AberdeenGroup

Profile

Ardexus Corporation

6300 Northwest Drive
Mississauga, ON L4V 1J7, Canada
(905) 673-5668
www.ardexus.com

717 Light Street
Baltimore, MD 21230
(410) 332-7000

Ardexus Delivers CRM with Advanced Methodology for SFA

Executive Summary

First generation Sales Force Automation (SFA) products have taken a path similar to that of many other software automation technologies. Initial automation efforts tend to apply computer automation to improve the efficiency of manual, paper-laden processes without giving much thought to improving the effectiveness of the process by taking advantage of the new medium of the computer. Thus, first-generation SFA systems have done a good job of enabling sales reps to organize and track important data about opportunities, prospects, and leads while also enabling managers to generate reports — including the all-important forecasts — much more efficiently than ever before.

But this kind of efficiency — enabling organizations to juggle more data and be involved in more deals — can also enable faster propagation of mistakes. A sales rep that does not call high enough, with appropriate frequency, or who avoids selling to one or more key buying influences will not suddenly improve his or her performance when supplied with a conventional SFA system. To make lasting improvements in sales results — that is, to improve effectiveness — the SFA system must do more than retrospective data tracking. The SFA system must become intimately involved in the sales process by supporting the organization's sales methodology effectively. That means helping the rep strategize what to do next in addition to capturing relevant data.

Integrating sales methodology with SFA requires more than good software development alone; it requires sales domain expertise that is just as expert as that used to build Customer Relationship Management (CRM) for any other intricate business process. Ardexus Corporation understands this requirement and has built a CRM suite with the domain expertise needed to truly manage the sales process. This integration is an important development that other vendors will no doubt seek to emulate.

The Sales Process Today

Despite the widespread distribution of SFA tools, a great deal still needs to be done in providing automation to the sales force. To date, much, if not most, attention in SFA has been focused on a literal translation of the menial manual aspects of the sales process. Provided reps actually use the software, forecasts are now automatically rolled up for management review and SFA systems track contacts, opportunities, deals, meeting notes, and a wide variety of other activities and accomplishments.

But a telling feature of many SFA systems today is their ability — demanded by customers — to export forecast information in formats that can be readily imported by popular spreadsheet packages. Many sales professionals would argue that such export/import capability is a practical necessity if managers are to be able to massage the data to make the forecast as accurate as possible. But the prevalence of such massaging only points out the serious need many companies have for standardized and enforceable business practices within their sales organizations.

Managers who need to massage the forecast do so because they know that individual reps may not report all of their opportunities to the system. This "sand bagging" leaves something in reserve in case one of the forecasted deals is delayed or falls through — better to be over than under the forecast. Other reps rarely, if ever, fully internalize a company's informally disseminated forecasting milestones, so that one rep's 90% probability of close is another rep's 70%; or, worse, a rep might inadvertently skip a step in a sales process, incorrectly believing — and reporting — that a deal has progressed further than it actually has. Other reps may simply be technology averse and would prefer not to use a computerized system at all.

These and many other problems drive sales managers and other executives to minutely review sales forecasts, often holding extensive — and expensive — territory review sessions with field reps to accurately gauge the quality of the forecast and make tactical recommendations, hence the need for spreadsheets and data massage.

A Matter of Quality

The situation is analogous to what happened when manufacturers first began investigating ways to improve product quality. The first step for many was to develop a quality control department that was chartered with inspecting for defects. This approach worked from the perspective that products that passed inspection had a greater likelihood of working properly. But for many factories it also caused a backlog of "re-work" — i.e., products that had to be fixed to meet quality standards before going out the door.

The "inspect and repair" approach was simply not sustainable, and the era quickly gave way to an understanding that quality is not something that can be inspected for or added on at the last step of the manufacturing process. Quality must be

Telephone: 617 723 7890
One Boston Place
Fax: 617 723 7897
Boston, Massachusetts 02108
www.aberdeen.com

built in at every step through adherence to standards and by providing continuous feedback to those involved in the process. The same is largely true in sales. Improving results requires an improved process; back-end repair in the form of massaging the forecast and periodic reviews is a route to mediocrity, or worse. The technology and techniques for high-quality selling are now within reach of all organizations — if they can first recognize the need.

MODE: The Ardexus Product Suite

Ardexus has delivered to market a full-function CRM suite with modules supporting the three main CRM functions: selling (TASC), marketing (FIND), and customer service (CARE). The solution set is aimed at the mid-market, whose constituents are eager for new solutions that will enable them to compete better but that are also frugal in deploying limited resources. To that end, Ardexus has deployed its mid-market solution as a shrink-wrapped and layered application for Lotus Notes, complete with documentation for installing, customizing or configuring, importing data, administering, and using the system. (Implementation assistance is available from the company at additional cost.)

The Notes strategy does two important things: First, it provides organization-wide access to customer information and, second, it helps position Ardexus in a market of approximately 60 million Notes users — many of whom are mid-market oriented. Those users who prefer to use other messaging platforms currently have to decide whether or not to bring Notes into their organizations, which can complicate some sales cycles. The company is working to address this issue for an upcoming release that will be messaging-platform-independent, using a Microsoft SQL Server database. Ardexus already has released a Palm OS product called Sales Cycle Manager, which includes the core sales methodology and sales cycle management features of TASC.

TASC

TASC provides the expected SFA application components such as calendaring and scheduling, list management, dynamic reporting, and note taking, but it goes far beyond many competing products in offering a quasi-expert system that reinforces good selling methods. Using patent pending algorithms, the Ardexus Sales Advisor works with the rep to evaluate data collected in the sales process to suggest tactics or next steps and to provide early warning if some critical step is not properly covered. Every opportunity is assigned a priority level, and each rep's daily activity is structured to apply resources where they will do the most good. Finally, TASC also provides a proposal configuration tool that simplifies the process of quoting from multiple product and price lists.

FIND

FIND is a classic marketing automation product that fits well with midsize business needs. The product set is composed of a planning module that tracks objectives, strategies, tactics, and events and then records critical data such as leads generated and their quality, the costs associated with programs, and the orders generated. An automated feature enables marketers to design programs that take advantage of direct mail and broadcast e-mail as well as telemarketing opportunities. The system also generates reports that inform managers on how each program is progressing, including number of leads and cost per lead.

Finally, the system is designed to enable easy list maintenance. A separate database called SCOPE is used for lead generation and segregates raw lead information from qualified lead lists. Once a lead is qualified, it is transferred with all its supporting information to the TASC SFA module. All the extraneous information collected in the qualification process — such as duplicate names and phone numbers, prospects without phone numbers, etc. — is prevented from entering live databases through the use of SCOPE. At the same time, the Contact Miner tool enables marketers to assemble prospect lists using defined criteria such as job title, location, company revenues, and more.

CARE

CARE is the customer support feature of MODE and supports both field service and help desk operations, applying many of the functions that are found in more expensive enterprise CRM packages. CARE schedules service calls and tracks customers, locations, service requests/problems, warranty terms, billing history, severity, assignment, follow-up, and more, so that each customer receives the right service for a particular problem. Moreover, the system records important information for the vendor to ensure that customer service needs are adequately fulfilled and that the company's resources are optimized. Because CARE is integrated with the rest of MODE and shares a common database, the system is able to alert sales reps to activity in their territories, helping to ensure that no one gets surprised in the middle of a deal.

TASC and the Ardexus Selling Model: Three Questions and Three Skills

Ardexus has defined a business-to-business (B-to-B) selling model that can support a wide range of selling situations. The company has found that although sales organizations vary greatly due to personalities, company culture, products, and customer perception, all sales organizations continuously deal with three basic questions about any sales process:

1. When will the deal close?
2. Will the deal actually happen?
3. Will we get the deal?

All other questions pertaining to any deal can be thought of as subsidiary to these three. With honest answers to these three questions, any sales rep can chart a competitive position and gauge progress. The Ardexus sales system, TASC, focuses on providing an environment that both tracks answers to these and subsidiary questions and integrates the data collected to derive one's position in a sales cycle.

The Three Questions

To automate the sales methodology, Ardexus generates a three dimensional matrix, the axes of which are those three basic questions the system constantly keeps in front of the sales professional. As the rep works through an opportunity, additional subsidiary questions are posed to the sales professional based on what phase the cycle is in and which sales skills should be employed. For example, early in a sales process the primary skill employed is probing. A rep probes by asking questions to learn customer intent: When does the solution need to be operational? Is there a budget, and who has the budget? Who are the decision-makers? What are their roles? These and other questions provide the underpinnings to the answers for those three big questions. For example, we know the deal will actually happen when we are certain that there is a budget, a decision-maker, and a defined time frame for initiating use of the purchased solution.

The Three Selling Skills

The three selling skills that Ardexus identifies — probing, proving, and closing — should come as no surprise to sales professionals. In that order, they represent the chronology of a sales process. Ardexus positions the three selling skills along the time axis of its matrix because different skills are required at different points in the process. As noted above, probing is the primary skill used early in a selling process, but probing gives way to proving — a skill that is frequently possessed not by the sales rep but by a product expert whom the sales professional will probably bring into the process at that point. If managers know where an opportunity lies in the selling process, they will gain a better handle on demand for resources and thus help determine their best allocation.

Knowing the customer's projected close date and allocating that time in proportionate increments for probing, proving, and closing, the system can estimate where in the process a rep is and thus determine, by the amount of data captured and its quality, whether the rep is ahead or behind in the process. The system will then suggest various tactics based on that information. It does this through the Sales Advisor, which is available in two levels: Professional and Expert. The Sales Advisor applies weightings to each answer and, using patent pending algorithms, generates probabilities for answers to the two most fundamental questions: Will the deal actually happen? And will we get it? These results are represented in a two-dimensional grid, the Probability Matrix (Figure 1).

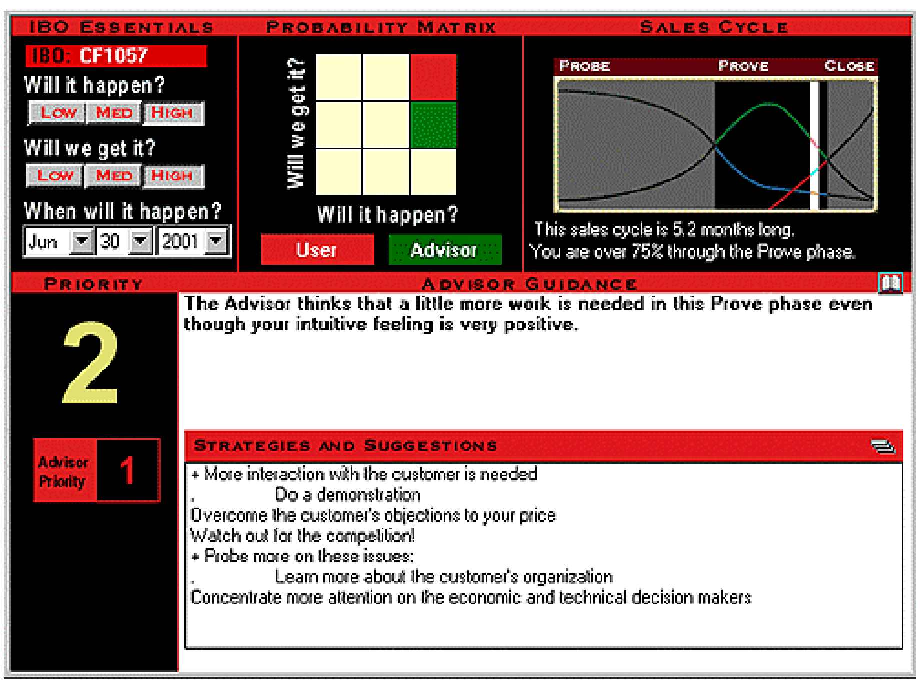
The Sales Advisor Pro and Sales Advisor Expert
The Sales Advisor comprises the Probability Matrix, Sales Cycle Grid, Priority Level, and Sales Advisor Window. The parts work together to graphically chart progress and advise the sales professional.

Probability Matrix has two axes "Will it happen?" and "Will we get it?". Each axis is divided into three sections, representing low, medium, and high confidence. For each opportunity a sales rep will enter his or her "gut feel" for the answers to these questions and the computer will plot the result, which represents a numeric probability of close. Using its sales algorithms, the computer will also process the data collected about the opportunity to date and render its own "opinion."

The Sales Advisor is presented in a window in which the computer displays its intelligent recommendation based on weighting and algorithmic processing of all accumulated data. The recommendation pinpoints what may be missing in a sales strategy to date and recommends ways to improve the salesperson's position. These recommendations are predicated on where in the sales cycle the opportunity is.

Sales Cycle is prominently displayed in a window on the same screen. Based on the start date and the customer-projected close date, the system maps out a sales

Figure 1: Ardexus Sales Advisor Calculates Deal Status and Recommends Strategies



Source: Ardexus, September 2001

cycle that is divided into three phases: probe, prove, and close. Like any wise salesperson, the system devotes the most time to probing, somewhat less time to proving, and the least time to closing, because a well-conducted sales process will devote the most time to understanding the business problem before investing in a focused and concise proof phase. The close phase should be a natural outcome of the first two phases — therefore less time should be required.

Priority is determined by the system based on user configurable elements, collected data, and the sales cycle phase. There are five priorities including "Breakthrough Needed" and "Leave it Alone," and the system uses the priorities to order the work list for each rep. Following priorities enables reps to concentrate on the deals with the best chance of closing and thus helps optimize revenue. A deal with a poor chance of closing might be classified as "Leave it Alone," indicating that other opportunities are a better use of time; a deal with little hope might be classified as "Breakthrough Needed," indicating that the sales cycle is near its end and that the current strategy is not winning.

Throughout the system, context-sensitive help is available to explain sales terms and strategies, which is especially helpful to new users.

Sales Cycle Manager

Ardexus brings the same rigor to Palm OS devices with Sales Cycle Manager. Using the same approach as the Sales Advisor products for the desktop, sales reps and managers can "snap off" their customer data, enter new information, and later on resynchronize, making it possible to take their information anywhere and access the system's intelligence anytime.

Corporate Background

Far from being a startup and having to deal with all the issues that come with it, Ardexus is a spin-off of a 15-year-old company, Canberra-Packard Canada, Ltd. (CPC). CPC is a successful distributor of automated laboratory equipment for the pharmaceutical and biotechnology industries. Originally, CPC developed MODE for its internal use to help manage its customers and its sales efforts. With a track record of success in building and managing a midsize company behind it, Ardexus' management team is now focused on CRM.

Ardexus is wholly owned and funded by its founders, President Keith Thompson and Vice President Darka Migus, both of whom are serious students of the art and science of selling and whose experience is reflected in the product. Ardexus' sales operations are run from its U.S. headquarters in Baltimore and are headed by John Darrin, a veteran of several high-tech startups.

Customer Story

Shepherd Specialty Papers is a good example of the small to midsize company that Ardexus currently targets. Shepherd has 12 employees, four of whom sell. The company produces supplies that assist medical researchers in the humane care of laboratory animals. Though it is a small company, Shepherd is a leader in its field and sells its products in the U.S., Canada, Europe, and Asia.

Shepherd began researching CRM products in 1999 as part of a "make or buy" decision concerning its Y2K readiness. The SFA tool the company was using at the time was not Y2K ready and, rather than accept the then-current vendor's upgrade package, Shepherd began evaluating alternatives. In addition to Y2K compliance, the company was looking for a package that would provide better forecast roll-up and reporting. And, of course, the new system had to be easy to install and use.

The system in use at the time did a good job of tracking lead and opportunity information, but it enforced few standards, and the forecast frequently had to be reviewed with each rep — a time-consuming process. Also, most forecasting and reporting was done through office automation packages — word processing and spreadsheets — which made forecast roll-up a time-consuming, manual process and left each rep free to use his or her own standards. With only a handful of reps it was already becoming a burden.

Shepherd executives methodically evaluated the high-end CRM vendors and many of the mid-market packages and only discovered Ardexus and TASC at a trade show. The executives intuitively understood Ardexus' approach to methodology and forecasting and immediately knew that they had found their package.

Although it only took a week for Ardexus to install the software and train its users, total implementation spanned closer to a month. To ensure user buy-in, Shepherd worked to gain consensus from its users for all major aspects of system configuration. As a team, Shepard reviewed its selling process and identified best practices within its company. Once agreement was reached, the TASC system was configured accordingly. As a result, there were no issues concerning user acceptance, and management is working to quantify the productivity boost.

Today, all reps at Shepherd use TASC to prioritize their daily activities forecast and test their assumptions with the Sales Advisor; managers rely on TASC for reports and forecasts. Beyond selling, Shepherd makes good use of the built-in e-mail marketing capability for customer alerts. In one example, many customers require quarterly quality control reports. With MODE, once those reports are generated, notice of their availability is sent to customers automatically, ensuring quality service and customer satisfaction.

Telephone: 617 723 7890
One Boston Place
Fax: 617 723 7897
Boston, Massachusetts 02108
www.aberdeen.com

Aberdeen Conclusions

Ardexus has done what many CRM vendors have talked about — but few, if any, have implemented. With the MODE solution set, the company has delivered a complete CRM suite for the mid-market that integrates sales methodology with SFA and that supports the full customer lifecycle with applications for marketing and customer service and support. What is even more impressive is that this solution is targeted at mid-market companies at a reasonable price. No other mid-market CRM platform that Aberdeen has reviewed has put more advanced thinking into SFA and customer lifecycle issues.

The mid-market is a magnet for Lotus Notes implementations, and with approximately 60 million Notes users there is a strong market for Ardexus to penetrate. Notes users will feel at home with this CRM solution, while Outlook users may balk at having a second messaging platform to support CRM. Ardexus is currently developing a non-Notes-oriented solution that Outlook partisans can embrace.

In many ways, Ardexus is functioning like a startup — it is a relatively new entrant in the CRM space and small compared to the market leaders. But the company exudes maturity and boasts an organization that speaks of its status as a spin-off of the successful 15-year-old company that founded it. The one key difference between Ardexus and many of its competitors is that Ardexus has always been self-funded and profit-driven. The company has spent its time and money wisely, developing a quality solution set that includes the training programs and customer policies that startups often overlook at first. With an infusion of capital, Ardexus will find itself with the cash it needs to promote its brand, products, and vision into its chosen market. And with that accomplished, it could change the way many people think about CRM, and selling in particular.

Aberdeen Group, Inc.
One Boston Place
Boston, Massachusetts
02108
USA

Telephone: 617 723 7890
Fax: 617 723 7897
www.aberdeen.com

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