021).

Similar to the way that customer relationship management (CRM) is intended to streamline and improve the processes between an enterprise and its customers, SRM aims to develop a mutually beneficial relationship between the organization and its suppliers, especially those deemed most strategic to the organization's brand. It is also meant to promote quality, efficiency and innovation. A successful SRM discipline seeks not just cost savings, but to maximize the value of suppliers to gain a competitive advantage in the marketplace.

Fig. 1: New business model through SCM



Supplier relationship management has become increasingly important as buyer-supplier networks become more global and interdependent and companies rely more heavily on strategic suppliers. SRM creates a framework for both identifying the strategic supply partners and organizing the relationship lifecycle. Its practices create a common frame of reference to enable effective communication between an enterprise and suppliers and measure supplier performance (Duffy & Fearn, 2004).

Some suppliers are more critical to business continuity, operational excellence, scalability and ultimately profitability. For example, a smartphone manufacturer's stationery supplier has little influence on profitability, but its main electronics supplier has a huge impact, making it a key strategic partner. Any risk to the electronics maker's operations is a major risk to the smartphone company (Katsaliaki & Kumar, 2021; Nyaga et al., 2010).

2.2. Tasks of supplier relationship management

To achieve its goals, an organization's SRM program must be strategic in approach -- articulating objectives and devising a plan before addressing suppliers -- rather than being reactive and engaging suppliers on an ad hoc basis or in response to particular issues.

Enterprise leaders who take a strategic approach, for example, might determine that long-term engagements with specific suppliers are preferable to ensure continuity of supplies, while short-term relationships with other suppliers can best ensure business agility and flexible pricing (Sierra-Correa & Kintz, 2015).

An effective SRM strategy also requires cultivating personal relationships with suppliers and working to build trust and mutually beneficial partnerships when appropriate. That could mean involving them in planning for key initiatives or jointly developing innovations (Singh & Sachdeva, 2018).

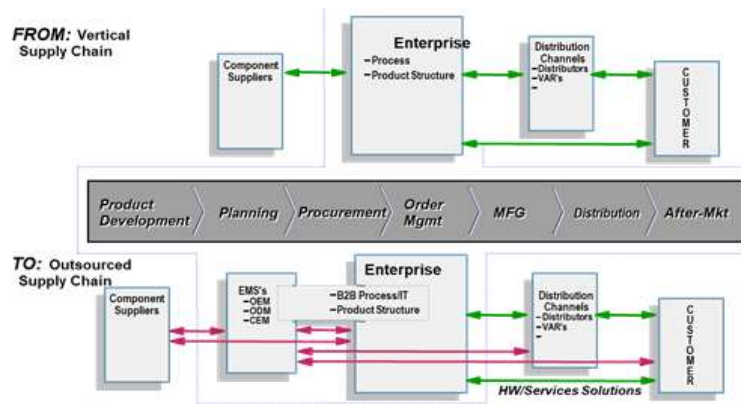
Leaders involved in SRM must also work to align everyone in their organization with the goals of the SRM program and ensure compliance with its objectives. They should also have a process for determining the value that the SRM program returns to the organization (Chen et al., 2020).

3. SRM approach

3.1. Increased collaboration & Integration with suppliers

As Supply Chains become increasingly dis-aggregated, Enterprise give up direct ownership of more and more elements of the Value Chain and Procurement & SRM becomes key control point.

Fig. 2: Challenges for increased collaboration and integration with suppliers



3.2. Target Materials of SRM

Direct materials and strategic MRO spend are the primary opportunity areas to drive significant cost reductions. Overcapacity and competition limit the ability of firms to raise prices and are placing severe pressure on margins. In order to maintain profitability, executives most focus on ways to reduce costs and improve cash-to-cash cycle times. The economic slowdown has forced C-level to focus on solutions that can quickly achieve significant cost savings.

Suppliers are also under margin pressures and are generally unwilling to make further price concessions unless forced to do so.

Fig. 3: Competency of SRM

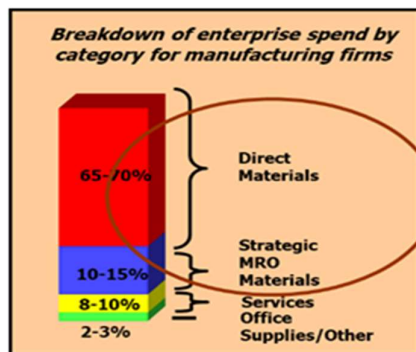
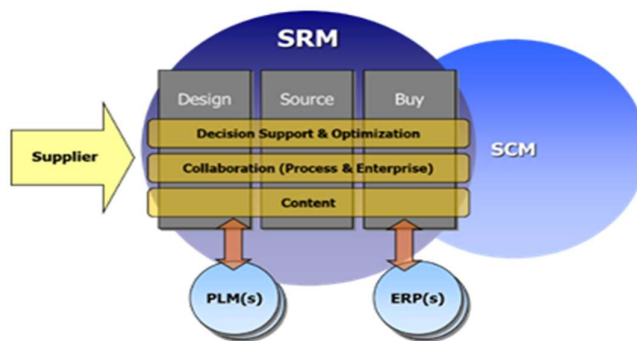


Fig. 4: Components of SRM



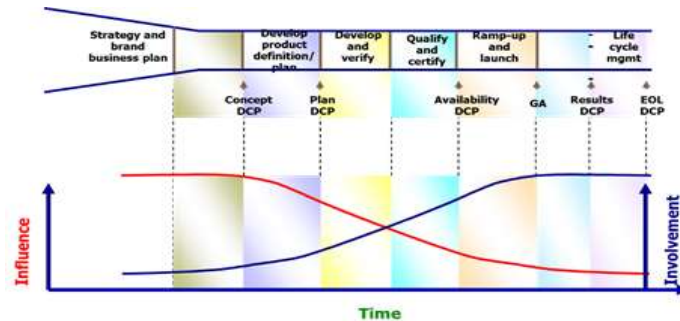
3.3. Strategic design

The objective of strategic design is to define the optimal sourcing strategy to reduce supply risk and costs. Functionalities are Commodity Management, Supplier Management, Contract Analysis, Outsourced Risk Management, RFQ, Auctions, and Bid Analysis. And Customer Benefits are Automated generation, distribution, collection and analysis of RFQs and Auctions, Aggregated visibility to enterprise spend/demand on all materials across the extended supply chain, Identify & qualify suppliers, supplier scorecards, determine best supplier allocation, Monitor and analyze performance to contract, and manage outsourced spend and supplier performance. If procurement works with development in the concept phase, enterprise's ability to make lower cost suggestions and recommend new ideas or methods has a much greater probability of being accepted. As the design process progresses our ability to have an impact diminishes.

1. Strategic sourcing is the first step of strategic design. The Objective is to define the optimal sourcing strategy to reduce supply risk and costs
2. Strategic Buy (Procurement) is to streamline the buying of direct and indirect materials
3. Collaboration (Design Collaboration) is to help companies share product content, schedules and constraints and execute shared workflows across the extended supply

4. Collaboration (Supply Collaboration) is to identify timing and quantity of purchases based on rapid visibility and matching of demand and supply
5. Content is to Provide clean and accurate decision support content to enable SRM business process collaboration and optimization

Fig. 5: Procurement engineering opportunity to influence



Through above 5 steps, Customer can earn these benefits such as Marketplace-specific content exchanges with commodity specific templates and supplier self- service content publication, Marketplace-to-marketplace search and comparison (Discovery) for potential suppliers or auctions, Legacy content migration & cross-referencing service, and Classified, normalized SRM content

4. SRM strategy

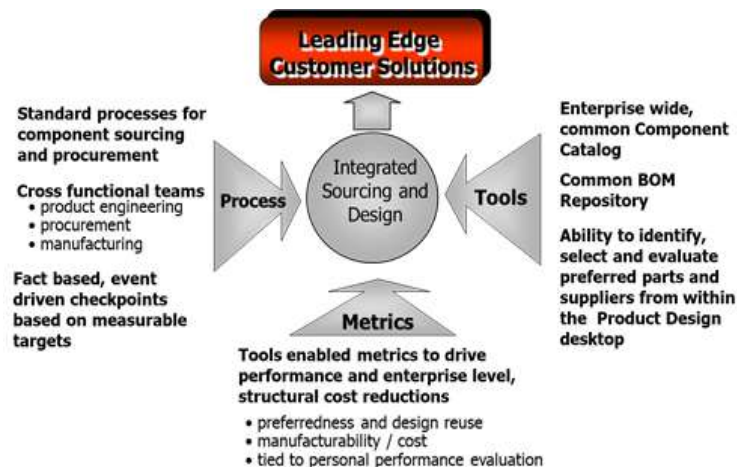
4.1. Core SRM strategy

Core Strategies for Structural Cost Reduction brings 4 major issues.

- ▶ Aggregate Enterprise Spend: The more you buy, the better the price, the greater the leverage that you have with your suppliers
- ▶ Reduce the Number of Suppliers: 1) Fewer suppliers means more concentrated spend and the ability to insist on better supplier performance, 2) Fewer suppliers means reduced sourcing costs and lower administrative overhead
- ▶ Drive Parts and Design Reuse: Reuse reduces part number proliferation, improves quality through greater reuse of proven designs, and reduces the time spent in design phase activities
- ▶ Measure Quality and Internal/External Performance across the Product Portfolio: Effective use of metrics provides visibility to the optimum combination of price, component quality, and supplier performance, and drives desirable behaviors

Effective execution of a Strategic Sourcing Strategy requires a solution strategy that leverages Tools, Processes and Metrics.

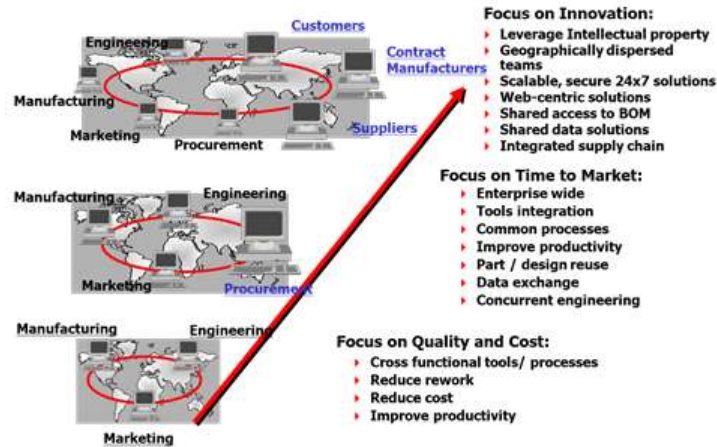
Fig. 6: SRM solution strategy



4.2. SRM environment

In the later stages of the deployment effort, the design and sourcing business processes will be deployed across the supply chain.

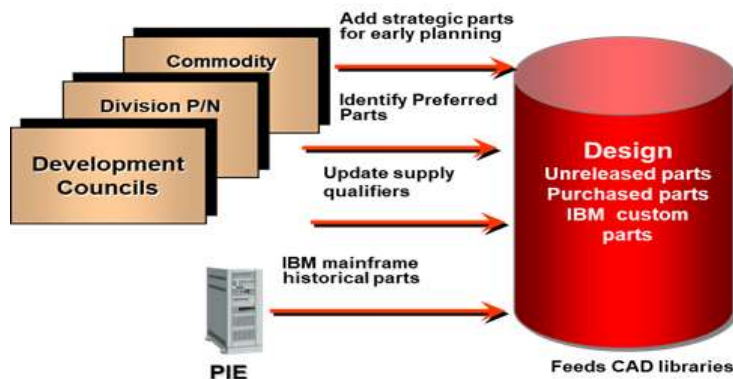
Fig. 7: SRM circumstance



4.3 SRM procurement

SRM procurement is the process that tied together our procurement, development and IT capabilities to effect our desired improvements.

Fig. 8: SRM procurement model



5. Conclusion

SRM has a huge benefit for business and customers. SRM strategy should have the exact objectives, components, and functionality as bellowed.

► Objectives

- Increase part reuse
- Ensure easy access to design and part information worldwide
- Don't re-invent the wheel--use existing, proven parts and designs wherever possible
- Reduce proliferation of new parts
- Reduce time to market
- Consolidate suppliers

► Solution Components

- Component Management

- Design for Supply
- Lifecycle Management
- ▶ **Functionality**
- Standard data model and normalized content for efficient searching for substitutable items
- Identification and evaluation of alternate parts and new sources of supply at product design time from within the engineering design applications
- Automatic part number cross-referencing capability for alternate part numbering schemes
- BOM rating for parts and design reuse
- Integration to negotiation, production planning, engineering design, and operational systems to maintain enterprise visibility to common data

This paper proposed the establishment of a B2B strategy using SRM. Through this research, it is possible to establish a B2B strategy using SRM for each industry, and it is expected that various types of results can be derived. In order to propose more concrete measures through additional research, it is judged that it is necessary to study the system as well as a deep understanding of individual industries.

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