



Automating the Customer Buying Process

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Automating and the Customer Buying Process

Everything has changed about selling except the need to generate revenue so vendors have to rethink the ways they approach customers. An abundance of competing products, selective customers, and limits on the amount of time sales representatives can dedicate to any opportunity are forcing changes in the ways companies generate and qualify demand. The solution to these multiple, converging challenges is automation that harnesses best of breed applications into unified end-to-end business processes. Platform technology eliminates the difficulties of traditional bi-lateral integration resulting in architectures that can adapt to any business process.

Earlier work by Beagle Research shows the emergence of a new approach to best of breed strategy in sourcing enterprise software (see The Sales Web, at www.BeagleResearch.com). Best of breed had been supplanted in recent years because many vendors were able to offer full CRM suites which enabled customers to avoid costly and time consuming integration projects. Unfortunately, as the market has matured, it has changed to the point where it is no longer possible or advantageous to acquire a complete solution from a single vendor.

New market forces have changed the ways companies can and should interact with their customers to such a degree that provisioning support for end-to-end business processes is best done by small groups of vendors each of whom is focused on a specific specialty. Alliances between vendors, including pre-integrated software built around a CRM platform delivered by on-demand models is shaping a new approach to software delivery at a time when the market is coming to require this specialization. One of these areas that is getting a lot of interest in the market is the area of the Lead-to-Sales model, which couples marketing automation and sales automation software, leveraging an underlying sales knowledge management system. The result is an integrated "demand chain," providing a seamless way to more effectively and quickly nurture prospects into customers. This Beagle Research white paper provides some background on this new phenomenon.

A tough combination for vendors

Lackluster response rates from conventional direct marketing—languishing at an average of only a few percent—are the telltale sign that conventional sales and marketing are not working very well and that the market and today's customer are vastly different from a generation ago. For a variety of reasons selling in the contemporary marketplace is more difficult than it has been for a long time.

Many markets have aged out of early adopter mode when selling new products was relatively easy because vendors controlled all aspects of the sale. Instead, markets have entered a period where vendor and customer are in near equilibrium, with the bias favoring the customer. There are numerous products on the market today that are comparable and competition has moved from features and functions to price, with serious consequences for vendor margins.

As markets have changed, so have customers. According to Shoshana Zuboff of Harvard Business School (*The Support Economy*), today's customer is richer, better educated, and more time starved than any consumer in history. Most importantly, today's customer has also been nurtured in the belief that his or her needs are unique, requiring unique solutions.

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The combination of maturing markets and more selective customers has caused vendors everywhere to work harder to maintain their positions in the market. A recent report from CSO Insights shows that the number of sales representatives making quota has only risen from early decade recession lows of about 50% to a high of 59.1% in 2005 (still down from the 70% area just 6 years ago). The productivity increase, however, comes largely from an increase in the number of hours worked each week by sales representatives not from improvements in sales effectiveness.

At some point any resource can be exhausted and in this situation a likely candidate for exhaustion is the sales representative. There are only so many hours in a week and as the sales force continues to grey, the idea of making more money for working longer hours is losing its appeal.

As is frequently the case when markets change and human resources reach their practical limits, automation must be called on to fill emerging gaps. The investments many organizations have already made in CRM can be leveraged with some modification to take greater advantage of the customer information now routinely captured in many situations.

The customer buying process

Sales and marketing are a continuous process, but they are viewed very differently. While sales is sometimes nearly given the status of a hard science, marketing is viewed by many as an art—and one that must be controlled to prevent runaway expenditures. In fact marketing is the beginning of a process that surfaces needs and matures a latent need to an active buying process.

Conventional marketing does a good job of initially segmenting and targeting customers but, often, it fails to take account of evolving customer attitudes. What's needed, we believe, is the ability to turn marketing into a series of linked activities that leverage customer feed-back to determine the next steps in a process that results in a smooth handoff to sales..

For example, a marketing process might start with little information about the customer—the business pains, industry, the buyer's job responsibility, etc.—but through a series of interactions that can be efficiently automated, this information can be forthcoming. The results are richer inputs to the sales process through automated demand generation and demand management.

From the customer perspective, this process drives the accumulation of knowledge and is viewed as a buying process. The customer buying process (Figure 1) looks a lot like the traditional sales process—at least in the latter stages. But what makes the customer buying process different is the attention paid in the early stages to understanding the customer's needs and to providing personalized communications that educate the customer about what can be done to meet their needs. It also nurtures the customer's understanding of a vendor's products and solutions until the time when latent need becomes an active buying motivation. We divide the customer buying process into five steps discussed below.

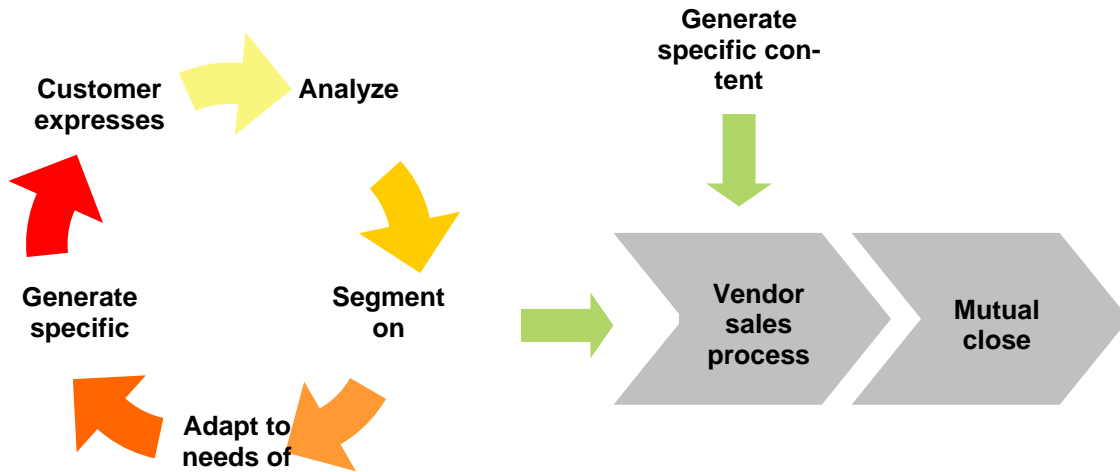
Customer expresses interest

The customer can express interest in multiple ways such as, responding to direct contact, visiting a Web site, calling a vendor, and more. In conventional selling, this expression is enough to define a lead but in reality the customer could be merely shopping, gathering information for an as yet undefined purchase, or the customer may have real and immediate need. It is only customers with real and immediate needs that sales representatives focus on and the conventional sales process fails here because it clogs the process with customers who are not ready to buy.

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The result is that most sales leads are discarded by sales people and it is a source of continual disagreement between sales and marketing over the definition of a lead. In the customer buying process, the next step, segmenting on behavior (rather than demographics, for instance) sets the course for supporting the customer.

Figure 1. The customer buying process



SOURCE: BEAGLE RESEARCH GROUP, LLC, SEPTEMBER 2006

Analyze

Although analysis is a key component of every step in the customer buying process, it is an explicit step at this point in the overall process because it comes right after a customer provides input. Within the process the vendor must determine if the customer is ready to be turned into a lead and advanced in the process or if another round of the cycle is needed. It also helps to determine what information should be communicated to the prospect and how that information should be personalized to meet the customer's specific needs and to move the buying process forward.

Segment on behavior

In conventional selling, segmentation happens once, but in the customer buying process, segmentation happens repeatedly and it is repeated segmentation that makes the process work. Essentially, segmentation is performed to evaluate and analyze the buying signals given off by the customer and to personalize the communications to the specific buyer's needs. Customers who are early in their buying processes may give off a signal that says "I need more information" while customers ready to make a purchase may ask about delivery options or price. Different behaviors elicit different responses and determine what information to needs to be communicated and the next steps in the process.

Adapt to needs of the customer

Based on the segmentation arrived at in the previous step, the vendor organization will respond with a variety of actions and information. Most often in the process of maturing a lead, the customer need will be focused on information. Adapting to the needs of the customer means understanding who needs the information, what kind of information is required, and the format of the information.

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Generate specific content

Different buying influences will require different information presented in different ways and the information requirements do not end in the lead maturation process. This discussion covers both lead development and the conventional sales process. In lead development, information requirements may be limited to brochures, on-line presentations, and other requests for information. In the sales process information requests might also include presentations, proposals, responses to formal RFI's (requests for information) and more. Further, in either case, a vendor must be sensitive to the source of the request. A CFO will have somewhat different requirements than the CIO. Each might be interested in a vendor's financial background and product capabilities, but in different order and to different degrees. In other words, the information need to be personalized for the stage in the buyer process, but also to the industry, role and specific interest of the prospect.

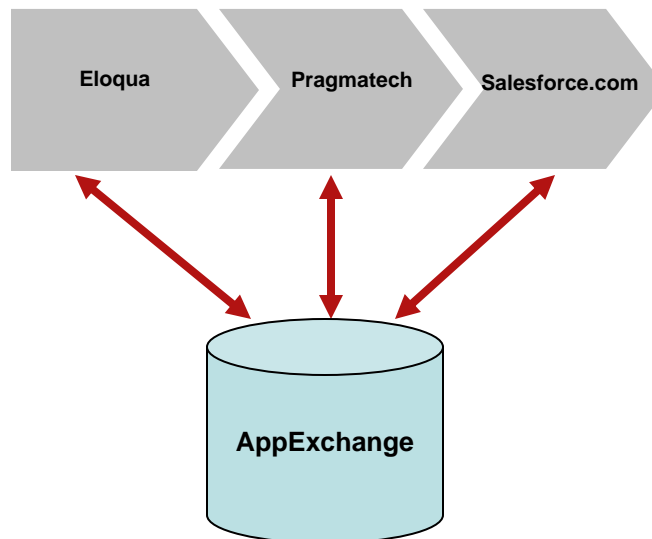
Once the customer receives and reviews the content provided by the vendor the cycle can begin again. The customer may ask for additional information, request a call from a sales person, or opt out of the cycle completely. Regardless of what the customer does, the customer's behavior will be integral in setting off the next round of vendor responses.

Managing the customer buying process

While it is at least theoretically possible for marketing people and sales representatives to manually manage the customer buying process, in practice, it is not. Pipelines need to contain large numbers of prospective customers in various stages of the cycle to ensure goals are met. Moreover, no marketing organization can anticipate all possible iterations of content for different buyers at different points in their decision process. An automation solution is required.

In line with the earlier discussion, the customer buying process cuts across multiple different departments in an organization and effective pursuit of the process requires solutions that also cut across boundaries (Figure 2). No single software solution provides all of the required components but new synergies between applications fostered by platform technology make the task achievable.

Figure 2: Integrated technologies support the customer buying process



SOURCE: BEAGLE RESEARCH GROUP, LLC, SEPTEMBER 2006

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The end-to-end business process described by the customer buying process can be easily achieved through the combination of marketing automation, sales knowledge, and sales-force automation. For this exercise we suggest the integration of Eloqua for marketing automation, PragmaTech for sales knowledge management, Salesforce.com for SFA, and the AppExchange for integration.

Eloqua

The Eloqua Conversion Suite is a marketing automation tool that provides the underlying structure to the customer buying process. As a standalone tool the Eloqua Conversion Suite engages customers in a conversation that delivers timely and appropriate information through multiple channels including email, personalized landing pages, conventional print campaigns, and more. This process ensures that each customer will receive increasingly specific information based on need and responses to earlier information.

PragmaTech

The PragmaTech sales knowledge applications provide several tools that integrate both with the Eloqua Conversion Suite and with Salesforce.com. The foundation of PragmaTech's content management function is a single, central knowledge base that stores all of the information that a company generates to create an entire range of customer-facing selling documents. Information in the knowledge base is developed and maintained by the marketing department so that consistent and accurate information is available whenever sales people need it. A variety of templates such as brochures, presentations, proposals, letters and more enable communications with the customer to be dynamically assembled either based on selections from the sales rep or through information about the prospect that is already captured by Eloqua and Salesforce. The system takes care of all the personalization formatting issues.

Salesforce.com

Salesforce.com provides the organizing principles around which Eloqua and PragmaTech work. Records of all customer interactions are kept in the primary applications (Eloqua and PragmaTech) and displayed in Salesforce.com. From a single user interface users can access an entire history of interactions and communications with a prospect, including records of events and copies of all content that has been provided to the customer.

AppExchange

The glue that holds the business process together is the AppExchange which is both an integration platform and a communications tool that synchronizes sales activities across the three applications. Because the applications are already integrated, users can be up and running very quickly. Rather than concentrating on integration issues, users can focus instead on business rules, marketing programs, and content templates.

Most of the work done in the lead maturation process between Eloqua and PragmaTech can be automated to occur with little human intervention. The Eloqua Conversion Suite logs cookies to customer computers to enable the system to track and maintain accurate records of all interactions and events. As determined by the vendor, business rules fire which, for example, inform a sales representative when a lead has matured and needs human contact.

Analysis and conclusions—the meta-application

Engaging three disparate applications to solve a specific business problem has been done in the past but the effort almost always required significant investments in time, labor, and money. At the end of the day the solution was more or less hard coded and unable to change as business conditions changed. Historically, this type of integration was usually taken on by customers with the help of systems integrators. In this case, however, the opposite of each scenario applies.

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The vendors—Eloqua and Pragmatech—have partnered to deliver the integration and a third partner, Salesforce.com, made the integration possible with the deployment of the AppExchange integration facility. The result is a seamless meta-application that supports the whole lead to sales business process without resorting to manual transfer of data and without requiring human intervention to continue the business process.

Earlier combinations of disparate applications have been termed mash-ups. In a typical mash-up two applications combine so that data from one application can be used to access data from another application. The archetypical mash-up is usually an address database integrated with Google Maps which produces a visual interpretation of locations in the database. In this case, however, more than data mapping is involved as elements of a business process are handed off from application to application.

The result, for companies that may choose to sell this way, is a lead development process that provides the exact information customers require, when they require it, develops genuine customer interest, and forwards that interest into the SFA tool for appropriate handling. Sales people get better qualified leads, customers get the information they need to make early decisions about a purchase, and the vendor avoids developing a reputation for not listening or worse, pestering prospective customers. Organizations using this model have seen substantial increases in the effectiveness of their marketing and sales efforts including higher win rates, better cross-selling and up-selling, and shorter cycle times to close business.

Thinking back to the marketplace drivers discussed at the beginning of this paper—the changed marketplace and the increasingly selective customer—this meta-application appears to fulfill many of the needs first surfaced there. An automated system feeds precise information to customers, helps to evaluate responses and determine next steps, and finally, promotes qualified leads to active status for follow-up by a vendor's scarcest resources. We expect this approach to be broadly implemented with the result that close rates will rise while the cost of sales falls.

About Beagle Research Group

Beagle Research Group is a consulting and market research organization focused on emerging technologies and companies that will have an important impact on the way business is conducted in the years ahead. Our work is based on professional standards of quantitative and qualitative research which informs all of our publications.

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