

View Point



Order Management

Unleashing the Potential of CRM and SRM

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Putting the Issue in Perspective

It's a story that finds an echo in hi-tech and manufacturing industries around the world. Chances are you are experiencing the pangs of CRM¹ and SRM² applications yourself. If your systems are not yielding desired results, an interface may well realize the potential of these applications.

The crux of the matter lies in the character of your applications on both the customer and supplier ends. CRM addresses customer acquisition, retention and customer segmentation to maximize profitability. SRM streamlines processes regarding the acquisition of products and services, inventory management and materials processing to fulfill orders.

Invariably, these applications function as standalone systems and lack a consolidated view of the "buy" and "sell" sides of the supply chain. When customer and supplier applications do not collaborate and share data, gaps surface in demand and supply.

Let us get under the skin of the problem with the help of a real world scenario.

XYZ is an OEM of PCs. The company sells laptops, desktops, printers and related products. Customers and prospects transact through multiple customer touch points viz., the web, phone, fax, EDI and e-mail. Similarly, the maze of interaction from the suppliers' side is complex and varied.

In such a situation, the company's CRM and SRM systems must have answers from customer and supplier standpoints:

Buy side	Sell side
Are my customer orders managed cost effectively across the order fulfillment chain?	Are my supplier choices the most optimal ones? How do I measure performance? How best can I use such data in order fulfillment processes?
Who are my most profitable customers? Do I leverage this data in order management strategies?	How do I address cost reduction and value engineering with suppliers? How do I facilitate collaborative planning to manage exceptions viz., stock-outs and inventory pile-ups?
What are my customer segmentation strategies? How does order fulfillment capitalize on customer segmentation?	Do I use a judicious mix of suppliers and leverage their allocations for split sourcing decisions?

While CRM and SRM applications address these issues strategically, the need to link the outputs to operational processes is paramount. Order fulfillment processes hold the key to integrating these.

Corrective Action from a Business Perspective

A diagnosis of a typical IT environment in the manufacturing industry suggests a lack of supply chain integration across the customer and suppliers. In the absence of such integration, the company cannot provide the “glass pipeline” transparency and visibility across the supply chain.

Visibility on both the customer and supplier fronts holds the key to strategic planning and execution. On the customer side, you need to see where the order has been placed and the order status; also, if the order is altered, how late in the order cycle it can be executed. On the suppliers' side, you need to manage the interaction with the vendor taking into account the customers' purchase decisions.

As Figure 1 illustrates, it is imperative for the Order Management cycle to have supply chain visibility and the capability to manage exceptions and interventions through event management, alerts and notifications. Also, the systems need to account for order promise, multi-channel integration, contract management and collaborative planning.

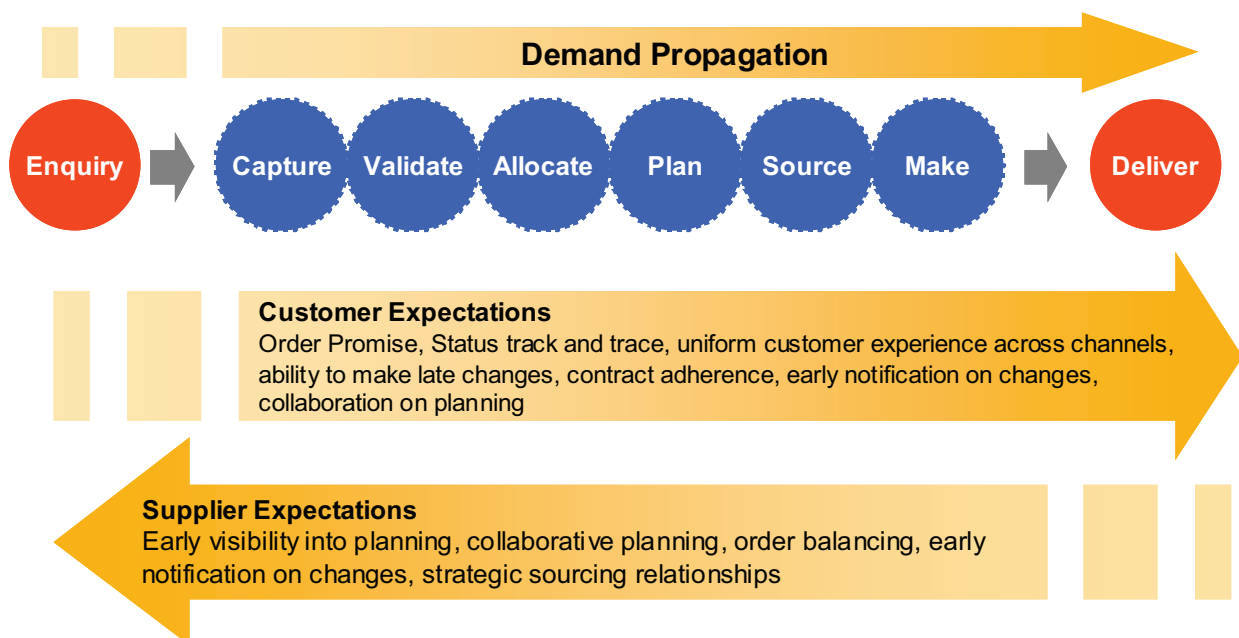


Figure 1: Order Management needs across supply chain entities

In most cases, companies focus on CRM and SRM applications without paying heed to business process improvements in the order management cycle that meet the needs of the enterprise as spelt out in Figure 1.

The Big Picture: Processes hold the Key

Infosys believes that CRM and SRM investments contribute to increased productivity and improved profitability only through efficient order management processes.

AMR Research has corroborated this perspective in a study on channel management implementations, including CRM and SRM. The AMR survey³ revealed that even though there is a wide range of software available for channel management, the benefits of implementing these strategic applications have been few and elusive. However, users focused on processes such as order and lead management have seen the best returns.

As Figure 2 illustrates, order fulfillment processes span enterprise SRM and CRM applications. Such processes depend on CRM and SRM systems for inputs that help in taking strategic decisions regarding multi-channel order capture, order allocation across customers and sourcing decisions across suppliers. Moreover, these processes need support for visibility, collaboration, alerts, dashboards and event management to manage and synchronize the supply chain.

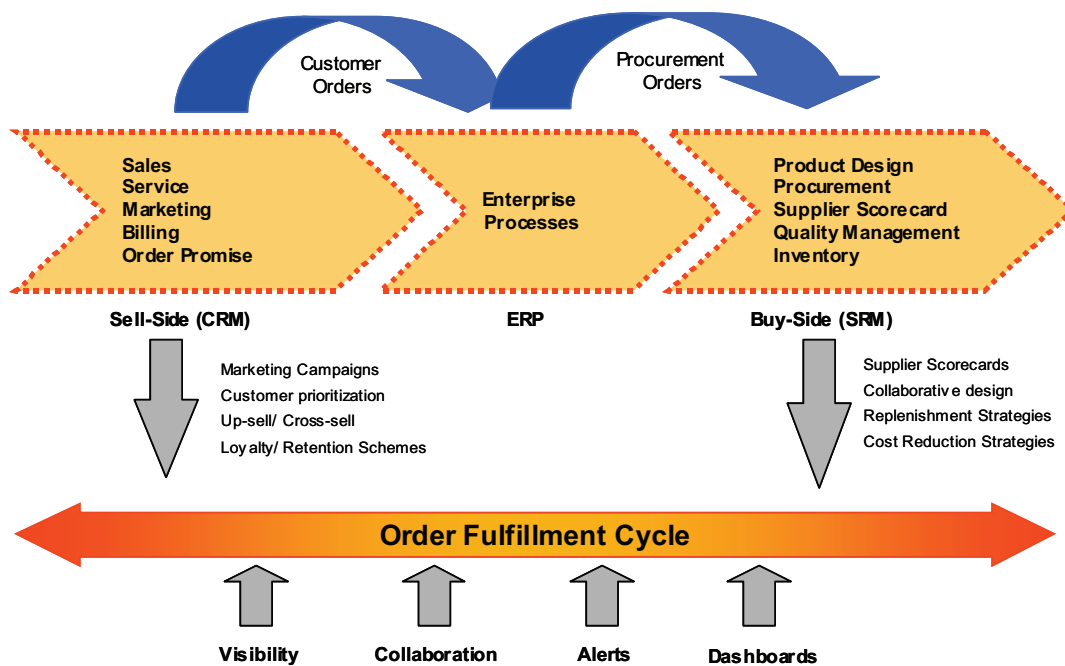


Figure 2: Order Fulfillment Processes are driven by CRM and SRM

The Infosys Way: Streamlining Order Management across the Supply Chain

Our experience suggests that a business process view provides greater leverage than an application view. If you put order management under the scanner, there are several demands placed on processes. Some of the key issues include:

1. Providing greater planning visibility across the supply chain.
2. Offering a uniform user experience across multiple sales channels.
3. Enabling almost real-time track and trace capabilities across the order cycle.
4. Providing advanced order promise capabilities.

Infosys believes that there are several approaches to address the above issues. However, in this paper, we seek to call attention to “Planning Visibility across the Supply Chain”. The order fulfillment cycle spans several supply chain entities. An effective solution to foster efficiencies requires synchronizing demand and supply at every step of the chain. This can be facilitated through collaborative tools that share data across partners.

Infosys presents a likely scenario and proposes how best to leverage the solution for enhanced business value.

A familiar IT experience

Let us get back to the situation of XYZ, the OEM of PCs. The company sells products through retailers such as RetailCo. XYZ sources components and assemblies from vendors such as SupplyCo. RetailCo shares a 13-week order forecast on goods from XYZ that the company expects to sell in the form of a demand plan. XYZ reverts with a 13-week supply plan to RetailCo. XYZ gets the part requirements for the goods in the demand plan through a BOM explosion and communicates a 13-week order plan on parts requirements on its buy-side to suppliers.

SupplyCo in turn makes a supply plan known to XYZ. The planning process takes place through an exchange of spreadsheets. It is used to identify excess demand or supply positions at different planning stages. Wherever demand and supply differ beyond certain limits, the partners enter into a discussion to balance demand and supply through postponement or advancement strategies.

This is a typical example of order planning and fulfillment strategies practiced in most companies. Here are some of the grey areas that result in critical gaps in the order fulfillment cycle:

1. Lack of standardization in sharing and collaborating plans.
2. Manual interventions for exceptions such as “demand and supply” imbalances.
3. No consistent workflows for working on exceptions.
4. Lack of historical data for analysis.
5. Manual allocation of customer and supplier priorities at XYZ company.
6. Inability to construct different views of planning data – by product hierarchy, location hierarchy, category and partners.

Fulfillment, powered by Infosys

The Infosys solution envisages collaboration on the order planning process. Accordingly, XYZ company is empowered with a collaborative planning tool that helps manage both buy-side and sell-side collaboration. The collaboration helps synchronize demand and supply through exchange of an order forecast and a corresponding supply plan.

The solution envisaged by Infosys includes automation features to help identify exceptions on demand-supply imbalances and provides alerts and notifications to planners on either side. The solution has detailed alert resolution processes that help take every exception situation to closure.

The key components of the Infosys solution include:

1. Business rule-driven workflow management features to identify exceptions.
2. Alerts and notifications to indicate open and unresolved alerts for user action.
3. Alert resolution processes that are event driven and have associated workflows for managing alerts and exceptions to closure.
4. Key performance indicator dashboard to monitor the collaboration and take remedial action if needed.
5. Historical data capture on order planning for analysis and decision support.
6. Strong user interfaces that enable multiple data presentation format.

The Infosys solution enables closer integration with supply chain partners, thereby offering early visibility in plan changes. The technology solution integrates with SRM and CRM applications within XYZ company to help identify customer and supplier prioritization.

Summing up

The need of the hour is to integrate CRM and SRM systems through order management. The payoff lies in their working in a homogenous environment. Infosys believes that the following areas assume critical importance in your IT roadmap:

1. Technology solutions such as web-based collaboration tools must synchronize demand and supply on both the buy and sell sides for organizations.
2. Automated capabilities for identification and managing exceptions and business process standardization must enable planners on either side to focus on more efficient order fulfillment.

3. With the right inputs from CRM and SRM systems, these tools must integrate processes on order fulfillment across the chain and create significant business value through better operational efficiencies.

Companies must take an enterprise view of CRM and SRM systems. Having achieved that, the enterprise must integrate these systems. Remember, you can maximize returns on these investments only when these systems are connected and collaborate with each other.

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Infosys Hi-Tech and Discrete Manufacturing (HTDM) Practice

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¹ Customer Relationship Management (CRM) is a business strategy to select and manage the most profitable customer relationships. CRM requires a customer-centric business philosophy and culture to support effective marketing, sales, and service processes.

² Supplier Relationship Management (SRM) is a comprehensive approach to manage an enterprise's interaction with organizations that supply the goods and services.

³ Excerpted from "Channel Management Software Best Practices: It's All About Orders", an AMR Research report, December 2002. To look up the report, visit www.AMRresearch.com



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