



CRM Success for Fast Growing Companies



This informative whitepaper discusses the technical challenges and lack of visibility that affect the creation of a successful customer experience through a seamless value chain, and how to tackle these issues. What is most important in making the value chain seamless in any business environment is that the ultimate focus be placed on the customer and that the use of information, data, and processes remains the focus of planning the complex merger of processes, technologies and cultures. In order to successfully extend your value chain, you must recognize that your partners, vendors/supplies and employees play a vital role in making sure that customer values are both recognized and realized. Learn how a successful value chain can be created by seamlessly integrating your business partners and implementing a customer focus.

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*What Every Small and Mid-Sized
Company Needs to Know*

By Paul Greenberg



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What Every Small and Mid-Sized Business Needs to Know

Overview: It Takes A Village to Please A Single Customer

The answer to the upcoming question might seem obvious. If you are a customer, what do you want to know about when you're purchasing something?

This?

- Order
- Manufacture to order
- Maintenance, repair and operations scheduling/planning
- Resource allocation and planning
- Order management
- Sourcing scenarios/planning
- Order simulation for the sourcing scenarios
- Date and quantity controls
- Alternative supply models
- Partnership/Distribution channels and processes associated
- Scheduling, delivery and logistics planning
- Deliver

Or this?

- Order
- Deliver

Obviously, you say, all I really want to know is order/deliver, not the rest of that stuff. But, whether you as a customer, just want to see order/deliver, you as an enterprise owner or employee, need to do all the rest, without the customer getting involved or seeing how you're involved either.

But this is complicated, isn't it? You have to plan to procure materials and manufacture the appropriate products – i.e. ultimately, the one that the particular customer specifically ordered. You have to make sure the human resources are in place to manufacture the order so it can be produced in a timely fashion that will then allow the scheduled delivery to be timely – with timely meaning the customer's delivery expectation is met. You have to make sure the money is there to afford to buy the materials and pay the people who are going to manufacture the order that will please that individual customer who put the in the order in the first place. You have to make sure that the products produced meet the quality standards that have been set. You have to make sure that the products can be moved to wherever it is they have to go (warehouse distribution center, etc.) prior to shipping to the individual – which takes a good deal of time and planning and managing of a calibrated risk because what if – oh yeah, what if the goods aren't the appropriate quality or the number of orders is greater than the number of units available at the most geographically close distribution center and warehouse? Then you have to have processes to resolve that because that individual customer doesn't care that you had quality or logistics issues as long as what they get in their delivery is of the excellence they expect, when they expect to get it. In other words, it is complex, difficult to implement and yet needs to be seamless in the eyes of an unforgiving customer. How do you think about this? How do you do this? Why should you?

Answering that, my friends, is the purpose of this white paper. Because in the 21st century, with a new kind of customer in place, this is something you cannot ignore, whether you are a large enterprise, a small business, or a company growing like crazy, trying to manage the growth.



Why Bother?

Why in the world should you care enough to deal with this obviously difficult set of issues? When it comes to customers, you have two missions. First, to retain those that you have, and then, to acquire those you don't. In 2001-03, the buzz was around retention only. Studies proliferated with the still valid premise and numbers that found it costs between 4 and 11 times more to acquire a customer than it does to retain them. The Harvard Business Review found that cost number to be 6 times. Additionally, a well touted set of studies from Accenture and Bain in 2003 both showed that a five percent increase in customer retention impacts profitability dramatically. For example, that five percent in the auto services industry means a 28 percent increase in profitability; in retail banking that means 35 percent; and in insurance brokerage a mind-boggling 50 percent. So retention seemed and seems to be the thing.

But those customers you are retaining have to have been acquired somewhere and, as the economy continues to recover and grow, acquisition is not as ugly a word as it used to be. But how you acquire (or retain) your customers no longer just depends on the provision of a good product or a good service, but in fact, how much the customer bonds to the experience that they have with you and your products/services. If the experience stays good and the cost of their staying put is lower than the cost of leaving, they will stick around. If not, bye bye.

The Customer Ecosystem

So how do you then deal with the customer? What are they like? What's leading us to a new view of the customer? How does your company organize its business and the processes it uses to retain and acquire the new breed of customers it has to deal with? Why does an integrated value chain seem to be a significant part of the equation for success?

The "New" Customer

Customers are no longer what they were even a few years ago. There are new generations of customers in town and their characteristics are defying existing marketing and sales wisdom in ways that have been unthinkable even in the recent past. Expected buying habits, desires, and customer demands are nowhere near what conventional wisdom thought they were for decades. Why the shift? Because the business ecosystem shifted from a corporate ecosystem to a customer ecosystem. In the corporate ecosystem the customer was presumed for. Those presumptions are turning out to be wrong or misconceived or outdated in the customer ecosystem we now work in.

My Presumptions – Right or Wrong

Marketing “wisdom” always assumed that once you were 40 years old, you had brand choices that were pretty much fixed. Oh, how untrue that’s turned out to be. Studies done in 2004 by Yankelovitch on the consumer electronics industry and its brands, found that 63% of all customers – which includes baby boomers (45 to 59 years old); Gen Xers (33-44 years old) and Gen Yers a.k.a. “echo boomers” (16-32 years old) – were willing to switch brands should there be a reason to do so. That was no surprise for the Gen Xers or the echo boomers, but was an enormous shock to conventional marketingthink which presumed that baby boomers, all of whom were well over that 40 years old demographic, just had no propensity to switch brands at all. They do and they are living proof as to why no business should presume for the customer.

This new customer is emboldened by the knowledge that is nearly instantaneously available to them and by willingness of millions of their peers to speak up in tandem with them. This empowers the customer as never before and created a new breed that has a unique set of characteristics. First and foremost, multiple research studies show that, as human beings, they want control over all facets of their life experience – which includes the way they interact with companies they are doing business with as consumers or as business leaders. This is not just a momentary transition that will change when the economy does. One of the landmark studies on Gen X in particular found that “the gap between Generation X and earlier generations represents much more than age and technological differences. It reflects the effects of a changing society on a generation.” (Brown, Bettina Lankard, 1997) This is also now applicable to the changes in the consumer behavior of the baby boomers and with Gen Y is the case – on steroids.

With customer behavior that volatile and unyielding, it means they are not just looking for great products and services and terrific prices, but also for a meaningful *and controllable* kind of experience with those products, services and the companies that produce them. The interactions with the company at every touchpoint are now of primary importance and the sensitivity of the customer to this granular notion can’t be underestimated. They see a great overall experience determined by a good to great interaction at every point as a huge benefit and one they are willing to pay for if they know what it can bring them. But, they need to be able to manage the experience themselves. To do that means visibility into the company and the tools to make their experience valuable to them. That could be tracking tools for a package; a knowledgebase that gives them specific detail they need personally or an authoring tool that helps them personalize how they do business with your enterprise. With all of that,

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the customer can make a smart decision with appropriate information. But be warned. Just providing great prices or a good product or service is no longer enough. Customers can easily go elsewhere. Check out the example, you'll see what I mean.

The Example

Last April, I flew to Shanghai on United Airlines. I was keynoting a speaking engagement that was paying me a fee that included expenses so I was responsible for my own arrangement. I decided that since this was a long flight, I would upgrade to business class from coach using my United frequent flier miles. When I went onto United.com to take care of it, what came up were two different prices for the same flight from Washington D.C through Chicago to Shanghai. First, roughly \$1800.00 but not upgrade eligible; then \$2712.00 upgrade eligible. I went with the latter figuring I'd still be profitable. The cost to fly business class would be prohibitive otherwise. I paid the \$900.00 extra and for some reason, maybe my own brain fog, couldn't find out where to submit my upgrade request on the website. So I did the obvious and called the United Premier Executive reservations line to help me do that. I spoke to a very nice representative and was informed "oh sorry; there are no upgrades for that flight at all, regardless of eligibility." Whoa.

Needless to say, I was highly upset. Why didn't the website provide me with the information immediately to let me know that all upgrades were already accounted for on these flights and I wouldn't have spent the \$900.00 extra for the chance that didn't exist?

Well, since I was a Premier Executive customer who flew a lot a.k.a. a high value customer, they found a route from Washington D.C. through San Francisco to Shanghai and back that had the upgrade – and – how about this? – for \$1800. One that, incidentally, didn't show up on the web as an option.

The Lesson

What makes this a particularly useful example is that it reflects the new customer reality. The customer experience matters, not the price or the product. Even mainstream staple, BusinessWeek, in its December 19, 2005 issue, under the best new ideas of 2005 section, says,

“Now the game is to create wonderful and emotional experiences for consumers around whatever is being sold. It's the experience that counts. While that business model has long been the preserve of cult-like brands like Starbucks and Apple, it's fast becoming the norm in all industries.”

Ultimately, I got a far better price and what I wanted. But because I was denied information that I needed and that added a series of extra steps that I didn't particularly want to go through, even with the better deal, United lost points with me because of the experience I had with them. They would have been better off if they had simply provided me with the information that said, "sorry, no upgrades available on these flights" via the web. I might have been stuck in coach but I would have had a better experience – at least a better business experience.

Changes in the Universe

This kind of new customer, not the corporation, now sits at the hub of the business universe (see Figure 1) – and the implications are profound for the enterprise value chain that you have at your company. In fact, your future depends on it. BusinessWeek, same issue, once again, "Profit margins are much higher on 'experiences' than actual products or services."

That said; let's define briefly, the idea of a customer ecosystem so that we can look at the enterprise value chain the way it needs to be seen.

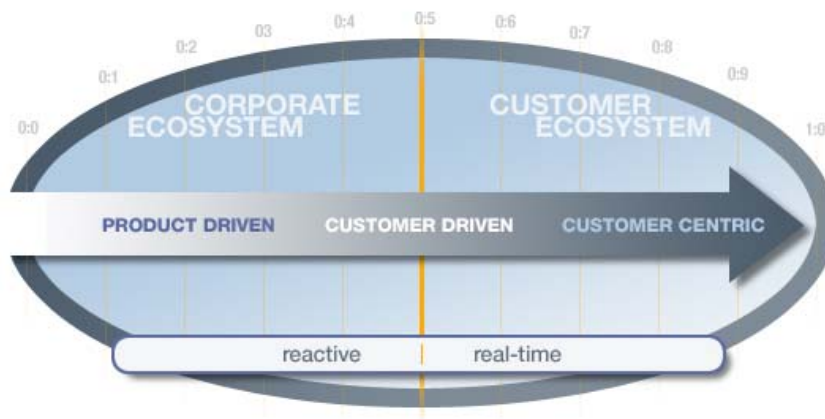


Figure 1 – The Evolution of Business from the 20th to the 21st Century: A Profound Change

Product Driven Corporate Ecosystem

Products drove the business ecosystem until the early 1990s. You remember those days whether "those days" were the 1950s, 1960s, 1970s, 1980s or very early 1990s. Desire for products was created and pushed to the marketplace. You saw something that seemed "neat" and you decided, with the help of Madison Avenue advertising agencies, that this "thing" was

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important to either your household or your social status. You were willing to wait patiently until the product was produced. Delivery was whenever the manufacturer met the demand and the distributor wanted to get it there.

The customers' passivity in this product-centered corporate ecosystem was due to their inability to get and use information quickly. Typically, the way that one got information was pretty much a trip through a molasses-covered jungle. In the '50s or 60s, it went something like:

You found an ad in Life magazine. You saw there was a coupon clip out (with a little picture of a scissors on the dotted area). You clipped out the coupon, filled it out, stuck it in an envelope and attached a 7 cent stamp and sent it on its way. Two weeks later you got a brochure or a catalog on the product. You read it. You then found a department store that carried it. If it were popular enough, a neighbor might have the item and you could ask them. You then went to the department store and talked to a sales person or you ordered it via catalog. From the time you became interested to the time you received the item could be months and was minimally weeks. There was no reason to demand an item quickly, because you couldn't. The value chain didn't exist to accommodate more than the existing demand. The knowledgebase was sparse to non-existent as was your ability to access trusted sources.

Customer Driven Corporate Ecosystem

But in the mid-1990s, the Internet, especially in how it handled knowledge and how it changed product and service availability and delivery, changed the business ecology forever. That's "Internet the Communications Revolution," not "Internet the Business Model." It changed competition and information gathering, and that changed customers and the business environment.

Now products and services were accessible with a mouse click. Competition went global with not just easy Internet availability for any company anywhere in the world, but a massively improved delivery infrastructure as companies partnered with UPS, FedEx and other carrier services. Delivery from Europe to the U.S. could be three days or even less in some cases. But most importantly, information became easily available in both large quantity and in new trusted forms. It could be downloads of Acrobat-formatted brochures, white papers and product manuals. Even more importantly, experiences with the products and services you were interested in were instantly available from peers who had used them at sites like Epinions. Of course, Amazon became the paradigm for this new model, constantly refining a personalized and controllable customer experience with the site, not just a book sale site.

What became universally available was not only a huge number of products from multiple locations but an extensive peer-based matrix that was using the very products you wanted to find out about and were willing to speak about them. They became trusted sources as their information was instantly available online. You had a conversation with the trusted source without ever actually meeting the person or even necessarily corresponding with them. You know the feeling. “Oh yeah, that (information about the use of/experience with a product) makes sense to me. I’m glad to know that’s a strength/problem with this product.” Every time you log on to Bizrate or Shopzilla you are finding out what the users who use the products think, all instantly and at the click of a mouse and conveniently from wherever you happen to be.

But along with this new model came new customer expectations. The customer became empowered and volatile as their choice of purchase and ease of comparing price and availability became simpler and faster. The volatility and expectations became very high. The goods were better and cheaper and delivered faster than ever. What had been originally passive information with some value became active knowledge with power. The customer could speak to the experience with the products and services and had a global audience willing to listen. Epinions, a site that started off as a place to gossip and gripe about “stuff” became one of the great product, services, and company review sites. Link these customer based reviews to the locales where the goods could be purchased, provide comparative pricing engines and all of a sudden the company had a new concern to deal with – a customer who could think about taking command of their own consumer life. This was the beginning of the transition from a customer-based corporate ecosystem to the now experience based customer ecosystem.

Customer Ecosystem

In the last couple of years, we’ve seen this progressive evolution solidify to reality. We’ve moved from a customer-driven corporate ecosystem to a customer ecosystem. Even though it looks as if the words, “-driven corporate” are all that’s removed, the implication is profound. This is the basis for the transformation of business models from product-based and company-centric to experience-focused and customer directed. Corporate strategies are now necessarily being built around providing the kind of experience for the customer that will create a loyal advocate.

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The Value Chain in the Customer Ecosystem

This kind of business model demands collaboration among the business partners, suppliers and employees. Because of globalization, localization and technological improvements, the customer's expectation is that every interaction they have with a company in the course of a purchase or any form of activity is going to be seamless and effective. That is their *ordinary* expectation. That means that any failure in the chain, whether it is a customer-facing domain like sales, marketing, support, or a supply chain function like delivery, logistics, inventory management or an internal function like finance or even the manufacturing process, and the customer is ready to leave you with a click.

The requirement for the seamless value chain for the benefit of the customer's experience and not just efficiencies is being increasingly acknowledged. Not just the commercial world, but governments are recognizing the new ecosystem and its needs. For example, in January, 2005, the Transportation Research Board (TRB), part of the federal National Academies (National Academy of Science, et. al.), held a conference titled, "Transportation from the Customer's Perspective: Providing a Safe, Secure and Integrated System." One of their primary presentations was called, "Meeting Customer Needs Through A Seamless System." It was described thusly,

One of the great breakthroughs in transportation over the past several decades is the capability of the freight industry to ship packages door-to-door over long distances and often overnight. While the journey will require the package to travel on several different modes and transfer between modes, the customer doesn't have to worry about the interfaces, and better still, new technology allows the customer to track the package and stay informed of its progress. This session will explore what we as transportation professionals might do to make a multi-modal journey for a passenger as seamless. The session will examine lessons learned in the freight industry and how they might be applied to passenger transportation. The session will address enhancements necessary to improve the customer's experience while switching from one mode to another, and the importance of physical design to insure that transfers are seamless for persons with disabilities. What kind of planning, skills and technologies support a more seamless system?

In other words, what should be done to create a successful value chain that enhances a customer's experience? This question is paramount to all businesses – as is recognition that

this extended value chain is based on the collaboration among partners, suppliers, vendors and employees that can meet the new business requirements for customer retention, acquisition, and profitability. There is no other option for success.

The Chains Linked: Demand, Supply, Support and the Back Office

So what are the elements of the value chain? Let's give it a brief look, shall we?

Demand Chain

The so-called "demand chain" is not just your father's sales, marketing and support functions anymore. It now encompasses a much broader concept and practice. Foremost, it is all the customer-facing activity that your company engages in, which means while involving the classic three functions mentioned above; it also involves such capabilities as order management. What makes this part of the chain unique is that it is embedded in the pores of the entire chain. So for example, as we will see, what has been considered a supply chain function, such as delivery and logistics, or schedule planning, now have customer or demand chain issues and requirements. The demand chain now is a strategic piece of an overall enterprise value chain.

Supply Chain

Historically, in the corporate ecosystem, particularly when it was product based – this has been a back office function – not particularly customer connected. In other words, things like inventory management, distribution, delivery, logistics, and parts planning were seen as extensions of the manufacturing process – how to manage the product once it was produced. It lent itself to automation and systems because it was seen as an operational capacity, not a customer-affecting activity. In an experience-based system, though, the supply chain is seen as affecting the customer's relationship with a company, because, for example, a poorly functioning supply chain could destroy the trust the customer has in the company – even if it is an outsourced supply chain function that fails. If you were sitting at home waiting for a delivery of a package from Ajax via FedEx and the package didn't show when it was supposed and was hours late; who do you blame? Ajax or FedEx? Well, you may know that FedEx screwed up but it is Ajax's responsibility to deal with it and it's Ajax that is going to suffer the loss of trust.

The Back Office

Historically the "back office" has been represented by those who are engaged in internal and operational processes that are not particularly engaged with customers. The problem has been

One Big Value Chain

So what are the practical implications of this enterprise extended value chain? How do the processes that utilize the value chain engage the customer – and affect them?

Remember order/deliver? Well, we’re going to look at that from another perspective now by looking at the very commonly used process “order-to-cash.” The diagram below (See Figure 2) makes it clear that the entire value chain is engaged in this apparently straightforward set of transactions and interactions with the customer.

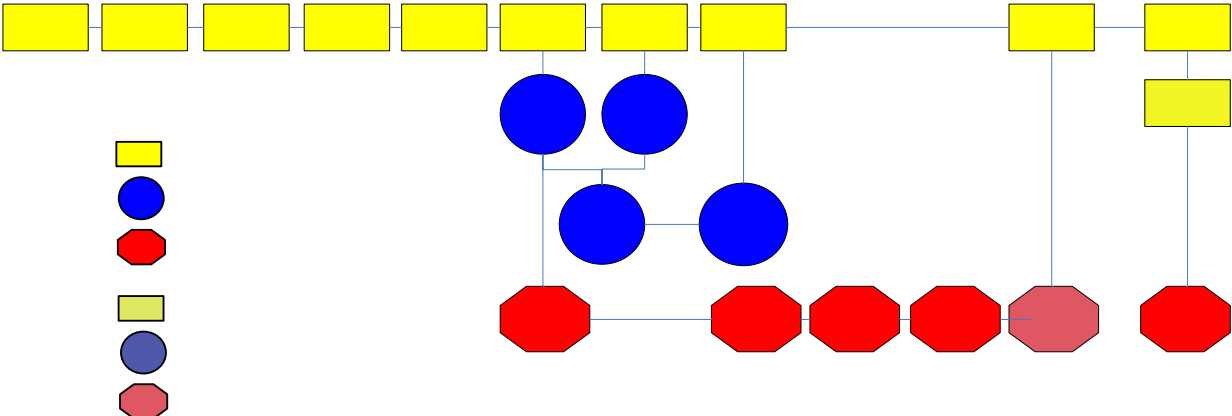


Figure 2 – A Typical Use of the Enterprise Value Chain by Customers: Order-to-Cash Process

The steps of order-to-cash in their simplest forms can be something like the following:

1. Marketing campaign gets interest of potential customers (CRM)
2. Lead is generated (CRM)
3. Opportunity is entered into the sales pipeline (CRM)
4. Opportunity is seen by sales manager and sales team (CRM)
5. Sale is made (CRM)
6. Order is entered (CRM, ERP)
7. Order is invoiced, paid for (ERP)
8. Order is created, packaged (Supply Chain)
9. Order is fulfilled (Supply Chain, Support Chain, CRM)

Marketing Campaign

Lead Generated

Oppty. Mgmt.



10. After sale service (CRM, Supply Chain, possible Support Chain)

11. After sale up-sell or cross-sell (CRM, possible Support Chain)

So what are the implications of this? You probably noted that the entire value chain was continuously engaged in the process – though along different links of the chain at different times. But imagine how many processes are acting in conjunction with order-to-cash so that it works seamlessly.

The Result?

If this entire value chain is unbroken and the processes work well, then the ordinary happens to the customer. That's right. The ordinary. You are *not* providing an exceptional experience in this transaction; you are providing an experience that met expectations. They got what they paid for when they expected it. While a timely delivery without incident is an action to be cherished, if the customer's expectation is that the delivery will be timely, then something ordinary happened for the customer. What you *do* get from the one time event is *not* an advocate, but a "not-verbal terrorist" – meaning you are preventing the creation of someone that is going to publicly (either online or among friends) blast you for your problems with the delivery. According to a 2004 study on consumer complaints (among other things) run by the respected market research firm, TARP, when a customer is happy with you 5-9 people will hear about it. When they are verbal terrorists, 16 or more will hear about it. A one time successful interaction means that your enterprise value chain worked seamlessly – this time. While it only takes a single bad incident to produce a verbal terrorist, it takes a consistent repetition of success – and thus a value chain that is working uneventfully and even better than expected – to create a true customer advocate who will be a champion of their experience with you. That is your mission, should you choose to accept it.

It Ain't Easy But It Feels So GOOD When It Works

But just knowing it has to work, doesn't deal with the process and technology kinks that are highly likely to be occurring as you tie the value chain together. What are some of the kinks? How can you make it work? The last section is going to help you with that – with the caveat that every case is different so the problems and solutions may vary.

Integration Can Be Nasty...

There are multiple issues for you to consider, especially when considering the technologies necessary, the processes used and the business rules applied. How do you reconcile the existing systems, the third party applications, the differing technical architectures, the

variances on web services, the different data stores, and the vast variety of processes that you use and those services, systems and processes of your partners, vendors and suppliers? That can be very dicey. Standards for data, different customer fields, and even different flavors of web services may each be different for each partner or vendor.

But the issues for creating this seamless value chain are not just technological. In a study done by Sterling Commerce, 75% of all executives report that they don't have visibility into their extended value chain's data, information or even processes. That lack of transparency is a big issue when you're developing standards, technology, processes and relationships to make your customer's experience successful, isn't it? Yet, it is also important to figure out how to shield some of your data and information since it is conceivable

If you do decide to collaborate and share information, it creates another possible dilemma. Every partner might have to:

1. Use the same system you already are using and hope for the best
2. Agree to replace their existing systems with the brand holder's or leading partner's system
3. Add an additional layer of software functionality which will increase the likelihood of redundancy and thus increase the costs of the system.
4. All convert to a single system

But that of course intersects one of the more timeless issues - resource allocation and budgetary constraints. IT organizations and line business managers typically find that they have insufficient resources to handle these increased responsibilities and the overhead that goes with it – from the human resources requirements to the hardware, software and services. Yet the seamless value chain is a mission-critical necessity in this new ecosystem, not a luxury.

If It Works There Is....

How do you get it all this to work effectively? All different systems possibilities mentioned above have been tried with varying degrees of success. Even though the majority of these systems are still standalone, the development of web services-based and service oriented architectures makes on demand services an increasingly attractive possible model for

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developing an integrated value chain – when the vendors’ applications/services have enough functionality to support the various elements of the supply chain.

But what remains most important in making the EVC work in any environment is that the customer centric focus of the use of information, data, and processes remains in the forefront of planning this complex convergence of processes, technologies and cultures. That also means that the appropriate functionality is actually engaged. For the brandholder, that would include:

1. Sales
2. Support
3. Marketing
4. Product Lifecycle Management
5. Human Resources
6. Payroll
7. Financial
8. Order Management
9. Channel Management
10. Vendor/Supplier Management
11. Procurement
12. Inventory Management
13. Logistics/Delivery

It would also include intra-enterprise and cross-enterprise analytics, dashboards and reporting capabilities. In other words, it would encompass the functionality that would serve the collaboration among businesses that support that customer experience.

Incentives Work – They Truly Do

One other thing. Your partners, suppliers and employees are customers too and they respond as customers along the value chain. That means that there has to be some good reason for them to want to work with you to integrate the value chain. Incentives will take good care of that one.

For your employees, tie compensation to customer retention. Perhaps your sales representatives would get their commissions based on successful product delivery rather than at the cash register ringing; or if their customers had satisfied and measurable smiles on their faces, they could get a percent or two higher on the commission for the particular sale.

For your suppliers and vendors, a service level agreement that sets a baseline and then supports an above the baseline performance with a premium or a below the baseline performance with a penalty is an effective tool toward developing a working value chain.

For your business partners, the more they provide the right services and products and experiences to your customers the better the benefits – e.g. increasing co-marketing funds or bringing them into larger deals or making them a preferred partner with deeper wholesale discounts on your products, thus increasing their margins.

In other words, with the right systems in place and the right cultural support, the likelihood of this success is all the greater. The value is well documented.

Value across the Value Chain

The value of this kind of multi-channel integrated enterprise value chain is metaphorically incalculable – but Gartner Group, in 2004, came up with a number. Gartner estimates that information sharing among value chain partners would accelerate revenue growth by as much as 20%. The results of a survey of 600 business leaders unveiled at the “See the Customer” Conference in May 2005 showed that shared decision-making, workflow and data can jump business more than 70%. Three fourths of all companies surveyed considered this collaboration across the extended value a top executive priority. Those that have already linked their business processes with their trading partners realize 70% higher profitability than those that remain unintegrated externally. So clearly, there is good business reason to make the value chain work, beyond the creation of those advocates.

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The specific benefits are almost too numerous to mention and, of course, depend on the organization, processes, and technology you have and the culture you live in. But let's chew on a few examples of the possible process-related benefits:

1. Forecasting demand leads to adjusting marketing programs
2. Customer demand drives supply allocations
3. Product configuration constrained to available inventory
4. Process optimization
5. Supplies brokered to appropriate channel partners
6. Order fulfillment across an extended enterprise (cross-enterprise)
7. Optimized scheduling to handle customer complaints according to criteria such as SLA requirements or customer lifetime value
8. New best practices such as Collaborative Planning, Forecasting & Replenishment (CPFR): Cooperative planning between all suppliers and brand holder to improve inventory management and delivery time to customer

Let's delve a little more deeply into CPFR.

Because CPFR is based on shared information that could be competitive, this was an unthinkable best practice less than a decade ago. In the contemporary customer ecosystem, collaboration & forecast sharing helps fill customer requirements at a reduced cost. For example, there are two companies in Croatia, a burgeoning economic nation, that have an interesting dilemma. First up are Luria, BtoB transportation, dairy, and several other businesses. Second to the plate is Konsum, which is the largest retailer of many goods and services in Croatia. Among those goods and services is retail food and the grocery stores that sell it. Luria provided particularly the dairy but other foods that Konsum had to put in the grocery stores – yet in multiple other areas they were competitive. Additionally, there were several food processing companies who were once or twice removed from the Konsum customer – the grocery shopper. The issue that they each had was how to work together when they might be competitive in multiple other areas. Konsum, Luria, and the food processing companies decided that ultimately Konsum's end customer – the grocery shopper had to be made happy so that they would work together to see that occur. That meant a certain amount

of visibility for each company into the other so that inventory, delivery schedules, customer purchases, forecasting and planning, distribution, and other procedures, processes, data etc. would be shared and a set of standards created and adhered to make sure that the grocery store shopper would be satisfied. If that occurs, then the customer of the food processors and Luria – in other words Konsum would be satisfied – and the demands of the customer ecosystem are met by the partnerships of the extended value chain.

ROI Benefits

Some of the benefits of an integrated value chain are strategic and can positively affect your return on investment (ROI). We've already looked at the clear value provided for revenue generation and profitability and transparency, but there are multiple other benefits to an extended EVC. Karen Butner of The IBM Institute for Business Value sees the following as some of the benefits to the entire network:

- Coordinating business functions across the supply chain
- Developing mutually beneficial ways to strengthen supply chain relationships
- Synchronizing supply and demand through planning and forecasting
- Managing supply chain cycles
- Developing variable cost structures
- Sharing risks with partners
- Using real-time information to create responsive, customer-driven processes.

Additionally, if an on-demand model is used there is a considerable advantage to the cost of ownership because of the outsourcing of the overhead, as well as the implied acceptance of a set of standards and services that will help coordinate all value chain cross-enterprise activities.

Finally

The customer ecosystem we live in now has created a dramatic change in how business has to be conducted. The customer's experience with your product, services and you is now of paramount importance to your customer retention and continuing revenue growth. If extending your value chain isn't seamless and you don't recognize that your partners,

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vendors/suppliers and employees play a vital role in making sure that customer value is both recognized and realized, then, you're done. On the other hand, if you work with those partners, employees and vendors to ensure that the demand, supply and support chains work in conjunction with your internal processes, then welcome to the bounty of the 21st century customer ecosystem.