

A CONVERSATION WITH...RAJ JASWA



Raj Jaswa

Automating the Final Mile at "Internet-ized" Companies

By Andy Moore, Editorial Director,
KMWorld Specialty Publishing Group

In 1987, Raj Jaswa was on the team that developed the compiler language for the new 8086 chip. That's roughly equivalent to inventing the carburetor for Henry Ford. It was a BIG deal.

So when Jaswa, now president and CEO of Selectica, wants to review the history of the business process automation over the past few years, you listen:

"Different portions of the enterprise have been set up for automation over the last 15, 20 years. The back office of the manufacturing business was set up for automation in the '80s and '90s through the implementation of ERP systems. The result was a number of standardized processes for dealing with different data types and business processes. These were then automated through Enterprise Resource Planning.

"In the mid-'90s came all the data meta-models in order to figure out how to handle the sales organization, which became, ultimately, a set of standardized data- and application-sets to interact with the customer. That's how CRM came along. Then, there developed a way for your employees to interact with your organization, and that became ERM.

"So, in the last few years, we've seen a whole new area we feel is emerging for automation, based on our interaction with visionary customers, and that's..."

Wait. We're getting too far ahead of ourselves. Think for a minute about how businesses, especially goods-manufacturing businesses, have been forced to change in recent years. With the complex adoption of just-in-time logistics and dispersed assembly-and-delivery models, the costs for manufacturers to create a product and get it to your loading dock have been turned upside down.

Adding to the churn, buyers now have developed a different set of expectations when dealing with suppliers, and with the end-products themselves. As though in reaction to the depersonalizing force of global corporate culture, customers now expect a greater level of intimacy and personal service.

In order to rise to increasingly specific and personalized customer requirements, manufacturers have been forced into a nearly "one-to-one" relationship basis with each customer. Multiple product configurations, bundled packages (and their accompanying discounts), all sorts of "favored nation" arrangements between suppliers, vendors and customers have created a complicated 3-D chess game of interrelationships. And they change every day, by the minute, due to changing economic conditions, contract issues, manufacturing restraints, customer-service demands and the multiplication effect of the many suppliers in the chain, each adding their own set of factors.

Whew. It's just plain harder now. This is not your dad's Chevrolet.

"This mish-mash of business processes that define what general management of a company is all about is something that is now ready for

CONVERSATION continues on page 4

Focus On



The E-Business Value of Interactive Selling, Configuration and Automated Quoting

By Karen E. Smith, Research Director of Customer Relationship Management, Aberdeen Group

The E-Business Value Proposition

As valuable as configuration and automated quoting systems (AQS) are, Aberdeen believes that the implementation of these technologies within Internet-based e-business deployments has a *broader* value proposition. By delivering these solutions through the Internet, configuration and automated quoting applications allow partners and customers to interact with the business directly rather than through a sales intermediary. That changes the role of the application from sales "effectiveness"—assisting the sales force—to both a true "sales" tool for the organization and a purchasing tool for the customer.

Internet-based delivery enables e-commerce platforms—previously focused on processing relatively simple transactions—to expand into selling environments that accommodate more complex transactions; increase the likelihood of successful transactions; and enhance the value of a transaction through guided cross-and up-sell capabilities.

Product Configuration

Configuration applications have their origins in manufacturing-centric applications, helping to manage the relationships and logical associations/restrictions inherent in complex products.

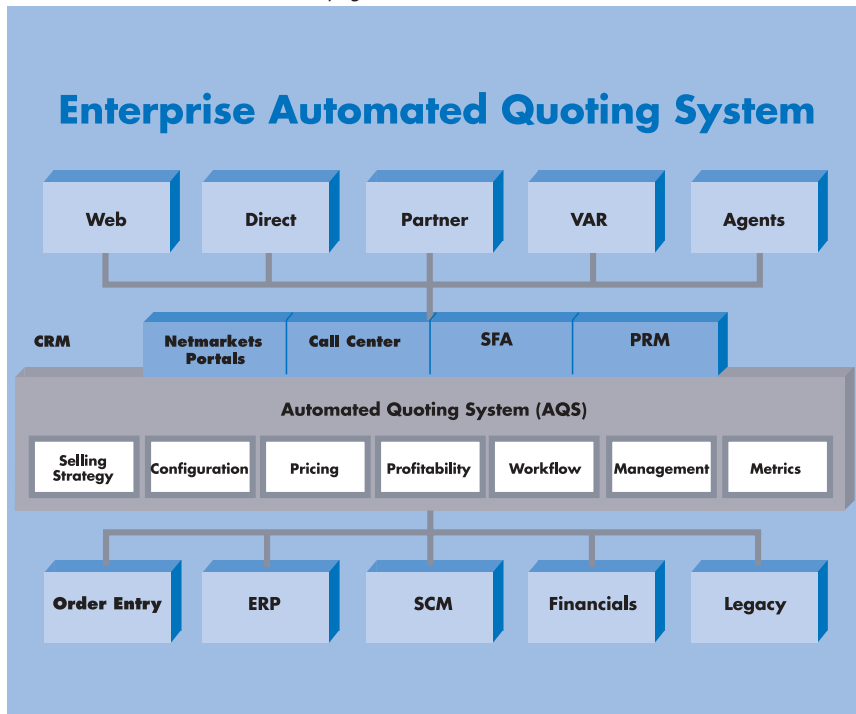
Configuration applications help to make explicit an understanding of:

- ◆ Which components mandate others—mandatory relationships;
- ◆ Which components can work together—optional relationships;
- ◆ Which components preclude others—constraints.

Automated Quoting Systems

AQS is an important functionality in Internet-based, interactive selling. It enables enterprises to configure and sell complex products

E-BUSINESS VALUE, continues on page 2



Enterprise-wide Automated Quoting Systems pull necessary information from multiple corporate and external sources to support pricing decisions, especially for today's complex, bundled product offerings. Automating this process speeds transaction time and improves profitability for the user.

and services using sophisticated pricing models and dynamic bundling strategies. Companies should look for applications that can integrate into a company's overall e-Business network, including order entry, customer relationship management (CRM), partner relationship management (PRM), etc. Aberdeen has identified at least one company that currently offers an Interactive Selling System with configuration and AQS functionality (see case study on Selectica on pg. 3).

Important Benefits

Many configuration and AQS applications focus on helping businesses ensure that a product order has all necessary components. Much of the marketing of these applications in support of sales force automation concentrates on the ability of a salesperson to accurately submit an order. These tools clearly improve the accuracy and completeness of purchase orders for complex products and ease the burden on the sales organization. The salesperson need not understand every product nuance to give the customer a quote or submit a purchase order—he/she can depend on the configuration tool.

Internet-based, guided selling solutions also allow a business to capture product and

business rules—in effect, to codify them—and make those rules accessible to prospects, customers, and partners, thus par-

tially replicating the knowledge normally found in an experienced sales force. Aberdeen research shows that the more information that prospects, partners, and customers can quickly and easily access, absorb, manipulate, and configure, the better they rate their overall buying experience.

Conclusions

The complexity of ordering and configuring products and services with a mix of options and pricing schemas can be a

headache and result in lost customers for enterprises. The ability to automate and streamline many time-consuming and expensive quoting and ordering activities offers significant payback. This is especially true as manufacturers look to Internet technologies to help speed up product ordering and distribution cycle times that can lower overall operational costs and improve relationships.

When Rockwell Automation (see case study on page 3) decided to invest in advanced technologies to enable online quoting, ordering, and product configuration, the results were considerable. Since the company first began its e-business initiative in August 2000, it has recognized significant business benefits including shorter sales cycles, higher customer satisfaction, and better profit margins. The company has also reported that the quote-to-closed-order proportion has improved significantly.

In summary, Aberdeen has found that companies that deploy interactive selling, product configuration and AQS to give customers and business partners the option to drive *their own* research, establish price range, select desired features, etc., will meet with greater success. Also, as a corollary benefit, companies will spend less time educating customers, describing details of product features, and configuring service and product options. This enables the company's internal sales and customer support staff to focus more heavily on resolving challenging problems and finalizing the sales process. Finally, these products—if

"The ability to automate and streamline quoting and ordering activities offers significant payback. This is especially true as manufacturers look to Internet technologies to speed up product ordering and distribution cycle times"

deployed and utilized effectively—enable an overall better, more complete and consistent customer experience. ■

Aberdeen Group is a Boston-based leading market analysis and positioning services firm that helps Information Technology vendors establish leadership in emerging markets. Steeped in technology and armed with end-user field research, Aberdeen analysts answer clients' critical business and technology questions in the context of the Internet economy and across the product lifecycle. Aberdeen Group can be reached at 617-723-7890 or www.aberdeen.com.



Karen E. Smith

An Aberdeen Group Case Study on Rockwell Automation and Selectica:

Internet-Based, Guided Selling

As companies migrate to a more electronic business environment many are surprised at the lack of integrated customer data and inconsistent business practices that are being represented across their organization. Consider Rockwell Automation, a fast-growing manufacturer of industrial automation power, control and information solutions with annual sales above \$4 billion. When Rockwell Automation recognized that it needed to work more efficiently, it began with a full review of its business operations and spending habits. The results of this effort uncovered that Rockwell Automation's business practices and record keeping system were inconsistent across multiple company locations. These inconsistencies created additional costs and made the replication of data necessary in order to ensure order and product configuration accuracy. The company realized that it needed to take advantage of Internet technology and turned to Selectica—an Interactive Selling System (ISS) and configuration software and service provider—to help it develop and launch an Internet selling strategy.

Project Overview

Rockwell Automation is well known for its DODGE mechanical power transmission products and Reliance Electric motors and drives, which is sells both directly to end customers, OEMs, and through a reseller distribution channel. While the company stocks standard products, it earns more than half of its revenue in designing and distributing complex, custom-configured and engineered-to-order items. Prior to deploying Selectica's ISS Solution, Rockwell Automation relied on a distributed and costly operational system that drew together information from disparate systems at several company locations. This system created gaps in information and made it increasingly difficult to deliver reliable products and services with consistent, personalized customer care. Rockwell Automation wanted to generate more precise, real-time quotes with reduced errors.

Rockwell Automation and Selectica faced—and overcame—many challenges during the ISS deployment. The two companies created a solution to enable a frame-

work for cooperative business. For example, the company's marketing department controls how products are priced and what they sell, while engineering decides all of the rules surrounding what can and cannot be built. Therefore, the solution needed to be able to separate the pricing configuration from the engineering configuration, but still create a model that allowed the two teams to work in parallel. This case study will look at Rockwell Automation's DODGE QUANTIS® gearmotor and reducer line products and Reliance Electric motors.

The Dodge Quantis Product

The Dodge Quantis product line is an “assembled to order” product, which consists of gear motor and reducer solutions that enable industries to change the design and speed of their process. Configuring off-the-shelf gear components into a finished product is a complex process because there are approximately 2,000,000 different permutations of motor and reducer combinations offered by Rockwell Automation. To

configure correctly, sales people had to know and understand an obscure part numbering scheme. Other internal and operational issues that needed to be addressed by the Selectica's ISS solution included:

- ◆ Lost revenue due to errors in pricing, discounting and order configurations;
- ◆ Missed business opportunities due to an incomplete view of customer information and their purchasing habits;
- ◆ An inability to mine and leverage business and customer data; and
- ◆ An inability to discern the needs of customers and strengthen relationships.

Reliance Electric Motors

The Reliance® large and medium Alternating Current (AC) motor products represent about 50% of the Rockwell Automation motor production. The success of Reliance is due in large part to its technically knowledgeable sales people that sell

ROCKWELL, continues on page 4

Rockwell Automation's Key Results With Selectica's ISS Solution	
Rockwell Automation Business Goal	Selectica ISS Solution: Key Benefits
Goal: Improve customer service by eliminating its internal price-book based ordering approach for a simplified, Web-enabled system	<ul style="list-style-type: none"> ◆ Simplified and automated process to quickly generate a consistent quote with accurate pricing ◆ Enabled sales to capture orders faster and more efficiently while a customer is on the phone ◆ Improved ability to configure detailed motor and Quantis products via the Web-based sales channel
Goal: Increase revenue and consistency across the company by automating and streamlining quoting, pricing and configuration activities	<ul style="list-style-type: none"> ◆ Faster, more efficient sales cycle ◆ Decreased order error rate significantly ◆ Reduced Quantis ratio of quotes to order
Goal: Create a central repository to capture, store and manage company, product and customer information	<ul style="list-style-type: none"> ◆ Created a single data repository to ensure consistent management of information ◆ Ability to make more informed pricing, product development and management decisions ◆ Increased visibility and access to accurate product and customer knowledge to sell more effectively
Goal: Develop an easy-to-use and maintainable system to make it easier to do business with Rockwell	<ul style="list-style-type: none"> ◆ Improved quote turnaround time significantly ◆ Enhanced customer satisfaction by delivering faster, more relevant customer support and services ◆ Ability for customers to configure quotes and products on their own or use a Web-based, guided selling process
Goal: Deploy a solution that could support integration of systems between different business divisions and locations and related back-office or e-Business systems	<ul style="list-style-type: none"> ◆ Applied structure and visibility into the activities of cross-company business functions ◆ Created a simplified system that can be quickly extended to handle new requirements ◆ Increased collaboration among marketing, engineering and sales divisions

Source: Rockwell Automation and Aberdeen Group, February 2002

CONVERSATION, continues from page 1

automation," insists Jaswa, and with Selectica has "defined and developed, architected, visualized, brainstormed and implemented systems such as these with the Ciscos, Dells and Aetnas of the world."

"There is data hidden away in silos of an organization, there are also norms of business, eccentricities, uniqueness ... the whole secret sauce of what makes a particular enterprise competitive ... all of that is embedded in the different pieces of the organization that must come together before a particular piece of business is quoted," continues Jaswa.

"This has typically been overcome with a series of processes—fax, e-mail, conversations, whatever. But the visionary companies have focused on that as a whole new area of improvement."

So in a real sense, Selectica has applied textbook knowledge management practices to one of the key functions of any business—figuring out what to charge for that particular product or service at that particular time.

But a software developer such as Selectica, with such a varied customer list, has business norms to adhere to as well. And one of the staunchest is to "not reinvent the wheel" for each customer. Selectica has to provide a replicable, horizontal platform that can be applied to any and all of its customers, and still serve that "eccentric mish-mash" of business practices that each labors under. It's a tall order.

"That is definitely the challenge," concurs Jaswa. "But we have done it. We have, in a sense, over the last few years figured it out."

Confronting "Internet-ization"

"The consequence of the many Internet strategies that were created in order to win favor with Wall Street was that expectation levels got ahead of reality and the ability of these companies to deliver value," says Jaswa. But unlike many of the Monday-morning quarterbacks who now dismiss the e-commerce movement, Jaswa is still a believer. He just thinks it was poorly executed in most cases.

"The pendulum swing to the other side was catastrophic," he says. "Business decisions got frozen, and new decisions to migrate more Internet-based processes totally slowed down to a snail's pace. And the focus has changed to 'show-me-the-value' before I do another project. A more conservative (approach) than what is appropriate is what we've been operating under."

The good news? "Well, there are quite a few companies that raised a substantial amount of funds during the IPO boom and now actually have the wherewithal and resources to handle this downturn, continue delivering value and continue

working in an environment where the decision-making is overly conservative," reminds Jaswa.

"They can't stay overly conservative for too long. Internet-based systems DO add a lot of cost savings, breadth of reach and the ability to execute a new business model to overcome companies that might be their competitors. Ultimately, business fundamentals will prevail. If you provide a better product at a lower cost, quicker and with better service, you are going to win. Internet-based applications provide companies with that flexibility," reasons Jaswa.

"We are seeing real examples of that...Dell Computers has moved its entire quoting process to our platform, for instance, and in less than a year has gone to number-one position in the server/storage area network market in the United States. That's the profitable business that's carrying that company right now. Competitors will have to implement similar systems to keep in the game, otherwise you have someone who's a lot more efficient in taking orders, doing cross-selling, upselling...all of those things that become huge competitive advantages."

Selectica's Challenge

"This is not the old 'you have to be in networking because everyone is doing it'" insists Jaswa. "Not at all. In this environment, one of your key competitors will implement more efficient business systems than you. Simple as that."

"The ROI is already there," he continues. "The error rate without these integrated selling systems is 30%-plus. Using these systems it comes down to less than 0.1%. How do you compete with that? It becomes a question of: are going to save your business, or will you be roadkill?"

Whether today's current economic conservatism will support such an overwhelmingly vast change in an enterprise is a matter for Selectica's customers to decide. It's a brave risk. "We are focused on giving customers a business platform that will transform their very productivity and their very competitiveness. And that takes time. But in reality, putting in these systems is quicker than changing the customers' behavior."

That's Raj Jaswa's challenge now. ■

Andy Moore is an editor by profession and temperament, having held senior editorial and publishing positions for more than two decades. As a publication editor, Moore most recently was editor-in-chief and co-publisher of *KMWorld* (formerly *ImagingWorld*) magazine. Moore now acts as a contract editorial consultant and conference designer. As *KMWorld's* Specialty Publishing Editorial Director, Moore acts as chair for the current series of "Best Practices White Papers," overseeing editorial content, conducting market research and writing the opening essays for each of the white papers in the series.

ROCKWELL, continues from page 3

Reliance products and also help customers identify and solve their needs for motor products. Rockwell Automation recognized the obvious advantages of product configuration, and deployed the ISS solution in June 2001. Key challenges addressed included:

- ◆ The inability to accurately manage detailed pricing for the configured motor;
- ◆ Inconsistent management of geographically disparate motor plants selling the same product lines of motors and specialty type motors;
- ◆ The inability to utilize existing resources and in-house expertise; and
- ◆ Inefficient processes to gather customer history, product data and pricing information.

Results

The Rockwell Automation and Selectica case study demonstrates a real life scenario where the appropriate business practices and foundation for a new technology deployment was laid. Today Rockwell Automation's business processes are more efficient, cohesive, and productive (Table 1). The QUANTIS product line is now generating more revenue, while order error rates for products and pricing have been reduced significantly. Return on investment is rapid because of the substantial cost savings that have been realized from moving to an Internet-based e-Business approach. Additionally, the ISS solution has placed Rockwell Automation in a position to benefit from considerable total cost of ownership (TCO) savings in the future, as well as bottom-line rewards, as it continues to roll out the ISS solution to new lines of business. Based on this project's research, Aberdeen considers the Selectica ISS solution to be a solid choice for businesses requiring a single, manageable platform to apply online quoting and configuration activities for scalable, high-end and complex business processes. ■

Selectica, Inc. (Nasdaq:SLTC) is a leading provider of Interactive Selling Systems (ISS) that transform the way companies sell, service and compete. Selectica's Internet-based platform provides robust capabilities to power industry-specific guided selling applications designed to streamline and accelerate the process of configuring, pricing and purchasing complex products and services.