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Siloed CRM Applications vs. a Process-Based Approach

Which CRM Strategy Is Right for Your Business — and Your Customers?



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To address immediate business pains, companies have historically taken a functional approach to customer relationship management (CRM). Challenged to manage its sales pipeline and forecasts, for example, an organization's sales department might implement a sales force automation (SFA) application. The same company's support department, however, might select a call center application from a different vendor to better manage incoming calls and reduce call-handling times.

While these isolated solutions help alleviate immediate departmental pains, they are not architected to support more mature business processes. If the sales department wanted to start enabling its reps to check product pricing and availability, for example, the stand-alone SFA system might not contain this information. The company would then have to custom-build fairly complex integration to other systems — such as ERP or supply chain management (SCM) systems — to get this information. And this integration challenge could lead the company to lose its business agility.

Realizing the limitations of siloed system approaches, many companies are now seeking solutions that support end-to-end processes spanning all relevant areas of the enterprise. Consider the following case study, which walks through one company's business challenges and reveals how it adopted SAP's process-centric solution approach to achieve greater business agility and responsiveness.

A High-Tech Company's Struggle to Adapt

Over the past few years, Commco, a leader in networking equipment, grew aggressively by acquiring

several of its rivals. At the same time, it has been streamlining its production, supply chain, finance, and HR processes to benefit from these acquisitions. But Commco did not alter its go-to-market approach, so its sales force and support center agents are still selling individual products from its different acquisitions rather than selling solutions that leverage complementary products and services across its portfolio.

Commco was aware of this problem, but could not transform its business strategy to take advantage of the market potential. The result was that the company's margins remained low, it was slowly losing market share to other nimble competitors, and its stock came under tremendous pressure.

Commco's CEO and executive board knew that transforming the entire company into a *customer-centric enterprise*, an organization that builds and adjusts all processes — from manufacturing to sales to service — to meet customer needs and expectations, would be challenging. So they hired external consultants and invested heavily to achieve this business transformation. While changes in Commco's business processes and employee behavior were slowly starting to take shape, the company still faced significant challenges in executing this turnaround strategy. Why? As it turned out, the primary hindrance was the chaos in its IT support infrastructure.

Commco grossly underestimated how its existing IT infrastructure would bring this transformation to a halt. Even though Commco and the companies it

According to a recent Economist Intelligence Unit study, 86% of surveyed companies say that CRM will be important to their business in the next three years. Despite this, more than 40% of companies lack a formal CRM strategy.*

* "Improving Customer Relationships: An Integrated Approach," Economist Intelligence Unit (November 2007).

acquired had invested heavily in tools to support its various departments, it now simply had “too much IT” – an abundance of siloed systems that were each optimized for a specific departmental need, but not for the overall company. Making the smallest change to the smallest business processes required months of impact analysis, planning, execution, and integration – and lots of money and skilled resources.

For example, simply bundling some of its diverse products and services and changing the price of that bundle required months of IT retooling. As a result, Commco could not create effective bundles and cross-promotions quickly enough to increase customer wallet share. Further, Commco could not make available all the right information to its sales and customer service personnel to take advantage of all possible revenue-generating opportunities during customer interactions.

Commco is not alone. According to a Bain & Company survey of 362 senior business and IT executives worldwide, over 60% of those polled said that “IT

creates growth bottlenecks.”¹ These bottlenecks are at odds with today’s highly competitive environment, in which organizations need to make quick, clear, strategic decisions and focus on their value proposition from the *customer’s* perspective. To do this, companies need CRM solutions and technologies that can support their core value proposition and business strategy (see sidebar below), and that are designed to support end-to-end processes.

Siloed CRM Solutions vs. Process-Based CRM Strategies

While siloed CRM solutions provide incremental business value in the early stages of a business’s maturity – for example, they can help organizations respond to customer inquiries quickly or resolve simple product issues rapidly – they often cannot support value-based strategies for the long run under conditions of growing business maturity and complexity. As a business matures, it needs more

¹ “IT-powered growth,” a Bain & Company study by David Shpilberg, Steve Berez, and Thomas Gumsheimer (2005).

Determine Your Company’s Value-Based Strategy

In Which Quadrant Does Your Business Fall?

No matter the industry, two primary factors drive a company’s core strategy:

1. How quickly is the company’s business environment changing (because of new technologies, disruptive competition, or government regulations, for example)?
2. What is the company’s primary value lever – in other words, how does it prioritize cost reduction and the need to deliver superior customer experience?

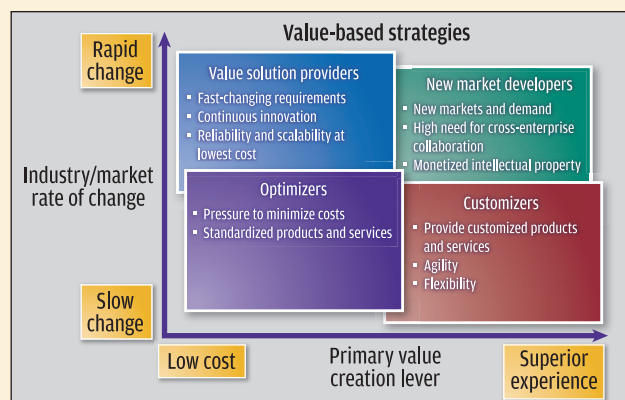
Based on these two factors, companies typically fall into one of four core value-based strategies (see figure at right):

- **Optimizers:** Seek to reduce costs and deliver standard products and services at the lowest possible prices
- **Customizers:** Focus on developing customized products and services to select customers at a premium price; targeted customers are not price-sensitive
- **Value solution providers:** Deliver high-quality, reliable, and scalable products and services at a higher-premium price
- **New market developers:** Focus on building new markets, generating demand, and bringing innovation to untapped markets; price is often not the customer’s prime consideration

In our example, Commco is an optimizer. The company focuses

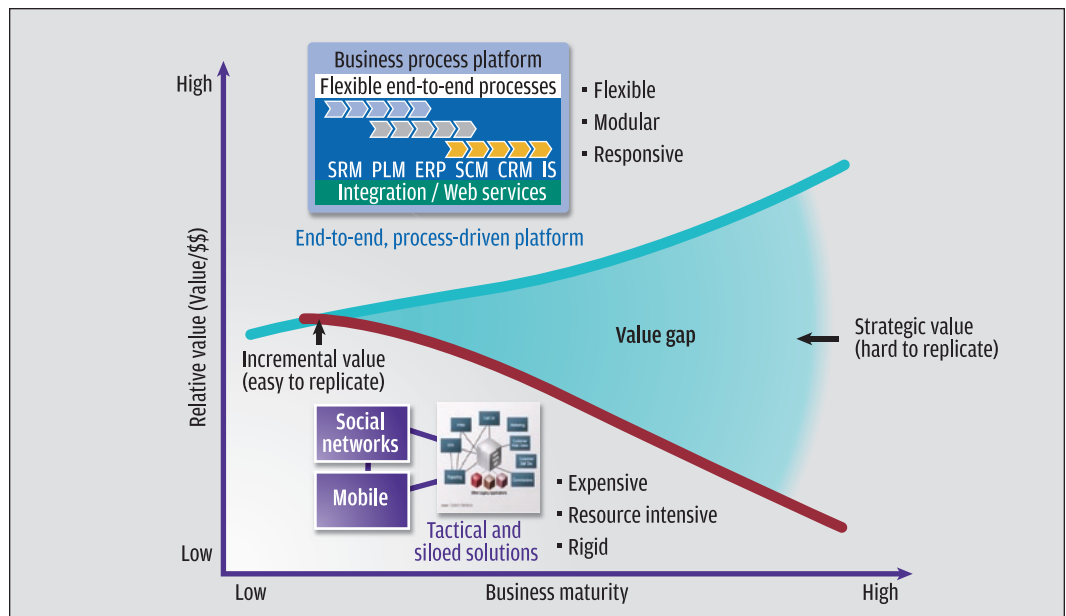
on bringing low-cost solutions to a broader market, and it attempts to drive down costs by leveraging synergies from its acquisitions.

Each of these strategies requires very different organizational and IT capabilities, but they have one key attribute in common: They require end-to-end, flexible, customer-focused processes to excel. Customer-facing processes that support these value-based strategies do not stop at the front office or at the completion of a sales transaction; they span traditional organizational boundaries to deliver total customer value.



▲ Four approaches to creating value; where would your company place?

FIGURE 1 ▶ Comparing tactical solutions and end-to-end, process-driven platforms results in a value gap; as companies mature, it becomes more difficult for them to create strategic customer value using a siloed approach



sophisticated capabilities, such as the ability to sell complex service agreements or offer third-party fulfillment of spare parts and real-time dispatching.

To deliver these capabilities with siloed systems, organizations have to divert more capital to IT projects. This causes the relative value of siloed systems to drop, as they can become prohibitively expensive and complex to manage while providing little value.

CRM solutions architected on an end-to-end, process-driven platform, on the other hand, can grow with the increasing maturity of the business. With these types of solutions, organizations can quickly execute on their differentiated capabilities by leveraging the inherent, built-in integration of the system, thereby reducing their overall IT investment.

The resulting value gap between these two approaches is significant – both in quality and quantity (see **Figure 1**). Organizations that can harness this value can turn it into a *competitive advantage*. For optimizers like Commco, whose high-tech products and services are becoming increasingly commoditized, delivering superior customer value at the lowest possible cost can also become a *competitive*

differentiator that makes the difference between financial success and failure.

SAP's Process-Focused Approach to CRM

To deliver superior customer value, companies need a solution that supports complex, end-to-end business processes that span the entire value chain. SAP embraces this process-focused approach. Consider, for example, what Commco's service center could look like if it used SAP solutions to support its customer service process (see **Figure 2**).

- When a customer calls a support center, the center's service agent has **complete customer visibility** into past service and order history, as well as a full view into the customer's existing assets and entitlements. This not only enables increased first-call resolution rates, thereby boosting customer satisfaction, but also ensures that service agents never give away free service unless the customer is entitled to it.
- A call center agent can resolve a customer's issue in real time with **access to the right knowledge resources** – be they engineers in the field or product development leads, wherever they reside in the organization – and bring them into the resolution process in real time as needed. This, as a result, increases first-call resolution rates.
- In the event a technician needs to be dispatched, **intelligent resource optimization** ensures that the right technician is sent out with the right parts at the right promised time to complete the customer service order during the first visit. And

What Other Processes Are Available?

Within this article, we highlight a customer service scenario as an example. SAP offers process scenarios for sales and marketing, as well. To help you create the optimal offer or optimize your sales and marketing investments, for example, please visit www.sap.com/solutions/executiveview/sales/index.epx.

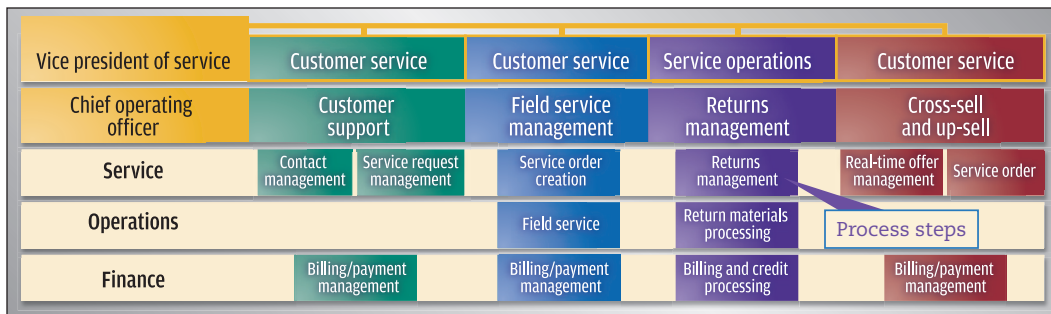


FIGURE 2 ◀ Achieving competitive differentiation through service excellence; using SAP's process-based solutions for CRM, all layers of the organization can provide consistent service across all customer touch points

when the technician has completed his or her work at the customer site, invoices are generated through native integration to financial applications in SAP ERP.

- **Returns can be processed efficiently** through the seamless management and tracking of products and parts' reverse logistics.
- Deep coordination between customer support and product development ensures a **reduction in future returns** by proactively identifying and resolving critical product issues.
- The company can realize greater customer satisfaction and retention because of the effectiveness of **superior customer service**.
- Customer service agents can **up-sell and cross-sell** the customer with the right offers at the right time – when the customer is very happy with the company.

Using SAP's process-focused CRM functionality, Commco can now fully realize its market potential. It can cross-sell and up-sell all relevant products and services to its customer base, increase customer retention and loyalty, and thereby grow its revenues and margins.

A Competitive, Process-Focused Edge

Delivering a process-centric approach to CRM is what differentiates SAP from its competition. SAP breaks down the traditional functional boundaries of three-letter-acronym applications and is uniquely positioned to deliver solutions that support a set of comprehensive, end-to-end processes that are driven by industry requirements and are targeted to specific lines of business. SAP believes that this approach provides the highest value to its customers, which in turn enables them to deliver superior customer value to *their* customers.

To learn more about SAP's process-based approach to delivering superior customer value, please

visit the sales, service, and marketing pages at www.sap.com/solutions/executiveview/index.epx. ■

About the Authors

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Additional Resources...

...from **SAP Insider**

- ✦ "Achieving Operational Excellence: How SAP's Process Approach Arms You with the Tools You Need" by Rolf Weiland (*SAP Insider*, July-September 2008, www.SAPinsideronline.com)
- ✦ The **CRM 2009** conference in Nice, February 11-13, 2009, and Orlando, March 2-5, 2009, for sessions on choosing or upgrading your CRM solutions (www.sapcrm2009.com)
- ✦ *Maximizing Your SAP CRM Interaction Center* by John Burton (SAP PRESS, www.sap-press.com)