Everest Group®

Getting Your Business in Order through Integrated Order Management

Shirley Hung, Vice President
Ankur Verma, Practice Director
Prateek Singh, Senior Analyst

Contents

Introduction

An organization's success in processing and fulfilling orders directly impacts revenue as well as the bottom line. The Order Management and Fulfillment (OMF) process is a foundational part of the supply chain, impacting every other process from manufacturing to logistics to payment for goods and services procured/delivered. Yet, OMF is still a cumbersome process consuming valuable resources and time in many organizations, comprising manual steps and multiple hand-offs among stakeholders across different business processes.

This makes the OMF process prone to human errors, which can have significant implications on a company's revenue and operations. For example, if a customer receives an incorrect order due to human error in order processing, the company incurs additional cost in the form of reverse logistics and late payments or cancelled orders. Such errors, if repeated across the OMF cycle, could lead to a higher Days Sales Outstanding (DSO) and poor cash flow. Long-term implications can also impact areas such as customer satisfaction and retention. Over time, it may also damage the company's reputation.

Despite its importance, companies often consider the OMF process as a cost of doing business without realizing the potential benefits that can be achieved through streamlining and digitalizing the process. Further, given rapidly changing business environments, companies that rely on traditional, highly fragmented OMF processes requiring high degrees of manual intervention risk becoming uncompetitive and irrelevant. In this paper, we explore how organizations can revamp their traditional OMF processes to address existing inefficiencies through an integrated approach and digitalization of transactional activities, thereby improving stakeholder experience across the entire supply chain.

The traditional OMF cycle in enterprise supply chain management

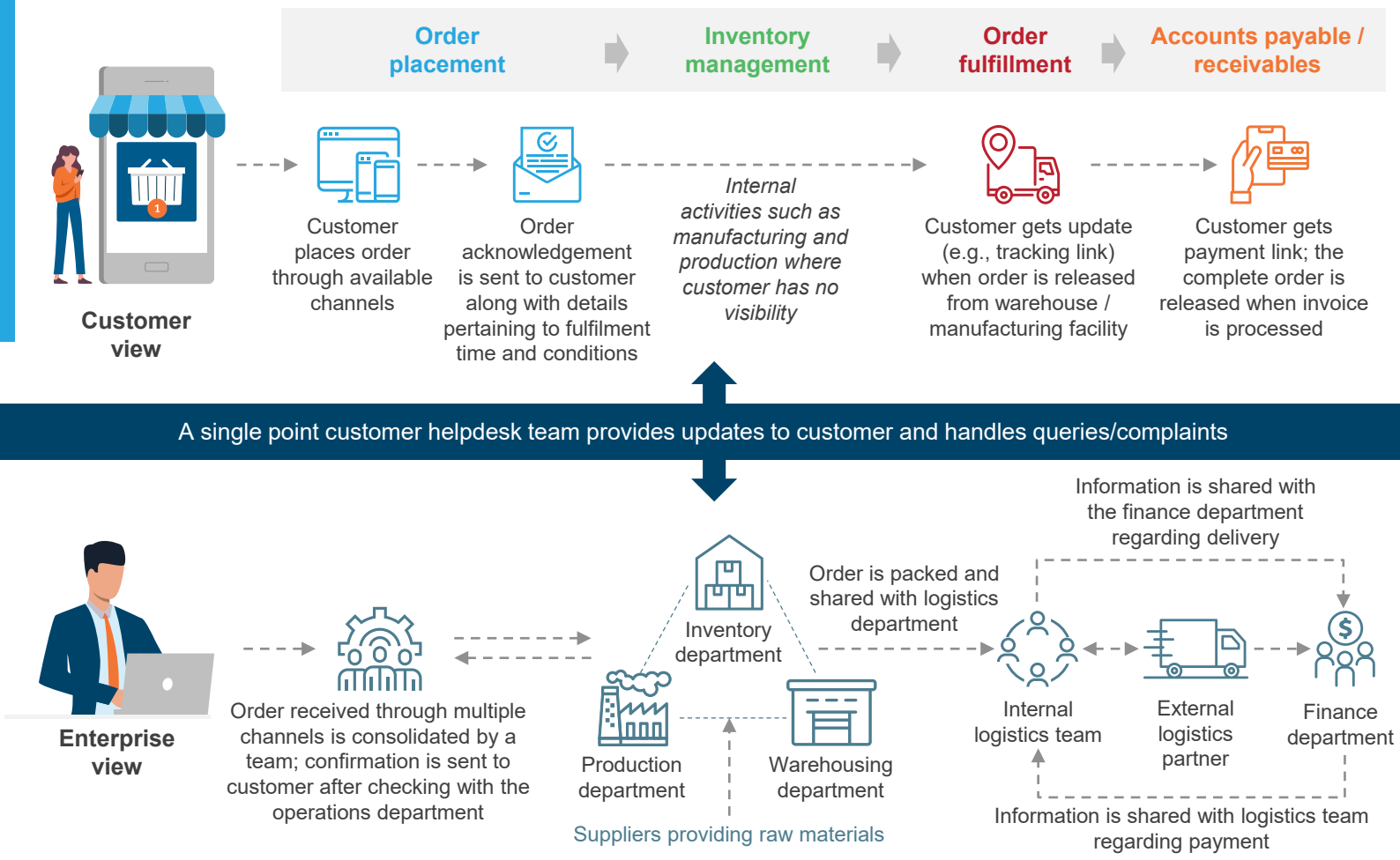
The OMF cycle is central to any enterprise looking for a successful supply chain strategy. Consider the fact that nearly one-third of an accounting department's operating costs go toward managing the Order-to-Cash (OTC) process, and a mis-managed OTC process can cost companies anywhere between 6-25% (source: CCI Global) of their overall revenue. Notwithstanding the financial impact, the OMF cycle forms a crucial link between the enterprise and external stakeholders (customers, suppliers, partners, etc.), and mis-managed expectations can result in significant harm to the business.

While effective functioning of the OMF process is paramount for any enterprise to succeed, it is a task which is easier said than done. Starting from the upstream sales/marketing and order receipt processes to account payables and billing processes downstream, the OMF cycle involves multiple stakeholders that work across different departments/teams to ensure the fulfillment of an order. Exhibit 1 provides a customer as well as an enterprise view of the traditional OMF cycle.

EXHIBIT 1

The traditional enterprise OMF cycle

Source: Everest Group (2021)



Key issues plaguing the traditional OMF cycle

Common concerns/issues that are typically highlighted by stakeholders involved in the OMF cycle include the following:

> The logistics team had to liaise with Sales and Finance on a daily basis
>
> The enterprise lacked real-time visibility to optimize its logistics operations
>
> Processing orders manually prevented us from shortening the decision-making process
>
> Finance was facing issues when trying to liaise with the person in charge of order approvals
>
> Incorrect customer master data was also affecting timely deliveries (i.e., incorrect credit limits)

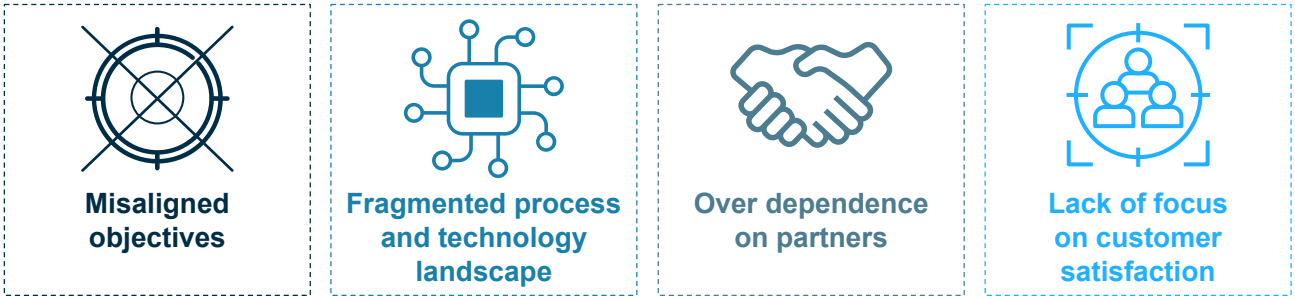
How these issues impact an enterprise is significant, as a substantial number of customers change suppliers after just one order management-related incident. This impact is much more profound in today's environment when customers expect seamless transactions, complete visibility, and low turnaround times from enterprises. Further, an efficient OMF process also enables an enterprise to focus on business growth, directly impacting revenue, and spend less time on order-related issues such as collections, complaints, and payments due.

Four key factors lead to most issues in the OMF cycle as shown in Exhibit 2.

EXHIBIT 2

Key factors contributing to OMF inefficiencies

Source: Everest Group (2021)



Misaligned objectives

The OMF cycle depends on multiple departments and stakeholders (marketing, sales, pricing, customer service, logistics, production, etc.) working together to ensure order fulfillment.

However, individual departments and stakeholders often have different – and sometimes conflicting – priorities. As a result, people work in silos leading to duplication of effort, passing of responsibilities, and conflicts of interest. For example, the order receipt team may accept orders without realizing the fulfillment capabilities and timelines of the operational team, which can have a significant impact on customer satisfaction in case commitments are not met. In a traditional OMF model, enterprises may try to mitigate these impacts by requiring intra-team interactions to follow a well-defined path. However, issues still arise as a siloed mindset to maximize one department's performance does not usually translate to optimal performance of the overall enterprise.

Misaligned objectives impact an enterprise in the following ways:

- Negative impact on enterprise growth potential as individual departments/teams work to achieve their own goals (versus common goals)
- Limited cross-functional capabilities in enterprise as every team works in silos (as COVID-19 pandemic has proved, cross-functional capabilities are vital for resiliency)
- Inefficiencies in external dealings (with partners, suppliers, etc.), as there is no or very limited intra-organization interaction and every team deals with external partners in their own way
- Higher cost of operations due to duplication of effort
- Limited to no flexibility in order fulfillment ability, leading to delays

Fragmented process and technology landscape

Fragmentation in the traditional OMF cycle is in terms of both process and technology. Process-related issues are compounded by use of legacy systems that are difficult and costly to upgrade. Adding further complexity is usage of multiple ERPs and CRM systems that often do not talk to each other and need significant manual intervention to even work.

Exhibit 3, highlights different stakeholders and systems across the OMF cycle.

EXHIBIT 3

Key stakeholders and systems in the OMF cycle across different departments

Source: Everest Group (2021)

	Order placement	Inventory management	Order fulfillment	Accounts payable / receivables
Key stakeholders 	• Customer • Marketing team • Sales teams • Operational teams for order receipt • Customer helpdesk / customer service staff	• Manufacturing department • Products/services suppliers • Procurement team • Suppliers	• Warehouse and logistics providers • Customer	• Customer • Finance and accounting department
Key systems 	• Customer Relationship Management (CRM) system • Channel management systems • Product Information Management (PIM) system • Order entry system	• Forecasting and purchasing system • Enterprise Resource Planning (ERP)	Logistics management and order tracking	Payment processing / cash collection systems

A fragmented process and technology landscape in OMF impacts enterprises in the following ways:

- Interoperability challenges resulting in ineffective leverage of enterprise data
- Longer cycle times due to manual transfer of order-related information from one system to another
- Higher error rates due to multiple human touch points
- High cost of technology integration and implementation as multiple APIs are required to connect systems that inherently do not talk to each other

Lack of focus on customer satisfaction

Although customer dissatisfaction is rampant across the OMF cycle, enterprises rarely focus on resolving these issues. Instead, their priorities are usually directed to increasing cash flow and generating more sales orders. In most cases, the customer helpdesk teams are separate from the operational teams that can solve order issues. Collection professionals may spend many hours seeking payment for an order that did not arrive as expected or was incorrect. In order to resolve disputes arising from such situations, enterprises usually have to take a short-term financial hit, which they may not be willing or able to do. The ultimate casualty in the entire scenario is customer satisfaction.

Impact of customer dissatisfaction on enterprises is as follows:

- Loss of revenue/profits
- High client attrition rates
- Loss of brand value
- Leads that do not convert due to low referenceability (NPS score)
- Less repeat orders

Over dependence on partners/suppliers (lack of alternate sourcing strategy/plan)

Success of the OMF process in any enterprise is dependent on its partner ecosystem, which includes suppliers and logistics partners. Considering the impact of suppliers on production, logistics service providers on shipments, marketing partners on sales, and IT/technology partners on the overall infrastructure, it is almost impossible to achieve a perfect order without smooth functioning between an enterprise and its partners. However, over reliance or lack of alternative plans in dealing with external partners often results in significant fulfillment-related issues as seen during the COVID-19 pandemic when global supply chains were majorly disrupted.

Lack of alternate sourcing strategies impacts enterprises as follows:

- Production disruptions in case of raw material procurement-related issues with the primary suppliers
- Order delays due to unavailability or inefficiency of the logistics partner
- High upgrade cost of IT infrastructure due to incompatibility between IT partners

A new approach to OMF success – integration

In order to gain efficiency in the OMF cycle, enterprises are pursuing solutions such as leveraging automation tools in order receipt/approvals and billing, connecting the various functions participating in the order management cycle through a centralized control tower, and utilizing enterprise data to provide real-time insights. Despite some improvements, many enterprises are still struggling with continued waste in the OMF cycle. Consequently, they continue to seek solutions and approaches to resolve their order management challenges.

One concept that is gaining traction is integration in order management. Previously, integration meant using expensive platforms that were difficult and complex to implement, or conducting frequent interdepartmental meetings.

The modern take to integrate order management involves an all-encompassing collaborative approach involving:

- Next-generation customer helpdesk team
- Streamlined processes
- Interconnected platforms/systems
- Supplier management

How it can be achieved

Next-generation customer helpdesk team

Oftentimes, enterprises worry more about lack of information pertaining to order delays than the actual order delays.

There are two key factors that contribute to slow pace of information flow between customer and the enterprise:

- Linear flow of information
- Ability/attributes of the customer service agent

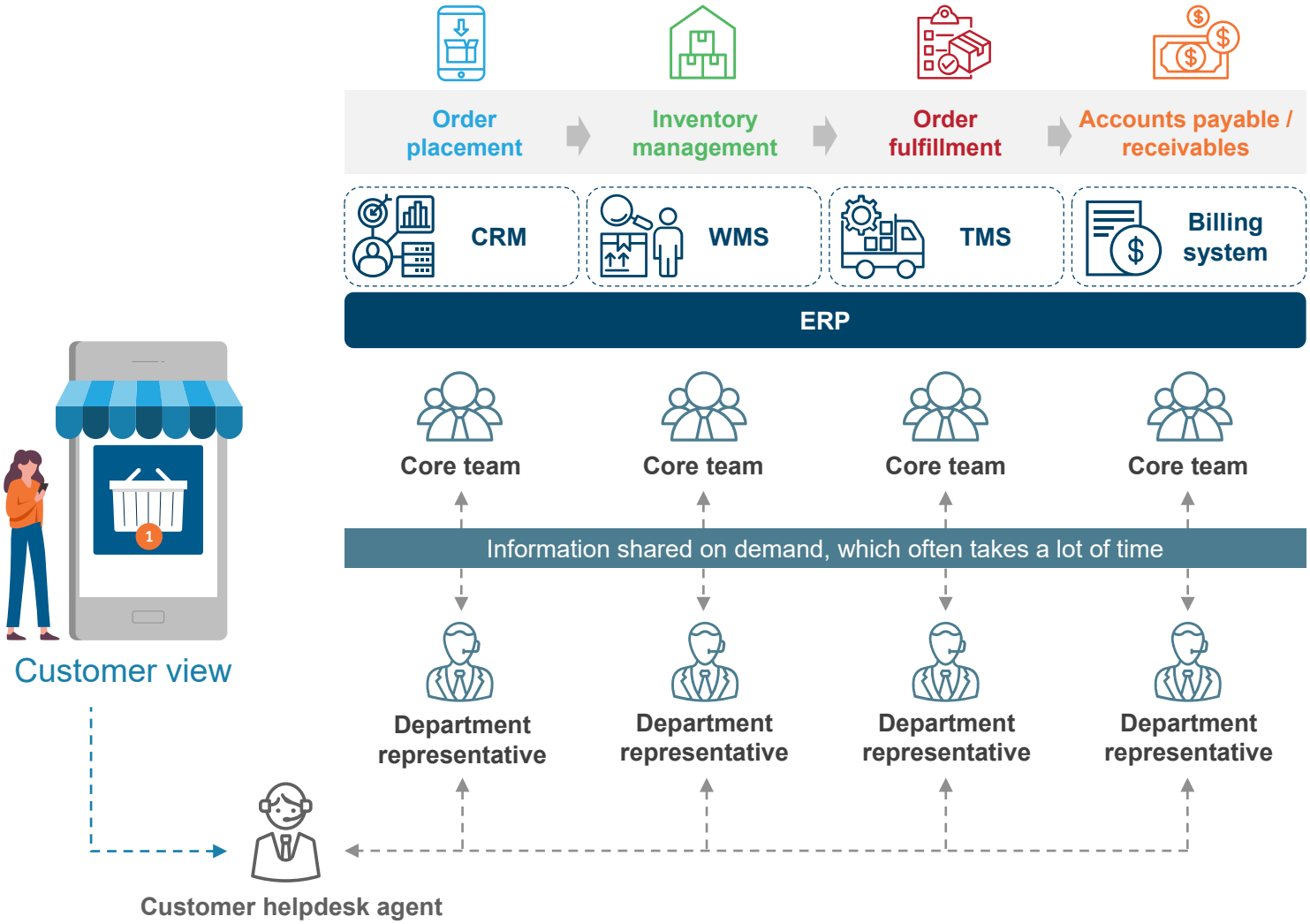
Linear flow of information refers to how a customer service agent fetches information from individual departments pertaining to the order status. The current role of a customer service agent is to be just a conduit between the customer and internal departments. The agent does not have access to databases, systems, and even the relevant people in these departments. As a result, there is a lot of to-and-fro between customer service agents and departmental representatives, which results in higher turnaround times.

Additionally, many times the customer service agent directs queries to the wrong departments due to lack of technical understanding. This not only results in delays, but often causes confusion and conflict between departments. Exhibit 4, shows the traditional structure of the order management customer helpdesk ecosystem in an enterprise.

EXHIBIT 4

Traditional order management customer helpdesk – linear flow of information

Source: Everest Group (2021)



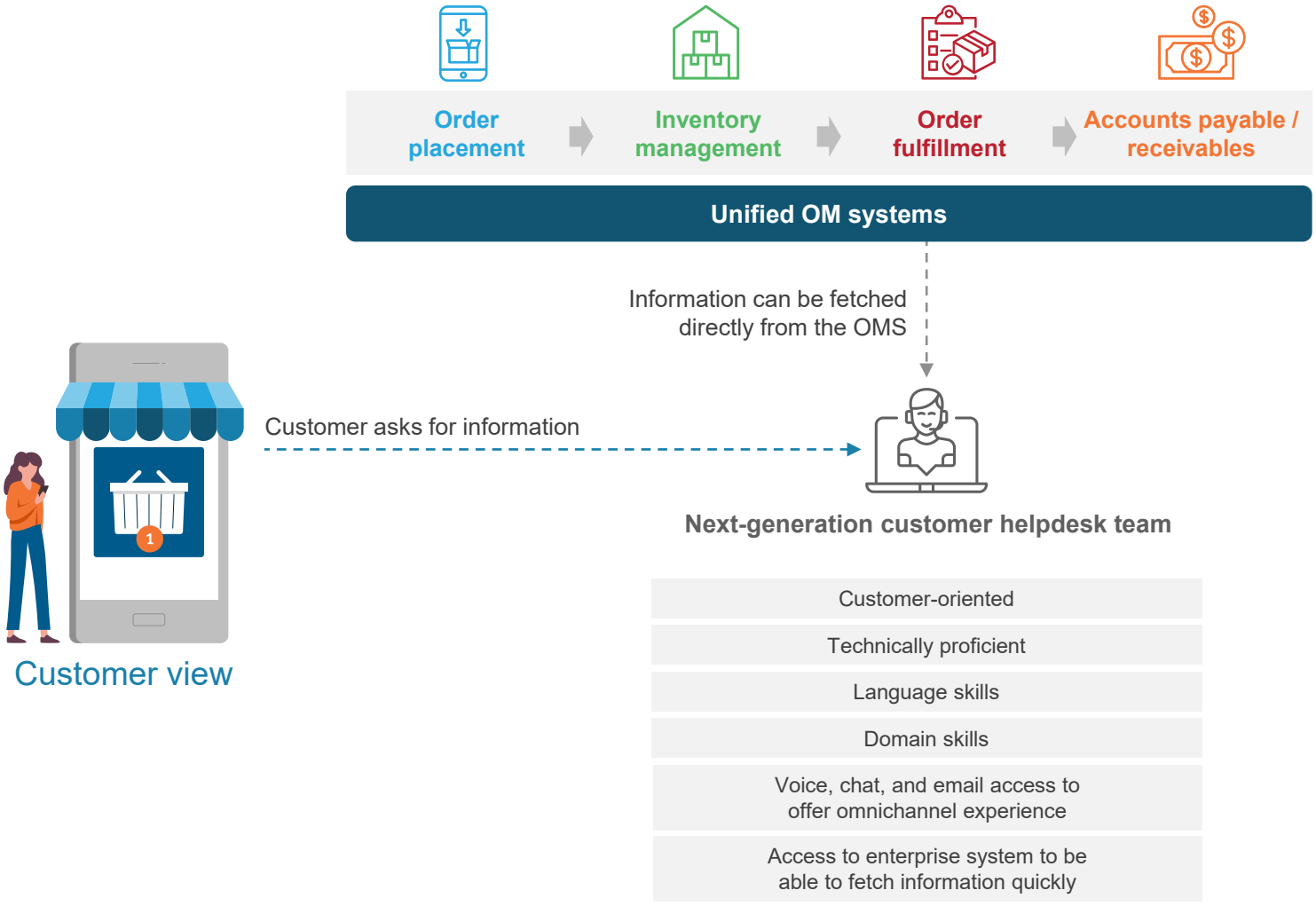
No technical understanding
Does not have access to customer data
Acts only as a conduit between department representatives and customer
No knowledge of customer interaction through other channels (for instance, many times customers start through chats and then follow up on phone)

Enterprises need to develop next-generation customer helpdesk teams with agents that not only have the technical expertise, but also access to enterprise systems and departments to ensure quick turnaround times for customer inquiries. Additionally, these agents with other important attributes as shown in Exhibit 5 ensure quicker inquiry resolution.

EXHIBIT 5

Next-generation order management customer helpdesk – dynamic flow of information

Source: Everest Group (2021)



Streamlined processes

The OMF process is riddled with complexities, thus causing many issues for enterprises. Wading through such complexities requires enterprises to streamline processes through a strategic roadmap.

The first step is for enterprises to develop "order journey maps" to identify key pain points such as the following (source: Dolphin Enterprise Solutions Corp and Sharespace):

Order receipt

- Frequent changes in product, price, and offerings
- Volume fluctuations across months

Fulfillment

- The amount of documentation required (proof of delivery, bills of lading, logistics contracts, etc.)
- Access limitations at delivery sites

Billing

- Multiple billing documents required
- Paper-based process with many manual touchpoints (approvals and exception handling)

Collections

- Lack of account details when processing collections
- Inability to manage customer credit risk

Payment processing

- Delays in cash application/lockbox payments
- Inability to auto-match payments to orders

Exceptions

- Multiple exceptions that could be prevented or fixed earlier in the process
- Lengthy exception handling research and dispute resolution process

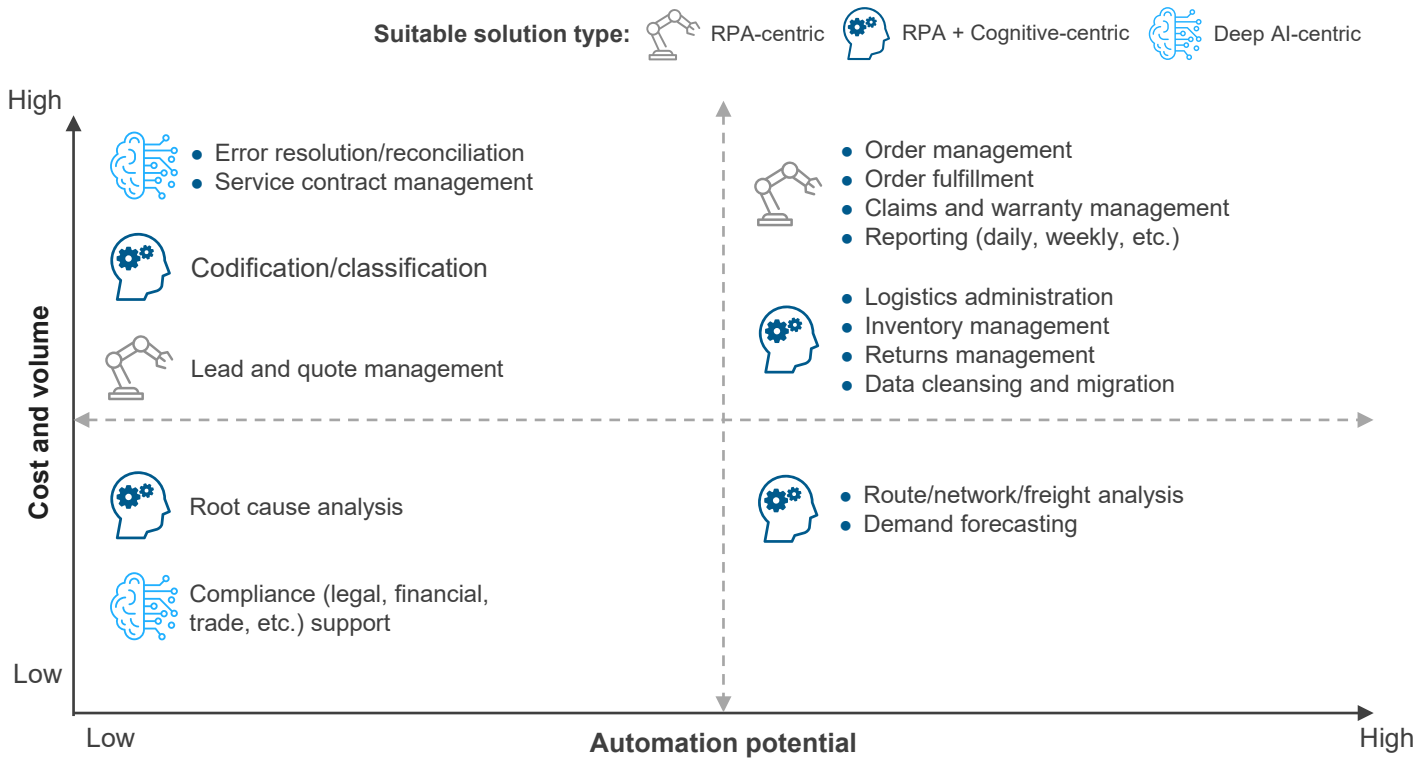
Once pain points are identified, enterprises should deploy automation (RPA and cognitive) solutions to eliminate human involvement in processes wherever possible. Automating processes will help enterprises address pain points and bring them a step closer to "the perfect order" – order fulfillment with no manual touch points (only exceptions are handled manually).

Exhibit 6 details automation potential of OMF processes against associated cost/volumes

EXHIBIT 6

Automation potential of OMF processes

Source: Everest Group (2021)



Interconnected platforms/systems

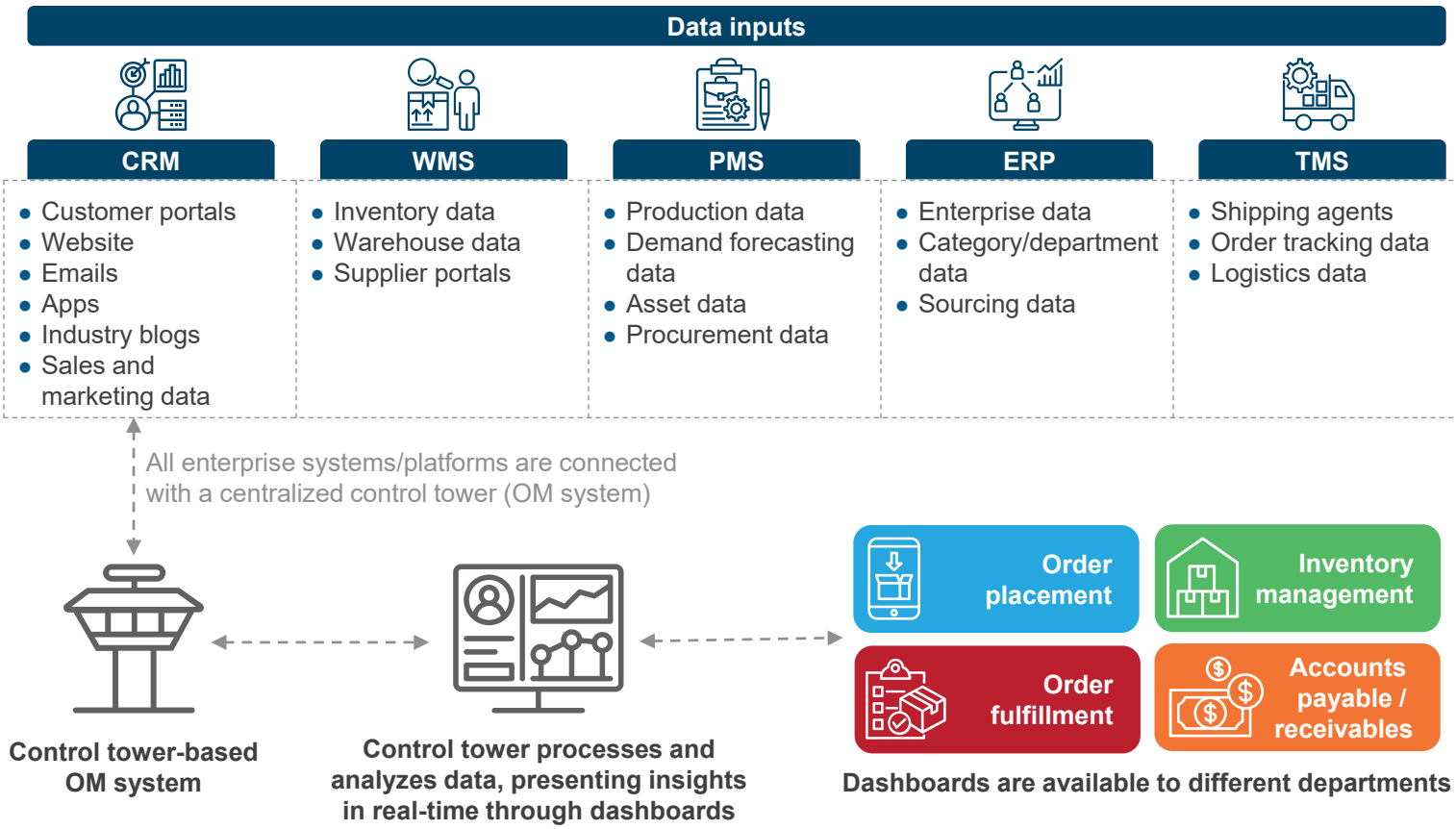
From a technology perspective, enterprises should focus on creating a single, centralized, and scalable distributed order management system (see Exhibit 8) that is linked to a unified Point-of-Sale (POS), Warehouse Management System (WMS), Enterprise Resource Planning (ERP), inventory management, supply management, and business intelligence systems. Taking it one step further, enterprises must also rationalize the comparative value of cloud-based versus on-premise order management systems. A cloud-based centralized order management system will enable enterprises to create a single source of company data – sales, procurement, finance, etc. Subsequently, dashboards can be created that process and present order-related information to stakeholders, empowering them to pinpoint bottlenecks, transform capabilities, and improve customer experience.

Enterprises currently utilize at the most ~15% of their data to make decisions, as there is no data sharing across teams due to disjointed systems. For instance, the logistics and the billing team often have a very fraught relationship as invoices can only be generated once the order is delivered by the logistics partner. The in-house logistics department to external logistics partner to account payables department communication often takes significant amounts of time – a situation that compounds in case of delays. A centralized order management system can enable enterprises to adopt real-time data sharing between departments so that invoices are processed as soon as an order is delivered to the customer. This also helps enterprises maintain a healthy account receivables cycle.

EXHIBIT 7

Integrated system/platform infrastructure to enable order management integration

Source: Everest Group (2021)



Effective supplier management

Enterprises are dependent on suppliers to fill customer orders. The COVID-19 pandemic showed how this dependency extends beyond key suppliers to even tier-2 and tier-3 suppliers. As a result, any issue or delay from suppliers may impact the fulfillment capability of enterprises, resulting in unhappy customers. The best way to solve this issue is to integrate suppliers in a unified ecosystem through extensive supplier relationship management (See Exhibit 8). However, this requires systems that can share data between enterprise and suppliers, which allows enterprises to have visibility over day-to-day operations related to their products and shipments. Additionally, integration also helps in reducing and eliminating miscommunications such as billing errors.

EXHIBIT 8

How to develop an effective supplier ecosystem – four stages of advanced supplier management

Source: Everest Group (2021) and PwC

Maturity stages	No supplier management	Basic	Intermediate	Advanced
Process	• No supplier management process in place • Transactional relationship between buyers and suppliers	• Process outline defined • Different engagement process with different suppliers, depending on supplier criticality	• Advanced supplier strategies implemented • Process defined and followed	Supplier management process fully implemented with integration between buyer and supplier strategies
People	No supplier management training in organization	Key stakeholders trained in basic supplier management concepts	Key stakeholders training remaining employees in supplier management concepts	All stakeholders have deep expertise of supplier management and know their roles
Technology	No supplier management systems in place	Some systems in place in discrete business segments	Enterprise-wide supplier management systems in place and integrated	Real-time exchange of operational, transactional, and strategic information
Risk management	No risk mitigation strategy in place	Risks are identified	Risks are identified and mitigation strategy is in place	Risks are identified and suppliers are involved in the mitigation strategy
Performance management	Supplier performance is not tracked	Performance measures are developed and implemented for strategic suppliers	Performance measures are developed and implemented for all suppliers	Performance measures are developed in collaboration with suppliers and are tracked periodically
Relationship management	No one is responsible for relationship management	Discrete teams taking care of supplier relationships	Cross-functional teams responsible for relationship management	A center of excellence or centralized department takes care of supplier relationships

Future of OMF integration

With the emergence of new technologies, enterprise supply chains are evolving from a cost center to value creator. OMF integration – a key part of this journey – is a stepping stone toward the enterprise aim of achieving operational excellence while addressing emerging market demands, such as:

- **Addressing evolving needs and greater expectations of customers (e.g., ensuring an Amazon-like experience in the order cycle)** : "Amazonization" of order management refers to streamlining the process for customers, with an experience similar to buying products on the Amazon app. One-click orders, ability to compare products, ease of modifying orders, complete tracking of orders, on-demand omnichannel customer support, and one-click billing are expected by customers, not only in the B2C model but also the B2B model. OMF integration will act as an enabler to deliver an Amazon-like experience
- **Helping mitigate and plan for vulnerabilities exposed by COVID-19** : The COVID-19 crisis exposed to enterprises gaps in their BCP strategies, which leverage traditional mitigation approaches such as geographic distribution, people management, infrastructure management, data security, and remote workforce protocols. Comparative success of more digitally mature organizations may drive others to look beyond traditional mitigation levers and consider more advanced BCP resilience approaches, such as digital technologies. Given the digital orientation of OMF integration programs, it is likely to play a critical role in ensuring that any future pandemic does not impact enterprises as significantly as COVID-19 did
- **Creating competitive differentiation** : Differentiation strategies for enterprises today include multiple building blocks including product/service, distribution, client relationship, brand, and cost. OMF integration has direct impact on most, if not all, of these differentiation strategies. It significantly improves client retention, reduces costs, and enables enterprises to create competitive advantage

Conclusion

The OMF process involves stakeholders across different functions including sales, supply chain, finance, procurement, and customer service. In order to enable effective communication/collaboration across functions, organizations need to rethink their traditional fragmented operating models and adopt an integrated approach to streamline OMF operations and enhance visibility across the entire OMF cycle.

The transactional nature of activities within traditional OMF and multiple hand-offs make the process highly attractive for digital transformation to reduce manual intervention and minimize hand-offs. Moreover, integrated processes and systems, along with automation, may even open up new opportunities for application of advanced analytics solutions that can provide holistic insights to drive further improvements across the entire supply chain and associated business processes. This will enhance productivity across functions, reduce costs, improve stakeholder experience, and lead to better customer service and satisfaction.

Everest Group®
With you on the journey

Everest Group is a research firm focused on strategic IT, business services, engineering services, and sourcing. Our clients include leading global companies, service providers, and investors. Clients use our services to guide their journeys to achieve heightened operational and financial performance, accelerated value delivery, and high-impact business outcomes. Details and in-depth content are available at **www.everestgrp.com**.

For more information about Everest Group, please contact:

+1-214-451-3000
info@everestgrp.com

For more information about this topic please contact the author(s):

Shirley Hung, Vice President
shirley.hung@everestgrp.com

Ankur Verma, Practice Director
ankur.verma@everestgrp.com

Prateek Singh, Senior Analyst
prateek.singh@everestgrp.com