# Making a Conceptual Framework for Supply Chain Management and Marketing Integration

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*Integration of Supply Chain Management (SCM) and marketing decision should be the prime concern of any profit maximising firm. Supply chain actions, should always be aligned with business strategy of the firm that include upstream and downstream activities in order to facilitate the integration of the SCM with marketing decisions. Many research constructs and best practices within SCM and marketing seems to be converging. This paper provides a framework for enhancing and evaluating integration between SCM and marketing. The conclusion in the paper supports the importance of SCM and marketing convergence for overall better performance of value chain of a firm.*

**Keywords:** Convergence, Integration, Supply chain management, Marketing, Value chain.

## Introduction

A supply chain is a complete network of facilities and distribution choices that performs the functions of procurement of materials, transformation of these materials into intermediate and finished products, and the distribution of these finished products to customers (Ganeshan and Harrison, 1995). The supply chain can also be described as a network of organizations that either upstream or downstream are connected to different value-adding activities. Supply Chain Management (SCM) refers to all of the processes, technologies, and strategies that together form the basis for working with internal as well as external sources of supply. SCM is the collaborative design and management of seamless value-added processes to meet the real needs of the end customer (Fawcett and Magnan, 2004). Marketing management refers to all of the processes, technologies, and strategies that firms use to generate and sustain demand. Marketing is primarily concerned with identifying and satisfying customer needs and wants which clearly involves directing the flow of goods and services from producers to end customers.

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A number of organizations have focused their efforts on developing sophisticated supply chains such that their managerial focus became myopic, and many lost sight of their markets and their customers, missing the fact that the customers, failing to realize their expectations, switched their loyalties (Walters, 2006). Thus it is essential to understand the marketing perspective also instead of solely focusing on SCM decisions. SCM and marketing often operate as self-optimizing, independent entities. Generally, SCM seeks to optimize supply, whereas marketing seeks to optimize demand. SCM is cost focused and deals with production and distribution; whereas marketing is revenue focused and involves identifying and responding to customer needs. The end result is the SCM and marketing efforts move in independent, even adversarial, directions. Marketing combined with dynamic SCM provides greater flexibility to satisfy customer demand based on the needs of individual customers and their value to a company.

**Literature Review**

A supply chain is defined as "the integration of key business processes from end users through original suppliers that provides products, services, and information that adds value for customers and other stakeholders" (Lambert *et al.*, 1998). Here, a supply chain includes all the value chain processes from suppliers to end customers. It is imperative that each supply chain participant adds value from the perspective of the end customer in the supply chain. This assumes integration of both supply and demand side activities in the value chain (Jung and Hong, 2007).

The notion of the SCM as the new corporate mantra, championing reduced costs, improving efficiencies, and rewarding end customers with reduced prices, seems somewhat inappropriate to those who are influenced by the notion that Marketing was the dominant corporate philosophy (Walters, 2006). The notion that an effective supply chain alone will ensure adequate end customer satisfaction by reducing costs and therefore prices is not necessarily an adequate model by itself (Childerhouse and Towill, 2000). As customer needs are ultimately seen in simplistic terms revolving around reduced price as a major determinant of satisfaction, supply chain efficiency is mistaken for effectiveness, with undue short-term emphasis on cost reduction at the expense of long term business goals.

Competitive advantage from SCM emanates primarily from the dual-edged sword of cost reduction and revenue enhancement (Green *et al.* 2006). SCM evolved from a traditional focus on purchasing and logistics to a broader, more integrated emphasis on value creation. According to Kampstra *et al.* (2006), leading firms increasingly view SCM excellence as more than just a source of cost reduction – rather, they see it as a source of competitive advantage. Many researchers argue that SCM creates competitive values through the active involvement of supply chain entities (Jung and Hong, 2007). Martin and Grbac (2003) claimed that SCM is very critical to the responsiveness to customer needs.

SCM is an integrated philosophy, spanning boundaries in the organization and crossing departments without regard to the functional silos that have existed for many years (Parente *et al.* 2008). Successful SCM initiatives require cross-functional integration and marketing must play a critical role. The challenge is to determine how to successfully accomplish this integration (Lambert and Cooper 2000). Lummus *et al.* (2003) examined the impact of marketing initiatives on the SCM. Their study showed that marketing initiatives can have a significant impact on supply chains. For example, the 'bullwhip' effect occurs when a firm's marketing actions, such as price discounts and trade deals, cause greater variance in sales for upstream suppliers, and the distortions are amplified back through the supply chain. These authors demonstrated that not only does SCM affect marketing efforts, but that marketing efforts also affect the SCM. Ryals and Rogers (2006) pointed out that substantial developments within SCM such as strategic procurement and marketing logistics (Christopher, 2005) remained largely unnoticed by marketing.

Integration of SCM and marketing decisions should be the prime concern of any profit maximizing firm. Supply chain actions, should always be aligned with the business strategy of the firm and include upstream (i.e., order processing) and downstream (i.e., demand management and customer service) activities (Sahay and Mohan, 2003) in order to facilitate the integration of the supply chain (Lummus & Demarie, 2006). According to Ryals and Humphries (2007), many research constructs and best practices within SCM and marketing seem to be converging. Although most of these studies have focused on importance of SCM and marketing in the value chain on a stand alone basis, integration of SCM and marketing is not explored much. This paper works in this direction and provides framework for enhancing and evaluating integration between SCM and marketing.

**Conflict between SCM and Marketing**

Conflicts arise between SCM and marketing due to differences in their viewpoints. SCM focus on cost control while marketing stresses on the revenue enhancement. Table 1, below contains a list of common issues from SCM and marketing perspectives.

Table 1. **Conflict between SCM and marketing**

| SCM Issues | Marketing Issues |
|---|---|
| 1. Inaccurate sales forecasts | 1. Inadequate production capacity |
| 2. Excessive inventory of finished products | 2. High production and distribution lead time |
| 3. Too large a range of product availability calling for small, and uneconomical production runs | 3. Insufficient inventory of finished products and product assortment |
| 4. Unrealistic requirements for customer service, product delivery time and quality standard | 4. High supply chain and field service costs |
| 5. Unnecessary and / or costly product customizations and design changes | 5. Resistance to and even inefficient execution of product customization process that enhance market competitiveness |

(Source: Compiled by author)

The main areas of conflict between SCM and marketing are summarized below:

1. Control: It is regarding who monitors what process, ownership of functions, sub functions and activities for better performance.
2. Availability of data and information: Limited data availability restricts better control, hinders decision-making capability and ultimately results in increased level of conflicts.
3. Risk mitigation: Difference in definitions of strategy for mitigation of risk.
4. Crisis handling: Crisis conditions and event handling roles during such situations remains undefined.
5. Failure handling: Responsibility and ownership in case of underperformance of targets and failure.

**Divergence of SCM and Marketing**

The deleterious results of not integrating the SCM and the marketing efforts are becoming increasingly evident. A firm can't reach its full potential in terms of developing, refining, supporting, or delivering products and services without using marketing insights to shape and refine the SCM. For example, unnecessary quarterly variability in dispatch of products in the market causes either sluggish sales for the most of quarter followed by end of quarter surge or brisk sales for the most of the quarter followed by slack sales in the quarter end. These phenomena are caused by marketing strategies that are misaligned with SCM (Slone *et al.*, 2007).

Similarly, it's difficult to execute a marketing strategy that meets the unique needs of customers – cost, quality, variety, delivery, and service – if the underlying support capabilities of SCM can't deliver. SCM should be core component of sales and marketing promotions. SCM and marketing that is not effectively tied to each other results in:

1. Under delivering
   Marketing processes increase customer interactions and raise customer expectations. But if the SCM can't deliver on marketing promises, customer satisfaction declines.
2. Over delivering
   Marketing initiative that don't provide information sharing on cost transparency with SCM results in delivering products or services that are unprofitable.
3. Lost share of customer opportunities
   Without SCM and marketing integration, the SCM can't capitalize on the customer needs information that marketing uncovers, and marketing can't implement new product or market development strategy that profitably increase the scope of its offerings.

The failure of SCM and marketing integration is significant barriers to identifying and responding to customer demand, optimizing inventories, exploiting sales and product development opportunities, and servicing the customer base. It also leads to either excessive inventories or out-of-stock situations. Poor collaboration leads to this situation internally, as well as up and down the external supply and marketing channels.

The formation of SCM and marketing efforts that tend to be linear and sequential causes the inability for an individual firm to excel at more than one discipline at a time. At the same time data and information can't be effectively shared among supply chain partners, customer-driven insight can't be utilized in the system, operational inefficiencies can increase manifold, and opportunities for value creation can be lost permanently. In many cases the marketing will not use markdowns to move obsolete inventory because the firm has allowed sales metrics to exclude the costs of carrying that inventory. The firm then pays the carrying costs of inventory and – sometimes years later – the cost of the inevitable markdown. Hence, the SCM function should be held equally accountable with the marketing function for customer service and inventory (Slone *et al.*, 2007).

Many consumer products firms are marketing driven in the sense that firm's strategy for next year is determined by marketing who devise marketing plans intended to sustain or increase market share of the firm's product lines.

Given the demand forecasting by marketing, the production is asked to devise production plans to meet product demand in a cost-effective way. Finally, given the production plans, the logistics department is asked to devise logistics plans for distributing finished products to wholesalers and retailers in the correct quantities at the correct time in a cost-effective way. In short, SCM and marketing decisions in many consumer products firms are made in a sequential and uncoordinated manner, as shown in Fig.1.

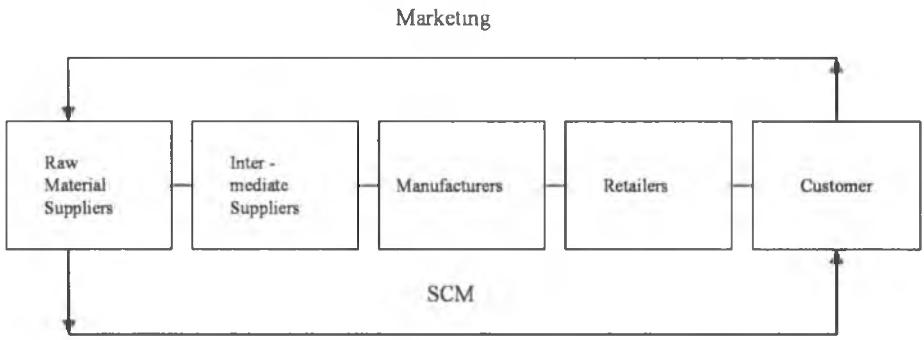


Fig. 1. **Sequential Network - Divergence of SCM and Marketing**

(Source: Compiled by author)

**Examples of SCM and Marketing Divergence in Auto, Computer, Consumer and Retail firms**

Following are well known examples of divergence of SCM and marketing. These examples are from different sectors viz. Auto, Computer, Consumer and Retail and companies discussed are Volvo, HP, Campbell's (Lee, 2001) and K-Mart respectively.

*Volvo*

In the mid-1990s, The Volvo Group - a Swedish producer of commercial and passenger vehicles (The company sold its car division to Ford Motor Company in 1999) found it had an excessive inventory of green cars at mid year. In order to reduce the inventory of green cars, the sales and marketing department began offering a host of promotional incentives through discounts, deals, and rebates on green cars to distributors. Because of great promotional efforts, sales of green cars soon picked up. However, the company's supply chain department was not aware of the promotional campaign and erroneously concluded that customer demand for green cars was the impetus behind the demand spike. As sales increased, the supply chain group decided to produce even more green cars to meet perceived customer demand. At year's end, Volvo had a substantial inventory of green cars due to divergence between its supply chain and marketing.

*Hewlett-Packard (HP)*

In 1995, Hewlett-Packard (HP) also learned a hard lesson from the lack of coordination between supply chain and marketing when it first introduced the Pavilion (its home personal computer) in the market. When demand for the Pavilion started to fall due to aggressive price cuts by its competitors viz. Compaq and Packard Bell, the HP supply chain decided to curb production of the Pavilion, only to discover later that their sales and marketing department had decided to match the competition's price cuts. The end result was that HP faced crippling stock-outs of the Pavilion during Christmas season.

*Campbell's Soup's*

Campbell's Soup's promoted the chicken noodle soup product heavily around the winter season, when demand usually remains very high. The end result was that an even greater spike of product demand occurred in the winter season. In order to meet this sharp increase in demand of chicken noodle soup, Campbell's had to prepare the chicken well in advance in large quantities in the spring period, using excessive storage capacity for the chicken and other ingredients of chicken noodle soup, and deploy full production capacities during the winter season for large scale production of soup. In fact, production facilities were used at peak level round-the- clock during the winter season. In order to make enough room for such huge production capacities in the winter, Campbell's had to manufacture other products in advance, leading to high inventory of such products and subsequently more storage needs. The overall result was that the increase in revenue due to the increased demand of chicken noodle soup stimulated through promotion scheme was weighed down by the huge production costs incurred to produce the product. The lack of detailed cost analysis of the real production cost of chicken noodle soup in pricing and promotion decisions led to considerable strain on operating and financial performance, what Fortune Magazine termed "the Dumbest Marketing Ploy Ever (Sellers, P., 1992).

*K-Mart*

A core theme of K-Mart's marketing communication (MARCOM) strategy was to issue promotional pamphlets and circulars for promoting sale items. The mailers increased store traffic and invariably increased retailer sales. However, the marketing efforts were not tied into supply chain operations. As a result, there were frequent shortages of promoted sale items. Customers came in to buy the promoted 'sale' item, were frustrated that it wasn't in stock, and left the K-Mart store with disappointment. K-Mart's repeated out of stock item notices were major cause of customers' grievances. After several such repeated experiences, customers began ignoring the K-Mart's promotional flyers altogether. Furthermore, after finding out that promotional flyers and pamphlets did not work well, K-Mart announced a new retailing strategy in 2001. According to new marketing strategy K-Mart decided to stop the weekly flyers and tried to lure customers by cutting prices on thousands of store items. But as customers were not informed of the price cut, this resulted in sales drop for K-Mart (Saporito B. *et al.,* 2002). Lack of coordination between SCM and marketing generated a brand nightmare and failure of K-Mart's marketing strategy.

**Convergence of SCM and Marketing: A Research Framework**

Countless consumer product manufacturers and retailers have overhauled the 'back end' of their businesses over the last decade, instituting new SCM processes that have lowered costs and reduced cycle times in manufacturing, distribution, and procurement. Other consumer businesses have focused on the 'front end' through marketing initiatives that have boosted customer retention and profitability. When the SCM side of supply efficiency is combined with marketing insight, a number of benefits emerge. These benefits include:

1. Reduced level of inventory from having precise information of inventory availability.
2. Reduced lead times from better visibility of demand for products.
3. Improved customer service and retention resulting from an improved ability to meet delivery on time.
4. Increased sales from being able to confirm availability and delivery of standard and enhanced products in real time.
5. Increased responsiveness by working across various sales channels, while taking into consideration production constraints.

The synergies between SCM and marketing have been widely acknowledged (e.g. Ellinger, 2000; Soonhong and Mentzer, 2000; Svensson, 2002), leading Piercy (2002) to conclude that their better coordination could define competitive advantage in new ways. Within the supply chain as well as the marketing literature, the need to link both sides has already been emphasized. Influence of SCM in areas which were originally domain of marketing, is increasingly recognized. Lee (2001) emphasizes the problems of SCM acting independently of marketing. According to Flint (2004), effective marketing strategy demands sound SCM. The argument for integrating SCM and marketing strengths is strong and compelling. According to (Lee, 2001), the influence of marketing activities on SCM, and vice versa, has to be understood and coordinated. Similarly, supply chain costs strongly impact marketing success of product and ultimately firm profitability. SCM and marketing have not always been seen to be closely linked in many firms. (Rainbird, 2004). In many firms, the SCM still seems to be disconnected from the demand side as it has only a faint idea of the drivers behind customer demand.

Firms that have linked their SCM and marketing capabilities have created 'Convergence of SCM and Marketing' referred to in this paper as CSM. It helps SCM and marketing reconcile the issues (mentioned earlier in Table 1) between opportunity losses due to insufficient capacity for meeting unexpectedly high demand and real losses due to excess capacity for meeting forecasted demand that is not realized. CSM approach is a broader picture, taking a view that SCM and marketing overlap, and that effective strategy is to integrate the two. If this is achieved, it results in bringing often conflicting objectives more closely together. The congruence between the objectives of the marketing concept (to mobilize total organizational effort to satisfy customers and generate a profit) and the concept of SCM (to link organizational and inter-organizational units to improve levels of service and reduce costs) is key concept of CSM as explained in Fig. 2.

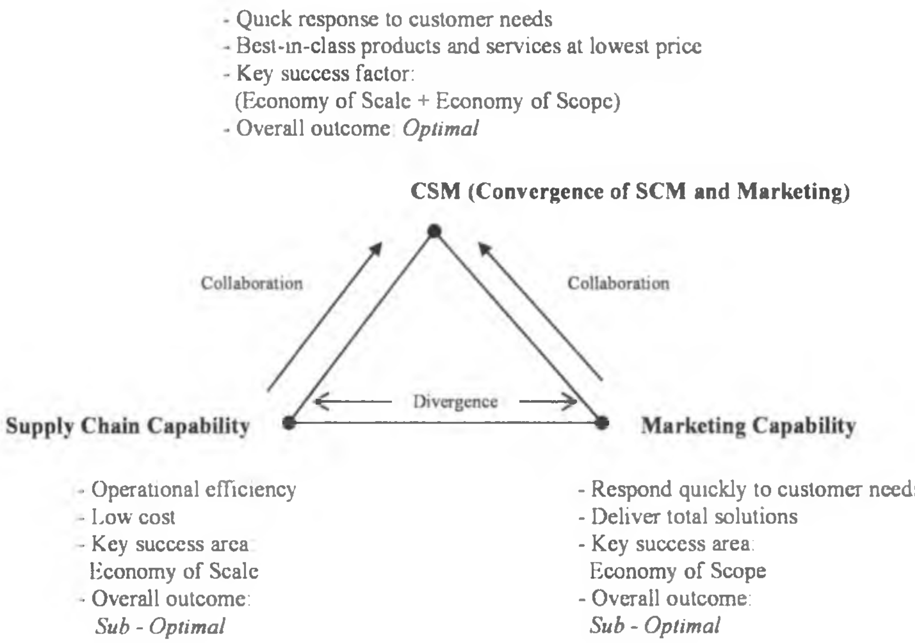


Fig. 2. **Convergence of SCM and Marketing (CSM)**

(Source: Compiled by author)

SCM is focused on the supply chain and deals with the buy-side of the enterprise; marketing is focused on the demand chain and addresses the sell-side of the enterprise. But when viewed as a whole, these two strategies combine to form the overall value chain. This is a basic premise of CSM. The goal of CSM is both to reduce or if possible eliminate buffers of inventory between the different organizations in the supply chain and at the same time deliver what the customer demand. Tackling one independently of the other, leads to sub-optimal solutions. SCM and marketing must work together in order to achieve organization goals. CSM (Convergence of SCM and Marketing) is increasingly being recognized by business firms as a key driver for improving financial and operating performance. As this recognition emerges, SCM is becoming much more closely linked with marketing and leading edge firms are making SCM a competitive differentiator by integrating marketing efforts of demand creation activity with SCM capability.

According to Sawhney and Piper (2002), firms with a high customer value focus achieve a higher level of business performance outcomes than those that show weaker customer value emphasis. Customer value is created through well planned, systematic use of market knowledge to shape flexible logistic and supply chain systems. The flow of goods and services must be adjusted constantly according to the development of the customers and the market. It is through the CSM that customer value, unique competitive advantages and increased profitability are achieved. In CSM initiatives, supply chains are much more customer focused - they deliver great service at lower cost and a key ingredient of their success is strong collaboration between SCM, as well as marketing where all are focusing on the customer value proposition as explained in Fig. 3.

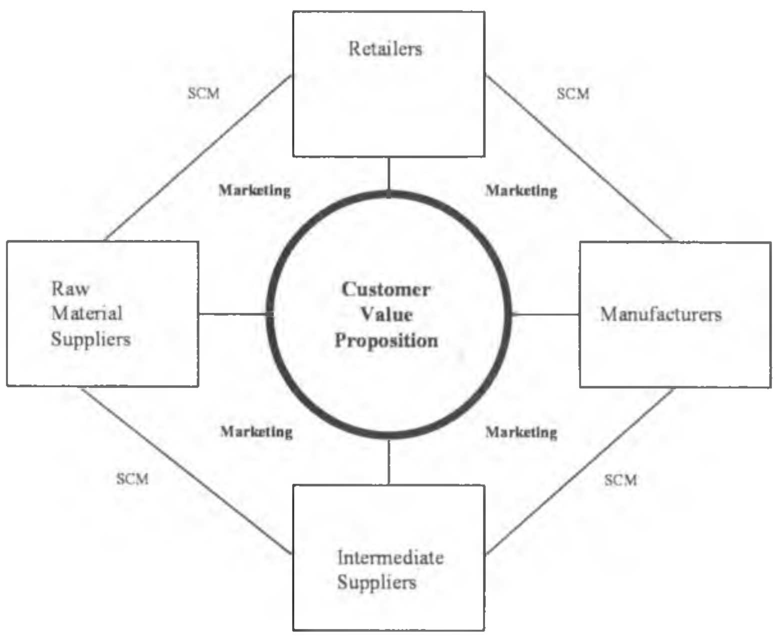


Fig. 3. **Ring Network – A framework for Convergence of SCM and Marketing (CSM)**

(Source: Compiled by author)

It is relatively common to find discrete functional excellence in SCM side by side with marketing. They frequently operate as separate, self-optimizing – even adversarial – entities. In practice, few companies truly integrate the SCM and marketing as envisaged by CSM. CSM links SCM decisions with marketing decisions, so that demand can be anticipated and met with the right amount of inventory. Otherwise, either excessive leftover inventory or stock-outs will result. The SCM and marketing functions are not separate rather they are intertwined as explained below in Fig. 4.

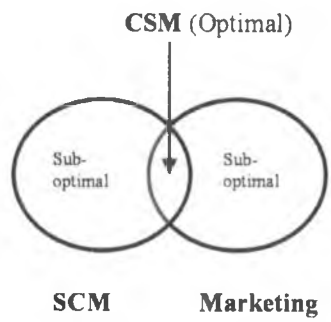


Fig. 4. **The Convergence of SCM and Marketing for Optimal Outcome**

(Source: Compiled by author)

CSM links SCM with marketing decisions, so that demand can be anticipated and met with the right amount of inventory. Otherwise, either excessive leftover inventory or stock-outs will result. With CSM initiatives, SCM facilitates task of marketing by delivering the right product - in the right quantity, at the right location, and at the right price.

This paper supports the emerging view that SCM and marketing are highly connected. CSM initiatives will impact positively all cross-functional performance drivers mainly SCM and marketing. An evaluation framework for measuring performance improvement across the various line items of income statement of a firm implementing CSM initiatives is provided in Table 2. Here all the line items of income statement are segregated according to performance drivers viz. SCM and marketing.

Table 2. **Convergence of SCM and Marketing: An Evaluation Framework**

| Income Statement Line Item | Key Functional Drivers | Performance Improvement |
|---|---|---|
| Sales Revenue | Marketing | Efficient and Faster Order Process |
| – COGS (Cost of Goods Sold) | SCM | Optimized Labor & Material |
| **Gross Profit** | | |
| – Depreciation | SCM | Improved Asset Utilization |
| – Selling Expense | Marketing | Improved Sales Force Productivity |
| – G & A Expense (General & Administrative) | Marketing | Reduced Transaction Expenses |
| – Logistics Expense | SCM | Optimized Transportation Expenses |
| **Operating Profits** | | |
| – Interest Expense | SCM | Reduced Working Capital |
| **Net Income** | | |

(Source: Compiled by author)

**Research Implications and Analysis**

SCM and marketing must work together in order to achieve organization goals. CSM is increasingly being recognized by business firms as a key driver for improving financial and operating performance. As this recognition emerges, SCM is becoming much more closely linked with sales and marketing and leading edge firms are making a competitive edge with help of CSM by integrating marketing efforts of demand creation activity with SCM capability. Table 3, below analyze impact of CSM on SCM and marketing initiatives.

Table 3. **Impact of CSM on SCM and Marketing**

| **Traditional SCM process** | **SCM process in CSM** |
|---|---|
| 1. Decision making is based on data that is batch wise and old<br>2. Planning process is having limit responsiveness with little flexibility<br>3. Limited collaboration and visibility in supply chain | 1. Decision making is based on a real time consumer demand<br>2. Planning process is flexible, fast and responsive<br>3. Is highly collaborative and integrated, in nature with synchronized planning, manufacturing, distribution and replenishment |
| **Traditional marketing process** | **Marketing process in CSM** |
| 1. It is based on unrealistic demand of delivery time and product assortment<br>2. Is characterized by imprecise forecast<br>3. Often encounters situation of increased markdown of products, lost sales, changing customer loyalty etc. | 1. It is based on close integration with SCM capability with improved on shelf availability<br>2. Is characterized by quick response to customer needs<br>3. Is highly collaborative and integrated in nature, with shared visibility across the system |

(Source: Compiled by author)

**Benefits of CSM**

To be truly consumer driven, SCM must also enable collaboration both within enterprises by forging alliance with marketing and sales activities and with key trading partners of supply chain. Firms realize that in order to remain competitive, they need to stay focused on meeting the needs of consumers. This is possible with CSM initiatives as it helps firms in building consumer-driven supply chains that will enable them to sense consumer demand and respond to it in real time. With CSM it is possible to build supply chain that is flexible and responsive, along with high velocity and low cost. This represents a fundamental shift from the past in which they often focused more on maximizing their own internal systems than on working together to meet the needs of consumers. The objective of CSM is to provide high levels of service and a superior consumer experience at every opportunity while also decreasing time to market, trimming overall costs and optimizing productivity. Firms that effectively integrate their SCM and marketing activities through CSM initiatives are more profitable than competitors that do not. They are much more likely to achieve superior corporate performance in terms of sales, profitability, market share, customer satisfaction, and other key measures, and much more likely to generate higher shareholder returns. Table 5, below explains benefits of CSM from SCM as well as marketing perspectives.

Table 5. **Benefits of CSM**

| Benefits from SCM's Perspective | Benefits from Marketing's Perspective |
|---|---|
| 1. Reduced production and logistics costs | 1. Reduced marketing expenses |
| 2. Reduced raw material inventory | 2. Reduced product inventory |
| 3. Lower waste and stock holding | 3. Improved on-shelf availability |
| 4. Predictable production cycle | 4. Faster merchandise flow |
| 5. Closer ties to retailers | 5. Increased customer satisfaction |
| 6. Ability to closely monitor sales | 6. Increased sales |
| 7. Better coordination in network | 7. Reduced markdowns |
| 8. Reduced stock out situation | 8. Improved customer loyalty |
| 9. Overall cost advantages | 9. Overall differentiation advantages |

(Source: Compiled by author)

Firms can continuously improve their lead over competitors, boost profits margins and enhance shareholder value by developing and deploying CSM. Firms with successful CSM will outperform their competition in virtually every critical area of financial and operating category. CSM has enabled firms to satisfy different customer needs with supportive supply chain capabilities. CSM driven firms outperform their competitors because of several strategic capabilities they are developing. They are able to identify their customer requirements closely and adjust their product offering based on an intimate understanding of total supply chain cost. CSM proactively address emerging customer needs – before competitors have an opportunity to discover them. Once internal SCM and marketing processes are in order, as in the case of CSM, firms can offer customers an experience that is seamless in all three aspects: service delivery, effective pricing, and product quality. Following are major benefits of CSM:

*1. Improved customer intimacy*

Customer needs and expectations are becoming more and more unstable and difficult to identify as customers have many choices, frequently similar in terms of quality and price. (Fassoula and Neoset , 2006). Martin and Grbac (2003) claimed that SCM is very critical to the responsiveness to customer needs. Increasingly, firms are required to become more customer-oriented through their SCM practices. (Deshpande et al., 1993; Shapiro, 1988; Spekman et al., 1998). Clearer visibility of the make (production schedules), sell (finished goods inventories), and delivery phases of SCM enabled by CSM, can enhance customer intimacy by providing customers with accurate and important information. This allows them to make informed buying decisions and enables the SCM to follow through on what the marketing promises.

2. *Enhanced operational efficiencies*

In addition to matching resources with customer value, CSM can improve SCM's planning phase, further optimizing production runs and inventory. Greater insight into demand – what orders will be placed and when – to facilitate this optimization will improve return on assets (ROA).

3. *Understanding the effectiveness and profitability of promotions*

Firms with effective CSM initiatives are more likely to know how well retailers participated in promotions schemes and how consumers responded to it. Thus, marketing department is able to know if the promotion plan met their return on investment (ROI) criteria and other objectives.

4. *Improvement in the bottom line*

CSM initiatives have strong impact on productivity and profitability of firms. It helps firms in creating the value they seek. The primary forces for driving this are cost reduction and revenue generation achieved by superior performance of cross-functional drivers viz. SCM and marketing.

**Example: Zara – Convergence of SCM and Marketing leads to success of Zara**

Spanish ladies' apparel maker Zara, A $2 billion unit of Spain's Inditex SA and a global player in fast fashion segment, has successfully implemented CSM initiatives. Zara uses the internet to gather real-time information on the needs and changing tastes of consumers – changes that are dictated by fashion shifts as well as seasonal transitions. However, that information would be of less use if the company didn't effectively manage its SCM. By controlling the entire retail, manufacturing, and distribution chain, Zara can design and produce a new clothing line in five or six weeks, compared to average time of six to eight months for its competitors.

Rather than offering products at the lowest price by holding costs down, Zara concentrates on having the newest, most unique, or most advanced products available at most affordable price. Ericsson (2006) suggested an approach of proactive strategy while reacting to market force instead of reaction to compete in fast changing markets. In proactive approach it is essential to identify trends in an early stage and derive benefits from them. For this kind of company, competitive success depends on staying ahead of market trends, being flexible in its approach to production and sourcing while keeping overall cost under control, and constantly driving down cycle time for bringing new products through the development process into production and rollout. Market research and the ability to bring products to market quickly and efficiently – is the cornerstone of success of Zara. Competition in the fast moving fashion retail industry has been fierce over the last few years. However, Zara has made significant operating and financial improvements by better matching supply and demand through CSM initiatives.

**Barriers for CSM Implementation**

The fact that only a small number of firms have adopted CSM initiatives, suggests that significant barriers to the implementation and success of CSM exist. The challenges of implementation are big: vastly different cultures between marketing (customer relationship, sales and service) and SCM functions; hard-to-match information, measurements, and incentives; and increased concerns about relentlessly accelerating customer needs and expectations. Understanding these barriers is crucial before setting out road map for CSM implementation. Following are three such barriers:

1. *Vastly Different Culture Between SCM and Marketing Operations*

   Many firms have had big success in SCM and marketing initiatives when measured in isolation as a stand alone function. SCM in most firms have made significant progress in reducing time and costs in production, procurement, and distribution, while improving product and service quality, and managing inventory. At the same time, marketing, sales and services have been improving customer loyalty mainly through marketing and CRM initiatives. However, in most firms these SCM and marketing/CRM initiatives typically have operated independently.

2. *Performance Measurement and Rewards System*

   The performance measurement and incentives of SCM and marketing functions often don't match. Performance measurement and reward systems can be so incongruous that SCM and marketing won't even identify ways of creating mutual benefits.

*3. Constantly Increasing Customer Expectations*

In this era of globalization, customers are getting overly accustomed to faster delivery times, customized products and delivery options, and continually ask for more, thereby causing greater uncertainty in customer demand. In today's retail consumer environment, it's con-sumers who rule. These consumers are a diverse lot and finicky, too. Equipped with a wealth of product informa-tion and reviews, they demand a wide selection of prod-ucts.

**Conclusion**

Today's market competitiveness is growing more and more complex to deal with. Due to the long lead times that most firms deal with, it is getting difficult to produce the right products at the right time. With the fast developing world economy and globalization, there has been a drastic increase in the pressure on organizations to find new ways to create and deliver value to customers through SCM. (Seth *et al.* 2006). Industrial customers demand Just-In-Time (JIT) deliveries and retail market customers seem to be more willing to choose from a competitor with similar products (Christopher, 1998). This is due to the combination of forces viz. the technology advancement, increased pressure for firm profitability and cost effectiveness. For products with short product life cycles, such as fashion apparel, personal computers and automobiles, effective integration of SCM and marketing is very important. Increased level of competition and shorter product life cycles make the link between SCM and marketing all the more critical.

The goal of CSM is to create unique competitive advantages by linking together customer values with a more effective flow of products. The flow must always be refined and create customer value proposition in a constantly changing market. By encouraging SCM and marketing meet in new interesting scenario, firms can develop unique competitive advantages. It is all about achieving CSM. This Paper provides an evaluation framework for measurement of performance improvement observed with convergence of SCM and marketing. Paper also highlights role of CSM in resolving conflict between SCM and marketing. Being a conceptual paper, further research is required in this area of SCM and marketing convergence. Finding of this paper can be further strengthened by analyzing data of firms adopting this approach along with measurement and evaluation of key cross-functional drivers viz. SCM and marketing.

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