

Relationals  
Realizes  
Vertical Market  
Success with  
On-Demand  
CRM Solution

*June 2006*

---

White  
Paper



## Table of Contents

# Relationals Realizes Vertical Market Success with On-Demand CRM Solution

<b>Sections</b>	SaaS Turns the Corner, Driven by CRM .....	1
	Media Ad Reps Face Daunting Challenges .....	3
	Relationals CRM Solution Stresses Simplicity, Targeted Functionality .....	4
	Relationals Helps to Pioneer the Market for Vertical SaaS Solutions .....	5
<b>Figures</b>	Figure 1: Software-as-a- Service Provides Rapid Time to Benefit.....	2
	Figure 2: Relationals On-Demand Architecture .....	5

*NOTE: This report is based upon information believed to be accurate and reliable. Neither Summit Strategies, Inc. nor its agents make any warranty, express or implied, as to the accuracy of the information or the opinions expressed. We shall have no liability for any errors of fact or judgment or for any damages resulting from reliance upon this information.*

*Trademarked names appear throughout this report. Rather than list the names and entities that own the trademarks or insert a trademark symbol with each mention of the trademarked name, Summit Strategies uses the names only for editorial purposes and to the benefit of the trademark owner with no intention of infringing upon that trademark.*

*©2006. Reproduction in whole or in part is prohibited except with the written permission of the publisher.*

***Unauthorized use or sharing of this document is strictly forbidden.***

## Relationals Realizes Vertical Market Success with On-Demand CRM Solution

Although it suffered a number of set-backs in the wake of the dotcom bust, the software-as-a-service (SaaS) sector has made steady progress in recent years. Today, the future of the SaaS approach seems assured, thanks to a variety of technical and business advantages that the hosted software model offers. Providers of customer relationship management (CRM) services have been among the most successful of SaaS vendors, due to a number of synergies between the CRM application and the hosted software model.

A handful of horizontal CRM vendors have become well established, but vertical sector CRM solutions also hold great potential. Relationals Inc., a vendor of hosted CRM solutions tailored for media customers, is a case in point. The young vendor has achieved steady growth by offering a SaaS solution fine-tuned to the specific needs of media advertising managers and representatives. As it continues to win new customers—often in competition against larger and better-known CRM vendors—Relationals is proving that even small vendors can succeed in SaaS if they identify an under-served niche and create a well-targeted and well-crafted solution.

### **SaaS Turns the Corner, Driven by CRM**

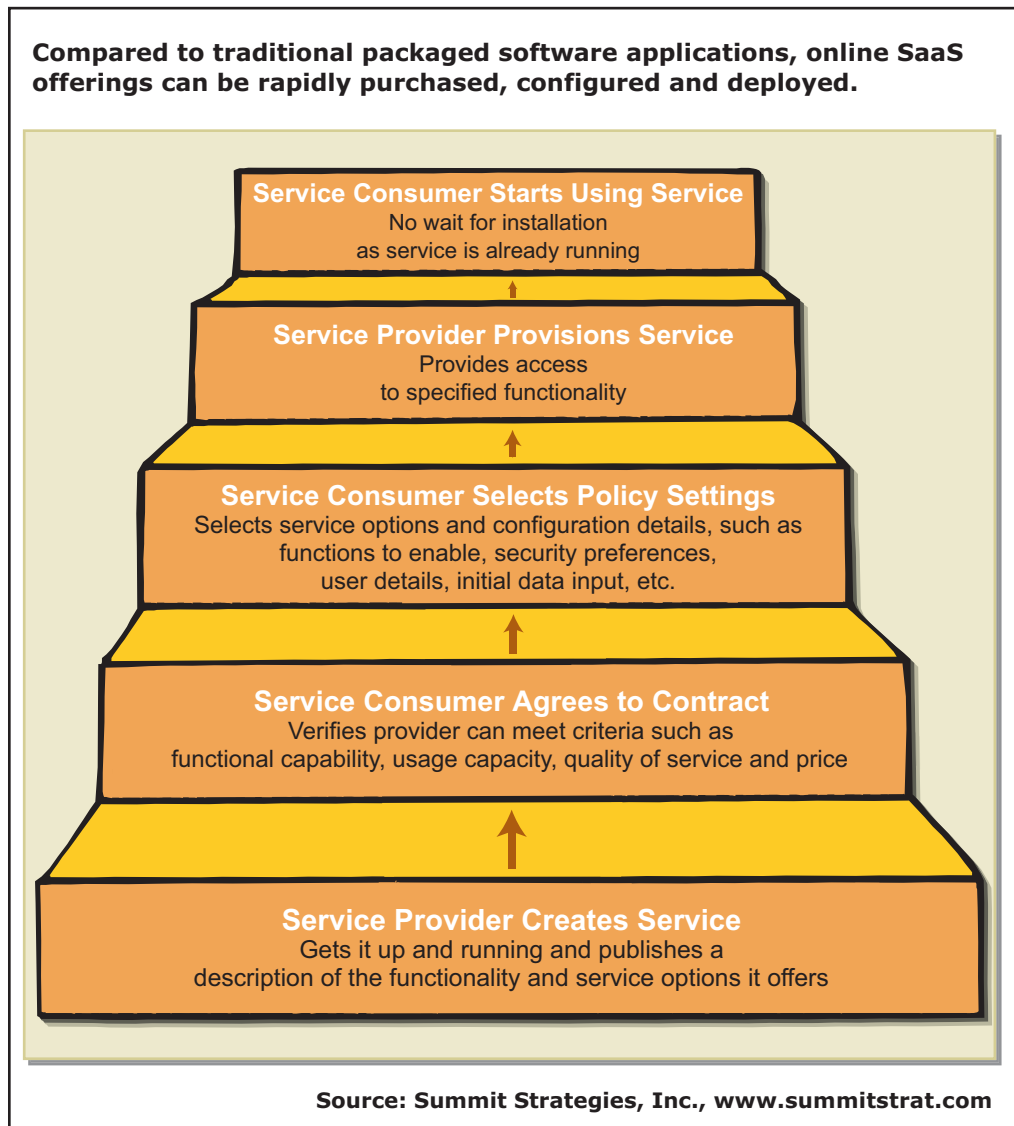
Summit Strategies has been bullish about the prospects for software-as-a-service since the notion first gained currency in the late 1990s under the application service provider (ASP) label. True, many early ASPs failed due to poor business plans, ineffective marketing and partnering, early customer resistance and the broad industry downturn following the dotcom bust. These initial setbacks, however, did nothing to shake the inherent logic of the on-demand SaaS model. Compared to traditional packaged applications, SaaS solutions:

- Require less up-front capital investment due to their subscription licensing model;
- Can be rapidly implemented and configured, speeding customers' time to benefit (see Figure 1);
- Can provide attractive total cost of ownership and return on investment, since the service provider purchases, operates and maintains the servers on which the SaaS solution runs;

- Typically run on a common code base that can be simultaneously and painlessly up-dated for all of the service's customers;
- Are usually designed to interoperate easily with customers' in-house systems as well as with other hosted services; and
- Provide solution providers with a continuous feedback loop about which features customers use most and which they use least—helping the providers to make well informed decisions about how to best improve their offerings.

Even with these and other benefits, customers are sometimes concerned that SaaS solutions may not perform as well as applications running behind their corporate firewall. Some customers have also worried about the security of their proprietary corporate data when it is stored on a SaaS provider's servers.

**Figure 1 Software-as-a-Service Provides Rapid Time to Benefit**



Gradually, however, many companies have realized that skilled SaaS providers can match or exceed the operational and security capabilities of the typical corporate IT shop. Meanwhile, the complementary computing industry trends of loosely coupled service-oriented architectures (SOAs) and the “Web 2.0” notion of treating the overall Internet as a platform have created an environment in which customers are much more open to the logic of the SaaS approach.

Today, the SaaS model stands poised to hit the mainstream thanks to the success of one critical applications sector: customer relationship management (CRM). Broadly defined, CRM encompasses, organizes and coordinates all of the marketing, sales and services interactions a company has with its customers. In recent years, server-based CRM solutions have meshed well with SaaS for a number of reasons, including:

- The relative youth of the CRM market compared to more entrenched software such as enterprise resource planning (ERP);
- The rise of CRM demand at a time (late 1990s—early 2000s) when many IT departments couldn’t afford to mount major in-house deployments; and
- The mobility of many sales and support CRM users, which makes them obvious candidates for network-based SaaS solutions.

Given these synergies, it’s not surprising that hosted CRM solutions emerged as among the most popular and successful of the early SaaS offerings. One vendor in particular—salesforce.com—exploited the on-demand CRM opportunity so effectively that it became something of a poster child for the overall SaaS movement. But salesforce.com’s success has left plenty of room for other innovative SaaS providers of CRM solutions, particularly those that craft offerings for the specific needs of customers in different vertical industry sectors. One of those sectors is that of television, newspaper, radio and publishing media company advertising representatives—a constituency that a SaaS vendor, Relations, Inc. (San Jose, CA) has successfully targeted.

## **Media Ad Reps Face Daunting Challenges**

The rise of the commercial Internet didn’t just facilitate the growth of new types of network-based services—SaaS included. It also changed the rules of the game for many existing businesses. Newspapers were no exception, with both online news outlets as well as Web-based advertising disrupting the industry’s status quo. On the classified and display advertising front, newspapers found themselves competing with online powers such as Google, Yahoo and Craigslist. In comparison to this new breed of highly automated competitors, the newspapers’ ad operations were mired in manual operations, often fragmented—and, as a result, quite inefficient.

The inefficiencies of the ad sales processes were related in part to the nature of the business, which is characterized by extremely high transaction volumes, but relatively low value per transaction. Typically, ad reps would maintain their own prospect pipelines, often tracking them with personal productivity tools

such as Excel spreadsheets. To generate an overview of their advertising operations, ad managers had to manually aggregate and analyze the sales prospects and activities of all the individual ad reps. Information was often inaccurate or out of date, and it was next to impossible to easily distribute leads and monitor lead conversions, to initiate marketing campaigns, to identify the most promising prospects or to coordinate other advertising activities.

CRM applications would seem to be an obvious solution to address these problems, but many packaged CRM applications are expensive and require that customers have a fairly sophisticated IT staff to implement, operate and maintain them. At the same time, some of the horizontal CRM solutions offered by SaaS providers couldn't fit the specific needs of the newspaper industry without complex and sometimes costly modifications. Those hurdles help explain why the vast majority of the 2,000 or so daily and weekly papers in the U.S. aren't yet using CRM solutions of any type. Pankaj Malviya, founder and CEO of Relationals, decided to focus on this under-served sector when he launched his company in 2003.

## **Relationals CRM Solution Stresses Simplicity, Targeted Functionality**

Relationals unveiled its on-demand CRM solution for newspapers and other media firms in 2004. While the core Relationals CRM offering automates the lead, sales and marketing activities common to newspaper advertising departments, it is also designed to easily integrate other functional modules that often fall outside of the basic CRM sphere. To help customers "personalize" their solutions, Relationals offers a series of on-demand modules that customers can easily mix and match as part of their overall SaaS solution. As illustrated in Figure 2, these modules run on top of an on-demand application platform and infrastructure, and include document management, subscription management, team scheduling, e-mail management and a range of other activities.

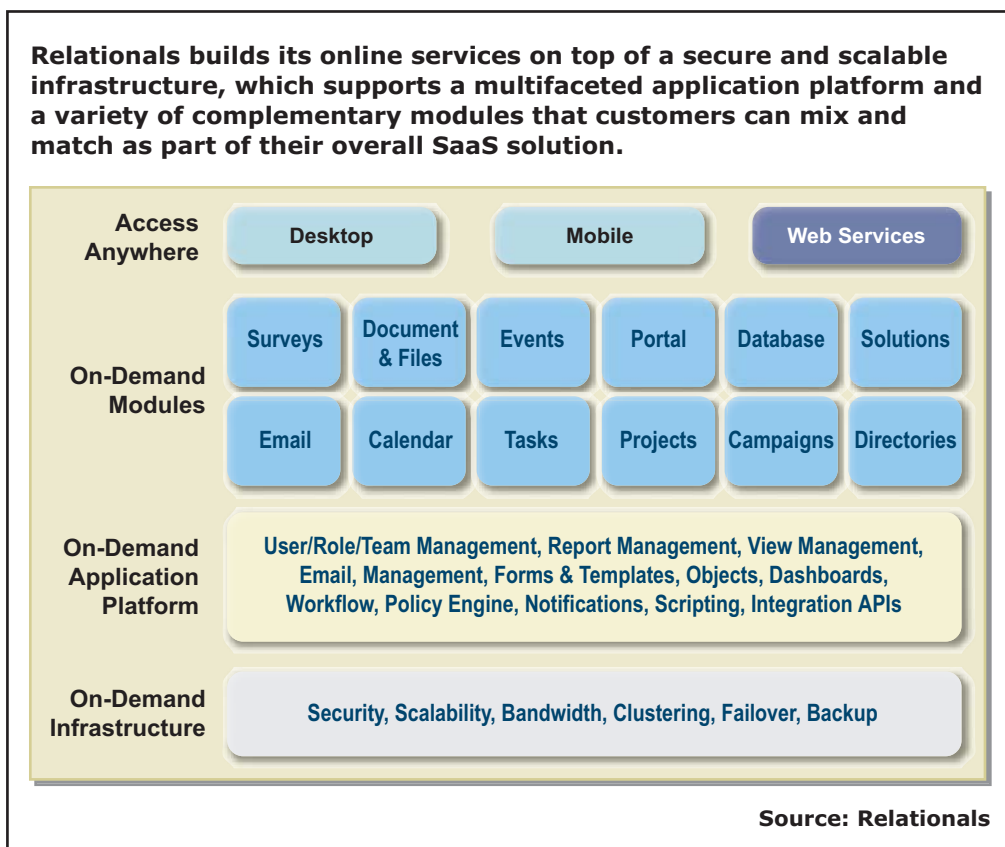
All of the Relationals services are designed to interoperate transparently with one another with a common look and feel. Using the Relationals CRM, ad reps or managers can identify customers in specific industries that haven't advertised, create and execute surveys and marketing e-mail blasts, generate pipeline reports, automatically create call-back assignments and schedules, track click-through rates and perform any number of other tasks. Furthermore, when an account is transferred to a new representative, all of the sales history and pipeline information goes with the account so the new rep doesn't have to start his sales efforts from scratch.

In designing its offering, Relationals sought to minimize the complexity of performing common and interrelated tasks. The vendor believes the resulting operational simplicity gives its solution a significant point of differentiation from other CRM offerings that often require multi-step actions—if not third-party software components—to execute the same tasks.

Relationals has also designed its on-demand service to be simple to integrate with other applications such as order processing and billing. Although the foundation Relationals template is based on XML and can support standard Web services interfaces, most customers prefer the default mode of integration, which is via

Figure 2

Relationals On-Demand Architecture



scheduled Comma Separated Value (CSV) data uploads. Unlike the fairly new Web services APIs, CSV is widely understood by most IT shops, and represents another way in which Relationals crafted its solution to the needs of the newspaper and media community. Future Relationals releases will incorporate the new IT standards, as evidenced by its recent release of a workflow capability that is based on the Business Process Execution Language (BPEL) Web services specification.

For its basic CRM service, Relationals charges a subscription fee of \$75 per-user per-month. For \$225 per-user per-month, customers can add various custom Relationals modules. Customers can also design their own applications and data templates on top of the Relationals platform. In addition to the per-user monthly subscription fee, Relationals also charges a set-up fee of \$6,000-\$12,000—which also includes any required data integration and user training.

**Relationals Helps to Pioneer the Market for Vertical SaaS Solutions**

Relationals has managed to secure an impressive customer base of leading U.S. newspapers. The company is serving more than 62 enterprise customers including members of the Knight-Ridder, Gannet, Cox, Scripps and Hearst chains of papers. For its part, The Hearst Corp. has selected Relationals as the corporate CRM standard for all of its papers, and two—the Houston Chronicle and San Fran-

cisco Chronicle—have already implemented the Relationals service. Relationals newspaper customers range from 12 to more than 160 internal CRM users, and the vendor is now branching out to serve radio and television companies as well.

Relationals is so confident that it can provide compelling business value to its customers that it offers new customers a 30-day free trial with the assurance that it can demonstrate a compelling return on investment during the course of that month. Two newspapers, the Columbus Telegram and the Charlotte Observer, were each able to recover the cost of Relationals and realize a return on their investment after the first month of use.

Another customer, the Star Telegram of Fort Worth, Texas, also reports impressive payback from its Relationals deployment. “In the Recruitment vertical, in the last four weeks, we have generated just over \$56,412 in additional revenue using Relationals,” says Erik Dally, Classified CRM Specialist at the paper. “Our primary successes have come from the use of call blocks and lead distribution along with the follow up feature to manage expiring ads. This additional revenue along with the ability to assist the reps in knowing the best uses and activities that equal the highest return, have proven that Relationals is a solid addition to our CRM efforts.”

The rapid adoption of the Relationals SaaS solution within its target market has allowed the privately financed vendor to quickly become profitable. During the past two years, Relationals has grown at a 350% compound annual growth rate. The company estimates that the U.S. media industry market for CRM represents a greater than \$500 million market opportunity, which gives the small firm plenty of headroom for growth. That’s why, even though Relationals is expanding into adjacent radio and TV markets, the company has no intention of straying too far from its media CRM base anytime soon. Relationals did architect its on-demand platform in a modular fashion that will allow the vendor to easily create other vertical sector solutions, however, should it so desire.

With its targeted CRM solution, Relationals is serving as a pointer for the direction that many SaaS providers will increasingly head. The market for SaaS solutions remains largely untapped, and a large percentage of that market will eventually purchase solutions that have been tailored for the needs of customers in specific vertical sectors. By combining the compelling SaaS delivery model with its industry-targeted CRM solution, Relationals is helping to pioneer a software industry model that will become increasingly common, and successful, in the coming years.

**Dwight B. Davis**  
**ddavis@summitstrat.com**

This white paper was sponsored by Relationals.

Summit Strategies is a market strategy and consulting firm focused on helping IT vendors quickly identify and capitalize on disruptive industry inflection points. Since 1984, our breakthrough thinking and one-to-one consulting engagements have provided vendors with objective, hard-hitting insight critical for creating successful market, channel and product strategies in changing markets. Our current focus is on the adoption of dynamic (a.k.a. utility or on demand) computing among enterprise, mid-market and small business customers. For more information, please visit our Website at [www.summitstrat.com](http://www.summitstrat.com) or contact Ms. Billie Farmer at [bfarmer@summitstrat.com](mailto:bfarmer@summitstrat.com) or 703-897-5188.