Srini Katta

Discover SAP® CRM
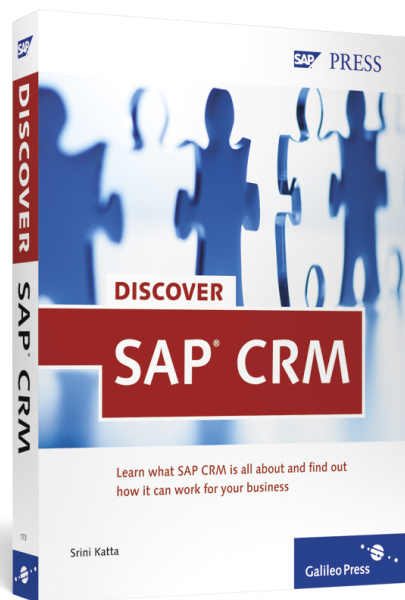
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SAP CRM Marketing

If you want to sell your products (including service products), you need to let customers know what you have to offer. In today's competitive marketplace, getting your products known is essential to your growth. To put it simply, marketing is everything you do to make sure your customers and prospects know about your products.

One of the key goals of marketing, therefore, is to generate customer awareness and demand for your products. Like all successful activities, marketing begins with a strategy and a plan. A marketing strategy defines conceptually at a high level how you want to use your limited marketing resources to best optimize brand awareness and sales revenue to create a competitive advantage. For example, perhaps you're a consumer packaged goods company and decide that you want to rely on in-store trade promotions — essentially paying grocery store retailers to prominently display and advertise your products in the store. Or, perhaps you're an enterprise software company that decides to launch a television and print media campaign to make a push into the lucrative small- and medium-business (SMB) market.

Whereas a marketing strategy defines the goals you want to accomplish, a marketing plan describes the details of how you plan to achieve those goals. With your marketing plans, you decide what your customers should know about your products or services, allowing them to distinguish your products from the many other choices available. A marketing plan is composed of marketing plan elements, namely campaigns and trade promotions:

> A *campaign* contains information such as the campaign objectives, tactics, priority, channel (email, telephone, mail, print media, etc.), and target market.

> A *trade promotion* contains information such as the trade funds (or budget), trade activities, maximum price discount, maximum duration, whether there is allowed overlap with other promotions, and so on.

But whether you're targeting customers directly through campaigns or indirectly through retail trade promotions, the goal is the same: to acquire new customers, to increase your market share of existing customers, and to protect and retain your most valuable customers from competitors.

When people think of marketing, they often focus on outward activities such as advertising and telemarketing designed primarily to capture new customers. However, an important but sometimes overlooked role of marketing is to identify and *retain* a company's most valuable and profitable customers. Much has been written in the past few years about how it's 5 to 10 times more expensive to acquire new customers than to sell to existing customers.

However, a disproportionate amount of marketing budgets are still focused on efforts to acquire new customers rather than efforts to retain profitable existing customers. But this can be a real mistake! Many experts recommended that companies focus most of their mar-

keting efforts on activities designed to increase customer loyalty and to prevent customer churn and defections.

For example, SAP Real-Time Offer Management (which will be discussed later in this chapter) can identify and propose the optimal marketing retention offer for at-risk customers during a real-time customer interaction. On one hand, it's important to prevent customer defections by offering an appealing retention offer. On the other hand, with shrinking profit margins and increased competition, companies can't afford to give away more discounts and incentives than is absolutely necessary to retain a customer. It's important to pick just the right retention offer that provides enough of an incentive to keep the customer but doesn't needlessly waste money and resources by providing far more than is necessary.

It's important for companies to be able to justify marketing budgets by accurately estimating returns on the marketing dollars spent. Companies also need to be able to align and coordinate the marketing activities to ensure effective timing with product releases and such. And to make campaigns really effective, you need to be able to break down your activities by customer segment. This is where SAP CRM Marketing shines. SAP CRM Marketing helps you identify which customers you should target with which of your products. It also maintains information about those customers so you can close your deals more efficiently. So let's take a look at everything you'll find in the Marketing component.

SAP CRM Marketing Component

SAP CRM Marketing assists your company in planning, budgeting, executing, analyzing, and optimizing all aspects of marketing and campaign execution. In the next sections, we'll take a detailed look at each of the eight major components as shown in Figure 3.1.

Figure 3.1 SAP CRM Marketing Solution Map

Diagram of a central "Marketing" circle connected to eight surrounding circles: Marketing Resource Mgmt, Market Planning and Budgeting, Segmentation, List Mgmt, Campaign Mgmt, Trade Promotion Mgmt, Lead Mgmt, and Marketing Analytics.

Marketing Resource Management (MRM)

A successful marketing campaign requires tools and resources that are flexible enough to meet your company's marketing needs. SAP CRM Marketing Resource Management (MRM) provides the tools to increase efficiency and visibility of your marketing resources. Marketers have limited resources, and those resources need to be maximized. For example, almost all managers will tell you that they never seem to have enough people, time, or budget. Marketing managers, in addition, also need flexibility to respond to changing dynamics. Most marketers would agree that marketing is probably more of a skill — or even an art — than an exact science.

MRM manages resources for running successful marketing campaigns

MRM manages all of the resources that businesses need to run successful marketing campaigns. You can plan and forecast, manage costs and budgets, control digital assets (brands, logos, collaterals, and so

on), and publish calendars of marketing events. For example, marketing teams need to know what events are happening when and where — whether it's a trade show, analyst briefing, Web cast, or television or print media campaign. The marketing calendar tool is used as the central entry point for marketing professionals. The tool can be used to view, edit, and interlink campaigns and promotions (Figure 3.2).

Sales people also need access to the most up-to-date marketing collaterals and assets relevant for their job, while preventing expired or inappropriate collaterals from being accidentally circulated.
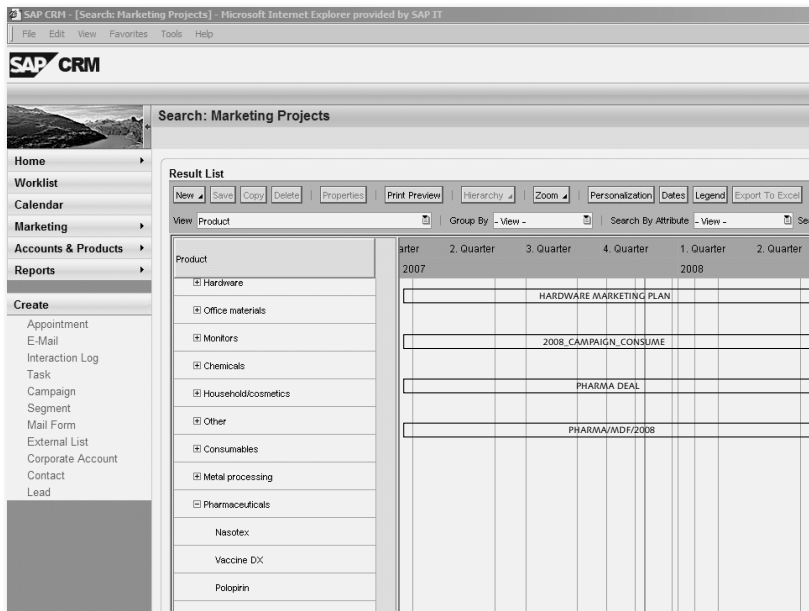
Figure 3.2 Marketing Calendar Functionality in SAP CRM

Market Planning and Budgeting

Any organization's marketing plans depend on the allocated budgets. Marketing budgets drive your planning options. SAP CRM integration with SAP NetWeaver BI helps analyze past market budgets and create a budget forecast based on historical data. You can run budget scenarios with each of the marketing planning scenarios you have on the table. Your marketing planning decisions are based on business needs

and marketing budgets. SAP CRM Marketing comes integrated to SAP Project Systems (PS), part of the controlling components of SAP ERP. The marketing planning can be managed either in Microsoft Project (MSP) or in the SAP ERP Project Systems component (Figure 3.3).

Figure 3.3 Marketing Planning Application in SAP CRM

MRM versus
marketing
automation

➕ Tip

Marketing Resource Management (MRM) is sometimes confused with another marketing concept called marketing automation. However, the two are quite distinct. *Marketing automation* is, as its name suggests, primarily concerned with automating processes such as customer segmentation and customer list creation. Often marketing automation is associated with direct marketing and telemarketing. MRM on the other hand is a much more broad and comprehensive approach that gives marketing managers all of the tools they need to run a successful marketing campaign, including budgeting, forecasting, managing digital assets, and managing marketing calendars.

Segmentation

Every customer has specific needs and wants. However, groups of customers who exhibit similar attributes and needs fall into what are known as *customer segments*. Customer segmentation — the process of grouping customers with similar attributes into segments that can be used as the basis of marketing campaigns — can be performed using various criteria or attributes.

Customer segments

> **Ex** **Example**
>
> A video game company is getting ready to roll out two new games in time for the Christmas buying season, and it wants to target customers from its existing customer database with an email or a short message service (SMS) message. One video game is entitled *Axe Maniac on Parole* and is targeted at young males between the ages of 12 and 26 who enjoy violent first-person shooter games. The second video game is entitled *Marathon Shopper: New York City* and is targeted at anyone who bought the "Marathon Shopper: San Francisco" game, as well as female video game players who live in New York or New Jersey. Creating targeted customer segments allows the company to reduce marketing costs (because not every customer will receive the email or SMS) and also helps the company avoid annoying or offending existing customers by offering a game that they are likely not interested in.

The SAP CRM Marketing functionality includes a tool called the Segment Builder that can be used to build target groups for marketing campaigns based on marketing attributes such as age, income, geographical location, hobbies, buying behavior, RFM (recency, frequency, monetary) values, and so on.

The Segment Builder can access customer data from a variety of sources, including SAP NetWeaver BI, SAP ERP, or even rented or purchased customer lists. To speed up the process of searching for and retrieving customer data, the Segment Builder takes advantage of a high-speed business partner search using the SAP NetWeaver TREX search engine. Additionally, the Segment Builder offers a number of other advanced features such as predictive modeling, dynamic filtering, segment duplication, target group optimization, clustering, data mining, decision trees, and ABC analysis based on profitability and

retention scores. Spend a couple of minutes on Figure 3.4, so that you can understand the Segment Builder application.
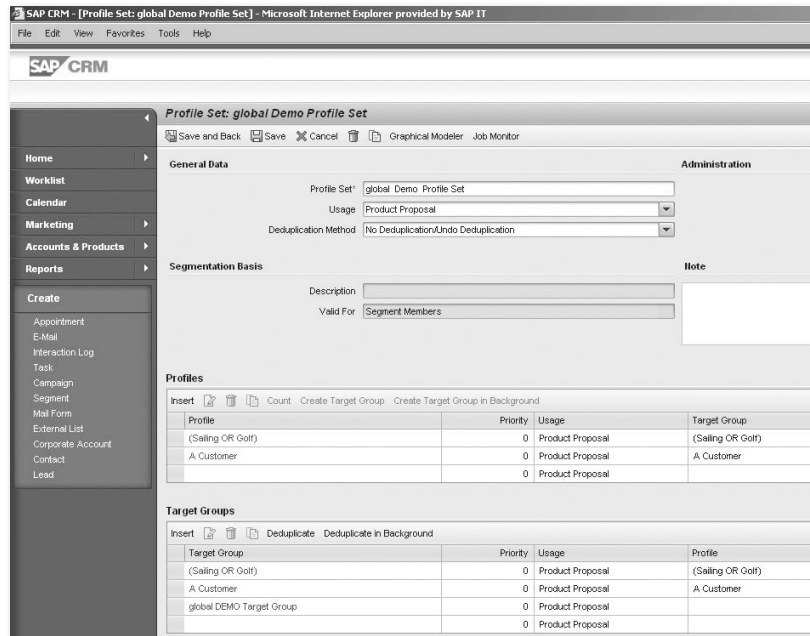

Figure 3.4 Marketing Segment Builder in SAP CRM

List Management

List management

Often, companies buy or rent lead lists from list-management companies (e.g., Hoovers, Dun & Bradstreet, etc.) or use leads generated by trade shows conducted by channel partners. SAP CRM External List Management (ELM) provides data mapping between source data fields and SAP CRM data fields, duplicate check (between owned and acquired leads), data cleansing, address validation, measurement of list quality (number of duplicate records, address errors, etc.), and list analysis. ELM helps companies manage customer master records, including cleansing, de-duping, and flagging expired or already used records for deletion (e.g., for rented lists). And, of course, list data can be exported to SAP NetWeaver BI and merged with other business data (such as sales data) to track the success of each list.

Ex Example

One SAP customer, an American news agency, had been purchasing expensive third-party lead lists for a number of years. The company had no way of tracking how many of the customer names on the list actually resulted in a sale, but the company was beginning to suspect that the lead lists were not generating significant sales. After implementing SAP CRM, including ELM and SAP NetWeaver BI integration, the company confirmed that the lists were not resulting in nearly any sales. Rather, almost all of the company's sales were coming from customers who had contacted the company via the Web on the company's website. So, of course, they stopped purchasing the expensive lead list and put more efforts into making their website even easier to use.

Figure 3.5 shows the steps and settings required to import list data from an external file, map the data, process the data, and save the data in SAP CRM using ELM.

Figure 3.5 External Lead List Mapping in SAP CRM Using ELM

Campaign Management

SAP CRM campaign management provides tools for setting up and running a campaign from start to finish, beginning with market analysis, continuing with the execution of the campaign, and ending with analytics. The results of the campaign then, of course, can be used for planning future campaigns to enable closed-loop SAP CRM. Using SAP campaign automation tools, you can graphically model a campaign and conduct campaign simulation. An easy-to-use graphical interface provides a clear overview of the campaign process flow, including support for multi-channel and multi-wave campaigns.

For example, you might choose to execute your campaign as an email campaign, a telephone campaign, both, or via other channels such as fax, SMS, and so on. If you're conducting an email campaign, you can use the Marketing Mail Form tool to create email templates to support the campaign. You can also attach surveys to the emails. If you're conducting a telephone campaign via the interaction center, you can use the Interactive Script Editor tool to create call scripts to guide the interaction center agents through telephone conversations with prospects and customers. The campaign management application supports both B2B and B2C scenarios, as well as mixed B2B/B2C scenarios. The most typical campaign scenarios are multi-wave campaigns, recurring campaigns, and event-triggered campaigns (Figure 3.6).

Ex Example

A retail catalog sporting goods company wants to target customers who have signed up for the company's newsletter on the website but have not yet made any purchases with the company. To entice these new customers to give the company a try, the company might generate an email campaign offering free shipping on orders over $50 for the next two days. The email could also contain a promotion code in case the customer would prefer to call the interaction center and have an agent assist them with placing the order rather than using the Internet. When the customer provides the campaign promotion code to the interaction center agent, the agent could automatically pull up the correct interactive call script containing details about the promotion. Even though the outbound portion of the campaign was communicated via email and not via the outbound call list in the interaction center, the company still had the option to allow the interaction center to support the campaign.
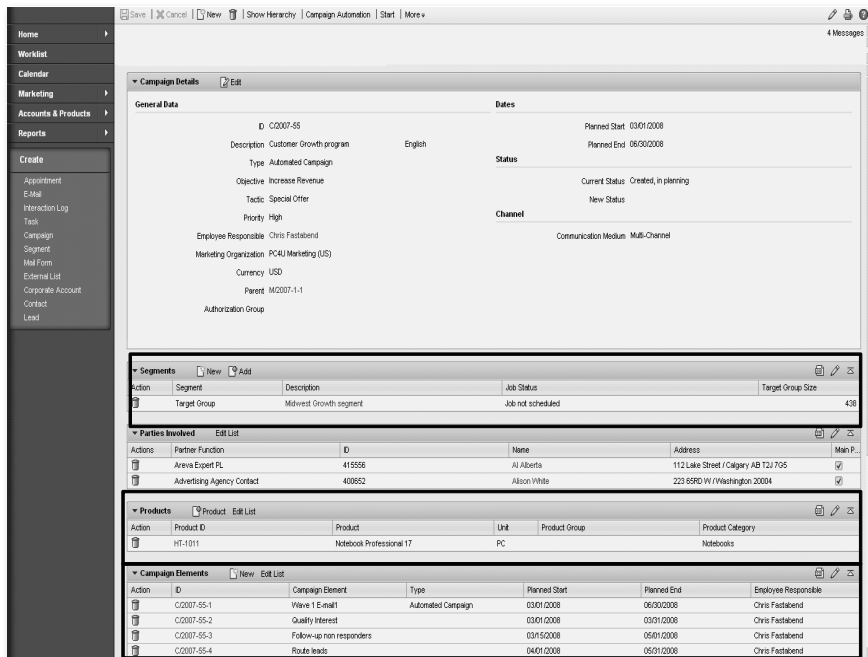
Figure 3.6 The Campaign Management Application in SAP CRM

The campaign management application also provides real-time monitoring of ongoing campaigns and allows managers to adjust campaigns for optimum results. The system provides campaign-specific pricing and supports tracking of sales triggered from a campaign.

Trade Promotion Management (TPM)

TPM helps organizations increase the effectiveness of their in-store retail promotions. Many manufacturers spend a significant percentage of their sales revenue on trade promotions — refunds or discounts given by manufacturers to retailers in hopes that the retailer will in exchange lower the price of the product and pass the savings on to consumers, generating more demand for the manufacturer's product.

Trade promotion (also sometimes referred to as *trade spend*) is most commonly associated with the consumer packaged goods (CPG) industry but is also quite common in other retail-based industries, such as footwear and apparel as well as consumer electronics. Many recent studies are raising questions about the effectiveness of trade promo-

Trade Promotion Management (TPM) increases retail promotion effectiveness

tions, suggesting that manufacturers aren't able to accurately track how much revenue results from any particular trade promotion.

Additionally, studies suggest that up to a third of most trade promotion funds may go directly to the retailer's bottom line, rather than being passed on the customer in the form of reduced prices. Retailers have been found to use techniques such as forward-buying to buy large quantities of product at a discounted promotional price and then — rather than selling the product right away at a discounted price — holding on to the product and selling it after prices return to their normal levels. National retailers also take advantage of regional trade promotions to buy large quantities at the discounted price in a certain region and then ship the product across the country to their stores in other locations where the product can be sold at full price. Nonetheless, despite all of these issues, trade promotions have steadily increased over the past 10 years and still seem to be increasing.

SAP TPM addresses these concerns by giving manufacturers the tools to make sure retailers can demonstrate that they sold the required quantity of product in the appropriate retail location. For example, retailers receive compensation only for the units that they can prove were sold from a valid retail location within a valid time period specified by the promotion. This concept is sometimes referred to as *pay-for-promotion*.

TPM begins with deciding how to use allocated funds — based on sales targets and budgets — across various possible promotions to optimize sales revenue and brand awareness. After the trade promotions are created, you can use forecasting tools to pre-analyze planned trade promotion spending. If things look good, you can release the promotions, which will trigger accruals and fund use. SAP TPM is fully integrated with SAP CRM, SAP ERP, SAP Supply Chain Management (SCM), and Business Process Simulation (BPS) – Strategic Enterprise Management (SEM). The integrated TPM system handles creating, executing, monitoring, and optimizing TPM programs at the key account level (e.g., a national grocery chain) as well as in-store promotions (e.g., for a local promotion in your neighborhood grocery store). SAP CRM TPM provides trade funds management, trade spend

budgeting, account/product allocation, deductions management, and payment processing (Figure 3.7).

Ⓔⓧ Example

An international beverage bottler is spending over 50% of its annual advertising budget (which equates to around 30% of its annual sales revenue) on trade promotions with large retailers such as Sam's Club, Costco, and Wal-Mart. The retailer has historically invested heavily in trade promotions providing various price discounts, rebates, refunds, free and subsidized in store displays, and so on. However, the company feels that perhaps only a quarter of the money it's spending is actually providing measurable results. The company wants more transparency and control over the management of its trade promotions with retailers, as well as stronger optimization, simulation, and analytical capabilities.

Figure 3.7 Setup Trade Promotions Using the SAP CRM TPM Tool

Lead Management

So far, we've discussed marketing planning, budgeting, customer segmentation, list management, campaign management, and trade pro-

Manage leads across all marketing channels

motion management. Let's assume that your marketing efforts are a mega success, and customers and prospects are responding positively to your campaign. Customers are contacting you via email, phone, and the Web asking for more information. Now you need a tool to capture the leads and customer information. SAP CRM lead management functionalities allow you to manage leads across all marketing channels, including telemarketing, email marketing, Web-based promotions, and so on.

Lead management provides capabilities to generate leads on the Web as well as to automatically qualify leads or to dispatch leads for qualification using workflow or business rules. You can also automatically generate follow-up activities with reference to leads. As shown in Figure 3.8, leads created in SAP CRM will have the following main fields:

> Main Partners
> Qualification Level
> Lead Group
> Lead Priority
> Lead Origin

Figure 3.8 Creating Leads Using SAP CRM

Ex **Example**

A large international software company uses the SAP CRM Interaction Center to qualify leads generated from trade shows, conferences, and customer events. Inside sales people telephone the customer to assess the level of interest in the company's products. The interaction center agents use a survey tool, which is integrated into the interaction center lead screen, to automatically qualify the lead based on the customer's responses to questions about the level of interest, desired quantity of product, product type, and expected time frame of purchase. If the customer indicates an interest but doesn't plan to buy for at least six months, the system might automatically qualify the lead as warm, rather than hot. However, if the agent also knows that a competitor is speaking with this customer, the agent might manually qualify the lead as hot. The manual qualification is recorded separately and does not override the automatic survey-based qualification. After the agent saves the lead, the SAP CRM system automatically routes the lead to the responsible sales person using business routing rules that the customer maintained via a tool called the SAP CRM Rule Modeler.

Backend ERP Integration

SAP CRM comes with standard out-of-the-box integration with the SAP ERP backend system. You may want to transfer a marketing project and marketing budget to SAP ERP Project Systems (PS), which checks and monitors the marketing costs and sends alerts if you go over the planned budgets or if the planned costs are not compatible with the available funds. You can also set up integration with SAP ERP Controlling Profitability Analysis (CO-PA) if you want to enter marketing costs and sales revenue and settle them to CO-PA.

Marketing Analytics

SAP CRM is integrated with both SAP ERP and SAP NetWeaver BI, providing closed-loop marketing analytics that measure, predict, plan, and optimize marketing plans. Analytics help you to understand the effectiveness of your marketing activities, allowing you to convert data into actionable intelligence. For example, you can gain insights into why certain marketing activities didn't work and avoid duplicating

them down the road. You can also discover which activities worked well and leverage them again for future marketing efforts.

Various types of marketing analytics are available, including campaign analytics, lead analytics, and trade promotion analytics. For example, you can view reports about customer marketing attributes, CLTV, churn propensity, and customer satisfaction level. Based on this data, you can more accurately predict customer behavior, anticipate customer needs, and generate appropriate marketing messages. See Figure 3.9 for full details regarding the analytical capabilities of SAP CRM Marketing.
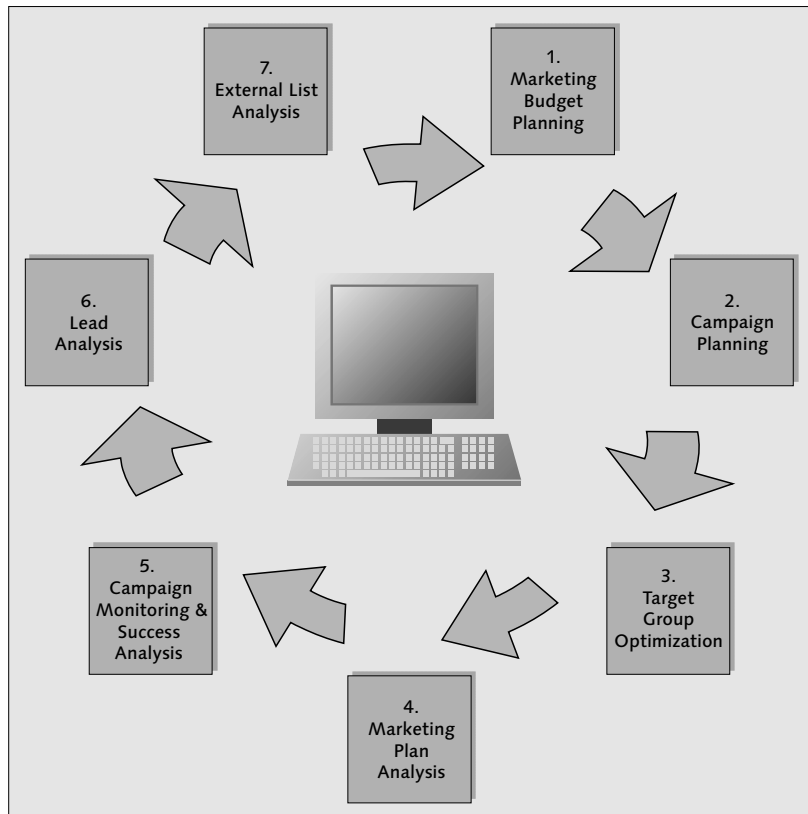
Figure 3.9 Closed-Loop SAP CRM Marketing Analysis Components

Case Study

The company in this case study is a world leader in digital media creation tools for film, video, audio, animation, games, and broadcast professionals. In fact, this company's technology may be behind a great movie you've watched recently. The company had sales revenues of $1 billion in 2007.

The business challenges facing this company include a standalone marketing system currently running on Onyx and an apparent disconnect between the marketing and sales departments. Because of this, the success of a marketing campaign was hard to estimate.

To face these challenges, the company has the following business objectives:

> Monitor campaign effectiveness in real time by measuring the sales revenue generated by a campaign.
> Create integrated marketing analytics that help analyze and adjust the marketing programs.
> Improve overall customer and dealer satisfaction.

On the technology side, the company is faced with two challenges: integrating the marketing and sales system, and creating a CRM system that integrates seamlessly with the backend SAP R/3 system.

The solution deployed to meet these challenges initially included an SAP CRM 3.0 system, an SAP R/3 4.6C system, and an SAP BW 3.1 system. The SAP CRM system was later upgraded to SAP CRM 4.0.

The value achieved by deploying this solution included an integrated marketing and sales system where in a prospect is created and upgraded to customer when an order is placed. As a result, the customer data redundancy when a standalone marketing system was used was eliminated.

Another benefit is that all of the interactions with the prospect/customer are visible in the customer interaction history.

Finally, the marketing programs are being managed, monitored, and adjusted in real time using marketing analytics.

Conclusion

In this chapter, we covered the major components of SAP CRM Marketing. The key things you should remember about this component include the following:

> SAP CRM Marketing is a comprehensive tool that supports marketing as well as campaign planning and execution using a variety of communication channels, such as telephone marketing, email marketing, Web-based marketing, and postal mail marketing.

> SAP CRM Marketing provides all of the tools necessary for marketing managers to successfully execute marketing campaigns.

> SAP CRM Marketing is fully integrated with SAP ERP and SAP NetWeaver BI.

This chapter has provided you with the details you need to understand what a great tool CRM Marketing is and how you can benefit from using it.

In the next chapter, we'll move on to cover SAP CRM Sales.

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