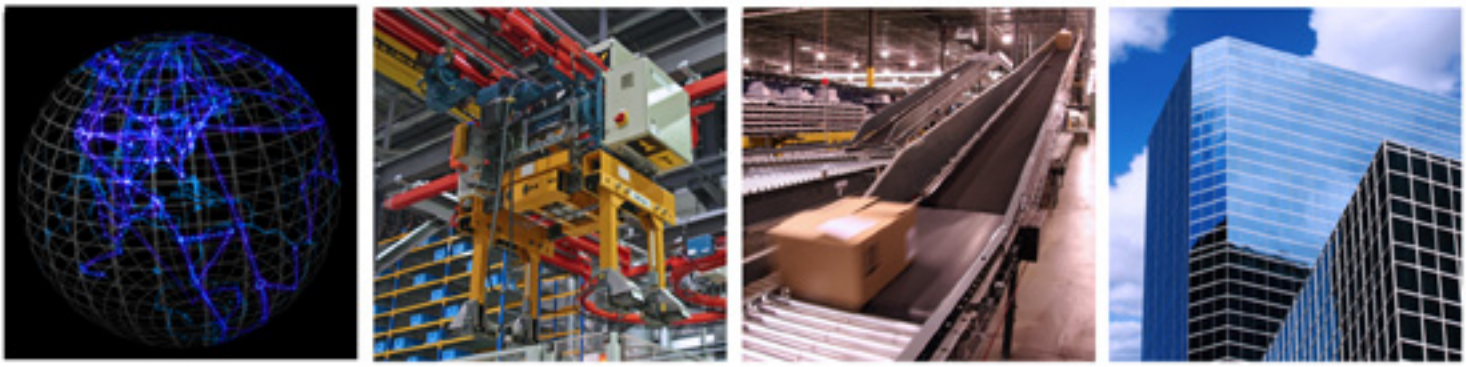

Re-Staple Yourself to an Order: Next Generation Order Management is Critical for Supply Chain Success

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Executive Overview

In an increasingly complex and virtual world, the order management cycle (from initial customer interaction through order capture, fulfillment, and returns processing), has never been more challenging - or harder for managers and executives to get their arms around.

Nearly 20 years ago, a highly influential article titled "Staple Yourself to an Order" was first published in the Harvard Business Review, and challenged executives to literally follow an order through the full order management cycle (OMC) to learn what a company's customers are experiencing in interacting with them.

That was based on the truth that ***"Every time a customer order is handled, the customer is being handled at the same time."***

It's time now for companies to re-staple themselves to today's orders, in the electronic, multi-channel, virtual supply chain world in which we operate – and to look for opportunities that can result in lower supply chain costs, enhanced operational efficiency, and improvements in customer service levels.

In this report, we look at all this and more, and how many companies are increasingly building "order hubs" to consolidate order management processes across their enterprises, using "distributed order management" technologies to make that happen.

This report also includes a short case study on how Dal-Tile Corporation, a manufacturer and distributor of ceramic tile and natural stone products, was able to improve its supply chain and customer service through use of distributed order management technology, both in its "store" network as well as back office functions.

We invite you to read the full report below.

The Order is King

It has been recognized for many years that for most businesses, the order truly is "king" – the thread that links demand and supply, that is at the heart of the order-to-cash process, and that in the end is obviously the life blood of the business.

While few executives or managers would dispute the importance of the order, it is interesting how often in fact businesses lose sight of this core principle. For many of them, the order is simply not well managed end to end.

How can there be this disconnect between what businesses know and what they do regarding order management? One key factor is that rarely is there a clear "owner" of the order management process within the business. Order management touches so many areas of the company, from sales to the supply chain to finance and more. In a real way, the order management process is the business, actually – yet, few companies really consider it that way.

While customer service is often the face of order management, and perhaps the most frequent user of order management systems and technologies, the customer service function rarely owns the full order management process – it is common that no one individual or function owns the process and systems to support order management end to end.

A New Era for Order Management

As challenging as it has always been to achieve order management excellence, in recent years these challenges have been taken to the next level.

Why? Because in today's enterprises, supply chain and order management requirements have been rapidly transformed by new business models and technologies.

Today, we live in a period of growing supply chain complexity and virtualization. Companies across industry sectors increasingly rely on suppliers for substantial portions of their total value added in manufacturing of finished goods. Outsourcing of finished goods themselves is increasingly widespread in virtually every sector, and many companies are now pursuing "drop ship" arrangements with suppliers, especially for e-commerce orders.

Walmart, for example, announced in late 2009 that it was embracing a drop ship model for its e-commerce business similar to what Amazon.com has done for years – sending orders taken from its web site to one or multiple suppliers for direct fulfillment. As a result, Walmart says it will be able to add over 1 million products to its new Marketplace web site.

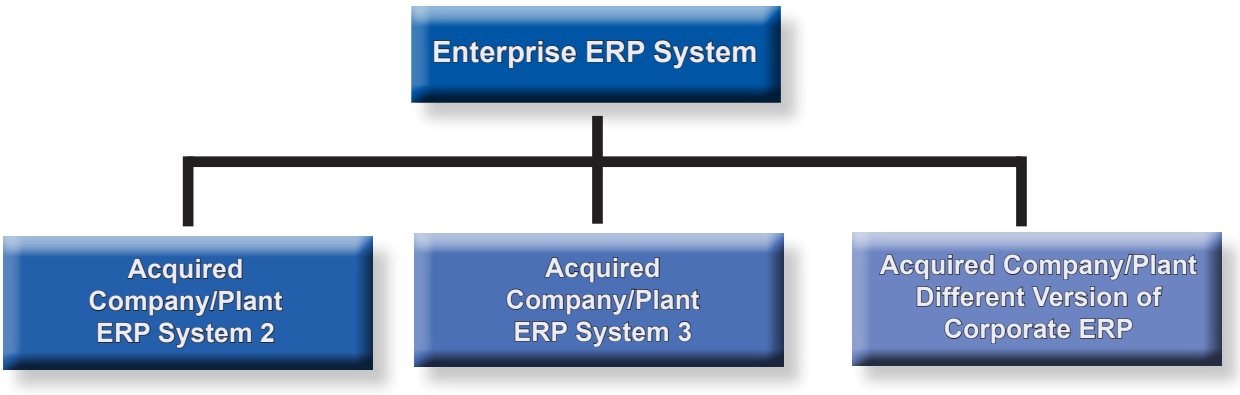
But that complexity isn't just in B2C – it is in the B2B world as well. For example, manufacturers are increasingly looking at "DC Bypass" strategies, where imported goods are shipped from port facilities directly to channel partners (e.g., retailer distribution centers, or even end customers) to reduce total inventory and logistics costs.

Similarly, this virtualization is starting to cause many companies to consider or adopt "merge-in-transit" fulfillment models, where SKUs for a set of orders are brought to a cross-dock type facility from multiple sources and merged nearly on the fly into complete customer shipments.

All this simply means that order flows and fulfillment requirements have become more complex, and that a new approach to order management is therefore often required to support them.

The use of mergers and acquisitions as a core growth strategy by many corporations has also raised order management complexity for most of them. The almost universal result of active M&A is a disparate set of ERP systems. That could mean different versions and "instances" of the same ERP system, ERP systems from multiple providers, a blend of commercial and home grown systems – and often a combination of all of these scenarios.

Mergers and Acquisitions have left many Companies with Multiple ERP Platforms



While there are almost always plans to bring all the acquired companies and operations under a single ERP system – the time, effort and cost of that strategy often mean that the upgrade work never gets done, or takes years to accomplish. In the meantime, companies have to find a way to provide acceptable customer service and manage customer fulfillment across locations with these different systems – usually a tall "order."

It isn't only on the supply side where growing complexity impacts cost and service – just capturing an order has become substantially more complex.

We are now in a multi-channel world, in which customers and their orders can come in from many sources and channels. Gone are the days for most companies when all orders were processed after phone or fax receipt through a central customer service center. Now, that traditional channel is just one of many that might include web, physical stores, kiosks, mobile devices, channel partner sites and likely new ones that we haven't even well considered yet, such as a customer's television.

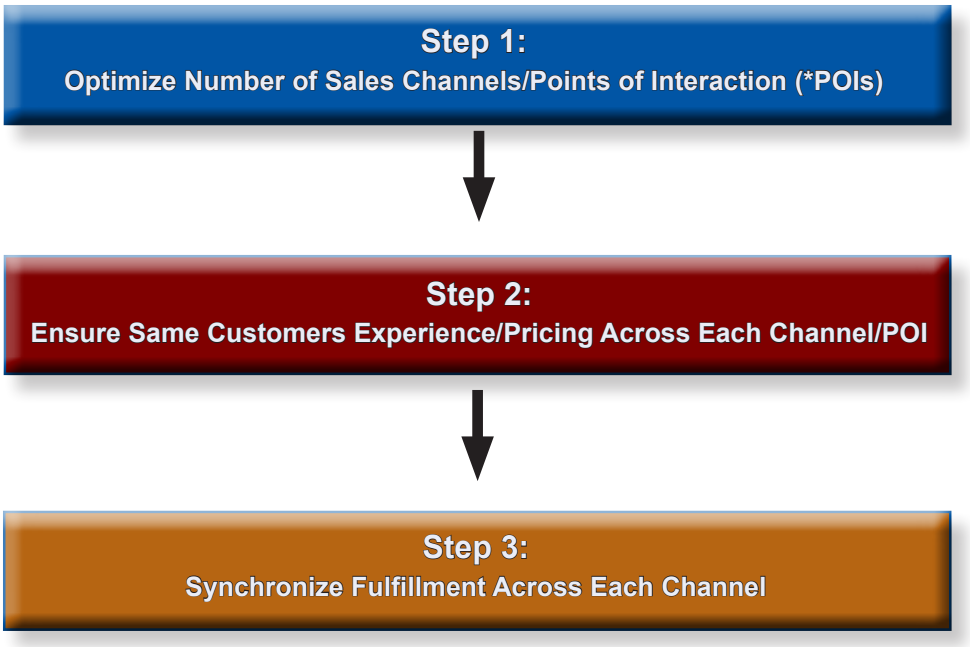
Step 1 in dealing with this multi-channel challenge is to simply make as many of these channels available as make business sense for your company – but the trend certainly seems to be strategies that involve multiple sales channels for most companies.

Step 2 is to ensure a consistent customer experience from those channels in terms of service, experience, and (just as importantly) pricing.

Step 3 is to improve synchronization of supply and fulfillment process across these varied channels on the back end.

While these multi-channel challenges have been well documented in retail companies, the reality is that this problem (and opportunity) is one faced today by companies in almost every sector. Together, these three steps require fairly complex process maps and technology support to reach a level of order management and fulfillment excellence.

Managing in a Multi-Channel World



Synchronizing Supply and Demand

Much of this supply and fulfillment complexity is relatively new, and many companies are discovering it has a real impact in their operational needs and thinking.

The bottom line is that most companies have to take their level of order capture and synchronized fulfillment to a whole new plane to meet customer needs and maintain market competitiveness. That in turn means companies need technology that is capable of matching demand and supply in very new, more virtual ways. It must do this across multiple channels and points of interaction (POIs) on the demand side, while supporting increasingly fragmented, distributed, and virtual supply ecosystems.

Just making this happen effectively is challenging enough, but all this order process complexity is occurring as both B2B and B2C companies struggle with increasing internal and external requirements for "perfect order" attainment. In the B2B world, the perfect order usually means that it has been delivered in full, on-time, without damage, and compliant with a customer's requirements for labeling, documentation, etc. At the same time, e-commerce has clearly dramatically increased the performance standards of B2C customers in terms of information availability, ease of placing an order, delivery efficiency, and other factors.

More recently, the analysts at Forrester Research developed a list of attributes for a perfect order in today's world – a challenging list indeed. (See sidebar nearby).

In either case, order management and fulfillment synchronization are clearly at the heart of perfect order attainment.

Besides challenges with the perfect order, companies must increasingly also be able to accurately promise delivery dates and achieve myriad other customer-focused performance metrics - while reducing inventories at the same time.

A tall order indeed.

The bottom line is that most companies have to take their level of order capture and synchronized fulfillment to a whole new plane to meet customer needs and maintain market competitiveness.

Forrester's List of the New "Perfect Order Requirements"

1. **Support multiple channels.** Through any channel at any time, stakeholders must be able to interact. Actions across all channels should be consistent and include placing an order, viewing order status, changing an order, initiating a return, completing payment, etc.
2. **Enable stakeholder centricity.** Customers, suppliers, partners, and employees must be able to access the system. Information should be shared while maintaining role specificity and security.
3. **Deliver a consistent brand experience.** Enterprises must be able to deliver a consistent brand experience. Look and feel, personalization, and corporate branding must be supported across all channels and all scenarios.
4. **Provide both product and service selection.** Stakeholders must be able to select the right product or service. Service offerings could include offerings such as warranty plans, service agreements, or training. Offerings should be presented in a common product and services catalog.
5. **Propose configuration and quantity.** The correct quantity and configuration must be offered. Constraint-based configurators must align key parameters with stakeholder requests. Business rules must be supported to enforce appropriate policies and contractual obligations.
6. **Guarantee quality.** Offers must deliver on acceptable levels of quality. Quality attributes must be presented as options to stakeholders for selection. Stakeholders must be able to select from different levels of quality.
7. **Enforce pricing policy.** Entitled pricing policies must be available to each type of stakeholder. Systems must support contractual requirements and obligations. Pricing options must support time zone variations, taxation requirements, and service-based pricing.
8. **Recommend sourcing options.** Products and services must be supplied from agreed-upon sources. Stakeholders must have the ability to follow their procurement guidelines and gauge availability.
9. **Offer delivery and/or installation options.** Order completion must account for delivery and installation requirements. Stakeholders must be able to specify key attributes such as logistics provider or installation company.
10. **Incorporate a period of time.** An agreed-upon period of time must be provided. Stakeholders must have visibility into estimate completion times. Provisions to support on-time delivery and offer concessions for late deliveries must be incorporated.
11. **Identify final locations.** Stakeholders must be able to specify the delivery and installation points. Physical and virtual locations must be supported. Multiple locations must be supported.
12. **Suggest packaging options.** Appropriate packaging must be provided. Common requirements include support for unit, bulk, and kits. Packaging must accommodate appropriate regulatory requirements.
13. **Include documentation.** Correct documentation must be included with each order. Documentation may include trade compliance, regulatory reporting, and related accompaniments. Optional items may include installation manuals, advertisements, and marketing materials.
14. **Determine order frequency.** Stakeholders must be able to determine the right frequency and intervals. Standard intervals must include milliseconds, seconds, minutes, hours, days, weeks, months, and years. Repeat orders and event-driven triggers must be provided.
15. **Present accurate and timely invoicing.** Accurate invoices must be provided with each order. Stakeholders must be able to clearly identify charges by line item. Invoicing must support both product and service requirements, including time and materials tracking by project.
16. **Facilitate returns.** Stakeholders must be able to return products via any channel. Services must be able to be disputed via any channel. Billing systems must be able to support returns across the entire perfect order value chain.
17. **Allow warranty claims.** Stakeholders must be provided with access to applicable warranty policies. Instructions for completing a warranty claim must be made publicly available. Warranty claims against defects must be aligned with existing programs.
18. **Manage service agreements.** Service agreements must be offered and provided to stakeholders. Enterprises must enforce entitlements within service agreements. Service agreements must support third-party solutions.
19. **Address repairs.** Availability to manage repairs must be provided to stakeholders. Repairs must adhere to entitlements and caveats from service agreements and warranty claims.
20. **Finalize settlement processes.** Enterprises should be able to efficiently collect and settle invoices. Settlement must support returns, service agreements, repairs, and warranty claims.

Re-Stapling Yourself to an Order

How well do you – or anyone else in your organization – really understand your end-to-end order management processes, work flows and touch points?

If you have a very simple supply chain structure, and/or you are a business that ships finished goods upon order from just a small number of company-managed distribution centers using very few customer points of interaction, perhaps you do.

But as discussed above, there aren't many companies that fit those simple demand and supply chain models any more.

One of the most influential articles in the history of supply chain management was ***Staple Yourself to an Order***, written in 1992 by Benson Shapiro, Kasturi Rangan, and John Svioloka and published that year in the Harvard Business Review.

The simple message of that classic article: a manager or company executive can probably get the best sense for a customer's experience in dealing with his or her company by simply following an order around from initial order capture (and even before) through final fulfillment.

"The truth is that every customer's experience is determined by a company's "order management cycle - the ten steps, from planning to post sales service, that define a company's business system," Shapiro, Kasturi, and Rangan wrote back in 1992 (the article has been republished by HBR as a classic at times since then).

This thought-provoking article well articulates a truism that too many companies still forget today.

One of the key points made in the HBR article is how the deeply cross-functional nature of the order management cycle (OMC) makes it difficult for any one manager to achieve a comprehensive, 360-degree view of the full process.

"Each step in the OMC requires a bewildering mix of overlapping functional responsibilities…Each step is considered the primary responsibility of a given specific department, and no step is the sole responsibility of any department," Shapiro, Kasturi, and Rangan observe. (See ***The 10 Steps of the Order Management Cycle*** in sidebar on page 10).

It is uncommon for any one individual or group to fully understand the entire order management cycle process. The authors note that executives themselves rarely have a detailed view of the OMC, and that while customer service representatives often have the best view, it also is often incomplete. In addition, customer service associates tend to be at the lower end of the organizational ladder and therefore have trouble raising order management issues higher up in the organization.

As the title of the article implies, the initial solution posited by Shapiro, Kasturi, and Rangan is for managers to "staple themselves to an order" – to literally walk with an order as it goes through the 10 ten steps they have defined in the order management cycle – and to look for gaps and

"The truth is...every customer's experience is determined by a company's "order management cycle" - the ten steps, from planning to post sales service, that define a company's business system."

opportunities for improvement every step of the way.

In that sense, this seminal HBR article can actually be seen as a precursor to the "process re-engineering" management trend that began just a few years later and continues to this day through such tools as Lean and Six Sigma.

The article concludes by observing that improving the order management process will almost always lead to more satisfied customers, reduced cross-functional issues, and improved financial performance.

"The simple fact is that when the OMC is poorly managed, greater sales, lower costs, higher prices and smaller investments all seem impossible," they add. "But when an order management cycle works efficiently, a company can achieve its goals – and more."

We think it is clear: order management effectiveness is a powerful enabler of overall company success. While this point is usually recognized at a high level, nevertheless this fundamental truth still too often gets lost today, even in this era of greater focus on supply chain processes.

The HBR article still resonates in 2010 and likely well beyond precisely because companies too often still have gaps in the order management cycle, while a changing world means the OMC itself has rapidly evolved, sometimes dramatically for many companies.

The 10 Steps to the Order Management Cycle

In their classic article ***Staple Yourself to an Order***, Shapiro, Kasturi, and Rangan identified 10 steps in the order management lifecycle.

- **Order Planning:** Design of the order management process
- **Order Generation:** How and where orders will be solicited and acquired
- **Cost Estimation & Pricing:** Providing quote or price to customers
- **Order Receipt & Entry:** Capturing a new order and starting the workflow (manual or automated)
- **Order Selection & Prioritization:** What orders are most important, and how will they be handled sequentially?
- **Scheduling:** Moving the order into a production or fulfillment plan
- **Fulfillment:** Delivery to the customer
- **Billing:** Customer invoice process
- **Returns & claims:** Handling any returns or complaints about damage or other product issues
- **Post Sales Service:** Service and support activities (warranties, replacement parts, etc.)

There is a certain "timelessness" to these 10 steps, and certainly they can be used as a starting point to document a company's own order management process.

At the same time, much is different today than when these steps were first articulated. Order generation and receipt, for example, now often involve use of many more channels than even 5-10 years ago. Fulfillment has also become much more complex, and this OMC model does not fully consider the complex and virtual nature of today's supply chains, with drop shipping from suppliers, web ordering with store pick up, or the need for merge-in-transit serving as three primary examples of today's order cycle changes.

A Multi-Party World

The original ***Staple Yourself to an Order***, as valuable as it remains, was authored in a much different time. The supply chain world that set the back drop for its observations and recommendations was largely a vertically integrated one, with most sourcing coming from a company's own production and distribution facilities. Even there, orders were often handled a plant at a time, meaning each facility managed its own orders and fulfillment, based on either the products it handled or its geography. Supply chains were simply much less complex.

In fact, the HBR piece and other industry thinking at the time helped to drive hundreds of companies in the 1990s and 2000s to take steps to gain more central control of the order management and fulfillment process. In the B2B world, the goal was often to make it so that a customer could place a single purchase order and receive a single invoice (and often also a single shipment) regardless of what products were required and where they were coming from – though not all companies have yet reached this state.

In 1992, we were also at the infancy of the Internet, and well before we were anywhere close to the reality of today's multi-tier and channel world.

It was also an era largely before the notion of ERP; nearly all order management systems were custom, mainframe type applications that often were highly functional but also very difficult, slow and expensive to change.

Today, however, companies operate in a complex, virtual, multi-tier and channel environment. ERP has come to dominate the corporate enterprise world, but at the same time often led to a mishmash of different providers and versions across a national or global network. Existing systems are often very focused "within the enterprise," rather than in external transaction management and collaboration.

The bottom line is that now is the time to re-staple yourself to not just one order, but many orders as they enter your system and supply chains from multiple channels and are fulfilled from multiple sources, with many of those suppliers being outside your own enterprise.

Such an analysis will often show that today just as in 1992 there are significant process gaps that when addressed can often improve customer service while reducing supply chain costs at the same time. A big difference today versus 1992 is that stapling yourself to these orders will often involve a more virtual, information-based journey, and a less physical one that may have been sufficient in 1992, where the OMC was largely self-contained, often within a single facility.

In many cases, it will also show that companies may need to rethink their requirements for technology support for the order management cycle. The need for companies to consider technology that is capable of dealing with the new multi-channel world and an increasingly virtual business and supply chain environment is clear.

"A big difference today versus 1992 is that stapling yourself to these orders will often involve a more virtual, information-based journey, and a less physical one that may have been sufficient in 1992 where the OMC was largely self-contained, often within a single facility."

The Order Hub Concept Provides One Answer

A relatively small but growing number of companies across industry sectors have established what might be called – and often is – an "order hub" to address their cross-business order management challenges.

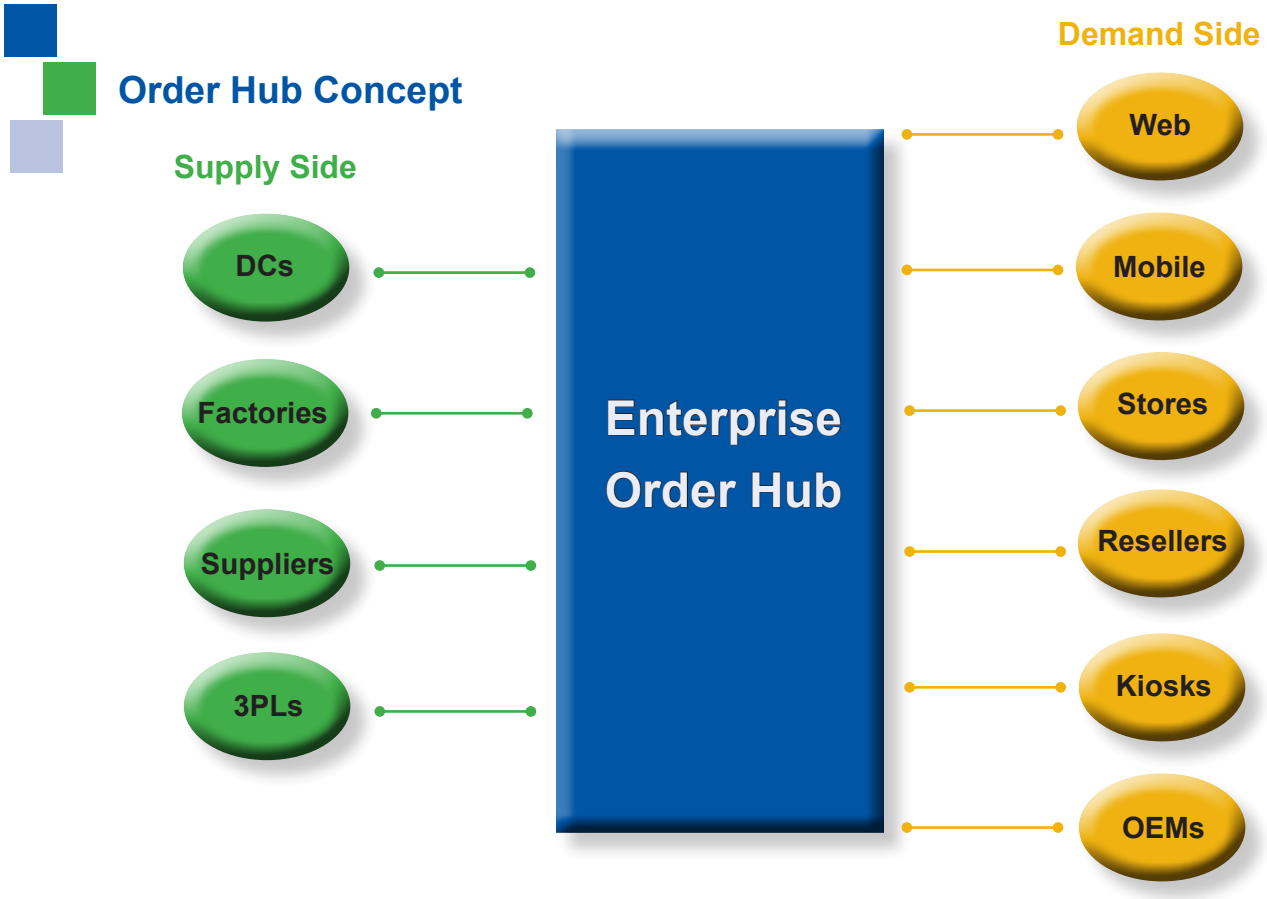
What Is an Order Hub?

As we will discuss later, the order hub concept means somewhat differing things to different companies depending on their industry and particular go-to-market strategies, but will at the same time share some core principles across these sectors.

At its core, an order hub is all about multi-enterprise transaction management for the full order management lifecycle. It means a single (if virtual) place which takes in orders to create a point of central visibility and management regardless of the channel/point of interaction. It should then identify fulfillment requirements based on order details (customer, product, channel, promised date, special instructions, etc.), and help to synchronize those fulfillment requirements for final customer delivery and beyond (returns processing, etc.), as seen in the graphic below.

The order hub can actually be the sole order management platform for a company; just as often, it sits above some other systems (EPR, legacy, home grown), to harmonize the order management process across this heterogeneous application portfolio. We've seen examples of order hub creation or development across companies in industrial, consumer goods, retail, third-party logistics, wholesale, high tech, and service parts vertical industries.

The initial drivers or pain points that start a company on an "order hub" path are many, but in the end these companies seem to develop large common goals: enable multi-party transaction management, manage all orders in a single operational environment, and gain better visibility to inventories and the full order management cycle.



Distributed Order Management

The technology to support the order hub has actually been around for about a decade, dating to the late 1990s – although it is still not well known by many business and supply chain professionals.

The most common term used to refer to this technology is distributed order management, or DOM. Some analysts and solution providers prefer the name order hub, but we tend to think of that term as the concept, and the solution "space" as distributed order management.

The first distributed order management applications were created to solve problems associated with the rise of e-commerce in the late 1990s and early 2000s. Quickly, a number or e-commerce sites became electronic middlemen, taking orders for products for which someone else (suppliers) maintained the inventory.

A solution was needed to connect a seller and its suppliers and to rapidly determine if and how an order could be fulfilled.

Since then, many firms developed e-commerce and other new sales channels, while virtualizing their supply chains at the same time. As a result, the need for related functionality expanded to other types of companies besides e-commerce merchants, with functionality in DOM solutions expanding accordingly.

As illustrated below when describing the concept of an order hub, distributed order management systems can generally be thought of as providing "brokering services" for both demand (orders) and supply across multiple parties and their underlying systems.

What does that mean in plain English? Distributed order management solutions will:

- Serve as a single repository to orchestrate orders across multiple channels
- Provide direct or indirect support for order capture from various channels (web, kiosk, store, service reps, etc.); as noted previously, existing systems may simply integrate with the DOM platform

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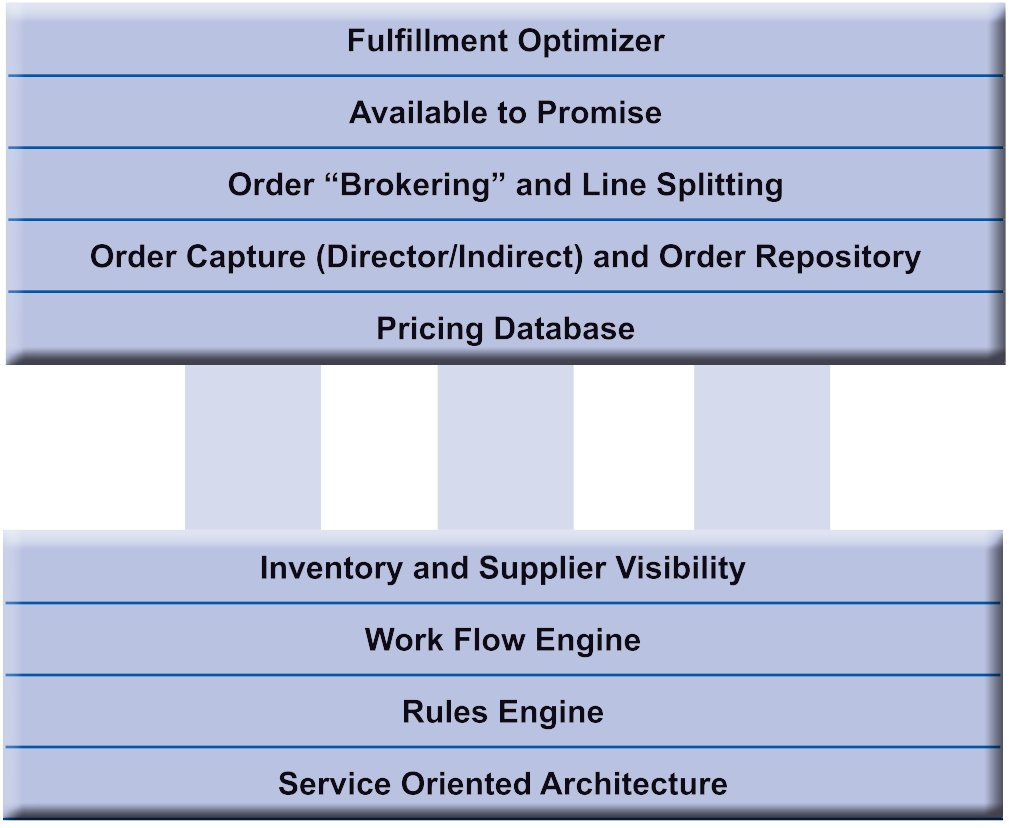
- Perform various checks upon order capture to support the ability to confirm that an order can be shipped or delivered by a specific date (available to promise)
- Maintain real-time visibility to inventory levels across internal and external supply points
- Coordinate fulfillment requirements with the appropriate supply points and maintain visibility through the fulfillment cycle

Other functionality can include customer price management, management of the returns process, and catalog and offer management, to name just a few.

This DOM functionality is generally supported by several key technology elements:

- **Workflow Engine:** The capability to design business process and information flows to meet specific requirements
- **Rules Engine:** The ability to configure business rules and therefore workflow based on a variety of parameter and "events"
- **Service Oriented Architecture (SOA):** Leading DOM solutions today are built on an SOA platform that provides more natural support for complex and flexible work flows, and also greatly enhances the capability of a DOM system to integrate with a variety of other systems.

Key Capabilities of a Distributed Order Management Application



A key point is that the order hub concept and distributed order management solutions can solve problems on two related but distinct levels:

1. **Enterprise effectiveness** in interacting with end customers and channel partners throughout the order management cycle
2. **Increased efficiency** of the entities that make up a given supply chain ecosystem as they work together to serve that end customer

Benefits that DOM Solutions Can Deliver

In conversations with several companies that have embraced the order hub concept and DOM solutions, we find many starting points for the decision to adopt this business and technology strategy. That said, looking across these companies, a common set of benefits is often cited, as summarized in the table nearby.

A couple of common examples of how distributed order management systems work can help to better understand these benefits.

Previously in this report, we discussed the trend towards greater levels of mergers and acquisitions to drive corporate growth. Often overlooked in the plans for achieving the expected synergies on the revenue or cost side is the time it takes to integrate the acquired company into existing enterprise systems. Sometimes, given disparate systems, it often takes years to complete the effort.

With distributed order management, it is often possible to integrate those new businesses into the core order flow processes very rapidly, regardless of the underlying systems at the acquired companies. This not only will have many operational benefits – it can also mean faster time-to-value and ROI for the acquisition itself, which drives shareholder value.

Consider another example: a consumer products company has multiple company-owned distribution facilities across the country, as well as the ability to use drop shipments from some suppliers. As orders are received, the DOM system intelligently routes those orders to the appropriate sourcing points based on inventory position, time of day, customer shipment commitment (e.g., next day delivery) and other variables in a way that meets customer needs while minimizing shipping costs.

These are just a couple of scenarios that show the potential power of a well implemented distributed order management system.

DOM Benefits

Capability	BENEFIT AREAS: Revenue Increase	Cost Reduction	Customer Service
More quickly add new point of interaction and sales channels	X		
Maintain consistency across channels			X
Order execution automation		X	X
Optimize sourcing locations		X	X
Inventory visibility		X	X
Rapid integration to existing systems	X	X	X

Our research has shown how companies think about and use of distributed order management usually evolves over time, as the full potential of an "order hub" approach is more fully appreciated. Because the DOM concept and technology is still not well understood by most companies, the "vision" for the end result often expands at companies during the course of evaluating and ultimately implementing the technology.

These companies often move from trying to solve a specific pain point that serves as the catalyst for the project to crafting a more comprehensive approach to addressing the challenges of today's complex order management cycles.

Below, we summarize the success one company (Dal-Tile Corporation) has had with distributed order management.

Needs and Benefits for Distributed Order Management Vary by Industry

Though the interest in DOM is growing across many sectors, the needs for the capabilities usually vary a bit by sector.

SCDigest sees the following breakdown by company type:

- ***Retail:*** Synchronize web, store, kiosk and other channels for both order capture and fulfillment (example, order on-line, pick up at store); support for supplier drop shipment
- ***Consumer Goods:*** Provide support for new e-commerce channels; optimize fulfillment strategies based on inventory position and complex customer-based rules while minimizing logistics costs; support for drop shipping
- ***Service Parts:*** Provide rapid integration of newly acquired companies into a central system; provide visibility and sourcing logic for complex, multi-echelon inventory networks
- ***Wholesale:*** Support for multi-channels and provide customer price management; support for drop shipping
- ***Industrial:*** Provide improved order visibility and execution across a multi-plant environment; reduce back orders
- ***High Tech:*** Support for order promising and complex fulfillment requirements, such as merge-in-transit
- ***Third Party Logistics (3PL):*** Manage orders and order fulfillment across multiple clients in a single environment; provide enhanced inventory visibility services

These only represent the most common high-level drivers by industry type. Many other benefits are also often sought and achieved.

Dal-Tile Achieves DOM Success

Dal-Tile, a division of Mohawk Industries, is the largest supplier of ceramic tile, decorative stone, and related building products in North America. It goes to market from a network of some 250 "stores" that sell not direct to consumers but to contractors, builders and other trade channels. It also has a growing business selling direct to distributors outside the retail locations.

Like many other companies, Dal-Tile had grown in part through acquisitions; for example, it has acquired companies in the decorative stone sector.

Its sales and distribution channels were changing in other ways. A few years back, most orders were picked up by contractors at the retail locations. Increasingly, Dal-Tile had to deliver those orders, often to multiple job sites for a single order.

The company has a functional but aging legacy order management system. Dal-Tile knew it needed to improve its entire "order to cash" process, from customer service through fulfillment, inventory management and more.

"We needed to better manage the order from cradle to grave," is how Rick Odorico, General Manager for Business Operations at Dal-Tile, recently put it. "We needed something that would make the customer experience as best as it could be."

Like many companies, Dal-Tile knew it had a problem, but early on, didn't exactly have in mind what the end solution should look like. However, it had a clear idea about the business needs the end-system should address:

- Effectively handle complex order management and fulfillment requirements in a single environment
- Serve customers at the point of interaction, especially by giving store managers and associates better access to real-time inventory information
- Automate a number of existing manual processes in order capture and fulfillment
- Create an agile platform that would allow the business to rapidly adapt to changes in the market, business strategies, acquisitions, etc.

During the initial research and the subsequent evaluation of technology options, a growing vision of what type of company Dal-Tile wanted to be in the future in terms of customer service, efficiency, and supply chain responsiveness started to emerge, serving as a powerful driver of the project effort.

Another important objective was to improve inventory management. Dal-Tile was looking to better connect actual customer demand in terms of order flow to its inventory levels, and to streamline and speed up the flow of inventory to fulfill those orders after they were captured. Improvements in either or both of these areas would reduce overall inventory levels in the company.

Finally, though Dal-Tile makes about 70% of what it sells, 30% is sourced. It was also looking for a better way to flow actual customer orders into sourcing plans to make its procurement processes more "demand-driven" based on real orders.

"We needed to better manage the order from cradle to grave," is how Rick Odorico, General Manager for Business Operations at Dal-Tile, recently put it. "We needed something that would make the customer experience as best as it could be."

Dal-Tile ultimately selected a DOM platform (from Sterling Commerce) and is a little more than halfway through rolling out the system to its retail store network as this paper is written. It is already in use in all the related "back office" functions at the company.

Though the results are still being quantified, Odorico says it is already clear there are strong improvements in customer service at the stores, the efficiency of the order-to-cash process, and company inventory levels. Just as importantly, this "order hub" will serve as a platform for process change, continuous improvement, and rapid alignment of the supply chain to the business strategy going forward.

The rollout of the Sterling DOM solution has optimized Dal-Tile's Business Collaboration Network by enabling Dal-Tile to connect, communicate and collaborate better with customers, partners and suppliers. The platform provides Dal-Tile with comprehensive functionality that allows employees to view, maintain and update orders at the store level.

The system is used for multiple order types, including for pick-up, ship-out, pack-and-hold, transfers and direct-ship orders. Pricing and margin management has also been enhanced, as before the new system Dal-Tile had little visibility into what the actual margin was on each order until after the sale.

Because its stores differ, Dal-Tile need the DOM solution to provide flexibility through configuration based on each local store's needs. By recommending stock replenishment quantities based on demand and forecast, the solution has improved inventory management and reduced store and total network inventory levels.

"Interestingly, this technology change has led to something of a "cultural revolution" in terms of how we think about the business," Odorico says. "The order now really is king at Dal-Tile," adding that every process that touches the customer is now much more closely tied to the order, with complete visibility.

Summary

Order management effectiveness has always been at the heart of company success and customer satisfaction. Perhaps no other area of the business is as ripe for process re-engineering as the order management cycle (OMC).

While "stapling yourself to an order" is a great place to start, expect a more complex and virtual journey today than business managers would have found around the time of the first release of the classic HBR article in 1992.

A variety of business drivers (multi-channel management, mergers and acquisitions, outsourcing, lean inventories) are making order management and fulfillment more complex by the day, while many companies are struggling to make it all work with disparate systems and sometimes disconnected processes.

Many companies, across multiple industry sectors, are building "order hub" capabilities to manage these challenging requirements, providing a single platform for order management, decision making, and visibility.

To support that conceptual capability, many of these companies are also turning to distributed order management technology support, either building it themselves, or turning to one of the relatively few providers of this sort of capability.

We believe it is important for most companies to regularly "get their arms around" the entire order

management process, looking for gaps in efficiency, service, and supply chain excellence. Sometimes, that may lead to relatively simple improvements in the way a company executes the OMC.

Other times, especially for those with rapidly or significantly changing sales and supply models, more substantial changes may be required. As always today, technology will likely be at the heart of those changes – and many companies will need an order hub platform to help them manage well for the challenging business decade ahead.

Featured DOM Solution Provider: Sterling Commerce

Sterling Commerce is one of a number of technology companies that provide distributed order management solutions.

Analyst firm Forrester recently placed Sterling as the leader among the eight order hub technology vendors it reviewed, based on over 150 evaluation criteria. Forrester specifically noted Sterling's business process expertise and order hub infrastructure.

Sterling Order Management provides robust multi-channel order management functionality that can:

- Intelligently broker orders across many disparate systems,
- Provide a global view of all inventory across the supply chain
- Help make changes to business processes on the fly

Through the use of an intelligent sourcing engine, a central order repository, and the aggregation of global inventory, Sterling says its Order Management solution will help companies grow revenue and become best-in-class by cost effectively orchestrating global order and service fulfillment across their extended enterprise.

Sterling Order Management is a comprehensive platform for creating an enterprise order hub, providing order visibility, execution, and management across all channels to deliver a unified customer experience. As a result, it can help companies increase supply chain efficiencies and reduce operating costs. The solution integrates financial, inventory, sourcing, and logistics processes to provide a single view into an order, regardless of the number of channels, systems, or companies involved.

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