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Executive Summary

Relationship management is dead! Long live relationship management!

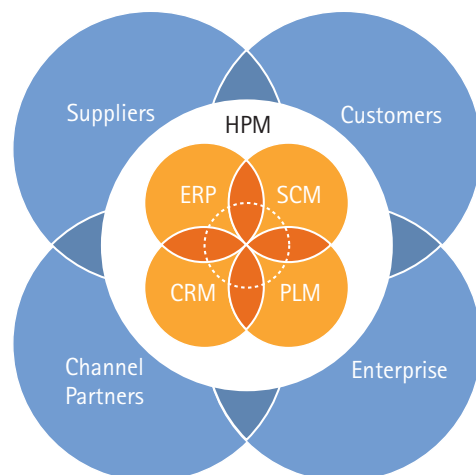
But it's not just about customers anymore. The value chain has grown so long and complex, involving everyone from your supplier's supplier to your customer's customer, that relationships at every link need strong management.

Many companies, especially high tech companies, have recognized the need and have launched initiatives to integrate efforts across the value chain. But few of these initiatives are having their desired impact. Few companies have overcome the fragmentation and lack of collaboration and communication that plague the value chain.

The Variable X

XRM, the next generation of relationship management, offers a way to integrate more closely with value chain partners to increase revenues while controlling selling costs. XRM integrates some familiar business functions (and attendant applications) to address the interlocking interests of value chain participants.

XRM Focus on Integration



Integrating these functions enables a new generation of capabilities that can support collaboration across the value chain – capabilities like collaborative marketing and selling, and total order visibility.

The Value Delivered by XRM

XRM delivers important value:

- Positive impact on the bottom line by increasing sales and decreasing their cost
- Stronger relationships across the value chain, especially with customers and channel partners.

The A, B, C's of XRM

XRM success depends on getting three things right:

- **Alignment** of the people, programs, and capabilities likely to produce the best results for partners
- **Behaviors** that will contribute the most to value chain performance
- **Capabilities** that harness the right processes and tools for collaboration, focus on the right opportunities, and promote effective communication among partners.

Accenture helps clients pinpoint their A,B,C strengths and weaknesses. And we have developed project approaches and tools to help these clients manage relationships across the value chain.

• Consulting • Technology • Outsourcing

CRM: From Fragmentation to Integration

Supply Chain + Demand Chain = Value Chain. This value chain has grown long and complex, involving everyone from your supplier's supplier to your customer's customer and linking partners in unprecedented ways to develop and deliver complete solutions.

Traditional approaches to building strong relationships with value chain partners focused on individual relationships. As partners grow more diverse and numerous and partnerships more complicated, the need to forge stronger, tighter linkages with partners across the entire value chain becomes critical to success.

Many companies, especially high tech companies, have recognized the need and have taken steps toward such integration – steps ranging from simplifying confusing partner programs to providing collaborative selling assistance, to making sure products are available when their partners need them. But these initiatives have to address tens, hundreds or even thousands of partners, have to transcend geographical boundaries and increasingly have to focus on solutions.

Not surprisingly, few of these initiatives have achieved the desired degree of value chain integration. Why not? And what can companies do differently to benefit themselves and their value chain partners? We offer no magic bullet, just some ideas rooted in our client experience. We call this approach to managing value chain relationships CRM.

Shortcomings of Current Initiatives

Companies are confronting channel complexities with programs in three broad categories:

- **Growth** initiatives that include adding new channel partners and products, motivating partners to increase their commitments and accreditation level, and rethinking the rules of engagement.
- **Ease-of-business** initiatives that enhance channel productivity and communication among partners. Effective, efficient communication tops the list of challenges companies face as they seek to manage relationships across the value chain.¹
- **Certification and training** initiatives that help partners keep pace with evolving technology and needs, such as solution selling.

But most of these efforts are falling short, as comments we hear from clients make clear.

'We're having trouble expanding our partner relationships; we're not getting the mindshare we expected in certain markets.' Small wonder. Companies generate new products and solutions with little insight into the needs of their customers far down the value chain or into their channel partners' capacity for handling new offerings.

Few companies have the skills and incentives to really develop partners and accounts. They reward channel reps for moving product, rather than for helping partners and customers solve their problems. Corporate gets little feedback on current and emerging customer needs.

'Our partners still call us hard to do business with.' This comment usually signals a fragmented, inconsistent partner relationship, where getting an answer to even a basic operational question consumes too much time, money, and goodwill.

Vendors must employ a virtual army to handle their partners' myriad questions, escalation requirements, policies, and offerings. IT systems that speak different languages don't help.

Specific partner complaints often include:

- Confusing and inflexible channel programs that do not fit today's nontraditional business models. The playbook says, 'Partner provides systems integration work to medium-sized businesses, resells XYZ product lines, or develops own software to manage certain pieces of a total solution.' Many partners do all three, often as members of as many as 40 programs with very different demands.
- Pursuing sales opportunities that require engineering investment is haphazard at best. Companies need advanced warning and customer input to prototype technology. This demands coordination and time investment by the manufacturer, distributor, and customer. Shortening product life cycles and narrowing windows of opportunity make this process even more difficult.
- Getting an answer to an order status or product question that requires multiple calls to uncoordinated service centers and product groups. Separate IT systems and application platforms designed for internal functions exacerbate the problem.

¹ Solving Channel Conflict: Best Practice for Leveraging Channel Partners Using the Internet; Frontline Solutions, Bob Thomson.

'We can't get our partners to move to solution selling.' Companies thinking solutions often fail to realize the enormous change required of partners thinking feeds and speeds who don't know how to deliver professional services. These partners need help. Solution selling training is expensive, but essential.

'Our channel costs are rising.' We hear this especially from companies offering solutions, as solution complexity means more time and people devoted to each opportunity. Customer needs often require specialized skills (from design to configuration to technical support to operations), which in turn require coordination across disparate processes. And the more people involved, the greater the difficulty of delivering consistent information.

'We need better visibility into our supply chain activities.' Many clients admit that they can only guess what's in their pipeline of opportunities and whether they can get product to business partners when needed. Waiting for shipments and payments stranded who-knows-where, these partners are often reluctant to join new sales initiatives. Why are companies in this pickle?

Traditional methods of forecasting inventory requirements, based on historical demand, don't work in today's just-in-time environment. Nor do traditional manual means of coordinating order entry, inventory checks, and delivery commitments across value chain partners, in multiple geographies. IT capability still trails the vision.

All these comments point to the fact that, despite good intentions and real efforts, few companies have overcome the fragmentation and lack of collaboration and communication that plague the value chain.

Something has to change. For companies used to thinking inside their own four walls, especially about internal operational efficiencies, and competition, rather than cooperation, with other value chain participants, this change will be especially challenging.

XRM: Focus on Integration

Companies need a new world view:

- Recognizing all the players in the channel network as team members and thinking about what each needs to know and how all interact and depend on each other's skills
- Organizing efforts to take advantage of cross-functional and cross-company teamwork

- Looking at life through the lenses of other value chain participants – all of them – to cultivate an end-to-end perspective

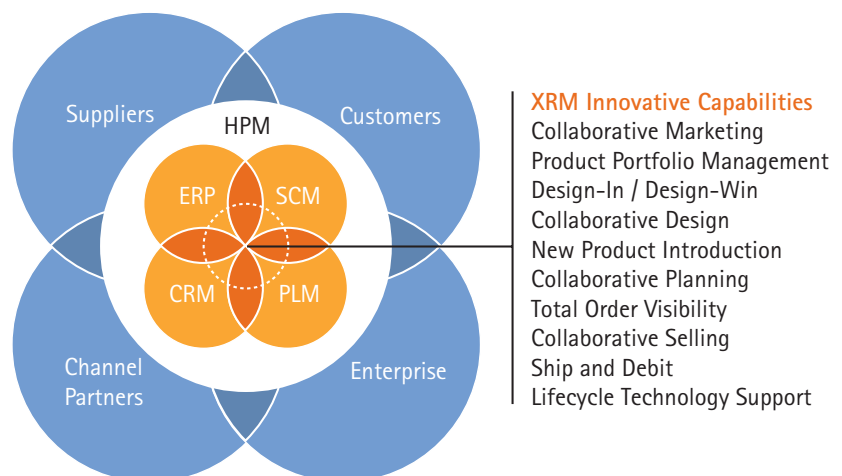
Understanding the difficulty of such a shift, we developed XRM to help clients better manage value chain relationships for higher revenues and lower selling costs.

XRM integrates some key business functions (and attendant applications) that found favor in the 1990's as stand-alone solutions to specific problems – Enterprise Resource Planning, Supply Chain Management, Product Development and Lifecycle Management, Customer Relationship Management, and Human Performance Management.

By integrating these functions and applications, XRM enables a new generation of capabilities that can support truly integrated, collaborative efforts across the value chain.

Channel-savvy companies are beginning to understand that integration and collaboration

XRM Focus on Integration



can conquer complex operational challenges. Improved quality from a supplier means higher quality to the customer. Greater partner efficiency means more competitive customer prices.

XRM lets companies standardize and automate repetitive selling, marketing, and fulfillment activities in a closed loop that improves interactions among customers, partners, suppliers, and employees. Consider Design-In/Design-Win. This process tightens design collaboration, combining the right manufacturer and partner resources and the right technology, to influence customer product selection and maximize revenues.

Why the label XRM? Relationship management used to focus on customers – hence CRM. But the complexity of the 21st century value chain requires management of diverse relationships. X is the variable for anyone and everyone – sales reps, account managers, systems engineers, developers, product marketers, etc. – whose efforts need to be aligned and coordinated to enhance revenue growth and lower cost to serve.

XRM: The Value Delivered

XRM delivers real benefits to organizations across the value chain:

- Positive impact on the bottom line by increasing sales and decreasing their cost. This requires:
 - Building capabilities that focus on maximizing product availability and channel productivity
 - Focusing critical resources on the activities throughout the customer sales cycle and product lifecycle that maximize win rates and align needs to solutions.

- Stronger relationships, especially with customers and channel partners. This requires:
 - Being easy to do business with – delivering time-sensitive, value-added, and market-relevant information, with minimal investment of money, time, and energy.
 - Partnering for results – implementing programs that fit changing business needs, improve sales performance, and enhance market perceptions.

XRM: The A, B, C's

XRM integration of functions and applications rests on getting three things right: alignment, behaviors, and capabilities. We ask a series of questions about all three to help clients assess their readiness for XRM integration.

Alignment of the people, programs, and capabilities involved in the complex partner interactions that are likely to produce the best results.

- Do we know what customers care about?
- Do our offerings address customer needs and priorities?
- Which partners are best positioned to deliver which offerings to which customers?
- Can we easily bring the right support to each opportunity?

Behaviors that will contribute the most to value chain performance. Fostering the desired behaviors requires well-defined roles and responsibilities, effective practices for recruiting and retaining partners, advanced techniques for training

people to develop and deliver solutions, innovative program designs, and clear performance measures, with attractive rewards for success.

- Do our programs accommodate the diversity of our partners?
- Does certification focus on feeds and speeds or on solution competency?
- Do our accreditation levels encourage the right behaviors?
- Do our incentives encourage our people to collaborate with partners?

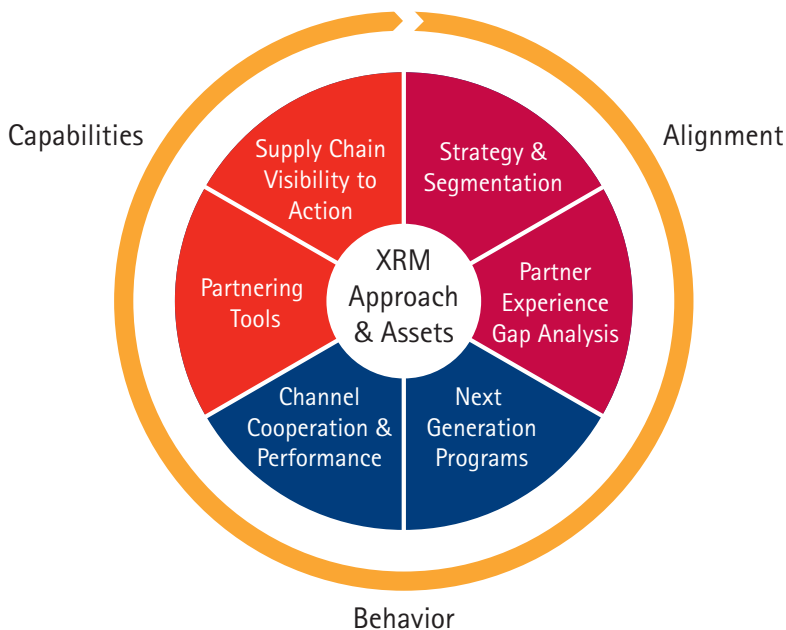
Capabilities that harness the right processes and tools to encourage collaboration, focus partners on the right opportunities, and communicate the right information at the right time – in short, to ensure mutual success.

- Do we understand the complexity of managing multiple trading partners or a multi-tiered value chain?
- Are our processes synchronized across partners as well as internal functions?
- Does our support team receive multiple calls to meet the same customer need?
- Can our partners collaborate efficiently?
- Do we alert our partners to issues requiring attention?

XRM: Path to Value

Having helped a client answer the question, how are we doing?, Accenture stands ready to help address any challenges in realizing value from a network of partnerships. This assistance can take various forms.

XRM Path to Value



Strategies and Segmentation

projects help clients create targeted value propositions and collaborate with partners to deliver on them effectively and efficiently. This typically involves:

- Understanding Customer Clusters – Defining distinct, manageable, and valuable customer segments and clear value propositions tailored to them
- Mapping Channels – Understanding how the company does and will deliver products and services to the marketplace by mapping who's who and who does what in the channel

- Assessing Channel Readiness – Determining company ability to execute against the channel map, including readiness of products and services, ability to support all partners, executive commitment, and channel conflicts requiring resolution.

Partner Experience Gap Analysis

helps organizations understand how to reach channel targets, where partnerships are and are not succeeding, and what processes can best manage sales across the partner network. This typically involves:

- A Day in the Life of a Partner – Mapping all the touch points with partners and the associated activities
- The Voice of the Partner – Interviewing partners to understand their experience and explore gaps between current and desired partner capabilities

- Right Partner, Right Capabilities – Inventorying missing capabilities, by customer and partner segment
- Maximum Value – Building a case for the XRM opportunities that will generate the greatest return, including quick wins
- First Things First – Creating a roadmap that clearly defines the technical, process, and organizational requirements for capturing the chosen opportunities
- Commitment to Proceed – Gaining cross-functional and cross-organizational alignment on an XRM strategy and implementation program.

Next Generation Programs help clients think about the value of a partner to the customer and set appropriate accreditation standards. Innovative XRM designs take into account the complexity of today's business models and partner confusion about many programs. These projects typically involve:

- The Current Playbook – Reviewing programs currently offered to partners, the standard partner service models they address, and program shortcomings
- The Next Generation Program – Defining how to increase a partner's value, build skills that customers will pay for, and align benefits with a partner's market significance
- The Systems Factor – Evaluating the systems implications of the next-generation design, including requirements for managing partner information and tracking and reporting activities.

Channel Cooperation and Performance

projects help clients enhance partner cooperation by spelling out the roles and responsibilities of channel participants (for example, across sales, manufacturing, and engineering to support an opportunity) and implementing new training programs to strengthen abilities and commitment. This typically involves:

- Spelling Out Expectations – Articulating the goals, roles, and responsibilities of channel participants in the context of customer needs and collaborative support requirements.
- Modeling Coverage and Engagement Requirements – Determining the number of company employees (e.g., reps, engineers, and marketers) needed to support the right number of the right kind of partners.
- Enhancing Channel Ability – Defining the knowledge and skills that will strengthen a channel professional's ability to sell solutions.
- Tell Me How I'm Doing – Developing the metrics and continuous channel performance feedback loop to let partners know if they are doing the right things to achieve their goals.
- Outlining Rewards – Defining the right compensation, monetary and non-monetary, that will motivate the required behaviors.

Partnering Tools projects help clients integrate systems to overcome the channel inefficiency caused by

information residing in diverse systems, product groups, and operational support teams. XRM projects define integration requirements to automate processes, increase access to value chain information, and enhance productivity through collaborative, closed-loop capabilities.

Example: One client developed personalized configure-to-order capabilities that managed thousands of product rules for hundreds of partners, putting information on authorized products, pricing, terms and conditions, promotional offerings, and order status at their fingertips. The system also enabled collaboration on product design.

Supply Chain Visibility to Action

projects help clients gain the insights needed to monitor and alert managers to problems with execution and performance across the value chain and thus improve product planning and order commitment. This typically involves:

- Mapping Extended Supply Chain Operations – Mapping the links between individual items on the customer order and the suppliers and logistics services involved in delivering them.
- Understanding Shared Economics – Working across functions, divisions, suppliers, and partners to define the shared benefits of real-time visibility.
- Changing the Customer Relationship – Identifying the capabilities and strategic partners that promise a company greater control of the supply chain for more strategic operations.

Alignment + Behaviors + Capabilities.

That's the XRM formula for effective management of partner relationships across the value chain.

For further information about how Accenture and XRM can help deliver more value please contact:
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About Accenture

Accenture is a global management consulting, technology services and outsourcing company. Committed to delivering innovation, Accenture collaborates with its clients to help them become high-performance businesses and governments. With deep industry and business process expertise, broad global resources and a proven track record, Accenture can mobilize the right people, skills, and technologies to help clients improve their performance. With approximately 90,000 people in 48 countries, the company generated net revenues of US\$11.8 billion for the fiscal year ended Aug. 31, 2003. Its home page is www.accenture.com.

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