

Unit 6 Question Bank - Answers

2-Mark Questions

1. What are the three main phases of CRM? 1

The three main phases of CRM are:

- **Acquire:** Focuses on new customer contact management, marketing, and selling information².
- **Enhance:** Uses web-enabled CRM with customer tools to improve the relationship³.
- **Retain:** Involves identifying, enabling, and rewarding loyal customers⁴.

2. Define ERP in your own words. ⁵Enterprise Resource Planning (ERP) is a single IT system that businesses use to integrate information and functions from different departments⁶. It allows a company to automate and integrate most of its business processes, sharing common data across the enterprise to provide real-time information for better decision-making⁷.

3. Mention two tangible benefits of ERP implementation. 8

Two tangible benefits of ERP implementation are:

- It reduces the production cycle and enables a faster delivery system⁹.
- It improves productivity and reduces flaws in inventory, procurement, manufacturing, and distribution lead times¹⁰.

4. What is the difference between Push and Pull supply chain models? ¹¹In a **Push model**, production and distribution decisions are based on long-term forecasts and past orders, effectively "pushing" products towards the market¹²¹²¹²¹². In a **Pull model**, production and distribution are demand-driven, meaning they are triggered by actual customer orders, effectively "pulling" products through the supply chain¹³¹³¹³¹³.

5. State any two functional areas of CRM. 14

Two functional areas of CRM are:

- **Lead Management:** The process of gathering, analyzing, and managing information about potential customers¹⁵.
- **Marketing:** Using the CRM system to target specific audiences, run campaigns, and analyze which promotions were most effective¹⁶¹⁶¹⁶¹⁶¹⁶¹⁶¹⁶¹⁶.

6. What is the main goal of Supply Chain Management? ¹⁷The main goal of Supply Chain Management (SCM) is to manage the flow of goods and services, including all processes that transform raw materials into final products, in order to maximize customer value and gain a competitive advantage¹⁸. It aims to satisfy customers at the lowest possible cost¹⁹¹⁹.

7. Define e-procurement. ²⁰E-procurement, or electronic procurement, is a digital transaction process that involves using the internet to buy and sell goods and services²¹.

8. Name any two components of an ERP system. 22

Two components of an ERP system are:

- **Finance:** This component tracks all financial data, including accounts payable, accounts receivable, budgets, and costs²³.
- **Human Resources (HR):** This component handles all personnel-related tasks, such as payroll, performance reports, attendance tracking, and promotions²⁴²⁴²⁴²⁴.

9. List any two contemporary trends in CRM. 25

Two contemporary trends in CRM are:

- **Supplier Relationship Management (SRM):** Focuses on keeping suppliers satisfied by evaluating and categorizing them for different projects to optimize supplier selection²⁶.
- **Partner Relationship Management (PRM):** Focuses on keeping vendors satisfied by managing relationships with alliance partners and resellers to provide customers with optimal sales channels²⁷.

10. Mention any two limitations of ERP. 28

Two limitations of ERP are:

- ERP implementation is very time-consuming and capital-intensive²⁹²⁹.
- The software is often designed for manufacturing industries and may not be suitable for

service industries³⁰.

5-Mark Questions

1. Explain the evolution of Customer Relationship Management (CRM). 31

The evolution of CRM has been a gradual shift from manual record-keeping to sophisticated, data-driven systems:

- **1950s:** Businesses used pen and paper, with file cabinets for documentation³². The invention of the Rolodex in 1956 was a key step in organizing business contacts³³.
- **1970s:** The emergence of mainframe computers allowed businesses to create standalone digital databases for customer information, enabling early "database marketing" to customize communications³⁴.
- **1980s:** In 1987, a digital version of the Rolodex called ACT! was launched, which included a contact management tool and paved the way for future Content Management Systems (CMS)³⁵.
- **1990s:** Database marketing evolved into **Sales Force Automation (SFA)**, which could track and analyze customer data³⁶. In 1993, Siebel Systems was founded and became the leading SFA provider³⁷. The term **Customer Relationship Management (CRM)** was officially coined around 1995³⁸. The decade ended with the launch of the first mobile CRM by Siebel and the first cloud-based CRM by Salesforce in 1999³⁹.
- **2000s:** After the dot-com bubble burst, the industry refocused on creating more coherent CRM systems⁴⁰⁴⁰⁴⁰⁴⁰. The first open-source CRMs were launched by SugarCRM and Vtiger in 2004⁴¹.
- **2010s - Modern CRM:** With the rise of mobile computing and Big Data, modern CRM systems can now manage sales pipelines, project sales forecasts, and integrate with social media platforms and other applications⁴².
- **Future Trends:** The future of CRM is being shaped by breakthrough technologies like Artificial Intelligence (AI) and Machine Learning, which will help sales teams shift their focus from finding prospects to better caring for the customer⁴³.

2. Describe the core and extended components of ERP. ⁴⁴ERP systems can be divided into core components, which focus on a business's internal operations, and extended components, which focus on external operations and relationships⁴⁵⁴⁵⁴⁵⁴⁵.

Core ERP Components:

- **Accounting and Finance:** This is a traditional ERP component that handles all financial data and processes, such as general ledger, accounts payable/receivable, budgeting, and asset management⁴⁶⁴⁶⁴⁶⁴⁶.
- **Production and Materials Management:** This component deals with production planning and execution, including demand forecasting, production scheduling, quality control, and job cost accounting⁴⁷⁴⁷⁴⁷⁴⁷.
- **Human Resources (HR):** This component manages all employee information, including payroll, benefits, compensation, and performance assessments, while ensuring legal and tax compliance⁴⁸⁴⁸⁴⁸⁴⁸.

Extended ERP Components:

- **Business Intelligence (BI):** This component collects and organizes information from across the organization and uses analytical tools to assist managers in making better decisions⁴⁹⁴⁹⁴⁹.
- **Customer Relationship Management (CRM):** This component provides an overall view of customer data and interactions, enabling organizations to be more responsive to customer needs⁵⁰⁵⁰⁵⁰.
- **Supply Chain Management (SCM):** This component helps manage the entire supply chain, from acquiring raw materials to delivering finished goods to the customer, by organizing plans, schedules, and controls⁵¹⁵¹⁵¹.
- **E-business:** This component typically includes **E-logistics** (managing the transportation and storage of goods) and **E-procurement** (the business-to-business purchase and sale of supplies over the internet)⁵²⁵²⁵².

3. Discuss the elements and importance of Supply Chain Management. 53

Elements of SCM:

The supply chain consists of five key elements or parts that manage the flow of goods and services⁵⁴⁵⁴⁵⁴⁵⁴:

1. **Planning:** This initial stage involves planning to match supply with customer and manufacturing demands by predicting future needs for raw materials, equipment, and staff⁵⁵.
2. **Sourcing:** This involves working with vendors to supply the raw materials needed for production⁵⁶. It relies heavily on building strong relationships with suppliers⁵⁷.
3. **Manufacturing:** At the heart of the process, the company transforms raw materials into a finished product through assembly, testing, inspection, and packaging⁵⁸⁵⁸⁵⁸.
4. **Delivering:** Once products are made and sold, this stage focuses on getting the products into the hands of customers through robust logistics and distribution channels⁵⁹⁵⁹⁵⁹.
5. **Returning:** Also known as reverse logistics, this concluding stage involves managing customer returns, handling product recalls, and identifying the cause of the return to prevent future issues⁶⁰⁶⁰⁶⁰⁶⁰⁶⁰⁶⁰⁶⁰.

Importance of SCM:

SCM is crucial because different functional departments (e.g., marketing, finance, manufacturing) often have conflicting objectives, and SCM works to integrate them⁶¹. Key reasons for its importance include:

- **Reduced Costs:** SCM managers focus on reducing costs at all steps of the supply chain, which directly increases the company's profits⁶²⁶²⁶².
- **Better Customer Service:** Effective SCM ensures that the correct quantity of the correct items is delivered to customers in a timely manner, improving customer satisfaction⁶³.
- **Information and Communication:** A robust supply chain relies on the real-time transfer of information and effective communication between all parties, from the end-consumer back to the supplier⁶⁴⁶⁴⁶⁴.
- **Agility:** SCM allows a business to be more agile and responsive to unexpected issues by streamlining processes and increasing visibility across the supply chain⁶⁵.

4. What are the main drivers and advantages of e-procurement? ⁶⁶

Main Drivers of E-Procurement:

- **Cost Reduction:** The primary driver is cost reduction, as it can save companies a significant percentage on their annual purchasing budget⁶⁷⁶⁷⁶⁷.

- **Process Efficiency:** It cuts down the lengthy, paper-based purchasing process, which saves both cost and time⁶⁸⁶⁸⁶⁸⁶⁸.
- **Automation and Cycle Time:** Savings are achieved through pre-approved and automated validation processes, which drastically reduce the cycle time for ordering materials⁶⁹.
- **Technological Transformation:** Key technological drivers include the rise of cloud-based platforms, the "Amazonification" of procurement through automation, AI, and analytics, and the emergence of blockchain for B2B transactions⁷⁰⁷⁰⁷⁰⁷⁰⁷⁰⁷⁰⁷⁰⁷⁰.

Advantages of E-Procurement:

- **Increased Transparency:** It makes the transfer of data more transparent, allowing companies to view purchasing behaviors and control non-compliant or "maverick" spending⁷¹⁷¹⁷¹⁷¹.
- **Saves Money:** It helps companies save money by eliminating costly errors that occur with manual orders and paperwork⁷².
- **Automates Processes:** It automates procurement processes, which leads to more consistent and cost-effective operations while reducing monotonous tasks like data entry⁷³.
- **Shortens Cycles:** It shortens procurement and purchasing cycles, allowing a company to get the goods and services it needs faster, which limits downtime and increases productivity⁷⁴.
- **Improves Inventory Management:** It enables companies to gather accurate information about their supply of goods, leading to more informed business decisions⁷⁵.

5. Explain the benefits and risks involved in ERP implementation. 76

Benefits of ERP Implementation:

- **Integration and a Single Source of Truth:** ERP provides a single integrated database for all business processes, allowing for automatic data updates which leads to faster decision-making⁷⁷⁷⁷⁷⁷.
- **Enhanced Reporting:** It offers better reporting tools with access to real-time information⁷⁸.
- **Tangible Benefits:** These include a reduced production cycle, a faster delivery system,

improved productivity, and lower production costs⁷⁹.

- **Intangible Benefits:** These include greater transparency within the enterprise, more accurate information for decision-making, and improved employee morale⁸⁰⁸⁰⁸⁰⁸⁰.
- **Cost Savings and Efficiency:** ERP leads to cost savings through better inventory planning, procurement management, and the automation of manual tasks⁸¹.

Risks of ERP Implementation:

- **High Costs:** One of the most significant risks is the cost, as ERP projects are a major investment of both time and money⁸²⁸²⁸²⁸².
- **Complex Data Conversion:** Moving data from an old system and mapping it into the new ERP is a major challenge⁸³. Poor data quality from legacy systems can cause delays and increased costs⁸⁴⁸⁴⁸⁴⁸⁴.
- **Process Mismatch:** The software may not align with existing business processes, requiring the company to redesign its processes to match the software's requirements, which can be an exhaustive task⁸⁵.
- **Employee Factors:** A lack of employee skills, insufficient training, and user resistance are significant risks that can hinder a successful implementation⁸⁶⁸⁶⁸⁶⁸⁶.
- **Management Support:** A lack of senior management support and executive sponsorship is a critical risk factor that can lead to project failure⁸⁷⁸⁷⁸⁷⁸⁷.

6. Describe the phases of CRM and their importance. 88

The three main phases of CRM are Acquire, Enhance, and Retain. Each phase is critical to building and maintaining a profitable customer base.

1. **Acquire:** This is the initial phase focused on attracting and winning new customers⁸⁹.
 - **Description:** It involves managing new customer contacts and using marketing and sales information to bring new clients into the business⁹⁰.
 - **Importance:** This phase is crucial because it builds the foundation of the company's customer base. Without successfully acquiring new customers, the business cannot grow.
2. **Enhance:** This phase is about growing and nurturing the relationship with existing customers⁹¹.

- **Description:** It uses web-enabled CRM and customer-facing tools to offer excellent service and support, thereby adding value to the customer relationship⁹².
 - **Importance:** By enhancing the relationship, a company can increase customer satisfaction and learn more about their needs and behaviors. This helps in developing stronger, more profitable relationships over time.
3. **Retain:** This final phase is centered on ensuring long-term customer loyalty⁹³.
- **Description:** This phase involves implementing strategies to identify, enable, and reward the company's most loyal customers⁹⁴.
 - **Importance:** Customer retention is vital for long-term success. It is often more cost-effective to retain an existing customer than to acquire a new one. This phase helps reduce marketing costs and maximizes profits by focusing on the most valuable customer segments⁹⁵.

7. Discuss how e-business helps to restructure the supply chain. 96

E-business and e-commerce fundamentally restructure the supply chain by improving information flow, enabling greater efficiency, and supporting new business models that are less vertically integrated.

- **Enabling a Shift from Vertical to Virtual Integration:** Traditionally, many companies followed a "vertical integration" model, owning most of their supply chain⁹⁷. E-commerce facilitates a move toward "virtual integration" or "supply chain disaggregation," where companies can outsource more components and activities to third-party specialists⁹⁸⁹⁸⁹⁸⁹⁸.
- **Supporting a Narrow Process Span:** E-commerce increases the flow of information between members of the supply chain⁹⁹. This allows a company to adopt a "narrow process span," meaning it can focus on its core competencies while outsourcing non-core functions¹⁰⁰¹⁰⁰¹⁰⁰¹⁰⁰. The seamless information exchange enabled by e-commerce makes this model viable.
- **Improving Overall Efficiency:** E-business helps companies reduce overall costs, improve data accuracy, streamline supply chain services, and accelerate business cycles¹⁰¹.
- **Contingent on Adoption:** The effectiveness of this restructuring depends on all members of the supply chain being "e-enabled"¹⁰². If only a few partners adopt e-commerce, the efficiency gains for the supply chain as a whole will be limited¹⁰³.

8. Explain the functional areas of CRM. 104

CRM systems support several key functional areas of a business, all centered around the customer:

- **Lead Management:** This is the process of gathering, analyzing, and managing all information about a potential customer¹⁰⁵. It goes beyond just contact details to include a person's past experiences with the company and their spending habits, with the goal of converting them into a regular customer¹⁰⁶.
- **Marketing:** The marketing department uses CRM systems to increase sales by targeting specific audiences with different promotions¹⁰⁷. The system allows them to analyze marketing campaigns to see what worked well and use that data for future campaigns to improve success rates¹⁰⁸¹⁰⁸¹⁰⁸¹⁰⁸.
- **Sales:** CRM helps the sales department keep track of lead information and manage its activities more efficiently¹⁰⁹. It provides a single access point to all necessary customer information, so salespeople don't need to repeatedly contact customers for data¹¹⁰.
- **Reporting and Analytics:** CRM systems allow for more detailed and accurate reporting¹¹¹. Sales teams can use these reports to compare sales figures over different periods or track team activities, helping them identify and fix problems in the sales process¹¹².
- **Customer Service:** One of the biggest advantages of CRM is that it helps improve customer service¹¹³. It organizes customer information in a better way, making it easier for the service team to handle calls without confusion and to treat each customer according to their individual needs and requirements¹¹⁴¹¹⁴¹¹⁴¹¹⁴.

These areas are supported by the core components of CRM: the **People** who use the system, the business **Processes** it enables, and the **Technology** itself¹¹⁵.

9. Elaborate on the components of an e-procurement system. 116

An e-procurement system is composed of several integrated components that automate and manage the purchasing process:

- **Indent Management:** This is the process of recording the demand for a product or service¹¹⁷. Indents can be created within the e-procurement system or pulled from an existing ERP system¹¹⁸.
- **RFQ (Request for Quotation) Creation:** This component allows buyers to create an RFQ document that details their procurement requirements and terms, and then request bids

from vendors¹¹⁹.

- **Bid/Quote Submission:** This is the vendor-facing component where suppliers submit their quotes against an RFQ, including details like pricing, delivery times, and payment terms¹²⁰.
- **Reverse Auction:** This is an optional component where buyers can request vendors to participate in a reverse auction, submitting progressively lower bids to create competition and reduce costs¹²¹.
- **Bid Evaluation:** After receiving bids, buyers use this component to evaluate them, often through a comparative statement (CS) report that displays all quotes and terms in a single place for easy comparison¹²².
- **Vendor Selection & PO Preparation:** Once the evaluation is complete, vendors are selected, and a Purchase Order (PO) is generated by the system and sent to the chosen suppliers¹²³.
- **Vendor Management:** This component provides a platform for vendors to manage their own profiles, including contact information, bank details, and the categories of items they supply¹²⁴.
- **Catalogue Management:** This allows vendors to manage their own digital catalogues, specifying the items they supply along with prices and terms, which saves time for both buyers and suppliers¹²⁵¹²⁵¹²⁵¹²⁵.
- **ERP/EDI Integration:** This component allows the e-procurement solution to be integrated with existing systems like ERP or MIS, facilitating the communication of data between different applications¹²⁶.

10. Compare and contrast CRM, ERP, and SCM in terms of their objectives and benefits. 127
CRM, ERP, and SCM are all strategic initiatives that use technology to improve business processes, but they focus on different areas and have distinct objectives.

Feature	Customer Relationship Management (CRM)	Enterprise Resource Planning (ERP)	Supply Chain Management (SCM)		
Primary		Customer-		Enterprise	Supply-ce

Focus		customer-centric ¹²⁸ . Focuses on managing the relationship with customers.		Internal-centric ¹²⁹ . Focuses on integrating and automating internal business processes.	Supply chain-centric . Focuses on the flow of materials and information from suppliers to customers ¹³ 0130.
Main Objective	To find, attract, nurture, and retain customers to develop stronger relationships and maximize profit ¹³¹ .	To automate and integrate the majority of business processes, share common data, and provide real-time information for decision-making ¹³² .	To manage the flow of goods and services to maximize customer value, gain a competitive advantage, and satisfy customers at the lowest cost ¹³³¹³³¹³³¹³³¹ .		
Key Benefits	<ul style="list-style-type: none"> - Reduces marketing costs¹³⁴. - Helps identify and target best customers¹³⁵. - Maximizes profit by focusing on the most 	<ul style="list-style-type: none"> - Provides a single integrated database for a single source of truth¹³⁷. - Enables automation and improves efficiency 	<ul style="list-style-type: none"> - Reduces the cost of raw materials¹⁴⁰. - Provides 360-degree visibility of raw materials and finished 		

