APPLIED IT FOR BUSINESS

Chapter

8

Enterprise Business Systems

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Learning Objectives

- Identify and give examples to illustrate the following aspects of customer relationship, enterprise research, and supply chain management systems

    - Business processes supported
    - Customer and business value provided
    - Potential challenges and trends

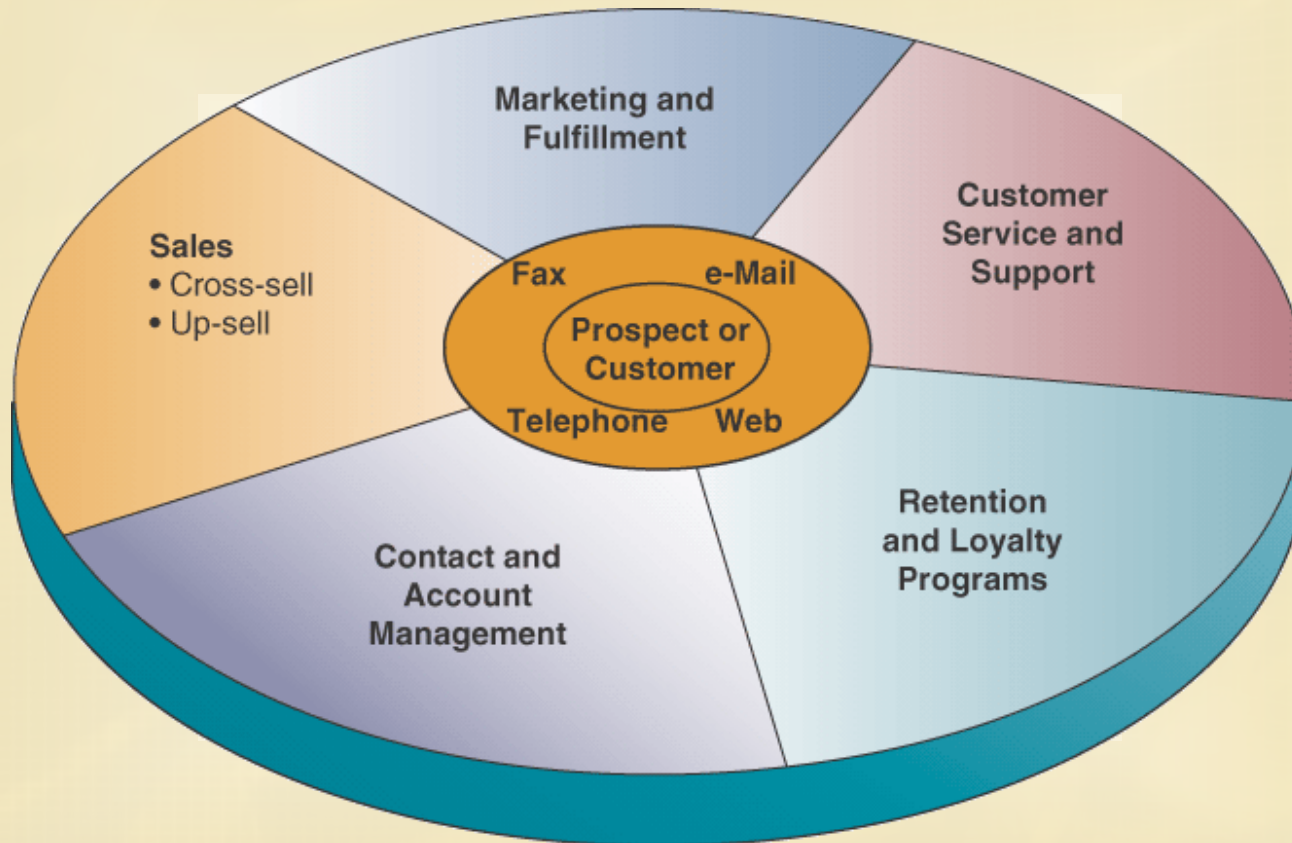# Customer Relationship Management

- A customer-centric focus

  - Customer relationships have become a company's most valued asset

  - Every company's strategy should be to find and retain the most profitable customers possible

What is CRM?

- Managing the full range of the customer relationship involves
  - Providing customer-facing employees with a single, complete view of every customer at every touch point and across all channels
  - Providing the customer with a single, complete view of the company and its extended channels
- CRM uses IT to create a cross-functional enterprise system that integrates and automates many of the customer-serving processes

Application Clusters in CRM

Contact and Account Management

- CRM helps sales, marketing, and service professionals capture and track relevant data about
  - Every past and planned contact with prospects and customers
  - Other business and life cycle events of customers

- Data are captured through customer touchpoints
  - Telephone, fax, e-mail
  - Websites, retail stores, kiosks
  - Personal contact

Sales

- A CRM system provides sales reps with the tools and data resources they need to

  - Support and manage their sales activities
  - Optimize cross- and up-selling

- CRM also provides the means to check on a customer's account status and history before scheduling a sales call

Marketing and Fulfillment

- CRM systems help with direct marketing campaigns by automatic such tasks as
  - Qualifying leads for targeted marketing
  - Scheduling and tracking mailings
  - Capturing and managing responses
  - Analyzing the business value of the campaign
  - Fulfilling responses and requests

Customer Service and Support

- A CRM system gives service reps real-time access to the same database used by sales and marketing
  - Requests for service are created, assigned, and managed
  - Call center software routes calls to agents
  - Help desk software provides service data and suggestions for solving problems
- Web-based self-service enables customers to access personalized support information

Retention and Loyalty Programs

- It costs 6 times more to sell to a new customer

- An unhappy customer will tell 8-10 others

- Boosting customer retention by 5 percent can boost profits by 85 percent

- The odds of selling to an existing customer are 50 percent; a new one 15 percent

- About 70 percent of customers will do business with the company again if a problem is quickly taken care of

Retention and Loyalty Programs

- Enhancing and optimizing customer retention and loyalty is a primary objective of CRM
  - Identify, reward, and market to the most loyal and profitable customers
  - Evaluate targeted marketing and relationship programs

The Three Phases of CRM
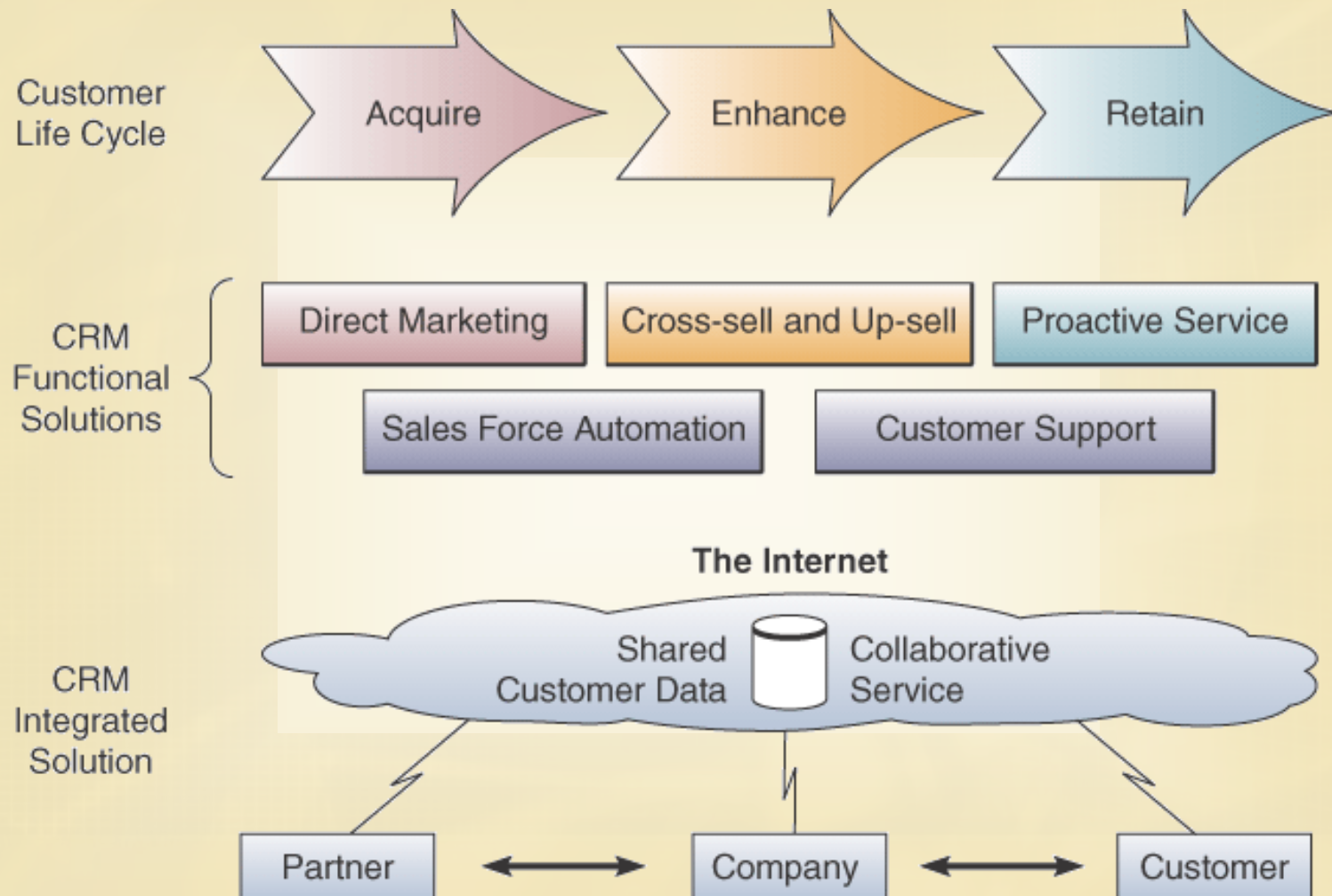
Benefits of CRM

- Benefits of CRM
  - Identify and target the best customers
  - Real-time customization and personalization of products and services
  - Track when and how a customer contacts the company
  - Provide a consistent customer experience
  - Provide superior service and support across all customer contact points

CRM Failures

- Business benefits of CRM are not guaranteed
  - 50 percent of CRM projects did not produce promised results
  - 20 percent damaged customer relationships
- Reasons for failure
  - Lack of understanding and preparation
  - Not solving business process problems first
  - No participation on part of business stakeholders involved

Trends in CRM

- Operational CRM
  - Supports customer interaction with greater convenience through a variety of channels
  - Synchronizes customer interactions consistently across all channels
  - Makes the company easier to do business with

Trends in CRM

- Analytical CRM

  - Extracts in-depth customer history, preferences, and profitability from databases

  - Allows prediction of customer value and behavior

  - Allows forecast of demand

  - Helps tailor information and offers to customer needs

Trends in CRM

- Collaborative CRM

  - Easy collaboration with customers, suppliers, and partners

  - Improves efficiency and integration throughout supply chain

  - Greater responsiveness to customer needs through outside sourcing of products and services

Trends in CRM

- Portal-based CRM
  - Provides users with tools and information that fit their needs
  - Empowers employees to respond to customer demands more quickly
  - Helps reps become truly customer-faced
  - Provides instant access to all internal and external customer information
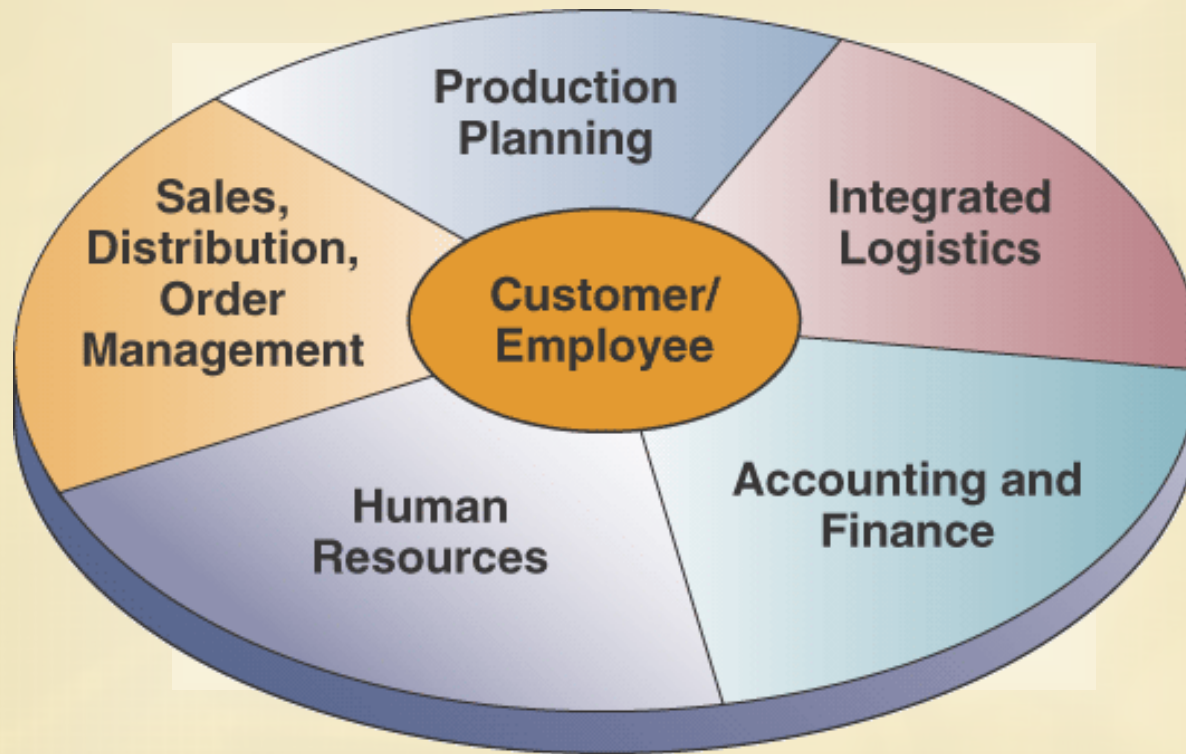
ERP: The Business Backbone

- ERP is a cross-functional enterprise backbone that integrates and automates processes within
  - Manufacturing
  - Logistics
  - Distribution
  - Accounting
  - Finance
  - Human resources
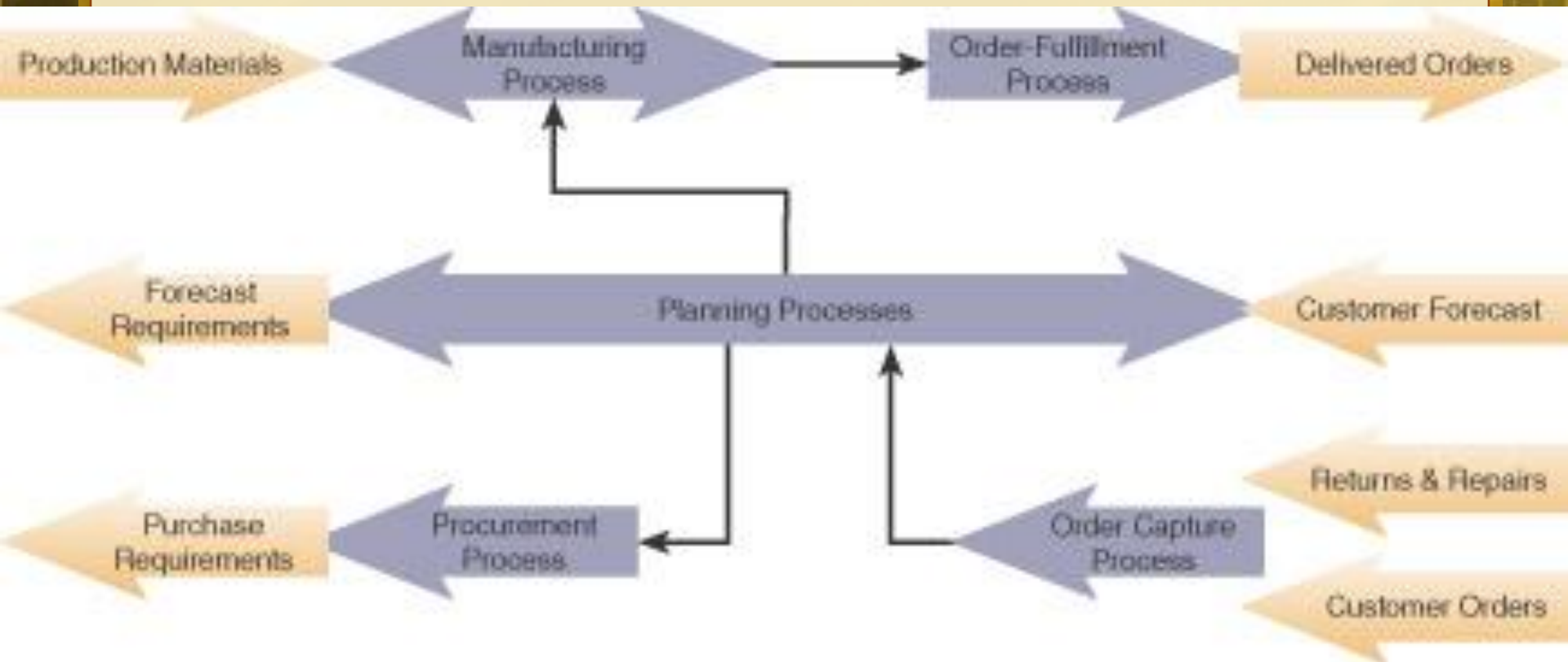
What is ERP?

- Enterprise resource planning is a cross-functional enterprise system

  - An integrated suite of software modules

  - Supports basic internal business processes

  - Facilitates business, supplier, and customer information flows
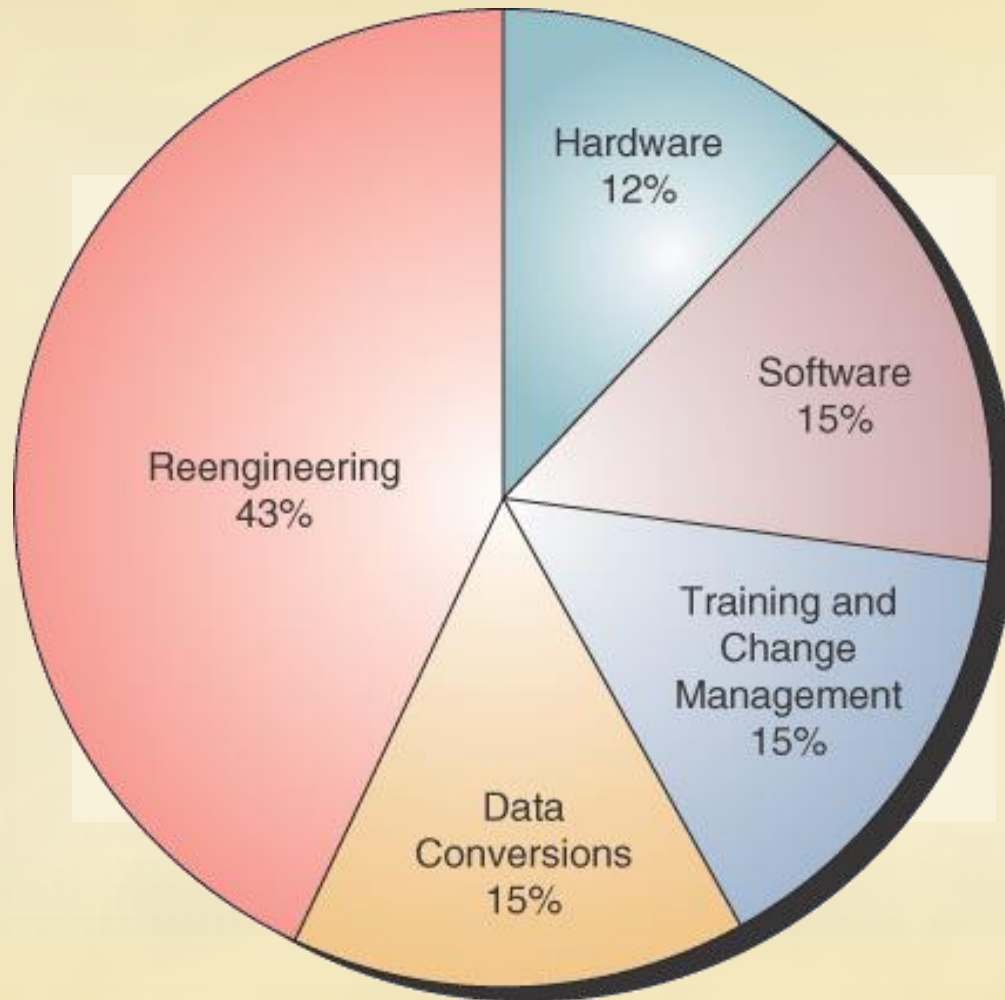
ERP Application Components

ERP Process and Information Flows

Benefits and Challenges of ERP

- ERP Business Benefits
  - Quality and efficiency
  - Decreased costs
  - Decision support
  - Enterprise agility

- ERP Costs
  - Risks and costs are considerable
  - Hardware and software are a small part of total costs
  - Failure can cripple or kill a business

Costs of Implementing a New ERP

Pie chart: Costs of Implementing a New ERP
- Hardware 12%
- Software 15%
- Training and Change Management 15%
- Data Conversions 15%
- Reengineering 43%

Causes of ERP Failures

- Most common causes of ERP failure
  - Under-estimating the complexity of planning, development, training
  - Failure to involve affected employees in planning and development
  - Trying to do too much too fast
  - Insufficient training
  - Insufficient data conversion and testing
  - Over-reliance on ERP vendor or consultants

Trends in ERP
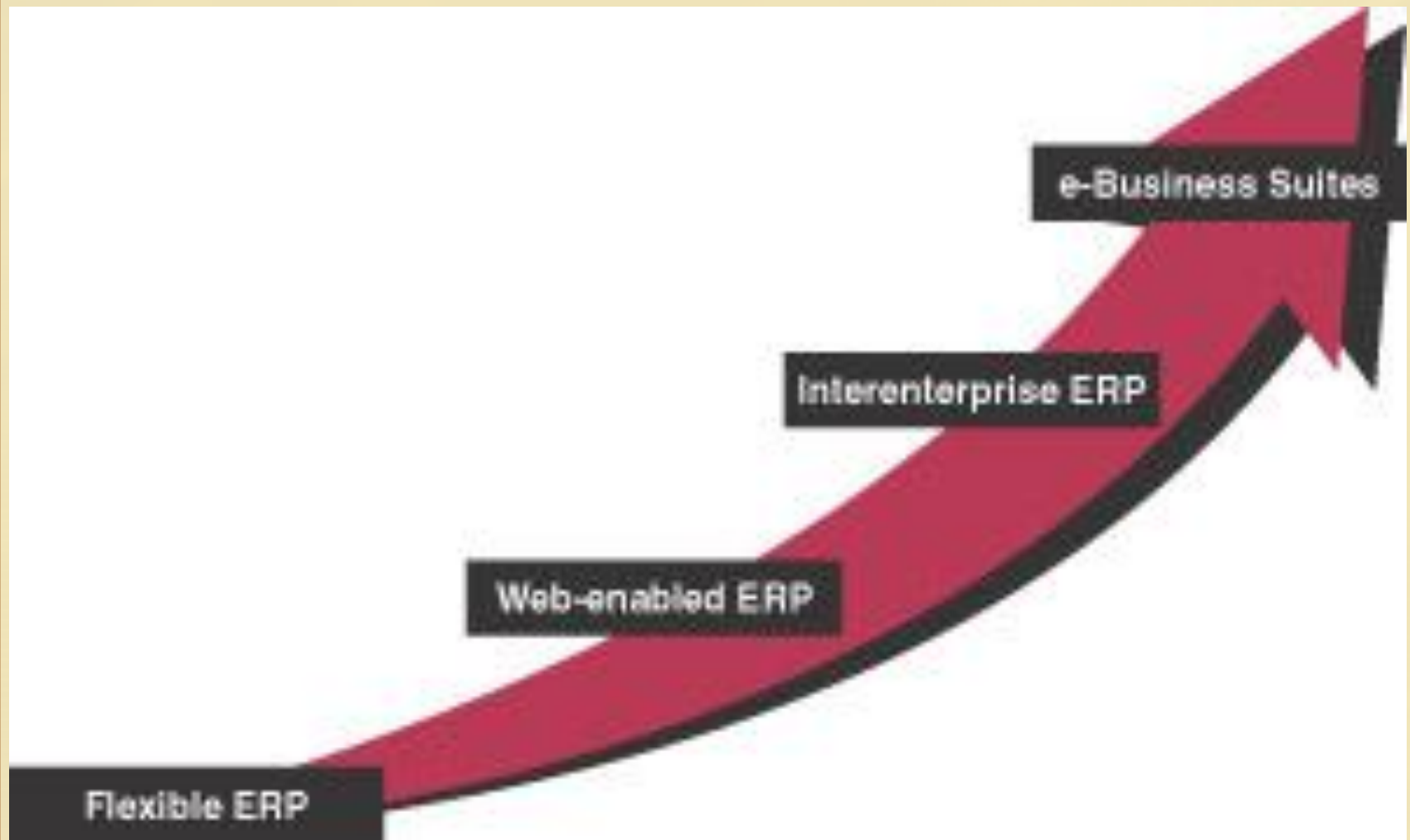
Supply Chain Management (SCM)

- Fundamentally, supply chain management helps a company
    - Get the right products
    - To the right place
    - At the right time
    - In the proper quantity
    - At an acceptable cost

Goals of SCM

- The goal of SCM is to efficiently

  - Forecast demand

  - Control inventory

  - Enhance relationships with customers, suppliers, distributors, and others

  - Receive feedback on the status of every link in the supply chain
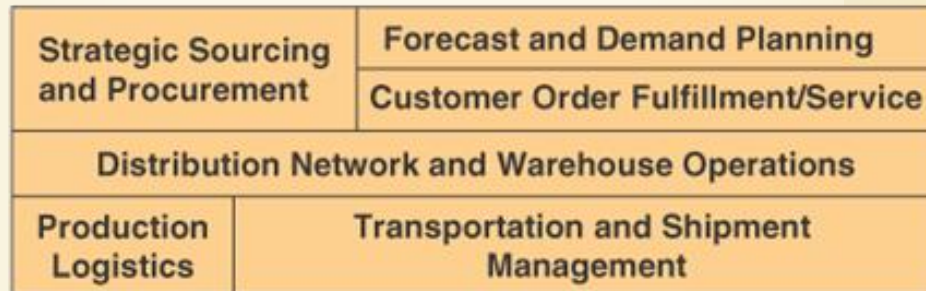
What is a Supply Chain?

- The interrelationships
  - With suppliers, customers, distributors, and other businesses
  - Needed to design, build, and sell a product
- Each supply chain process should add value to the products or services a company produces
  - Frequently called a value chain
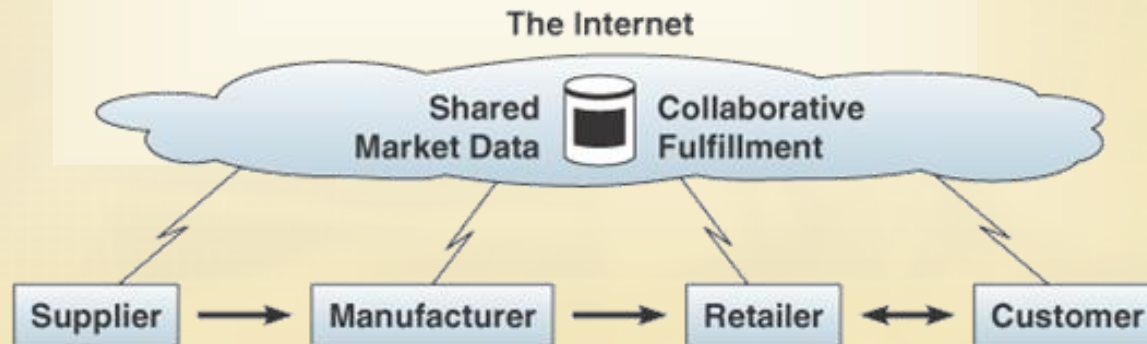
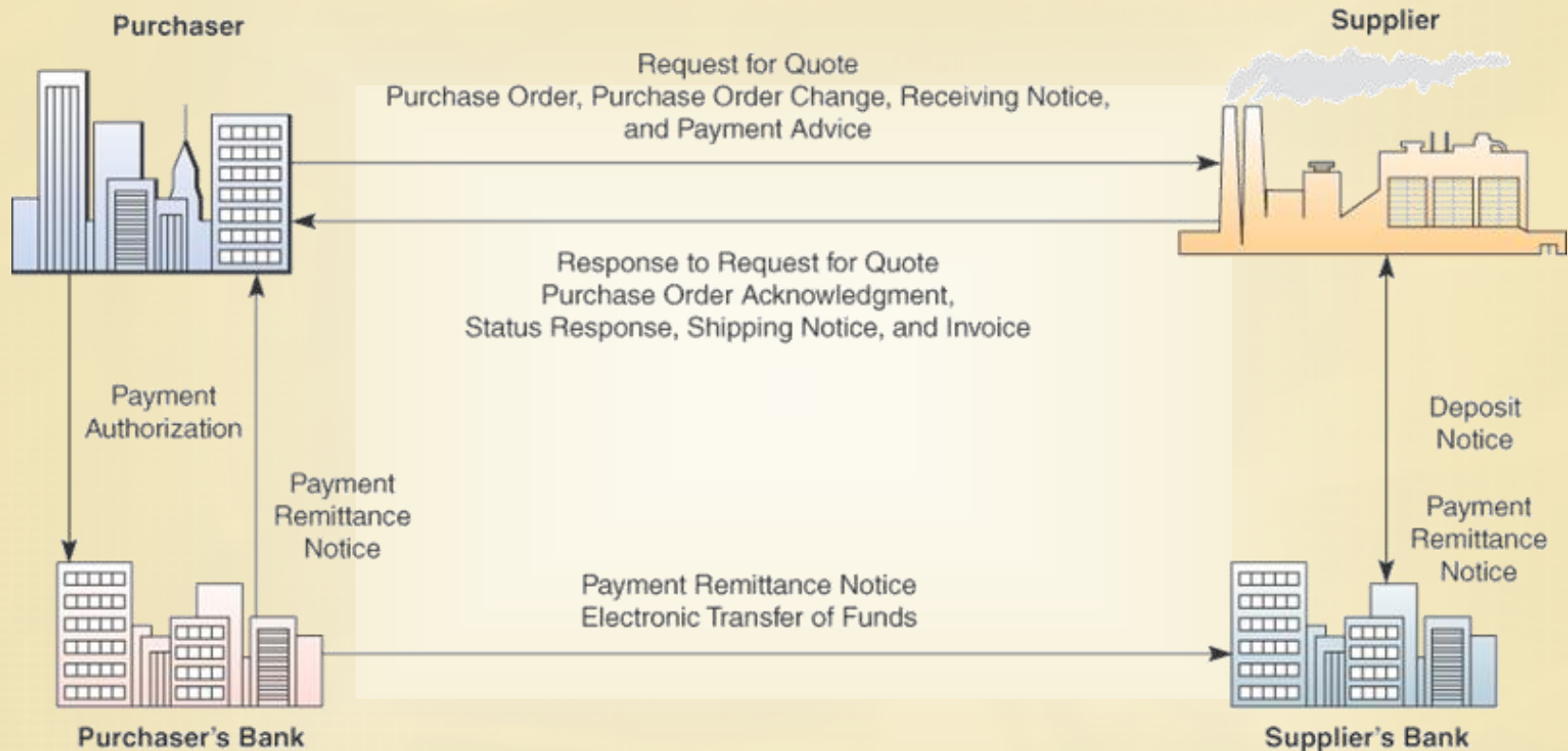# Supply Chain Life Cycle

Electronic Data Interchange

- EDI
  - One of the earliest uses of information technology for supply chain management
  - The electronic exchange of business transaction documents between supply chain trading partners
  - The almost complete automation of an e-commerce supply chain process
  - Many transactions occur over the Internet, using secure virtual private networks

Typical EDI Activities

Purchaser

Supplier

Request for Quote
Purchase Order, Purchase Order Change, Receiving Notice,
and Payment Advice

Response to Request for Quote
Purchase Order Acknowledgment,
Status Response, Shipping Notice, and Invoice

Payment
Authorization

Payment
Remittance
Notice

Deposit
Notice

Payment
Remittance
Notice

Payment Remittance Notice
Electronic Transfer of Funds

Purchaser's Bank

Supplier's Bank

Roles and Activities of SCM in Business

SCM Objectives		SCM Outcomes
What? Establish objectives, policies, and operating footprint	**Strategic**	• Objectives • Supply policies (service levels) • Network design
How much? Deploy resources to match supply to demand	**Tactical**	• Demand forecast • Production, procurement, logistics plan • Inventory targets
When? Where? Schedule, monitor, control, and adjust production	**Operational**	• Work center scheduling • Order/inventory tracking
Do Build and transport	**Execution**	• Order cycle • Material movement

Source: Adapted from Keith Oliver, Anne Chung, and Nick Samanach, "Beyond Utopia: The Realist's Guide to Internet-Enabled Supply Chain Management," *Strategy and Business,* Second Quarter, 2001, p. 99.
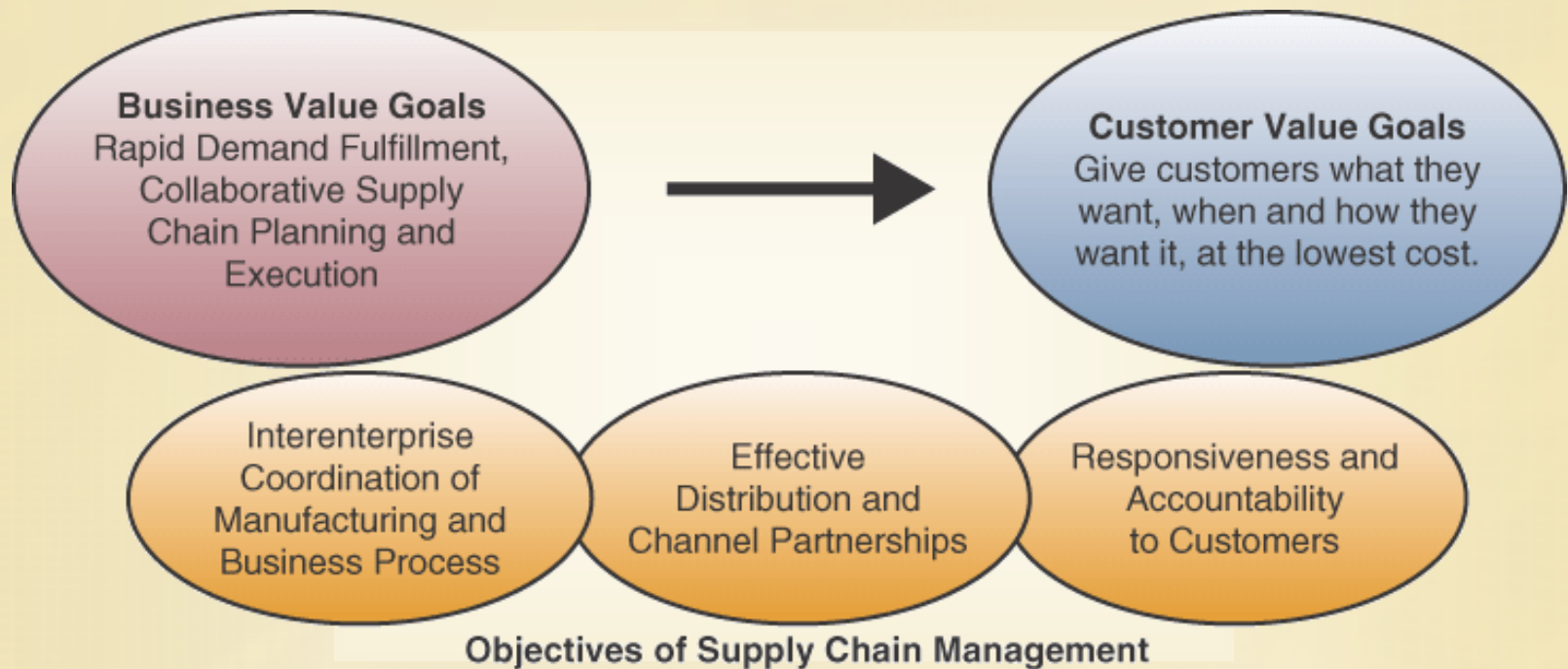
Planning & Execution Functions of SCM

- Planning
  - Supply chain design
  - Collaborative demand and supply planning

- Execution
  - Materials management
  - Collaborative manufacturing
  - Collaborative fulfillment
  - Supply chain event management
  - Supply chain performance management

Benefits and Challenges of SCM

- Key Benefits
  - Faster, more accurate order processing
  - Reductions in inventory levels
  - Quicker times to market
  - Lower transaction and materials costs
  - Strategic relationships with supplier

Goals and Objectives of SCM

Business Value Goals
Rapid Demand Fulfillment, Collaborative Supply Chain Planning and Execution

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Customer Value Goals
Give customers what they want, when and how they want it, at the lowest cost.

Interenterprise Coordination of Manufacturing and Business Process

Effective Distribution and Channel Partnerships

Responsiveness and Accountability to Customers

Objectives of Supply Chain Management

Benefits and Challenges of SCM

- Key Challenges
  - Lack of demand planning knowledge, tools, and guidelines
  - Inaccurate data provided by other information systems
  - Lack of collaboration among marketing, production, and inventory management
  - SCM tools are immature, incomplete, and hard to implement

Trends in SCM

SCM Stage 1
- Current supply chain improvement
- Supply chain, e-commerce loosely coupled

SCM Stage 2
- Intranet/extranet links to trading partners
- Supplier network expansion

SCM Stage 3
- Collaborative planning and fulfillment
- Extranet and exchange-based collaboration

Thank U