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The Top 10 Sales and Customer Service Investments for Manufacturers

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The Bottom Line: For manufacturers, the value of traditional CRM, including call center automation and sales force automation, can be limited. To find value, they must look beyond front-office automation and leverage supply chain, back-office, and product development expertise to enhance their ability to compete.

The value of traditional Customer Relationship Management (CRM), which aims solely at integrating front-office operations and customer touchpoints into a common set of processes and systems, offers limited value for most manufacturers. Value is created going beyond call center or sales automation and addressing the processes and integration between sales, marketing, service organizations, and the rest of the enterprise, including product development, supply chain, and accounting. Only by taking on the challenges of integrating front- and back-office operations can manufacturers obtain the competitive advantage that is necessary to hold on to and gain market position and—ultimately—improve financial performance.

Defining investment priorities can be difficult, since there are many strategies, tactics, and tools to choose from. The biggest payoffs start in sales, which owns the primary relationship management function and has the best opportunity to increase revenue and cost-to-serve. These two factors arm sales with critical information on products, competitors, price, and supply chain availability and give it selling tools, like proposal generation, to increase customer face time. The next targets are the customers and channel partners themselves; the goal should be to extend supply chain and back-office information directly to the customer and add convenient, value-adding self-service tools. Then, attention needs to shift to more advanced projects, including creating customer segmentation, mining the installed base for revenue, and improving processes between sales and operations.

Overall, opportunities abound to use the different aspects of CRM with existing back-office functions. The aim is to focus on the value of indivdual projects and consistently exectute against a CRM roadmap. To help, we have defined the top 10 investments that we've seen other midsize manufacturing companies make. We share what they are, what their value is, and how you should get started.

Sales force effectiveness—going beyond automation tools that drive sales productivity

Sales Force Automation (SFA)—where the focus is on contact and opportunity management—has been of limited value because of the chronic challenges with end-user adoption. There are two reasons for the prevalence of adoption challenges. The first is because focus on the project is designed to address corporate goals, and there is little consideration of end-user requirements. The second is because of the usability of the tools. 89% of companies implement CRM solely for corporate purposes, leaving only 11% that consider improving performance and efficiency for individual users. As a result, the flow of information tends to be very one-sided—demanding sales reps provide details on contacts, opportunities, and forecasts. In your efforts to move beyond automation and adoption improvement, it's critical that you reverse the flow of information so that the end users are the net receivers of information. From a usability perspective, the applications need to work in the context of how salespeople manage their jobs—by integrating with other key communication and organization tools, including Microsoft Outlook, Pocket PC, and Palm OS. They also must provide tools that create higher effectiveness in prospecting, selling, quoting, ordering, and offering needed service, while eliminating all non-value-added administrative tasks through automation.

From a technology perspective, the effective outcome of a traditional SFA deployment requires the following:

- Knowledge management for product and competitive information integrated into opportunity management processes

- Proposal generation and quoting to provide a seamless process for reps to quickly and consistently communicate and sell to prospects and existing customers

- Automated quote-to-order conversion to eliminate duplication and rework

- Integrated time, expense, and travel authorization/approval processes

- Incentive management capabilities that provide the tools that enable reps to calculate their own commissions based on forecasted business

- Territory management, typically a lengthy, manual process for most companies during Q1, provides companies with more expedient communication to their reps of the status of their territories at the beginning of the year, and throughout the year, as organizational changes are made

Quoting and proposal generation—accurate, fast, and professional

Many manufacturers are struggling with how to make every sales opportunity count within their pipelines. Quoting and proposal generation continue to be strategies that manufacturers are embracing for more accuracy in their proposals, efficiency in their processes, and, ultimately, more responsiveness to the customer request.

Here are two specific benefits that quoting and proposal generation strategies are delivering:

- Order error rates are being reduced 25% to 50%. The immediate impact on the accuracy of the orders taken and fulfilled is reflected in the reduction of the cost of handling an order several times, the reworking of the products to meet customer needs, and the decrease in the number of returned products.

- Quoting and proposal times are being reduced 35% or more. The more complex the product is, the greater the payoff will be of streamlining how quotes get generated (and corresponding proposals). Manufacturers are seeing the quoting and proposal generation's positive impact on their financial statements over time. One manufacturer discovered that with more accurate quotes, proposals, and pricing, its Days Sales Outstanding (DSO) shrunk from 60 days to 29 days within the first six months that the quoting and proposal systems were up and running.

Selecting a technology to trim time and costs is best taken on after the processes themselves have been looked at with an eye for deleting time and cost-draining activities. For companies that have a manual approach to generating proposals and quotes, a good first step is to automate these tasks with Request for Proposal (RFP) tools that handle the data extraction from Microsoft Excel spreadsheets and the transfer into Microsoft Word templates. Manufacturers are often successful with this first step, as it trims the time that is required to complete a quote and proposal. For manufacturers that have the quoting and proposal generation already automated, the next step of increasing the sales of customized products through configuration is worth considering. Manufacturers with complex products selling through multiple indirect channels need to look at making quoting, proposal generation, and the configuration of their customized products part of the channels' sales strategies.

Supply chain transparency—key to supplier competitiveness

While often not considered part of CRM, the visibility of supply chain information is a critical component to achieving customer service excellence. A manufacturer's ability to arm its sales personnel, customer service reps, and customers via the Internet with real-time, accurate information related to price, availability, order status, product content, and contract terms is the differentiator in many industries. The key metric to evaluate is customer response time. Many organizations are poor at responding to customer requests—from simple product questions on applicability, configuration, or price to more complex needs involving availability and delivery schedules for large, complex orders. Either way, customers are measuring your success as a partner not in days or weeks, but in hours, minutes, and seconds. Best-in-class companies of all sizes can provide immediate response based on the tight link between CRM investments at the point of interaction and Enterprise Resource Planning (ERP) and Supply Chain Planning (SCP) systems to provide real-time global visibility of inventory, capacity, and supplier lead times.

The focal point of investment needs to be on digitizing the information for access over the Internet, anytime and anywhere. The key to accomplishing this goal is to build a layer of integration and a Web application infrastructure that sits between operational systems [ERP, Shop Floor, and Supply Chain Management (SCM)] and channel partners, sales, operations, and service organizations requiring access. Most organizations start with internal access prior to extending the information to select clients. Then companies extend Web-based order capture to customers, but they are often misdirected, since the value in manufacturing is not in transaction automation, but rather product research, pricing information, product availability, and related order documentation (for example, Material Safety Data Sheets (MSDS) in Chemical). Most buyers see little value in placing orders online and will increasingly push transactions to lower cost mechanisms, including Internet-based Electronic Data Interchange (EDI), as a part of a broader supplier enablement program.

Demand management—synchronization of demand creation, sales execution, and operational planning

In manufacturing, marketing can succeed in generating demand, sales can execute flawlessly to drive the order, and customer service can be educated and efficient in managing requests—yet, you can still completely fail to serve the customer. The reason is the failure to manage demand by synchronizing customer demand and supply planning and execution management. The balance of supply and demand is an age-old problem for all manufacturers that costs them billions of dollars in out-of-stocks, excess inventory, and excessive discounting. However, some manufacturers are addressing this challenge by linking CRM data and SCM data and implementing an effective Sales and Operational Planning (S&OP) process.

The data reveals that sales is responsible for delivering an accurate view of future demand in terms of a sales forecast and actual demand in terms of open orders and issues. The supply chain organization is responsible for bringing data on supply plans and supply actuals. The process is designed to better synchronize future demand and supply investments and resolve all open customer orders/issues. In reality, most time is spent managing open orders and not addressing strategic plans.

The two best methods for balancing supply and demand are as follows:

- **Demand consensus**—One of the root causes of dysfunction in S&OP is that no one believes the sales forecast. This fact must be remedied by implementing a new sales forecasting process that delivers objective insights on sales activity—not opinions—and using that process as one input in a demand consensus procedure that aggregates customer, sales, and demand planning data into a single, agreed upon sales forecast. Manufacturers that have invested in a demand consensus-based forecast have seen a marked improvement in accuracy—regularly improving accuracy by 10 to 15 points—which has clear benefits on inventory costs, expediting costs, and out-of-stocks.

- **Effective management of open orders to limit exposure and maximize customer satisfaction**—The challenge with open orders is the limited insight into the hundreds of paper-based contracts that specify service levels and exposure on orders. In addition to this problem, manufacturers have linked transaction systems with contract or policy management data to expedite open order to limit exposure and satisfy the most valuable customers first. The business impact comes in two areas: the elimination of expediting costs and charge-back penalties and the decrease of customer defections and order cancellations. Each area represents million-dollar opportunities for most midsize manufacturers.

Lead management—maximize every opportunity through qualification and escalation

Two out of three leads receive no follow-up, yet every sales organization complains about the lack of support from marketing. If either of these two issues is present at your company, there is a very good chance that your lead management process is broken. Looking at lead management from a process standpoint is required to coordinate activity between marketing and sales and leverage the investments made in demand creation.

The key steps in lead management are as follows:

- **Capture**—Leads come in from many sources, including the Web, call center, telemarketing, events, and response cards, so companies need to integrate directly with any lead source to capture maximum information and prepare for an efficient response.

- **Qualify**—The reason most leads are not utilized is because there is a lack of filtering to identify the best fits. Qualification must rate each lead, determine the best next step, and prioritize the follow-up activity. The most important thing to remember in qualification is that less is often more and many may remain with marketing who will continue to mature the lead with additional steps.

- **Assign**—Apply rules to determine who should receive the lead and push the lead to the individual who best meets those qualifications. Considerations should include the territories, the size of opportunity, and the best way to distribute.

- **Escalate**—Great leads must be acted upon quickly in order to maximize potential. It's critical to take action if timeframes for follow-up are not respected by notifying the manager or transferring the opportunity to another sales territory.

- **Mature**—For many leads, it's a question of timing. What may not be a qualified buyer today could very well be one in six months. If the initial sales process fails, certain leads should be passed back to marketing for further education and communication.

The final activity in lead management is measurement to understand the effectiveness of marketing investments and the tailoring of targets and activities to yield the best Return on Investment (ROI).

It is very difficult to do lead management without technology to support the entire process. Much of the reason that up to 70% of leads receive no attention is because of the lack of advanced qualification and integration in the opportunity management system. Technology, whether it's a single CRM system or multiple integrated applications, must be in place in order to eliminate the waste in lead management. Manufacturers have seen an excess of 30% improvement in lead follow-through, but it's important to recognize that the most important goal is to limit the number of leads that are tossed at sales and focus on delivering only high-quality prospects. The next phase is to move to advanced lead management, which would incorporate alert management and analytics to manage the rules for follow-up, manage escalation, collect specific feedback on the quality and readiness to buy, and measure the quality and effectiveness of every marketing investment. The bottom line is that every day, tens, if not hundreds, of qualified buyers are slipping through your fingers. A manufacturer just closed a $20M deal from a new prospect off of a Web hit. The ultimate goal is to build rigor and accountability, with both organizations jointly increasing demand and revenue.

Customer segmentation—determine the highest value customers and segments

As attention has shifted from big CRM projects aimed at reengineering all customer-facing operations, users have begun to ask the more fundamental question, "Who are my most valuable customers?" It's surprising how few companies can answer this question, but it's not surprising when you consider how difficult it is to collect and analyze all data that determines customer profitability. Understanding true profitability is the first step in a broader strategy of customer segmentation.

Historically, most companies have implemented very simple segmentation strategies that differentiate customers in two or three levels of high-level groupings based on sales volume. One of the many myths that customer segmentation shatters is that size is equal to value or profitability. Because of the huge difference between the cost-to-serve for various customers, sales volume or gross margins are poor indicators of who your best customers are. Uncovering real cost-to-serve is a difficult task because the data is fragmented across many systems and there are many hidden costs in serving customers. So, you start with the obvious stuff: contribution margins, returns, claims, cancellations, and on-invoice discounts, but to get real clarity, you must also get a handle on the number of sales calls, amount of technical and customer service, DSO, special services [Vendor-Managed Inventory (VMI) and packaging], frequency of order changes, and off-invoice discounts (payment terms, annual volume discounts, or deductions). Collecting this data is hard work, but it is a necessary step in building a CRM strategy that focuses the entire company on growing and rewarding high-value customers.

Once cost-to-serve is complete, the segmentation process begins by segmenting customers into bands that are relative to profit contribution. Next is a multidimensional analytic process to understand why significant gaps in customer profitability exist. Users should consider the impact of the sales rep, channel, industry, geography, size of business, share of customer, and product mix on profitability. It is not uncommon to discover that certain regions or sales reps are the source of unprofitable business; in other cases, it's industry; and in others, it's product mix or combinations of all of these factors. The process should yield the crucial attributes of your ideal customers as well as a list of quick wins by realigning sales and marketing targets, redeployed resources, changes to pricing policies and contract negotiation, approval processes, and service-level adjustments.

Channel management—the extent of the process to improve the efficiency of channel-based process and the effectiveness of sales and marketing investments

Most manufacturing companies sell a large portion of their volume through a variety of indirect channels, including brokers, dealers, manufacturing reps, agents, retailers, and distributors. These independent companies are responsible for selling and serving the end customer and, as a result, require a very specialized strategy to meet the needs of a partner. Partner Relationship Management (PRM) is a complete framework to support the overall operation of the channel strategy and the specific process support needs of partners.

The good news is that channel management provides one of the best opportunities to improve cost savings and sales effectiveness, since there is typically a great deal of low-hanging fruit; consider the following:

- Combining lead management and escalation with change management is well worth it. Consider a company's strategy of using leads as a motivator with its resellers, where resellers that quickly followed up on them were given better quality leads, while those that ignored them were not given as many. Leads, as an incentive, drive better returns on marketing investments.

● Tackle the order capture process first and then apply the technology to automate and improve performance. An important lesson learned by many manufacturers is that the process by which they take orders is inefficient and can be manually redefined with Web-enabled order capture applications being applied to extend order capture points throughout several channels at the same time. The major payoff is that order accuracy goes up and the cost per order is reduced over time.

● Integrating financial and operational indicators by channel pays off in specific markets and with specific resellers. Telecommunications, high-tech, financial services, and discrete manufacturing companies benchmark their channels to the partner level, looking at performance, profitability, and potential for expansion.

● Channel strategies with mediocre usage need to be treated as an untapped asset. It's no secret that many of the channel management strategies that companies have invested in are only used marginally—not anywhere near their intended usage. It's time to revamp strategies to once again target the core users in the company: the customers for these partner and channel management systems.

● Streamlining special pricing requests and increasing pipeline potential are skills worth acquiring. Companies migrating from manual to electronic automation of special pricing requests consistently achieve triple-digit returns. It's time to tackle this problem if it slows down getting proposals out and potential clients in your pipeline. This ties into the quoting and proposal generation section from earlier in this Report.

● Strategies that serve only a single channel are deadwood. These strategies are pilots that never grew into implementation with goals that either need to be included in new strategies or removed from your sell-side balance sheet.

The most common approach that companies are taking to get their channel strategies up and running is to attack inefficient customer-facing processes first and then selectively add in channel strategies that span multiple channels that sell and serve channels.

Web self-service—for increased customer convenience

The objective of Business-to-Business (B2B) self-service is not cost-driven; it is focused on opening a new support channel for added customer convenience and satisfaction. Companies that have implemented B2B self-service have nearly all stated that the primary reason for doing so was to offer customers an additional channel—not a replacement channel—for support. In fact, most companies stated that they don't want B2B customers to stop calling, but they do want to offer customers the ability to receive support in the manner that suits them best.

To make self-service productive for a B2B customer, it must address its specific needs and recognize the existing relationship it has with a company. Otherwise, a customer won't change its behavior and will continue to call a contact center or an account manager with questions.

Given this, an unassisted support interaction needs to be able to mirror an assisted one by performing the following actions:

● **Recognize**—Identifying a customer by name, organization, and role

● **Personalize**—Displaying and managing transactions for the customer's product portfolio, service agreements and entitlements, open inquiries, order status, and invoice and billing information

● **Diagnose—**Understanding the intent of the inquiry (for example, support- or order management-related)

● **Respond**—Providing a resolution through integration with other systems (for example, knowledge management or order management) and responding; if issue cannot be resolved online, providing workflow to escalate the inquiry (for example, to contact center or account manager)

If companies can implement the real self-service approach outlined above, the payoff often comes in the form of more satisfied customers—they have 24x7 access and they can conduct business by themselves if they so choose. An additional benefit for companies is related to customer retention; if a site offers productive self-service, it is more difficult for customers to switch to a competitive provider. AMR Research categorizes these benefits, which are more qualitative and external in nature, as Return on Relationship (ROR) metrics, which differ from internal and quantitative ROI measures. ROR benefits are critical in the battle for competitive advantage and should be used as the primary justification for implementing online support.

The biggest challenge in the success of self-service comes in getting customers to adopt the new way of doing business. Customers that have regularly interacted with your company—over the phone or face-to-face—will need help getting acclimated to your new support channel.

To encourage adoption, consider the following:

- First, evaluate current customer management procedures as well as customer support patterns and needs. Determine which portions can be delivered over the Web.

- Consider developing a prototype or a demo scenario for customers to encourage brainstorming and discussion.

- Communicate with customers early and often through the process of creating and rolling out self-service. Setting expectations about what they will and won't be able to accomplish online is critical.

- Understand that the process will be iterative as customers become more knowledgeable about how self-service can be useful for them.

- Promote the new capabilities in all forms of customer communication (for example, Interactive Voice Response (IVR) systems, on-hold messages, or invoices).

- Offer training or incentive programs. Additionally, encourage call center agents to spend a few extra minutes with customers to introduce the self-service capabilities, which should also force a change in agent metrics for a period of time to allow for this type of customer support.

Installed base sales—mine the installed based to identify best revenue opportunities

For many discrete manufacturers, CRM projects follow the attract-sell-serve model, but they begin by looking at attract when they should focus on serve. AMR Research believes that companies should start with serve for two reasons. First, it means starting with a base that represents a large opportunity and can develop immediate returns. On average, AMR Research has discovered that 25% of revenue and 45% of profits come from services when working with the installed base and existing products. The numbers climb significantly higher when you add sales of products to the installed customer base.

Second, there should be some record of the relationship from which to build on and deliver value. The difficult part of any CRM equation is profiling, collecting, and managing information in the form of a customer record, particularly when there are multiple sources. Understanding how to manage customer information requires companies to look at the business processes that they enact when interacting with customers. By focusing on serve, one user was able to associate 300% more customer account information to increase the per customer revenue.

With the benefits of serve withstanding, the lure of sale process improvement was the driver for 40% of the manufacturers in a recent survey. However, user adoption adds a significant element of risk to the project that you must address in order to deliver on the promise. A focus on customer service and cost to serve establishes the platform for future sales and marketing efforts.

The building blocks of an installed base sales strategy start with the detailed history of customer sales activity and product installed base history. Unfortunately, most organizations have done a poor job maintaining that data, and it typically is fragmented across many systems. Step one is to invest in cleaning and aggregating this data. Step two is to apply basic analytics to identify customers or products where you have additional revenue opportunities related to field service support, service contracts, parts, upgrades, and replacements. The final step is to execute the campaign management process that personalizes marketing communication and coordinates sales support and follow-up.

Field service automation—integrate field service personnel to improve utilization and feedback

Working capital woes are common with most field service organizations because of the poor connection with the day-to-day business. What would your organization do to take working capital down from over 90 days to less than

30 or even 10 days? You would give your field employees the ability to manage invoicing and capturing electronic signatures. You would optimize the scheduling of technicians and inventory. You would track the location of trucks and field employees. However, before these investments can begin to bear fruit and become sustainable, there must be an investment in basic field service automation.

The nuts and bolts of sending employees out of the office to complete the installation or maintain products requires investment and thought about the required results of the field business processes. At its roots, field service automation is simple and is accomplished by handing every field employee a cell phone and calling them when an order arrives. However, leading companies push to eliminate paper, reduce time to invoice, and increase employee efficiency by connecting the field worker to the office. The connections occur with and without wireless capabilities, but, for the most part, the trend is towards wireless. A well-designed field service data model provides a basis for analyzing service inventory requirements, customer training requirements, and workforce performance.

To generate benefits, most companies should consider the following processes:

- First, look to reduce the time to invoice by creating and getting approval on job completion in the field. Oftentimes, approval requires producing a completed work order with customer data for signature.

- Second, reduce the amount of work required to manage the warranty process and verify entitlements. Integrating the warranty process much tighter with point of warranty claim creation, potentially through a service partner, and pushing a lot of the business logic required to validate a claim closer to the interaction can eliminate much of the waste in the back end of the process.

- Third, simultaneously improve service and utilization through dynamic scheduling and dispatch. This is accomplished by integrating directly with the field organization to understand capacity and availability, current status, skills, location, and inventory/tooling in order to make accurate and immediate commitment to clients and to do so based on a schedule that encourages utilization.

- Last, turn service into a revenue process by empowering and equipping field service personnel to up-sell, cross-sell, or simply generate a lead for the relevant sales organization. This requires a process and ideally mobile technology to support the execution of the sales event.

Closing Comments

One of the biggest myths about deploying a CRM strategy is that it needs to be structured and managed as a major integrated project like ERP. In reality, it is quite the opposite: it needs to be managed as a series of discrete projects deployed incrementally. The major failures in the industry result from the megaprojects and inability to manage the massive change driven by cross-functional or enterprise CRM. The successes have developed a long-term CRM roadmap that is governed by a consistent vision and strategy, but executed through a series of smaller, focused business-led projects that create the capabilities required to support the strategy. The 10 projects highlighted in this Report were selected because they are focused and have proven to create value consistently for manufacturers. Prioritizing these projects will depend solely on their relevance to the development of a CRM strategy.