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No More Limits

On Demand CRM Goes Strategic

Peppers & Rogers Group
a division of Carlson Marketing Worldwide

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Executive Overview

a business cannot succeed without customers. What's a product without a customer to buy it? Or a service without a customer to serve? It's how companies use those products and services to get, keep and grow customers that counts. For this reason, the ability to more effectively market to, sell to and serve customers has made its way to the center of corporate strategy.

But strategy is only half the success story. It takes Customer Relationship Management (CRM) technology to put a strategy to work. It's technology that provides the underlying infrastructure that enables employees to get, keep and grow the customers so vital to success. However, companies have historically faced an all-or-nothing choice when it came to investing in CRM technology. If they wanted vertical expertise, functionality and customization, they had to invest in an "on-premise" solution in which everything from hardware and IT support had to be managed in house. Or they could choose an "on demand" solution, which alllowed them to get up and running fast at low cost, but also required them to squeeze their customer strategy into a one-size-fits all solution without much functionality or depth. But not anymore.

On demand is rapidly evolving into a more strategic, more capable CRM technology option. The days of all or nothing have given way to a wider choice of deployment options in which many of the functionalities that once were only available on premise are now part of on demand. This white paper documents that evolution. It tells you what's new in on demand CRM, details the six questions every buyer should ask before making an on demand investment and outlines key lessons for finding the right fit for your business. To bring it all to life, the paper also tells the story of Baxter Medication Delivery, a $4 billion organization with plenty of practical tips for making an investment in on demand pay off.

>contents

Busting the Myths

Myth #1: On demand means less data security
Data security may actually increase. Why? Data security in an outsourced environment is likely a core competency of a technology partner, but it might not be one of yours.

Myth #2: On demand is for SMBs, on premise is for big enterprises
28% of all outsourced application engagements are by companies with 5,000+ employees, says IDC.

Myth #3: On demand is great to start, but you'll need on premise to grow
One company can now have its own, privately hosted database, application server and user interface, which means there's room to scale as the business grows.

Myth #4: On demand is only good for SFA
Marketing and service have arrived, too. Analytics, campaign management and metrics, self service, call routing, satisfaction surveys and call center capabilities are now in the mix.

Myth #5: On demand is only for companies with no IT staff
Some companies with deep IT staffs turn to on demand to free up resources for other strategic projects.

What's New in On Demand

There's more to on demand CRM these days than you might think. "The most significant developments in on demand are its ability to align tightly with a customer strategy and enable a company to get, keep and grow customers across the customer lifecycle," says Rob Reid, Group Vice President, CRM On Demand, Oracle. "All of the 'tactical' advantages that drew companies to on demand CRM in the first place are still there, like lower cost and rapid time to value. But now many of the capabilities once reserved for on premise solutions are now part of on demand, which makes for a much more strategic on demand CRM." How exactly has on demand improved?

Flexibility and Insight

Customers change. Strategies change. But the no frills style of past on demand CRM technology couldn't always keep pace due to a lack of analytics capabilities and metrics tracking. For example, if a high-value segment of customers shows a likelihood to defect some time over the next quarter, sales must see it coming to take action. If a particular product line shows a sales spike among a subset of high-growth customers, marketers must see the trend as it's happening if they want to turn it into an even bigger win. Or if a key field sales team has yet to get on board with the new customer strategy, management has to be aware of it in order to drive adoption.

The next generation of on demand CRM has analytics tools and metrics dashboards already built in. "Analytics is critical because it helps to unlock the value of customer and operational data most companies have but don't capitalize on," says Reid. "It's designed to give decision makers insight into not only when events occur, but also why they occur and how to make smarter decisions that turn that insight into new opportunitites." It's common, for example, to use an analytics solution or analytics tool within an on-premise CRM solution to uncover the needs and preferences of prospects and use the insight to make more effective cross-sell and upsell offers. Traditionally, data mining and analytics capabilities were missing from outsourced CRM deployments. However, pre-built data warehouses and analytics tools are bringing the new wave of on demand CRM up to speed.

Metrics dashboards are what enable a company to monitor the rollout of its customer strategy, repeat what's working and fix what isn't. "For example, a regional sales VP has to be able to use forecasts and quotas to track sales and monitor the health of the pipeline," says Reid. "If based on the numbers he decides to reassign members of the sales force, the on demand CRM tool should be able to use assignment rules to route leads to the right rep and help managers set guidelines for going forward." In other cases, the sales VP might come across some specific best practices being used by a few top sales reps, but would be valuable to the entire salesforce. Using technology to repeat what works is the key to bringing new sales reps up to speed and improving overall numbers by closing more deals faster. "But if the on demand tool isn't flexible enough, or doesn't have the ability to help coach other sales reps, you can't improve."

Functionality and Vertical Depth

Remember when on demand CRM meant the same thing as basic SFA? Familiar tools like contact management and lead management are still part of on demand; but next generation on demand includes deeper functionality for the sales side, such as specialized workflow and real-time historical analytics management. However, customer relationships extend beyond the sales department, so on demand should be able to extend as well. To that end, there is a range of new, embedded capabilities in on demand CRM that cut across customer-facing departments and areas, including marketing campaign execution and tracking, and call scripting and routing for the service side. For each of these functionality areas there is greater configurabilty, too. The User Interface (UI) of the current on demand CRM tools can be tweaked to match the needs of specific sets of business users, such as marketing campaign managers vs. marketing directors, or even different sales reps.

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Vertical specificity is a second key area of increased depth. Companies within different vertical industries have different requirements for building customer relationships, and an on demand CRM solution should be deep enough to meet them. In other words, it must be able to automate core processes, streamline workflows and adapt to how that company in that industry manages customer relationships.

Deployment Options

Legendary auto maker Henry Ford was famous for giving customers the ability to choose any color of automobile…just as long as it was black. Until recently, a company looking to invest in on demand CRM was faced with a similar ultimatum. Either outsource and use a vanilla on demand CRM tool without a lot of functionality or vertical depth, or spend the money for a full, on-premise solution. For companies not interested in the on-premise, "in-house" route, there are three different ways to deploy on demand, depending on a company's business requirements and strategic goals:

1. Shared on demand is similar to the first wave of outsourced CRM offerings, but with many of the enhancements in flexibility and depth above. Many businesses still require a no-nonsense application that's fast to deploy, inexpensive to run and requires no internal IT resources to support it. To reach these requirements, shared on demand uses a multi-tenant format, which means that several companies share a common technology "stack"—i.e., they share the same database, application server and user interface (UI) running on a single, outsourced infrastructure. However, "Multi-tenant doesn't mean less secure," says Reid. "There's been significant progress in partitioning and securing the shared database so that each company has access to only its data." This makes shared on demand a good fit for companies that want to get up and running fast while minimizing risk and costs. It uses a subscription-based model, which provides flexibility to buy more seats (as customer strategy changes or growth occurs) or to scale back when needed. For example, following a large acquisition, a Fortune 500 financial services company might purchase 3,000 new seats to put its newly combined sales force on the same page. Or a mid-sized B2C retailer may buy 20 new seats to help customer service during a peak shopping season.

2. Private on demand is a deployment option just hitting the market. Like shared on demand, a technology partner still manages the stack and provides service, support and security. In the private on demand option, however, the stack is not shared by other companies. It's a single-tenant format, which means the entire database, application server and UI are dedicated to just one company and its users. This keeps data security high but also gives the company greater control to customize and configure the on demand CRM solution. An insurance provider, for example, may have millions of records that need to be uploaded to the database on a regular basis. It also must comply with federal regulations that govern how it must house and access customer data. Given these requirements, the insurance provider deploys a private on demand solution. It receives its own dedicated database to house and secure the records and it gains control over when records are uploaded. And by outsourcing the infrastructure and upkeep of the CRM database, IT resources are freed up to work on other projects.

3. On premise and on demand, or the "hybrid" approach, is a combination of the on demand model and the on-premise model. This option is best for large companies that have several lines of business (each with its own set of CRM requirements), lots of branch offices, or a high number of users across multiple geographies. For example, a global manufacturing firm with far-flung offices may use on demand to keep its satellite locations closely tied to corporate, but use an on premise solution at headquarters to act as a central hub for driving its CRM strategy. Or a growing B2C retailer might decide to use an outsourced CRM tool for newly opened stores to keep costs down. The combination of on premise and on demand works because they rely on a single provider and common code. This allows the migration to either a pure on-premise option or a pure on demand one based on what the business needs in the future.

A "hybrid" approach of on demand and on premise CRM helps companies with several lines of business and far-flung operations to build customer relationships consistently.

The Options of On Demand

The days of having to choose between "on premise" ***or*** "on demand" are over. Companies now have four CRM deployment options to choose from, three of which involve the use of an on demand solution.

Shared On Demand	Private On Demand	On Premise & On Demand	On Premise
Lower cost, fast to deploy, easy to configure	***On premise functionality and benefit plus hosted application management***	***Combination of hosted and internally implemented CRM***	***Full in-house, most comprehensive and vertical specific***
• Multi-tenant or "shared" service offering • Rapid deployment • Embedded analytics and CRM best practices • Vendor manages IT infrastructure, service levels, IT governance and security	• Single-tenant or "private" service offering • Vendor manages IT infrastructure, service levels, IT governance and security • Rapid deployment • Ability to tune database to specific company preferences • Vertical editions	• On premise offering combined with hosted offering • Fast deployment where needed • Move hosted users to on premise or vice versa based on business needs	• On premise offering • Deep vertical editions • Deep analytics and business process support

Source: Oracle

On Demand At Work: Baxter Medication Delivery

Baxter Medication Delivery is a $4 billion division of Baxter, a global $9.8 billion provider of medical products and services. Baxter Medication Delivery packages up and ships a host of products such as IV solutions and frozen drugs to hospitals and physician offices. It also negotiates with Group Purchasing Organizations (GPOs) on behalf of clients. More than two years ago, Baxter set out on its CRM journey. A few bumps and several big wins later, it knows how to make an investment in CRM pay off. In this Q+A, Operations Manager and CRM lead Courtney Hammerton tells us the company's reason for going with an on demand solution. Along the way, she shares invaluable advice for the prospective buyer.

Q: Why do customers choose Baxter over its competitors?

Breadth of the product line and competitive pricing are always going to be important. But what really sets the brand apart are the service and support that come with those products. We have a tenured sales force, some reps with 25 years or more behind them. They know the business and they know the customer's business, so they have built up solid relationships over the years. We're really a relationship company.

Q: What factors drove the company toward CRM?

The light went off about two years ago while we were negotiating some of the bigger GPO contracts. We always knew that a ton of information and know-how goes into this process. But it hit us that our information and experience were going to walk out the door with our reps as they retired. So we were in danger of losing our edge if we did not think strategically about how we compete now and how we will compete down the road. Another driver was that it was always a fire drill to get information out of the reps' heads. Spreadsheets were created ad hoc and passed around over email. Information could be missing or out of date. On demand allows us to better track customer information and insights on a real time basis. It provides us with the ability to not only track and trend the what's of our business but the why's. We always said that a big reason why we went to CRM is because we spent too much time looking in the rear view mirror instead of the windshield.

Q: Was outsourcing CRM always part of the plan?

No. In fact, I was brought on board to do an on premise implementation. Corporate IT had a global CRM strategy in place at the time, but no global funding. It left the funding to the individual divisions. But how could I make a case for an on premise CRM project with an 18-month time to benefit? CRM was not identified as a top priority for funding. Outsourcing via Siebel on demand CRM gave us a whole new avenue. It was still CRM, but it was quicker to benefits in terms of speeding up sales processes, centralizing information, etc. The business was able to work independently to get some lessons learned under our belts quickly to understand what our challenges might be when implementing a full CRM/SFA/Analytics solution. The project gave us immediate value for very little cost.

Q: What obstacles did you hit and how did you overcome them?

Just because we have a tenured sales force that is good at relationship building didn't mean they were on board with a new piece of technology. More than once I was told that technology is no way to gauge the health of an account. I have been on the road a lot, meeting with different sales teams to get them ramped up. But it's more than training. It's about winning their confidence, and that requires face time. You have to show them how the system will help them to sell more by answering questions like: Will it help me save time? What information do I have access to and what can I do with it?

It's amazing what you can learn when you watch a sales rep actually use the tool. I pick up on little things that I can tweak to make their lives easier. For example, on a service request screen, the status is on the top right, but they have to enter new information on the bottom left. The UI is flexible enough so why not put the two pieces together? But I'd have never figured out to do this if I didn't get out into the field. It also shows the reps I'm committed to helping them, and it's not just Big Brother telling them to use the system.

Q: Are other areas of the business benefiting from the on demand solution as well?

Siebel has become a focal point for marketing, sales, finance, manufacturing, management, etc. And everyone is looking for something different from our forecasting capability. For example, we do a lot of product conversions [transitioning a customer from one product to the next, like an upgrade]. The marketing department wants to know which customers are ready for a specific campaign and if an additional offer for nursing services should be included. Manufacturing wants to know how many product conversions will happen in the next month to plan inventory and put the right product in the right warehouse at the right time. Finance wants to know how many sales dollars we're going to gain and when we'll get them so we can track to plan. It's not perfect yet, but different parts of the organization are now adding their respective pieces to the system—it's becoming one-stop shopping for forecasting.

Q: What are the big benefits from management's perspective?

We now know why things happen, so we can fix what's wrong or take advantage of new opportunities. With all of the account information in one place, we know why we gained or

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lost business over the last two years. We can see how one product line is performing vs. another, or how one region is doing vs. another. We can have more intelligent marketing programs, or put our best reps toward the best sales opportunities. Contract compliance is another big one. For the first time we can track a contract and tell a customer, "You aren't buying what you said you would." The sales people are happier because they can have conversations along the way rather than one uncomfortable one at the end of the quarter. Siebel has helped us build up both a qualitative and quantitative historical database on our customers. That drops right to the bottom line. And there are other improvements that you just can't put a price on or a value to, like taking six spreadsheets down to one screen or having real, database integrity for the first time.

Q: What advice would you give to a company looking into an on demand CRM purchase?

Get buy in from management as early as possible. Executive sponsorship is key to a successful implementation. They were not going to make any key strokes, and they had no formal ownership in the system, but I needed their buy-in and support if anyone in the sales team was going to adopt the new on demand system. It has made a significant difference for us. At first, you couldn't talk me into on demand. Now you can't talk me out of it.

What About Costs?

Ever since on demand for CRM arrived over a half-decade ago, lowering costs has been the big draw. And let's be honest: cutting costs will always be a major consideration when outsourcing. But a recent study shows that other factors also are starting to sway the decision. According to a survey of senior executives attending IDC's Outsourcing Forum of early 2006, 36% said reducing costs was a primary driver behind the decision to outsource. However, when evaluating an outsourcing provider, only 13.9% said that their goal was to find the lowest cost solution on the market. Of much higher importance (47%) was finding a provider that offered "transformational services" that will help to drive growth and innovation.[i] The bottom line: Executives are still looking to cut costs through outsourcing, but they want their investment to enable growth first and foremost.

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As you run the numbers, here's a tip on costs: Peg the investment as an operational expenditure and not as a capital expenditure. Operational expenditures (unlike capital ones) usually don't require layers of approvals from corporate before the money can be spent. Since on demand does not require a ton of money up front, a marketing VP might have the authority (and room in the budget) to OK the investment without a lot of red tape. This not only helps big companies stay nimble; it allows key areas to get ramped up on CRM fast and show quick wins to management.

Finding the Right Fit for Your Business

With the options available in on demand CRM and the new technological advancements, how do you find the right fit and get the most "byte for your buck?" Three proven lessons can help.

1. Start with customer strategy

Strategy, or the approach by which a business seeks to win vs. its competitors, must encompass customers: who they are, what they buy, what needs they are seeking to fulfill and their value to the enterprise. The reason? Customers are the scarcest resource in business today. "Businesses succeed by getting, keeping and growing customers," state Don Peppers and Martha Rogers, Ph.D., in their most recent book, *Return on Customer*. "Without customers, you don't have a business. You have a hobby."[ii]

To get, keep and grow customers requires wrapping your processes around customers, and understanding their requirements. "It sounds simple," says Reid, "but it's still a common pitfall to over-focus on what a CRM solution has to offer rather than what a business really needs to improve its relationships with customers."

Start by identifying your business requirements. Fallout from a merger or acquisition, for example, may necessitate that immediate steps be taken to integrate sales personnel from two companies. If customer data is scattered, the two sales forces might be working independently, bombarding customers and driving defection. Here, on demand could centralize disparate stores of contact information and assign ownership among the combined sales force so customers have a single point of contact. In other cases, the problems to be solved might be long-term. In retail banking, for example, increasing low share of wallet across product lines is top priority. In this case, an on demand solution could be used to govern the entire course of the customer relationship across lines of business and over time.

2. Use technology to execute

A strategy must be executed to pay dividends—and that means using CRM technology intelligently. Research has shown that low-performing firms exhibit conflicts in alignment among business strategy, business structure, IT strategy and IT structure.[iii] In the world of CRM, the evolution of on demand to accommodate even the most complex customer strategy and grow along with the business can help organizations sidestep the pitfalls that have kept many of the best strategic ideas from becoming reality.

"On demand CRM not only helps companies develop a customer strategy," says Keith Raffel, Group Vice President, CRM On Demand Products, Oracle," it also helps them deploy that strategy to affect important business outcomes." It does this by aiding in the monitoring and analyzing of key metrics that reflect important facets of the strategy, such as the inflow rate of new customers, the expansion of existing customers and retention of the most profitable

Six Questions Every Buyer Should Ask

1. What business problem(s) am I trying to solve? It might be lifting poor campaign response rates, shortening a sales cycle or saving money by outsourcing the contact center. A laser focus on the right business requirements before you shop is half the battle to making the best choice.

2. How much can I spend? Low cost of ownership will always be a big upside of on demand, but balance cost control with other goals as well, such as customer profitability and growth.

3. How deep are my IT resources and expertise? A "can-do" attitude is great, unless IT gets in over its head. If you don't have the IT bandwidth or know-how to go on premise, on demand might be the ticket because the technology partner does all the heavy lifting.

4. How comprehensive do I need it to be? It may sound old hat, but as the power and flexibility of on demand pick up, stick to the functionalities you need and don't let the bells and whistles get in the way. You can always add on later.

5. How much control/privacy do I need? If you have a ton of data to manage and protect, a long list of vertical specs, or a bevy of regulations to meet, you'll want a solution that gives you more control.

6. How do I want to be served? For the do-it-yourself types, on demand can still come out of the box without a partner, systems integrator or consultant in sight. For others, sometimes it just feels better to have support resources.

customers. From the sales perspective, for example, it may present a dashboard with information on the pipeline of opportunities, the win/loss ratio, the distribution of deals by dollar volume, and the "innovation ratio" based upon the percent of sales of products introduced within the prior three years.

Effective strategy execution necessitates knowledge of what is working, and to what extent; what is failing to achieve expectation, and why; and what is on the horizon, so that proactive plans and actions may be initiated. Consider, for example, the challenge of improving sales productivity. It requires the ability to see the present status of each opportunity, to adjust tactics that are tailored to individual customer circumstances, to set and track activities and due dates, to enforce the standardized collection of deal and prospect information, to prioritize and route leads to the most suitable sales professional, to forecast based upon consolidated projections, and to manage sales targets against performance goals. In total, it enables the relentless execution of each facet of the customer strategy.

3. Know Your Users

The late American journalist Edward R. Murrow once remarked that, "The obscure we see eventually. The completely apparent takes a little longer." As obvious as it sounds, it is too frequently forgotten that an investment in on demand CRM delivers value only if it is adopted, used and embraced by employees across the enterprise. This hurdle is "the last mile" separating the installation of systems from the realization of business benefit.

First and foremost to making it happen is executive leadership. Establishing urgency, creating a guiding coalition of representatives from throughout the organization, crafting and repeatedly communicating the vision, and showing how on demand CRM empowers employees to act on the vision are all facets of executive support. Executives must also hold middle managers from across the company accountable for demonstrating proper levels of usage of the new on demand CRM system. Simply off-loading those duties to a single department (such as IT or marketing) just doesn't work.

A second ingredient to successful adoption is knowing the needs of the users before you even consider a purchase of an on demand system. Is a regional sales team frustrated because they have to manually re-enter existing information when updating a customer record in your old contact management system? If yes, then know this need up front and make sure the new on demand CRM tool pre-populates existing customer information correctly the first time. By identifying these kinds of needs up front, you'll be able to draw a clear line between the new on demand system and how it will positively benefit the IT and business users asked to rely on it. That translates into higher adoption and results.

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As we saw in the case of Baxter Medication Delivery, adoption was hindered by sales reps who initially pushed back. They didn't see how the CRM system would help them do their jobs better.

Operations Manager Courtney Hammerton decided to take action and show the reps the value the system had to offer. She hit the road and spent face time with sales reps from different regions to learn what information they needed from the on demand CRM system and how they wanted it presented to them. Simple tweaks to the user interface allowed reps to access and use information the way they wanted to. Different groups of reps even receive their own UI, enabling them to get more done in less time, with less effort. Today, reps are motivated and enabled to share their knowledge of each account, ensuring profitable relationships don't disappear when reps retire and gives management insight into what's working, what isn't, and why.

Conclusion: Coming of Age

By the time you finish reading this sentence, there's a good chance the expectations and needs of your valuable customers just changed. If you're quick enough, your customer strategy can adapt. But can your CRM technology keep up? If you haven't taken a good look at the next evolution of on demand CRM, the answer might be no.

Companies that are winning with on demand CRM no longer see it as just a tactical fix. They see a bigger picture, one in which on demand CRM has come of age, able to align with customer strategy (no matter how complex) and grow in step with the business (no matter how big or small). With this perspective in mind, you'll be better equipped to find the best on demand CRM technology for your business and use it to get, keep and grow customers. And what is the cost of inaction? Theodore Roosevelt, the 26th President of the United States, once put it this way: "In any moment of decision, the best thing you can do is the right thing, the next best thing is the wrong thing, and the worst thing you can do is nothing." ■

Footnotes

[i] IDC and Cap Gemini, 2006.

[ii] Don Peppers & Martha Rogers, Ph.D., *Return on Customer: Creating Maximum Value from Your Scarcest Resource*, 2006.

[iii] Bergeron, F., Raymond, L., Suzanne, R., "Ideal Patterns of Strategic Alignment and Business Performance," *Information & Management*, 41, pp. 1003-1020, 2006.

Oracle

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