

TURN THE INTERNET INTO A STRATEGIC SALES AND INTERACTION CHANNEL

White Paper

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EXECUTIVE SUMMARY

OPPORTUNITY FOR DRAMATIC GROWTH

With the emergence of the Internet, the business environment has changed for many organizations and will change to an even greater extent in the future. What had started with a few innovative companies has become a fertile ground to attract and serve customers across all industries. There's no way around it: in an increasingly dynamic and global environment, the Web has become an important source of competitive differentiation for companies of all sizes.

The Internet provides a great opportunity for organizations to grow their business and, at the same time, dramatically cut the costs of reaching out to customers, processing sales transactions, and providing all sorts of services. To turn the Internet into a strategic channel and gain a competitive advantage, however, organizations need to look beyond the customer touch points.

As Internet technology has advanced and online access has become ubiquitous, customers have become more Web-savvy, and they have rising expectations regarding convenience, usability, and – most important – reliability. A key focus of your Web strategy should be on the fundamental, strategic dimension of online business. Of course, Web design, site navigation, and catalog functionality are critical elements of

a successful Web presence. However, what's even more important for online success is to make the Internet an integral part of your business and to achieve operational excellence across your online and offline operations.

To reap maximum benefits, organizations need to understand customer expectations and manage customer experience beyond the shopping basket. Extending your business to the Internet means that you need to synchronize your online and offline channels and seamlessly connect your Web site to back-office fulfillment and transaction processing. To unlock the full potential of the Internet, you must align marketing, sales, and service activities and design business processes and interaction cycles from end to end. Furthermore, it is absolutely necessary to embed powerful analytics into the mar-

keting sales and service activities in order to track and monitor activity at your Web site and to ensure availability, reliability, and performance. You should also apply analytical tools to consistently improve the customer experience and increase the effectiveness of your online business by translating insight about customers into front-line action.

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OPPORTUNITIES AND CHALLENGES OF THE INTERNET

THE WEB CHANGES EVERYTHING

Within a decade, the remarkable rise of the Internet has impacted just about every realm of modern life. It has dramatically changed the way people live, work, communicate, shop, and consume. Information and news travel even to the most remote places in an instant, reaching about a billion people. Today, the Web serves as a channel for mail, news, information, entertainment, social networking, financial and commercial transactions, and numerous other activities.

As the Internet becomes more embedded in everyday and commercial life, organizations can no longer afford to underestimate its relevance for their business. Although many organizations have started to explore the new opportunities of the Web, only few have been serious about it. The Internet is more than a high-speed “carrier pigeon” and an attractive advertising vehicle or a low-cost channel for sales and service that doesn’t require a lot of attention.

It’s important to see the Web as an integral part of your business that can help you foster relationships with customers and partners, reach out to underserved segments and new markets, drive new revenue, and harness collective intelligence about consumer preferences and trends, while taking advantage of automation efficiencies. Only then are you able to reap maximum benefits. You also need to synchronize every aspect of your online and offline operations in order to fulfill promises and provide a consistently positive customer experience.



Online experiences vary widely, however, and many Web sites don’t measure up to the promise of convenient buying or self-service. Online customers often encounter an array of problems: lack of usability; navigational difficulties; missing information such as order status, product availability, contracts, or customer-specific prices; ailing checkout processes; poor search functionality; and deficient problem-resolution capabilities. Online frustration can turn into anger when orders, claims, returns, service requests, or payments are not accurately executed because of disconnected fulfillment processes. Cross-channel inconsistency – for example, when customers place orders online and the call center agents have no access to their order information – is another prevalent issue.

The point is that a Web channel can either increase or decrease customer loyalty, and it can boost revenue or destroy market share. Many consumers and business customers are ready and eager to take advantage of the convenience of the Internet. If done right, providing customers with easy access to enterprise knowledge, up-to-date information, and critical transactions anywhere and anytime can be very powerful. A fully integrated Web channel can be a significant differentiator because it is difficult to imitate. With customer benefits in mind and the right technology in place, you can reach out to customers more effectively, improve relationships, and strengthen sales and service operations while keeping firm control of costs.

DESIGNING A WINNING WEB CHANNEL STRATEGY

THE WORLD IS SHOPPING ONLINE

Today, many customers go online to search for information about products and services, compare product features and prices, check availability, make purchases, track orders, manage their accounts, request services, seek help to solve problems, schedule appointments, download software or music, submit claims, rate products, file tax returns, pay bills, and accomplish much more.

The potential of the Internet to grow your business while achieving efficiency gains is huge – and customers are ready. However, many organizations are not keeping up with their customers and are missing out on the great opportunities of the Web. Customer expectations are on the rise: They demand convenience, reliability, and speed; they expect to be in control and to have a choice of channels, with an increasing preference for online channels. More than ever, they are able to turn to the competition when organizations fail to meet expectations and provide a negative customer experience.

It may be time to overhaul your Internet strategy, embed it in your overall business strategy, and take your online activities to a higher level in order to expand your reach and exploit new opportunities to grow your business. To design a winning Web channel strategy, you need to begin by understanding your customers' interaction needs and preferences, comprehending the channel economics and channel dynamics, and synchronizing your online and offline business across different channels. Operational excellence is absolutely crucial and must encompass entire business processes from end to end to ensure success.

Customer Experience: The Key to Success

As customers are increasingly pressuring organizations to invest in Internet technology, confusion and skepticism abound about how to best tap online resources and opportunities to ensure a substantial return on these investments. Many organizations have failed to leverage the potential of the Internet by neglecting customer needs and expectations. Taking advantage of automation efficiencies can be enticing, but it is not sufficient for success. A mindset limited to cost reduction has served many organizations poorly, leading to increased costs and churn rates and eventually resulting in diminishing returns. This can happen, for instance, when companies try to curb expenses by deflecting as many customers as possible from the call center to their Web sites. If there is no value for the customer, or if the customer experience is negative, customer satisfaction will decline and customer attrition will rise.

Most companies have shortcomings in understanding customer experience. Ultimately, your organization must understand and deliver on what the customer will value most. For example, although price-conscious consumers may have dominated the online shopping scene for years, most people – and organizations – who buy online do so because it is easier and more convenient. The same is true for service and support. Hence, a more lucrative value proposition is to make life easier for buyers who are increasingly pressed for time. This is actually good news, because it means that the Web channel can, in fact, be an important

source of differentiation. Success is determined no longer only by price and product but also by well-designed sales channels and service processes. Organizations that can deliver superior customer value and provide an exceptional customer experience consistently – online and beyond their Web sites – have a competitive advantage.

Operational Excellence Beyond the Touch Points

As Web channels become mainstream business for many organizations, operational excellence is another key to success. Although many organizations focus on the attractiveness of their online presence and spend a lot of money on generating traffic, very often the Web site and the company behind it suffer from operational unreliability and execution flaws.

You need to keep in mind that on your Web site, you expose all your weaknesses. Because customers are on their own when interacting online, even minor flaws can add up to major business problems. When customers can't navigate smoothly, can't find the right information, get stuck in the checkout process, or can't complete a sales transaction, customer satisfaction is clearly at stake, and another sales opportunity may be lost. Such defects, if undetected, can have a huge impact and may result in substantial loss of revenue. Customer experience is also not limited to the Web site. If you can't ship as promised, if returns are not handled properly, and if customer service representatives have no clue of what transpired on the Web channel when they get a call from an online customer, customers can ultimately have a negative experience.

Successful organizations have realized that providing customers with an attractive Web site is not enough. They ensure convenience, reliability, and consistency by achieving operational excellence across and beyond the customer touch points – and they put the customer in control. Hence, three winning elements in the formula of online success are back-end integration; synchronization of online and offline channels; and alignment of marketing, sales, and service activities.

Connect the Back End

When customers go online, they expect easy access to up-to-date, accurate information and reliable execution and fulfillment. Without real-time integration of the Web channel to back-end systems and back-office fulfillment systems, organizations fail to connect business processes from end to end, damaging customer loyalty and losing significant revenue. For a successful Web channel, you need to seamlessly connect entire business processes such as order to cash or service problem resolution to other critical business functions, from finance to the supply chain, including activities such as inventory management, order processing, delivery, billing, and payment.

Although many companies have improved their online presence and optimized their Web sites, disconnected systems and disjointed processes are still leading to customer frustration and lost sales opportunities. Customer experience doesn't happen in silos. For example, to perfect order processes and satisfy customers, you must elimi-

nate virtually all issues and errors that can stymie on-time, accurate order fulfillment. This involves every process, including planning and forecasting; acquiring accurate quotes, orders, and contracts; dealing with back orders; handling order changes; and resolving fulfillment, shipment, and postdelivery problems.

Synchronize Online and Offline Channels

Whether in a business-to-consumer or business-to-business context, customers demand multiple channels that they can use to get information, purchase goods, or get support that is based on their specific needs and preferences. Many customer requests or purchases can be provided in a more convenient and faster way online; however, more complex questions, multifaceted services, and more difficult transactions may still warrant human interaction and the additional costs and time associated with it to provide real value to the customer. For customers, self-service is not a panacea. If they have a question they cannot answer online, they want to be able to call someone for help immediately.

Also, customers want consistency: They expect to get the same information in any channel and be able to switch channels seamlessly. For example, a customer who orders on the phone might want to track the order status online, or vice versa. Business customers may prefer to order online, but when they negotiate contracts and prices, they may want to meet face to face with a sales representative.

To reap maximum benefits, your organization must optimize its entire channel mix. You need to develop multichannel strategies for different customer segments on the basis of interaction needs and customer value, guide your customers to the right channel, and provide them with choices when appropriate and cost-effective.

Align Marketing, Sales, and Service

Operational excellence and a consistent customer experience can't be achieved when departments make independent decisions and take isolated actions. You need to align your customer-facing operations, break down the silos, and link discrete systems so that you can frequently share valuable information across marketing, sales, and service departments and provide customers with consistent information and a comprehensive view of their relationship with the organization.

Customer interactions have become key sources of competitive differentiation for many organizations: every interaction provides a chance to better understand customer needs, solve customers' problems, or increase wallet share. By failing to pass leads, service cases, and purchase histories across departments and channels, companies miss out on such opportunities. Successful organizations leverage Web interactions across marketing, sales, and service to harness collaborative intelligence; make this insight accessible throughout the organization; and translate this knowledge into front-line actions.

UNLOCKING THE FULL POTENTIAL OF THE INTERNET

COMPANIES ARE USING THE WEB TO DIFFERENTIATE



There are many opportunities and challenges in leveraging the Web channel to deliver best-in-class customer-facing processes. The following section describes some best practices that are based on the experience of some of the best-run companies, to help you make the most of relationships with customers by unlocking the full potential of the Internet across marketing, sales, and service.

Use Interactive Marketing to Increase Demand and Customer Loyalty

Companies are increasingly looking to the marketing organization to drive and sustain profitable growth through initiatives that shape market perceptions and foster customer loyalty. The Internet provides compelling advantages over traditional marketing mechanisms such as mass advertising, mail order, and telemarketing. Using e-mail and the Web, you can achieve richer, personal-

ized, and more effective contact with customers while reducing the cost of delivering information to customers. You can establish your corporate identity more quickly online and then bolster your brand image through Web activities. In addition, you can employ interactive marketing approaches that increase marketing effectiveness through the bidirectional nature of online communications.

Organizations must expand into the Web channel to remain competitive and to provide customers with the online experiences and convenience they've become accustomed to. However, you should be aware of the challenges of e-marketing and consider them within your overall marketing strategy. When going online, customers benefit from increased visibility into pricing, as well as from lower switching costs. This is a challenge for you with regard to customer retention and loyalty. Customers also expect more targeted experiences

and demand opt-in marketing approaches, especially in view of the personal nature of online channels such as e-mail, text messages, and personalized Web sites.

To address the opportunities and challenges of e-marketing, you should develop an integrated approach across marketing channels, establish targeted approaches driven by customer intelligence, and cultivate two-way customer relationships.

Develop an Integrated Approach Across Marketing Channels

To successfully market online, you need to coordinate your e-marketing programs with traditional marketing initiatives from both a brand strategy perspective and a customer touch point perspective. The messages that you send to customers and prospects through traditional media should be aligned with those delivered through e-marketing mechanisms. Whether you

choose to leverage the same brand online or employ different brands, the brand recognition – a key component of building lasting customer loyalty – is greater if the message is consistent. In addition, you stand to gain more impact in your marketing touches by integrating your offline and online campaigns. For instance, many organizations include their Web site addresses in TV, print, and radio ads to entice customers to visit the companies' Web sites, at which they can benefit from rich media and personalized information that enhance their overall customer experience.

Target Approaches Driven by Customer Intelligence

Personalization is one of the key factors in successful online marketing. You need to establish personalized and targeted approaches in your e-marketing efforts. The more you can drive your targeting with in-depth customer intelligence, the more effective the targeting is, both for you and for the customer. Leverage a variety of customer intelligence in this effort: by collecting profile information directly from the customer, by systematically tracking customers' online activities, and by mapping against previous purchase and interaction history. Through these different types of information about customers, you can better understand your customers and make more accurate inferences about your customers' interests and intent. This intent-based marketing approach provides customers with a more tailored and therefore desirable experience than do traditional marketing approaches and translates to higher conversion rates for your organization.

Cultivate Two-Way Customer Relationships

One of the most powerful opportunities with e-marketing is the ability to establish two-way customer relationships – effectively a “conversation” with customers. To build this two-way relationship with customers, marketers should execute marketing campaigns through both inbound and outbound channels (such as phone, mail, e-mail, Web, fax, and short message services), as well as plan and execute dialogue marketing campaigns. Dialogue campaigns are preplanned two-way customer interactions that unfold over time; every interaction is personalized with relevant information because it leverages information from previous interactions. For example, online advertising allows customers to provide information after accessing landing pages or surveys. Marketers can use this information both to deliver more granular targeting of communication back to customers and to improve their overall customer and product strategy.

Turn the Internet into a Profitable Sales Channel

In a business environment that is characterized by globalization, increased competition, and customer demands for greater convenience and ease of doing business, the Internet has become a key element for remaining competitive and driving business growth. The Internet can be a powerful sales channel that enables organizations to expand market reach and drive revenue while keeping costs down. Also, it is easier to do business with companies that provide their customers and partners with convenient self-services to buy online.

However, the Web also poses new business challenges that need to be addressed when an online sales strategy is developed. Online, customers have more visibility into product information and pricing. This has a considerable impact on competition in that customers can easily find less expensive products or better deals, which puts pressure on vendors to lower prices or improve customer service. The ease and privacy of online buying experiences means lower switching costs for customers. This means customers are more likely to switch to a competitor if price, quality, or buying experience doesn't meet their expectations. Also, barriers to entry are reduced for online businesses. The low cost and ease of setting up a Web shop (as well as virtual partnerships), combined with the low transaction costs, allow both new and existing businesses to flourish online.

To address the opportunities and challenges of selling online, you should strive to deliver excellent online customer experiences; integrate all customer-facing channels; ensure operational excellence throughout the buying processes; and consider new, innovative sales models.

Deliver Excellent Online Customer Experiences

For your customers, one of the major incentives to use the Web channel is to be able to quickly access information that is richer and more useful than that which customers would normally be able to access through other channels such as the call center or a sales representative. This rich information makes it easier for customers to find the best product or service to meet their specific needs. When your customers

have access to rich company, product, and pricing information based on their preferences and previous interactions with your company, you're more likely to secure the sale and foster loyalty. Rich information and media include real-time product availability and pricing; critical contract data; personalized content and product recommendations; multidimensional product visualization; and interactive needs analysis and guided selling. Also, the best-run organizations are exploiting advanced Web 2.0 technologies to provide customers with better experiences enabled by more seamless user interfaces and community-driven content.

Integrate All Customer-Facing Channels

You should also think about your online selling processes from a multichannel perspective. Today, customers demand a **variety** of channels they can use to get product information, to purchase and pay for products and services, and to get the support they need. For instance, they may use the Web, a call center, a partner store, or a direct sales representative. Customers expect convenience, choice, and a consistent experience across all touch points. By integrating customer channels, you can better handle customer inquiries and orders, perform more effective cross-selling and up-selling, and provide the consistent customer experience that is demanded in the marketplace. This means supporting integrated processes that let your customers choose the channel that best fits their needs each step of the way, whether they prefer to help themselves or to have a customer service representative help them.

Ensure Operational Excellence Throughout the Buying Process

To ensure operational excellence you need to provide customers with a secure online buying experience and reliable commitments tied to your back-office and fulfillment systems. This integrated approach enables you to increase customer satisfaction and trust – and drive more business. Through end-to-end processes, you can reduce error rates, increase operational efficiency, and harness the efforts of your entire organization to make the customer experience **better**. These end-to-end processes differentiate the customer experience, resulting in a valuable competitive advantage. This may sound simple, but it's not that easy; many companies still haven't got it right. On a daily basis, customers make purchases over the Web and then don't receive their merchandise in the expected time frame, fail to get the right discounted price, or talk to a call center agent who doesn't even know about the purchase. The result is negative customer experiences, a degradation of customer trust, and, finally, customer attrition. An organization achieves operational excellence by reliably executing customer transactions and delivering on commitments – and, by doing so, strengthens customer loyalty and increases revenue.

Many companies have achieved great success with the Web channel by focusing on creative use of the Internet and on operational excellence. For example, one company in the household goods industry doubled its revenue in four years by enhancing its

ability to sell through its online store. It was able to direct potential customers to different product groups on the basis of their needs, provide an easy-to-use order process, and achieve excellence in delivery performance. Although the company had employed a call center for many years, it didn't have to add any call center resources; in fact, the company eliminated initial order placement through its call center.

Consider New, Innovative Selling Models

In addition to supporting a profitable and low-cost sales channel, the Internet offers unprecedented opportunities for organizations to adopt innovative selling models. When expanding into the Web channel, you may want to consider new models made possible through the Internet that complement and enable innovation in your selling strategies. New models include distributed selling scenarios, in which you can expand your online sales channel to include an integrated network of partners who deliver complementary products and services. In online marketplaces, buyers and sellers work together on a common technology platform, driving business through aggregation of interested parties and brokering of deals. Online auctions, which support the public sale of goods to the highest bidder, have expanded exponentially because of the Internet's popularity and global reach.

Boost Customer Satisfaction by Low-Cost Online Self-Service

As customer service becomes a competitive differentiator, organizations are looking for new ways to meet growing customer expectations of service speed and quality, cope with increasing product complexity, and keep operational costs at a reasonable level. To address the emerging requirements for high-quality service at low costs, more and more organizations have started to implement self-service applications that enable customers to help themselves – without expensive human support. Such applications have become sophisticated since their inception a decade ago and have evolved as essential tools to improve service levels and reduce service and support costs. To reap maximum benefits, you need to evaluate both opportunities and challenges of online self-service. It is important to provide customers with easy access to useful and targeted information, enable choices and flexibility for customers, establish a differentiated model through customer segmentation and **right-touch** service, and integrate channels to add value.

Provide Customers with Useful and Targeted Information

Effective use of online self-service depends on providing information that customers find beneficial and that's focused on the task at hand. Design of Web sites to facilitate simple access to the most relevant content – and up-to-date maintenance of that information – is key to success. To further the goal of delivering this information, some organizations have deployed knowledge

management applications to provide self-help functionalities, often leveraging customer-generated content (referred to as “wiki” Web sites, which allow users to edit Web site pages) and peer-support forums. These trends have helped companies enrich their knowledge base and have opened new avenues for providing customer support. Moreover, by giving customers the ability to help their peers, organizations have transformed self-help from an individual effort to a collaborative one.

Enable Choice and Flexibility for Customers

Technology should enable appropriate choices for service and a blending of service modes and channels. Balancing customer needs, business objectives, and channel costs is critical for determining the best service strategy. It may be cost-effective to provide customers

with only self-service options online. On the other hand, it may be appropriate to provide customers with the ability to initiate requests for live help from a self-service Web site and to transition seamlessly to an assisted mode of interaction. As one example, many self-service Web sites have deployed proactive chat functionalities to provide an additional option for service delivery, minimizing costs of inbound telephone calls while helping to secure customer loyalty.

Establish a Differentiated Model: Right-Touch Service

Although providing choice and flexibility for customers can be beneficial, you need a way to make decisions about deploying the multitude of available service delivery options. Customer support and service organizations are challenged by the need to support diverse product lines and a broad customer base. Contact center agents are

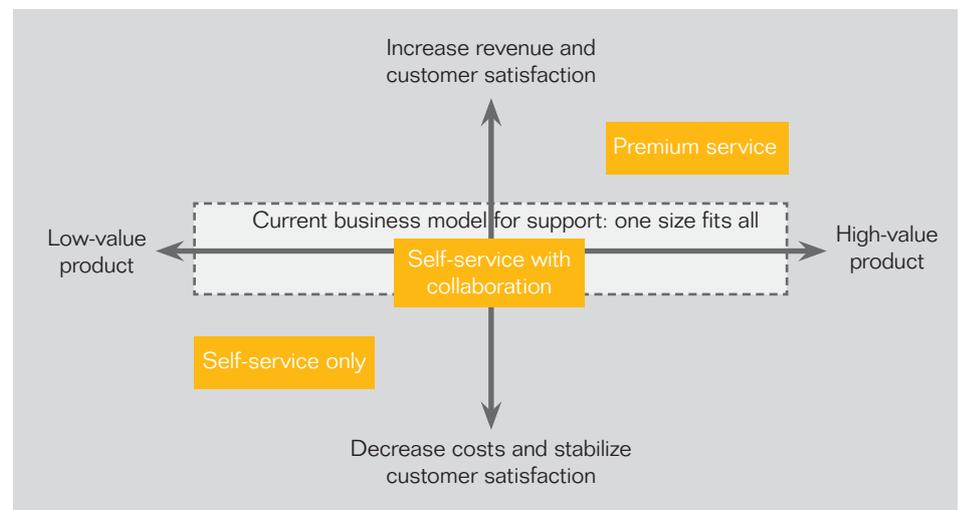


Figure 1: A Differentiated Service Model

stretched to their limits. The one-size-fits-all model for customer support has limitations and is hard to deliver in a way that satisfies the range of customer needs.

By leveraging self-service, customer support organizations can lower support costs and increase customer satisfaction through differentiation of end-to-end support that is based on customer, product, and other segments. This support model involves **no-touch, low-touch, and high-touch** modes of customer service. The figure below describes how your customer support organization could leverage self-service as the delivery vehicle for no-touch and low-touch modes of service. The premium, high-touch (and high-cost) contact center channel is reserved for supporting high-end products. Customers who purchase high-value products receive a dedicated toll-free number to talk directly with an agent. These customers also have the option to access the self-service mode for product support. For customers who purchase low-value products, self-service – such as interactive voice response (IVR) – is the only means of getting support. This is the no-touch mode of support. Customers who purchase mid-value products can access only self-service and limited assisted channels (Web chat). These customers have the option to initiate a chat with a live agent from the self-service Web site. This is the low-touch mode of support.

This approach optimizes the usage of contact center resources and results in increased revenue generation, increased customer satisfaction, and the transformation of the customer support organization into a profit center, rather than a cost center.

A large high-tech manufacturer with numerous product lines found itself facing increasing call volumes and poor customer satisfaction, despite deploying Web self-service functionalities. To support its growth, the manufacturer implemented a differentiated support model by segmenting customers and deploying sophisticated diagnostic tools on the company Web sites. The results were impressive: fewer customer complaint escalations and reduced agent call-handling time. Moreover, the manufacturer enhanced revenue by converting a support-only contact into an opportunity to educate customers and up-sell as appropriate.

[Integrate Channels to Add Value](#)

If your company offers multiple support choices, it's important to ensure consistency across your support channels. To harness the full potential of the Web channel, you need a strategy that aligns the Web channel with the existing channels for managing customer service, such as contact centers and walk-in service centers. As discussed earlier in this paper, seamless integration across channels can lead to dramatically reduced costs and enhanced customer

satisfaction derived from a uniformly positive experience across channels. The differentiated right-touch model can work only if the self-service channels for product support are fully integrated and effectively deployed. For example, a customer might visit a product support Web site to troubleshoot an issue, initiate a Web chat with a live agent, and finally talk to the agent. The customer shouldn't notice the transition from channel to channel.

Poor deployment of customer service and support channels in a disconnected or uncoordinated manner defeats the purpose of this strategic approach, and the resulting model might actually cause more strain on a customer support organization than does the one-size-fits-all model. You must think strategically about how to address these issues in your business and map out a successful plan from the beginning to achieve the desired results.

WEB ANALYTICS: CAPITALIZING ON CUSTOMER INSIGHTS

UNDERSTANDING BUYER INTENTION IS KEY

Web analytics has evolved beyond just tracking page hits and visit lengths. Web analytics plays a crucial role in helping organizations achieve their online business goals of improving customer satisfaction, driving growth, and reducing operational costs. With the right analytics tools, your organization can monitor the performance of your Web channel, gain insight into the effectiveness and impact of your online processes and actions, and then act on that insight to ensure that your organization adapts and improves performance over time.

The goal of Web analytics is to monitor and provide insights into Web channel success from both a technical perspective and a business process perspective in order to support profitable growth. Technical analyses enable your organization to review the technical

health and performance of your Web shops to proactively maintain a well-tuned shop. As the Internet channel becomes a critical part of your business, you must ensure reliability and availability of your Web site. On the Web, you need to be able to keep your business open continuously, handle peak times without major breakdowns, and identify flaws in operational performance and transactional execution immediately. In addition, you need to perform analysis from a business perspective, such as assessing purchasing activity and sales across channels, evaluating the operational performance of your service efforts, and analyzing profitability to support differentiated levels of service. In addition, customer behavior analysis provides your organization with click-stream analysis, which can be integrated with standard sales reporting to get full information about

customer shopping patterns and thereby improve conversion rates.

To address the opportunities and challenges of using Web analytics, you should understand customer intent; review Web behavior to improve targeting of customers and improve future customer interactions; and gain insight into, analyze, and act on e-business trends.

Understand Customer Intent

Understanding your customer is important, but understanding your customer's intent within a specified interaction gives you an opportunity to increase customer satisfaction and close rates even more. By analyzing historical data about the customer (such as past interactions, purchase history, and product interest areas) and real-time data about

How Philips Consumer Electronics Leveraged the Web

Holding the number 10 position on *FORTUNE's* list of global electronics corporations, Royal Philips Electronics N.V. (Philips) boasts sales of over €29 billion and operates in numerous businesses, ranging from consumer electronics to medical imaging. Philips' consumer electronics (CE) business – which accounts for over 30% of revenues – is an international leader in connected displays, home entertainment sets, and mobile solutions.

In a fiercely competitive market, Philips CE chose to differentiate itself by strengthening customer relation-

ships to lock in long-term loyalty while continuing to build upon its legacy of product innovation. Philips CE strengthened customer loyalty and increased revenue by providing Web-based interactions that customers could trust, through tighter integration with fulfillment processes.

In a changing business environment, in which consumers expect the ability to research and potentially purchase directly from the manufacturer, Philips needed to look at extending its business model. The company needed to support a direct online consumer experience while not creating conflict with the partner distribution channel. At the same time, Philips decided to extend integrated online capabilities

to its business customers, partners, and employees. With its e-commerce implementation, Philips supports many types of shops, including a direct store, an outlet store, and various partner shops that provide rich product data, efficient ordering capabilities, reliable deliveries, and after-sales services – enabled through integration with back-end systems.

Philips now has better insights into consumer purchasing and service needs, which the company uses to drive future marketing efforts. An independent ROI review projects Philips CE to achieve a 26% internal rate of return by 2007 through cost elimination and increased revenue contribution.



the customer's behavior on the Web within the current visit, you can get a more accurate idea of the customer's current intent and therefore deliver exactly what the customer wants. The customer and the brand owner benefit greatly in this situation. Consider, for example, a customer with a high income who is currently a renter and does a Web search on real estate listings. A company that puts customer profile and site visit information together to assume that customer is actively looking for a home to buy has a valuable opportunity to pursue and close business while delivering outstanding customer experience and increased customer satisfaction. By understanding the true intentions of your customers, you can outpace your competitors by meeting customer needs more quickly and therefore increase revenue and customer satisfaction.

Improve Customer Interactions by Using Web Behavior Analysis

On the Web, you can obtain valuable information about your customers by using a systematic approach as customers navigate your Web sites. This data-rich situation, in which your organization can capture, store, analyze and then act on detailed interaction information down to the level of an individual consumer, provides significant opportunities to personalize customer experiences, deliver more value to customers, and therefore improve and increase business. If you understand your visitors on an individual level, you have a more extensive and more nuanced view of customer intentions and can engage in more effective one-to-one marketing and sales approaches. Also, you can better target campaigns, return more relevant search results, and identify more lucrative and successful cross-sell and up-sell opportunities.

Gain Insight Into, Analyze, and Act on E-Business Trends

Using Web analytics, you can leverage information and insight obtained within your Web channel and apply that intelligence to your overall customer relationship management (CRM) business strategy to improve your marketing, sales, and service efforts across the board. Using information derived from Web analytics, marketers can distill insights about customers, communicate this information across the organization, and collaborate to synthesize marketing and sales programs that address brand-level issues and meet overall customer expectations. By establishing and monitoring key performance indicators, marketing and sales management can also use Web analytics to improve accountability of staff in the organizations and help ensure that goals – such as response to campaigns and market share – are met in both online and offline channels. Finally, you can monitor key performance indicators relating to efficiency and resource utilization, which helps identify process improvement opportunities and refinements to the mix of online and offline channels. By leveraging the appropriate Web analytics, you can better determine the right investments for your marketing and sales dollars.

CONCLUSION: RUNNING YOUR E-BUSINESS LIKE A BUSINESS

FOCUSING ON CUSTOMER VALUE MAKES THE DIFFERENCE

Making the most of the Web's opportunities is not simple; indeed, adding significant value requires careful investment, a smart strategy, operational excellence, and professional management.

In other words, you need to run your e-businesses like a business. To succeed, Web channel operations need to be run with a focus on delivering customer value, with vision and creativity – and with discipline and solid measurements, particularly in order to achieve operational excellence across and beyond the customer touch point – injected into the process. Ultimately, the e-business must contribute to profitable growth of the enterprise. Running an e-business, just like running any business, is not an easy task.

Keep the following points in mind:

- **The customer experience is key to success:** focus on delivering an excellent and consistent experience both online and offline.
- **Establish integrated and reliable business processes** to ensure that product and service fulfillment is executed efficiently and in line with customer expectations.

- **Blend marketing, sales, and service,** so that you can attain a comprehensive understanding of your customers and reap maximum benefits.
- **Leverage customer insights** in order to more deeply understand customers' current and future requirements – and synthesize actions that allow you to outperform the competition as you both satisfy and anticipate customer needs and market trends.

The business environment changes continually, and companies must stay vigilant to survive. In particular, the Internet must be considered a very strong factor in opportunity identification, business strategy development, and execution.

To execute business well, the best-run companies provide a Web presence for their business that is rich in functionalities, intuitive and easy to use, and fully integrated across all customer touch points, as well as with back-end business processes. By offering a superlative Web presence, your company can gain competitive advantages and achieve long-term profitable growth while meeting rising customer expectations.

If you want to know how SAP can help your company turn the Internet into a strategic sales and interaction channel, call your SAP representative today, or visit us at www.sap.com/crm.

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