Business –to –Business Marketing:
Supply Chain Management.
Table of Contents

The Concept And Role Of The Supply Chain And Its Implications To B2B Marketing – A Literature Review .......................................................... 3 - 8

The Main Issues In Supply Chain Management – With Reference To Two Examples ............... 9 - 12

Conclusion ................................................................................................................................................. 13

Appendices ............................................................................................................................................... 14 – 17

References .............................................................................................................................................. 18 -19


**The Concept And Role Of The Supply Chain And Its Implications To B2B Marketing – A Literature Review.**

The purpose of this literature review is to examine the various theories of surrounding the supply chain in business-to-business marketing. The review will look at the concept of the supply chain and incorporate throughout role of the supply chain for marketing.

**The Supply Chain - Models**

A supply chain, according to Handfield and Nichols (1999) is the flow and transfer of goods from raw material to final product, and the activities that achieve this successfully. The management of the supply chain is the integration of said activities and the relationship building plus maintenance needed to perform these activities. Saunders (1997) seconds this definition, but adds that it is also the flow of money. Finances are, after all, what drive the purchasing chain and the key to exchange. Ellram and Cooper (1993) summarise and further this in saying supply chain management is ‘an integrating philosophy to manage the total flow of a distribution channel from supplier to ultimate customer’ (Rich and Hines 1997: 212).
Handfield and Nichols (1999) show an example of a supply chain; that of a cereal manufacturer; of which is detailed in figure one of the appendices. The example supply chain demonstrates their previously described flow of goods. Bowersox and Closs (1996) also detail an example supply chain; for a food distributor; as shown in figure two of the appendices. It is clear that this is more complex, because it involves more materials. This is something to be taken into consideration, the more products, even if they are similar, will complicate the supply chain and may as a consequence, cause issues for managers.

Figure three of the appendices shows Handfield and Nichols (1999)'s integrated supply chain model. The model demonstrates the relationships that must be managed and the flows of product/material and information/finance. Bowersox and Closs (1996) offer a distribution model, as shown in figure four of the appendices. The model demonstrates the flow of materials, how buyers may purchase from multiple channels and how one channel may supply multiple buyers. This however, is limited for the development of strategy, despite demonstrating the structure required to complete the process of marketing. Bowersox, Closs and Cooper (2002) put forward a model which seems to blend other theorists’ models together. The model is shown in figure five of the appendices and shows the relationship between channels, the process of raw materials to final product, the integrated networks and the possible flow of materials.

**Structure**

Rich and Hines (1997) also found that flatter organisational structures achieve competitiveness in time, this supports both Bowersox and Closs (1996) and Saunders (1997). These flatter organisations include quicker manufacturer responses and improved supplier relationships. In developing relationships with suppliers, the supplier themselves can allow outsourcing to avoid costly risks in technology. In turn, Rich and Hines (1997) found vertical integration of the supply chain also permits for multiple vendors to be factored in along the
supply chain, as it flows from raw materials to final product, through a hierarchical management strategy.

Hyun-Soo and Philip (2005) suggest that the traditional push or pull are strategies embedded in the past and cite Simchi-Levi et al. (2003)’s theory that there is now a push-pull paradigm. This is in line with Saunders (1997) EOQ, EBQ/ELS theory, as Hyun-Soo and Philip (2005)’s two-stage push-pull model; as shown in figure seven of the appendices; highlights how ‘in a pull-based supply chain production and distribution are demand driven so that they are coordinated with true customer demand rather than fore-cast demand’ (Hyun-Soo and Philip 2005: 610). The two-stage push-pull model attempts to eradicate over supply and excess stock, much the same as Saunders (1997)’s theory.

**Relationships Within The Supply Chain**

Handfield and Nichols (1999) also examine relationships within supply chain management. Relationships are an integral element of the supply chain, without them the chain is weak and poorly operated. Relationships are managed by marketing and PR, which means the company must integrate the various sectors in order to communicate correct information. The company must also ensure they themselves are good customers to maintain mutual benefits and trust. Bowersox and Closs (1996) support this in saying that as a basis, information sharing and joint planning improve efficiency in supply chain management; later in their article Bowersox et al. (2002), call this sharing of information enterprise extension. This collaborates with Handfield and Nichols (1999) because in doing these, a relationship is formed between the supplier(s) and buyer(s). Bowersox and Closs (1996) further suggest that this co-operation also reduces risk and therefore as said before, leads to an increase in efficiency and thus competitiveness.
Bowersox and Closs (1996) outline eight “i’s” that they put forward as being the key to supply chain relationships\(^1\). The eight points promote communication and bonding between parties, who support each other financially and through reputation. Both parties recognise their need for each other in order to achieve their long-term goals. These are however generalisations and one size does not necessarily fit all. Additionally, planning must be made for when the relationship falls into dissolution, which can be through natural progression or severance. Anderson and Narus (2004)’s description of supply chain management as a process that ‘incorporates acquisition of all physical (and increasingly informational) inputs, as well as the efficiency and effectiveness with which they are transformed into customer solutions’ (Anderson and Narus 2004: 11), agrees with the research of previous theorists outlined in this paper, in particular Bowersox and Closs (1996)’s eight “i’s”, as the description summarises their work. Bahinipati et al. (2009) would suggest the theory of relationships described previously in this paper is what they describe as supply chain collaboration. They outline supply chain collaboration as two companies taking a business agreement in order to achieve mutual goals through co-operation, of which is highly similar to Bowersox and Closs (1996)’s eight “i’s”.

Customer Needs

Anderson and Narus (2004) propose the integration of the company’s supply chain; which is more in line with the integrated supply chain model by Handfield and Nichols (1999). Integration has two outlets; internal and external. Rich and Hines (1997) report on internal and external integration. Rich and Hines (1997) quote Stevens (1989) as stating that internal integration is the alliance of activities from distribution backwards to manufacturers, to focus on delivering to the customer most efficiently. Stevens (1989) submits that external integration takes into account the needs of the industrial customer and once purchasing is focused on those needs, external integration has occurred. Integration as an extension of collaboration links back to Handfield and Nichols (1999)’s supply chain theory that advocates integration.

---

\(^1\) Bowersox and Closs (1996: 107) state the eight i’s are; individual excellence, importance, interdependence, investment, information, integration, institutionalisation and integrity.
The needs of the customer can however be difficult to predict. Changes in the market along with meeting supply and demand alter the customer’s requirements. Saunders (1997) suggests that matching supply and demand and meeting time objectives is a way to reduce costs within the supply chain. In terms of matching supply and demand, Saunders (1997) proposes the idea of stock control and reducing the ‘just in case’ stock. Saunders (1997) advises a control of EOQ\(^2\) and EBQ\(^3\)/ELS\(^4\) for bought-in materials and products made by the company. This controls the amount of supplies ordered in and the amount manufactured on-site, thus reducing the costs of both and preventing the waste of excess stock.

Additionally, Saunders (1997) looked at the condensing of ‘just in case’ stock, a model for this is shown in figure six of the appendices. This stock is emergency stock and is, as Saunders (1997) states, a rational idea, but nonetheless can be consolidated to eliminate unnecessary costs. In doing this, the finances recuperated can be reused elsewhere; for example, in building the important relationships as outlined previously Handfield and Nichols (1999) and Bowersox and Closs (1996); and promotes efficiency as depicted by Bowersox and Closs (1996).

The Contemporary Supply Chain

Bowersox et al. (2002) support Saunders (1997) as they state in 21\(^{st}\) Century supply chains, modern logistics and customer ordering systems enable the EOQ, EBQ/ELS that Saunders (1997) proposed. They state perfect orders; matching supply and demand; were once a rarity but now can be achieved habitually. Bowersox et al. (2002) also highlight how this premium performance is being achieved with lower costs.

Ferrell, Ingram & LaForge (2000) discuss how government regulations affect marketplace exchanges and how in a global economy this is increasing. In global supply chains, there are not just the local laws to be obeyed, but also the laws of the buyer’s and supplier’s country.

\(^2\) EOQ – economic order quantity
\(^3\) EBQ – economic batch quantity
\(^4\) ELS - economic lot size
The EU regulates Europe and Canada, USA and China all encompass their own regulations, but Ferrell et al. (2000) state that is a place for self-regulation; moral and ethical issues must be contemplated, aside from the traditional laws. An example of a highly regulated industry is the oil industry, as disasters in this industry impact globally and for an extensive amount of time. The use of morals and ethics within the supply chain can also be beneficial to the marketing strategy. A prime example of this is the Body Shop (2012) who pride themselves on their ethical trading, complete opposition to animal testing and the consideration of human rights and the planet.

Handfield and Nichols (1999) discuss a further effect upon the supply chain in the contemporary marketplace; the rise in recycling of products within the supply chain. This can be seen as a result of changing government regulations. For this to happen though requires technology or outsourcing to partners, which encounters risk or collaboration management and both encompass costs. But, it can be used as a marketing tool, showing the ecological values and beliefs the company hold, which is something which the tarmac industry put into practice.

Summary

There are multiple definitions of supply chains and their management and theories that inform how to manage supply chains effectively. The definitions of a supply chain primarily complement one another in that they develop in complexity due to marketplace changes over time. The literature surrounding the management of supply chains is vast and there are multiple effects and factors to be taken into account. This paper has examined some of the prominent theorems. Collaboration and relationship management stand clear, but price, supply/demand and regulations are also important factors when considering the relationship of the supply chain and its management within business-to-business marketing.

---

5 The oil disaster in 2011 off the Gulf of Mexico is a prime example of this, as described in the BBC News article (2012), a year on they are still suffering the effects.
6 Tarmac (2012) use waste aggregates; sort and recycle; at a ratio of 10:90 up to 50:50; recycled to new materials.
The Main Issues In Supply Chain Management – With Reference To Two Examples.

As stated previously, the two industries that will be used for the purpose of example will be jewellery and home appliances. The jewellery industry supply chain features the metals; gold, silver, platinum etc; and the jewels; diamond, ruby, sapphires etc; the mechanism, the craftsmanship required to create the jewellery and to shape the jewels before the retailer/jeweller/broker and end user. The home appliances industry features the metals and plastics for the casing of the product, the various components, the mechanisms needed for the components to work, the factory to assemble to parts before the retailer and end user.

Managing The Flow

Closs and Cooper (2002)’s research highlights the importance in managing the flow of information, finance and materials in the supply chain. In both home appliances and jewellery this is incredibly important. Materials must be supplied along the chain in order for the final product to be made, but along with this are both finances to supply the materials and information to enable the correct amount of materials to be supplied. Bowersox et al. (2002) describe these exchanges as enterprise extension; a key element of supply chain management; and an imperative component to being a good customer and not just a good supplier; therefore making enterprise extension an important element.

Relationship Management

As highlighted in the literature review of this paper, a key issue in supply chain management is the management of relationships. Handfield and Nichols (1999) discuss the importance in managing relationships within the supply chain, of which is relevant to both the home appliances and jewellery industries. It could be said however, that it is more crucial in the jewellery supply chain, as jewellers must be confident in their suppliers of not only the metals, but more importantly the jewels. Jewels must be sourced from trusted suppliers to
ensure legitimacy and value. Whilst the suppliers of components for home appliances are significant, alternative suppliers can be easily located, whereas reliable and trustworthy jewel suppliers are not in abundance. This is illustrated in Bowersox and Closs (1996)’s theory that relationships reduce risk and increase competitiveness and is embedded in their eight i’s theory. In the jewellery supply chain it is important to reduce risks in supplying and increase competitive advantage in order to produce the best jewellery. Additionally, this links to Closs and Cooper (2002)’s theory of managing the flow of materials, information and finance, as trusted suppliers will ensure this can operate smoothly. Thus, the significance of Handfield and Nichols (1999) theory of relationships resides predominantly in the management of the jewellery supply chain.

In relation to this, Bowersox et al. (2009) considered the theory of supply chain collaboration. This can only come about when there are sufficient relationships within the supply chain. The jewellery supply chain, as previously stated, must have strong relationships in order to function, so theoretically there is room for collaborations. However, it is more likely that the home appliances supply chain would use collaborations as they allow for technology and resource sharing. For this to happen, the successful management of a flat relationship must be implicated to enable efficiency within the management of the supply chain.

In addition to collaboration, successful relationship management is beneficial to total quality management; TQM from hereon; as stated by Bessant, Levy, Sang and Lamming (1994). Bessant et al. (1994) see relationship management as a reciprocal interdependence between buyer and supplier of which multiple relationships can be construed as networks. These networks must, however be managed to be beneficial and are key to the jewellery supply chain, as previously described, but also are functional for sourcing new suppliers from the network. This is however, not the single factor in TQM, as Bessant et al. (1994) note, as customer focus and infrastructure communication are also required. TQM is relevant for the home appliances supply chain as this enables buying and supplying of superlative materials, which in turn prevents problems for the end users. TQM is
nonetheless, as Bessant et al. (1994) state, an ongoing process which must be constantly assessed and managed.

**Price Issues**

Voeth and Herbst (2006) link price with relationships and suggest that relationships often begin with price discounts or offers. This is particularly relevant for the home appliances supply chain, as materials are lost cow and as Voeth and Herbst (2006) suggest, costs can be increased over the relationship period and contracts can be used for this. The jewellery supply chain though, is more difficult to implement pricing as a strategy. The raw materials used in jewellery are currently at a high, but are prone to fluctuations; therefore buyers and suppliers are restricted to the market value of materials and can only control their profit margins.

**Linking Structure To Relationships**

Wide business relationships would be valuable to the home appliances supply chain, as this type of relationship constrains suppliers and buyers together in that they are invested in one another to avoid heavy switching costs. Partnerships of close business relationships are similar to collaborations, and would be most relevant to the jewellery supply chain as they are based on reciprocation. As previously stated, the jewellery supply chain relies on quality suppliers and can in turn provide quality materials or contacts. Voeth and Herbst (2006) are the theorists who identify the two types of relationships and state that relationships within the supply chain can be ambiguous, with the main instigators of ambiguity being partners not wanting to invest in a relationship, or the collaboration has reached its natural end.

**Planned Obsolescence As A Management Issue**

In addition to a natural end to relationships, there is also an end to products. This is often unnatural, a form of planned obsolescence. In the jewellery supply chain, planned
obsolescence is, as Waldman (1993) suggests, a way to generate sales from making the products socially acceptably obsolete. Styles change much the same in jewellery as they do in fashion, so creating products that become obsolete to the end consumer enables renewed custom within the supply chain. Whilst there are developments in styles of home appliances, another form of planned obsolescence that can be implicated is the technology itself. Cooper (2004) highlights how this deliberate limited lifespan of technology has been implemented extensively and is there to ensure products deteriorate and in making repairs and parts expensive, the companies keep their supply chain replenished and continued custom.

21st Century Implications

As Handfield and Nichols (1999) outline, the recycling of materials within the supply chain is a rising issue. In the home appliances supply chain, recycling components would require various technologies, but the casing and outer materials; such as the metals; could be readily re-used. The jewellery supply chain could also make use of the growth in metal recycling7 in order to make a marketing stance, increase profit margins and obey moral guidelines.

Electronic Data Interchange; EDI from hereon; enables sourcing of suppliers for both the jewellery and home appliances industries more efficient. In contemporary and global supply chains, contracts and networks must be dealt with swiftly. The Internet has seen the development of ‘many significant opportunities for cost reduction and service improvements’ (Lancioni, Smith & Oliva 2000: 46) of which can be used in both industries. Home appliances can source suppliers and buyers globally and global transactions can become commonplace in order to gain the best financial position. The jewellery supply chain has long since sourced diamonds and jewels from countries around the world, but with globalisation now a reality, these transactions are more rapid and economical.

7 For example there has been a rise in companies such as CashForYourGold (2012) and Ramsdens (2013) who take the public’s old, broken or unwanted jewellery, melt it down and pay the customer a lump sum.
Conclusions

In conclusion, there are a variety of issues effecting management of both the example industry’s supply chains. The dominant issue is relationship management as it appears to hold the key to other issues that are resolved as a result of correctly managing this. Aside, issues that may be overlooked are recycling and ethical management. These strategies when used in supply chain management not only benefit the customer; end and along the supply chain; society and the environment, but also the company as it gives them a stance. It allows for them to position themselves as a company that holds its corporate social responsibility in high standing, thus gaining a competitive advantage.
Appendices

Figure 1 – Example of a supply chain

- Handfield and Nichols (1999: 4)
Figure 2 – Food supply chain

- Bowersox and Closs (1996: 91)
**Figure 3 – Integrated supply chain model**

![Integrated supply chain model](image)

- Handfield and Nichols (1999: 5)

**Figure 4 – Distribution channels model**

![Distribution channels model](image)

- Bowersox and Closs (1996: 90)
Figure 5 – generalised supply chain model

- Bowersox et al. (2002: 6)

Figure 6 – ‘just in case’ stock model

- Saunders (1997: 210)
Figure 7 – two-stage push-pull model

- Hyun-Soo and Philip (2005: 4)
References

- CashForYourGold (2012), Group International; http://www.cashforyourgold.co.uk/; date accessed 30/04/2013.


• Ramsdens (2013); [http://www.ramsdensforcash.co.uk/](http://www.ramsdensforcash.co.uk/) ; date accessed 30/04/2013.


• Saunders, M. (1997); ‘Strategic Purchasing and Supply Chain Management’, Pearson Education 2" Ed.


