



WORKING TOGETHER

We've had the hype, we've had the backlash, so what's next? James Lawson looks at what the future holds for integrated customer management projects, and finds stamina to be one of the keys to success.

Where now for customer management? The largest players have long since made their major technology choices and, just like ERP a decade ago, vendors have been slated as their products failed to provide much discernible bottom line benefit. But technology was never going to do it on its own. Perhaps what we need is a dash of that old consultant's favourite: business process re-engineering.

Return on what?

Any company that expects to simply build a call centre or install some software and see profits magically rise deserves all the trouble it will undoubtedly get. Most

CRM vendors have largely sold to their natural client base – IT and operational functions like the call centre – on the basis of process efficiencies without much regard for developing customer value or other revenue generating strategies.

This much is well known. Commentators estimate that as many as 60-70% of CRM programmes have brought negative results or failed to meet expectations (Gartner, Economist). Indeed, one in five CRM implementations are thought to have actually damaged customer relationships (Bain and Co, 2001). In a recent paper, Professor Francis Buttle cited difficulty of implementation, overpricing and inability to delivde-

liver a true customer focus as reasons for dissatisfaction.

"The backlash should have come a long time ago," comments Dene Jones, head of analysis and planning at GB Group. "But it's taken a long time to get those systems in. They've now realised there's nothing like the ROI that they'd hoped for."

Despite all this antagonism, companies continue to invest in customer management projects, and reports indicate that the boardroom is, if anything, more interested than ever before in a corporate CRM strategy. After last year's dip, Hewson Consulting predicts a global market value of \$8.1bn, (\$40.6bn including services) for 2002, while AMR thinks the market may be worth \$75bn by 2005.

"I don't see any reduction in commitment," states David Trueman, VP of professional services for Siebel Systems. "Our customers are following the path they set out on and are well on their way to reaching their multi-channel vision. There may be problems with markets and the economy but there's no reduction in the drive to integration."

The new air of reality has been marked by a general move away from evaluating products on their features and functions to looking at return on investment. This has inevitably led to a new selling strategy by vendors: the ROI case, as well as much touting of ROI measurement tools. On the surface this sounds far better than the "seat of the pants" techniques used before, but trying to isolate the return on investment from one piece of software when success depends on a whole host of factors is doomed to failure.

build the business case and to measure the ongoing success or failure of its project against its original business objectives. "If you say that we need to increase our revenue or customer base by x per cent, ok, what is it that we need to do?" she continues. "We need to understand, analyse, perhaps put in a retention programme, then manage the project and measure the benefits. That is your business case for CRM."

So the problem is no longer that companies believe successful customer management to be simply a case of installing a technology platform and hoping for the best. Today's challenges lie at the opposite end of the spectrum: really trying to build the "customer-focused company" by putting the customer at the centre of channels, data, systems and processes. Marketing, sales, customer service, operations, supply chain and many other functions all have a role to play in successful company-wide customer management.

That means that large CRM projects, difficult enough to begin with, can now become mind-numbingly complex. Kirby lists four broad challenges to overcome: cultural change, systems integration, data integration and developing an integrated operational strategy that combines the skills and functions needed to manage the customer. With all of these closely linked, much advance planning is needed to get it right.

"Companies need to think about how to re-organise around the customer," says Kirby. "It's not enough to just re-organise around customer segments rather than products, they need to do it around cross-functional processes."

The trend to segment management is starting to become more prevalent. The Halifax's Intelligent Finance is one often-quoted example but, bearing out Kirby's comments, its segment management team is overlaid on a very traditional functional structure. And just as some vendors renamed their old software as a CRM solution, many companies are simply rebranding job titles as CRM instead.

"We are now seeing people having to talk to other functions, typically marketing to service, but we have got a long way to go before we see the harmonisation of functions for the overall good of the group," predicts Chris Underhill, managing director of smartFOCUS. "There's not a whole-hearted move to have someone at group level. What was the marketing and data analysis team last year is now the CRM analysis team."

People and processes

The persistence of traditional management structures highlights one of the classic barriers to CRM project success over the long term: remaining committed to changing the way you do business despite the day-to-day pressure to get products out of the door.

"The natural tendency of the big organisation is to



There's a lot of rubbish talked about ROI

Jennifer Kirkby, CRM research director, Gartner Group.



Changing management structures and business processes means that staff will need much support and training before the new customer-focused culture can appear.

"There's a lot of rubbish talked about ROI," says Jennifer Kirkby, Gartner Group's CRM research director. "ROI is a calculation you do on a piece of technology, and people have turned it into, 'what is the revenue increase or cost reduction associated with this technology?'. Technology will never bring this about on its own, you need process changes and much more, you need to look at all of the various activities that build up to ROI."

Kirby considers that it is up to the company itself to

align more around products because it's easier to manage," says Chris Phillips, marketing director for integration software specialist Vitria. "If you're concentrating on profit and expense, it's clearer to manage around products. We often see senior cross-functional managers with titles like 'director of CRM', but that's not a fundamental re-organisation of the business away from products to customer segments, it's more of an overlay role."

Whichever way you approach the problem of management, aligning different operational systems with new customer-facing processes can be a huge task – giving service agents a view of the whole order management chain can mean a major IT project on its own that spans different sites and multiple legacy systems. Phillips adds: "Our most popular task is to synchronise customer data between CRM systems and finance, accounting and invoicing systems. If you want to do this properly, it goes well beyond the scope of your CRM package."

So if you're looking at scrapping and rebuilding the sales, service and marketing departments, do you adapt your processes, then look at technology to support it or is it the other way round? The vendors of CRM suites can at least show that their products do give the customer functions a common operational (and sometimes analytical) platform, but the need to integrate the back office and other legacy systems makes this only a partial aid.

"When you are implementing a project, you can't just change the technology, you need to align people

and processes to suit the technology," claims Siebel's Trueman. "You don't want to change software to suit an outdated business model, you want to optimise both taking into account the cost of changing software and then maintaining it."

But will the processes in Siebel or any of the other suite vendors' products be just right for your company? Unlikely, according to Phillips. "If your processes are the same as everyone else's, where is your competitive advantage? There's no escape from looking really hard and understanding how you want your processes to run in your business. Don't just default to Siebel."

Channel integration is seen as the starting point for change by many businesses, particularly by retailers



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whose main aim is consistency – of product, brand, information delivered to the customer and so on. A survey taken at a recent workshop conducted by IBM and catalogue management software provider Zygon found that 88 per cent of retailers already have a multi-channel brand strategy, with cross-channel challenges listed as managing inconsistent price and product information, controlling digital assets and making help available to customers wherever they shop.

"I am seeing the processes for off- and online marketing being integrated," says Underhill. "Web analysis and planning are being brought into the corporate marketing function as opposed to sitting on the side of the business, and it's a CRM move rather than a marketing takeover."

This is borne out by Zygon's research – only 21 per cent of retailers now use separate ecommerce departments to drive their online strategy. In the same survey, 44 per cent blamed a lack of collaboration across business units for preventing multi-channel implementation and, in just under half of companies surveyed, the marketing director is the one pushing multi-channel work through. Given the primacy of sales and service in customer management projects to date, marketing has often struggled to make its voice heard in many companies where it is not seen as a strategic function – though this may be changing with the increased importance of CRM at board level. Is marketing going to end up running CRM processes?

"You rarely see one function running the whole thing, but customer service does tend to take a broader role because it's often their project," says Phillips. "If you have a strategic marketing function, it really

BUPA's stamina pays off

In 1995, BUPA's insurance operation reported a loss of approximately £20 million. The perception in the market-place was that it was expensive and provided poor service. The company was starting to lose business and margins were being squeezed. In 1996, BUPA's then UK managing director, Val Gooding, introduced a strategy to reverse the company's fortunes by increasing its customer focus.

Over the next few years BUPA introduced a number of significant initiatives, all aimed at turning it into a genuinely "customer-centric" organisation. These included launching a sales development programme to ensure "best practice" among personal telesales staff, corporate sales and independent broker support staff; streamlining the call centres' claims processes to provide more immediate information to customers and greater levels of reassurance to patients about to undergo treatment; re-writing all BUPA's policies in plain English rather than legalese; and last, but certainly not least, introducing an education and empowerment programme for all staff and managers.

Refocusing an organisation to become customer-centric takes time and money. For BUPA it has taken six years and cost some £50 million for a programme involving people, systems and processes. And the harvest? By the end of 2000, BUPA achieved a surplus of £14.6 million supported by below industry average single digit price increases and customer retention up 50 per cent. But perhaps more significantly, BUPA's investment in infrastructure is enabling it to deliver innovative new products and services along the lines of Heartbeat – an early example (along with, for instance, The Virgin banking account) of a service that reconfigures the supply chain in an innovative way to add value.

Hewson Consulting (www.hewson.co.uk)

should be them. They should understand the customer segments and what should be done to manage them.”

“The people who own the data will be the people who own the processes,” adds Underhill. “Investment in call centre systems generates more data but not useful information.”

Mutual support

So marketers need to use the information from the marketing database to show they are the ones who have the big ideas for revenue generation. Moreover, access to consistent customer-referenced data is an essential adjunct to cross-functional processes. But even after all these years of data integration projects, customer data is still a sticking point.

“They all still see building the single customer view as a huge headache,” comments GB Group’s Jones. “Companies often work through one application at a time, or cherry pick a subset of the data, but that doesn’t work for the other applications, for example, campaign management and sales data, which means you have to repeatedly rework it. Financial services are in the lead here as ever, with retailers pretty close behind these days.”



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And linking back to the process integration challenge, that single view doesn’t necessarily mean just pulling off extracts to build a marketing database, it holds across all functions that need to use operational data, particularly service as it tries to tell high value clients precisely where their complex order has got to in the supply chain. AMR Research analyst Kevin Lucas recently commented that, “analysis shows that creation of a single view of the customer is the foremost CRM project driver. A single view of orders is followed by single views of invoices and catalogues in importance.”

“Customer service data is often what’s missing,” says Jones. “They often don’t look at low level transactional data, and retailers analyse by month rather than by day or time of day.”

The risks of data integration projects in larger companies are well known, particularly in data warehouse building: the company structure can change while the work is underway, while the need to bring in data from additional systems can mean scrapping the whole data model and starting again. Though tools

from vendors such as Hummingbird and Informatica help automate the process and provide a degree of flexibility, ongoing data integration is always going to be akin to painting the Forth Bridge.

Finally, there’s the nebulous concept of building a “customer-focused” culture, supported by the processes, systems and data discussed above. In the UK, with its great tradition of actively hating the customer, this still seems a faintly amusing idea, though many companies have made great strides. Training service agents to be polite and friendly is a more attainable goal, but spreading customer awareness throughout the company in a way that does not invite staff derision is tough.

Underhill points to the use of custom or standard segmentation systems such as ACORN or MOSAIC to paint a picture of a company’s different customers, a method used by financial services players like Royal London and Bradford and Bingley, for example. “Marketers are using these products to create a picture of the customer that staff can use to understand them,” he says. “They can then treat them intuitively – that’s a big change.”

Nick Siragher of Kainos sees culture and process as the over-riding challenge. “There’s not a lot the business world can learn about technology integration,” he says. “But if you’re trying to cross-sell in the call centre, how do you turn service agents into sales people? Building in rewards schemes is one way to do it. Unless you have a responsive organisation, the information you get from analytics is worthless.”

Is anybody there yet?

The reality is that doing “holistic” CRM properly is heartbreakingly hard. Most companies are not greenfield sites. Big organisations may have tens of call centres, multiple marketing databases and many different sales forces focused on shifting products and services. Each function is probably well established with its own senior representative to slug it out at board level – CRM software packages may be integrated but companies certainly are not. And the process never stops; the next merger or acquisition might only be just around the corner.

But for those that persevere with fundamental change, the rewards are there. Gartner recently listed Telecom Italia, Shell and Schlumberger as outstanding in their implementation of CRM while Hewson Consulting cites Boots and BUPA as two companies that have stuck to their guns and made their customer focus pay.

BUPA’s results now lead the private healthcare sector (see panel), while Boots uses customer data to support every major decision that it makes. Other successful examples such as the Royal Bank of Canada bear out the nostrum that the real value of CRM arrives when companies persevere with detailed business change. Just don’t expect it to be easy. ■



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