

Chapter 1:

CRM is a business philosophy, not a set of technologies

Vision

Through 2004, 55% of CRM initiatives will fail to meet measurable benefit objectives and will fail to positively affect return on investment, due to lack of business processes for conducting ongoing measurements.”

(Source: Gartner, “In Pursuit of CRM Economics”, August 7th 2000)

In 2000, businesses globally spent around \$10bn on CRM software, and around twice that on CRM services. (Source: Aberdeen Technology, Gartner). The consensus amongst industry analysts is that these figures will more than double by 2003. Most of this investment will be wasted.

Lack of planning, undefined business goals and the absence of measurement are most often the reasons for this: companies don't know what they want from CRM, and in some cases, are even confused about what it is.

CRM is not a technology, or even a group of technologies. It is a continually evolving process which requires a shift in attitude away from the traditional business model of focusing internally.

CRM is an approach a company takes towards its customers, backed up by thoughtful investment in people, technology and business processes.

There is a very real and tangible danger for businesses which focus on technology to the exclusion of all else: “(Those businesses which) limit their consideration of CRM to the CRM-enabling technologies will under estimate the investment required to enable true relationship management by more than 300 percent.” (Gartner “CRM, CRM-Enabling Technologies: The Important Difference”: 8th January 2001)

The concept of CRM contains everything that all businesses need to succeed.

- **Customer:**

All businesses, when they first start, have to focus on the needs of their customers. As businesses get larger and more complex, they become more inward-looking as they try to cope with their internal issues. Often, the customer gets treated as an afterthought. With CRM, one goal is to make the **individual** customer become important once again at an acceptable cost to the company.

- **Relationship:**

Until relatively recently, it was impossible for large companies to form relationships with customers – with a customer base of millions, how can a company know their preferences or dislikes? This is an area where technology can help businesses build lasting relationships with customers, to keep them loyal and increase their value to the company.

- **Management:**

Realistically, businesses are not implementing CRM because they have had a change of heart and decided to be nice to the long-suffering customer. Loyalty equals profit: both customer and business gain from it. The “management” part of CRM demonstrates that it is the business which ultimately controls the relationship with the customer: it provides the right information at the right time; it offers the right price to keep the customer happy enough to stay; it anticipates what else the customer would like to buy, and understands why.

The business objective of CRM is to maximize profit from customers, as a result of knowing them, treating them well and fulfilling their needs.

Sales force automation, customer contact solutions, multimedia routing and data management tools have all been claimed as being the key to a business’s CRM solution. While these are all useful and reliable aids to a business, none of them on their own are CRM solutions. As before, this is for a very simple reason:

CRM is not just about technology.

Instead, try to think of CRM as a holistic approach to refocusing your business on customers, rather than on the internal structure of your organization. It is more about the competencies that you have, rather than a list of technologies, the goal being to win, know and keep profitable customers.

CRM checklist

- ✓ Do you provide a single view of the customer across the enterprise to whoever needs it?
- ✓ Do you help your employees to fulfill customer needs regardless of where in your company they are working?
- ✓ Do your customers receive a high level of service no matter which channel they decide to use?
- ✓ Do you proactively and intelligently inform customers about products and services they will be interested in, and still keep your marketing costs under control?
- ✓ Do you know who your most profitable customers are?
- ✓ Do you have the strategy and tactics in place to keep them?

The contact center is driving the future of CRM

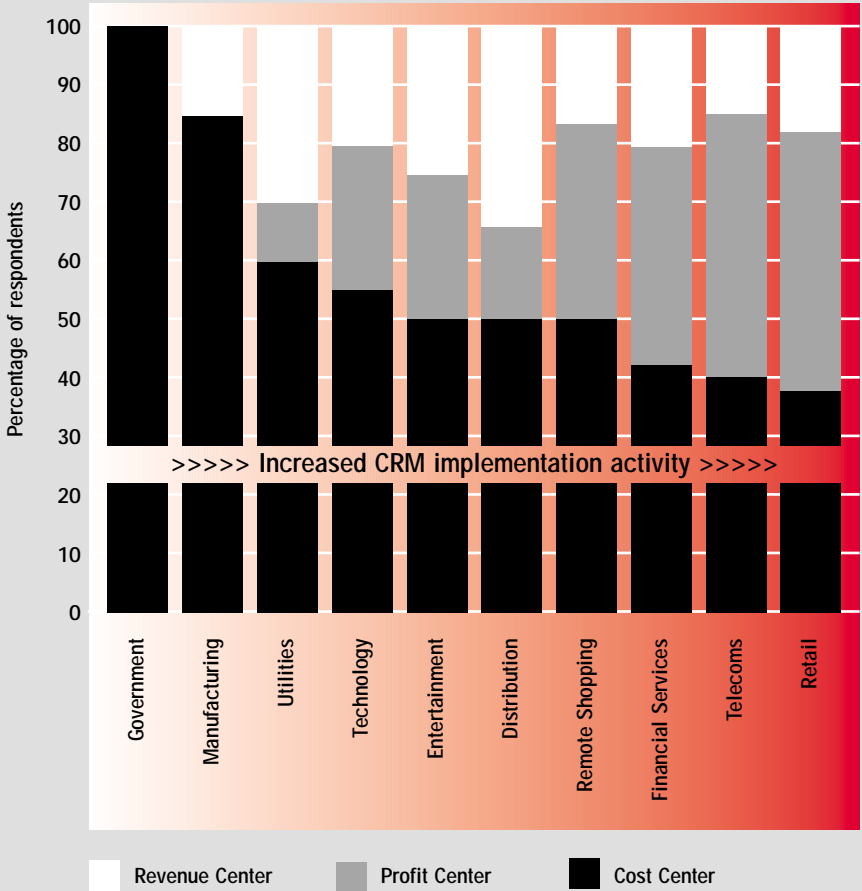
The contact center plays a crucial role in the wider CRM space.

For companies whose main channel to their customers is through the telephone or e-mail, they cannot become truly CRM-focused without putting the contact center at the heart of any improvements they make to their operations and their CRM Strategy.

CRM is about increasing revenues and growing the business aggressively.

Industry sectors such as retail, banking and telecoms are amongst the first to begin CRM implementations, and their profit-focused attitude towards their contact center operations is encouraging.

Along with CRM, the multimedia revolution brings its own opportunities and problems. To a greater or lesser extent, the industry knows how to manage call centers competently.



Perceptions of the business value of contact centers

Source: Datamonitor “Emerging Contact Centre Technology” (1999), ContactBabel

Multimedia may look at first glance to be merely glorified telephony – customers still need to be answered and sold to – but contact center managers can be forgiven for having initial problems running a multimedia contact center in a CRM-focused business.

The key issues involved in moving from a telephony-only call center towards a multimedia contact center will be explained further in this book. Many businesses will find that this shift towards multimedia interaction is part of a larger enterprise-wide CRM movement. The table below clearly shows the evolution of the contact center away from the cost center model, towards

being an integrated, strategic and profitable part of the enterprise and of a key component of a CRM strategy.

	Phase I	Phase II	Phase III	Phase IV (Vision)
Corporate view of the contact center	Necessary cost center	Potential profit center	Strategic to customer relationships	The Contact Center is the Company
Contact center focus	Reducing costs Increasing productivity	Transitioning from a cost center to a profit center	Building lasting, profitable relationships with customers	Moving transactions beyond the contact center - through the entire enterprise
Business need / objectives	Efficiency	Revenue generation	Customer loyalty	Optimized business communications

The evolution of the contact center

Source: ContactBabel

First, it will be useful to set the scene by introducing some key CRM enablers which will be examined in detail later in the book, and then to show what CRM will mean to businesses, and how it may be achieved.

CRM enablers

While CRM is not a technology, few companies can re-engineer themselves to be truly customer-facing without providing their business and staff with the tools they need.

In the same way as any project, there should be a defined business need first, along with a measurable goal.

Almost any technology can legitimately be said to provide support for CRM implementations, if the wider aim is to provide a superior level of customer contact based on knowledge about that specific customer.

Measurable goal	Business need	IT requirements
Improve quality and responsiveness of customer contacts across every channel	Support the multimedia contact center by controlling, prioritizing and managing customer interactions	Universal queue with full multimedia routing and management capabilities <i>(chapter 2)</i>
Match customer value to cost of interaction	Service all types of customers effectively and profitably	Support new channel so migrated customers continue to use the website as the channel of preference, using e-services solutions, especially e-mail and web self-service <i>(chapters 3 and 4)</i>
Improve speed and quality of service to customers using the contact center. Ensure right agent available to service specific customer / group needs	Improve efficiency, control and management of contact center staff	Workforce management solutions <i>(chapter 5)</i>
Optimize investment through future-proofing the contact center and being able to cost effectively support a large customer base	Build and maintain a single view of the customer across the distributed enterprise, to support potential mergers and acquisitions	Virtual contact center functionality and single platform to build upon <i>(chapter 6)</i>

Business goals supported by CRM enablers

Source: ContactBabel

There is a danger of becoming too focused upon specific applications and losing sight of the overall vision of CRM, which is the next step in the evolution of global business practices.

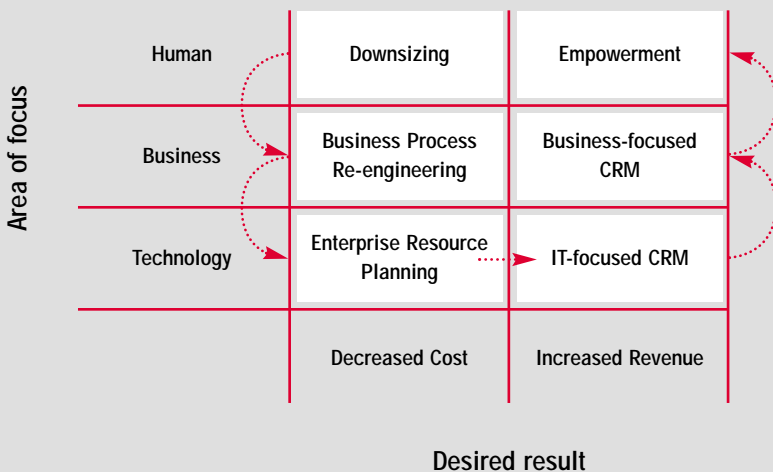
CRM is a logical step in the series of major commercial and IT initiatives that have been implemented since the 1980s, beginning with downsizing.

Most of these early initiatives had a cost-cutting focus on the internal workings of the business, concentrating on employees, working methods or technology.

Increased profitability was the desired result, engineered through cost savings.

- Downsizing – 1980s and early 1990s: the simplest way of decreasing costs. Often used in conjunction with:
- Business Process Re-engineering (BPR) – late 1980s, early 1990s: the reduction in headcount meant that efficiency had to be increased, through changing internal workflow patterns and increasing automation
- Enterprise Resource Planning – 1990s: a holistic system most useful for large multinational businesses, covering most aspects of a company’s operations. By integrating everything from finance, through sales and distribution, to personnel, the goal was to have real-time vision and control of the company’s operations.

All of these initiatives were based around decreasing cost, through increasing efficiency. This has traditionally been IT’s great strength.



The Evolution of Major Business Trends

Source: ContactBabel

But there comes a time when it is difficult to decrease costs without seriously hindering the function of the company. This is where CRM comes in, and why it is not just another technological way to keep running costs low.

Successful CRM depends as much upon attitude as it does upon technology

A key message is that CRM is primarily a growth-enabler, for optimistic,

aggressive companies wishing to expand, and the evolution of business trends supports this paradigm shift:

- IT-focused CRM – late 1990s to the present: many first-wave CRM implementations are focused very much on putting in technology solutions, and improving efficiency. Business processes and employees may not even be affected by IT-led CRM: in many cases, this is CRM in name only, and may in fact be only a series of point solutions rather than a true CRM implementation
- Business-focused CRM: involving a fresh look at how customers and prospects are actually dealt with by the enterprise, business-led CRM is focused on finding out about and solving commercial problems, and changing the culture of the enterprise as a whole in order to serve customers more effectively and profitably. Business-focused CRM allows enterprises to understand the value of an individual customer and customize interactions to build loyalty and profit.

Much of the difference between these approaches is about attitude, as shown below.

Challenge	<i>Today</i> IT-focused CRM approach	<i>Visionary</i> Business-focused CRM approach
Too many calls coming into the contact center	Offer e-mail and web self-service to try to drive callers to the website	Understand what type of calls are coming in, and from whom: <ul style="list-style-type: none"> • Are the same customers ringing again and again? • Are your best customers on hold longer than you want? • Are the same questions being asked all of the time? • Are your customers likely to be using the Internet, and are they technically-literate enough to get what they need?
Need to increase sales	Build a data warehouse and match customer types with products for cross-selling purposes	Be aware of how customers are being sold to today: <ul style="list-style-type: none"> • Are your contact center agents under pressure to spend less time talking to customers? • Are sales per customer at saturation point already? • Is your product range of interest to your existing customers?

The shift in CRM attitudes and approaches

The solution may end up being the same, but the problem needs to be understood before it can be addressed.

In the first example above, if you have non-technical customers ringing the contact center, who are likely to be amenable to upselling, then pushing them to a website will be counter-productive. In this case, you may decide that simply employing more sales agents or increasing training will increase profitability. It may be a low-tech solution, but a business-focused CRM approach does not simply look for ways to squeeze new technologies into the existing structure of the enterprise.

A healthy mix of the correct attitude (from both the business and its individuals), business acumen and technical knowledge is critical for successful CRM. The next step will be to bring the company's people into the equation – something which has only yet been paid lip-service to by most of the business world.

***Business re-engineering + technological efficiency +
empowered employees = successful CRM***

The next major business initiative will be focused upon people:

- two-thirds of a contact center's running costs are agent salaries
- customers do not care about your IT or business workflow – they decide whether you are a good company by the quality of your staff and the service which they provide
- churn throughout the industry runs at an average of 22% and is rising. The industry sector most affected by this is distribution and transport (46%) with the food and drink, retail and technology industries having the fewest problems with agent turnover at less than 10%. (Source: Merchants, "The International Benchmarking Survey, 2000")
- call center work is often perceived by the outside world as dull, demeaning and poorly-paid
- stress and boredom are the two most frequently-cited reasons for staff leaving a contact center.

There is a lot of room for improvement.

Following are some of the main agent-related issues which need to be solved before CRM can be said to be in place:

- Poorly-trained agents and isolated islands of information, so agents cannot complete multiple customer needs
- Incomplete customer or product information

- Management focus on minimizing talk-time (cost reduction), not customer satisfaction (revenue increase)
- Low motivation of staff caused by repetitive, non-varying tasks and limited career progression
- Common perception of the contact center as a necessary evil, from the top of the organization downwards.

This latter point is at least as big an issue as anything related to technology. It is possible to run an adequate contact center with a large proportion of semi-skilled, inexperienced staff: this is what is happening in many organizations today.

It will not be possible to provide outstanding customer service across all channels, increase profit per customer and grow your company's market share – some of the key goals of CRM – without having an experienced and empowered team.

We can do some very powerful things with technology and business processes, but here's a sobering thought for those who believe we are close to replacing humans with machines: the most important reason that people ring a contact center rather than use a website is that they prefer talking to people.

(Source: Datamonitor, "The eServices Survey", 2000).

Part of CRM is about providing the customer with what they want. If customers decide they want to talk to real people, then that is what the customer-oriented company has to provide.

Who should implement CRM?

The answer to this should be "everyone". After all, shouldn't every company want to increase profits, reduce customer churn, gain market share and provide an outstanding level of customer care?

CRM is often seen as getting back to the way things used to be: the local shop used to know exactly what you wanted, and provided it with a friendly smile. The result was loyalty. (Granted, lack of competition also helped).

The further away companies have moved from this ideal, the more CRM is needed.

The following table illustrates the attributes of companies which help identify the CRM enablers of most benefit to them.

Attribute	Examples of CRM enablers
Large number of customers	Data management systems, Computer Telephony Integration (CTI)
Frequent customer contact	Contact management system, internet-based customer service
Customer retention issues	Analytical CRM, marketing automation
Plans to grow market share	Sales force automation, cross-selling/upselling tools
Multiple customer segments	Sales/Marketing automation, analytical CRM
Multiple products	Sales/Marketing automation, analytical CRM
Multiple channels	Web self-service, e-mail management systems, universal queue
Multi-site geographic operations	Single platform, open communications structure

Identifying the right CRM enablers

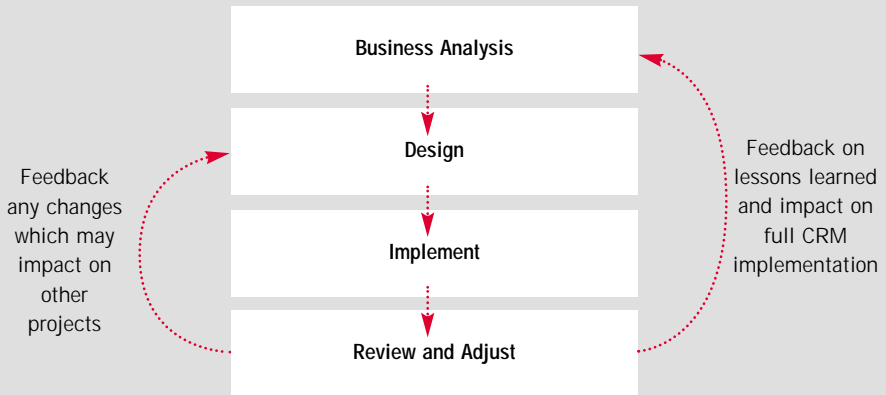
Source: ContactBabel

True CRM implementations are complex by nature. They also require significant investment.

However, because CRM is a long-term strategic goal, a gradual rollout of supporting technologies is possible, as long as the company is aware of where it is heading with the whole. Otherwise, you are just implementing a series of point solutions, which loses the value of having an integrated solution.

Business analysis is the key to successful CRM

The following diagrams show the key stages for a CRM implementation. The exact detail of the path is determined by the type of business, cost, time and available skills. It is worth noting that the analysis-design-implement approach is equally applicable to the business processes being improved through CRM, as well as the technical aspects of the project.



CRM Implementation

Source: ContactBabel

At first glance, CRM implementations seem to follow a similar pattern to most projects: analysis of requirements, followed by detailed design. After actual implementation comes post-project review. The difference with CRM is not only in the details throughout, but in the uses of the review stage.

Whereas for many projects, a successful review is the end of the story, for CRM it is just another stage. With CRM being an ongoing process, the review stage is absolutely fundamental to the project as a whole, and for this reason should never be undervalued.

Feedback should be given both to the analysis stage (for example, target metrics have been achieved, the overall target is still viable), and also to the design stage, especially for any unforeseen technical issues which emerged that may require change to dependent sub-projects.

External suppliers and consultants are experts in the actual designing and implementation of solutions. It will be more beneficial to look in more detail here at the **business analysis** stage, as this is where complex CRM projects can fail through lack of planning, or even through failing to set specific targets. Some of the key points to consider are:

- **Put management team together**
 - This must include senior members of IT, sales, marketing, customer care and business analysis
 - There must be a very senior “project champion”, who has the authority and interest to drive things through.

- **Review present business**
 - Gather performance metrics (sales per 1,000 calls, mailshot replies, website hits etc) in order to measure project success
 - Gather customer feedback
 - Compare business units or divisions to give examples of best practice to maintain and share.

- **Understand customer experience**
 - You should perform “mystery shopper” tests to give a true impression a customer has of your company
 - Are you operating in functional silos (e.g product / department / geographical etc.) which may not be convenient for your customers?
 - Understand difference in service quality between channels, and which types of customer are using each channel.

- **Gather input internally (from)**
 - IT (scalability of present systems, integration, platform issues, data migration, etc.)
 - Contact center agents (detailing the business and technical gaps to be filled which are present now)
 - Sales and marketing (customer retention rates, present knowledge of customers, buying patterns etc.)
 - Strategic company direction and senior management (company direction, growth targets, product mix etc.).

- **Decide measurable targets**
 - How much, and when?
 - Loyalty
 - Revenue
 - Cost reduction
 - Profit
 - Product sales per customer
 - Customer satisfaction
 - Staff turnover
 - Efficiency
 - Etc...

The business analysis stage should be totally complete before the design phase begins. If the right people with the necessary skills and influence are

present at the analysis stage, it can save many headaches further down the line.

This is not to say that the business analysis output cannot be altered later. Experience from the design and implementation stages should be passed back, along with major changes in company direction and operation. But businesses should aim to produce the most comprehensive analysis they can right at the beginning of the CRM project.

Key success factors

- Choose at least one senior company member to drive the CRM initiative both from a commercial and cultural perspective
- Get buy-in from senior members of all departments in the organization which will be affected by CRM and establish steering committee
- Benchmark your operations before you think about implementing any technology
- Consult customers on how they would like to see your business change
- Specify quantifiable improvements to the aspects of your business which you are most keen to develop
- Work only with suppliers which have a proven track record of supporting enterprises and which will be reliable partners for the foreseeable future
- Measure the impact of each sub-project and feed the results back into the overall analysis and dependent design phases of the CRM project
- Consult, inform and train employees at every stage of the process in order to move the business culture more towards a customer-focused organization.

Executive Vision

There is a great deal of confusion in the business world over what exactly CRM is, and how it fits into a company's existing commercial model:

- The contact center is a key strategic piece of the CRM jigsaw. Without treating the contact center as a strategic asset rather than a cost center, and investing in people, processes and solutions, customer-facing businesses cannot be truly CRM-focused
- CRM is not just about technology. It is about enterprises' attitude to their customers and the organizational culture
- CRM drives strategies for growth, which is different from the traditional role of IT-supported business initiatives, which have normally been implemented to reduce costs.

Businesses need to look beyond IT solutions, and focus on the business, human, cultural and technological changes they need to make to become truly customer-focused:

- Many companies today are taking an IT-focused approach to CRM, and looking for new technology solutions to solve issues
- Enterprises should take a business-focused approach, and understand customer experience and behavior before they implement any supporting technology.

Trying to implement CRM without planning extensively is a recipe for failure. CRM offers businesses the chance to change permanently the way they do business, from the perspective of both customers and employees:

- The initial business analysis stage is critical for successful CRM. Businesses should quantify what they want to get out of CRM, and measure this throughout
- The result of implementing the above will be the empowerment of employees.

Nordea, Merita Bank

“As Finland’s leading bank, we have to stay at the forefront of the electronic banking revolution. We’ve always been innovative, putting the first generation of automated telephone banking in place in 1982. Back then, IVR was the new application. Now, a lot is changing, but we are still staying ahead of the competition.

“Although Finland’s population is only 5,200,000, we have more than one million Internet customers today. For us, the Internet is a key part of building long-term relationships with our customers. Our customers aren’t just using this as a quick and simple way to do their daily banking: they require tailored advice and personal customer care from this channel as well.

“Our biggest challenge is developing relationships with customers who rarely or never visit their branches. Finland is a large and sparsely populated country: for many customers, home banking is most convenient, so we provide quality service no matter the channel which customers prefer to use.

“Consider this: 86% of all money transactions from our customers are made electronically. Of the 6m calls we received last year, only 1.1m were handled by our agents. The majority of the 200,000 e-mails received were responded to by the agents, but will soon be handled automatically.

“The bank today could truly be described as multimedia-enabled. One of our main challenges is to develop our understanding of our customers even further, to provide a true one-to-one customer experience, based on our knowledge of customer behaviour and demands.

“We are in a competitive business. We know that our Internet customers are only one click away from our competitors, so we must continue to improve the personalised customer experience across all channels and media to stay ahead of the game.”

Riitta Pennanen - Nordea, Merita Bank