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From Business Process to Cycle

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The idea of business as a process has been with us for a long time but today, many thought leaders are replacing the idea of process with the concept of a cycle. There is good reason to do this and it is far more than a simple name change. Cycles more accurately describe the never ending progressions that bring so many business processes back to their beginnings—with raw materials and customers. Modeling business processes as cycles instead of one way progressions can help improve many parts of our businesses.

For example, in CRM there are well known sales processes and support processes each of which has its specific objectives, milestones, and tactics. But taken separately there are numerous opportunities for customers to fall through the cracks. It is far better to view each process, along with others, as components of a larger customer lifecycle. The idea of the lifecycle is not that a customer eventually dies or stops using a product or service. Viewing vendor customer engagement as a lifecycle gives each party an opportunity to understand the ups and downs of the relationship and, importantly, when it is time to renew the cycle.

Lead development

Taking a more fine grained view, lead development has been traditionally viewed as a process rather than a cycle. Unfortunately, in many cases this has meant that as soon as names and contact information were gathered they were turned over to sales with the result that a lot of expensive sales representatives' time has been spent qualifying.

When companies transform lead development from a process to a cycle, however, the concept of maturation can enter the picture. In a lead development cycle, leads tend to stay with marketing longer where they can be further qualified and culled so that the leads that eventually get to sales are real and actionable instead of suspicious and forgettable. When that happens sales people spend more time selling—performing needs analysis, developing use scenarios and proposals—and closing is more of a natural outcome.

Lead development is a relatively simple example of the power of transforming business processes to cycles. There are many other cycles we encounter more or less routinely in business and these processes are not always oriented towards generating revenue in the conventional sense. A case in point is the service cycle.

Typically, customers call in with a problem and, depending on the nature of the business, a problem might be solved in a single call or a deeper process might be started. Incident numbers might get generated and RMA numbers may be generated too, a product may be returned for service, a

loaner may be provided and many other components of a service cycle may be generated from a single phone call. A service call can generate a rich stream of customer information and some may be appropriately sent to sales for follow up.

Spanning departments and systems

Most importantly, from a vendor perspective, customer oriented business processes tend to span multiple departments and systems. For example, one frequently overlooked component of many sales and service processes involves the integration of back-end ERP and finance systems. These applications are frequently regarded as the systems of record because they contain customer demographic information such as a record of what the customer has purchased and, important for the vendor, paid for.

Used effectively, back end systems can directly or indirectly tell other systems and departments how to treat a customer and how to do it profitably. Simple tracking mechanisms can tell whether a product in use by a customer is nearing the end of its useful life and whether or not the customer has already purchased a service contract—and if the contract is still in effect.

Customer lifecycle

All of this leads directly to the growing importance of integration between front and back office systems. Once thought of as separate domains, the front and back offices need to communicate and share data more than ever, and that trend is likely to increase. While the importance of front-to-back office integration is obvious for current business transactions, the "system of record" aspect of back-end applications promises to deliver greater benefits as companies try to find ways to maximize the value of customer relationships.

For instance, many companies are coming to the realization that selling a second or third product to an existing customer can be faster and more profitable but only if the company can leverage its investment in information that may be stored in the back office. Companies that invest resources in tracking product deployments and product lifecycles have an advantage when considering upsell or replacement programs for their customers.

What the experts say

In the last few years especially, business gurus have written extensively about the power of servicing customers and often the idea of service comes back to the importance of integrating front and back office systems or of bringing together several front office systems.

In "Return on Customer" the business gurus Don Peppers and Martha Rogers identify the bottom line importance of making repeated sales to the customer base. Existing customers are less expensive to sell to because a level of trust has developed between the vendor and customer, assuming the ownership experience has been positive.

Lower costs of sale go right to the bottom line making vendors more prosperous. But even beyond the benefits of the next deal, an active customer base, in which a vendor can prove a high level of repeat business, provides other benefits. A case in point: when it comes to valuing a company, a highly engaged customer base is simply worth more to an acquiring company. Peppers and Rogers have even suggested listing the customer base as another asset on the balance sheet.

Another business guru, Geoffrey Moore has suggested a different reason for treating the customer base well—in many cases they are all the customers a company is likely to get. According to Moore, as markets mature, most customers have already purchased their first examples of a product in a category. Early markets reward market share growth but at some point share growth becomes less and less important and is replaced by other growth metrics like share of wallet; thus new tactics—such as selling back into the customer base get more attention.

Conclusions

Viewing business as an integrated set of cycles rather than pure end-to-end processes can drive numerous benefits for the vendor and the customer. But supporting cyclic business practices requires that companies integrate their front and back office applications such as CRM, ERP, and supply chain.

Companies that succeed at customer base selling have learned the importance of front and back office application integration to ensure that everything that is known about customers is accessible by all the customer facing employees who need customer information in a timely manner. Integrating front and back office systems delivers benefits to the business in the short, intermediate, and long terms such as:

- In the short term, integration supports revenue growth even in markets that may not be growing by standard measures.
- In the intermediate term, integration supports better information capture and sharing from which managers can make decisions about product development, brand direction, and marketing messages with greater confidence.
- Finally, in the long term, integration and information optimization yields a more robust and contented customer base which gives business owners one more asset or way of valuing a company which is especially important when considering exit strategies such as a sale of the business.

All of these factors taken together provide a strong incentive for businesses of any size to improve the operation and integration of their business applications. Information really is a resource and its greatest value is found in its use.

About Beagle Research Group

Beagle Research Group is a consulting and market research organization focused on emerging technologies and companies that will have an important impact on the way business is conducted in the years ahead. Our work is based on professional standards of quantitative and qualitative research which informs all of our publications.

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