

## The Value of Integration

Alodar does integrations -- integrations that save time and money. Five types that are particularly noteworthy are: workflow automation, direct costs reduction, e-commerce on the web, customer relationship management (CRM) improvement, and internal operation improvement.

### WORKFLOW AUTOMATION

Workflow as defined by the Workflow Management Coalition or WfMC is "The automation of a business process, in whole or part, during which documents, information or tasks are passed from one participant to another for action, according to a set of procedural rules." This sounds great, but the problem with workflow is 50% of processing time is spent waiting in queues.

Queue waiting time can be decreased by automatically moving the data. Other benefits would follow from the automation. New products and services can get to market sooner. Operations become more efficient. Business process improvements become possible by analyzing the consistent and measurable actions performed on the data.

Automation becomes possible by linking the workflow management system with other applications for real time interaction. This linkage has a set of challenges. A typical large organization employs 13 operating systems and 10 different database management systems. 30% of Information Technology (IT) budgets are spent on integration. Labor to software costs can be as high as 10:1.

A cost-effective solution is Enterprise Application Integration (EAI). Applying EAI to link diverse systems and capture business process expertise has the benefit of

- Interfacing applications
- Translating data structures
- Intelligently routing messages
- Allowing for easy creation of new business processes
- Placing business logic in application network

Sprint integrated its On-Demand Networks. As a result engineering resources were cut in half, development costs were slashed by one-third, and the average DSL provisioning time was reduced from 30 to approximately 8 days.

### DIRECT COST REDUCTION

Cutting costs that can be specifically identified with a particular project, program, or activity such as salaries, supplies, and equipment produces measurable benefits. The benefits can be profits on additional sales because of lower unit prices, reductions in paper costs, reductions in government fees, value of hardware eliminated, a change in working capital, reductions in accounts receivable, reductions in day sales receivable, and workforce reassignments.

EIA can help reduce direct costs. EAI can provide real time access to inventories, electronically transmit invoices, and connect newly acquired companies into existing enterprise infrastructure.

Direct costs can be cut in any industry. Kia Motors reduced direct mailing costs to dealers by \$5,000/year. Is.group, a nationwide buying and marketing force of independent office product dealers, reduced mailing costs by 85%. SpectraTech, a leading printing plate supplier, reduced hardware upgrade and support costs by 90% and reduced software and OS licensing costs by two-thirds. IKEA, the Swedish furniture giant, reduced licensing costs by \$164,000/year.

### E-COMMERCE ON THE WEB

Trading goods and services over the Internet can create new sources of revenue. Virtual stores operate 24x7 buying and selling products with digital cash. Digital cash decreases time to revenues by 3-7 days per transaction. Your cyber stores are earning money while you sleep. But wait, your dream has a small hitch. How are you going to connect the different operating systems and

different database management systems together to perform all the ordering processes? You need to couple the back office data and processes to the web. Enterprise Application Integration (EAI) can help.

EAI provides the technology for coupling your existing order fulfillment, shipping, billing, and inventory systems into a web interface. Program interfaces are created to applications, data structures are translated, and messages are intelligently routed to the correct business process. Exposing the application interfaces allows for easy creation of new business processes. And the business logic is placed in the application network adding more visibility to the process.

Using e-Commerce, Ford Motor Corporation created Ford Direct and has an unusually high 17% average closing ratio. Dell Computers' online process reduced buyer transaction errors by 90%.

#### CUSTOMER RELATIONSHIP MANAGEMENT (CRM) IMPROVEMENT

Customer retention is one of the most valuable customer issues to solve. Keeping an existing customer costs 1/6 as much of getting a new one. Customer loyalty can be cemented by customizing the interaction. Additional benefits surface with improved CRM. Operations become more efficient by reducing call center personnel by a factor of three, reducing hiring and training costs, reducing call value by self-service web portal, and reducing the average time per resolution by connecting history, billing, ordering and fulfillment. An automated CRM system can bring in additional sales by as much as 50%. The automated system produces tailored suggestions and marketing propositions and focus on high value customers. Since the CRM system is tied into other systems, the time-to-revenue is decreased, reducing the fulfillment cycle by 3-7 days.

EAI makes the CRM automation possible. It presents a seamless customer interface to the enterprise applications responsible for financials, sales, and marketing.

AT&T applied EAI and reduced the response time for customer queries from 7-10 minutes to 30 seconds. They also cut one week out of service representative training time. Veen Uitgevers Groep also had impressive results. They reduced call center task duration by 50% and overall call center productivity increased by 15%.

#### INTERNAL OPERATION IMPROVEMENT

We've all heard the old moral "If it ain't broke, don't fix it". This is good advice. But sometimes it isn't obvious that something is broken. Often internal operations aren't broken, but they can be fine tuned to reap substantial benefits. By making operations more efficient time to market becomes shorter, the ability to capitalize on new revenue opportunities increases, and training costs drop due to wider access to internal procedures and data.

EAI can help with internal process improvement. Enterprises have many diverse systems operating as islands. Multiple data entries are required for a single transaction. Transactions may be run as nightly or monthly batches. EAI can automatically link and update data between systems removing the need for multiple data entries. Operations can trigger logic that automatically invokes processes in real-time instead of batch mode.

A survey of recent IT projects shows costs savings in many markets.

##### *Retail*

Do It Best Corp, PetsMart, and Is.group reported huge savings. Do It Best Corp. doubled the number of invoices handled while reducing staff from 17 to 14, increased inventory turns from 30 percent to 100 percent, increased productivity units handled/employee-hour by 28 percent, and reduced cost per unit handled by 18 percent. PetsMart saved about \$1M in SAP implementation costs. Is.group handled 25% more customers with a reduced staff.

##### *Automotive*

Kia Motors cut spare part order fulfillment from two to three days down to one day. Parelli Tires reduced inventory costs by 20%. ACK Controls, Inc. reduced outbound invoice processing time from 60 to 5 minutes, and reduced re-keying errors by 95%.

##### *Shipping*

Trimac Trucking reduced order fulfillment costs from \$25/order to \$5/order, and reduced inventory by 25%. UPS reduced package tracking costs from \$2 to 10 cents, and cut call center costs by 48%.

##### *Government*

State of Alaska - DMV reduced transaction costs from \$7.74 to \$0.91, and reduced registration cycle time to 3-5 days from 4-6 weeks. The Sacramento Police Department reduced the time to get parolee information to patrol cars by 60-90 minutes. The

Department of Defense reduced vendor transaction costs from \$140 to \$25/transaction.

*Utilities*

Iowa Telecom - Primary Gateway reduced personnel costs by 91%, and reduced change request processing time from 5 minutes to 5 seconds.

*IT services*

IP Communications reduced fulfillment time from 45 to 15 days, and doubled the number of orders handled by the same sized staff. Unisys reduced double entry of 250 help desk tickets/day.

*Industrial Supply*

PolyOne reduced inventory by 14%, and reduced supplier replenishment time from 3 days to less than 24 hours.