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# ERP driven marketing benefits

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## ABSTRACT

*Enterprise Resource Planning (ERP) software has been implemented by the majority of the large corporations in the world in order to streamline and integrate their internal business processes. The impact of this multi-million, sometimes billion dollar IT investment is mostly measured in terms of ROI, cost savings and productivity improvement. However, marketers should not ignore the benefits an ERP system can bring them and their customers. This paper describes five benefits marketers derive from an ERP implementation. These are information availability, streamlined processes, sales force support, strengthened business partners, and support for globalization.*

## INTRODUCTION

The benefits and challenges associated with enterprise resource planning (ERP) software systems are impacting marketing strategies and operations. Sales, customer service, and marketing are discovering that ERP systems are providing them with sometimes unanticipated capabilities and information. Few firms implement ERP systems with marketing objectives in mind. Process improvement and cost savings in manufacturing, logistics and inventory, along with financial control issues generally drive the implementation decision. However, as the implementations are completed, the systems go live, and users begin to comprehend the software's capabilities, the profound impact of this technology emerges (Anonymous - Deloitte, 1999). Marketing is affected for two reasons. First, the live system delivers information about customers, products, and processes that was not readily available before. Second, the ERP system provides a platform for expansion to more marketing oriented applications software.

ERP is a modular software package that allows a company to automate and integrate its major business practices, sharing common data and processes across the entire enterprise. An ERP system produces and accesses information in real time. It is designed to eliminate the fragmentation of information in large business organizations (Davenport, 1998). Over time, companies have turned to a variety of independent computer software systems to serve the needs of company functions. Manufacturing, sales, and finance departments each operated and maintained their own software and data could not easily be transferred between systems. These systems are referred to as legacy systems and often must be integrated with an ERP system. The advent of ERP allows the processes of different company functions to be integrated and

performed in real time. For example, a salesperson can create a quotation for a customer, which can be referenced when that customer contacts the call center to place the order. The system then checks availability, schedules delivery, designates a shipping point and route. The quote, the order, the picking and delivery documents, and the accounting documents are all linked for reference. Needed parts are ordered and assembly is scheduled. Depleted parts are ordered for inventory. The system updates the sales and production forecasts. Product cost and profitability are calculated. The appropriate balance sheets, ledgers and cost centers are updated. Even the salesperson's commission can be recorded and prepared for payment. All the information transactions triggered by a sale are performed automatically throughout the business functions (Dav-enport, 1998).

SAG AG is the dominant supplier of ERP software in a market expected to reach \$21.4 billion in revenue by 2004 (AMR Research 2000). The other market leaders are Oracle, Peoplesoft, and J. D. Edwards. SAP's products are installed at most Fortune 500 companies. All twenty of the world's largest pharmaceutical companies, and every major car maker, except Suzuki, use SAP's R/3 product (Fox, 2000). ERP vendors have also targeted midsize companies by offering solutions tailored to specific industries (Piturro, 1999).

The Conference Board (Cooke & Peterson, 1998) found that companies choose to implement SAP for several reasons — to re-engineer and standardize business processes, integrate operations and/or data, optimize supply chain, inventory management and business flexibility, support the globalization strategy, and solve Year 2000 problems. While these initial objectives were not marketing oriented, the projects studied by the Conference Board were perceived to result in increased customer service, customer satisfaction, and other marketing oriented benefits. Marketers should be catching for opportunities to reap the potential benefits of an ERP implementation. These marketing opportunities appear to arise from five types of effects of ERP: 1) availability of greater and better quality information, 2) streamlined internal processes, 3) greater support for salespeople, 4) stronger linkages with partners, and 5) greater support for globalization efforts. Each of these will be discussed.

## **INFORMATION AVAILABILITY**

When a customer contacts a vendor, they now expect their contact to be able to identify them, their company, their orders, and their account history immediately. While a customer service representative (CSR) may be using a customer relationship management (CRM) application to access this information, the information is usually obtained from a customer master record set up in an ERP system. The customer master holds the basic customer data about locations, preferences, contacts and account history (SAP AG 1998). It enables the user to locate the relevant documents to respond to customer questions quickly, resulting in a more satisfied customer. With consolidated customer information available to the service provider, the range of information and services that can be provided can be greatly expanded. Customer-specific information fuels the company's ability to provide one-to-one marketing.

Enhanced customer information enables market segmentation and targeting to be more precise. A customer can be examined across transactions, products, divisions, time and even locations. Some ERP systems have the ability to provide a profitability analysis of customers and products. Firms can better determine which segments and which specific customers to target with marketing resources. A small account for one division can be recognized as a key account for another division and handled appropriately. Customers can be more easily ranked by their life-time or economic value (Mayor, 2000). Government Computer Sales, Inc., was able to identify the 20% of their current customers that accounted for 60% of revenues. By focusing their marketing resources on those customers, unit sales rose by 22%, while marketing expenditures were almost halved (Johnson, 1999).

The customer data collection by ERP systems can be organized and mined to identify trends and patterns. Whirlpool, the appliance manufacturer, examines trends in service requests to detect defective product designs, bad parts, etc. in order to correct problems as early as possible (Anonymous - Tech Guide, 2000). While the reporting function of an ERP system does provide much information to users, another benefit to ERP is that the collection and maintenance of transaction data allows other software applications such as CRM and data mining packages to turn that data into useful information and knowledge.

The ERP system allows the use of new streams of information and the consolidation of information previously scattered throughout an organization. This presents marketers with a clearer picture of their customer on which to base strategies and other decisions.

## **STREAMLINED PROCESSES**

At the very heart of customer satisfaction, is being able to deliver the exact product ordered, when, where, and how it is needed by the customer. As fulfilling the firm's promise to the customer is critical, the processes behind the promise must be fast and accurate. One process that especially affects customer satisfaction is the order management cycle — the process that moves the order through entry, picking, shipping, delivery, invoice generation, and payment recording. Order entry is streamlined because customer information is immediately available and does not need to be re-entered for each transaction. Little re-keying of data to ascertain customer preferences (such as ship-to points, partial or full shipments, label requirements, etc.) increases the likelihood of receiving the order as desired.

Order cycle time drops dramatically when inventory, scheduling, and credit checks can be done almost instantaneously. Reduced order cycle time means the customer receives the product faster. Delivery times can be decreased dramatically. After installing an ERP system, Autodesk, a computer-aided design software manufacturer, can deliver 98% of its orders in 24 hours instead of an average of 2 weeks before ERP.

As the location of an order in the order process can be tracked, order changes can be dealt with quickly, before major costs and time inconveniences are incurred for the customer. Improved order management processes also refine production planning reducing the occurrence of

stockouts and enhancing the accuracy of production forecasts. Inventory can be tracked in all locations, so that a needed order may be shipped from a distant warehouse to satisfy a customer. The integrated software enables a company to know where the excess manufacturing capacity exists and utilize that knowledge to re-route customer orders. The internal processes are the foundations for meeting customer requests. The movement of the transaction data through the system with little human intervention increases the accuracy and speed of the fulfillment of customer desires.

The refrigerated dough division of Earthgrains, a bakery product company, chose to implement SAP's R/3 in order to pursue a strategy of operational excellence. Prior to ERP implementation, senior managers determined that Earthgrains lacked the operational data needed to support or measure their strategy. As a result of multiple changes in processes, that divisions' earnings increased by more than 70% with significant cost savings (Davenport, 2000).

### **SALES FORCE SUPPORT**

Salespeople also gain some benefits when the firm installs an ERP system. Some of those benefits are derived from the ERP software itself, while many of the benefits to the sales force stem from using ERP as a robust platform for a powerful, multifunctional customer relationship management (CRM) package.

Today's salespeople are expected to maximize the value of their selling time by being well-prepared and providing value to the customers. Salespeople who show up at accounts to simply collect orders are rapidly being replaced by the Internet and call centers. An ERP system enables the sales person to more easily prepare for a call. Customer account history and preferences can be reviewed and problems identified, perhaps solved, before customer contact. Motts North America, a beverage company, found that making order status, sales and account information available to salespeople, brokers and distributors was important in meeting field sales and marketing needs (Caldwell & Stein, 1998). At a customer site, a salesperson needs access to order information and order status so that customer questions can be answered during the call. At Amoco, salespeople and field marketing managers can access ERP-generated reports from the Web or Lotus notes (Caldwell & Stein, 1998).

The improved internal processes offer the salesperson greater certainty in quoting prices and ship dates. When the salesperson's promise matches execution, greater trust and stronger customer-salesperson relationships are built. The salesperson has an opportunity to showcase what the firm can do for the customer with high credibility.

With an expanded view of the customer, the salesperson has more opportunities to cross-sell and up-sell — increasing the revenues (and commission) from a sales call. At Owens-Corning, a fiberglass insulation, glass composite and roofing materials manufacturer, salespeople use the consolidated view of customers from their ERP system to sell homebuilders the concept of the "pink house," a house using Owens-Corning roofing, exteriors, insulation and soundproofing as

a system (Stewart, 1997). Houston Street Exchange, an online market in wholesale electricity and gas, sometimes uses knowledge of the customer's prior purchases, to suggest additional purchases when the buyer calls for technical assistance (Anonymous-Tech Guide, 2000).

Earthgrains used ERP software to understand and shift the focus of their sales force compensation program. Changes in the reward system significantly affected the behavior of the salespeople as they became much more interested in the profitability of their accounts (Davenport, 2000).

The ERP system also provides a foundation for CRM applications. The primary function of most CRM packages is to enhance the productivity of the sales force. CRM packages automate the sales process by offering contact management, account activity tracking, account management, order entry, proposal generation, presentation support, technical support and sales process follow-up (e.g., thank you notes) (Goldenberg, 1999). CRM packages also support some sales management functions. Rollerblade, Inc., in-line skate maker, uses a J. D. Edwards' ERP system as a platform for forecasting, sales force automation, and data warehousing applications. The platform is perceived as an essential foundation for creating effective use of those applications (Caldwell & Stein, 1998).

## **BUSINESS PARTNERS**

Form a marketing perspective, an ERP system strengthens business partner relationships in two ways. First, it can make a firm a more attractive business partner and therefore, able to be more selective in choosing suppliers and channel members. Second, it also enhances the potential for integrating interfirm processes, which builds an interfirm link difficult for competitors to supplant.

A firm becomes a more attractive business partner when its internal processes support the partner's needs. When one partner can deliver the goods as promised, the other partner can reduce or eliminate emergency back-up inventories and systems. Being able to reliably and quickly supply the partner with needed product saves the partner time, money and aggravation. A partner who can track promotional events and determine what works and what the costs are brings real value to the partnership. Also, companies using the same ERP software find building networks of partners much simpler. Cott Corp., a beverage company, worked with its bottlers so that the bottlers installed the same ERP system as Cott Corp. The integrated processes reduced the cost of delivering Cott's product to the retailers dramatically, making Cott's product very attractive to the bottlers (Slater, 2000).

The potential for integrating interfirm processes can occur at both the supplier/vendor level and the channel/customer level. Tighter collaboration with vendors in product design and development, can speed time-to-market, as well as improve demand forecasting (Slater, 2000). Tighter collaboration with wholesalers and retailers allows partners to order directly into the vendor's system, check real-time availability before order placement and generally operate with more control over selection and receipt of goods ordered. The ERP system allows Owens-Corning

customers to know the inventory, know when something is shipped and order multiple products from one interaction (Stewart, 1997). Order system integration eliminates the need to involve another contact point between the companies, speeding the process and reducing the potential for error. American Packaging identified that its customers found it difficult to do business with its five decentralized divisions. The firm implemented an SAP system that integrated with its customers' SAP system that resulted in being able to track inventory across divisions and tighter bonds with their customers (Kirtzman, 1998).

The key benefit to marketers in their business relationships is the level of commitment that must be achieved. There is little motivation to shop vendors frequently as both partners have made a substantial commitment to the relationship in linking their systems.

## GLOBALIZATION STRATEGY

The need to market globally has been hastened by the ease with which the Internet has allowed customers to search the world for better products and prices. Marketing globally brings challenges in terms of differing currencies, taxes, and tariffs. It also involves the challenge of keeping track of customers and inventory worldwide. An ERP system creates an infrastructure for dealing with these challenges. For example, SAP updates currency exchange rates, and handles them automatically in international transactions (SAP AG, 1998). An ERP system smooths the detailed transactional intricacies of global markets (Stephens, 1999).

## SUMMARY

After a firm has gone living with an ERP system and calculated cost savings and ROI, the impact of the system on marketing must be considered fully. Marketers should not view the system as just another IT project with cost savings as its only value. Marketers should evaluate and plan to maximize the benefits that can be derived from the ERP system. Interpretation and use of the new information available and the ease of sharing that information should bring forth new understanding of the customers and markets and new strategies. The benefits in streamlined processes should be translated into advantages for customers. Salespeople and field marketers should profit from the system through happier customers and increased sales. Business partner relationships should become stronger and harder to replace, while globalization becomes a little simpler. Marketers need to be aware of and capitalize on the potential benefits from the ERP investment.

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