Sage ERP | White Paper

Front-to-Back-Office Integration

The final piece in the customercentric jigsaw

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Executive Summary

Independent research suggests that back-office connectivity is not adequately addressed by many Customer Relationship Management (CRM) implementations. In these cases, customer data cannot be shared effectively and business processes are punctuated by errors, delays, and paperwork. Over the long term, this can negatively impact overall customer satisfaction, as well as increase transactional cost on an exponential basis.

This white paper discusses how front-to-back-office integration enables small and medium-sized businesses (SMBs) to address these issues. It details how an integrated solution like Sage CRM allow SMBs to seamlessly connect their business processes, applications, and data to:

- Manage customer relationships more effectively.
- Reduce costs.
- Increase profitability over the long term.

This can be achieved without the cost and complexity normally associated with projects of this type.

Introduction

The primary objective of any new CRM implementation is to bring together customer data from across the company and translate it into meaningful information that can then be acted upon to develop and maintain profitable customer relationships. Some CRM projects, however, have left users feeling underwhelmed by the results, particularly where enhancements to customer visibility have failed to meet preproject expectations or company requirements.

Gartner research suggests that significant information "blind spots" still exist after many CRM project roll-outs,[1] particularly with regard to customer transaction history. One potential explanation is that these projects have not adequately addressed the issue of back-office connectivity. Overly "front-heavy" implementations can result in the operation of two parallel but separate customer datasets: one in the back office, which is financial, transactional, and quantitative in nature, and the other in the front office, which, by contrast, is nonfinancial, interactional, and qualitative.

Challenges That Companies Face Today

Different departments use different application types to manage customer information; front-office employees use CRM applications that support customer-facing activities such as sales, marketing, and customer service. Back-office employees use ERP applications that support transactional, reporting, and compliancy activities, such as invoicing, accounts receivable, cash flow management, and financial reporting. While front-office applications have historically been developed around the idea of cross-organizational collaboration, back-office applications, by contrast, have been insular in nature, with the finance department slow to open up its data and applications to other parts of the organization. Additionally, many companies purchase their CRM and ERP applications from separate, specialist vendors. This combination of factors has meant that business applications have struggled to address key business process needs where the customer lifecycle crosses the front-to-back-office divide, resulting in:

- Departmental silos of information.
- Unnecessary administrative overhead and inefficiencies.
- Verbal sign-off requirements.
- Process duplication.

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Benefits of CRM

With CRM, businesses are able to collect and analyze customer information and then use that data to meet—even exceed—expectations.

CRM helps businesses:

- Increase productivity.
- Empower employees with the right information at the right time.
- Streamline business processes through automated workflow.
- Bridge information gaps between departments.
- Tie ERP information with CRM so customer-facing employees have a complete view of customers.

[1]Source: Key issues for CRM strategy and implementation, Gartner, 2006

The Quote-to-Cash cycle (diagram below) is an example of where these issues can arise.

Given the number of potential parties involved in the quote-to-cash cycle—account management, sales order processing, shipping, and accounts receivable—errors or omissions at any stage in the process can be costly and time-consuming. Additionally, front-office staff, such as account managers or customer service agents, may struggle to provide order status updates to their customers because of limited visibility on the transactional information contained in the back-office system.

The workflow management capabilities of integrated ERP and CRM applications have helped address these issues by introducing exceptions monitoring, mandatory fields, and removing the need to rekey and recheck information as transactions pass from one stage to the next. However, this does not fully address quote-to-cash business process requirements if the back-office environment remains disconnected from the front-office system. If a member of the sales team, for example, generates a quote based on out-of-date pricing information or stock availability and subsequently converts this quote into a customer order, it is likely that this error will only be identified later at the order approval or shipping stage. The order will need to be passed back to the salesperson for correction and then reprocessed by the finance department. As a result, order completion is delayed for the customer, administrative cost is increased for the company, and workload is unnecessarily duplicated for sales and finance staff. Clearly, where this scenario arises on a regular basis, it will negatively impact overall customer satisfaction, as well as increasing transactional cost on an exponential basis.

Front-to-Back-Office Integration Fundamentals

The aim of front-to-back-office integration is to bring together disconnected business processes (for example quote-to-order and order-to-cash as part of the overall quote-to-cash cycle), applications (CRM and ERP), and datasets (financial and nonfinancial), and translate them into a mechanism to:

- Manage customer relationships more effectively.
- Reduce costs.
- Increase profitability.
- Achieve sustainable competitive advantage over the long term.

In simple terms, front-to-back-office integration is made up of three interrelated elements:

1. Consistent data between related entities ("company" and "account") within the CRM and ERP applications.
2. A unified and complete view of the customer, regardless of whether customer data originates in the CRM application or the ERP application.
3. "Straight-through" processing, which enables a user to initiate a transaction (for example, booking an order), which then automatically triggers all related business processes as appropriate (such as approval, shipment, invoicing, and so on) and passes seamlessly from one application (like CRM) to the next (such as ERP) without the need for extensive manual intervention (for instance, rekeying information, paperwork, or verbal sign-off).

Front-to-Back-Office Data Consistency

Being able to share consistent data between the CRM and ERP applications is an essential requirement for front-to-back-office integration. Customer data, however, is structured according to specific application types. Organizations, therefore, need to be able to create dynamic links from entities within their CRM system (such as the "company entity") to the corresponding entity within their ERP system (such as the "account" entity); changes in either are propagated in both. This ensures that both front-office and back-office staff are working with the same information, which reduces or removes the need for reentering information and the potential for error.

In the quote-to-cash example cited previously, these capabilities would enable the account manager to generate a quote based on the most accurate and up-to-date information available at the time and, as a result, eliminates the potential for error and process duplication down the line.

Unified and Complete View of the Customer

Enabling users to view combined financial and nonfinancial customer information within a single application, regardless of where the information is generated or stored, is another key requirement for front-to-back-office integration.

A unified and complete view of the customer is particularly useful for account managers who may require access to a customer's purchase history or for customer service representatives who may need to update a customer on the status of an order.

Providing these users with access to both financial and nonfinancial information eliminates the customer data "blind spots" described earlier.

In the quote-to-cash example cited previously, these capabilities would enable the account manager to verify that his customer had not exceeded his credit limit prior to placing a new order. If an issue exists, it is flagged with the customer immediately rather than later when the order reaches credit control. Again, this helps to eliminate errors and process duplication downstream.

Straight-Through Processing

Straight-through processes enable users to initiate complex, multistage transactions, which, using workflow management and application integration, then automatically trigger the appropriate downstream business processes and pass seamlessly from one application to the next without the need for extensive manual intervention. The main advantage of straight-through processes is that they reduce or remove the need to rekey information from one system to the next, reducing administrative cost and the potential for error.

In the quote-to-cash example cited previously, these capabilities could automatically generate an order in the ERP system as soon as the account manager promotes a quote to an order within the CRM system. This means that the order can be processed without delay, and the customer benefits from a speedier turnaround. As the quote is generated using ERP-supplied pricing and tax calculations, the potential for error due to out-of-date information is eliminated, and workflow automation ensures that an order does not have to be recreated manually in the ERP system, removing process duplication and ultimately reducing cost.

Front-to-Back-Office Integration Challenges

Front-to-back-office integration can help companies to dramatically reduce administrative cost, speed up order fulfillment, and improve customer service. While this may seem like a real win-win scenario for all involved, it is not without its challenges.

Undertaking point-to-point, retrospective integration can be a costly, complex, and risky proposition for SMB organizations, and even when a company manages to achieve its short-term integration objectives, there is no guarantee that future CRM or ERP upgrades will not render the integration inoperable.

The availability of CRM solutions with out-of-the-box, easy-to-deploy product integrations to market-leading ERP solutions, therefore, represents a highly compelling proposition for SMB organizations seeking to leverage the benefits of front-to-back-office integration cost efficiently.

Sage CRM Front-to-Back-Office Integration Capabilities

Sage CRM provides out-of-the-box integration with leading Sage ERP products. This means that companies that have previously invested in Sage ERP products can quickly and cost effectively leverage their back-office data and functionality within the front-office environment of Sage CRM.

Front-to-Back-Office Data Consistency

The out-of-the-box ERP integrations of Sage CRM provide for bidirectional synchronization of customer information, both financial and nonfinancial, between the Sage ERP front-and back-office environment, ensuring that:

1. Information is captured once at the source and then automatically propagated to all relevant fields throughout the Sage ERP front- and back-office environments without having to wait for it to be rekeyed and revalidated as it passes from one system to the next.
2. The most accurate and up-to-date customer data is available to front-office and back-office employees at all times.
3. The most accurate and up-to-date pricing and inventory information is available to front-office staff at all times, meaning that quotes and orders are correct and that customers are accurately advised as to the lead-time of their orders according to real-time information rather than guesswork.

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Unified and Complete View of the Customer

Sage CRM enables front- and back-office employees to discover and share deeper, more meaningful customer insight based on a combination of CRM-derived and ERP-derived information. The "trading account" entity of Sage CRM facilitates the mapping of multiple accounts contained within the Sage ERP system to their appropriate company record within Sage CRM. This provides an ERP-empowered CRM user experience with customer transaction information delivered through the native CRM user interface. It also allows ERP-based customer data to be surfaced within dashboards, reports, and tabs, and used within groups, lists and workflow automation.

The system's true customer visibility enables:

1. Sales teams to maximize their revenue potential through the identification of latent cross-sell and up-sell opportunities within their customer base.
2. Sales representatives to book orders correctly, the first time, every time, by providing them with access to the account, pricing, and stock information they need to do their jobs effectively.
3. Customer service representatives to address customer queries with confidence by providing them with the shipping, invoicing, and returns information that they need to do their jobs effectively.
4. Customer service managers to ensure that their customers are current on maintenance and service contracts and that their service-level agreements are delivered on a profitable basis.
5. Marketing executives to carry out detailed financial segmentation on their customer base to support highly targeted and effective go-to-market programs.
6. Marketing managers to calculate "real-world" return-on-investment based on actual revenue yield from their marketing programs.

The following table provides a sample of the ERP-derived customer data that can be presented to front-office staff through the front-to-back-office integration of Sage CRM.

Customer purchase history items purchased and invoiced	**Customer invoice history** invoices issues and payments received	**Shipping history** items shipped
• Item code • Item name • Quantity • Unit price • Last purchase date • Description • Discount	• Date • Payment due date • Reference number • Value • Payment status	• Shipping number • Date of shipment • Shipping party • Quantity

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Facilitating "Straight-Through" Processing

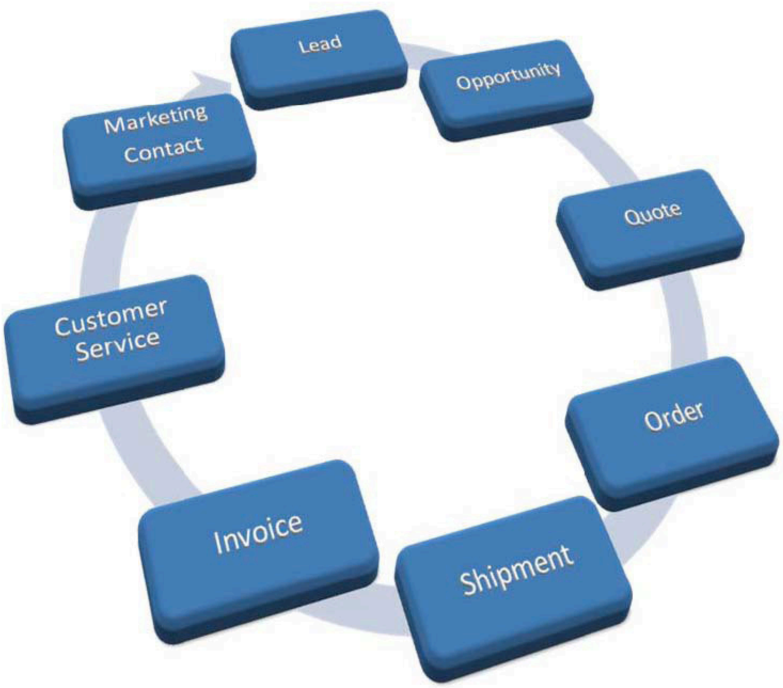
Out-of-the-box integrations allow companies to implement "straight-through" business processes that provide the workflow and automation capabilities that manage the entire customer lifecycle seamlessly across all interaction and transaction types. Specifically, the quotes and orders functionality in Sage CRM bridges the process automation capabilities of the Sage ERP front-office and back-office environment and, as a result, removes the need for manual intervention as orders generated within the CRM system are passed automatically through to the ERP system for processing and fulfillment. Additionally, front-office staff are equipped with the data and functionality they need from the back-office system to carry out complex pricing and VAT calculations, as well as being provided with real-time inventory information to ensure orders are fulfilled on a timely basis and in line with customer expectations.

Once an order has been created in Sage CRM, a corresponding order is automatically generated in the ERP system, where it can be processed immediately. Delays and errors are eliminated because:

- Accurate pricing and VAT calculations have been carried out within the CRM system at the point of entry.
- The order already includes all of the data required by the ERP system.

Companies, as a result, can achieve significant cost and time savings on an ongoing basis, as well as significantly enhancing customer service through on-schedule order fulfillment and reduced order errors.

The following diagram illustrates the uninterrupted, optimized, cost-efficient, and customer-centric front-to-back-office process flow that Sage CRM provides.



Sage CRM front-to-back-office full process automation

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Self-Service Enablement

Sage CRM also provides the capability to deliver key CRM functionality directly to customers through a self-service web portal, which, when combined with front-to-back office integration, allows customers to:

- Access their full account details online, including invoice and delivery history.
- Configure and place orders online using pricing rules that automatically incorporate company-specific volume purchase agreements and discount structures.
- Query order and delivery status online, as well as proof-of-delivery details.

The front-to-back-office integration capabilities in Sage CRM are particularly cost-compelling for organizations that have already invested in a Sage ERP back-office solution. Specifically, the integration component can be deployed using minimal consulting resources and, generally, without the need for additional hardware infrastructure. Additionally, because the front-to-back-office integrations in Sage CRM are loosely coupled and SOA-based, they are upgrade-safe and also facilitate future migration from one Sage ERP product to another while minimizing cost and risk.

Summary

Independent research suggests that customer information gaps still exist after the majority of CRM implementations because the issue of back-office connectivity has not been adequately addressed. In these cases, customer data cannot be shared effectively, and business processes are punctuated by errors, delays, and paperwork. This is likely to result in customer satisfaction issues and spiraling administrative costs. The success of a CRM project, therefore, should not be judged solely on how effectively it brings together front-office operations, but on how it also facilitates interoperation with the back-office environment, encompassing people, processes, departments, and applications.

Front-to-back-office integration harnesses business processes, applications, and data to manage customer relationships more effectively, reduce costs, increase profitability, and achieve sustainable competitive advantage over the long term. Front-to-back-office integration, however, can be costly and complex for companies, especially SMBs. The use of prepackaged integration, therefore, represents the most effective solution for these organizations.

Sage CRM provides out-of-the-box integration to market-leading Sage ERP products. This equips SMBs, on a low-cost, low-complexity basis, with consistent customer data across their front and back-office environments and provides users with real customer visibility across financial and nonfinancial data, as well as facilitating straight-through processing, which significantly reduces errors and administrative cost. Over the long term, companies using the front-to-back-office integration capabilities found in Sage CRM can expect to significantly decrease administrative costs, increase customer satisfaction and consequential revenue opportunities, and build sustainable competitive advantage in an increasingly challenging marketplace.

About Sage

Sage North America is part of The Sage Group plc, a leading global supplier of business management software and services. At Sage, we live and breathe business every day. We are passionate about helping our customers achieve their ambitions. Our range of business software and services is continually evolving as we innovate to answer our customers' needs. Our solutions support accounting, operations, customer relationship management, human resources, time tracking, merchant services, and the specialized needs of the construction, distribution, manufacturing, nonprofit, and real estate industries. The Sage Group plc, formed in 1981, was floated on the London Stock Exchange in 1989 and now employs 12,600 people and supports more than 6 million customers worldwide. For more information, please visit the website at www.NA.Sage.com or call 866-996-7243. Follow Sage North America on Facebook at: http://www.facebook.com/SageNorthAmerica and Twitter at: http://twitter.com/#!/sagenamerica.

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