

# Business to business marketing and supply chain management

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Business to Business and Supply Chain Management MSc in Marketing 14

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Introduction

With the changing environment of the modern day business operations, companies are required to ensure effective performance in each of its

domains to gain better efficiency and credibility. With maximum competition amid the companies in the global business market, the margin for error in any business has become minimum or negligible to say the least (Lu, 2011). Contextually, the performance of any business in its supply chain is considered to be much significance. In modern business practices, the system of supply management chain is increasingly being considered as the cornerstone that glues the entire business possesses. Significantly, the success of an organisation must be pegged on the supply chain as part of the vital elements in the system structure. Observably, supply chain is often regarded as the process of integrating companies and their operations together with regard to the flow of products, services along with other aspects of modern businesses (Ellis, 2010). Basically, the supply chain process entails the contribution of a supplier, distributor along with an instantaneous customer, and this further incorporates the flow of goods and the services of an organisation. In modern business practices, the supply chain retains its critical importance as it is directly associated with the operational wellbeing of the business (Warkentin, 2003). Correspondingly, this particular discussion will primarily deal with analysing the importance as well as the role of supply chain management in the domain of business-to-business marketing. The paper will also conclude some of the major prevailing issues associated with the supply chain management with considerations of two different industries, which will include the Textile Manufacturing Industry of China and Chemical Industry in Singapore in a macro prospective.

## Discussion

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## Supply Chain Management

Supply Chain Management (SCM) is one of the most integral processes in the contemporary business environment. It will not be vague to depict that it is one of major elements, which can directly decide upon the success potentials or failure risks of a company, irrespective of its industrial positioning. SCM is often defined as the management of the flow of goods within any particular business context. It primarily involves the movement of materials or finished goods from one domain of the business to the other in a systematic manner, ensuring time effectiveness in each of the stages involved in the supply chain process. The process of supply chain in the modern day business context also involves the activities of designing, planning, monitoring, controlling as well as executing the performance of various supply chain activities in an effective and efficient manner. According to Lambert (2008), a supply chain management is a particular process undertaken by any business that is directly or indirectly associated with fulfilling the requests or demands of the customers in various departments of the business. It is a collective approach where failure in one of the department or stage of the supply chain ultimately leads to the failure in the whole process (Chopra, 2008). Again, in the similar context, Lambert (2008) stated that a supply chain management is a particular process in business regarding the logistics that relates to the customers and suppliers at a comprehensive manner. The study of Lambert (2008) succinctly affirmed that SCM is a particular process of maintaining relationship within the supply chain process (Lambert, 2008).

## Supply Chain Models

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The stages of a typical supply chain commences from the supplier, then a manufacturer, distributor, retailer and then finally the consumer (Meyer, 2007). Handfield & Nichols, (1999) attribute supply chain to the flow and transfer of goods from the raw materials to the final product. Supply chain management involves the bringing together of such activities and the relationship creation plus the patching up that are required to ensure the activities happen synergistically. Other definitions of supply chain have incorporated flow of money to the concept mentioned earlier (Saunders, 1997). The concept of supply chain for business-to-business (B2B) marketing goes through a five process steps. In the appendix supply chain models for selected case studies have been shown.

#### Key Players of a Supply Chain and the Challenges they Deal With in Business-to-Business Marketing

There are various key players/members involved in the process of supply chain when performing a business-to-business marketing function. These players might include the planners or the developers of the strategies, the customers, the distributors, the manufacturers and the suppliers. This is one of the basic forms of SCM, where each of the members play a significant role to execute because any flaw is able to affect the entire supply chain process in some negative way. However, the number or the nature of these players is various based on the typology of the supply chain. Contextually, in a basic supply chain of business-to-business marketing, these players include the customers, the manufacturers, the suppliers, the companies, distributors and the Original Equipment Manufacturers (OEM's) etc. The role of customers is one of the most prominent in SCM, as they are regarded as the ultimate

receivers of the products that are passed through each of the stages of the supply chain process. Notably, the main purpose of any supply chain process is to gain customer's satisfaction, to attract customers as well as to retain them through its process. Similar to that of customers, the role of the distributors is also of utmost importance in the supply chain process of business-to-business marketing. They are also regarded as the initial participants from which, the products are distributed to the potential customers. The subsequent member of the supply chain management includes the manufacturers. This player also has a significant role in the entire SCM, as they take ultimate responsibility for the execution of finished products from the materials acquired from the supplier businesses. For example, in textile companies, one company delivers materials of garments to the manufacturing company, which further utilises the same to deliver finished products. There are several challenges that these players have to deal with, while involving in a particular supply chain process. Since the demand of high quality products and/or services is prominent in today's business context, each of the players of the supply chain will need to show maximum efficacy towards their work so that the high quality goods could be completely delivered to the ultimate buyers. Furthermore, since there is large number of players involved in supply chain of business-to-business marketing, proper coordination with each other is an issue to deal with (Toyin, 2012; Zhang, 2007). This aspect might impose considerable impacts on the entire supply chain process.

There are various forms of supply chain that can be identified in today's contemporary business scenario, which are further based on the differences

and scale of organisational operations. Some of the various forms of supply chain include dynamic, stable, dominant and power-distribution supply chain among others. Supply chains are also segregated by the basis of their structure of integration, composing of horizontal and vertical supply chain. In vertical supply chain, companies vertically integrate their business operations in domains lying in different paths of the same product line (London, 2007). The type of integration in such supply chain includes forward supply chain and backward supply chain. On the other hand, in the horizontal supply chain, companies in the similar sort of industries having similar operational requirements and strategic intents align their business operations together. These companies, aligning together horizontally, mostly belongs to same sort of companies dealing with the production of a similar kind of product (Slideshare, 2011). In both the forms of integration mentioned above, the complexity in the supply chain process tend to rise owing to lack of cooperation and time efficacy amid the companies involved in the supply chain. Toyota Corporation is good example of a company that has implemented the vertical integration process in supply chain while companies like Ford Motors and Volkswagen are example of companies implemented horizontal integration in their supply chain process (Slideshare, 2011).

In various forms of supply chain process, there are some concerning points arising in the supply chain due to complexity in supply chain designs. Notably the demands and needs of the customers in the global market have been changing quite rapidly. Hence, when companies combine them into business-to-business process, they need to take into consideration the

attitude of the customers in a collective manner and work accordingly (Drzymalski, 2012). Furthermore, in business-to-business marketing supply chain, both the companies need to assure that they are able to reduce costs in the supply chain as well as to control the quality of services that are to be provided to the end customers (Brennan & et. al., 2010).

The problems in supply chain can also be segregated based on the differences in the two industries where companies belong. The example of two different industries; a service and manufacturing industry, will be shown for better understanding. In the supply chain of service industry, the focus is mainly on gathering physical products along with making a wider supplier base, while in the service sector, participants have little to do with the physical materials. This aspect poses challenges in proper integration of supply chain amid two players in the business-to-business marketing. It has also been analysed that in the manufacturing sector, the importance and the role of logistics is quite prominent while in the service sector the same depicts a limited significance of the same. This is because manufacturing sector involves in the delivery of raw materials and final products more frequently, while in the service sector the frequency of this transaction is observed as a very limited ratio. These factors also may result in enhancing complexities of supply chain integration in the business-to-business marketing operations (Brennan & et. al., 2010).

**Main Issues in Managing the Supply Chain in Business-to-Business Marketing:  
Analysing in Macro Perspective Manner**

As described above, there are various challenges associated with managing supply chain in the contemporary scenario of business-to-business



transactions. Some of the basic challenges include the costs, efficiencies, the internal factors, the external factors and the geographical contexts. Cost is recognised as one of the major challenges faced by companies in business-to-business supply chain. With the ever-increasing cost of the materials along with labour, the cost effectiveness considerably impacts the supply chain process. Additionally, managing the flow of materials used in supply chain process has also become a key success associated with supply chain in business-to-business marketing. Relationship management is another challenge that has emerged in the supply chain process of business-to-business marketing in the present day context. Since companies lack coordination in such supply chain processes, well relationship management is deemed quite a challenging task for companies functioning in the recent business environment. Additionally, increasing political and environmental issues associating with business units is also perceived as an obstacles for companies who need to well manage the supply chain in business-to-business marketing (Wordpress, 2013; Ellis, 2010). These issues can be clearer explained by practical examples from the textile industry in China and the chemical industry in Singapore as provided hereunder.

The Chinese apparel industry is one of the leading industries in the world, in terms of both revenue and the scale of their operations. However, the supply chain challenges/issues commonly occurred in other sectors in the world are also seen in this industry of the world. The supply chain in the business-to-business sector of the apparel industry is currently observed as dealing with massive challenges related to the cost, efficiency in the supply chain environmental problems and logistics problems and so on. The challenges

faced by the supply chain process of the business-to-business sector are further identified as the internal corporate culture. There are also issues of sustainability that prevail around the supply chain of apparel industry in China. The ever-rising cost of the materials used in the Chinese apparel industry has significantly influenced the proper execution of the supply chain activities. Since the cost of cotton and energy is high, efficacy of the various stages of the supply chain process has also been impacted considerably in a macro perspective manner altogether. These aspects have made it quite challenging for companies to manage costs throughout the supply chain process of the business-to-business collaboration. Again, the effects of the environmental problems are also quite considerable in the Chinese apparel industry. Assuring a green supply chain process is one of the primary requirements of relevant authorities inspecting companies in the Chinese apparel industry. However, there are various issues identifiable within the manufacturing process in the apparel industry of China. The chemicals emitted from the manufacturing are further scrutinized to affect the environment in a negative way. This required the investment cost for prevention, which further increases the operational costs to companies in the apparel industry in China; thereby, hampers cost effectiveness throughout its business-to-business supply chain. In addition, this particular challenge also raises a degree of uncertainty on the sustainability in the Chinese apparel industry in the long run. From a macro-perspective, this can certainly be regarded as a challenge for the industry (Lam, 2006).

Observably, the prevailing political uncertainty in China is also affecting the proper management of the supply chain in the textile sector. Notably, the

government of the nation has tendency to enact certain laws to regulate the players in the apparel industry in order to for the industry to grow sustainably. It is worth mentioning in this context that although the many players in the apparel sector are able to meet the obligation set by government, the few players tend to fail to comply this obligation. The small members of the industry are not able to take full advantage of the supply chain concept as the governmental rules, which further pose immense challenges in the proper management of the whole supply chain process. Accordingly, a short life cycle of the fashion articles can also be identified as another major challenge that the supply chain of the industry is dealing with. Additionally, the supply chain participants of the industry also have to face challenges to obtain an accurate forecasts of the changing trends in the fashion sector because it leads many errors in the overall supply chain causing massive disruptions in the operation. The supply chain of the business-to-business marketing is also dealing with the problems of coordination among the companies cooperated in the supply chain system, which again hinders proper management of the supply chain process (Cooper, 2013).

As depicted earlier, the problems of supply chain occurred in the business-to-business domain is existing in various sectors or industries. Correspondingly, these aspects are also taken place in the chemical sector of Singapore. The industry is dealing with certain key macro-economic challenges in terms of managing its supply chain functions, directly relating to the environmental as well as regulatory elements in the nation. With investors' focus and strategic inclination shifted towards the Asian nations, the importance of

performing well in every sector of the business has augmented considerably to a much higher-level altogether (Singapore Economic Development Board, 2014). Notably, the supply chain process in the Singaporean chemical industry is dealing with the increasing risk of forecasting demands of the industry. Since the companies in this particular sector are shifting their supply chain operations from the traditional to the modern day approach, such a transition has also impacted the managerial functioning of the supply chain sector to a noteworthy extent (Knowler, 2014). The political issue of the nation has also posed a threat to proper management of supply chain in the chemical sector (Carpenter, 2013). The taxation policies of the government is also deemed to be quite stern towards the chemical sector of the nation, which again acts as a potential hindrance in the growth of the supply chain, which ultimately influences the proper management of the marketing process in the sector, concerning its business-to-business sector operations (Lam, 2000).

Information sharing is another factor that can cause significant damage to supply chain process for the companies in the chemical industry in Singapore. Contextually, it is visible that there is little communication amid the various players in the chemical industry in Singapore, which not only hinders proper information sharing but also negatively impacts the smooth operation of supply chain functions. In addition, it has been analysed that in the business-to-business supply chain in the Singapore, ships and trucks are mainly used for logistics in Singapore through waterways and roadways. However, due to to continuous halt in the logistics from natural disaster and manmade problems, the supply chain process in the said industry sector

take longer time (The Logistics Institute - Asia Pacific, n. d.). It is known that the impact of chemical industry on the environment is quite dreadful to say the least. In order to overcome this negative impact of the industry from the natural environment, the Singaporean Ministry of Environment has developed numerous laws and regulations. These environmental regulatory measures have also been observed that it hampers the growth of businesses or execution of participants functioning in the supply chain process in the business-to-business domain of Singaporean chemical industry (Ministry of Manpower, n. d.).

### Conclusion

From the overall analysis, it can be comprehended that SCM is one of the most significant processes in the modern day business environment. The effectiveness and efficiencies of any business is largely dependent on the proper execution of the activities within the supply chain process. However, it will be crucial to depict that in the modern day scenario, several key challenges make the companies deal with difficult execution in the supply chain process. In this context, the study conducted above has depicted the challenges faced by the players involving in the supply chain process is likely to hinder the effectiveness of the entire supply chain process. The paper has also shown the examples of the chemical industry in Singapore and textile industry in China in order to provide in-depth understanding of the challenges faced by the business-to-business supply chain process in the global scenario. Hence, it can be concluded that the role of the supply chain for business-to-business marketing and effective measures should be adopted by companies in order to deal with the challenges hampering the

smooth operations of supply chain in this particular sector.

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### Appendix: A

This is the typical supply chain for a Grocery.

### Appendix: B

This is the typical supply chain for Oracle.

### Appendix C:

#### Organizational Structures

Organizational structures achieve competitiveness in time and the structure supports both time and competitiveness, more so in such organisations that have a flatter structure. The flatter organisations have a kin to fast manufacturing and enhance relationship with suppliers. Such relationships can lead to outsourcing to avoid costly risks in technology, even from the

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supplier. On the other hand, vertical integration of the supply chain allows for several vendors to be included in along the chain as it moves from raw materials to the finished product, in a hierarchical management strategy. Ahn and Kaminsky (2005) assert that the customary push or pull are the strategies entrenched in the past and even acknowledge Simchi theory that there is a now push-pull paradigm. In line with ELs theory, the two stages push and pull model show how in a pull based supply chain production and distribution are demand oriented in such a way that they are interlinked with the real customer demand, but not the fore-cast demand. Such a two stage push and pull model is clear effort to remove over supply and excess stock, in similar pattern to Saunders (1997) theory.

#### Relationships within the Supply Chain

Relationships forms a significant component of supply chain and without such the chain becomes weak and poorly operated. In a familiar business setting, such relationships must be under the management of the marketing and PR departments, and as a result the organisation must incorporate different sectors so as to provide the right information. An organisation must ensure they maintain a good and healthy relationship by first being good customers first upon the suppliers to ensure a healthy symbiotic relationship based on trust and benefits.

#### Contemporary Supply Chain

In the 21st century supply chain models incorporate current logistics and customer ordering systems to enable EOQ, EBQ/ELS , prominently proposed by (Saunders, 1997). Currently the just in time production system, first designed by the Japanese auto giant, Toyota match supply to demand.

According to Bowersox et al. (2007), this is the perfect of the ordering system, and it can be achieved with lower costs. Often such may be affected by regulations from the authorities, a huge impact on the market place exchanges. In the global economic system, local laws but other convention that govern internal organisations interactions reign supreme, often negotiated by respective countries.