

WHITE PAPER

Oracle Vertical CRM Applications: Realizing Business Benefit Through Industry Best Practices

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IN THIS WHITE PAPER

This white paper discusses the benefits to organizations of deploying vertical CRM applications. Companies are demanding reductions in operating costs and improvements in the way they do business. Many of these savings can come from improved information systems that support real-time business decision making.

For many organizations, the methodology by which they operate their businesses is both a function of their unique value proposition and a reflection of the industry in which they operate. A balance must be struck in deploying applications that can leverage industry best practices while retaining the competitive differentiation that comes from a well-honed business process and strategy. This white paper discusses the benefits to organizations of employing a CRM application based on industry best practices to provide the needed foundation.

SITUATION OVERVIEW

Businesses are relying more heavily on vertical solutions to address the demands of current economic climates and to take advantage of the next iterations of the technology. The economic climate demands that businesses become more and more efficient in the way they do business. Many organizations have been successful in improving basic operations, thus achieving the first layer of efficiency. The new frontier in efficiency is improving operations by improving the underlying business processes.

For the forward-thinking corporation, business processes and corporate best practices are not stagnant one-time decisions or implementations. They are dynamic, reacting to changes in the competitive landscape as well as being internally driven as part of a corporation's strategy for long-term growth and shareholder value.

In a more practical sense, an IT infrastructure must reflect this dynamic environment to remain a reliable business management tool. To this end, vertical applications can provide the advantage. Vertical solutions are specifically tuned for the customer's business. Such applications support the way companies do business, supporting existing business processes. They do not force companies to bend into a prepackaged generic template often offered by horizontally based solutions.

When considering vertical solutions, we are typically referencing software solutions that are written for, or modified for, the specific needs of a particular industry or subsegment of an industry. These applications are often tailored to meet an industry's needs using the business processes, rules, and best practices of companies within the specific vertical as a model.

Companies within the same vertical will have similar solution requirements. Certainly some requirements will be unique from company to company. Therefore, even a vertical application will require some tailoring for each specific installation. Key attributes of vertical solutions are noted in the following list. Specifically, vertical solutions:

1. Are custom tailored to meet industry needs
2. Typically include an additional configurable set of capabilities appropriate for the industry
3. Are based on business processes and rules of the industry
4. Include reporting and analytics that are germane to the industry

Implementing an appropriate vertical application in a given industry provides many benefits over the implementation of a horizontal solution. At the top of the list are ease of implementation and lower cost of implementation. Since such applications are built for a specific industry segment, they cost less to implement. End-user training costs and support costs will be lower because these applications support existing business logic and use the industry's specific vernacular of business terms. "Out-of-the-box" industry-specific vertical applications rely on the lessons learned from multiple installations within that industry, an ongoing evolution and aggregation of industry best practices. Perhaps of greatest importance, they also come with support for specific industry regulation and compliance requirements. What customization they do require will be dramatically less than if an organization were to try to make a generic horizontal application conform to the requirements of a specific industry. In summary, the benefits of vertical applications are that they:

1. Are easy to implement.
2. Reduce training and adoption time, since the applications are written in the vernacular of the industry.
3. Leverage industry best practices by incorporating lessons learned from other implementations.
4. Are cost-effective.

Industry-Specific Considerations

We are well into the meat of this white paper about CRM for vertical industry segments, and yet we have not even discussed the acronym "CRM." The Situation Overview section of this white paper presents the concept of vertically focused software applications and makes the case for adopting the technology. This is our jumping-off point to discuss the specific industry considerations for industry-specific CRM solutions.

By definition, CRM stands for customer relationship management. Beyond the acronym, CRM application functionality traditionally has been divided into three broad areas — sales, marketing, and customer service — although the top vendors have enriched these CRM offerings with master data management and business intelligence and analytics CRM solutions.

The first challenge oddly enough is the term CRM — customer relationship management. Simply put, not every industry refers to the thing it wishes to manage as a "customer." In some cases, the item being managed may not even be human. This is a bit of semantics, but it illustrates the tip of the iceberg when the acronym we are discussing isn't even fit for the job. In some IT shops, the term CRM is not even used because it does not accurately describe the appropriate business solution. It is not simply a matter of changing the names of some fields within a database — the vernacular and the business processes of an industry can be dramatically different. Industries sell differently, market differently, and support differently from each other.

When companies are considering CRM solutions, they need to take into account their industry segment and how the business processes and functionality are like or unlike those in the manufacturing industry. Most of today's CRM applications are based on a manufacturing model of customer management and terminology. This is a legacy of CRM's evolution, which began primarily to suit the requirements of a manufacturing model. But what if the business manages agents, patients, cases, assets, or services and not a product?

To Each Industry Its Own

Each industry has its notions of a customer, as noted in the preceding section, but they have very different implications when it comes to their management. The following are some examples of organizations that require systems to manage their day-to-day business, all of which have very different means of selling or delivering services to their target audiences.

Pharmaceutical Sales

A pharmaceutical sales representative is more of a sales influencer than someone who is involved in taking a sale or taking paper. The role of a pharmaceutical sales representative is to sell the latest drug therapy. But who does the buying and selling? A physician does not purchase a case of medication from a pharmaceutical sales representative. Drugs are sold when a patient fills a prescription at his or her local pharmacy.

The sales representative really influences the sale in this example. He or she educates the physicians about the benefits of the therapy and how and when it should be used. The better the influencer and educator, the more effective the sales representative. Why is this distinction important? Remember, we are dealing with a CRM application and specifically the sales force automation (SFA) component within the application. If a pharmaceutical sales representative does not sell, how is he or she compensated? And how does sales management manage the pipeline of sales opportunities and forecast sales volumes?

Pharmaceutical sales representatives will be compensated on how a specific drug does in a specific region. Forecasting might be done based on seasonality of the therapy in question, but it certainly won't be based on traditional direct sales 30-, 60-, or 90-day forecasts. The sales force management segment of a conventional CRM software application won't work here.

Heavy Equipment Sales

On the other side of the equation is a direct sales representative for heavy construction equipment. In this case, the salesperson will be intimately involved in the presales process (educating the target audience about the product), the sales process (pricing, quoting, RFPs), and, in many cases, the transaction and delivery process. In this case, the person or thing the business is trying to manage with a CRM solution is truly a customer.

Sales management will rely on forecasting information that the representative has entered into the SFA component of the CRM system and manage the pipeline based on traditional sales cycles specific to the heavy equipment industry.

The Public Sector

In the public sector, there are no "customers"; rather, there are cases, assets, and property, to name just a few. Case management is this vertical's CRM solution. The notions of sales, marketing, and support are truly different in every way. Simply changing the names on a couple of database fields won't completely address this vertical's needs.

Consider a social worker's customers — families, parents, and children in some form of crisis. The social worker needs to track the services for which these individuals qualify and those for which they do not qualify. From a marketing perspective, there could be ongoing communication about service termination or new options coming online.

There could be integration requirements with other sectors within the agency that require security compliance or health-related issues that require HIPAA patient records security. One doesn't need to wander too far down this path to see that horizontal CRM features and functionality aren't appropriate for this vertical.

Also within the public sector, consider the tax collector's office in any town in the United States. There are vast opportunities for automation in bill collection, taxes being only one of many. Web-based solutions for billing are a boon to towns — online collection makes payment and recording easier and more convenient and provides for better and faster tracking and reporting.

In the tax assessor's business process, who is labeled the customer? Is it the name of the person paying the bill or the property associated with that owner? In these cases, this revenue is applied to the property first and then threaded back to the owner of the property. The property always remains, but the owner, or owners, may change over time.

Of these examples, heavy equipment sales is the most suited to the current crop of horizontal CRM solutions. Current horizontally focused CRM applications are appropriate for industries in which:

1. The customer is clear.
2. The sales process, or channel, is relatively simple.
3. The target audience for marketing is well understood.
4. Service and support has repeatable processes.

Advice for Companies Seeking Industry-Specific Solutions

Fundamentally, once we begin to discuss specific vertical CRM solutions, we must begin to consider the business process of the organization, which is what makes each vertical different. Once we begin this discussion, we'll talk less about what a CRM solution does or does not do and focus on the core business problems. That is, we'll focus not on the pieces and parts of an application but rather on the business process problems and the appropriate solution.

Early CRM application installations have been maligned by their perceived lack of success. All businesses want to manage who, or what, is important to their specific industry, and the promise of more, and streamlined, sales, marketing, and service automation is still a desirable carrot.

What was generally responsible for the early issues in CRM implementation remains an issue today; that is, the inherent business processes and systems of the company being automated. The old adage "Garbage in, garbage out" still applies. Technology is simply an accelerator, or amplifier. If the company is not well organized without technology solutions, the application of technology solutions won't help. Technology will only highlight, on a grand scale, existing inefficiencies.

Determining the Best Strategy for Your Organization

Each software application installation will require some level of customization. The question is, "Which strategy will require more time and money?" Customizing a horizontal application up to the company's vertical requirements? Or starting with an inherently vertical application and bringing it up to the company's requirements? The goal is how to limit the amount of customization and at the same time get the highest degree of vertical features.

Early iterations of CRM solutions were generally focused on horizontal market segments, and most suppliers ended up creating large monolithic applications. The phrase "large monolithic applications" is not necessarily a negative one. They did a fine job for the markets for which they were originally designed.

These solution sets had to be horizontally focused, largely due to the economics of very high development overhead and the need to spread this cost over a large number of customers. Vertical solutions are becoming more prominent as the market has matured amid consolidation, price competition, and the need to differentiate to continue to drive sales.

In the early going, only forward-looking companies and niche players considered developing vertical solutions out of the box. These companies quickly became acquisition fodder for those seeking a quick answer to the vertical demands of their customers.

In general, end-user organizations have two strategies for addressing the demands of vertical business requirements (see Figure 1):

1. **Purchase a horizontal solution and customize it to their requirements.** In this case, the customer is purchasing a product for which the supplier's stated strategy is to maintain one code base and iteratively expand its functionality over time. To address specific vertical industry customers, these vendors will customize the software each time. They will start with their horizontal application and customize it each time with expertise from the vendor's professional services organization, a partner organization, or a third-party bolt-on solution via Web services and the like.

These vendors will develop centers of expertise around selected vertical industries to specifically address the needs of these customers. These centers of expertise can include in-house professional services teams with industry experience or dedicated partners with vertical knowledge and solution sets that can be integrated into the base application.

2. **Purchase a vertical solution and tune it to their requirements.** In this case, the customer is purchasing a product for which the vendor has committed to supporting specific vertical solutions for each market segment. The horizontal application is often the base code, and this code is iteratively upgraded into specific vertical-focused products. In some cases, as with niche software vendors, the code is written from the "ground up" with the specific vertical in mind. These products have the ongoing benefit of multiple installations taking into account current best practices and market dynamics.

Any vendor that supports multiple verticals through a strategy of acquisition can get a quick leg up on the competition but must be careful when considering the challenges of bringing the solutions into the fold of product offerings. Those that do can gain instant expertise, credibility, and market share within a specific vertical market.

Fundamentally, every organization is in a vertical market segment. It is just how the software vendors decide to address each segment that is different. It is largely a vendor market strategy choice that has driven the aforementioned differences in addressing these market segments. And this strategy is often driven by the internal economics of the companies, their vertical strategy philosophy, and the fastest, and easiest, way to support as many customers as possible.

Customers should be concerned not with the economics driving the vendor's decisions but rather with simply trying to get the best possible solution by spending the least amount of time and money.

FIGURE 1

Addressing the Demands of Vertical Business Requirements

Vertical subsegment — functionality for a subset of a vertical industry; almost functionality developed for a specific company

Vertical — functionality for a specific industry that may have a subsegment within it

Horizontal — functionality for a broad base of companies with like business processes and requirements



Source: IDC, 2008

Oracle's Approach to Industry-Specific Solutions

Oracle has a long history of vertical investments within both the traditional Oracle family of products and some of its acquired product lines. Oracle is taking a solutions approach in addressing the needs of vertical industries and is moving away from a product line-specific approach to better focus on the unique requirements and business processes of the various verticals. To help facilitate this orientation, Oracle has implemented a broader strategy across the full enterprise suite of products to acquire vertically specific point solutions to complement the core Oracle ERP and CRM product lines. Focusing on lead verticals such as retail, financial services, communications, high tech, public sector, life sciences, and consumer packaged goods, Oracle has implemented a strategy to create end-to-end solutions to address the critical business processes as dictated by each of the industries. IDC refers to such approaches as application pairing strategies, in which deep vertical applications are combined with functional applications to become the dominant bundling strategy for reaching both enterprise and midmarket customers.

As a combination application, middleware, and database vendor, Oracle has a unique ability to remove the barriers that separate horizontal and vertical applications through the entire software stack. By leveraging and extending common middleware building blocks for data integration, business process reengineering, and information and financial reporting, Oracle can address the needs of the biggest possible customer sets within the core product lines, and the "best-of-breed" or more vertically specific applications can be used to address the unique requirements of the verticals. The acquisitions of vertically specific vendors such as i-flex in the financial services industry and Retek and ProfitLogic in the retail industry are examples of this approach.

Within Oracle's CRM product lines, which include CRM components within both the Oracle E-Business Suite and the PeopleSoft Enterprise products as well as Siebel, there is a wide range of vertically specific CRM capabilities. While Oracle E-Business Suite and PeopleSoft Enterprise are by nature more closely aligned with their own industry proclivities (E-Business in the manufacturing and high-tech industries and Enterprise in the services industries), the Siebel line of products came with a deep methodology for addressing a wide range of verticals. It was Siebel's strategy to build additional capabilities on top of the core Siebel functionality based on the best practices and requirements of each industry. To support this approach, Siebel organized the product group by industry and hired group heads out of industry. As functionality was developed, it was evaluated for its applicability to the other industries, and if it was something all industries could benefit from, it was then built into the core product. This history is important as the Siebel line of products has been designated the lead CRM solution set for Oracle and provides the basis for the Fusion CRM applications line. Under Oracle's ownership, this vertical focus has continued, and Oracle is deepening the vertical specificity through internal development and acquisition of new vertical functionality.

Table 1 provides a high-level outline of the key verticals that Oracle is pursuing. While there are subsegments or microverticals below the level presented here, Table 1 provides a good understanding of how Oracle regards the industries and the capabilities that have been identified as being critical to include in solutions for those industries. For example, in the travel and transportation industry, Oracle has developed a group sales across properties capability for the hospitality segment. This represents a fundamentally different view of a product sale than a single sale to an individual for a single SKU. For the insurance industry, one of the primary processes is a claim against its product, the insurance contract. In this case, the claim is actually part of a series of sales, as it were, to the same individual. The customer pays an amount in a year (for its SKU), but that SKU is slowly realized over the course of the year.

TABLE 1**Key CRM Capabilities by Vertical Industry**

Industry	CRM Capabilities
Communications and Utilities	<ul style="list-style-type: none"> • Order to Activation (customer order management, bulk orders, configuration, pricing, packaging, eligibility, AIA integration to billing, provisioning, etc.) • Customer care and trouble resolution (call center, service, knowledge management, bill management, service change management) • Self Service/eBilling • Others — Loyalty Management, Marketing, Sales
Banking and Capital Markets	<ul style="list-style-type: none"> • Multichannel Customer Service (branch, account capture and origination) • Internet Banking • Teller • Wealth Management
Insurance and Healthcare	<ul style="list-style-type: none"> • Claims Management (P&C, life) • Distribution Management (sales via agents/PRM) • Group Policy Management (health) • eCommerce/eBilling • Insurance Analytics
High Tech/Manufacturing	<ul style="list-style-type: none"> • Opportunity to Cash • Price/Deal Management • Channel Management • Hybrid OD/OP
Consumer Goods	<ul style="list-style-type: none"> • Trade Promotion Management • Sales Volume Planning • Category Management • Retail Execution
Retail	<ul style="list-style-type: none"> • Consumer Packaged Goods (CPG) Analytics • Multichannel Order Management and Customer Management • Retail Loyalty Management
Life Sciences	<ul style="list-style-type: none"> • Closed Loop Sales and Marketing • Samples Management • Personalized Content Delivery/eDetailing • Pharma Safety Management (adverse events) • Pharma Analytics
Public Sector	<ul style="list-style-type: none"> • Health and Human Services Case Management (intake, eligibility, disbursements, etc.) • Justice and Public Safety Case Management (courts, investigations, evidence, etc.) • Tax and Revenue Case Management (audits, compliance, fraud, investigations) • 311 Constituent Service
Travel and Transportation	<ul style="list-style-type: none"> • Group Sales Across Properties (hospitality) • Loyalty Management (airlines, hotels)
Automotive	<ul style="list-style-type: none"> • Dealer Management • Remarketing • Warranty Management
Higher Education	<ul style="list-style-type: none"> • Student Recruiting • Student and Faculty Service • Contributor Relations/Fundraising
Professional Services	<ul style="list-style-type: none"> • Client Life-Cycle Management (opportunity to contract) • Service Contract Management • Enterprise Asset Management

TABLE 1**Key CRM Capabilities by Vertical Industry**

Industry	CRM Capabilities
Aerospace and Defense	<ul style="list-style-type: none"> • Program Life-Cycle Management • Portfolio and Spares Management; Logistics Optimization • Closed Loop Campaign Management and Marketing Analytics
Media and Entertainment	<ul style="list-style-type: none"> • Business Rights Management • Compensation Management for Royalties • Optimized Marketing Planning

Source: IDC, 2008

CHALLENGES/OPPORTUNITIES

Perhaps one of Oracle's greatest strengths in being a provider of industry-relevant applications to organizations in vertical industries is the level of commitment of Oracle corporate to this initiative. With the Siebel acquisition, Oracle gained a product line with a more than eight-year history of development focused on vertical industry solutions. The continued evolution of these products would not be possible if the greater organization did not deem it a priority. Quite the contrary within Oracle, whose acquisition and development strategies are purposefully designed to pursue this focus.

At the same time, Oracle has two fundamental challenges in bringing to market its vertical CRM message, and they are both marketing focused rather than product specific. The challenges are communicating and differentiating the value proposition of its vertical solutions versus its horizontal CRM capabilities and messaging vertical simultaneously with horizontal applications in the broader market.

In regard to its applications, Oracle is in an enviable position: It has many products that address the needs of a wide variety of customers. Oracle has the pleasure of having both complete horizontal solution sets for CRM and CRM applications and functionality specifically designed to meet the very particular needs of organizations within vertical industries. However, the messaging often gets lost among the multitude of messages that Oracle is delivering at any one moment. Oracle must meet the ongoing challenge of effectively communicating existing product capabilities, product road maps, expertise, and differentiation points of the vertical applications. At the same time, this vertical messaging must work in concert with the horizontal messaging. The key is to provide a guide that enables customers to place themselves at a point on a continuum between more horizontally focused and more vertically focused. In this way, Oracle can educate customers in an appraisal of their businesses.

Oracle faces the same challenge externally in the open market, but there, the messaging must be even more direct and firm. Oracle is competing externally with horizontal suppliers whose message is that CRM functionality has evolved far enough and that a comprehensive horizontal solution is "good enough" and in the long run will represent less cost to purchase and "tweak" than having to undo a vertical solution that makes assumptions about how a business is run based on their industry. These horizontal suppliers often point out that even within industries, there is a wide

variability of "best practices." Instead, these generic, horizontal versions may be customized and quickly brought up to speed without the need for the overhead of dedicated industry-specific versions of each product. This is where case studies and end-user references with specific examples are key to demonstrating benefit.

CONCLUSION

It seems that there has never been a time that one could not assert that there was a business imperative to reduce costs, increase worker productivity, and be more profitable. The only possible exception might be that short period of time in the early days of the Internet boom, when for once there was such a plethora of customers that it seemed that businesses could be inefficient and still make money and prosper. However, that was fleeting, indeed. What may be different in today's business climate is that the promise of near-real-time business management tools to enable productivity, decrease costs, and thus increase profitability may actually be a reality. Instead of being reactive repositories of historical data, the new crop of vertical CRM applications with best-practices business processes has benefited from development and the input of an extensive list of market leaders.

Despite the availability and potential benefits of vertically oriented CRM solutions, many heavily vertically focused businesses either have not evaluated them or have tried to make more horizontal solutions fit their requirements. Many organizations fear the costs associated with implementing an application and making it suit their needs through customization. While this fear has a basis in fact, it does not allow for the evolution of the industry. CRM applications by their very nature work with an evolving portion of an organization. An organization's go-to-market strategy is in constant evolution to meet market demands. Consequently, the applications that support this process must evolve and embrace new business constructs and requirements.

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