CUSTOMER-CENTRIC ERP: INTEGRATED SYSTEMS FOR CUSTOMER SATISFACTION

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Report Highlights

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Businesses integrating disparate systems enjoy an 88% greater year-over-year increase in annual company revenue.

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Best-in-Class organizations are 38% more likely to have customer-centric ERP.

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Organizations with customer-centric ERP are 2.3 times as likely to have a fully integrated view of all customer data.

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Organizations with customer-centric ERP enjoy an 83% customer satisfaction rate, on average.

Enterprise Resource Planning (ERP) is the back-bone of many businesses. It connects different silos in the business and provides companies with the ability to make better use of their resources while pursuing their objectives. Improving customer experiences is one such key objective that's often at the heart of business activities for most organizations. This is largely because companies understand that as the voice of the customer is elevated and buyers are empowered with more information (and hence options), increasing revenue and reducing costs hinges on meeting the precise needs and wants of each customer. This report will highlight the business value of customer-centric ERP. It will also observe several building blocks companies must establish in order to use ERP to become a truly customer-connected business.

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The customer is king. Successful businesses understand this, and ensure that their strategies and processes embody that mindset. Of course, for this mindset to truly take hold, it must be reflected in the technology environment used to support the business.

Only 35% of companies currently have a unified view of the customer data available to all relevant stakeholders.

Customer-centric ERP: Integrating Back-End Systems & Customer Management Systems to View the Buyer's Journey

The era of the empowered customer is here. This refers to customers utilizing technology tools (e.g. smart phones and tablets) as well as digital channels (e.g. social media, web and video) as part of their purchase and loyalty decisions. Succeeding in this "new normal" requires firms to enable all stakeholders in the business – from customer-facing functions (sales, marketing and service) to the back-office – with the ability to meet the precise needs of each buyer. Customer-centric ERP is a key enabler for giving employees a timely and seamless view of the customer interaction history across all channels, thus increasing the ability to deliver personalized and consistent messages.

Findings from Aberdeen's March 2014 *State of the CEM Market 2014: It's All About Better Use of Customer Data* study shows that only 35% of companies currently have a unified view of the customer data available to all relevant stakeholders. Furthermore, data from the same study revealed that an average employee spends 14% of their time looking for customer information across numerous enterprise systems to personalize their conversations. When put together, these findings mean that firms are struggling with empowering their employees with information to meet customer demands. As a result, they incur unnecessary costs as employees need to use multiple systems when interacting with buyers.

The good news is that a leading group of organizations excel among their competitors and overcome this challenge – these firms are named as the Best-in-Class (see sidebar on next page) within the *State of the CEM Market 2014* study. Table 1 below shows that these top performers create happy customers and enhance the financial health of their organization.

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Table I: Success in Meeting Customer Needs Drives More Revenue

Mean Class Performance (n=108)	Best-in-Class	All Others
Customer retention rate	90%	75%
Year-over-year growth in annual company revenue	31.3%	3.5%
Year-over-year growth in customer profit margin	26.4%	-1.1%
Year-over-year improvement (decrease) in response time to customer requests	21.6%	5.5%

Best-in-Class businesses in customer experience management (CEM) distinguish themselves across a number of areas. One of these is their focus on customer-centric technology environments, which refers to integrating business solutions to streamline data flows and customer interaction processes. This focus is significant, as the lack of such integration across systems capturing customer data results in fragmented views of each account. This means that your sales representatives run the risk of pursuing a sales opportunity with a client that might have a pending support ticket, and as a result, will likely be frustrated by being offered a new product / service before the issue is resolved.

Why is addressing the issue of fragmented views of account data an important one? Top performing CEM users, for example, are 51% more likely than All Others to have a customer-centric CRM to empower their employees with timely and relevant insights through integrated enterprise systems (53% vs. 35%). Figure 1 illustrates the year-over-year performance gains enjoyed by these savvy organizations, compared to those that are not integrating their enterprise systems in order to deliver more personalized and timely customer interactions.

The Aberdeen maturity class framework is comprised of three groups of survey respondents. This data is used to determine overall company performance. Classified by their self-reported performance across several key metrics:

- **Best-in-Class**: Top 20% of respondents based on performance
- **Industry Average**: Middle 50% of respondents
- **Laggard**: Bottom 30% of respondents

Sometimes we refer to a fourth category, **All Others**, which is Industry Average and Laggard combined.

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Figure 1: A Complete View of the Customer Unlocks Better Business Performance

Source: Aberdeen Group, December 2014
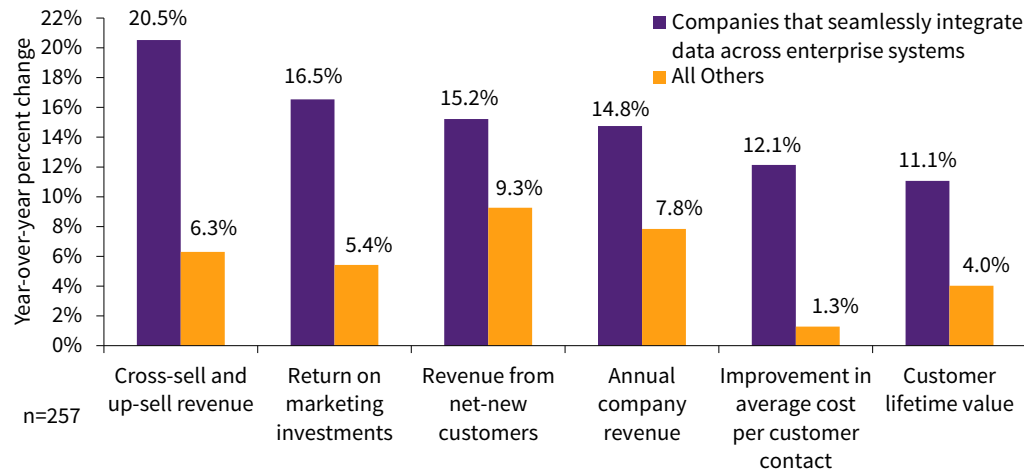
As depicted above, businesses integrating disparate systems to build a foundation for consistent customer interactions enjoy an 88% greater year-over-year increase in annual company revenue, compared to All Others (14.8% vs. 7.8%). Meanwhile, they reduce customer care costs by 12.1% annually, paving the way for increases in company profitability. Let's now take a look at the key technology solutions that make up customer-centric ERP, and how companies maximize their performance through integrating these systems and utilizing them effectively.

### Defining Customer-Centric ERP

Since ERP is the foundation of a successful business' technology environment, it would make sense that ERP would be at the center of a technology environment designed to help its owner better serve customers. But what comprises a customer-centric ERP environment? Aberdeen's _2014 Business Management and ERP Benchmark Survey_ finds that Best-in-Class organizations are 79% more likely to have integrated ERP and CRM as well as 37%

Top performing CEM users are 51% more likely to have customer-centric ERP.

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more likely to have integrated ERP and Ecommerce / order management (Figure 2). CRM provides greater insight into customer information while Ecommerce / order management helps companies interact with buyers to capture orders across multiple channels, such as the web and mobile applications.

Figure 2: A Customer-Centric Approach to ERP
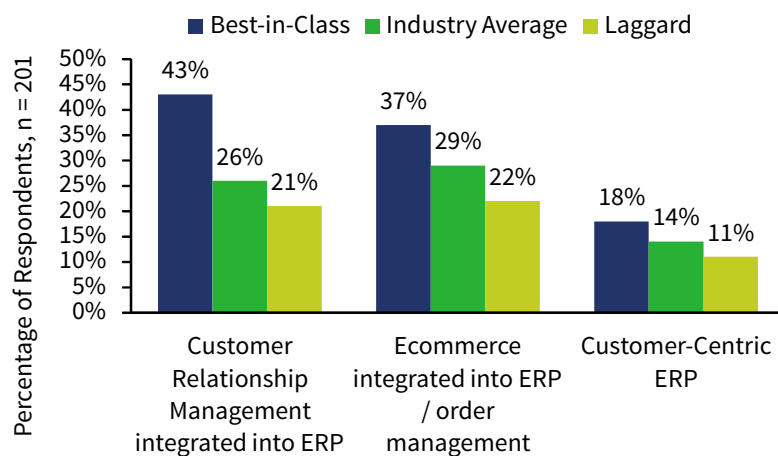
Source: Aberdeen Group, August 2014

The key to streamline the order capture to fulfillment process with the solutions depicted above resides in integrating them with other functionality such as HR, finance, and customer service. This helps companies ensure that all customer information is available and utilized by relevant stakeholders. It also facilitates building one customer-centric source of truth throughout the business. Therefore, it's important to note that customer-centric ERP refers to organizations combining the technology solutions above with the ultimate objective of establishing a unified view of customer interactions and helping all stakeholders align their activities accordingly – a capability that the Best-in-Class are 38% more likely to have, compared to their peers.

In Aberdeen's _2014 Business Management and ERP Benchmark Survey_, respondents were ranked on the following criteria:
- **Complete and on-time delivery:**
  - Best-in-Class - 96%
  - Industry Average - 90%
  - Laggard - 77%
- **Improvement in profit margins over the past two years:**
  - Best-in-Class - 27%,
  - Industry Average - 7%
  - Laggard - 2%
- **Change in time to decision over the past year:**
  - Best-in-Class - 48% decrease
  - Industry Average –9% decrease
  - Laggard - 1% increase
- **Improvement in cycle time of key business processes over the past two years:**
  - Best-in-Class - 27%
  - Industry Average –9%
  - Laggard - 6%

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What Can Customer-Centric ERP Do for Me?

One vital characteristic of firms benefitting from Best-in-Class CEM programs is their ability to convert customer data into actionable insights. To this point, a customer-centric ERP environment provides substantial value when it comes to visibility of customer needs and wants. In fact, organizations with customer-centric ERP are 2.3 times as likely to have a fully integrated view of customer data captured across different channels such as in-store, web and social media (Figure 3).

Figure 3: Enhanced Visibility is a Critical Capability
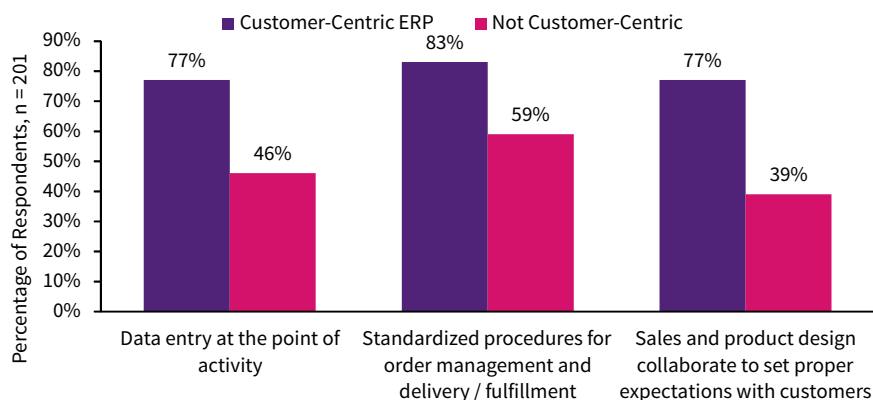

Source: Aberdeen Group, August 2014
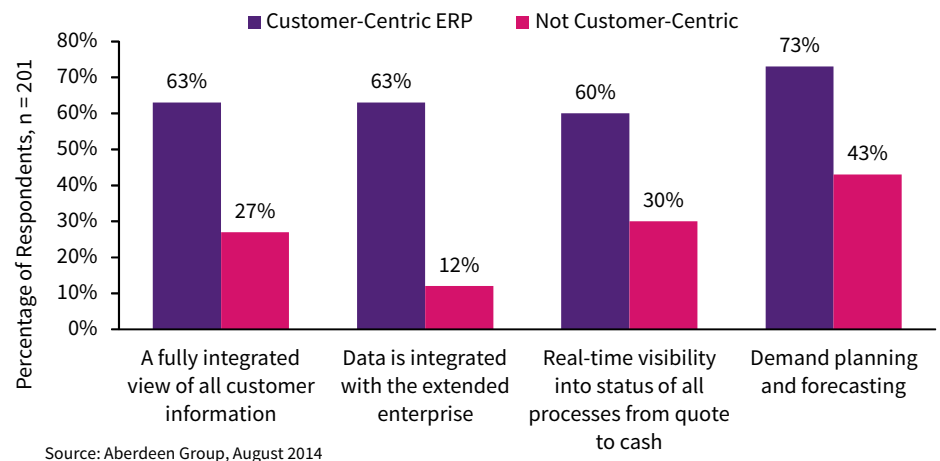
An integrated view of customer data is a critical capability. Customer service representatives in companies with this capability are better positioned to understand contract terms, as well as the needs of their customers, as they work to resolve issues, compared to their peers without this capability. Another example of the benefits of this capability is giving sales representatives visibility into previous customer interactions, thereby helping them to tailor their messages to increase the likelihood of closing their next deal. Truly, having a customer-centric ERP enables organizations to do more with data. Integrating data with the extended enterprise can facilitate

interactions with logistics partners and get products in the hands of customers more quickly. Real-time visibility, a capability that organizations with customer-centric ERP are twice as likely to have, helps business leaders monitor the status of customer interactions and manage them in a timely fashion. Lastly, improved visibility into customer trends helps to improve demand planning and forecasting, which leads to lowered inventory holding costs and improved costs for materials.

Customer-centric ERP is really about maximizing CEM program results through better use of data. A single source of truth helps to ensure data capture at the point of interaction, a capability that organizations with customer-centric ERP are 2.3 times as likely to have (Figure 4). The ability to improve customer satisfaction through delivering consistent messages across different channels also helps customer-centric ERP users better manage their internal processes. For example, armed with a comprehensive view of the account data, a sales representative would be well-positioned to communicate when the client would receive a particular order or provide feedback captured from buyers to the product development team in a seamless manner.

Figure 4: Key Activities to Maximize the Benefits of Customer-Centric ERP

Source: Aberdeen Group, August 2014

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The Benefits

Customer-centric ERP users perform better across a variety of important metrics as a result of improved visibility on internal business process as well as customer interactions across multiple channels (Table 2). For example, since customer interaction processes are standardized and employees have more timely access to customer data, organizations with customer-centric ERP deliver products rapidly and delight customers through superior service. When considering the benefits of an agile business infrastructure and a happy customer base, ultimately, customer-centric ERP helps companies maximize their performance in improving bottom line results.

Table 2: The Benefits of Customer-Centric ERP

Average Performance	Customer-Centric ERP	Non Customer-Centric
Percentage complete and on-time delivery	93%	90%
Improvement in time-to-decision over the past year	27%	17%
Improvement in cycle time of key business processes over the past year	25%	12%
Percentage of customers that identify themselves as satisfied or extremely satisfied	83%	77%
Days Sales Outstanding	36.7	42.5

Source: Aberdeen Group, August 2014

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Key Takeaways and Recommendations

The customer is king. Successful businesses understand this, and ensure that their strategies and processes embody that mindset. Of course, for this mindset to truly take hold, it must be reflected in the technology environment used to support the business. For this reason, Best-in-Class organizations are 38% more likely to have customer-centric ERP which is integrated effectively with CRM and Ecommerce. This results in many benefits, including:

➔ Organizations with customer-centric ERP are 2.3 times as likely to have a fully integrated view of all customer information.

➔ Organizations with customer-centric ERP are 70% more likely to be able to plan and forecast demand.

➔ Organizations with customer-centric ERP are 2.3 times as likely to have data entry at the point of activity.

➔ Organizations with customer-centric ERP report that 83% of their customers are satisfied or extremely satisfied, in comparison to 77% in organizations without customer-centric ERP.

Customer-centric ERP is the key to promoting efficiency and delighting customers.

For more information on this or other research topics, please visit www.aberdeen.com.

Related Research

Customer Communications Management: Maximize CEM Results with Interactive Content; November 2014

Improve Your Midmarket Business Operations with Cloud Applications; September 2014

Social Customer Care: Steps to Success in 2014; August 2014

Mobile ERP: Taking ERP ROI into Your Own Hands; August 2014

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