

Integrate CRM and ERP for Better Intelligence

Businesses benefit when information flows freely between systems

By Leonard Klie - Posted Sep 1, 2015

Technology is an accelerant. It will add fuel to whatever fire you have burning in your organization. If a company is already efficient, technology will make it even more so. Conversely, if an organization is inefficient, technology will magnify the inefficiencies. Progressive companies get this, which is why more of them are maximizing efficiencies by integrating enterprise databases such as CRM and enterprise resource planning (ERP) systems.

CRM systems deal with front-office information about customer interactions with sales, marketing, and support. ERP systems handle critical back-office data, managing customer information once the order has been placed. This can include purchase history, billing and shipping details, and accounting information. Both systems independently offer substantial benefits to businesses. Connecting the two provides even more advantages.

But, generally, ERP and CRM systems tend to remain separate, as their contrasting architectures make them difficult to integrate. Rather than invest time and manpower in bringing the systems together, most companies employ "swivel chair" data entry, where employees manually retrieve data from one system and enter it into the other. Such a procedure is error-prone and time-consuming.

Solmax International, a Canadian manufacturer of geomembranes, took another, less common approach. When it started to roll out Aptean's Pivotal CRM system about five years ago, it integrated the system with its existing Ross ERP software, also from Aptean.

As a result, Solmax became more nimble, whether in shipping orders, paying its salespeople, or responding to customer inquiries, according to Philippe Palmarini, IT director at Solmax. "It's making everyone more efficient and independent," he says. "They do not have to wait around for information from another department about a particular account or customer."

Because of the integration, data flows freely back and forth between systems. This "will only make you stronger as a company," Palmarini says.

The integration took about six months to complete and was a lot less expensive than executives at Solmax had expected. "There was a cost, but it was worth it," Palmarini says. "It paid for itself in about a year."

Despite the tremendous value that integrated systems provide, Solmax is one of only a select group of companies that has successfully linked its CRM and ERP systems. This is expected to change, though, with many industry experts indicating that the merger of CRM and ERP systems is both imminent and inevitable.

"We're in the hype cycle, with a lot of companies talking about doing this," says Natalie Petouhoff, a vice president and principal analyst at Constellation Research.

Kevin Roberts, director of platform technology at FinancialForce, a provider of ERP systems built on the Salesforce1 platform, agrees. "We've reached the tipping point now," he says. "The conversations have definitely started."

They've also started at Progress Software, where Jeff Reser, head of solutions marketing for Progress's Data Direct line, calls CRM-ERP integration "a hot topic right now." He adds that "more customers are seeing value in it."

The value is more than theoretical, says Matt Keenan, group vice president of CRM products at Aptean. "There is real tactical and tangible value in the integration."

"You can get a more complete and comprehensive view of the customer to reduce costs and increase profits," Reser says. "It gives a 360-degree view of how the business is doing."

This is especially important as employee roles change, particularly as customer service agents are being tasked with more sales and, in some cases, billing and collections functions.

"If you want to sell to the customer, you need to know what he's been doing with the company, and some of that data is in your back-office systems," says Jim McGeever, president at NetSuite. "The only way to fully enable the right kind of interaction is in tying the front and back office together."

Connecting ERP and CRM systems can yield "the ultimate customer service management program," Petouhoff adds, "because you're really getting the full view of each customer, how they feel about your company, and what you deliver to them and how."

The benefits also extend far beyond sales and customer service. Every aspect of the business, from pricing, demand planning, product design, manufacturing, inventory sourcing, logistics, accounting, and even human resources, stands to benefit from a single view of the customer. And each can have an impact on how the customer views the company as a whole.

As an example, when their packages arrive late, 52 percent of consumers blame the company from which they purchased the items, according to a survey by Accenture's Acquity Group. Of the 69 percent of respondents who had online purchases arrive late, 63 percent stated the experience affected their future shopping with the brand or retailer.

If these percentages aren't convincing enough, consider Aberdeen Group's position on the matter. Its research outlines just how much companies stand to gain from a unified CRM and ERP deployment. Companies that have adopted what it calls "customer-centric ERP" have 15 percent higher customer retention rates than those that haven't; 27.8 percent higher year-over-year revenue growth; 27.5 percent higher year-over-year profit margins; a 3 percent higher rate of complete and on-time deliveries; and 10 percent greater improvement in time-to-decision. Additionally, the proportion of satisfied customers is 6 percent higher (83 percent versus 77 percent); the time it takes to respond to customer requests is 21.6 percent lower; and customer care costs are 12.1 percent lower per year. The sales cycle is also 5.8 days shorter.

"Integration is definitely a good idea. There are a lot of business benefits to be gained," says Nick Castellina, a research director at Aberdeen Group. "People can make better decisions across the entire organization. They can align demand planning and supply chain with customer information, which will make them a more cost-efficient organization."

Industries that stand to gain the most from this kind of integration, experts say, include the manufacturing, retail, financial services, healthcare, professional services, technology, and food sectors. But the benefits are in no way limited to those.

"I can't see any organization having a reason to avoid this kind of integration," Castellina says.

McGeever agrees. CRM-ERP integration will benefit "any company that has transactions with customers, especially repeat transactions," he says. "The more interactions and the greater the volume, the more important it is for information to flow back and forth between systems."

One of the factors that had gotten in the way of such integration was that many of the legacy CRM and ERP systems tended to be architected as large, complex systems that could be used only on premises. As more companies begin to store data in the cloud, however, vendors are responding with systems that are available via the software-as-a-service model. That has democratized the technology for a larger number of companies, particularly smaller and midsize organizations.

"There has been an acceleration of CRM and ERP integration down market," Keenan observes. "It was [once] only in the providence of larger firms, but with the reduction in costs and the availability of apps through the cloud, it's much more available at a much more reasonable price to smaller organizations now."

In fact, smaller and midsize companies might have an easier time integrating systems than their larger counterparts, many experts contend.

"The bigger the firm, the more difficult it can be to integrate systems," Petouhoff says, "because of the amount of data and the number of different systems involved."

PULLING IT OFF

Still, integrating CRM and ERP systems is not an easy process for any company, experts agree. No matter the size of the company or the type of industry in which it competes, there can be real challenges in trying to connect data from multiple systems across multiple departments, geographic locations, business units, and product lines.

"If you do this kind of integration, be careful," Palmarini warns. "Take a look at all the processes within your company. You cannot do this type of integration without taking a look at all the processes involved."

Because of that, "it takes a real commitment from the entire organization," Castellina advises.

It starts, though, at the top. "It takes a very strong leader," Petouhoff says. "Then you need to know your available resources and the limits of your IT department."

In general, companies can take one of three basic approaches to CRM-ERP integration. The first is a full rip-and-replace process, in which all existing software is abandoned in favor of completely new systems that are linked right out of the box. The second option is a partial rip-and-replace, involving only a few systems. The third option, and probably the preferable one for most companies, is installing software connectors that allow existing systems to work together and share information.

Which method is right depends on a number of factors. "Even though rip-and-replace is probably the most difficult, it could be the best option for some companies because you get to the end goal a lot quicker," Petouhoff suggests.

Admittedly, that's probably not possible for most organizations. More than likely, firms have already invested heavily in multiple systems capable of performing different CRM and ERP functions, and they can't afford—or are unwilling—to replace them all.

Instead, companies can pare down the number of systems they use over time.

The goal, McGeever says, "should be to reduce the number of systems, to have your key data in as few systems as possible. You want to streamline so that you can do all that you need to with just two or three systems of record."

"When you have many heterogeneous systems, you increase the complexity of the integration," Aptean's Keenan says. "The spider web of systems can get incredibly complex."

One way that companies can get around this issue is by linking only a few systems directly together. "Not every system needs to integrate with every other system," Keenan says. "You can have one or two hubs and have every other system linked to those."

HOMOGENEOUS OR HETEROGENEOUS?

Regardless of the number of systems involved, the bottom line is that the systems need to be able to share information. An easy way to accomplish this is to select one vendor for both systems.

Aptean's CRM and ERP systems are loosely coupled, meaning that they rely on a middleware layer that sits

between them to manage the push and pull of data across platforms. Keenan says this type of setup mitigates the risk of software incompatibility and limits downtime. "The company can continue to operate within one system if the other goes down for a while," he says.

At Solmax, the fact that Aptean supplied both the CRM and ERP systems was a key to the successful integration, according to Palmarini. "The hardest part of the project was making sure that information would be available across both apps," he says. "Having both products from Aptean helped. The integration came a lot easier."

Solmax's integration took place five years ago, and at the time going with a single vendor was really the only option. Today, even Palmarini acknowledges, a multivendor approach is more feasible. "With the open [application programming interfaces] today, it wouldn't be hard to do an integration with two products from two different vendors," he says.

That's because software vendors are largely abandoning proprietary development environments and moving toward open APIs.

"There is a benefit in going with just one vendor, but most companies probably already have multiple systems from multiple vendors," Reser acknowledges. "Vendors know this and are moving toward being able to support multiple systems."

But even then, simply because two disparate systems can cooperate doesn't mean they will work together exactly as planned. Certain product configuration details might not integrate well without extensive customization and changes to core system architectures.

Similarly, consider how CRM and ERP systems will integrate with other software, such as business intelligence, product design, or quality assurance solutions.

FinancialForce avoids integration bottlenecks by building its ERP systems natively on the Salesforce1 platform. "Our apps live on the same platform and fully coexist with Salesforce CRM," Roberts explains. "We share the same interfaces, databases, sign-ons, reporting tools, analytics, workflows, etc. There is one environment and one master record."

Some vendors are taking their integrations a step further. For example, though Microsoft, Oracle, SAP, and NetSuite offer their CRM and ERP systems separately, they're also building CRM capabilities into their broader ERP systems.

Aplicor's 3C solution, for example, is an all-in-one solution that presents a single view of finance, operations, marketing, sales, and e-commerce. The embedded CRM functionality includes sales force automation to track hot leads and accelerate time to revenue; marketing automation (from simple email campaigns to advanced lead generation); and customer service and help desk capabilities. The financial management capabilities include budgeting, general ledger, multicurrency management, billing, inventory management, sales and purchase order processing, and pricing. Shared data and analytics inform decisions and manage and track overall performance across shared metrics.

"We want to eliminate the chaos that companies face as they grow and need additional capabilities, ensuring that they always have the visibility and control they'll need to focus on selling more and servicing their customers better," said Steve Haley, CEO of Aplicor, in a statement. "Aplicor 3C is also designed to grow with businesses, so all the features and functionality they'll require is in our platform from day one. It's the only business software they'll need from first sale to big exit."

Sage North America, a provider of management software and services to small and midsize businesses, did the same with its Sage ERP X3 offering.

"Connecting Sage ERP X3 and Sage CRM provides companies with greater visibility into their business," said Doug LeBahn, senior vice president of Sage product management and marketing, in a statement. "It enables their accounting, operations, sales, marketing, and customer service teams to have a single consistent view into

their customer relationships so they can deliver a great customer experience."

OTHER CONSIDERATIONS

Because there are so many options, experts also recommend a close evaluation of the infrastructure on which the systems will reside. "Make sure that whatever company you go with, it follows best practices for redundancies, backups, and security," FinancialForce's Roberts says.

The security issue is a big one. If all of the company's customer information is stored in one central hub, it creates fewer entry points for potential hackers. Internal threats are just as real, but they can be minimized with simple access controls that let users see only the information that is needed for their particular jobs. The shipping clerk, for example, doesn't need to know the customers' credit card information.

"An important part of all of this is not allowing anyone to directly connect to the data sources," Reser says, "but offering access through a data hub that you can control with user authentication and encryption."

You also should ensure that your decision today won't limit your options in the future. "You might want to find one platform and then look for vendors that fit in with that platform," Roberts says.

And finally, the data in both systems needs to be as current and accurate as possible for any integration to be successful. "CRM is the engine that drives the business. ERP steers the business. Data is the fuel," Reser concludes.

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