Eight Recommendations for Back-Office VARs to Help Businesses Focus on Their Customers

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Executive Summary

The ultimate goal for a business is to become a truly connected company with full 360-degree insights into their customers. Considering that software application value-added resellers (VARs) have the strongest influence on the purchasing and implementation of applications, it is critical for them to lead the way on how connected applications and businesses can improve the ability of organizations to manage their customers, partners and internal processes to create a competitive advantage.

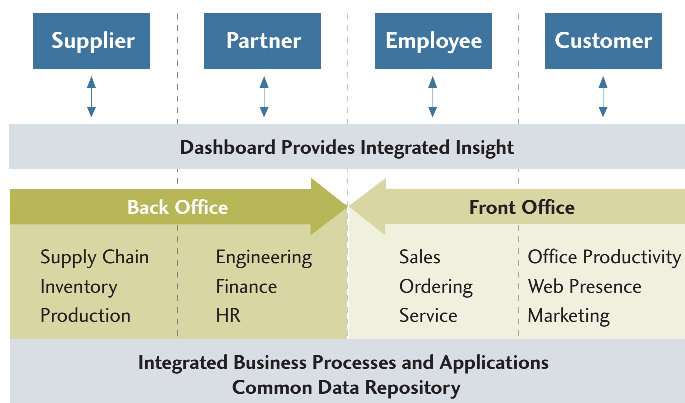
SMBs can benefit from an integrated suite of business applications built for their needs and sophistication (see Exhibit 1). This will lower overall TCO, improve business processes and provide better insight. Back-office applications power critical insight for employees, customer and partners. Empowering users with access to inventory, pricing and orders will not only improve operational efficiencies but also revenue opportunities. By achieving a complete view, businesses can shorten sales cycles, improve customer retention and find new opportunities. However, to succeed, businesses must harness their internal data and applications such as salesforce automation (SFA), customer service, marketing, accounting, ERP and e-mail across the extended enterprise.

As stated in the February 2006 Yankee Group Note, *SMBs Prefer an Integrated Business Applications Suite,* we predict that a high percentage of midsize and small businesses will adopt an integrated suite of business applications in the next 5 years. This offers the perfect opportunity for value-added resellers to extend their offerings to include CRM and provide their SMB clients with a total business management solution.

Exhibit 1

The Connected Company

Source: Yankee Group, 2007



This publication is completed in conjunction with Sage.

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I. The State of Small and Medium Businesses

Yankee Group has been following the needs of SMBs for many years. Respondents to the Yankee Group *2005 Small & Medium Business Applications and Web Survey* voiced strong demand for this integrated business application suite paradigm. More than 45% of respondents stated their top need was to integrate different systems and standalone applications.

Progressing on this trend, the Yankee Group *2006 US Small & Medium Business Applications and Web Survey* continued to stress business information silos, insufficient staff and outdated business applications as the top IT challenges. However, the good news is that the majority of SMBs will be increasing their IT spending on applications by 10% to 20% to address these information silos and to update their business applications.

Other SMB business insights include:

- **The number one concern is price obstacles.** Many businesses avoid critical business applications because they view them as unaffordable. Adding to the price concerns is the overall cost associated with the complexity of the required solution. ISVs and resellers will need to be able to sell their technology based on value—not price.
- **The top tools to track and manage customer information are Outlook, spreadsheets and contact managers.** Because many SMBs differentiate themselves from large corporations by their ability to deliver personalized customer service, the lack of more sophisticated customer management used within these organizations needs to be addressed.
- **Reacting quickly to market dynamics is the top concern.** Fast-changing and unpredictable market conditions along with growing revenue and attracting new customers are the key priorities. As a result, companies must become more agile and achieve better business insight quicker to alleviate these concerns, which will ultimately result in increased revenue.

A key challenge for SMBs is finding the right solution set that can deliver the requisite functionality to enable them to compete with their large enterprise counterparts. A business strategy for an SMB has many of the same desired outcomes as in a large enterprise, including improved customer selection, acquisition, retention and expansion. Therefore, the key business drivers are similar, specifically:

- Manage the customer lifecycle from first contact, to contract, to cash and to care.
- Become a more customer-centric organization.
- Create seamless processes and open communication among company employees, partners and customers for better management and control of information.

Alleviate SMB Concerns with Value-Added, Front-Office Insight

Many companies cannot answer basic business performance questions, such as:

- Who are my most profitable customers, and what have they purchased?
- What are the current opportunities that our sales team and partner network are working on, and when are they expected to close?
- Which marketing campaigns generated revenue and why?
- Are we allocating the right resources to the right opportunities?
- Is the information necessary to complete the order available efficiently and accurately?
- What are the past and current service requests from this customer, and do they have an outstanding payment?

The question that remains is why. Why is it so difficult to answer these fundamental questions? The answer is that executives do not have the necessary visibility into the critical information needed. Businesses' top complaints are that the vast majority have information scattered throughout the company on paper, in siloed databases and in e-mail.

Exacerbating the situation is that many executives also make important business decisions based on batches of information from various departments, such as sales, manufacturing, finance and other sources. This information is usually days—if not weeks—old. Considering that the business world is constantly changing, old information is unacceptable. The resulting operational inefficiency will lead to the inability of businesses to have access to the information required for effective decision-making.

The most common business process in any organization is the order-to-cash lifecycle typically found in back-office applications. However, business can't continue to rely on spreadsheets, contact managers and traditional back-office applications.

Strategic companies need to expand the traditional business processes to the new customer lifecycle—from first contact, to contract, to cash, to care. This approach takes into account the complete customer lifecycle—from attraction to servicing.

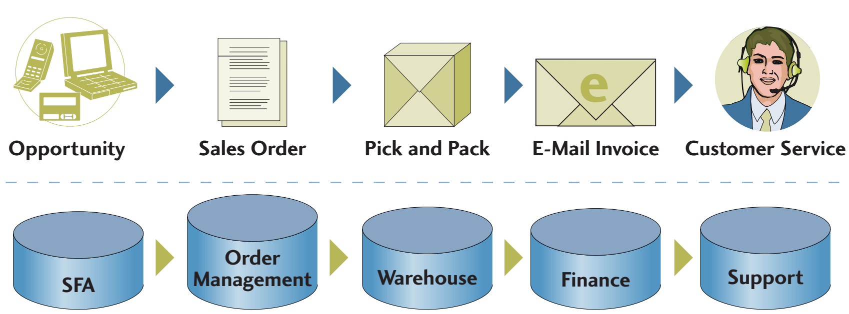
However, most companies' customer lifecycle is full of inefficiencies such as verbal handoffs, paperwork, redundant data entry and linear processes via multiple disconnected systems or worse, such as no systems beyond accounting (see Exhibit 2).

The answer is an integrated suite of business applications that works together seamlessly to help companies keep an eye on their overall operations and business results. The goal is to gain accurate and timely information for quicker decision-making with customers, partners, employees and suppliers. As with any successful IT project, companies use a combination of strategy, technology and people to tackle such issues as shortening the order-to-cash, issue-to-resolution and lead-to-order cycle times.

Exhibit 2

Manual Processes and Siloed Departments

Source: Yankee Group, 2007



II. Back Office Powers the Front Office

Businesses that rely solely today on back-office applications must begin to evaluate critical front-office applications typically known as customer relationship management (CRM). CRM encompasses departmental applications such as sales automation, marketing automation and customer service and support. Most businesses implement CRM to achieve a 360-degree view of the customer to increase sales revenue, improve customer service and enhance marketing campaigns; however that view is not a true 360-degree view unless it includes back office customer data as well as consolidated front office customer data.

CRM can do more than just improve customer relationships. It can enhance marketing efficiency by enriching the data used to design and execute campaigns. It can reduce operational costs by eliminating redundant or wasteful tasks. If properly executed, CRM can also significantly improve customer satisfaction and, in the long term, increase revenue and customer loyalty.

Exhibit 3

The Power of the Back Office

Source: Yankee Group, 2007

	User	Back-Office Integration Points	Business Benefits
Integrated Web Self-Service	**Suppliers**	• Check payment schedules • Access inventory levels • Monitor demand levels	• Increased margins with improved operational efficiencies
	Partners	• Collaborate on promotions • Check order status • Obtain pricing and discounts • Accept leads	• Improved partner loyalty with ease of doing business • Increased margins with improved operational efficiencies • Increased revenue with closed-loop lead status
	Customers	• Check invoices and delivery status • Enter orders and service requests	• Increased revenue through cross-selling opportunities • Increased customer loyalty with enhanced customer experience
Integrated Employee-Facing Applications	**Sales**	• Access pricing and inventory • Attain visibility into contracts, orders and billing history	• Increased revenue through cross-selling opportunities • Increased customer loyalty with enhanced customer experience
	Marketing Managers	• Attain visibility into products and services	• Increased close rate with improved personalized campaigns
	Customer Service	• Check invoices and delivery status • Enter orders and service requests • Attain purchase history	• Increased revenue through cross-selling opportunities • Enhanced customer experience for improved support
	Business Owners/GMs	• Attain full picture of state of business	• Improved insight to ensure operational efficiencies • Increased revenue by identifying business trends and opportunities
	Accounts/ Finance	• Access accurate customer details • Access current opportunities to manage inventory	• Improved insight to ensure operational efficiencies

By achieving a complete view, businesses can shorten sales cycles, improve customer retention and find new opportunities. However, to succeed, businesses need to harness their internal data and applications such as salesforce automation (SFA), customer service, marketing, accounting, ERP and e-mail across the extended enterprise and other complementary technologies.

Exhibit 3 (on previous page) shows the power of back-office integration with front-office processes. For example:

- Sales representatives need access to a product list, pricing and inventory availability to generate quotes and create orders.
- Marketing cannot mine patterns for personalized campaigns and cross-sell opportunities without purchase history.
- Customer service and support require order management capabilities for reviewing status, making changes and verifying entitlements.
- Customers, suppliers and partners demand immediate inventory availability and visibility into the purchase history.

As illustrated in Exhibit 4, the connected company enables a customer to interact seamlessly with that company throughout the customer lifecycle. However, the connected company goes beyond the customers and also empowers suppliers, partners and employees. By breaking down the walls and eliminating the silos between applications and business processes, companies can improve operations and gain valuable insight.

The good news is that companies are allocating dollars to achieving this vision. According to the Yankee Group *2006 US Small & Medium Business Applications and Web Survey*, there is healthy growth in business application spending. More than 52% of small and medium businesses will increase their application spending by 15%.

Because 85% of our respondents have already invested in back-office applications such as accounting applications, CRM applications will be in demand to address their need to attract new customers and grow revenue. While smaller businesses stated an interest in purchasing software to help with prospecting, medium business prioritized spending on CRM, sales automation, web and business productivity suites.

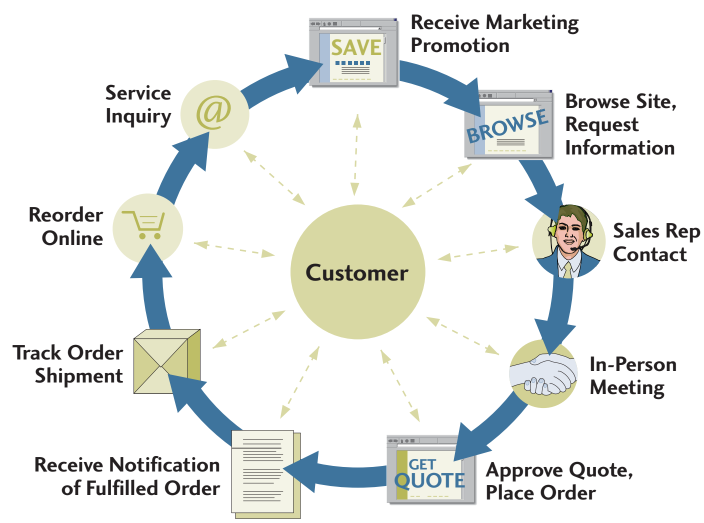
Without transforming to a connected company, departments within the organization can't operate effectively, which results in low customer satisfaction and reduced overall business success. After all, a sales executive or customer service agent must be able to answer critical questions from a customer, such as "When is my order going to ship?" or "Are there other products in inventory that can meet my needs?" However, without integration, those employees would have to either access multiple systems or ask another employee for the answer, resulting in inefficiencies and an unsatisfied customer.

The ultimate goal is to understand how the connected applications and business can improve the ability of organizations to manage their customers, partners and internal processes, which will enable them to create a competitive advantage.

Exhibit 4

The Connected Company Empowered by the 360-Degree View

Source: Yankee Group, 2007



III. Recommendations for VARs for Success in Selling the 360-Degree View

1. **Provide needed guidance to businesses interested in becoming fully connected.** Although the back-office processes are significantly different from customer-facing interactions, many businesses require integrated processes. As a result, VARs must ensure that businesses eliminate the use of spreadsheets. Future success can only be achieved by gaining a comprehensive look at the business through better information management. Although many businesses feel it is fine to continue with antiquated spreadsheet use for customer management, it does not empower insightful decision-making and collaboration.
2. **Use back-office knowledge as the foundation to help businesses create strategies for success and processes before implementing software.** Ignoring this step will ensure the automation of a bad process. Many companies make two basic mistakes: automating existing processes without evaluating the best ways to refine the process and overcomplicating the use of technologies to meet too many corporate objectives. Sometimes, less is more. Recommend solutions that offer cross-application workflow from back to front office, ensuring full integration.
3. **Convince management that the integrated strategy is critical for long-term viability.** Buy-in is critical—there is no magic bullet—and it is best done on a case-by-case basis, taking into account individual personalities, backgrounds, motivation and priorities. Deliver results to management, starting with the revenue portion, and show quick results that lead to a more sophisticated, integrated outcome, such as profitability. Back-office VARs have the ability to demonstrate the power of back office data, empower front-office decisions and drive business success.
4. **Use a flexible account management solution to enable collaboration and team selling to effectively close the deal.** Simple contact managers are not flexible for most businesses because companies do not have strict one-to-one selling relationships. It is important to enable customer-focused teams because most companies have multiple salespeople, employees and partners working with a single customer. Recommend solutions that have seamless workflows and processes that enable data and procedures to flow efficiently between applications—not just mere interfaces.
5. **Sell a solution that offers a visual dashboard of integrated information.** Executives, partners, customers and employees need to have access to up-to-date information in a context that matches their decision criteria. Demonstrate how back-office data combined with front-office statistics can reveal underlying business insights driving strategic decisions.
6. **Realize back-office value-added resellers offer strong expertise to sell front-office software—especially to businesses that require processes around the order.** The current state of customer-facing software is not as monolithic as its predecessors. One of the most important factors is understanding the importance of straight-through processes, which vary from business to business. Back-office VARs are strategically positioned to sell straight-through processes because of their knowledge of ERP systems and the procedures involved.
7. **Partner with specialist front-office CRM VARs.** Back-office VARs without the time to invest in sales, service or marketing processes can easily partner with a dedicated specialist to assist in strategy and implementation work.
8. **Investigate front-office packages that easily integrate with the back-office application or offer a complete suite.** Customer relationship management software suites have built open APIs or integration wrappers to certain accounting and ERP software to ease the burden of the customer or systems integrator. However, there are more robust pre-built integrated systems that ease implementation, reduce IT involvement and increase user adoption. These solutions coupled with the latest codeless customization benefits will provide an easy transition to selling added modules or pre-built suites.

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