



HOW BUILDING MATERIALS COMPANIES CAN ACCELERATE LEAD TO CASH

NEW ECONOMIC ORDER DRIVES NEED TO
REKINDLE PROFITABLE GROWTH

Enhancing the lead-to-cash process can significantly impact what matters to building materials firms in the emerging environment: strong customer relationships and disciplined profitable growth.



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EXECUTIVE SUMMARY

ACHIEVING CLARITY – RENEWED FOCUS ON CUSTOMERS AND PRODUCTIVITY

The current economic tumult is not just another phase of the business cycle: fundamental changes are taking place in global marketplaces for the building materials industry. While the future will bring less financial leverage and more regulation, forces are at work beyond those caused by the credit crisis.

Global competition will continue to grow, notwithstanding setbacks resulting from tectonic shifts in the economic landscape. For some time to come, demand will be difficult to forecast, and likewise the supply of materials. Commoditization, shorter product lifecycles, and consolidation will spur the need for flexibility and catalyze new business relationships. Customers are gaining power thanks to social networking capabilities.

While some companies serving the construction industry are focused on near-term survival, others are shifting their attention to improving insight, efficiency, and flexibility while getting into position to profit once the dust settles. They are revisiting core processes such as lead to cash, which encompasses sales and marketing planning, lead and opportunity management, and sales order handling. Enhancing this vital process can significantly impact

what matters to building materials firms in the emerging environment: strong customer relationships and disciplined profitable growth.

A Return to Past Principles – But Not to Old Approaches

But claiming that the response is just a return to basics – paying attention to customers and concentrating on productivity – is too simplistic. What's called for goes well beyond basics – to process innovation, integration, and a willingness to harness the power of software tools that have evolved profoundly. Solutions are now available to integrate the lead-to-cash process with the supply chain, back-office accounting, and more. The companies that succeed will make use of these new tools to creatively accelerate their lead-to-cash process. They will achieve the agility necessary to centralize and standardize business processes, enhance the customer experience, trump the competition, and revitalize profitable growth.

A CHALLENGING ENVIRONMENT FOR BUILDING MATERIALS

LEADS TO A HEIGHTENED FOCUS ON LEAD TO CASH

The first steps toward accelerating the lead-to-cash process involve improving visibility, collaboration, alignment, and execution within the end-to-end process.



The building materials industry makes products that are vital to the development of infrastructure around the world. Typically made from natural materials such as stone, clay, and sand, these products include cement, concrete, glass, structural clay, roof tiles, plasterboard, aggregates, insulation, ceramics, and gypsum, as well as those using cut stone, abrasives, and asbestos. The products in this process- and capital-intensive industry are usually heavy, bulky commodities that can be inexpensive to make, using locally produced materials, but are costly to deliver.

Besides shipping and cost pressures, these companies also face intensifying global competition in local markets, consolidation among rivals, rising energy and transportation expenses, tough environmental regulations, and declining margins. At the same time, high-potential emerging market opportunities are out there.

Consequently, manufacturers are always looking for ways to enhance customer service and cut costs. One way to accomplish these objectives is to heighten the focus on improving the lead-to-cash process. Lead-to-cash optimization can help increase competitiveness by improving visibility and efficiency.

A starting point is the visibility into demand that a focus on the lead-to-cash process provides. With better insights into requirements, you can be confident that existing production assets and distribution capacity are well utilized – and that management has insights to better plan.

In fact, streamlining the supply chain and balancing it with demand is of vital importance for building materials firms. With improved processes, your company can increase supply chain visibility, minimize intermediate and finished goods inventories, and enhance in-full and on-time deliveries.

Comprehensive insights into opportunities are crucial for top-line growth and geographic revenue diversity in the current environment – which, in many building materials markets, encompasses a declining number of projects with increasing competition. Improvements to lead-to-cash processes can deliver this insight.

From the identification of leads and sales opportunities to the successful conclusion of the deal, it is essential to have a unified view of assigned activities, history, status, and relevant decision makers. This way, your team can take actions to influence specifications and decisions in a timely manner.

By efficiently sharing and acting on such information about leads and opportunities within the context of multiphased projects, building materials

firms can achieve a competitive advantage. For example, tracking information and pursuing rapid follow-up actions covering projects linked to stimulus packages in the United States, China, Germany, India, Mexico, and elsewhere can be crucial to developing successful offerings.

Insights into costs help ensure that deals are profitable. In competitive situations, your estimators need to understand their price floor and other degrees of flexibility in assembling a proposal – ensuring that they secure business while still earning an acceptable margin. In general, building materials companies are best served by maintaining a high level of visibility into all aspects of the lead-to-cash process to ensure that profitability and business growth are sustained.

By pursuing best practices encompassing sales and marketing planning, lead and opportunity management, and perfect-order processing, building materials companies can boost the performance of their lead-to-cash process and achieve crucial customer satisfaction benefits and performance improvements.

BEST PRACTICES TO ENHANCE PLANNING THROUGH EXECUTION PHASES

IMPROVING VISIBILITY, INCREASING COLLABORATION

The motivations to accelerate the lead-to-cash process are driven by concerns that are commonly shared by building materials firms grappling with issues in the new economic environment. Requirements include ensuring adequate account coverage, enabling consistent execution across selling channels, improving predictability of the pipeline, and enabling fulfillment of the perfect order.

The first steps toward accelerating the lead-to-cash process involve improving visibility, collaboration, alignment, and execution within the process end to end. In particular, companies in this industry should adopt best practices that have been developed in other disciplines – taking a strategic approach to marketing and sales planning, enhancing lead and opportunity management processes, and implementing perfect-order processing.

A Strategic Approach to Marketing and Sales Planning

For example, it's not uncommon for building materials manufacturers to have poor alignment between strategy and execution in the marketing and sales arenas. They may invest heavily in initially well-considered marketing programs but are often unable to monitor the impact of these investments. They fail to leverage the campaigns to understand their opportunities more deeply, or they do not complement marketing efforts by leveraging social media to gain greater customer

insights. The upshot is that firms serving the construction industry have inadequate coverage of key customer segments, weak lead and opportunity management practices, channel conflict, and missed revenue opportunities.

You can address these issues by taking a strategic approach to go-to-market planning, thereby improving metrics including campaign performance and market share. A key element of the best-practice approach includes streamlined, closed-loop campaign execution and measurement. In particular, you should first automate the various campaign types (such as multiwave and multichannel campaigns), building on an understanding of the complete end-to-end campaign process to enable scheduled and real-time reactions to customer responses. Moreover, by monitoring campaign outcomes, you can gain market insights, continually refine your approach, and improve marketing ROI.

Lead and Opportunity Management

Building materials companies secure leads from a variety of sources. These sources include their established relationships with building owners, construction firms, architects, government officials, and others in the region they serve, and databases about planned construction projects.

But these companies often do not take full advantage of these leads and

With lead-to-cash solutions designed from the ground up to incorporate robust integration, you can more easily achieve the quick time to value that's crucial for success in the new environment.

opportunities. They typically lack insights into their own costs, which inhibits their ability to develop a quotation that satisfies the customer – and is profitable. What's more, they often fail to ascertain the creditworthiness of potential customers in early stages of the sales cycle. Strong attention to credit management can help ensure that a pipeline that seemingly meets sales targets is not at risk of a high level of days sales outstanding down the line.

A manufacturer of roofing tiles, for example, can enhance transparency throughout the sales cycle for direct and indirect channels across the range of stakeholders involved. This transparency helps salespeople retain important opportunity-related information and make it available to others in their organization. The sales force can have

access to actual data. With insights into costs, they can avoid excessive discounting. Moreover, by attaining greater transparency, this manufacturer can establish clear boundaries for sales staffers, achieve consistent execution, and respond rapidly to changing market and competitive conditions. The company can reduce losses of key accounts to competitors, improve its offering agility, achieve optimal margins, and avoid stalled deals. And by ensuring better integration of opportunity management into the sales management and monitoring pipeline performance, the manufacturer can improve key metrics – shortening the sales cycle, improving pipeline predictability, and enhancing win-loss ratios.

Perfect-Order Processing

As in many other business arenas, construction companies increasingly base their decisions and loyalty on customer satisfaction – on how well a supplier handles orders. Despite excellent products and services, well-run marketing programs, and strong sales performance, building materials suppliers often fail in this crucial area. They are unable to make product availability commitments to customers and spend precious

resources expediting shipments and addressing disputes. Lapses in back-office integration lead to a higher cost of sales – as well as an adverse impact on the balance sheet due to excessive inventory and receivables levels.

But a concrete producer, for instance, might greatly improve the customer experience by pursuing the best practices of perfect-order processing – focusing on order accuracy, sound credit evaluation, and minimizing stock-outs. As this company works to enhance the customer experience and develop insights into customers' needs, it's in a better position to improve revenue through repeat sales and pursuit of cross-sell and up-sell opportunities.

In general, companies following the best practices of perfect-order processing achieve strategically relevant improvements to performance. For example, SAP has found that:¹

- By consistently monitoring order management metrics such as order accuracy and back orders, companies are able to resolve order-related disputes 40% faster.
- Companies with integrated billing, order entry, and credit management have on average 25% fewer invoice errors.

Limits to Best-Practice Value

By pursuing best practices encompassing sales and marketing planning, lead and opportunity management, and perfect-order processing, a manufacturer of insulation materials, for instance, could boost customer satisfaction and performance improvements. These best practices can facilitate the alignment of marketing and sales channels to make use of limited resources. But despite their value, the implementation of these best practices alone is insufficient to address the complete set of competitive challenges emerging today. Broader process integration is essential.

1. ASUG/SAP Order-to-Cash Benchmarking Study, based on 70+ participants (SAP customers and noncustomers), 2008. General information covering SAP benchmarking programs is available at www.sap.com/usa/solutions/benchmarking/index.epx.

THE NEED FOR BROADER INTEGRATION

OVERCOMING “SILOS,” ALIGNING WITH HIGH-LEVEL STRATEGY



By pursuing best practices from planning through execution of the lead-to-cash process, manufacturers can measurably improve performance and make gains against the competition. Nonetheless, you may thwart your long-term progress by not stepping back to consider the bigger picture.

Sales and marketing, lead and opportunity management, and order handling – the key components of the lead-to-cash process – are all pieces in a larger puzzle. More precisely, these subprocesses are often functions within a company, independently managed by organizations with specific objectives such as achieving sales targets, improving marketing ROI, and increasing on-time product delivery. Left unchecked, these groups tend to focus wholeheartedly on their individual objectives, heedless of the impact of their actions on overall company performance. Often, reward systems inadvertently encourage this behavior. This can bring

about a classic case of local optima. If these organizations pursue only the best practices applicable to their own group, they might end up achieving superb perfect-order rates – but trigger excessive inventory, for example.

The Pitfalls of Point Solutions

And things can get worse. In global firms serving the construction industry, far-flung subsidiaries and joint ventures have their own sales departments, marketing divisions, and order-handling groups that are often empowered to procure point solutions that support localized goals. They may tend to focus on the wrong metrics – associated with subprocesses defined by software boundaries – rather than outcomes defined by end-to-end, customer-facing processes. And unless top management steps in with a broader mandate, these numerous bespoke solutions can lead to process fragmentation and substantial added costs.

Achieving Process Innovation and Quick Time to Value

To be sure, building materials suppliers can attain some success by achieving best practices in marketing and sales planning, lead and opportunity management, and perfect-order processing – even with these one-off solutions. The key to this approach is to establish high-level metrics that are aligned with business strategy and to integrate the components of the end-to-end lead-to-cash process.

But there are two problems with this approach. First, combining these discrete solutions to enable integrated processes is difficult and time consuming, as data definitions and implicit business processes are inherently unique to each application. Second, custom integration is never as good as built-in integration: the limitations will necessarily cause missed opportunities and added costs.

With lead-to-cash solutions designed from the ground up to incorporate robust integration, you can more easily achieve the quick time to value that's crucial for success in the new environment. Moreover, your company is positioned to achieve an advanced level of innovation with comprehensive processes that overlay the core lead-to-cash components. These overlay processes are described in the figure.

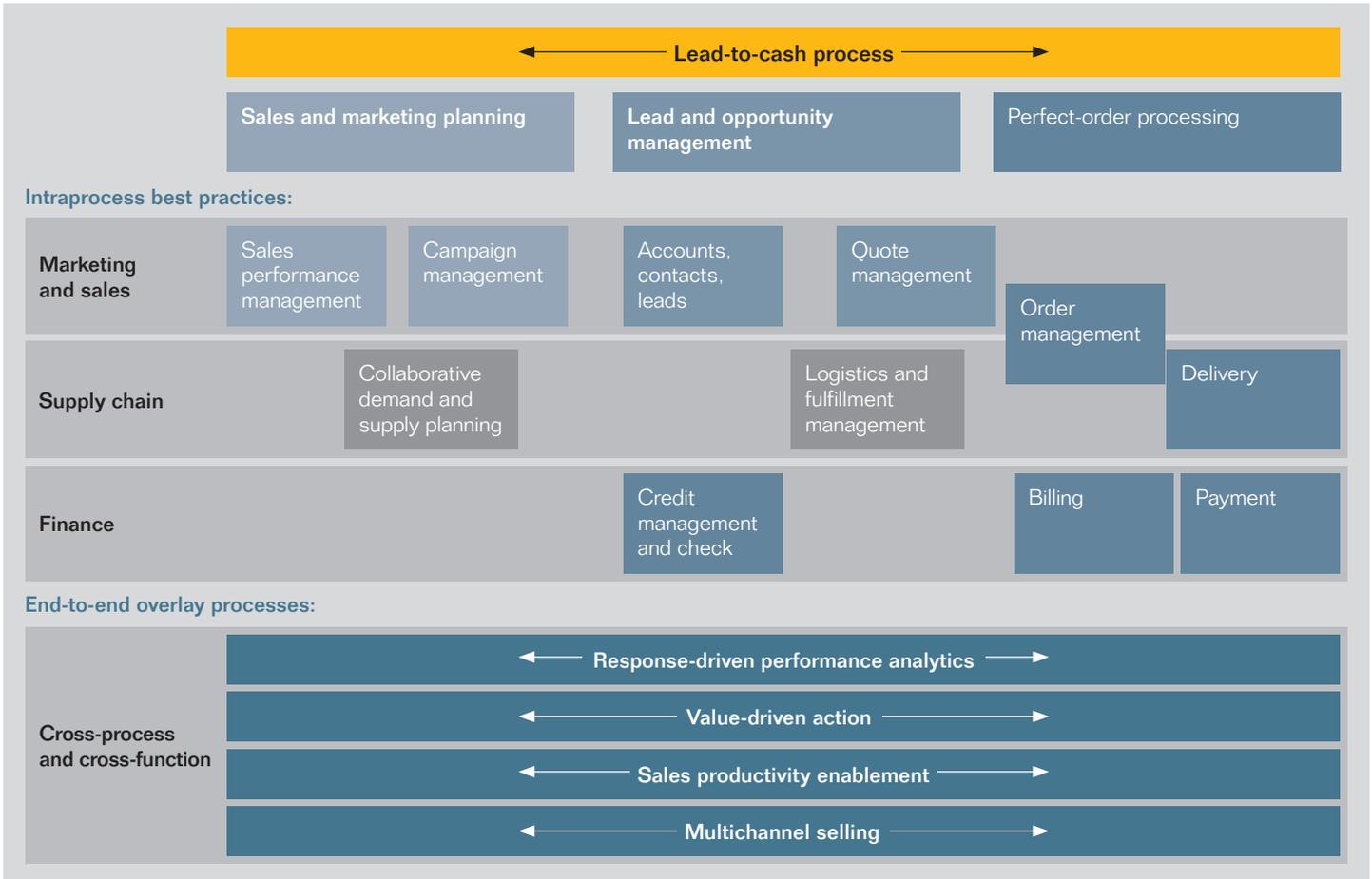


Figure: The Value of Best Practices and Process Integration

Leveraging Response-Driven Performance Analytics

Closed-loop analyses of enterprise data can be used in a myriad of ways throughout the lead-to-cash process to improve sales-cycle transparency and help turn insights into action. Such analyses are highly dependent on integration of front- and back-office systems to present data that is consistent and meaningful.

A glass and ceramics manufacturer, for example, can implement applications for pipeline performance management, real-time offer management, and marketing campaign performance reporting that use current data from systems managing orders, financial data, and so forth. Such information facilitates a 360-degree view of the customer across all touch points, helps monitor performance against targets, and provides consistency at the point of deal

negotiation. By implementing dashboards that can present up-to-date information integrated from a variety of sources, managers can make decisions that support appropriate adaptation to changing conditions and maintain the focus on strategic objectives.

Value-Driven Actions

“Value-driven actions” concentrate on aligning resources and focusing activity on satisfying the most valuable customers – and these initiatives also depend on high-quality data. One example of value-driven action is territory alignment. In the current environment, companies are rethinking the deployment of sales forces across territories. The sales force represents a substantial expense, and effective deployment can be crucial to advancing profitability.

Through its integration with CRM, the lead-to-cash process can be linked to a broader set of company processes, such as establishing forecasts, managing logistics, reducing receivables, streamlining product development, and improving service.

Business solutions enabling territory alignment need to draw data from customer accounts, product information systems, and many other sources. And deployment of new territories requires accurate updates across these data sources to foster improved performance and customer relationships.

Other examples of value-driven actions include integrating supply planning with manufacturing and transportation network design, profitable-to-promise processes, price and margin management, and opportunity management. Each of these processes can support substantial enhancements to revenue and margins. The outcomes are dependent on gathering data from a variety of sources,

understanding the value of specific customers and segments, and triggering actions throughout the enterprise and with partners.

Enabling Sales Productivity

Improving sales productivity is essential for profitable growth: freeing sales staffers’ time to focus on selling improves revenue and enhances the customer experience. In most building materials companies, this is a significant opportunity, since salespeople

often spend too much time locating inventory to expedite orders, resolving customer credit issues, and collecting payments.

To this point, firms must think well beyond the boundaries of the sales organization to address productivity. With processes enabled by integrated systems, collaboration can be improved while many specific tasks such as order handling, receivables, and others can be shifted to those who have the requisite expertise. Also, providing customers with guided, interactive product configuration and direct access to product catalog data can shorten response times and lead to increased sales.

Facilitating Multichannel Selling

To deliver a uniform brand message and enhance the customer experience, companies serving the construction industry need to deliver a consistent, satisfying buying experience across every channel. These firms need to collaborate well with partners to ensure high performance, process uniformity, and message consistency – no matter which sales channel a customer prefers.

You can facilitate multichannel selling by making inventory information externally available for end-to-end order track and trace and by providing the flexibility to make order changes in all channels and at every step of the order cycle. Market development funds can support product comarketing and cobranding. Aligning with partners is particularly important for first-rate multichannel selling.

Implementation of multichannel selling requires systems that span the breadth of the enterprise – and facilitate solid interactions with customers and partners. You can implement best-in-class multichannel selling processes only with strong underlying systems integration and processes that are designed to deliver high performance and consistency from the customers’ perspective.

ACHIEVING SUPERIOR LEAD-TO-CASH PROCESS PERFORMANCE

A COMPREHENSIVE APPROACH ENABLED BY SAP® SOLUTIONS

By continuously innovating end-to-end processes, building materials companies can build on lead-to-cash activities to achieve a sustainable advantage in the postcrisis world.



Lead to cash is the primary foundation among the processes for enabling profitable growth of any building materials company today. To succeed, a system that enables lead-to-cash processes needs to be linked to a vast array of data typically managed in the company's customer relationship management (CRM) solution, encompassing customer and pipeline data, marketing campaigns, and more. Such a system also needs to be linked to a broader range of enterprise data and processes, including inventory, receivables, and pricing. Moreover, the lead-to-cash process needs to build on collaboration with partners to help you gain market insights, manage inventory, and handle order transactions.

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ing logistics, reducing receivables, streamlining product development, and improving service. By continuously innovating end-to-end processes, building materials companies can build on lead-to-cash activities to achieve a sustainable advantage in the postcrisis world.

Supporting Lead to Cash with SAP Software

The SAP® Customer Relationship Management (SAP CRM) application is integrated with the full array of SAP solutions covering financials, procurement, supply chain management, and many other areas. The comprehensive functionality of SAP Business Suite software – including the SAP CRM and SAP ERP applications and more – plays a key role in enhancing the performance of lead-to-cash and other processes throughout the enterprise.

The advanced lead-to-cash functionalities of SAP CRM are broad and deep. The software supports marketing campaigns, order management, real-time offer management, supply chain management, back-office integration to facilitate financial closing, and more. In addition, the processes supported by SAP CRM are integrated with business intelligence solutions, which empower users to make effective, informed decisions by using advanced analytics and data visualization.

Find Out More

To learn more about how SAP can help your building materials company accelerate lead-to-cash processes to rekindle profitable growth, call your SAP representative today or visit us on the Web at www.sap.com.

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