



## **Spend a Penny, Collect a Pound**

Sales force automation  
and marketing technology  
are increasingly important.  
With careful planning  
they provide an engine  
for fuelling growth.

White Paper by Geoff Ebbs, Simbient Pty Ltd

For further information please contact:

Mike Smith  
Director  
P: 02 9965 1866  
F: 02 9965 1899  
E: [info@simbient.com.au](mailto:info@simbient.com.au)  
Suite 2 Level 1  
77 Pacific Highway  
North Sydney NSW 2060  
ABN: 52 092 172 766

## Two roads to increased profit

*...the impact on profit of cutting costs is finite ... revenue growth on the other hand is finite.*

The nineties were notoriously obsessed with the top line as dot com companies attempted to buy market share. CEO's were famous for saying things like, "hang the bottom line, my job is to grow the market!"

It is hardly surprising then, that reducing expenses has been the focus of budget meetings over the last five years. But, cutting expenses is not the only way to get the bottom line looking healthy. In fact, the approach is particularly vulnerable to the law of diminishing returns.

The fundamental principle is that the impact on profit of cutting costs is finite – you can only reduce costs by a certain amount. Revenue growth on the other hand, is open ended. It is only restricted by the total size of the future potential market.

The trend to clamp IT expenditure not only has limited scope for improving the bottom line, it also leaves companies vulnerable to competition from those brave enough to invest money in revenue growth.

An emerging trend is to invest in revenue-growth-related-IT without expanding the IT budget by moving marketing funds away from "above the line" activities such as media advertising. The growth of targeted direct mail as a technology-intensive revenue growth initiative is testament to how companies are getting smarter about investing their marketing dollars. Mining of customer relationship databases is another. Clearly, technology has an increasingly important role to play.

Microsoft's release of its Customer Relationship Management Server typifies this trend. There has been significant hype around CRM because it offers an effective means to link your marketing and customer service functions to the sales effort. However, it is no silver bullet.

This paper explores the various facets of Sales Force Automation from the revenue-growth-related IT perspective, and offers some useful insights for developing a supporting technology strategy.

## *CRM at the coalface*

### *A lack of integration*

Like any tool, CRM can only deliver results if it is applied to a real business requirement. Consider some of the following scenarios:

### *Passive Resistance*

Company A buys a PABX system incorporating call centre management software that appears to do everything except get the customer to say "Yes." Management reports, analysis, workflow, contact management - you name it, the new call centre CRM has it. The problem is that it **does not integrate** with existing systems. When the customer calls us we know everything about their call history, but do not have their account details, most recent product purchases or job specifications. **Oops!**

### *Inappropriate engineering*

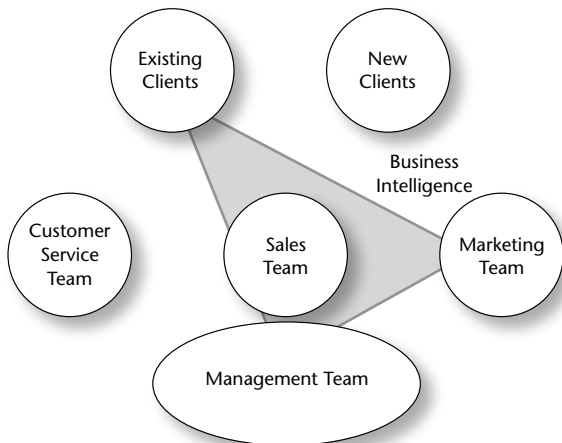
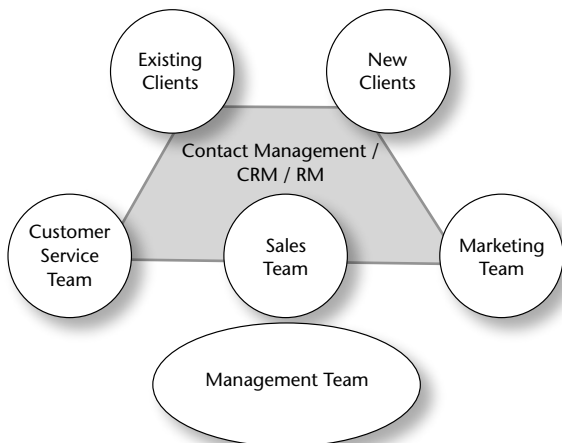
Company B believes that a new CRM system will assist the sales manager in working with the sales force to better manage their time, and will have the added bonus that contact details and call history will be in the organisation's computers rather than the sales person's head. All that is required is that **the sales staff must enter the details** after they have made the sales call. And if they don't ?

### *Misreading the customer*

Company C goes for the CRM that offers the latest and greatest technological innovation. Sales people will be able to integrate fax, phone, video and email on their hand-held PDA. They will be able to access the central computer with the client on their premises, demonstrate products, take orders and perform local stock checks. But the **system assumes the PDA will be always connected**, and half the customers are in locations without broadband, 'always-on' connectivity.

Company D integrates their CRM with a call-centre management system: Remote and smaller customers can be handled from head office or, even cheaper, from an outsourced call centre. The cost-savings are incredible, but when the system is launched **the customers stop buying**. On reflection, the major advantage the company had over its competitors was it still

## A range of tools on offer



offered face to face contact. **Ouch!**

In each of the cases above, a review of the actual business benefits to be delivered and some consideration of how the solution *was actually going to work* would have gone a long way to prevent the faulty implementation of a tool unsuited to the particular job.

On deeper analysis, the revenue-growth side of the business has a number of facets, each with its own requirements, and business outcomes. Consequently, there is a range of technologies available to enable these outcomes. CRM is only one of the tools available. To demonstrate this, the following diagrams map the areas of business addressed by some of the technologies currently being employed in the market:

**Customer Relationship Management** is the approach on everybody's lips. It is popular because it promises to address a problem that is significant in many organisations: the collection and management of customer-related information and activity.

Traditionally, this information has been distributed across a number of applications used by different people, or stored in people's heads. Either way, it may not be visible to the entire organisation.

One advantage of CRM software is that it can provide the means of measuring activity in a range of departments, as integrated from the customer point of view.

**Business Intelligence** has also had a long time in the spotlight as a powerful management tool for sales and marketing. It provides a different function to CRM. Essentially it gives marketing and sales management a consolidated view of transaction history, to provide a means of understanding the effects of current activity and identifying trends.

Although indirect – it may not identify which sales resulted from which activity – its focus on actual sales, rather than sales activity puts the focus on profitability, a boon to executive



management.

**Field placement of orders** is a tool that truly fits under the umbrella of “sales force automation”. By integrating the major pieces of enterprise software with the devices in the hands of the sales force, these tools increase business activity in a number of ways.

They provide a direct link between the customer and the ordering system. This eliminates delays and errors in the placement of orders and provides faster resolution of inventory issues such as back-orders, availability, replacement items and pricing changes. This can reduce back orders, encourage replacement orders and provide more accurate pricing information. Good for customers and good for the company.

**Online marketing tools** are a complementary element of sales force automation. Typically, they feature Internet-based delivery of sales collateral to sales people. This reduces marketing costs and improves sales performance.

The real impact of the technology however, comes with the more sophisticated application of pushing the marketing role out into the channel. This approach complements sales activity, allows the customer to participate in marketing through to the consumer. It allows companies to connect through to consumers without channel conflict.

## Picking the right one

### *Identifying desired outcomes (requirements collection)*

The more you investigate the available tools, the more difficult the choice seems to become. The way around this apparent conundrum is to review business requirements before attempting to determine the solution.

Once you shift the focus to the *business outcome*, the landscape becomes less confused and designing the technology that will deliver it is made relatively simple.

The application of this principle to sales force automation is a specific example of Simbient's general approach. The general steps involved are:

- Identify desired outcomes
- Align deliverables to the desired business outcomes
- Apply best-practice techniques
- Review plan against business outcomes

As with all forward planning exercises, the problem is that we don't know what we don't know. As a result, we tend to plan according to the limited knowledge we already have. Rather than trying to pursue the solution we think we need, a strategically successful approach is to seek business outcomes instead.

The Simbient white paper *Boiling the Ocean* is specifically designed to describe the advantages of reviewing business at a strategic level. The types of outcome we could consider should include:

- Happier customers
- More productive/ profitable relationships/ customers
- More productive/ profitable sales staff
- Reduced lead times/ inventory levels
- Reduced back orders faster fulfilment

*Align these objectives  
to the business*

*Apply best-practice  
techniques*

*Review plan against  
business outcomes*

It is pointless to simply state these high level objectives; in themselves they are obvious - we would all like happier customers. What we need to do is describe each objective in specific terms. This might be "increase customer satisfaction by reducing back orders and by offering suitable replacement products at the time of order."

Now that we have broadened the net to capture a wider range of business objectives we have to identify which are the most important. The focus of this methodology is to address those issues that *will have the greatest impact on profits*. It should be possible to make statements like "Last year we carried an average of \$100,000 of backorders for an average of 6 weeks. By converting 60% of these into immediate sales delivered in one week, we can increase the cash in the system by \$250,000."

There is a general framework available that allows this prioritisation to be done with relative ease. The Simbient White Paper *The Process of Business* specifically deals with one approach that can help glean a high level understanding of the business, in turn determining the correct focus of the requirements specification.

While significant advantage can be gained just from understanding which aspects of a project should be delivered first, the real benefits come when the project is implemented and delivers the promised benefit. This involves the integration of successful requirements collection, project delivery and, most importantly, implementation into the business. The white paper *Critical Chain* specifically describes an effective project delivery environment.

The process of looking at 'big-picture' business objectives ensures that we take the broadest possible view of the requirements while remaining focused on results. Once that process is complete we need to turn it on its head and ensure that having delivered the particular, the broader requirements

*Have the confidence  
to make plans now*

of the business are still met.

In the planning phase, this step is a reality check. Without fail, the plan is improved as a result of this undertaking. At the least, better “buy-in” is achieved across the business. In implementation, this review addresses the fundamental and sometimes vexed question of whether the project performed according to expectation.

While it can require some emotional energy and organisational honesty, this step sometimes leads to significant improvements in project performance and generally creates ongoing improvements in future planning process.

While many organisations are aware of the need for improvement in the systems surrounding their sales and marketing process, it is often difficult to determine the best course of action.

Sometimes, internal factors such as competing priorities and departmental politics can obscure the perspective. Other times it is because external issues or overall business performance limits the ability of the business to invest in change. Occasionally, it seems that the best decision is to do nothing until the business is driven by external requirements. In this case, IT managers maintain watch on the list of things that the business would “like to have” in an attempt to predict which ones will move first onto the “must have” list.

The advantage of forming a long-term strategic plan is that the list of potential projects can be ordered on the basis of the benefits they will deliver and the funds for the big projects found from the profits enjoyed by the quick wins obtained early.

The future of every business depends on its competitive advantage in the market and achieving that effectively will depend to some degree on the systems that support it.

Smart investors put smart technology where it will actually have an effect. To ensure they do this, smart investors understand the business first and then sort out the operational issues required to achieve the business objectives.