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Taking Your Sales Channels to the Web

*A Seven Step Guide to Creating a Profitable
Channel Management Strategy in the Internet Economy*

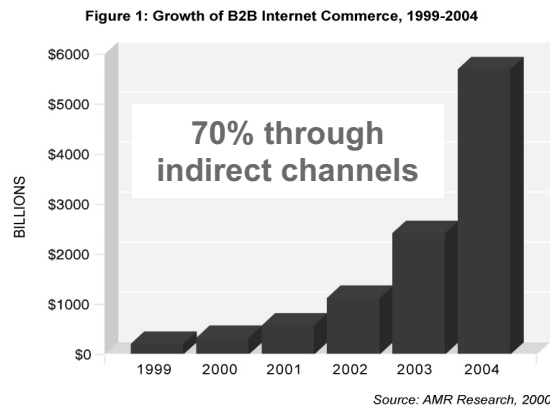
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Executive Summary

“The Internet has become the fastest expanding sales channel in history and e-business has become the single most important strategy for seeking, capturing, and developing customers.”
-Forrester Research

To survive and thrive in the Internet economy, manufacturers need to be proactive, not reactive, in adopting e-commerce strategies. In business-to-business commerce, more than 70% of products and services are sold through indirect sales channels. For manufacturers that sell primarily through channel partners, this means immediately creating and executing a channel-inclusive e-commerce strategy. As channel partners provide value-added services such as global and vertical reach, logistics, and customer service and support, these critical relationships need to be nurtured, rather than neglected, in the e-commerce world. Manufacturers must establish a cohesive and effective approach to sell-side e-commerce—an approach that leverages and extends traditional sales and distribution channels to drive top-line growth.



This guide delineates this process in seven essential steps:

- Step 1 – Focus on your customer
- Step 2 – Determine your *all channels* e-commerce strategy
- Step 3 – Implement an e-commerce solution that takes your sales channels to the web
- Step 4 – Develop high performance sales channels
- Step 5 – Measure results
- Step 6 – Evolve your e-commerce strategy based on measurements
- Step 7 – Reap the rewards

Setting the Stage for Collaborative Commerce

Today's manufacturers are facing one of the most difficult business challenges in modern history: how to compete and succeed in the Internet economy. Traditional channels of sales and distribution are being recast to take advantage of the Internet. For manufacturers that sell primarily through channel partners, this implies new ways of utilizing channel assets.

But where do you start and what are the essential

elements of a collaborative commerce solution? Before embarking on an e-commerce strategy, manufacturers need to ask themselves a few important questions.

- Where will the Internet be in three years and how are we going to take advantage of it?
- How are Internet business models influencing and impacting traditional business models in our industry?
- Are our e-commerce and e-business efforts building on our company's fundamental charter and core strengths?
- How will the Internet and e-commerce help us grow revenue?

Setting up shop online can be full of obstacles, such as the risk of alienating established distributors, resellers, dealers, and other constituents. Gartner Group estimates that over 90% of manufacturers do not sell their primary branded products online. The main reason? Channel conflict: fear of the consequences of going into business against a company's own selling partners. For example, home products manufacturer Rubbermaid experienced this conflict when it attempted to launch a direct-to-customer e-commerce initiative. Prior to its launch, parent company Newell Rubbermaid halted the effort to prevent offending retailers. As an alternative, Rubbermaid established a website that simply helps customers gather product information and build a shopping list, which they can then take to the nearest physical store. Ultimately, Rubbermaid fails to close the sale and has no visibility into whether these customers actually purchased Rubbermaid products.¹

Who wins through these stopgap e-commerce measures? Certainly not manufacturers. They not only give up rights to a burgeoning new revenue stream, but also lose control over, and insight into, the commerce activities within their own customer base.

*"Collaborative commerce enables multiple enterprises to work interactively online to find ways to save money, make money and solve business problems."
-Gartner Group*

¹ Neil Weinberg, "Not.coms," *Forbes*, April 17, 2000.

Presenting a seamless selling experience to customers while integrating the value-add of channel partners. What if manufacturers could provide customers with a unified and guided selling experience across channel partners and inter-company divisions? Customers could access real-time product information—including pricing and availability through channel partners—directly from a manufacturer’s web site. And what if an e-commerce system could ensure that products were properly configured and orders routed to the appropriate sales partner? The manufacturer would remain intimately involved in the e-commerce activities of its channel partners, while maintaining influence over the sales process and customer experience.

The question is not *whether* manufacturers should utilize Internet sales channels, but *how* can they do so in a profitable way without alienating their existing distributors, resellers, dealers, and other constituents.

Introducing Comergent Collaborative Partner Marketplaces

*“Collaborative commerce is a form of e-business—the most advanced form.”
-Gartner Group*

Collaborative partner marketplaces coordinate the sale of products and solutions across multi-tiered sales and distribution channels while providing a cohesive online experience for end-customers. In a collaborative partner marketplace, inter-company competencies are combined and selectively activated to fulfill customer needs. This online collaboration encourages the manufacturer’s active participation in all aspects of the customer’s sales and marketing experience, from shopping and product configuration to fulfillment and feedback. The benefits of this model include: providing an ideal customer experience; gaining an accurate understanding of customer behavior and preferences; and increasing visibility into channel activities and performance.

Step 1 – Focus on Your Customer

Customers are the heart of every business and thus should be at the center of any e-commerce strategy. Patricia Seybold, a leading e-business consultant who has advised hundreds of companies on best practices, makes a strong case for the importance of putting customers first in any e-commerce initiative. When embarking on an e-commerce strategy, Seybold stresses the following fundamentals:

- Remember who the customer is
- Make it easy for the customer to do business with you
- Make sure your service delights the customer.²

Remember who the customer is. While an automotive parts manufacturer might consider its dealer network to be its customers, and an insurance provider looks to its independent agents as its customers, the real customers of any business are the end-customers—the entities that ultimately buy the products and services. If these end-customers don't value your products and services, sooner or later you will be out of business. Therefore, the first step is to develop an understanding of who your true customers are and what their needs and preferences are—considering the full range of your customers' experiences:

- How do they buy?
- What do they need and want from you?
- What do they need and want from your channel partners?
- What is their ideal customer experience?

By understanding the value of each of these elements, companies can determine how to optimize each element to better serve end-customers.

Make it easy for the customer to do business with you.

Manufacturers need to offer customers an optimum sales experience. This includes providing customers with the information and commerce capabilities to quickly and easily obtain the solutions that best fit their needs. If these elements come from a manufacturer and its selling partners, they must be displayed in a single, seamless interaction to minimize the customer's effort.

Make sure your service delights the customer. While product differentiation continues to be important, manufacturers are increasingly providing value to customers through a variety of additional services. In addition to logistics, these services include customer care, complementary products and services that enable a complete solution sale, and much more. For manufacturers that sell primarily through indirect sales channels, these services are delivered through their channel partners. Thus in order to meet and exceed customer expectations, manufacturers need to focus on how to align channel partners with customer requirements.

“Smart companies will begin to shift their focus away from just building direct-to-customer web sites toward working with those intermediaries that have shown themselves to be the most successful in attracting target customers and prospects.”
-Gartner Group

Comergent

The Comergent solution places the customer at the center of a unified and guided selling experience. Partners participate in a company's collaborative partner marketplace to provide superior customer service and give manufacturers visibility into all commerce activities.

² Patricia Seybold, “Customers.com,” Times Books, 1998.

“When you think of channels you should be thinking strategy: effective channel management offers the chance to reinvent not just your business but the industry you’re in.”
-Steven Wheeler and Evan Hirsh, *Channel Champions*

Comergent
Comergent is a proven enterprise application solution with the power and flexibility to easily fit into a company’s existing commerce infrastructure. Providing technology, applications, and services, Comergent’s solution and expertise ensures the success of a company’s strategic e-commerce goals, today and tomorrow.

Step 2 – Determine Your *All Channels E-Commerce Strategy*

While companies feel the pressure to sidestep competitors with a first-to-market advantage, there is little benefit in aimlessly building and implementing e-commerce systems. Some manufacturers are taking a haphazard approach to the Internet, trying to shoehorn existing business practices into simplistic e-commerce capabilities—or worse—drastically changing current effective business practices. A more sensible approach is to determine how to use the Internet to optimize and extend your company’s established sales methods and align your e-commerce strategy with your company’s overall goals.

Determine which sales channels to take to the web. In most cases, manufacturers utilize multiple channels to respond effectively to customers’ needs. These include indirect sales channels, such as resellers, retailers, OEMs, and dealers, as well as direct sales. Indirect sales channels deliver value to customers and strategic value to manufacturers by providing global and vertical reach, logistics, and additional value-added services. An Internet business strategy that does not consider all relevant sales channels—including their sales and distribution models and related business processes—is doomed for failure.

Formulate an integrated strategy that provides a common infrastructure for all sales channels. Once manufacturers determine which sales channels to take to the web, they must provide an e-commerce infrastructure that integrates all of them within a single, cohesive system. This type of e-commerce infrastructure has a much greater potential for impacting overall company profitability. Short-term rewards include reduced costs through process automation and efficiencies. Long-term rewards include increased revenue, greater customer and partner loyalty, and the ability to create strong sell-side partnerships that help differentiate products.

Understand the role of net marketplaces. Net marketplaces assemble buyers and sellers in product- or industry-focused marketplaces for the exchange of goods and services. Recent examples include *Altrade* for the energy industry and *autoXchange* for the automotive industry. The primary beneficiaries of most net marketplaces are buyers, as products and services from multiple companies are compared side-by-side. While a net marketplace can be ideal for selling commodity products, manufacturers that want to differentiate their products and maintain channels are likely to sell only a small percentage of their products through a net marketplace, e.g., low-end and commodity products. For most manufacturers, a net marketplace should not be the primary e-commerce strategy.

In determining an all channels e-commerce strategy, the overriding objective is not only to maximize revenue and profit, but also to maximize value to customers and channel partners.

Step 3 – Implement an E-Commerce Solution that Takes Your Sales Channels to the Web

Now that you've determined your e-commerce strategy, it's time to find the solution to execute it. An e-commerce solution must enable all your sales channels to quickly and effectively meet the needs of customers. Leading e-businesses are using e-commerce technologies to manage and coordinate information and commerce activities from all customer touch-points. A strong channel support infrastructure fosters collaboration and increases manufacturer and channel partner productivity, efficiency, and value. This implies an e-commerce system that is able to support various channel needs within a single system.

Executives about to implement an e-commerce solution must consider a few key application and technology requirements that will ensure the deployment of a successful collaborative commerce solution.

Application Requirements

- A **marketing** application that delivers marketing capabilities, for example personalized messages and content to customers based on product interests and personal attributes, enabling cross-selling and up-selling.
- A **guided selling** application that uses customer requirements and behavior to lead customers to the right sets of products and solutions.
- A **configuration** application that presents customers with the full range of available product options, while ensuring against invalid configurations.
- An **all channels** e-commerce application that enables indirect sales, to manufacturers' customers seamlessly via channel partners, as well as direct sales, to manufacturers' customers and partners. Capabilities include guided selling, shopping cart creation, order placement and status, inter-company real-time pricing and availability, shopping cart transfer, and multi-party marketing.
- **Central control** of all partner profile information and commerce activities, enabling reporting, analysis, and the delivery of targeted content to channel partners.
- An **analysis** application that provides analytical capabilities, enabling manufacturers to gain insight into all commerce activities, including customer demand and channel performance.

Technology Requirements

- Distributed and collaborative applications built for the Internet that can be easily deployed at partner sites with real-time feedback and response.
- Open, standards-based technology that is adaptable and customizable.
- A quick and flexible implementation design with a quick return on investment.
- A modular architecture that can plug into current e-commerce and enterprise system capabilities.
- A proven and scalable architecture built for high growth.

“Collaborative commerce applications will enable enterprises to deliver greater value to customers by synchronizing and optimizing events and activities among a dynamic set of business partners.”
-Gartner Group

Comergent

Developed for collaborative commerce, Comergent provides a complete solution designed for the web that enables channel partners to participate throughout the entire selling process. This ensures manufacturers and channel partners each provide their distinct value to the customer.

“Welcome to the new era—where companies are known by their innovative channels, not their commoditized products.”
-Booz Allen & Hamilton

Comergent
Comergent distributed applications empower channel partners to add value through marketing promotions, real-time availability, and other valuable information and commerce activities. This enables partners to participate while customers are actually shopping and to ensure customers have everything they need to complete their purchases. The result is a cohesive, high-performance commerce process designed with the customer at the center.

Step 4 – Develop High Performance Sales Channels

Accelerating channel throughput to drive channel revenue is critical for manufacturers that deliver through indirect sales channels.

A high performance sales channel:

- Is knowledgeable about manufacturers’ products and customer requirements
- Sells fast and sells smart
- Meets and exceeds customer expectations.

For manufacturers that deliver through indirect sales channels, the goal is to make channel partners as efficient and effective as possible to drive top-line growth. An e-commerce system that delivers real-time information can drive every aspect of a manufacturer’s production and sales cycle. The sooner a manufacturer can obtain customer and channel information, the sooner it can impact product production and channel performance to better meet customer needs.

Accelerate channel efficiency through e-commerce capabilities. A strong collaborative commerce solution, as described in Step 3, provides channel partners with the right information, the right tools, and the right support to conduct commerce more efficiently. By automating and improving many manually intensive tasks, such as updating product information and order taking, channel partners are free to focus on more strategic activities, such as enhancing customer service.

Accelerate channel performance through visibility into customer behavior and preferences. The Internet and e-commerce technologies make it possible for manufacturers to establish a collaborative commerce environment that provides visibility through the channel to the end-customer. As a result, manufacturers can build a knowledge base of customer information, including customer behavior and preferences. Through this knowledge base, manufacturers and channel partners can:

- Better understand, anticipate, and fulfill customer needs
- Increase responsiveness throughout the partner network
- Provide customers with a more efficient and effective sales experience
- Customize and target promotions to cross-sell and up-sell
- Increase customer satisfaction and foster customer loyalty.

Accelerate high performing channel partners and monitor low performing channel partners. Through a collaborative commerce solution, manufacturers can gain visibility into individual channel partner’s activity and performance. Through this information, manufacturers can identify the channel partners that deliver the most value to end-customers, properly allocate incentives and rewards, target and reduce channel inefficiencies, and monitor low performing channel partners.

Step 5 – Measure Results

Through the Internet and collaborative commerce solutions, for the first time manufacturers can quickly and accurately measure results when working through indirect sales and distribution channels. In a collaborative partner marketplace, manufacturers centrally track all activities through the channel to the end-customer. This enables manufacturers to understand customer desires and help channel partners meet those desires, while continually monitoring the activities and performance of the channel as a whole.

Measuring results in a collaborative partner marketplace.

An effective collaborative commerce solution must provide up-to-the-minute reports based on key performance indicators, such as which products are moving through the channels; how many shopping carts are being transferred versus abandoned, including what the contents of these carts are; and which orders are actually being completed at partners' commerce sites. Furthermore, manufacturers must be able to obtain detailed information on individual channel partner activity and performance. These abilities are critical since they enable manufacturers to analyze their channel operations and make proactive, strategic decisions based on perishable information.

The benefits of measuring results in a collaborative partner marketplace. Manufacturers need tools to accurately access how effectively they and their channel partners are meeting customer needs. For example, it is difficult to get the right products to the right customers at the right time if manufacturers have to wait weeks for point-of-sale reports from channel partners. If manufacturers could receive real-time information about what products are selling through channels to end-customers, they could better anticipate customer needs and adjust production planning to ensure they meet these needs.

Another example of the benefits of a collaborative partner marketplace is the ability to measure, in real-time, the success of current marketing promotions. Think of how valuable it would be to know what promotions are appealing to customers *as they are ordering* specific products. With network-wide information sharing, manufacturers and their channel partners are able to access this information and customize their offerings to meet current customer demand, leading to profitable increases in customer sales and satisfaction. This has a direct impact on customer loyalty—not to mention revenue and profitability.

“With a better understanding of channel activity and performance, companies can maximize their channel structure and increase revenue by targeting the right channels, at the right time, to sell the right products and services.”

-AMR Research

Comergent

The Comergent solution captures and generates detailed reports on commerce activities throughout the channel to help manufacturers optimize partner commerce activities and performance. From shopping to configuring to purchasing at partners' commerce sites, the Comergent solution gives manufacturers insight into the effectiveness of the entire selling process and the specific needs of customers.

Step 6 – Evolve Your E-Commerce Strategy Based on Measurements

“It is no longer just the product that counts, but how, when and where it is delivered to the customer.”
-Booz Allen & Hamilton

Comergent
Comprehensive visibility into customer and partner commerce activities gives manufacturers insight into how to modify and optimize channel commerce strategies. For example, Comergent’s flexible Commerce Catalog and Commerce Configurator enable manufacturers and channel partners to rapidly implement strategic changes to product offerings as market needs dictate.

In a collaborative partner marketplace, manufacturers enjoy both top-line and bottom-line improvements as they adjust their e-commerce strategy based on measurements of channel effectiveness. As a result, more responsive enterprises are created. The ability to continually improve channel partner effectiveness springs from a strong but flexible channel support infrastructure.

Evaluate and evolve your collaborative partner marketplace.

Once an e-commerce infrastructure is in place, it’s time to step back and evaluate the performance of the collaborative partner marketplace as a whole, then evolve based on what is being learned from the channel and end-customers.

- Identify high performing sales channels, single out their best practices, and encourage these practices throughout the partner network.
- Target and reduce inefficiencies throughout the channel partner network.
- Create a more cohesive and responsive channel partner network.
- Provide flexible commerce systems that enable channel partners to continually evolve to add more value to customers.
- Use customer information to alter product offerings and production planning.
- Determine additional products and services that customers desire and acquire the channel partners to fulfill those desires.

A strong collaborative commerce solution enables manufacturers to:

- Evolve from being reactive to proactive
- Advance from automation to innovation
- Turn information into action
- Respond faster to competitors.

Profitable channel management is a continually evolving process.

Once an e-commerce system is in place, manufacturers need to be aggressive—continually analyzing and optimizing their e-commerce systems to help channel partners meet and exceed customer expectations. These tactics allow channel partners to focus on their core competencies: nurturing customer relationships and ensuring strong service and support. By closely monitoring the collaborative partner marketplace, manufacturers can take proactive steps to continually improve the productivity and effectiveness of their e-commerce solution.

Step 7 – Reap the Rewards

Forrester Research defines channel cooperation as the combined efforts of manufacturers and channel partners to acquire and satisfy “empowered customers” by sharing customers, margins, and intangibles like brand.³ In order to better serve these customers, astute manufacturing enterprises are cooperating with channel partners more closely than ever before. These collaborative networks are emerging across a broad range of industries, from high technology to automotive to chemicals to industrial and analytical equipment. While channel partners focus on providing global and vertical reach, logistics, and other value-added services, manufacturers are able to focus on maximizing their collaborative commerce solution to drive top-line growth, enhance the customer experience, and strengthen channel partner relationships.

In a collaborative partner marketplace, manufacturer and channel partners work together to build a unified and optimum brand experience for the customer, to improve customer satisfaction and foster customer loyalty. In its most advanced form, collaborative commerce makes it difficult to discern where the manufacturer leaves off and the channel partner picks up. This sophisticated business-to-business coordination drives top-line growth, optimizes the channel, increases manufacturer and channel partner productivity, and reduces costs.

Benefits to Manufacturers Include:

- Influence the customer experience and enhance brand value
- Gain visibility into customer behavior and preferences to better anticipate and meet customer needs, improve product planning and production, and better target promotions and cross-sell/up-sell opportunities
- Increase visibility into channel activities and performance to improve forecasting, decrease channel inventory, and more accurately allocate channel marketing spend.

Benefits to Customers Include:

- Receive complete, highly targeted information to make faster and more informed buying decisions
- Quickly and easily obtain the products and solutions that best fit their needs
- Seamlessly access the offerings of manufacturers and channel partners, without having to explicitly navigate a disconnected selling process.

Benefits to Channel Partners Include:

- Enhance relationships with customers by improving the accuracy, timeliness, and focus of solutions
- Shift focus and resources from manually intensive tasks to strategic objectives, such as providing more innovative and valuable services to customers.

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Comergent leverages the strengths of your existing sales and distribution models, enhancing them with the new capabilities of the Internet and e-commerce.

Comergent provides value throughout the entire commerce process. From increased sales that are a result of customized and targeted sales activities to a seamless selling experience for customers, Comergent applications help manufacturers reap the rewards of a solid partner commerce strategy.

³ Allen, Lisa, “*Channel Conflict Crumbles*,” Forrester Research, March, 2000.

Comergent Technologies, Inc.

***Comergent:
Your Partner in
Commerce***

Founded in 1998, Comergent Technologies is a leading provider of sell-side business-to-business e-commerce solutions.

Comergent's product vision and strategy is a culmination of extensive research and collaboration with leading manufacturers and their selling partners. Comergent provides software solutions that enable enterprises to engage in collaborative commerce, fully leveraging indirect and direct sales channels to drive top-line growth, increase customer satisfaction, improve channel productivity, and reduce costs. In 1999, Comergent was recognized as Cisco Systems' Supplier of the Year.

The Comergent Distributed E-Business System™ is a comprehensive suite of applications that enable manufacturers to coordinate and manage the sale of products and solutions across single- and multi-tiered sales and distribution channels. Through this solution, disparate customer touch-points are united as manufacturers and channel partners integrate their sales processes. As a result, customers are able to transparently navigate a multi-tiered selling process, gaining the value-add of both manufacturers and channel partners. Designed as an integrated environment for all partner and customer commerce activities, a Comergent collaborative commerce environment enables manufacturers and channel partners to pool their expertise, working in concert for the ultimate benefit of the end-customer.

Comergent has assembled an experienced customer advocacy team to deliver unparalleled support, training, and implementation assistance to ensure each customer's success. In addition, enterprises can expedite the launch of their collaborative partner marketplaces to immediately initiate commerce with their channel partners by leveraging the Comergent Partner Network, a worldwide network of "Comergent-ready" channel partners able to engage in commerce and communication with manufacturers.

Comergent is dedicated to continually pushing the envelope of sell-side e-commerce. While many ERP and CRM vendors are struggling to move their applications to the Internet, Comergent started fresh with multi-tiered distribution and Internet business models in mind. The result is the most sophisticated and comprehensive sell-side business-to-business e-commerce solution ever constructed.

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