



AberdeenGroup

**Selling Online
Across All Channels:
A Roadmap for Leading
Manufacturers**

An Executive White Paper

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Preface

As more enterprises move to deploy online selling technologies, many manufacturers are attempting to determine how to best leverage e-Commerce and, more broadly, Web-based external Customer Relationship Management (e-CRM) technologies to enhance relationships with their business customers and trading partners. Although market growth forecasts vary, industry analysts and business strategists agree that manufacturers and their suppliers will experience strong growth in the volume of business-to-business (B-to-B) commerce conducted over the Web.

The manufacturing community feels compelled to act on this finding, but many organizations are uncertain of the best path forward — or even where to take their first step. Leading manufacturers know that any Web selling efforts must address all existing and emerging channels. Manufacturers need to know (1) how to sell directly to large accounts; (2) how best to sell indirectly to small accounts through resellers; and (3) how to position themselves to sell effectively through emerging online marketplaces.

Executive Summary

This *Executive White Paper* explores how manufacturers that have traditionally leveraged direct and indirect offline sales strategies are now deploying sell-side e-Business and e-CRM solutions to attract and better serve customers. It also discusses how leading manufacturers plan to leverage the Internet to compete more effectively. Moreover, it frames the key issues and challenges hindering manufacturers from effectively selling through online channels, and explains why these issues and challenges are best addressed with sell-side applications. Finally, this paper introduces Blue Martini Software's sell-side e-CRM applications, which offer a comprehensive B-to-B solution that manufacturers can use to drive revenue across direct, indirect, and online marketplace channels.

For direct selling efforts, the Web enables leading manufacturers to provide direct customers with the “holy grail” of customer service — faster, higher quality service available at any time and at a lower cost. But those direct selling opportunities can threaten traditional channel partners that are wary of the very same e-Commerce technologies that not long ago promised to “disintermediate” or eliminate them. Leading manufacturers have addressed this fear of channel conflict by complementing their Web-based direct selling efforts with extensive Web-based channel reseller support, including catalog publishing and channel extranets/portals.

Online marketplaces present manufacturers with an additional challenge. In order to reduce transaction costs and expand their market reach, large buying organizations (such as industrial manufacturers) want to participate in online marketplaces. Thus, these large buying organizations are dictating that they will only buy from their suppliers (manufacturers of all sizes) exclusively through selected online marketplaces. However, many existing marketplaces do not allow manufac-

turers to adequately deliver online the product information and related content necessary to maintain brand and product differentiation. As a result, many existing marketplaces tend to commoditize manufacturers' goods and services. In an effort to prevent this product commoditization, leading manufacturers have connected to online marketplaces and then utilized "punch-out" capabilities to link the online marketplace to a branded, appropriately differentiated Web site for their products.

Across direct, indirect, and marketplace channels, effective online selling requires a sell-side solution that allows a manufacturer to deepen relationships with its best customers, its strongest channel partners, and its preferred prospect segment. Sell-side solutions must allow an enterprise to create, manage, and deliver transactive content, brand messaging, custom promotions, contracts, and quotes as well as manage orders and deliver customer service. Blue Martini Software provides manufacturers with enterprise-scale e-CRM sell-side applications that can unite all of a manufacturer's sales channels into one customer-centric selling organization and offer a consistent customer-facing point-of-sale across all customer touch-points — brick-and-mortar, Web, wireless, call centers, e-mail, and online marketplaces. With extensive B-to-B catalog, account, contract, and quote management capabilities as well as advanced targeting and data mining technologies, Blue Martini Software has demonstrated how leading manufacturers can move beyond just processing transactions online to building powerful customer and partner relationships.

Leveraging the Internet to Inform Customers — and Sell Effectively

Manufacturers first utilized the Web to cost-effectively distribute information about their company and products. Web-based brochureware emerged as a 24×7 source of static information about the company, its products and services, and, in some cases, its sales channels. The rapid acceptance of brochureware opened the door for companies to offer transaction-capable Web storefronts and e-catalogs. These first-generation transactional e-Commerce storefronts and e-catalogs offered new, low-cost marketing and sales channels to a global market.

Many leading manufacturers soon recognized that brochureware and basic catalogs did not support the processes necessary to sell effectively online. Some attempted to create separate, online-only business units, but these stand-alone channels did not fully address the needs of customers. Customers increasingly wanted to utilize whichever channel — online or offline — best suited their needs.

Therefore, online selling efforts needed to complement existing channels, such as the direct channel that served larger accounts and the indirect channel that served small accounts through resellers. As marketplaces emerged as yet another online sales channel, leading manufacturers also recognized the need to serve these online marketplace customers without losing their ability to differentiate their goods and services.

Selling Direct Online to Strategic Accounts

Manufacturers are beginning to place more emphasis on complementing the direct selling efforts of their field and inside sales forces — teams dedicated to their strategic and national accounts. Therefore, effective online selling efforts must handle the tactical aspects of servicing accounts, so that the field and inside sales forces can focus on more strategic needs such as finding and closing business.

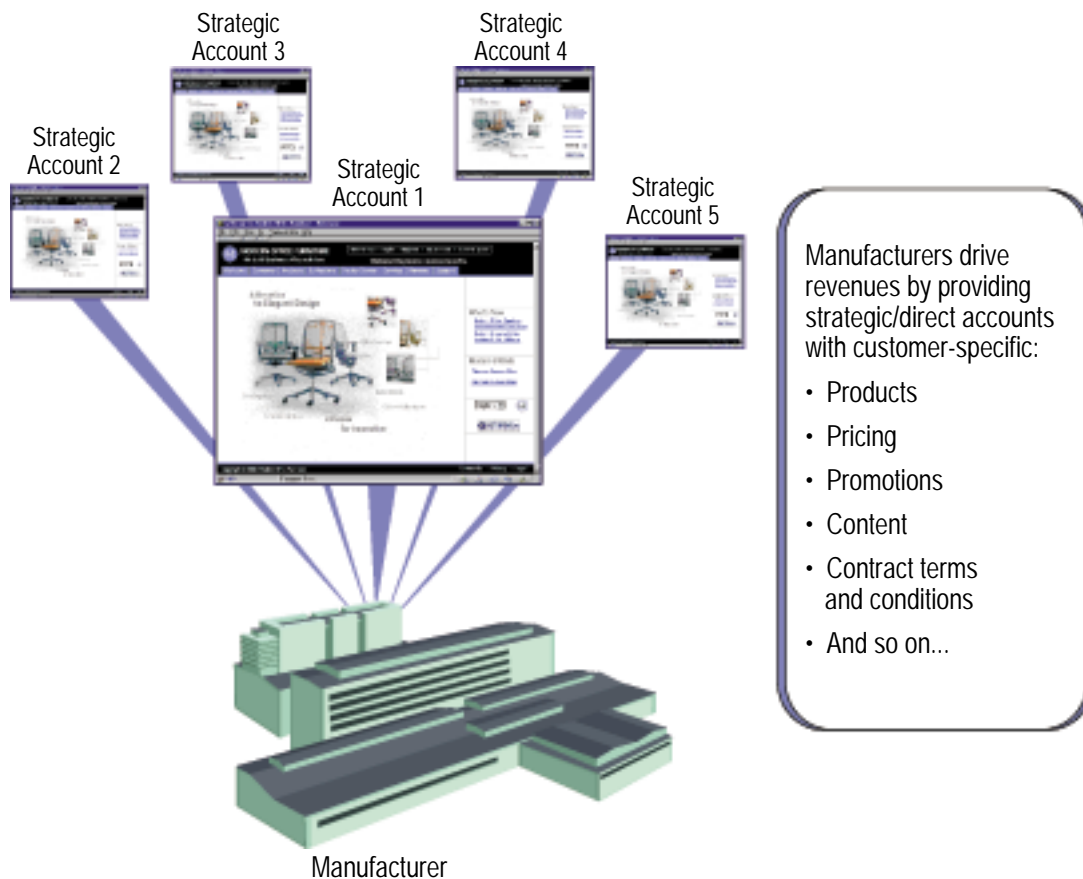
In order to improve the direct sales process for strategic and national accounts, manufacturers need to provide the following capabilities to allow a customer to place order(s) whenever and however they choose, across all customer touch-points — e.g., Web sites, call centers, Web-enabled cellular phones, and, of course, brick-and-mortar locations.

- *Customer-specific catalogs:* Manufacturers need to be able to provide each of their strategic customer accounts with a tailored catalog that reflects contractually agreed upon products and prices — an offering that will likely be a subset of a manufacturer's overall product line (Figure 1). These customized catalogs must be designed so that national and/or strategic accounts can place orders easily.
- *Targeted content- and analysis-driven product offerings:* Buyers who purchase directly from manufacturers — whether alone, with co-workers, or assisted by a salesperson — need to receive relevant content and messaging that is continually refined and customized by data mining technologies. This recurring targeting is driven by account, contract, and buying history as well as customer type and an individual's role within an organization (e.g., an engineer as opposed to a marketer). These tools provide the right customers with the right products in the proper context. They also provide the foundation for customized solution selling and help manufacturers deepen relationships with strategic accounts by offering a 24×7 means for gaining information about solutions, not just products and services.
- *Collaborative selling environments:* In many B-to-B environments, buying decisions involve collaborative processes by teams consisting of multiple buyers. In order to expedite complex purchase decisions, geographically dispersed members of a purchasing organization need to be able to collaborate in real time by literally being on the same Web page — a process that requires sharing Web browsers and allowing a member of the buying team to build internal consensus for a sale. When a member of a purchasing team needs to collaborate with a manufacturer's direct sales team, guided selling functionality is required: a manufacturer's salesperson(s) takes control of the buyer's browser, guides the buyer through the selling process, and offers that customer product

substitutions and complementary goods and services. This process is essential to solution selling.

- **Hierarchical account management:** Manufacturers must manage increasingly complex relationships such as those with multi-national enterprises containing multiple divisions. Relationships must be managed from the corporate to the individual level. This support will become more important as individuals working in extended or virtual enterprises increasingly “wear multiple hats” — or take on varying roles and responsibilities, each with potentially different contracts, spending limits, management structures, and even ship-to and bill-to addresses.
- **Contract management:** Manufacturers also require selling solutions where customer-specific, negotiated contract pricing rules are enforced and multiple quotes for single projects can be generated. The solution should also define authorized product lists and track contract terms and conditions as well as enforce role-based spending limits.

Figure 1: Selling Directly to Strategic Accounts via Targeted Catalogs



Source: Aberdeen Group, June 2001

- *Quote management:* Manufacturers need to be able to allow customers to create projects, each with multiple configurations or quotes for a good or service. A solution should also allow each respective account to keep and revisit these quotes on a 24×7 basis.
- *Globalization:* As more manufacturers expand their selling presence in global markets, an effective sell-side solution must provide support for regional language variations and currencies by generating content and prices in localized versions.

Empowering Indirect Channels with Rich Product Content

The ability for buyers to interact — and potentially transact — directly with the manufacturer has created concerns about “disintermediation” among indirect sales channel members. On the surface, online direct selling efforts appear to initially threaten to circumvent indirect channels and, in turn, increase the potential for channel conflict. However, any talk of disintermediation ignores the reality that, for years and throughout many B-to-B scenarios, manufacturers have often sold directly to their most strategic customers while using indirect channels to service other downstream customers.

In other words, these processes are not new channel problems created by the Web. Simply put, if a good reason existed for a channel to originally serve a customer before the commercial use of the Web, a good justification likely exists for the channel to continue to serve the customer. Smaller organizations are often best served through indirect channels for various reasons, including better customer service and a better understanding of regional markets. And because smaller customers are usually costlier for the manufacturer to support directly, upstream and downstream partners gain value from the working relationship. Manufacturers often depend heavily on these indirect channel partners to provide sales and product expertise, assume credit risk, and handle the management of inventory and fulfillment as well as to deliver extensive pre- and post-sales consulting and customer service.

In fact, most leading manufacturers view their channels as true partners and see an opportunity to use the Web to ensure that these channels sell more successfully. To counter any fears of disintermediation in the channel, leading manufacturers often provide extensive online channel support either in conjunction with or shortly after launching direct selling efforts.

Aberdeen has found that customers are often drawn to a manufacturer’s site because of their affinity for a manufacturer’s brand, not because of their intent to transact directly with the manufacturer. In fact, many of these customers are smaller organizations that are costlier for the manufacturer to support — and are best served through indirect channels. The manufacturer depends on these indi-

rect channel partners to provide product information, sales process expertise, a point of transaction, and pre- and post-sales customer service.

Manufacturers must clearly support the efforts of sales channel partners. Their Web sites must first deliver rich content to customers, and then provide a seamless transition to an indirect channel partner's Web site. To meet these requirements, a sell-side solution should:

- *Provide channels with product catalogs:* Manufacturers are investing significant resources in converting a key corporate asset — their product information — into “Web-ready” formats. This process involves parsing, cleansing, normalizing, transforming, validating, and assuring quality — as well as formatting the content for delivery, syndication, and subsequent updating. On average, Aberdeen has found that the typical supplier catalog contains almost 24,000 line items; surfacing information about the multiple attributes that define a product, service, or solution is a requirement. Once a manufacturer has set the processes in motion for preparing this data — the source of competitive differentiation for its products — for distribution to online marketplaces, the manufacturer also needs to publish these Web-ready catalogs to all sales channels for access via the Web or Web-enabled cell phones.
- *Support real-time channel collaboration:* Since a manufacturer's brand name often resonates stronger initially with a customer than does a reseller or other channel selling partner's brand, those customers who are best served via indirect sales channels often begin their online purchasing process by accessing the manufacturer's company Web site. That indirect customer needs to receive appropriate content in sufficient detail to aid them in making an informed decision — and in many cases, to then receive a quote on multiple products from the manufacturer. Instead of simply redirecting the prospect or customer to the channel partner's site, the sell-side software must offer the all-important “seamless customer experience” that passes the quote that was created on the manufacturer's site to the channel partner's site, where the customer is only one click away from ordering. This channel collaboration provides real-time leads that can actually drive revenues to the channel (Figure 2).
- *Provide partner portals/extranets:* In order to maintain an effective collaborative sales environment among all channel partners, it is crucial to continually educate resellers about new promotions and campaigns, the latest products and services, and updated pricing. Partner portals/extranets should be segmented by partner type and be tailored not only to specific partner organizations, but also to the respective roles within that organization. Partner portals/extranets can also be utilized to de-

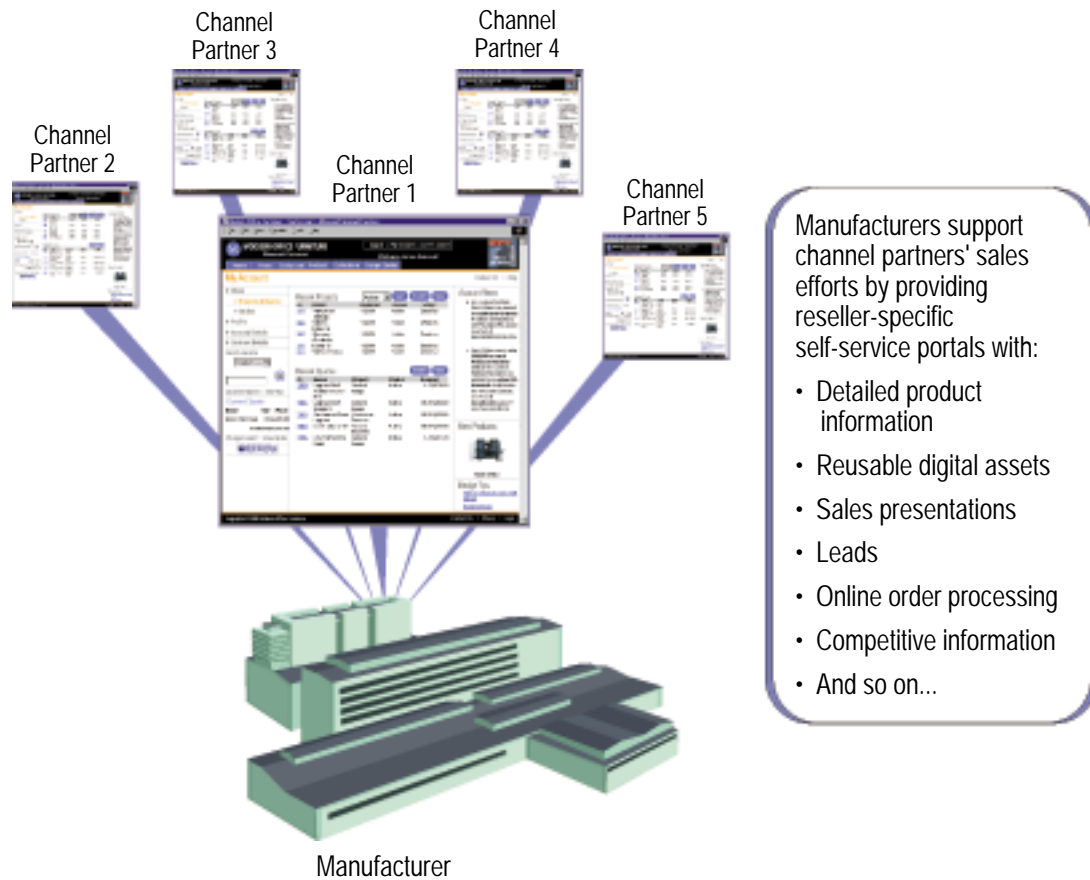
liver sales and marketing presentations as well as to distribute and manage sales leads in real time (Figure 2).

Allowing Manufacturers to Sell Effectively Through Online Marketplaces

Online marketplaces (a.k.a. Net markets, e-Markets, or exchanges) have emerged as a new sales channel in which multiple buyers and suppliers complete transactions. Buyers view the marketplace model as an opportunity to reduce purchasing costs. Thus, for most of the last year, Aberdeen has witnessed large buying organizations pushing their supplier base to list their products on exchanges.

As suppliers, manufacturers face a double-edged challenge from their buyers' marketplace demands: Since these buying organizations may no longer maintain their purchasing commitments with suppliers that resist the marketplace model, how can manufacturers connect quickly to online marketplaces and retain the business from their largest buyers — while countering the threat of commoditization inherent in any of the first generation marketplaces?

Figure 2: Supporting Resellers with Self-Service Portals



Source: Aberdeen Group, June 2001

Connecting to online marketplaces requires manufacturers to consolidate catalogs and handle electronic orders. For many manufacturers, product information is scattered across Enterprise Resource Planning (ERP) systems, product data management systems, custom databases, and even spreadsheets. This product information needs to be consolidated, cleansed, standardized, and indexed for search. Often, product data must be augmented with digital assets (such as images and specification sheets) and then published in myriad catalog formats required by online marketplaces. Furthermore, the catalog management challenge expands geometrically when marketplace customers require custom catalogs based on the contracts in place. An effective sell-side solution needs to streamline catalog management for online marketplaces, as well as handle electronic orders in common eXtensible Markup Language (XML) formats (e.g., xCBL for Commerce One and cXML for Ariba).

Once manufacturers connect to marketplaces, they must then address issues tied to product commoditization. Commoditization tends to occur when a marketplace limits the scope of the information that a manufacturer can include about its products. Product information can be limited to name, part number, a brief feature/function description, and price. Such limited product information does not allow manufacturers to effectively differentiate their products and services. Consequently, they are compelled in many cases to compete on price alone.

Despite the threat, many manufacturers view online marketplaces as a new sales opportunity — one that offers them a broader reach and the opportunity to build new commercial relationships. Most want to participate in online marketplaces, but many are not certain of the best way to do so.

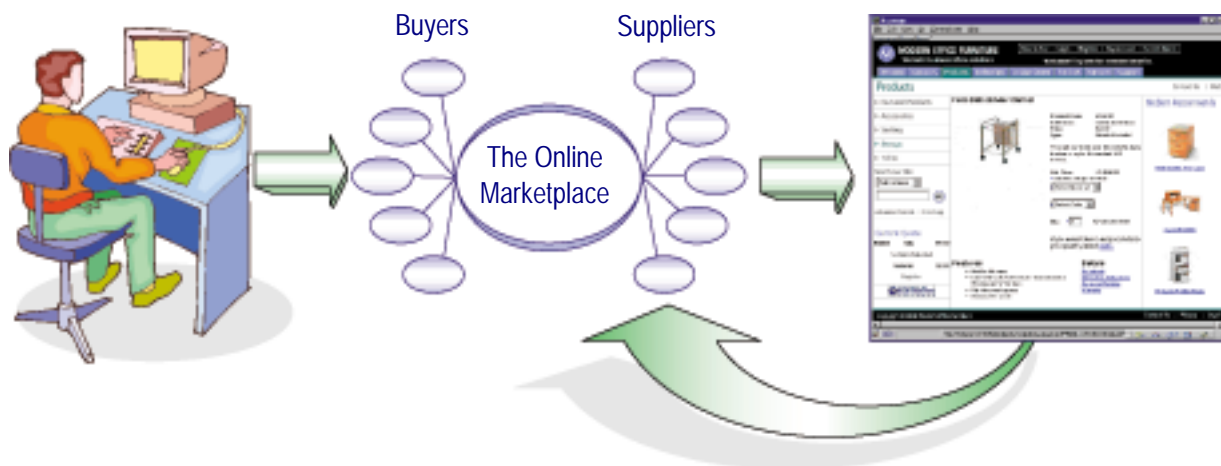
Aberdeen research indicates that an effective sell-side solution must allow manufacturers to efficiently differentiate their products on online marketplaces. One way to support company and product differentiation is to allow prospective buyers to “punch out” from a marketplace to a manufacturer’s site — and, in doing so, collect and evaluate more detailed product content (i.e., content other than price and part number) and then return to the marketplace to complete the transaction (Figure 3). During the past year, Aberdeen has witnessed a number of exchanges supporting this punch-out technology, and has found that manufacturers utilizing punch-out capabilities are able to differentiate their product more effectively on exchanges. Such differentiation should enable manufacturers to sell their products more effectively (customers are likelier to buy products they understand) and maintain necessary margins.

Selecting an e-Business Application

Selling effectively online is no small feat. Given the extensive requirements of selling through direct, indirect, and marketplace channels, many manufacturers have been presented with a wide array of e-Business applications — solutions that include ERP; Customer Relationship Management (CRM); and, more recently, broader buy-side and sell-side e-Business offerings (including e-Commerce and e-CRM solutions). To understand why sell-side applications are appropriate to support online selling processes, manufacturers should note the recent evolution of enterprise applications.

In the 1980s, manufacturers and other buyers of enterprise applications embraced ERP applications as a means for cutting internal costs and streamlining back-office operations. Once these ERP systems began delivering more efficient processes internal to the enterprise, a new focus emerged. Realizing that returns from cost-cutting could go only so far toward strengthening the bottom line, the enterprise focused on improving the top line. To increase revenue, companies began embracing CRM software. CRM technology suppliers positioned their solutions as a

Figure 3: Selling Effectively in Marketplaces via “Punch-out” Technologies



Manufacturers preserve their margins on online marketplaces by differentiating their products via “punch-outs.” In the scenario above, an end customer goes to an online marketplace and reviews a listing of products. For products that offer a “punch-out” option, the customer is able to punch out to manufacturers’ sites for detailed product information. With this additional information, the customer makes a purchase decision, and then punches back to the marketplace to place his or her order. By utilizing punch-out capabilities, manufacturers effectively differentiate their products online and thus protect their margins.

Source: Aberdeen Group, June 2001

means for helping the enterprise's internal front-office staff — a captive audience — better serve the customer.

CRM could provide a technology infrastructure that simplified the development and distribution of internal information and intelligence through Sales Force Automation (SFA), customer intelligence, and customer service applications. CRM promised to help organizations grow revenues first by improving communications between the enterprise and those employees who interacted directly and indirectly with the customer, and second by introducing new ways to offer information-driven value-add services to downstream customers throughout the value chain.

Both ERP and CRM offered inward-facing processes that strengthened the enterprise's internal operations. As the Internet introduced an open-standard global communications platform, e-Business technologies emerged to offer outward-facing applications that customers and trading partners could access via the Web. e-Business technologies introduced self-service processes for marketing and selling (i.e., sell-side) and purchasing (i.e., buy-side) goods and services online.

Sell-side applications support direct, live interactions with customers. Sell-side vendors provide technologies for deploying and managing online operations across various touch-points including Web sites and mobile wireless devices. Their solutions typically include customer, product, content, and pricing management, and they often include basic personalization capabilities. Increasingly, sell-side applications also provide analytical capabilities that drive personalization and cross-selling and up-selling.

Aberdeen research has shown that these customer-facing sell-side applications provide better solutions than repositioned ERP and CRM applications. ERP and CRM applications were designed primarily to help internal employees streamline back-office operations and better serve customers. From day one, sell-side application vendors have focused on supporting direct, live interactions with customers. Therefore, leaders in the sell-side arena have built solutions that support rapid response times, offer personalization and targeting, and accelerate new product introductions. Most sell-side applications have been built from the ground up as Web-based architectures rather than client/server architectures — and thus do not require a major architectural overhaul in order to be Web-ready. Sell-side e-CRM application vendors have therefore achieved a significant technological distance from their ERP and CRM counterparts.

Blue Martini Software

Blue Martini Software has introduced applications that enable manufacturers to boost sales efficiencies and increase revenues across all channels, while maintaining a consistent brand context. The three-year-old company has delivered a comprehensive package of e-CRM applications with substantial out-of-the-box B-to-B functionality.

Blue Martini applications support direct sales efforts in a number of ways. To start, Blue Martini provides robust account management, allowing manufacturers to track information at all levels for even the most sophisticated accounts (such as multi-national corporations). The software allows manufacturers to easily create, publish, and maintain customer-specific catalogs that display only the products and prices that the manufacturer has agreed to offer. Blue Martini also tracks contracts and enforces negotiated pricing while supporting role-based purchase authorization limits.

In addition, Blue Martini enables manufacturers to interact with customers and resellers across multiple touch-points including Web sites, Web-enabled cellular phones, call centers, Palm VIs, and e-mail. The value delivered is straightforward: Blue Martini Software enables manufacturers to allow their customers to buy in a manner that is most convenient for them.

By offering advanced analytic capabilities including data mining, Blue Martini allows manufacturers to develop insight into customer behavior — data that serves as the foundation for providing custom interactions. Simply put, the software presents the right customers with the right products in the right context. Blue Martini also supports collaborative buying processes that essentially allow individuals in different locations to share a Web browser and communicate in real time about a potential purchase decision.

Blue Martini supports indirect sales channel partners by enabling manufacturers to create cost-effective, self-service partner portals. These portals provide channel partners with the tools they need to sell a manufacturer's products effectively, including crucial information such as rich product data, pricing, competitive intelligence, and sales presentations in addition to order management data such as availability-to-promise. Channel partners can also place orders and check order status on these portals, making order management more efficient. Blue Martini also supports real-time lead forwarding. For instance, customers can visit a manufacturer's site, obtain product information, and build a buy list. When those customers are ready to place an order(s), they can select a preferred reseller or have one suggested for them. The system then automatically forwards the customer's buy list to the indirect channel partner for order placement and order fulfillment.

Blue Martini also allows manufacturers to sell their products effectively through online marketplaces. It provides the capabilities necessary to add products to marketplaces rapidly and to differentiate the products online. To help manufacturers maintain their product differentiation, Blue Martini supports the punch-out process. Customers can view a basic product presentation on the marketplace site, and can then punch out to the manufacturer's site to obtain detailed product information. This functionality enables customers to make much more informed

purchase decisions while also decreasing the pressure on the manufacturer to compete solely on price.

In addition to supporting sales through direct, indirect, and online marketplace channels, Blue Martini Software's Universal Catalog helps manufacturers manage a wide range of media assets including text, images, audio and video files, and it also provides efficient, centralized storage for these assets. The Universal Catalog allows manufacturers to publish these mission-critical assets anywhere — including their own Web site, mobile wireless devices, channel partner sites, online marketplaces, and printed collateral. In essence, by utilizing the Blue Martini Universal Catalog, manufacturers only have to create media assets once, and then can publish or deploy these assets wherever they are required. This functionality reduces the cost of digital asset management and also helps manufacturers maintain their brand by ensuring a consistent look-and-feel across all channels.

Blue Martini applications are designed to appeal to both business users and developers. Business users appreciate the intuitive graphical environment for managing products, accounts, content, pricing, analysis, personalization, and so on. Business users also can manage Web site operations without having to involve the company's Information Technology (IT) professionals. Developers utilize Blue Martini's extensive out-of-the-box functionality, which allows developers to focus on creating new points of technological differentiation, instead of having to constantly "re-invent the wheel." Moreover, developers value Blue Martini's support for open standards as well as its J2EE-compliant architecture, both of which make the platform more extensible.

Aberdeen Conclusions

Manufacturing organizations possessing the vision to utilize sell-side e-Business technologies to enable their own organizations and sales channel partners to sell effectively online will achieve two primary strategic objectives. First, their organizations will be able to maintain their competitive advantage, as e-Business becomes a global commerce standard. Second, manufacturers will be positioned to gain market share from competitors that adapt more slowly.

Aberdeen research indicates that 24×7 access to relevant, highly detailed product information serves as one of the single most important determinants for the success of any e-Commerce initiative. Product and related transactive content, such as price and availability, drive virtually every decision across all sales channels and at every potential customer touch-point. Supporting the processes and relationships that exist in the traditional offline sales channel — and mapping those processes to online selling environments — is a key requirement for any organization planning to effectively compete in an e-Business scenario.

Blue Martini Software's focus — delivering powerful out-of-the-box applications that improve a manufacturer's ability to sell effectively through all channels — is

well placed to meet the needs of manufacturers. The company's applications can accelerate the pace with which a manufacturer and its selling network offer customers e-Commerce and e-CRM functionality across multiple touch-points.

By delivering packaged e-CRM applications with the requisite sell-side technologies, Blue Martini is helping companies that are committed to their e-Commerce initiatives be up and running in as little as 8 to 12 weeks. Aberdeen has found that Blue Martini is a top choice among manufacturers choosing a sell-side supplier. Blue Martini provides a comprehensive, pre-built solution that can be extended to meet manufacturers' growing sales and marketing needs.

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