

Complex Manufacturing— Executive Agenda



How do I reduce selling costs
while increasing sales volume?

“Forrester believes this solution should be considered in all vendor shortlists, especially for customers in retail, manufacturing (e.g., high-tech, industrial, home improvement, and software), communications, and distribution/logistics.”

Forrester Research, The Forrester Wave: Order Management Hubs, Q4 2008, by R. 'Ray' Wang, November 14, 2008

Cost Reduction—Linking to Revenue Increases

Cut costs and continue to grow

In today's economy, manufacturers are increasingly under pressure to cope with falling demand while attempting to sustain profit margins. With consumer spending slowing, the industry is being heavily impacted and needs to find ways to cut costs without having a negative effect on growth.

Manufacturers are starting to look at how they can stay connected to their customers in order to make themselves more competitive, as well as ultimately increase profitability. The objectives of manufacturers that have successfully implemented improvement strategies tend to fall into two categories:

- Increasing revenue
 - Making it easier to do business with them
 - Reaching out to new channels
 - Embedding their brands into downstream channels
- Reducing cost
 - Expanding the use of self-service online channels
 - Reducing errors and delays in quoting, configuration and pricing
 - Where appropriate, focusing on profitable lines such as aftermarket servicing and parts

Industry leaders realize that e-commerce is a critical channel in any growth plan and is a very cost effective, dynamic method of increasing profitability and market share.

By extending efficiencies out to the customer and exploiting new sales channels, many leading manufacturers are realizing significant revenue benefits as online sales increase, and costs are reduced throughout the selling process. Customers are benefitting from a more flexible and faster buying process that realizes value across the network of distributors, resellers, VARs, and partners.

In this executive agenda, we will examine how:

- You can make your business more customer-focused while continuing to cut costs and how can you extend lean principles to customer service activities without impacting potential growth
- You can achieve all of this on a continual basis while handling increases in product complexity and configurability

The answer lies in building on what you already have achieved in terms of efficiencies, while exploring new, additional revenue channels. As you leverage best practice and process improvements via better tools and approaches designed to replicate these objectives inside the four walls of the organization, you can gain further benefits from the years of squeezing every penny of efficiency out of your supply chains.

It is possible to do both—cut costs and implement a growth strategy at the same time.

FCI, a Sterling Commerce customer, has seen a 66% increase in Web site hits as a result of their Web site's extended e-catalog capabilities. User feedback has also been very positive; 60% of Web site visitors use the e-catalog to search across 94,000 connector products, and on a monthly basis, download on average 50,000 Adobe Acrobat documents. FCI's Web site has also been ranked in the top 10 for their industry by a leading industry analyst firm.

"Through the deployment of IBM® Sterling Multi-Channel Selling, we were able to convert 30% of our parts orders online within the first 60 days of launching our parts Web store."

Dave Richey
eBusiness Manager,
Agilent Technologies

What's Driving the Change?

Focus on the customer

The first step to successfully realizing growth while cutting costs is to place the customer at the center of your strategy.

Understanding customer needs, and where the organization may be failing in areas such as order accuracy and backorders can help you find solutions that:

- Enhance processes and improve information to increase sales by CSRs
- Reduce order process time
- Increase online sales volume
- Simplify the quoting and configuration of complex CTO products
- Accelerate time to market for new products
- Improve customer satisfaction

Implementing a Web based sales channel that can be shared internally with your CSRs and externally with your customers and trading partners to create a single face to the customer achieves many critical objectives.

Making it easier to do business with you by:

- Simplifying complex product ordering
- Improving customer service and information

Providing value with:

- Product innovation
- Flexible, tailored pricing solutions for customers
- Reduced error rates

Improving selling processes and linking the supply side to the demand side also enables extended visibility deep into the supply chain at the time of customer ordering.

This addresses the issues surrounding backordering, suggesting product and solution alternatives, and order error rates. Proactively resolving these issues ensures that customers are made happy the first time.

Extend Lean Principles to Customer Service

Complex products mean complex selling—the key is to understand how you can best manage your complex product portfolio.

- Customer service personnel can spend an average of 60% of their time on processing order amendments
- Up to 30% of sales orders can end up with incorrect products or pricing

“Our move to e-business is the natural progression that enables our partners and customers to conduct business with us the way they prefer—over the phone, fax and now online.”

Judy Dalzen
Director of Business Operations,
NEC Solutions

By automating your product catalogs you make it easier for customers and CSRs to configure complex products at the time of ordering, freeing up CSR time to focus on selling by:

- Getting the order right the first time with accurate product and availability data
- Extending real time data sharing out to trading partners and customers
- Enabling system-driven proactive issue resolution to head off customer calls

Building on the improvements that have been successfully implemented within the four walls of your business (such as system consolidation and process efficiencies) can take you to the next level of business process excellence.

Sharing more information with trading partners, customers, and suppliers by seamlessly linking current and new systems will maximize the return on those investments, and drive benefits during the ordering process.

Accelerate time to market

In order to compete effectively you have to be innovative. Getting new products to market is critical to revenue growth. Maintaining margins on those new products is also crucial, so adopting methods that allow you to get this process online means you can reduce the overall cost of introduction and generate returns faster.

Speed and agility are key to effective product introduction and innovation, as well as coordination through the supply chain:

- Innovation is a key differentiator for Western manufacturers
- Innovation is as important as cost and service

Extending your sales channels online speeds up product introduction and reduces errors.

You can retire or discount older product lines immediately, and launch new product promotions as soon as marketing pushes the button, proactively pushing your customers to the new products.

Consider the service quality gap—the difference between expectation and reality.

How your customer perceives you is the truth, which makes it critical to get the expectation/reality match right the first time.

With the average business losing between 10%–30% of its customer base each year, and retaining customers being a priority in an economic downturn, can you afford to ignore the problem?

Getting customer interaction right is key. We all know that, so what can you do to ensure success?

- Give your distributors online, guided access to your product information
- Ensure availability information is real time
- Show all your stock, however global, in your availability picture
- Give your customers real time updates on order progress

Focus on profitable activity

In manufacturing sectors such as technology, electronics, automotive and aerospace, the aftermarket offers significant opportunities to focus on profitable processes that also add value for customers.

By extending efficiencies and flexibility into the reverse logistics chain, manufacturers can achieve:

- Aftermarket duration-based service contracts
- Streamlined spare parts ordering

This can unlock potential for competitive advantage as leaders can help their customers be more efficient and responsive. For the manufacturer the benefits are two-fold:

- Focus on profitable spare parts and post-sales services
- Sales of business critical components that customers need to buy now

Sounds Challenging, What Can I Do?

You can learn from the industry leaders. Businesses that are successful during challenging economic times take the opportunity to grow revenue by investing in improving their core offerings. Focus on what you are good at, and use the best tools available to succeed.

We spoke recently to Gates Manufacturing, FCI Corporation and Goodrich Aerospace, all multi-billion dollar global manufacturers and customers of Sterling Commerce that implemented programs focused around:

- Revenue growth
- Cost improvement

At the heart of these programs were their customers—these leading organizations realized that to succeed they had to encourage their customers to:

- Buy in greater volume
- Buy the most recent, more profitable products
- Get more accurate information
- Find it easier to deal with the company

Gates Corporation wanted to allow their distributors to:

- Quickly find products
- Obtain account-specific pricing
- Check inventory availability and order status

Gates, a Sterling Commerce customer, has seen their CSR productivity improve by having access to the same comprehensive catalogue as distributors. Gates has increased the volume of business done electronically, while significantly reducing the cost of the customer order session. Gates is increasing customer satisfaction and loyalty via an improved customer experience.

They also wanted to reduce the amount of time that CSRs spent on the telephone fixing errors and resolving backorders so that they could focus on proactive selling. Putting their catalog online allowed Gates to dramatically increase online sales revenue and customer satisfaction simultaneously.

FCI wanted to be more efficient with their selling processes by driving more customers and partners to their Web site. They wanted to use the site as a differentiator—a form of innovation in itself. Being in the technology and electronics sectors meant that this was an important critical success factor for the project.

They needed a solution that would allow them to keep large amounts of product information that could be easily updated without complicating the order process, or causing more errors.

Goodrich Aerospace, working in an extremely time sensitive environment, needed to gain market share and retain competitiveness by allowing their customers maximum flexibility. They focused on working to achieve this by trying to:

- Provide 24/7 customer access to product information, pricing, ordering, and order status
- Increase customer satisfaction and loyalty
- Provide timely and accurate information to customers on demand

So How Did They Do That?

- By using business process solutions that enabled effective Web based selling and service
- By giving their customers more control over what they can see and order
- By sharing information on the progress of orders once they had been placed by linking into a comprehensive order fulfillment system

These improvements enabled all three companies to tailor the selling experience to each client in terms of:

- Branding
- Pricing
- Promotions
- Inventory availability

These companies were able to cut their order capture and fulfillment costs by streamlining common processes. These could then be extended to the post sales process by being more responsive to customer demand and streamlining adherence to Service Level Agreements.

These improvements meant that as these companies' businesses change and grow, the selling process is responsive and agile, enabling them to implement changes as they happen and even incorporate new sales territories and customers.

"The benefits from the Sterling Commerce solution align well with Goodrich's aftermarket strategy to 'make it easy to do business with us.' We are extremely pleased with the solution and service Sterling Commerce provides."

Paul Farsetta
Director,
Commercial Business Aerostructures Division,
Goodrich Corporation

Benefits

- Increased electronic sales volume
- Improved customer satisfaction and loyalty
- Accelerated time to market for new product introductions
- Flexible pricing and rapid price sheet updates
- Effective differentiation in the market

So what have we learned?

Online selling is being successfully applied within the manufacturing sector.

Leading manufacturers are already seeing revenue increases as a result of expanding their online sales channel.

The benefits you can expect to see are:

- Sales consistency and reliability
- Sales agility with a responsive selling process
- Positive customer experience
- Increased online sales volumes
- Increased competitiveness as you introduce products faster and more reliably
- Reduced error rates

Implementing online selling need not be a huge mountain to climb. Enabling and extending online selling can allow manufacturers to improve their supply chains in response to the selling process.

This includes using existing IT and processes where possible, meaning that as well as improving processes you are leveraging prior investments and maximizing the benefit to the company.

About Sterling Commerce

Sterling Commerce, an IBM® Company, helps organizations worldwide increase business agility in their dynamic business network through innovative solutions for selling and fulfillment and for seamless and secure integration with customers, partners and suppliers. More information can be found at www.sterlingcommerce.com.

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