Partner Relationship Management: The Next Generation of the eCRM

Extended Enterprise

The challenge of PRM is to identify channel priorities that will drive the greatest value for your company, channel partners and customers.

The impact of the Internet on channels of distribution continues to be revolutionary. Despite the growth of e-commerce, indirect channels are playing an increasingly larger role in executing companies’ strategic objectives, and the need to optimize channel partner relationships has become even greater. At the same time, business processes along the channel are becoming more complex and difficult for both companies and channel partners to manage. This paper examines how companies and their channel partners are using current Internet solutions to increase sales, cut costs and reach more customers. It will also look at how emerging Internet capabilities are creating unprecedented opportunities for companies and channel partners to collaborate and exchange information.

Companies have invested in improving their internal business processes, cleaning up data and integrating systems. These companies are positioned to reap the benefits of the eCRM extended enterprise, which we define as the extension of a company’s business model through process automation to customers and channel partners.

Partner Relationship Management (PRM) is the component of the eCRM extended enterprise that specifically focuses on the process automation between companies and channel partners. To create greater customer value and channel partner profitability, companies are building PRM infrastructures in which they can coordinate business planning activities, share information, conduct commerce and provide post-sales support across the channel.

Strategies that Create Value

PRM solutions are designed to improve the efficiency and effectiveness of the interactions between companies and channel partners by allowing them to share information in routine business activities. Early adopters of PRM are not only improving channel marketing, sales, fulfillment and service functions, they are evolving the channel itself into a greater provider of value-added services and solutions. A survey of 50 executives from large manufacturing companies projects that on average, over the next two years, the use of extranet/PRM solutions will reduce distributor support costs by 32% and increase sales through channels by 17% (Forrester Research: “Surviving the Internet Shakeout”).

To achieve such benefits, channel managers are using PRM to implement business strategies that will:

Re-engineer Channel Functions to Drive Costs Out of the Channel.

Through PRM, companies are automating customer service functions and are decreasing manual processing costs in the areas of promotional funds management, order management, warranties, and returns processing. PRM is also being used to lower collateral distribution costs and promote self-service transactions through online inquiry (for example, order status, account status) and self-study training programs. Customer service and sales representatives can serve partners more quickly, which enhances operating margins without raising prices.

Capitalize on Growth Opportunities in Solutions and Services.

Channel partners are critically important in providing services, product consulting, and integrated solutions. Companies are adding PRM solutions that strengthen channel partner relationships and enhance the channel’s value-add. Through the Internet, companies provide their channel partners with development tools and online starter kits that teach partners more about new and complementary revenue-generating opportunities, thereby expanding base product revenue streams. For example, a software manufacturer can provide its partners with resources such as a collection of best source code, a search interface that finds articles about bugs and corrective actions, live webcasts, and helpful discussion forums that promote collaboration across the channel network.

Extend Reach and Increase Market Share.

Companies are increasing market share growth for existing partners and are providing access and reach to previously underserved or new partners. PRM enables companies to offer value-added tools such as self-configuration, detailed reporting and transaction status. Simplifying the business relationship through value-added tools drives higher channel partner satisfaction, which can lead to improved partner retention and revenue growth. In addition, a proactive ability to support channel-inclusive e-business capabilities is often a major influence on channel partners’ decisions to establish relationships with companies.

To increase access to new partners, companies are announcing new market opportunities, providing branded solution offerings to their partners, and instituting seamless online application and registration processes. With these strategies, channel managers are hoping to improve channel loyalty and reach. This will lead to decreased channel partner turnover which, for companies with complex product lines, translates into less training time, greater productivity and improved overall market presence and customer satisfaction.

Early Adopters Optimize Channel Partner Relationships

Traditionally, channels have been managed in a linear fashion with each member of the chain selling and servicing its immediate customers. This type of channel partner man-
management is highly inefficient and causes companies and channel partners to experience errors and delays in their communications.

To address these inefficiencies, early adopters of Partner Relationship Management have focused on using the Internet to provide channel partners with several different e-business tools, including:

- **Product and Service Evaluation Tools**: Channel partner websites that focus on Web content and that provide product and service catalogs and post-sales support information (including methods for answering frequently-asked questions and self-help guides).

- **Dynamically Presented Information**: Channel partner websites that personalize the channel partner relationship and include individualized information on authorized products, pricing, promotion, and service information.

- **Transaction Extension**: Channel partner websites that extend companies’ transaction capabilities, helping channel partners directly manage their own accounts, self-configure orders and track the status of service requests, orders and other transactions.

Internet-enabled PRM solutions have helped both companies and channel partners improve the efficiency of transactions. Manual processing techniques, which are prone to costly errors and inefficiencies, have been largely eliminated, promoting a seamless channel partner experience. Heightened capabilities offer companies a way to reliably maximize the value of every channel partner interaction to deliver a consistently branded end-customer experience focused on common processes and tools.

The following case studies illustrate the ways in which some early adopters have extended their investments in ERP and CRM systems by employing PRM solutions to optimize channel partner relationships. First, we look at how two companies improved their internal business operations through systems integration initiatives. Then we see how they took the next step, investing in Partner Relationship Management platforms that extended their business models outward into the channel. These companies succeeded in creating channel partner relationship interfaces that maximize the value of each interaction.

**Case Study: Alcatel**

Alcatel’s eBusiness Group is one of three business units within Alcatel Telecom, a manufacturer of high-tech communication products and services, headquartered in Paris. The eBusiness Group manufactures, sells, and supports voice and data products such as cellular phones and PBX systems.

As early as 1996, eBusiness Group executives observed the beginnings of a shift in the market for leading-edge communication products. As often happens with technology, the shift was lifecycle-driven. Following an inaugural phase of red-hot demand, a steady evolution towards commoditization occurred, bringing with it the need for lower prices, increased efficiencies and a growing emphasis on service.

To remain ahead of the curve, company leaders launched a transformation program focused on the development of a highly efficient, global, service-oriented culture. Fundamental changes to the company’s business processes would anchor the program.

Group leaders also foresaw that by the late 1990s, customer contact would mean more than excellent support and easy access. Instead, marketing, sales, order management and service would have to be integrated into comprehensive, Internet-enabled relationships with channel partners and customers. Alcatel needed new strategies and technologies that would not only support changes within the company but also enable the company to expand outward along the channel. In effect, Alcatel would create an extended enterprise and, using PRM solutions, facilitate communication between the company and its channel partners.

Alcatel’s new PRM solutions would provide complete electronic product catalog display; incorporate quotation and configuration features; manage online order-placement; ensure direct, full-time access to order status; and provide entry to complementary business portals. These new capabilities were expected to increase market share within reseller/distributor channels; improve pricing controls; reduce head counts in information technology and order processing functions; and eliminate item stocks at local sales units.

To accomplish these objectives, a team of Accenture and Alcatel executives revamped several supply chain and financial processes, and developed a new technology architecture to support incoming SAP applications. Concurrent with the implementation of SAP, the team developed the group’s new e-channel, composed of a Scopus call management system from Siebel Systems and a transaction-focused website for serving customers and interfacing with distributors and dealers.

The group’s new system presents each authorized dealer/reseller with an online catalog of orderable items, each of which is ‘custom priced’ for that user. When all items have been selected and the channel partner is ready to buy, the system runs a credit check, confirms the availability of each item and displays fulfillment details such as total price and delivery timetable. When the transaction is complete, all back-office information is processed by the SAP system. At any time prior to delivery, the channel partner can log on to the system to determine order status.

More than 2,500 customers and authorized dealers/resellers are now connected to Alcatel’s new extended enterprise. The result has been an improvement in pricing controls, reduced headcount and more efficient order processing. By virtually any measure, the Alcatel eBusiness Group has attained a new level of Partner Relationship Management.

**Case Study: Sharp Electronics Corporation**

Sharp Document and Network Systems, the office equipment division within Sharp Electronics, is a leading manufacturer of fax and copy equipment. Sharp was faced with rising channel partner expectations for improved sales and service support. In addition, market pressures called for improved sales productivity. A PRM approach provided a way for Sharp to improve channel relations by building a dealer Internet business system that promoted more effective channel communication, timely distribution of product and pricing information, efficient order processing and customer support.

Though Sharp had invested substantially in an ERP system to enhance its own internal business processes, working with dealers and distributors remained challenging. Sharp could neither achieve substantial growth nor increase the level of channel satisfaction using its current manual processes, which were not efficient and did not enable collab-
to allow dealers to process orders seamlessly and access self-service inquiry functions at any time.

Sharp succeeded in building a dealer Internet business system that provided:

- Effective channel communications
- Timely distribution of products and pricing information
- Efficient and accurate order processing
- Better customer support

Everything – from placing an order, to ensuring that the order was sourced from the right warehouse, to viewing the order status – was simplified. Instead of relying on fax orders, dealers were able to go online, view specific

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<td>Read more about Partner Relationship Management in additional white papers at The CRM Project website, <a href="http://www.CRMproject.com">www.CRMproject.com</a>.</td>
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Sharp implemented a platform strong enough to support ongoing enhancements. Using PRM solutions, Sharp can now respond to technological advances and in the future, re-engineer other activities such as collaborative A/R management, third party finance company integration, electronic training/certification courses, and quota and commission/sales management. These advanced functionalities will provide greater opportunities for lowering costs and increasing productivity and sales.

**The Next Generation: Collaborative PRM**

The case studies demonstrated how companies are leveraging PRM to extend their business models and transaction capability. So what is next for these companies?

New application technologies allow manufacturers to extend collaborative business processes through the channel. Channel partners will be able to share their experience and knowledge, and as a network, work together to provide greater customer value than any single channel partner could alone. Channel partners that have complementary skills, products and services will be able to work together to come up with creative new solutions to support companies’ value propositions and customer needs.

Establishing a collaborative PRM relationship with channel partners will require companies to develop.

**Closed-loop business processes that integrate manufacturers and channel partners to deliver a complete customer experience.**

Companies are deploying closed-loop processes to improve the overall customer experience and direct work to the channel partner best positioned to perform that work. Through extranet workflow, companies can coordinate multiple players in the network and better manage the delivery of services or solutions. For example, an end customer may have a service request that requires specialized skill or knowledge. While the field technician servicing the request may not have sufficient knowledge to address the issue, a request can be generated and routed to the most competent individual(s). Through alarms and alerts, service for the request is managed, thus reducing the response time, decreasing the resolution effort and improving the overall customer experience.

**Heightened capabilities offer companies a way to reliably maximize the value of every channel partner interaction in order to deliver a consistently branded end-customer experience focused on common processes and tools.**
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<th>Capability</th>
<th>Imperatives</th>
<th>Diagnostic Questions</th>
<th>Figure 1 – Is your channel configured to leverage the benefits of PRM?</th>
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| Partner Enrollment    | To build a strong community of channel partners that can meet your market objectives, your company must profile channel partners and monitor sales performance. Gaps must be managed through well-defined, cost-effective recruiting processes. | Does your channel provide adequate market coverage? Are you tracking your partners’ skills and competencies? | - Workspaces to foster communication and knowledge-sharing among channel partners.  
   Companies are hosting forums where channel partners can find out about other partners in the channel network, and collaborate to develop solutions, solve business problems, and evaluate designs. A site may help members of the channel network find other members that have the competency, experience, and assets to address a specific customer situation. Other sites may support discussion forums allowing channel partners to explore broader market opportunities by either sharing proven solutions or by evolving a collaborative solution design working through multiple iterations of design documents.  
   Hybrid channel networks where direct and indirect sales channels work together to deliver and install products and services.  
   Companies are enabling collaboration between their direct sales force and the channel network so that the most effective team is engaging the end-customer. For example, a manufacturer that maintains a direct          |
relationship with its national account base deploys direct account teams to sell and service the customer. However, channel partners fill the orders and install the product. A client placing an order for installation at multiple locations would benefit from the manufacturer’s ability to coordinate the effort with its channel partners. PRM solutions assist in this type of complex delivery by integrating the order and installation process.

**Syndicated application and content deployment capabilities.**

Manufacturers are extending marketing, selling, servicing, and fulfillment solutions to their channel partners. The next generation of PRM will create an extended enterprise that embodies characteristics of a franchise operation. Just as franchising replicates a successful business format (business infrastructure, operations manuals, systems, and procedures) in the physical world, content and application syndication promises to provide channel partners with proven business practices in the virtual world. Syndication enables partners to operate their business at a much higher point on the learning curve. Rather than recreating product catalogs, customer needs assessment tools and product diagnostics, channel partners will be able to leverage tools that have been tried and tested by the enterprise, reducing potential mistakes. An illustration of application syndication is a company sending an electronic product catalog to its distributors and, in turn, those distributors sending portions of the catalog to their contractors and so on. The syndication of an enterprise’s branded electronic catalog that can be used in the distributor’s online environment as well as the contractor’s website not only creates efficiencies for the channel but creates a consistent experience for all network members and customers.

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<th>Which Capabilities Should I Look for in a PRM Solution?</th>
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| New software vendors now offer applications that address the wide-ranging business capabilities required to connect, communicate, exchange information, and transact throughout the partner lifecycle. These vendors provide components of a new PRM architecture that takes advantage of the Internet while addressing the problems of channel complexity and the lack of channel partner functionality in traditional CRM and ERP vendor applications.

While there is no vendor that supports the complete partner relationship lifecycle, Accenture has developed a framework for evaluating PRM capabilities. Here is what a comprehensive set of capabilities would entail:

**Recruit Partners and Manage Relationships**

First, companies focus on recruiting channel partners and managing the application process. To facilitate this, PRM offers solutions in applications management, partner registration, and partner profiling functions. For companies and channel partners to develop common goals and objectives, they must plan channel sales and marketing activities together. These processes include sales forecasting, promotions planning, and a continuous feedback loop for managing partner feedback.

**Generate Demand for/from Partners**

With improved information distribution, channel partners can receive personalized communications about existing and new products and services, as well as sales and marketing collateral.

Additionally, training and certification packages increase channel partners’ awareness of products and services. Finally, armed with the right information and training, companies are routing leads so that channel partners are informed about potential sales opportunities. As product life cycles shorten, it becomes increasingly important to communicate special programs and promotions in a timely manner. PRM systems are enabling quicker distribution of these materials. Channel partners need to manage the pre-sales process electronically by focusing on assessing customer needs through questionnaires, evaluating product and service options, generating price quotes, managing sales opportunities, and providing customers with product availability and price quote information. Finally, channel partners must track customer interaction through contact and activity managers to maximize their effectiveness.

**Fulfill Demand**

Using e-commerce tools, channel partners electronically direct everything about the purchase process, from placing orders to receiving products. Order management tools apply to order entry, payment/finance processing, tax and shipping calculations, management of allocated inventory, distribution of digital assets, and the ability to track order/shipping status.

**Post-Sales Support**

The post-sales support process begins with product registration. Emphasizing the reduction of cost of service, channel partners electronically manage the post-sales support process using self-service tools such as solution libraries, problem diagnostics and discussion forums. Field support is managed through tools that include field service dispatch, service request management, and proactive service management. Finally, standard processes such as warranty, returns, and repairs processing are streamlined.

**Account Management**

By promoting self-service through ease of access to account information, companies are enabling channel partners to view and manage their account activity electronically. Without having to contact an operational staff person, partners are able to get answers to questions about AR, quota and commission management.

**Reporting and Decision Support**

Companies and channel partners can share information and tools to gain insight and visibility for improved decision-making. Tools include standard report cards that measure channel performance, site performance and usage reporting.

**Site Management**

This set of capabilities targets the functions required to manage and administer PRM site operations. These functions address the ability to administer both internal company operations and partner site operations. Company site operations include basic administrative procedures such as security (data access, capability authorization), content management (creation, review and approval, staging and deployment), personalization, site navigation, and search functions. Partner site operations include functions such as syndication (the ability to deploy content and application functionality to a partner’s site), distributed user administration (the ability to establish and manage user access within the partner organization) and extranet workflow administration (the ability to route leads, service requests and promotional fund requests within the partner and company organizations).

**Integration Capabilities**

A comprehensive PRM infrastructure will require information exchange with internal company applications, third-party applications and partner websites. To support the integration requirements, vendors are providing hooks into leading packages (ERP, SFA, call center) and leading enterprise application interface vendors. Vendors are accommodating integration with leading third-party providers including logistics providers, training vendors, etc.

If your industry is served by a channel that uses a standard order management system, you should examine how a specific package might support direct integration into your partners’ systems.

Finally, if your company has developed a customer direct channel leveraging the Internet and you believe there is an opportunity to route customer interests to your channel partners, you should consider integration with your Public.com presence.
Guidelines for Finding PRM Opportunities and Benefits

Early adopters of PRM have realized substantial benefits from their extranet/PRM solutions. To identify the right opportunities for your channel network, you must align your company, channel and customer priorities with strategic objectives. Consider the following diagnostic questions in Figure 1 when determining if your channel is configured to generate similar benefits from PRM.

Lessons from the Leaders

PRM offers companies significant value, whether by allowing the sharing of previously difficult-to-share information or by helping channel partners collaborate through closed-loop, cross-enterprise business processes. These opportunities can lead to increased channel profitability and greater satisfaction for customers, channel partners and enterprises.

Understandably, organizations want all the benefits of PRM. Early adopters offer guidelines on how to achieve world class capability:

- **Build Stakeholder Buy-In** – Channel management, influential channel partner representatives and sales management need to buy into strategy and deployment. System acceptance rates improve dramatically when relationships among stakeholders are strong and all parties buy into the value proposition and support its promotion and uptake.
- **Staged Release Rollout** – PRM is a journey not a destination. Develop a long-term vision and a release plan that allows you to phase in the new system in a way that builds channel support.
- **Focus on the End-Customer** – The value proposition for each constituency is driven by improving the end-customer experience. Design your PRM processes end-to-end so that customer value is of primary importance.
- **Cross Functional Representation** – PRM affects multiple components of the organization. Make sure the team has representatives from sales, marketing, order management, customer service and logistics.

For companies to whom channel partners are increasingly important in the marketing, selling, delivering and servicing of their products, forging ahead into the world of Partner Relationship Management is imperative, not optional.

While PRM offers significant opportunities, the challenge is to identify the channel priorities that will drive the greatest value for your company, channel partners and customers.