

# Succeed in High Technology Through a Customer-Centric Approach

March 2003

PeopleSoft.

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Through a Customer-Centric  
Approach

PEOPLESOFT  
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# Succeed in High Technology Through a Customer-Centric Approach

“With PeopleSoft CRM for High Technology, we’ll have a 360 degree view of our customers, which enables us to create a more customer-centric, highly personalized approach to customer support, sales, and marketing.”

Willie Jow,  
vice president of business operations,  
Sybase Inc.

## Executive Overview

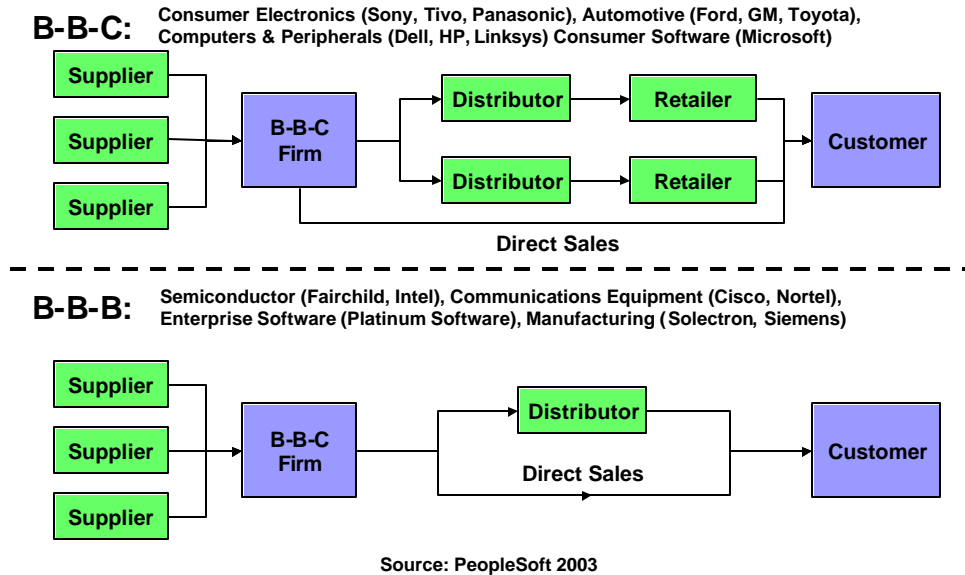
Competing in the hypercompetitive high-technology industry has never been harder, and the pressure to succeed has never been greater. Product life cycles for producing innovative technology are becoming increasingly shorter, while profit margins are shrinking as products become commoditized. To keep supply in synch with demand, manufacturers have integrated inventory systems to their suppliers’ systems. High-tech companies that have rolled out enterprise resource planning (ERP) and supply chain management (SCM) systems to optimize their internal operations are now focusing on front-end solutions to manage relationships with customers, suppliers, partners, and employees.

In this drive to manage the customer throughout the entire product life cycle, leading high-tech companies such as Sun Microsystems, Hewlett-Packard, and Sybase have invested in customer relationship management (CRM) solutions to manage their front-end (customer-facing) business processes: sales, marketing, and service. High-tech firms have begun to realize the promise of a collaborative, real-time enterprise by deploying CRM solutions to streamline business processes and to improve information flows. By providing relevant and timely customer information throughout the product life cycle, high-tech firms can more effectively design, produce, and sell products—improving customer satisfaction and loyalty. This paper illustrates how leading high-tech companies are including customer input within each step in the product life cycle to reduce costs and generate more revenue.

## Distribution Channels Shape Customer Management Needs

Because the high-tech industry is so diverse, it's important to distinguish between different types of firms to better understand their underlying need for CRM solutions. We classify high-tech companies into two broad categories based on their distribution channels: business-to-business-consumer (B-B-C) companies and business-to-business-business (B-B-B) companies. Figure 1 outlines the structural differences between B-B-Cs and B-B-Bs.

**Figure 1: High-Tech Distribution Channel Structure**



The B-B-C category includes consumer electronics firms like Handspring, computers and peripheral organizations like Dell and Toshiba, and software companies like Sterling Commerce (America) and Persistence Software. B-B-C high-tech firms are characterized by:

- Multitiered distribution channels.
- Average product prices below \$10,000.
- Extensive branding and marketing campaigns.
- Large customer service centers.
- Direct sales to end consumers.

B-B-Cs generally promote their products across many different touch points, including direct mail, email, TV advertising, phone, and the web. B-B-Cs must simultaneously manage multiple channel relationships with distributor and retail partners and are increasingly turning towards automated, electronic means to facilitate these relationships. Because the volume of customer interactions often measures into the tens of thousands per day, B-B-Cs have invested in automated communication channels such as the web, automated email, and interactive voice response (IVR).

B-B-B companies are characterized by:

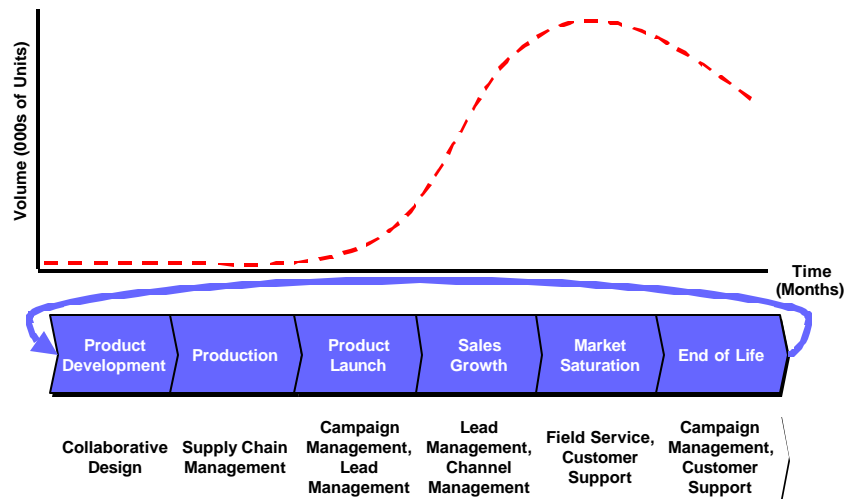
- Longer sales cycles.
- Average product prices above \$10,000.
- Multistep marketing campaigns.
- Extensive support services to a smaller base of customers and distributors.

The flatter distribution structure for B-B-B companies coupled with their high dollar per transaction increases the stakes for each customer interaction. Customers in B-B-B settings also more directly influence the design and development of new products because they typically have more direct contact with B-B-B firms. For instance, B-B-B customers and partners often require special modifications or other customizations on top of the existing technology platforms. These product extensions and options provide direct market feedback into the product development departments at many B-B-Bs. High-tech B-B-B organizations include semiconductor manufacturers such as Fairchild and Intel, telecommunications equipment vendors like Motorola and Nokia, and enterprise software companies like Mentor Graphics and Sybase.

## The Profound Impact of CRM Throughout the Product Life Cycle

Most high-tech companies have already automated and streamlined their supply chain processes and internal operations. Now they are looking to better manage their demand chains by automating business processes throughout the product life cycle. Many high-tech companies are integrating relevant customer data into each step of the product life cycle to reduce lag time between customer input and internal action. For example, some high-tech pioneers are channeling customer feedback directly into the design process by analyzing their CRM customer support systems for quick identification of issues like user-friendliness, durability, reliability, and missing functionality. Figure 2 details the various stages in a product life cycle and the relevant enterprise solutions for each stage.

**Figure 2: Stages in the Product Life Cycle**



Source: PeopleSoft 2003

Forward-thinking companies view CRM not only as a tactical tool to reduce costs and increase revenues, but also as a strategic tool to drive business processes. Because of the weakened economy and competitive pressures, high-tech companies need to improve their forecasting ability, boost revenues, and improve customer satisfaction. CRM begins with an underlying business strategy that drives changes within the organizational business processes. Rather than deploy monolithic CRM projects that require years to implement, high-tech companies have generally taken a more pragmatic approach to selecting streamlined solutions that mitigate the risk of failure. These cost-effective implementations foster more productive and more satisfying customer relationships by addressing several key areas in the product life cycle:

- Collaborative product design.
- Effective campaign management.
- Comprehensive lead management.
- Empowered sales channel management.
- Efficient support and field service.

## Collaborative Systems—Smarter, Faster Product Development

Product innovation will always be central to high-tech success. Collaboration tools offer lower product development costs and shorter time to market by facilitating the flow of information among all relevant parties and by focusing development on the features that customers require. Product development without proper input from external and internal sources risks unnecessary delays, which may increase product development time and inflate production costs.

Some high-tech organizations are experimenting with creative ways to link CRM support applications into the design cycle. Many self-service web sites let customers check the status of orders, inventory, and service issues. With a real-time view of what products and services customers frequently access, these firms are able to quickly identify problems with product design, documentation, or usability. For example, through analysis of their customer service logs for a particular product, product managers might find that users are having difficulty connecting the product to a network, or that a component within the product has an abnormally high defect rate. Managers can also use service center records to identify and prioritize the top 10 customer enhancement requests. By using real-time knowledge from customer support CRM systems, product design teams can better understand actual failure points and design flaws for quicker resolution. Ultimately, companies can use this feedback to influence future product features and functionality. High-tech firms in both B-B-B and B-B-C settings can improve customer satisfaction, enhance customer loyalty, and increase repeat purchases by providing customers with the products and features they need.

## Campaign Management—Providing Relevance and Improving Reach

“Customers must realize that new features and functionality of software are necessary, and, as such, upgrades are just a part of the software experience. Vendors must plan better for the end of life or the obsolescence of a product and work at communicating those plans.”

Gartner Group,  
*A Vendor's View of the Software Product Life Cycle*,  
February 2002

CRM marketing solutions improve customer communications in three key ways: improve relevancy of marketing messages through targeted campaigns, provide feedback to marketers, and manage various multichannel campaigns simultaneously. CRM marketing solutions play a critical role during product launches and product phase-outs. The compression of high-tech product life cycles has magnified the importance of properly managing product launches and phase-outs. These event-based marketing campaigns require CRM solutions that can deliver relevant messages to appropriate audiences, monitor response rates, and manage communications across multiple channels.

The targeted marketing capabilities of CRM applications enable high-tech companies to focus campaigns on the audience segments most likely to respond. By carefully segmenting their customer base according to location, demographics, purchase history, buying propensities, and other criteria, these firms can canvass their existing customers with the most promising cross-sell and up-sell offers. Through targeted marketing, they can improve communication effectiveness, reduce campaign costs, and increase sales revenue.

Unless the CRM marketing solution includes CRM analytics, it is unlikely that the high-tech company will be able to understand or be able to determine the effectiveness of their marketing campaigns. Marketing analytics provide a useful feedback mechanism to understand which customers will respond best to certain channels (direct, telemarketing, online marketing, and so on), track campaign success, manage campaigns within budget, and understand campaign ROI. Closing the gap between campaign execution and campaign analysis lets marketers adjust their messaging and communication channels for continued campaign success.

## Campaign Management Throughout the Entire Product Life Cycle

According to Gartner Group, high-tech vendors must plan for product obsolescence and need to communicate product retirement plans more effectively. Meaningful incentives are necessary to encourage customers committed to the use of a particular version of a product to move to newer releases.

Targeted marketing focusing on the benefits of the latest release is critical to convincing customers to migrate to new versions of the product. In some cases, customers jump at the opportunity to upgrade. For instance, to avoid costly errors associated with Y2K, vendors and customers alike updated their products and applications to comply with the new date fields. This “must-have” functionality enabled high-tech vendors to discontinue many older products and upgrade their client base to new technology. In this scenario, CRM played a pivotal role in helping marketers determine the right customers, notify them of upgrade options, and track their responses.

Ultimately, CRM marketing solutions can feed the sales pipeline by targeting appropriate customer segments and letting the selling company offer these segments the products they are most apt to buy.

## Lead Management—Reducing Lag Time Between Marketing and Sales

“More than 70 percent of leads are never acted on—typically because they do not reach the right person or organization at the right time.”

Gartner Group,  
*Reengineering Lead Management*,  
October 2002

Lead management is one of the most vital components of a comprehensive CRM solution because it cost-effectively bridges the critical link between marketing and sales. Once marketing efforts have established awareness, CRM sales solutions capture, qualify, and route leads. However, few high-tech enterprises have taken a comprehensive approach to removing the latency in lead management processes. By tying marketing efforts directly to the sales process, high-tech executives can ensure that their sales funnels are continually replenished with high-quality leads. CRM sales modules help qualify and distribute “hot” leads to appropriate retailers, distributors, and resellers, or may route these high-quality leads to online sales mechanisms such as retail sales web sites.

The results of CRM sales implementations have begun to bear fruit, as Gartner Group notes in a report published in September 2002. Leading high-tech firms such as Cisco Systems, Documentum, and IBM have reduced average lead qualification and distribution cycle times from days to minutes through effective use of lead management solutions. Through the timely delivery of relevant leads, lead management can increase lead acceptance and overall closure rates, ultimately boosting incremental revenue.

## Channel Management—Empowering Distributors and Resellers

“In the IT market, channel partners currently handle 50 percent of the total IT market segment. Industry experts predict this will increase to over 75 percent of the market for IT products that sell under \$100,000.”

Bob Thompson,  
Front Line Solutions

Managing indirect sales partners is a critical function in the high-tech industry, especially for B-B-C firms. In a typical B-B-C organization, keeping direct customers—retailers, distributors, and resellers—satisfied is paramount due to supplier competition. As the margins for error in forecasting, delivery, and execution shrink, the organization needs to communicate and collaborate with its broad reseller and retailer bases on a regular basis to achieve optimum performance.

Since many B-B-C high-tech firms’ sales channels are primarily indirect, web-based channel systems that both reseller partners and account managers can easily access are becoming increasingly popular. With direct access to the information needed, retailers and resellers are better able to focus on high-margin complementary services, such as warranties, product accessories, and service agreements. CRM solutions provide partners with key information transparently and conveniently to help them maintain sufficient inventory for repairs, learn about the latest product trends, and create goodwill. CRM provides high-tech firms with visibility into channel partners, responsiveness to reseller demands, and the ability to more effectively influence their behavior and performance.

## Customer Support—Exceeding Customer Expectations

The rapid growth of many high-tech firms, the emergence of new communication channels, and the increased complexity of high-tech products have complicated the customer support function. Forrester and other research firms have estimated that 70 percent of a company's customers will contact the customer interaction center at some point in their relationship with the organization. These interactions represent invaluable opportunities to build after-sale relationships and improve customer loyalty. Companies should not underestimate the importance of providing top-notch service. Seurat Company estimates that over 11 percent of a company's revenue is put at risk due to poor customer service. To enhance customer service and decrease operational costs, high-tech companies are taking two basic approaches: implementing more comprehensive self-service solutions and integrating CRM analytics into their existing operations.

By implementing a comprehensive customer interaction center, high-tech organizations are better able to extend their reach, reduce resolution time, and increase incremental revenue. Service options that are showing the biggest return on investment include personalized portal self-service, web chat, and email response. These high-value communication channels let customers interact with the organization when they want and in the manner they choose—improving customer satisfaction. Comprehensive CRM support solutions offer self-service customers the same tools that customer service representatives (CSRs) use, enabling customers to search, diagnose, and resolve issues on their own.

CRM support solutions span a diverse range of technologies including multichannel access, integrated knowledge management, contact management tools, personalization, business analytics and more. However, the ultimate key success factor will be each company's attitude towards customer satisfaction. Technology can only enhance the people and processes behind the customer service function, not replace it. Companies that adjust their business processes to better align with customer demands stand to gain tremendous benefits in terms of additional revenue through increased loyalty and decreased costs.

The emergence of sophisticated, real-time CRM analytics lets managers develop a tiered or value-based approach to customer support. Through real-time CRM analytics, high-tech organizations can better align service levels and investments with customer value. By knowing customer value, customer interaction center managers can segment their customer base and make strategic service decisions that result in the retention and loyalty of high-valued customers. Not only can they adjust services based on historic and real-time data, but they can also monitor customer purchasing propensities for more targeted messaging and cross-sell recommendations by CSRs.

## Field Service—Building the Relationship Post Sale

“Customers continuously re-evaluate firms with every experience—from marketing messages to post-sales support interactions. Rather than letting one bad touch sour their impressions, firms must establish proactive, informed, and continuous dialogues with customers.”

Forrester Research,  
*Focus On Customer Experience, Not CRM*,  
September 2002

To meet the high expectations of customers who have invested hundreds of thousands or millions of dollars on IT systems, high-tech organizations must maintain the proper infrastructure to log complaints, dispatch field service personnel, and track performance. CRM field service solutions enable the organization to efficiently allocate their personnel based on location, availability, skills, and competencies. Companies often have the greatest opportunity to strengthen their ties with customers after the sale has been made. In an industry where customer retention and repeat business is key to future success, CRM field service solutions are critical to sustained profitability.

Equipping field service technicians with real-time customer information is a growing trend for high-tech organizations. Technicians can diagnose and resolve customer problems more quickly when they have the latest information on the installed product, customized configurations, product defects, patches, and solutions. A CRM field service system can prompt field personnel in real time to perform preventive maintenance. By proactively providing system maintenance, high-tech organizations have not only increased customer satisfaction but have also lowered their cost of doing business by avoiding dispatching multiple personnel to the same location.

CRM field service systems help high-tech companies ensure long-term customer satisfaction and loyalty by automating service orders, scheduling preventive maintenance, and empowering the field with real-time, relevant information. In an industry where customer retention is critical, high-tech companies must continually invest in customer-facing processes and solutions.

## Conclusion

“Smart businesses are investing in CRM solutions to control costs in a down economy and to gain market share as the economy improves.”

Steve Bonadio,  
Meta Group,  
October 2002

Over the last two years, the high-tech industry has encountered reduced IT spending, increased customer expectations, and constant pressure to innovate. These factors have resulted in high-tech firms becoming more focused on improving bottom line profitability by deploying low-risk, high-impact CRM solutions.

Today’s CRM solutions give high-tech organizations a way to operationalize enterprise knowledge about each customer to intelligently improve relationships, one interaction at a time. High-tech companies that implement CRM as a strategic enterprise strategy can foster more productive, more satisfied customer relationships at each stage in the product life cycle. More importantly, by shifting from a product-centric approach to a customer-centric orientation, high-

tech companies are improving profitability, enhancing repeat purchases, improving customer retention, and gaining a comprehensive understanding of what the customer wants.

## Why PeopleSoft?

PeopleSoft CRM for High Technology is a complete CRM solution. Flexible architecture, comprehensive integration capabilities, and prebuilt data, best practices, workflow, and tools let you configure, extend, and integrate your system to meet your specific needs. With our open integration framework, you can use PeopleSoft CRM to extend the value of your customer information system and drive incremental revenue without replacing it.

The PeopleSoft solution is built for the internet, providing exciting new ways to redefine every aspect of doing business. High-tech companies can use the power of the internet to become more agile and efficient and meet their customer relationship demands. This has become critical in the hypercompetitive high-technology industry where staying competitive has never been harder, and the pressure to succeed has never been greater.

PeopleSoft excels above all other CRM solution providers in our ability to meet both immediate and long-term needs of the entire enterprise. We are committed to the success of our customers by providing extensive software, consulting, and service partner programs that provide additional technology and vertical expertise as well as integration support.

For more information on PeopleSoft CRM for High Technology, please call 1 888 773 8277 or visit us on the web at [www.peoplesoft.com](http://www.peoplesoft.com).



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