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# Using Order Management to Get Closer to Your Customers

To compete and win in today's competitive marketplace, aggressive companies have opened a number of promising and profitable new distribution channels. In addition to traditional brick-and-mortar stores, electronic data interchange, catalogs and mail order sources, a growing number of sellers now also take orders from Web-based customers and mobile buyers, as well as build-to-order and engineered-to-order customers. The proliferation of distribution channels has allowed many companies to penetrate new market segments and to create and grow lucrative new revenue streams.

Yet those exciting new sales and distribution channels have also created significant challenges. The newer Web and mobile channels are faster and more dynamic, and are therefore riskier and less predictable than traditional channels. While that dynamic nature can add considerable agility to an organization, the technologies needed to establish and manage those channels are new and unfamiliar to many firms.

**An integrated approach links every element of order fulfillment, from capture to invoice and final settlement.**

Just as many companies were exploring these innovative new distribution opportunities, many were also experiencing successive waves of mergers and acquisitions. Those changes opened even more opportunities, but the most common approach of creating separate channel processes and systems also tended to create a proliferation of enterprise resource planning systems and other information technology (IT) systems that were complex, siloed and difficult to manage. Those calcified back-end structures add cost, risk and inefficiency to any distribution network. They prevent companies from planning and executing the accelerated product life cycles demanded by today's markets.

Companies in a number of industrial sectors have spent the past few years addressing the shortcomings of their legacy infrastructures, working diligently to drive greater speed and efficiency throughout their supply chains. Those efforts have yielded many positive results, from accelerated inventory turnover to reduced waste and improved bottom-line profits. But for too many companies, those inward-looking efforts have also led to a loss of focus on the single most-important asset any company has—its customers.

Executives can see the symptoms every business day. The most serious of these symptoms is poor service quality, which can be measured by declining satisfaction ratings, increased customer churn and the failure to meet agreed-upon service-level commitments.

That's why many forward-looking organizations now recognize a pressing need to refocus their energies on their customers. Executives increasingly realize the need for better supply chain visibility, improved analytics and faster, more responsive customer service.

## Fulfill expectations

The bottom line for customers: they expect to receive what they ordered, when it was promised. Despite that fact, most companies don't have processes and systems in place that enable them to achieve differentiated fulfillment operations. According to Aberdeen Group, leading enterprises use order fulfillment to continually raise the service performance bar versus the competition. However, only 15 percent of the companies Aberdeen surveyed reported having an order fulfillment process that extends across the value chain. And only 21 percent of respondents described their customer service strategy as proactive and focused on continuous improvement. (Aberdeen Group: "Next-Generation Order Fulfillment: Paving the Road to Success," March 2005.)

How does a company recognize a poorly functioning order management system? Here are a few of the trouble signs:

- Pricing or brand messages across products, services or distribution channels are inconsistent.
- ERP and IT bandwidth constraints limit the ability to fulfill orders quickly and efficiently.
- Order fulfillment costs are growing as a percentage of revenue.
- Excessive inventory-holding costs have a negative effect on cash flow and profitability.
- Material delays affect fulfillment, service-level agreements and customer satisfaction.
- Buyers, sales reps, logistics staff and call centers cannot easily share information.
- Making or meeting promise dates for unanticipated customer orders is difficult.
- It is difficult or impossible to monitor and manage key suppliers.
- Customer-service representatives must access multiple

## Evolving Capabilities in Order Fulfillment

### Record Keeping

- Revenue accounts
- Customer base
- Price lists
- Service history

### Order Fulfillment

- Inventory visibility
- Sourcing and availability
- Shipment execution

### Collaborative Replenishment

- Customer collaboration
- Auto replenishment
- Liability management
- Exception management

systems to provide information on the status of an order or shipment.

- Customers, sales and opportunities have been lost.

### Ask the tough questions

When evaluating an order-management system, customer service and supply chain managers should consider the solution's ability to rationalize numerous complex activities. Can it provide real-time order promising, allocation management and re-balancing? Does it perform change management, credit modeling and order validation and brokering? Can the solution handle integrated pricing, shipping, invoicing, returns and the myriad of other variables that constitute a successful fulfillment system?

An integrated approach links every element of order fulfillment, from capture to invoice and final settlement. Modern order fulfillment is ideally suited to the needs of companies that sell through multiple, complex channels and systems. The best of this new generation of technologies can efficiently capture, process and fulfill orders from stores, telephony, electronic, Web and other sources—all while presenting customers with a single, consistent and positive buying experience.

When enacted as part of a larger collaborative effort across the value chain (which may include collaborative replenishment, demand management and transportation bidding), a true end-to-end approach to order fulfillment can help present a single and more responsive face to customers across various processes, locations, business lines and IT infrastructures.

### Recognize the hurdles

Of course, executives who are responsible for complex supply chains also understand that there are costs and risks associated with any significant IT initiative. In the past, the rigid nature of legacy systems often prevented the optimum use and re-use of legacy infrastructures. Companies have attempted to modernize and update their order processing systems, only to have sometimes overly ambitious efforts stall due to inadequate planning, the tremendous complexity of multi-channel fulfillment and simple organizational inertia.

Fortunately, the software industry has learned from those earlier setbacks. i2 has deep experience with three full generations of order management and fulfillment technology across virtually every business sector. From that wealth of knowledge, we have identified the following key steps that determine the success or failure of an order management initiative:

1. Begin with a clear, enterprise-wide understanding of all strategic, technology and company-specific aspects of order fulfillment in a multi-channel environment.
2. Leverage a flexible architecture capable of preserving the company's investment in legacy infrastructure.
3. Adopt a phased, incremental approach that gains an early win (for example, in a selected channel or business unit), and then expand the initiative to other channels, units or locations in a carefully planned rollout.
4. Then, leverage the benefits.

A streamlined order management and fulfillment system begins by introducing standardization and consolidation. Those basic changes drive down costs while helping companies accelerate inventory turn, optimize the use of assets and boost the productivity of service associates. More efficient fulfillment shortens the product development and introduction cycle, reducing risk and making companies more responsive and competitive. Product-oriented companies are also using improved order management to make their supply chains more visible, to improve partner performance and to make better business decisions.

Most importantly, better order management helps organizations get closer to their customers. When orders are fulfilled quickly and reliably, customers notice. Companies reap the benefits of greater customer satisfaction through higher rates of retention. Those crucial customer-facing improvements translate naturally into increased sales and market share, new revenues and improved profits.

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