SAP White Paper
SAP Customer Relationship Management

# SIX SUCCESS FACTORS FOR BUILDING A BEST-RUN MARKETING ORGANIZATION

THE BEST-RUN BUSINESSES RUN SAP™

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## EXECUTIVE SUMMARY

Today, companies judge the success of their marketing organization on its ability to drive customer demands, and marketers are being held accountable for their contributions to profitable growth. Growth and profitability objectives are becoming particularly challenging amid customer demands for lower prices and customized products, more personalized interactions across an increasing number of touch points, a need by companies for more detailed information about customers, and increasing global competition in almost every industry.

Several key success factors employed by the best-run marketing organizations, as well as software systems that support marketing processes, are essential contributors to favorable business outcomes. Focusing on organizational alignment, well-considered measurements, and sound IT-enabled processes can empower your marketing organization to better do the following activities:

- **Support growth** – by enabling a consistent customer experience across all channels, reinforcing brands, promoting initiatives that matter in your company's industry, and executing programs efficiently
- **Demonstrate value** – by enhancing the internal credibility of the marketing organization, increasing accountability for marketing spending, fostering insights to enable your company to become more customer focused, and increasing agility to achieve success within changing and increasingly competitive business environments

Marketing has been traditionally seen more as an "art" relative to a company's other business activities such as accounting or manufacturing – and has typically lacked the process rigor of operations. Nonetheless, achieving favorable outcomes still depends on efficient deployment of resources, use of measurements that ensure alignment with business strategy, and value creation for customers and shareholders.

## MARKETING TRANSFORMATION

The field of marketing is undergoing a substantial transformation, driven by global competition, advances in and adoption of technology that's affecting consumers' consumption of media types, increased consumer control, and a proliferation of products and services.

In the past, marketing groups often focused on isolated planning and limited analysis, reacting to demands of executives and the sales force, without being well connected to customers. While marketing frequently delivered services or creative insights that arguably supported top-line growth, program execution was often not coordinated with other company activities, and the value that marketing delivered was rarely measurable.

This model can no longer stand. There are new trends shaping the business approach to every market, such as the shift to greater funding of channel marketing programs by brand owners in the high-technology industries; the increasing importance of better managing trade promotion funds in consumer goods businesses; the need to reduce customer acquisition costs in financial firms; and the growth of pay-for-performance advertising among small and midsize companies.

These transformations are necessitating massive changes in companies and thus in their marketing organizations, including a shift from a product to a customer focus; a greater emphasis on accelerating, measuring, and optimizing campaign execution; and investments in software solutions to more effectively provide tailored information for consumers. While preserving the art that is intrinsic to the function, marketing is incorporating more rigorous, scientific approaches to planning and analysis in order to better address the proliferation of consumer needs and growing competition. And the go-to-market processes within companies have evolved beyond isolated groups – such as sales – to encompass channels and other organizations both inside and outside the company.

### Eliminating Silos and Demonstrating Value

To be effective in this network, marketers must go far beyond independent planning roles. It must increasingly integrate with all company functions and become intimately involved in go-to-market execution, including aligning awareness and demand generation activities with sales resource deployment, distribution, brand promotion, pricing, finance and controlling, and, more often than not, partner networks.

The transformation of marketing is similar to the transformation that other company functions – such as logistics, finance, and manufacturing – underwent years ago. The common trend in marketing and other functions is toward eliminating silos and achieving greater internal alignment and customer focus. The marketing organization must move well away from being an isolated cost center and prove that it contributes to the long-term profitable growth that is a central objective of major business enterprises. In fact, the average tenure of a chief marketing officer (CMO) has been below two years in recent times. To increase their credibility and, ultimately, staying power with their CEO and boards of directors, CMOs need to demonstrate solid contributions to deliver on the company's strategic and tactical goals.

### Energizing Growth amid Constant Change

To address evolving demands of the market and increased globalization, companies must establish specific programs across their range of operations. To this end, companies are increasingly looking to the marketing organization to attain sustainable, profitable growth through initiatives that shape market perceptions and foster organizations that focus on serving customers' evolving needs. Through new, integrated marketing programs, companies are looking to gain the following benefits:

- Enhance product differentiation
- Address shifts in the locus of value creation (for example, from manufacturers to channels and from producers to customers)
- Market to a target of one, generating opportunities derived from the fragmentation of customer segments and a proliferation of brands
- Better manage brand portfolios
- Enable organic growth

# THE MARKETING FRAMEWORK

Successful marketing programs are derived from insights into essential elements of marketing: customers, channels, brands, and processes (see Figure 1). These elements constitute a marketing framework, defining the core policies and providing the foundation for successful marketing execution.

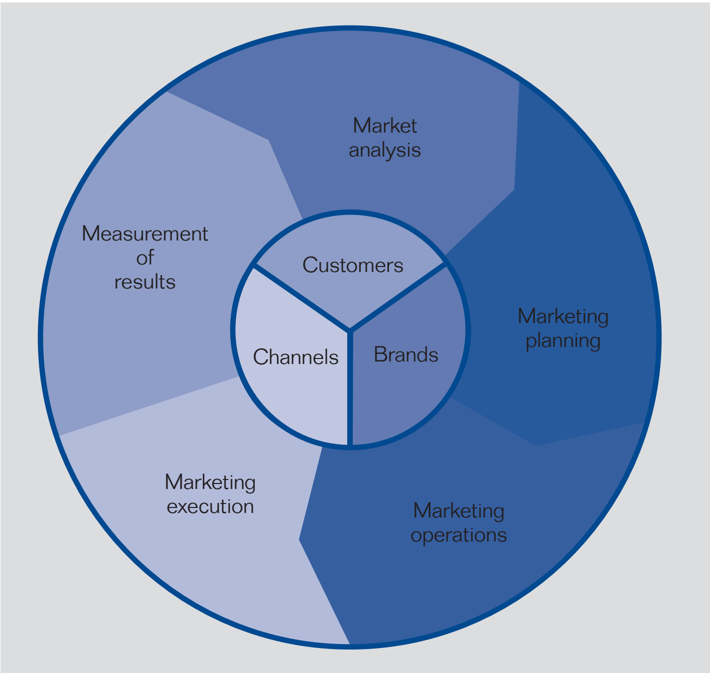


Figure 1: The Marketing Framework

Senior leadership of an organization is responsible for establishing business strategy and defining core policies covering customers, brands, and distribution channels. For example, the executives of an automaker division may decide to focus on high-end sports cars, concentrating on wealthier customer segments and limiting brands and distribution channels to foster an aura of exclusivity.

Marketing execution defines the logical flow of activities executed by a marketing department, which supports the core policies. The CMO leads the organization to develop optimal market analysis, marketing planning, marketing operations, and so forth, based on the policies covering brands, customers, and channels. For example, in the case of the automaker, the marketing group might establish a campaign that limits contacts to prospects in specific demographic groups that are likely to be interested in purchasing high-end sports cars.

# MARKETING SUCCESS FACTORS AND THE ROLE OF ENABLING SOFTWARE

Six specific actions can enable your company to build a best-run marketing organization (see Figure 2).

To establish a marketing framework based on core policies, your company should take the following actions:

1. Implement a customer value–based strategy
2. Manage brands effectively
3. Optimize the channel mix

To execute the marketing process efficiently and effectively, you should do the following:

4. Leverage customer insights across the organization
5. Improve process and resource efficiency
6. Increase marketing accountability

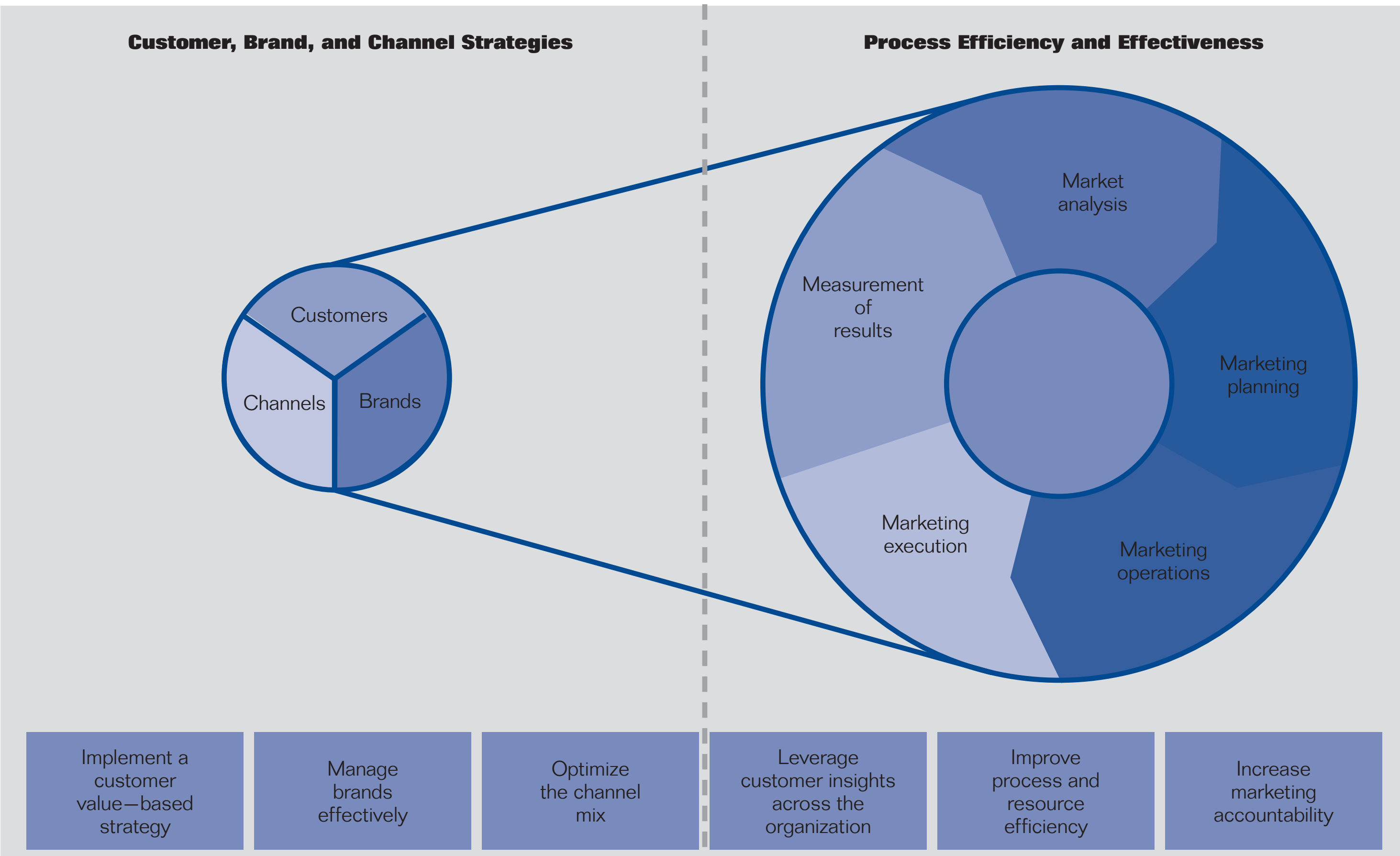


Figure 2: Marketing Success Factors Within the Marketing Framework

## Implement a Customer Value–Based Strategy

Once the policy framework is established by senior management, among the tasks of the marketing organization is to focus on the target customers and understand the value they generate for the business. Not all customers add value to your organization. Some customers are very profitable and are critical to retain, and others may generate low profits or actually be unprofitable to serve (see Figure 3).

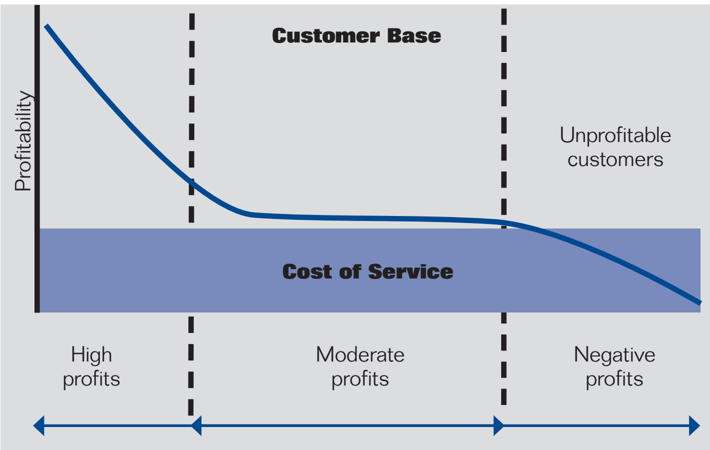


Figure 3: Variations in Customer Profitability

To implement a customer value–based strategy, take the following actions:

- **Segment the customer base**

  Develop a value-based strategy and a range of service levels on the basis of a deep understanding of customer values and the ability to segment the customer base by value ranges.

  See Figure 4 for an example for a retail business, which shows how you can provide customers – segmented based on value – with appropriate offers, served through the most effective channels, and grant them optimal service levels. In this example, the retail business might provide automatic discounts and premier service levels to high-value customers, who may be shown to be highly profitable because of large order sizes and extensive repeat purchases. On the other hand, customers who generate lower profit levels because of small purchases, elevated return levels, and perhaps high complaint levels may be serviced through electronic channels and be encouraged to engage in more self-service in order to contain costs.

| | CUSTOMER VALUE—BASED STRATEGY | | |
|---|---|---|---|
| | **Offer** | **Channels** | **Service** |
| **High-value customers** | Automatic discounts | Dedicated sales agent follow-up | Premier service level |
| **Midvalue customers** | Free shipping | Multichannel interactions | Routing to offshore service team |
| **Low-value customers** | Newsletter sign-up | E-marketing | Self-service |

Figure 4: Customer Value–Based Strategy for a Retailer

Moreover, take the example of a large oil and gas company whose lubricants business was earning the lowest margin of all the company's business groups. Using advanced analytics, the company clustered customers into six groups and determined that 90% of the revenue came from 12% of the customers. With this understanding, the company was able to realign sales and marketing to focus on the most profitable customers. Through this action – and despite substantial increases in crude oil prices – the lubricants business moved from last to first place in terms of overall contribution-margin percentage.

- **Consider lifetime customer value**

  You should base customer value formulation not just on historical profitability but also on future possibilities; some customers may provide low-margin contributions today but lead to significant profitability in the future. A young worker, for example, may provide low levels of profit for an investment firm, but the firm would be wise to consider the lifetime value of the worker, incorporating the likelihood that that worker's investments will grow and that he or she may recommend that others use the firm.

- **Apply advanced analytics**
  Information technology plays a vital role today in supporting customer value management strategies, particularly through deployment of large-scale data warehouses and use of advanced analytic techniques.

  Look beyond basic profitability data to truly understand customer behavior and thereby facilitate development of strategic programs. Gather data from an array of sources, and mine it effectively to understand changes in customers' buying patterns, the expectations about the future direct contribution of customers, and the value of strategic customers who may have broad spheres of influence.

  For example, in some industries, basic customer satisfaction measures might help determine customer loyalty. Bank customers and cell phone users may be influenced to remain with their current provider if service levels are good. On the other hand, simple customer satisfaction measures may fail to indicate probability of defection or changes in spending patterns in some businesses, such as consumer goods and automobiles, where lifestyle changes and health and safety concerns can play a significant role in determining consumer behavior and loyalty.

  Robust analytic functionalities can provide more accurate insights into customer behavior and consequent long-term customer profitability. This is particularly true if you employ demographic measures, loyalty profiles (including categorizations based on decision-making style, such as emotive or deliberative), multivariate statistical analyses, and other quantitative methods.

  In short, developing a data-based understanding of customers can help you develop strategies to promote loyalty, nurture lifetime customer value, and enhance profitability in the long run.

## Manage Brands Effectively

Brand management is focused on increasing profits by enhancing the perceived value to the customer of a product or your company's services. Decisions about your company's brands, brand positioning, and the implied promise associated with a brand rest with brand managers. Marketing's role is to develop programs that support these decisions and advise executives regarding branding issues and opportunities.

Brands are proliferating rapidly, and brand management has become increasingly challenging because of the burgeoning of products and consumer choice that is a result of organizations' trying to meet the growing demand by customers to have solutions specifically tailored to their needs. In supermarkets, the number of unique products has nearly tripled compared to 25 years ago. Large consumer companies typically manage more than 100 brands, and in recent years, the number of brands in pharmaceutical firms, automotive companies, white goods companies, and others has increased consistently.

This proliferation – accompanied by an increased number of messages to consumers from television, the Internet, magazines, and other media channels – makes it difficult to communicate effectively with consumers. In fact, the key purpose of brand management – enhancing perceived value – is made much more difficult because of the number of competing messages that consumers receive. To make matters worse, lack of a strategic approach to brand management can lead to redundant investments, cannibalization, and confusion in the market.

So what approach can a marketer take to manage brands effectively and communicate to potential customers? How does a firm differentiate its products from generic versions or commodities? How does a marketer leverage customer insights to drive innovation and build brand equity? Of course, the answers depend on the nature of the business, but there are some approaches that have proved effective, as follows:

- **Take a portfolio approach**
  Brands do not exist in isolation. Both new and old brands can succeed, and both can fail. You need to take a proactive, portfolio-based approach to your brands, incorporating continual changes in portfolio structure into everyday business considerations.

  Start by defining your complete set of brands on the basis of consumer needs. A solid profiling of the different customer segments – identifying their needs, buying habits, and expected value – provides the basis for an effective brand strategy. It's essential to then determine how to best structure brand positioning, taking into account what best resonates with the targeted customer segments and how to differentiate brands from those offered by the competition.

  Finally, consider each brand's contribution to profitability within the overall portfolio of company offerings, and make the tough choices about when to launch new products and which brands to kill. Conduct disciplined analysis and modeling that cover profitability (for example, are adjacent brands taking share from competitors or from each other?), as well as consumer and competitive responses to portfolio restructuring.

- **Develop integrated campaigns**
  Marketing campaigns are no longer limited to outbound direct marketing, distribution of discount coupons, or a costly Super Bowl TV ad. State-of-the-art campaign management communicates consistently across many channels and integrates direct and indirect marketing tactics. It embraces interactive inbound channels such as Web self-services channels and other new-media channels to facilitate bidirectional information flow, creating multiwave campaigns that can be adapted on the fly during execution, based on immediate feedback loops.

  Moreover, integration of partners – including not only use of creative agencies and suppliers, but also, increasingly, comarketing initiatives through distribution partners – substantially broadens the audience, enables building on insights from collaborating stakeholders, and provides opportunities for a much more rapid response to opportunities. For example, semiconductor manufacturers often increase their brand value, add market value to end-user products such as PCs, and enable collaboration with original equipment manufacturers by incorporating their brand messages into marketing of end-user products. One well-known example is "Intel Inside."

- **Drive product innovation**
  In order to continually increase brand value, carefully evaluate new product features and ideas, communicate these ideas through the product development cycle, and collaborate among internal organizations to synthesize product innovations.

  Getting closer to customers through robust customer relationship management (CRM) processes is an important way in which your company can gain insights to drive new product developments. For example, a company that manufactures and sells office equipment (including printers and fax machines) improved its customers' experiences by enhancing its service, complaint management, call center, and campaign management processes. In addition to improving service quality, increasing accessory sales, and enhancing revenue growth, the company can now gain better information about customer requirements. It provides this stream of information about customer needs to its R & D group, fueling subsequent rounds of product innovation and business growth.

- **Proactively manage brand assets**
  Message consistency is key to effective brand management. Clear, positive, and immediate identification of a brand helps drive recognition of the implied brand promise, customer purchase decisions, and long-term loyalty.

Marketers need to have a strong handle on their brand assets, ensuring that all collateral, advertisements, logos, and other product representations meet the standards established for their brand. Moreover, brand reach is increasingly global, so you need to account for and manage localization and cultural differences when you are rolling out brand assets in world markets.

- **Enable collaboration with partners**
  There are benefits to tying partners and suppliers into your enterprise software systems and data, which can facilitate collaboration, efficiency, and synthesis of new ideas. You can best accomplish this collaboration by considering the abilities of technology solutions to integrate processes and data within an organization and across enterprise boundaries. In fact, sometimes what is regarded as the "best of breed" solution for marketing and other CRM applications doesn't yield optimal benefits because of an inability of that solution to fully interconnect with existing software systems.

- **Analyze and adapt**
  Analysis of vast amounts of data is becoming critical to understanding and managing the proliferation of products and brands, and to determining where to invest. Analytics leveraged to gain insights into customers – and their response to marketing campaigns – is likewise highly valuable.

  As with all good processes, planning, measurement, and adaptation are vital to successful marketing processes. Brand managers are most effective when they can make informed decisions, adjusting their approach on the basis of up-to-date information. Of course, it's best when that information is relevant for strategic decision making and tightly aligned with key business objectives. For example, knowing the click-through rate on an Internet banking advertisement may have some value. But only by bringing this information together with the demographics of these prospects – and determining whether the attributes indicate that they will likely be future account holders – can the bank get a full picture to support investment decisions.

## Optimize the Channel Mix

It is the responsibility of marketing management to determine the company's high-level approach covering market channels. Marketing managers should consider the following actions when determining the channel strategy:

- **Align channels with customers' preferred interaction channels and brand strategies**
  It's crucial that the marketing channel mix is consistent with the channels the customers choose to interact with the organization and with the brand messages that your company wishes to communicate.

  For example, wealthy banking clients may wish to use the Web for many banking transactions, but they are likely to want to visit their relationship manager face-to-face for private discussions in a traditional office location. A low-cost Internet bank, on the other hand, may opt to have no brick-and-mortar branches. This is probably acceptable to customers – and even reinforces the message that the low-cost bank can provide better loan and deposit interest rates because expenses are minimized. In fact, the foundation of the Internet bank is based on a new channel strategy concentrating on online banking services, in a way parallel to that of Amazon.com, which pioneered Internet-based ordering and delivery of physical products.

- **Develop a multichannel strategy**
  In most cases, you should not limit yourself to one delivery channel. But adding channels does cost money. So again, the policies covering customers and brands can provide some guidance to help optimize the mix for long-term profitable growth.

  In the example above covering banking services for wealthy clients, the bank would likely decide that it needs to invest in both Internet and retail branches (probably in high-rent office districts) to most effectively serve its targeted clients.

Today, it's very common for customers to employ different channels on the basis of the purchasing life cycle. An example of this comes from the auto industry. Customers are likely to research brands, options, and pricing on the Internet but choose to visit a physical dealership to take a test drive and to make the actual purchase. In this case, the investment in the complementary Internet-based channel is warranted – and even mandatory for most automobile markets.

- **Adapt in real time to sustain customer focus**
  Channels provide a rich source of information to enable rapid adaptation to changing market conditions. Information systems can facilitate refinement of marketing programs by collecting and delivering data from the sales and distribution channels, enabling simulations and what-if analyses, and monitoring some metrics – such as campaign response rates and sales – in real time. In fact, instantaneous information is particularly beneficial in industries such as retail, financial services, and telecommunications, where immediately available data can drive adaptive responses.

- **Leverage the partner network**
  It's not economical for many companies to handle all of their sales and distribution activities themselves. Partners can be a valuable resource to scale the business, and policies covering target customers and development of brand equity should help determine an appropriate partner strategy.

  For example, a semiconductor manufacturer may have penetrated accounts around the globe, and demand is still growing. How can the company effectively serve its customer base and pursue new opportunities?

  By segmenting its opportunity base and deploying an appropriate partner strategy, the company can determine which customers it wants to serve itself – preserving its brand promise for service to specific accounts – and which it wishes to offer as opportunities for partners. The semiconductor producer can provide partner incentives, and even devote a portion of its marketing budget for partners, to support development of its partner network and increase its global sales and service coverage.

- **Enhance the inbound channel**
  When a customer contacts your company – even if it's because of a complaint – you are presented with a unique opportunity to reinforce your brand message and, in many cases, even generate additional revenue. Marketing is in a position to influence policies and processes that advance the inbound-channel procedures, improve the company image, provide extraordinary service, and capitalize on up-sell and cross-sell opportunities. This is particularly important because it's been found that conversion rates for contacts made through inbound channels are much higher than those for outbound channels.

  Moreover, you can often transform service activities from a cost center to a profit center, by using analytics to understand which customers are likely to respond to cross-sell and up-sell offers (particularly in consumer-oriented industries) and by using scoring mechanisms to enable continual improvement of the offers. You can also further the profitability objective by using improved service experiences to ensure higher customer referral and retention rates (thus minimizing costs of new-customer acquisition) and by leveraging service-call discussions as a low-cost means of securing information about customer needs.

- **Use the right software solutions**
  There are numerous opportunities to deploy enterprise software solutions to enhance effectiveness of the selected channels. For example, intelligent, rule-based routing of qualified leads to the partner network can keep the pipeline full, driving incremental sales and enabling the partners to more effectively spend their marketing dollars. You can also use software systems to track your partner marketing budgets and ensure they're spent effectively, even though the spending is occurring outside of your company's four walls. Finally, investments in call center software can support the inbound channel through processes that enable immediate identification of customer attributes, ensuring that appropriate service is provided and that new sales opportunities are pursued.

  While your organization may consider investing in best-of-breed point solutions to enhance channel management, you should also factor in the importance of integration of the selected solution to enable streamlined workflow, accurate financial processing, and efficient collection of data for analysis and decision making. These are the types of benefits facilitated by solutions that can be robustly interconnected.

## Leverage Customer Insights Across the Organization

To enable marketers to drive the value-based customer, brand, and channel strategies as outlined above, complete insights into customer needs, buying habits, profitability, and trends are necessary. To attain a 360-degree view of the customer, customer data collected only by the marketing department is often not sufficient. You need a more holistic approach, bringing together data and insights from all parts of the company that interact with customers.

Marketing is often in the best position to distill insights about customers and educate and influence the enterprise at large, with the goal of fostering a customer-focused organization. Key actions that marketing can take include the following:

- **Pursue a holistic approach to data collection**
  While the marketing group can directly collect some data from customers (such as through buying customer data from external providers or conducting surveys in the customer base), others in the organization are on the front lines with customers and prospects and often have access to a much richer array of information, as in the following examples:
  - The sales organization and distribution partners have a strong sense of what customers need and how well the brand and pricing strategies are functioning.
  - The service and support organization (including in call centers) collects a wealth of firsthand information on which cross-sell approaches work, what customers like, and what customers complain about on a daily basis (which is also a great source of information for shaping new-product development and branding strategies).
  - Back-office groups have good visibility into a customer's financial situation, including the current balance, the total amount of business conducted, the number of purchased items returned, and so on.

  Marketing can integrate these various views. As a complement to new data collection initiatives to gain customer and prospect information, marketing can look to partners and those within the organization to gather data and synthesize new insights. By pursuing a holistic approach, marketing will acquire better information, more accurately target customers, and optimize the use of company resources.

- **Consolidate data for analysis**
  Many organizations have multiple customer databases, which hinders effective analysis and decision making. Marketing can champion the consolidation of customer data to attain a holistic "one version of the truth" about customers, serving as the owner and high-level architect, articulating the benefits, and helping to promote the necessary technology programs.

One premium auto company had 10 different customer databases across its organization; by consolidating these into a single database, the company realized substantial gains in terms of its accuracy of customer information. This contributed to better-targeted customer communications and helped to secure internal alignment around programs that would truly benefit customers.

- **Disseminate the right information to the right people**
  Once you have collected and analyzed the information, your marketing organization needs to disseminate the relevant customer information to other departments that can help drive decision making and program execution. The sales force and partners benefit from lead information to help target prospects and counter competition, the call center can use the insights to refine complaint handling and sales processes, and product development can create new plans derived from the holistic data about customers.

  In short, you can benefit significantly from breaking down the silos. Marketing can ensure timely distribution of customer insights, which will contribute to the success of the marketing organization and, ultimately, the whole enterprise.

### Improve Process and Resource Efficiency

As with any company organization in today's cost-conscious environments, marketing must continually improve productivity. Establishing and monitoring metrics are important steps toward achieving this goal. You can establish and monitor metrics associated with productivity of resources, including headcount and marketing spend, and you can make continual refinements so that productivity improves over time.

But there are many opportunities that go beyond the basic approach of measuring, monitoring, and improving key metrics. These include the following activities:

- **Leverage advances in data analysis**
  There have been many advances to marketing-data analysis in recent years. Direct marketing has become a science in which marketers – using predictive propensity models – can deliver finely tuned campaigns that speak with a relatively high degree of accuracy to customer needs. There are various multivariate statistical techniques that help explain variability in observations and enable market researchers to accurately model purchase decision drivers. By adopting such techniques, marketers can adjust investments and reach customers more effectively.

- **Deploy IT-enabled marketing processes**
  Marketing can play a role in advancing processes that are enabled by contemporary enterprise software solutions. Lead automation software, for example, helps make certain that marketing is providing highly qualified leads to the right sales agents with relevant information in a timely manner. Another example is marketing resource management software, which helps marketers to optimally manage the marketing resources and to align all marketing activities to higher business goals and objectives. The software provides visibility into activities, helps minimize duplication of effort, and ensures that you are tracking actual spending against budgets. By implementing these types of software systems – especially solutions that can integrate well with your existing technology platforms – you can ensure that productivity is continually improving and that resources are deployed for their most productive uses.

- **Capture best practices and preserve knowledge**
  Knowledge management software can help consolidate and preserve intellectual capital that may be spread throughout the enterprise, ensuring that even in relatively high-turnover organizations, the marketing best practices developed over time are safeguarded. By using tools and templates derived from the experience of others, new staffers can become productive more quickly.

In some cases, documenting marketing processes and executing them in a transparent manner is becoming essential for reasons other than basic knowledge management; it's becoming important for Sarbanes-Oxley compliance, especially for accurate accounting of costs and expenses. This is particularly true in the more regulated industries, including utilities, banking, and life sciences.

- **Optimize end-to-end processes**

The opportunity for improvements is much larger than those defined by the four walls of the marketing organization. Marketing is in a strong position to play a role in optimizing processes and resource use throughout and outside of the organization.

Creative redesign of an organization's processes in which marketing is involved – including product development, supply chain management, finance, and those processes that work with external partners and suppliers – can unleash substantial improvements in productivity as well as enormous gains in customer service. For example, redesign of a trade promotion management (TPM) process established by the marketing organization in a consumer goods company – with attention paid to the fact that TPM at its core integrates sales, marketing, and other processes – might incorporate technology supporting the following areas:

– The logistics and purchasing organizations (to guarantee product availability for a demand surge)
– Distributors and retailers (to minimize stock-outs)
– R & D (so that feedback from the market is quickly built into new product plans)
– Investor relations (to ensure that anticipated growth is appropriately communicated to Wall Street)

## Increase Marketing Accountability

As noted above, marketing is more and more often being held accountable for contributing to the profitable growth of the enterprise, particularly since marketing budgets have traditionally consumed a large share of a company's discretionary spending. In fact, two of the most critical challenges for CMOs are how to optimize the allocation of marketing spend for maximum business impact and how to prove contribution to business success to the rest of the organization. For CMOs, accountability, not creativity, needs to become the topmost focus. While the marketing organization must not lose the passion surrounding development of its brands and advertising campaigns, it must steer its efforts on the basis of facts and data, as well as be able to explain its investments and activities in ways that the CFO can understand, as follows:

- **Establish sound measurements**

While measuring return on marketing spend has become crucial, it is often a difficult task. It's not easy to identify the right actions and metrics that matter to determine the ROI of marketing spending.

A study by the value engineering organization at SAP, for example, found in consumer products companies that 86% of trade spending (for example, spending on in-store promotions) was not profitable. However, the companies didn't have a deep, quantitative understanding of their trade-spending inputs and outcomes, and they thus struggled with determining where to divest and where to increase trade spending. A study by the Marketing Leadership Council found that marketing groups were able to calculate an ROI for only 28% of their marketing budget, on average (see Figure 5).

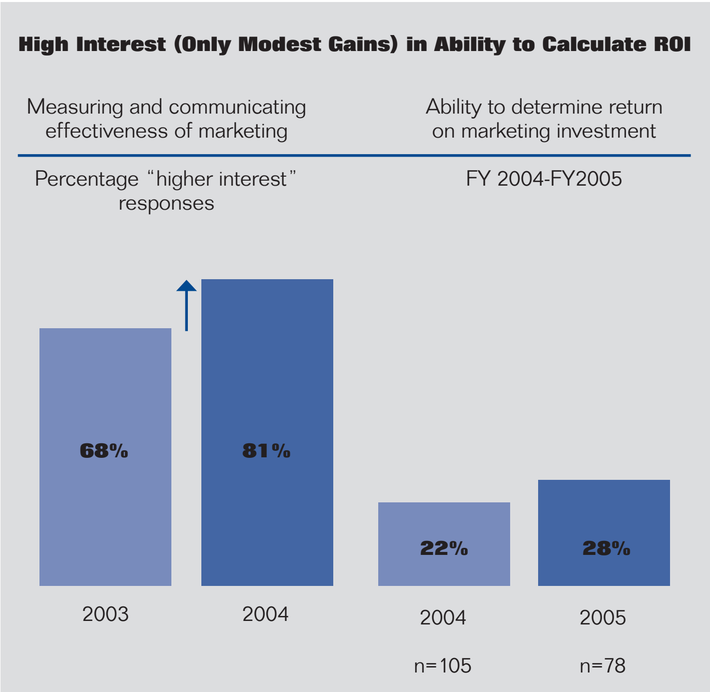


Figure 5: Challenges Determining Return on Marketing Investment
Source: Marketing Leadership Council

- **Ensure organizational alignment**
  In complex organizations operating in changing business environments, organizational alignment is crucial for addressing the accountability challenge. It's essential to focus on the planning process, set up metrics that support corporate goals, align business plans with related organizations, and measure results on an ongoing basis in order to continuously improve marketing impact. While many marketing organizations have made progress in top-down planning – that is, cascading marketing objectives from corporate business goals – they still struggle in aligning this with bottom-up planning by the sales force and the regional field-marketing organizations. An aligned plan helps define the right key performance indicators to measure marketing results.

Align metrics across the enterprise, focusing on fact-based measures that relate to profitability and growth. For example, you might choose the rate of revenues growth as a metric to monitor the success of a marketing initiative. When you conduct a marketing campaign for a product, you may conclude that a boost in revenue resulted from a successful campaign. While there are many factors influencing these metrics (some controllable and some not), it may still be reasonable to hold marketing accountable for outcomes achieved in this measure.

Also, focusing on activities where cause and effect are more clearly identifiable is quite valuable. For example, measuring outcomes of online marketing activities (such as e-mails and online ad campaigns) provides much greater insights relative to measuring the success of more traditional advertising. This is one of the reasons that, in many marketing departments that focus on accountability, online marketing is on the rise.

- **Support strategic goals and drive desired behaviors**
  There are many other possible metrics that are highly relevant for understanding the impact of marketing, including advertising spending and return on marketing investments, and other indirect measurements, such as lead-to-sales cycle times, brand recognition rates, and customer satisfaction. It is the task of marketing and a company's leadership to select the measures that support strategic goals and are likely to drive the desired behaviors.

In short, it's important to approach metrics selection holistically, to ensure alignment across the organization for the selected set of metrics, to be mindful of the role that the measures play in contributing to your organization's profitable growth, and ultimately to stay focused on the customer. By proceeding in this way, marketing and management can sharpen the organization's ability to execute programs that truly support profitable growth. Marketing can increasingly gain the organization's trust and can earn the ability to invest in new programs.

# THE SAP APPROACH TO MARKETING

The SAP® Customer Relationship Management (SAP CRM) application provides a central marketing platform that allows organizations to analyze, plan, develop, and execute marketing activities through all customer interaction points. This integrated solution is fully aligned with the six success factors presented in this paper, empowering marketers with the business insights essential for making intelligent decisions and driving the effectiveness of end-to-end marketing processes.

SAP CRM supports critical marketing processes, including the following:

- **Marketing resource management**, to manage the efficient use of marketing resources, control and manage budgets, and facilitate collaboration
- **Segmentation and list management**, to manage enterprise customer and prospect data, as well as external lists, and enable smart segmentation of customers and prospects for effective targeting
- **Campaign management**, to facilitate execution of marketing through all inbound and outbound interaction channels, including direct mail, e-mail, the Web, and external agencies, as well as the preintegrated interaction channels of SAP CRM for campaign execution, such as telemarketing through the interaction center of SAP CRM
- **Lead management**, to generate and qualify leads and seamlessly facilitate coordination between the marketing and sales organizations
- **Marketing analytics**, to enable the conversion of reports and data into actionable insights on marketing performance, predict customer behaviors, and facilitate understanding of the reasons that marketing activities did or did not work

In addition, SAP CRM provides support for high-impact industry-specific marketing processes, such as the following:

- **Trade promotion management**
  Although consumer companies engage in all the traditional marketing tactics listed above, the number-one factor for their business success is how well they manage trade-marketing activities with the retailers. The SAP Trade Promotion Management application, which is part of SAP CRM, manages this process from end to end, from planning and funding through execution, allowing increased return on trade funds and promotions, as well as significantly increased efficiency.

- **Market development funds**
  For companies in industries such as high tech, it is key to the business to efficiently and effectively manage market development funds for comarketing initiatives with partners.

- **Loyalty management**
  For industries where products and services are fast becoming commodities – such as airlines, retailers, and so on – managing customer loyalty programs integrated into an overall customer strategy is critical to the business.

- **Real-time offer management**
  For businesses dealing with large volumes of end consumers and large volumes of consumer interactions, such as finance and telecommunications, you can generate huge value to the overall business, as well as generate customer satisfaction, by having an intelligent system that recommends the next best actions and offers.

The marketing functionality in SAP CRM is designed to leverage other functionalities of SAP CRM and is further integrated with a broad array of SAP solutions covering enterprise resource planning, product life-cycle management, supply chain management, and supplier relationship management. The complete solutions from SAP provide a sound foundation for this continual innovation in the enablement of end-to-end enterprise processes.

# CONCLUSION

The role of marketing in companies will continue to grow. Increases in the demand for personalized products, Web-enablement of business processes, and global competition will catalyze the need for differentiation, clear articulation of brand messages, and efficient management of advertising dollars and other marketing resources.

The responsibility of senior management amid the continual change will require clearly defining overarching strategy encompassing customers, brands, and distribution channels. Marketing's role will be to interpret this strategy in order to shape programs and cross-organizational processes that add value for customers and ensure efficient resource utilization. Enabling software will certainly play a larger role in the future, providing the foundation for analysis of massive amounts of data, preservation of intellectual capital through knowledge management, and streamlining of intra- and interorganizational processes.

Marketing and management will continue to face growing complexity as customers change their buying patterns, the opportunities for collaboration proliferate, and new entrants induce the need for revamped communication about products and brands. Marketing will need to advance both the art and the science of its approach. The guiding light for companies and their marketing organizations will continue to be to ensure that customers are extraordinarily satisfied and, consequently, that superior value is created for shareholders.

To learn more about how SAP CRM can help your marketing organization, call your SAP representative today or visit us on the Web at www.sap.com/crm.

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