

Time for Business Change



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Real-Time operation is the key to Transforming Business Performance

UK businesses have worked hard to drive incremental improvements in cost and efficiency over the past few years but many have hit a wall.

It is only by embracing the latest generation of technologies offering real-time insight that can be embedded within core operational processes, from eCommerce to customer service and procurement, that companies will achieve the required step change in performance, productivity and profit.

Executive Overview

Is fundamental business change now inevitable?

There is a groundswell of opinion that organisations have pushed existing business processes and underpinning technology to the limit. The only way to move forward, drive new efficiencies and exploit global opportunities is to embark upon significant business change that will deliver a step change in operational performance and profitability.

That step change in performance is now beginning to occur in UK businesses in every sector, from manufacturing to professional services.

Following years of consistent, incremental improvements in performance, through automation or streamlining processes, a growing number of organisations now recognise the opportunity to take that leap forward and gain a quantifiable improvement in competitiveness, productivity and profitability.

But this new business vision can only be realised through a radical change to business processes and strategic thinking, backed up by the right technology. In practice this means a fundamentally new approach to every aspect of the business.

- Attempts to improve **Customer Service** must be replaced by a highly effective and relevant **Customer Experience** that encompasses every single interaction.
- Dated **Business Reports** should be consigned to history, with businesses exploiting **Embedded Real-Time Insight** to drive processes, performance and employee behaviour.

- Accept that **inefficient, un-integrated websites** that only enable customers to place orders are not **eCommerce**. Real business value can be delivered through a truly integrated approach that simply and effectively offers customers another channel to the business, with self-service order placement, automated order and invoice creation, product tracking and credit checking.
- Integration with customers, suppliers and partners is now a reality even at the transaction level without the clunky EDI tools that have been around for years.

This whitepaper lays out the opportunities for fundamental business change and the tangible return on investment that can be achieved—from effective employee utilisation to reduced procurement costs and improved customer acquisition.

The majority of Financial Directors (FDs) are in Catch 22:

How can any business justify a major capital investment given the current economic climate; yet how can any business afford not to make that essential business change, especially given the efficiency and performance of global competitors?

Over the past five years, organisations across the UK have worked hard to cut costs and improve efficiency. But, for many, the existing technology simply cannot be stretched any further. Limitations in information recording mean companies do not have access to the insight required to drive real transformation. In addition, businesses are used to running cyclically, using daily, weekly or monthly reports to assess performance and take appropriate decisions to remedy problems or grasp new opportunities.

But this information is clearly out of date. Trends in customer behaviour that indicate a sales opportunity may not be highlighted until too late to take maximum advantage; whilst glitches in delivery or credit control may create serious problems that could and should have been addressed sooner.

At the same time, organisations are also wasting days manually creating customer quotations, sharing information on projects or painstakingly managing stock simply due to the constraints of existing technology that limit the way information can be recorded and shared.

Of course, every business knows good information is key; indeed every new ITT has a list of reporting and information requirements. But this misses the point: reports are out of date. The objective must be to operate in real-time and leverage immediate information to drive performance.

For example, when there is a potential delay in a product delivery to the business how easy is it to identify the customers affected, ascertain how long their orders will be delayed and proactively contact them in advance with an apology and full information as to the rescheduled delivery date and time? Using traditional out of date reporting, a business may not even know the customer orders have been affected until the customer calls to complain. With real-time insight, an incoming order delay will immediately flag up those customers affected, enabling immediate resolution.

There are so many better ways of handling virtually every business process. Technology today enables organisations to take a fundamentally different approach to running a business, from customer service to eCommerce and operational activities driven by real-time business insight.

Forget Customer Service

Good customer service is a critical component of business success. According to the Institute of Customer Service, there is a direct link between high quality customer service and customer retention, reputation and business performance. Over the past few years most companies have put in place policies for improving customer response or achieving rapid resolution to customer problems. Companies have invested in CRM systems and offer dedicated customer service email addresses in a bid to ease customer access in the event of a problem.

Such strategies are all well and good and demonstrate a degree of customer commitment. But they put the onus of customer relations on a dedicated and distinct customer service team and they limit the role of customer service to problem solving.

Customer service should not be an isolated function; it should be a fundamental component of business operations. The focus on a good customer experience should touch every part of the organisation, from order taking onwards. Organisations need to embed excellent customer engagement into every aspect of the business – from ensuring real-time stock checks during order placement to providing sales reps with up to date insight into every aspect of customer history, including outstanding payment, order status and online activity. It is only by entrenching responsibility for customer engagement within every aspect of the business process that an organisation can transform the customer relationship and gain critical, real time insight into customer behaviour to inform on-going strategy.

- **One Stop Ordering:** With a real time view of the current stock levels and delivery options there is no need to call the customer back once warehouse levels have been checked or other outstanding orders taken into consideration. Real time ordering plus guaranteed delivery transforms the customer experience, whilst also improving staff productivity. Depending on the business this may require not only access to up to date stock levels within the company but also a direct link to systems used by distributors to ascertain the best possible customer offer.
- **Customer Centric:** By providing everyone in the business with complete visibility of customer history the company can improve the quality of every customer engagement. Ensuring sales reps, for example, know the latest support calls, credit control issues and outstanding orders or quotes before making a customer visit will transform the quality of the interaction. Critically, this information should be available via mobile devices, enabling those working predominantly remotely to be constantly updated on customer status enabling them to proactively address a customer concern or respond to a new opportunity as it arises.

- **Self-service:** For many SME businesses the chance to come online to check the status of outstanding orders or projects, as well as payment terms is compelling. Providing secure access to information, especially where linked to a highly effective eCommerce system, enables customers to self-serve on a raft of possible queries at any time, improving their experience whilst driving down costs for the business.
- **Business to Business Integration:** SMEs can increasingly become integrated with their customers and suppliers. With real-time information exchange directly into supplier and customer systems, organisations can become embedded into core processes, from product distribution to payments. This close collaboration drives down costs, increases efficiency and critically, builds loyalty up and down the supply chain.

Real-Time Link to Distributor

For organisations such as IT resellers that are highly dependent upon distributors to satisfy customer orders, the ability to link to distributor web sites in real-time is transforming the business. Resellers can look up one or more distributors' stock availability, pricing and delivery options in real-time, take the customer order and make a delivery promise. There is no need to telephone multiple distributors or search each website in turn before calling back the customer – only to find stock availability has changed once the customer has confirmed!

Furthermore, the highly integrated solution then automates the generation of required documentation – from sending an email order confirmation to the customer, to sending a purchase order to the distributor. The distributor's electronic response of order delivery confirmation and purchase invoice is sent directly to the system, replacing the traditional rekeying. With automated proof of delivery, the process of generating customer invoices can be streamlined drastically. This approach improves the quality of service to customers and reduces costs in an extremely low margin marketplace.

Information—Don't Look Back

Forget reports. The concept of weekly, monthly or yearly reporting is outdated and anachronistic. How can a business effectively manage, proactively address customer issues or grasp new opportunities when key insight is provided retrospectively?

Real time business intelligence can and should be used to drive employee behaviour, improve management and enhance decision making. The latest generation of ERP technologies not only enables organisations to record information in depth but, critically, that information can be pushed in real time to the right people – rather than a regular report which someone has to remember to run and read – to improve the way the business is run.

- **Process Transformation:** By embedding real time information into processes organisations can drive out manual intervention. For example, a customer order will automatically generate a confirmation; whilst invoices will be generated based on product or service delivery. The only manual process is verifying the invoice – once confirmed it can automatically be electronically delivered to the customer.
- **Performance Driven Business:** Many organisations have created Key Performance Indicators (KPI) such as average profit by order, average sales value or sales by employee, to improve performance measurement. But simply presenting these KPIs back to the relevant team or individual at month end is not enough to fundamentally change behaviour and ensure these critical business measures underpin day to day activity. In contrast, using real time information to deliver KPIs continually has a measurable impact on staff behaviour and enables far more effective, proactive management of staff.
- **Real-Time Influence on Behaviour:** By tailoring the KPIs to individuals and embedding real time performance tracking into the system, an organisation can drive employee behaviour and reinforce strategic direction continually, which is far more effective than a monthly or quarterly review.

For example, when a sales person prepares a quote, the system can automatically show the profit margin on that order, enabling the rep to assess whether or not the quote matches the strategic objective before it is provided to the customer. Highly sales driven organisations can opt to highlight sales incentives and performance in real time, with bar charts showing each person's sales performance to inspire strong competition.

Real-Time Business Intelligence in Practice

One IT reseller has boosted the sales performance of its reps by using real-time business intelligence. Rather than using sales or profit as the Key Performance Indicator (KPI), the company opted to show each sales person a KPI of the value of the commission earned during the month to date. The live system changes immediately as soon as a sale is closed; the information is available to everyone and feeds straight into a Bar Chart which is at the top of every sales person's home page. The result has been increased competition between reps and a measurable growth in sales activity.

Get Serious about eCommerce

eCommerce has promised to revolutionise the cost per sale for years whilst transforming an organisation's market reach and attracting huge swathes of new customers. The reality has been somewhat different for the vast majority of the UK's SMEs, who just dabble with eCommerce, for one simple reason: accepting email orders online is not eCommerce.

Too many organisations have opted for an add-on web site that demands continual manual intervention. Product and pricing information is typically uploaded via an Excel spread sheet or CSV file; while a list of orders is downloaded at the end of each day and manually rekeyed into the core ERP system for processing. So while the company is offering customers an alternate route to place orders, the costs are high. Furthermore, the process is static: if the order is out of stock, the business will have to contact the customer to offer an alternate product or delivery date, undermining both the quality of service and essence of the eCommerce model.

To be really effective, the web site should be just one more channel to market for the business. Rather than an add-on system, by investing in an ERP solution that includes eCommerce as a core component, the entire process of online ordering can be transformed, driving down costs and improving the quality of service to customers. And this applies not only to product providers; service based organisations can drive down the cost associated with telephone based bookings for courses, for example, by offering online bookings.

- **Ease of Ordering:** A single product database ensures product information and pricing is consistent across the business. There is no need to manually update the web-site and no risk of errors in information. Real time updates of the stock system ensure customers have an accurate, up to date picture of the available stock as well as delivery options.
- **Streamlined Processing:** When a customer places an order online, it goes directly into the ERP system. It also automatically generates the required documentation – from order confirmation, to request for purchase order number. Furthermore, real time reconciliation ensures invoices are automatically generated (subject to user approval if required) – and emailed – when the goods are delivered, driving down the cost per sale dramatically.
- **Customer Service:** Companies arriving on the web site are automatically recognised by the CRM system, as a prospect or existing customer, enabling the company to ensure a full customer history. In addition, customers can be offered secure access not only to product ordering but also account history, analysis of spend per year or per month and order status – adding considerable value to the customer relationship.

Furthermore, with customers able to confidently place orders online based on trusted stock availability, pricing and delivery information, the company's staff can concentrate on more value-add tasks that build a stronger customer relationship. And this is key: not every customer will want to place orders online; but many will want to exploit 24x7 access not only to ordering but also account history. The key is to offer this breadth of access to the business – it is this choice combined with quality of service that is key to winning and retaining business.

Transforming Costs and Performance

Once an organisation has recognised the need for fundamental change it then makes sense to think about what areas of the business will deliver fast, quantifiable Return on Investment (ROI) and then start to look at prioritising these changes.

- **Procurement:** Most companies insist they have good processes in place to avoid anarchic spend, but the reality is often very different. Individuals continue to buy from a raft of suppliers without going through the correct processes and, because organisations are only recording activity and analysing retrospectively, there is no way of imposing the procurement policies. By leveraging real time information, every purchase has to go through the correct process and through an approved supplier – or it will be flagged up for immediate review.

Replacing expensive and time consuming paper based cheques and remittance advice with electronic processes can also cut costs significantly.

In addition, any individual tasked with purchase approval can see immediately the actual spend against budget. Get this right and most organisations can save between 3% and 10% of annual spend by consolidating suppliers, avoiding unnecessary purchases and ensuring budget holders have real time control over expenditure. The impact on the bottom line is significant: a cost saving of £100k may represent an increase in sales of £500k and may be far easier to achieve.

- **Employee Utilisation:** Poor project management, the wrong team structure and lack of efficiency can all contribute to a bad staff utilisation which, for service companies, means fewer billable hours. The six month or annual review may encourage individuals to focus on reducing nonincome generating time but, within a matter of days, the emphasis is lost. In contrast, the real time provision of tailored KPIs transforms employee behaviour and supports effective management to increase billable hours.
- **Strategic direction:** In a highly competitive marketplace with fast changing economic challenges, the ability to assess, weigh up and grasp new market opportunities is key. Real time insight into profitability by client, by project, by product or service enables organisations to change focus and exploit the most profitable opportunities in the market.

Driving Down Costs for Service Businesses

Return on investment is the key driver for fundamental business change and an investment in the latest technology:

- *A consultancy turning over £10 million a year will typically spend around £2 million on overheads. Reducing that by 5% will save £100,000 from the bottom line – equivalent to around £1million in additional sales. Given the cost of investment is perhaps £10,000, the ROI is significant and fast.*
- *Replacing paper based payment and remittance with electronic payment via Bacs can reduce the payment process from two days each month to just two hours, delivering significant cost savings and possible opportunities for headcount reduction.*
- *Every consultancy is looking to increase staff utilisation and grow billable hours. The average consultancy will look to achieve around 19 or 20 chargeable days each month – yet with better planning, administration and resource management, it is possible to add two days per person per month. At an average £500 per person per day, a 50 person consultancy will gain £50,000 per month in billable time*

Conclusion—Time for Change

Today, perhaps 2% of UK businesses are operating in real-time. Yet making a significant change to business practice is not solely the preserve of the highly innovative, the entrepreneurial or the risk takers. Having wrung every scrap of value from the existing business model it is clear that simply automating existing processes is not enough.

Those companies that understand how to drive more benefits to customers; how real-time information can transform performance; and, critically, how exploiting a fully integrated, joined up business can deliver return on investment are set to gain real competitive advantage. With the right technology in place, organisations can truly evolve beyond incremental improvements and achieve that measurable step change in performance.