



Customer-Centric CRM: Fully Optimizing CRM

Executive Summary

Businesses initiate CRM projects for a variety of reasons. Many do so because they can increase revenue by better understanding their customers. By gaining insight into both individual customers and target market segments, these companies can boost sales and optimize top-line business performance. The essence of customer relationship management is to balance the following desires:

- Increase revenue through differentiated products and services
- Decrease sales, marketing and service costs through better execution
- Enhance the customer experience for improved loyalty

However, for a variety reasons we discuss in this custom report, many CRM implementations have done very little to meet the top goals and objectives of many businesses. Yet effective implementations of CRM are critical to the success of just about every company. Customers, after all, are any company's most important asset. Consequently, businesses need to rethink from the outside in and turn their internal CRM projects toward their customers.

Exhibit 1 illustrates how a company should evolve its current CRM strategy to become customer-centric. Businesses that don't prioritize customer centricity will see a negative effect on corporate performance. CRM supports the creation of relationships that yield maximum value over their entire lifetime by selling, marketing and caring for customers based on their specific needs and preferences. This custom report discusses how customer-centric CRM can improve revenue, decrease costs and enhance the customer experience.

Exhibit 1

Traditional CRM vs. Customer-Centric CRM

Source: *The Yankee Group, 2004*

Customer-centric CRM requires all business processes throughout the extended enterprise be optimized around Customer Lifecycle Care

Traditional CRM	Customer-Centric CRM
Internally, siloed applications for sales, marketing and service	Seamless processes around customer lifecycle that extend beyond corporate boundaries
Differentiation based on products	Differentiation based on customer centricity
Segregated data and processes decreasing customer satisfaction	People/data/technology that optimizes customer interactions
Reactive service	In-context, proactive service
Inconsistent corporate goals	Corporate performance metrics and goals aligned with customer needs

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I. The Shortcomings of Traditional CRM: Too Much M and Not Enough C and R

Individual siloed departments such as sales, marketing, service and IT have driven traditional CRM initiatives. The results have been mixed. Why is that? Deploying a packaged CRM application that helped operationalize the data within the enterprise—usually within sales or service departments—has done very little to improve the customer relationship experience. Current CRM initiatives have disappointed many enterprises because they are missing fundamentals:

- **Customer: Internally focused deployments in silos are not customer-centric.** Although applications that help employees are still a critical part of many CRM deployments, they have done little to enhance the customer experience.
- **Relationship: Limited customer-centric processes and in-context information didn't enhance the relationship or improve loyalty.** Newer analytics have only recently been integrated into CRM technology to provide more actionable insight and improve customer-facing processes.
- **Management: Only management-level employees can leverage operational data.** Companies can't get a holistic view to obtain better insight by focusing only on transactional data, such as sales pipelines, call-center talk times, marketing program history and service incidents.

CRM initiatives that typically fail to meet top-line business-performance objectives aren't usually optimized around the customer lifecycle. They don't fully integrate customer-facing business processes across all departments. Not only do marketing, sales and customer service tasks continue to be executed within their respective silos, there is also limited integration with critical information locked away in back-office applications such as inventory and financial information. As a result, there is little synergy across departments resulting in skyrocketing costs and process-efficiency gaps remain the norm. Therefore, although salespeople may be given some incrementally better data, the overall ROI is limited. Even worse, many companies don't even realize they have a problem. How can companies recognize symptoms? Exhibit 2 highlights common complaints from sales, marketing, customer service and the customer.

Exhibit 2 Are You Tired of Hearing These Complaints? Source: The Yankee Group, 2004

Sales	Marketing	Customer Service	Customer
Marketing creates all these campaigns that provide no qualified leads.	Sales never follows through on our leads.	How can I sell a customer that calls in with a complaint?	Why hasn't anyone responded to my product inquiry?
If I have to re-enter the same information again, I'm going to scream.	If I have to re-enter the same information again, I'm going to scream.	If I have to re-enter the same information again, I'm going to scream.	If I have to re-enter the same information again, I'm going to scream.
I know I can sell more to this customer, but I wonder which is the best recommendation.	I need to target my messages more effectively, but I need more information about the customer.	I could assist the customer more effectively if I had more accurate information.	I have been a loyal customer for years and this is how they treat me.
My key account just called me wanting to know how much longer it will take to fix his problem; I had no idea what he was talking about.	Why didn't someone tell us there was a problem with that customer?	Another call from this guy? I escalated the problem to my manager; he'll get back to you.	Why don't I get better information on the status of my request?
Impact on Corporate Performance			
- Decrease in sales effectiveness - Decrease in revenue - Decrease in profitability	- Increase in sales, general and administrative costs - Decrease in differentiation	- Decrease in productivity - Decrease in customer satisfaction	- Decrease in customer satisfaction - Reduction in loyalty - Lost revenue

Businesses that don't prioritize customer centricity will see a negative effect on corporate performance. Eventually, companies begin to see:

- High customer churn
- Low customer satisfaction
- Plummeting employee morale
- Decreasing market share
- Increasing cost because of fragmented business processes

Don't underestimate the importance of customer satisfaction. Happy customers buy more than unhappy ones, and they do so for a much longer period. Unhappy customers decrease future wallet share and inhibit the potential for new customers.

II. Delivering on Customer-Centric CRM Through Customer Lifecycle Care

There is an alternative to traditional CRM: Customer-centric CRM optimized around Customer Lifecycle Care (CLC). CLC integrates customer-centric business processes across the entire enterprise. CLC demands that enterprises:

- Shift focus from internal fragmented processes toward a seamless 360-degree view of customer-facing processes aligned with every customer, partner and employee
- Leverage customer data for differentiation to improve customer satisfaction, retention, loyalty and corporate performance
- Integrate CRM metrics and key performance indicators into an over-arching customer strategy to optimize business processes and make better decisions on both a tactical and a strategic level

Our research shows that many enterprises value their CRM initiatives but don't understand how to maximize the value of their CRM investments. More than 75% of enterprises have a CRM strategy as well as the necessary data for a 360-degree view of the customer. CLC builds upon current CRM initiatives by delivering high-value information across the customer relationship lifecycle using the 360-degree view. With CLC, companies can:

- Improve revenue by targeting customers' specific desires and increasing customer wallet share
- Reduce costs through more efficient and effective execution because all customers are not created equal
- Enhance the customer experience by providing differentiated products and services

Companies should continue to focus on CRM and customer lifecycle care as a key driver for improved business performance. Customer-centric companies use every customer touchpoint to stimulate interest, close business, satisfy a need or demonstrate commitment to the relationship. This ensures that every customer contact produces value.

Technology, Data and Processes Create the Foundation

In a customer-centric enterprise, CRM suites form the core of the technology platform, but they are externalized and optimized for Customer Lifecycle Care. CRM will fulfill its potential of maximizing profit and value only when the foundational components illustrated in Exhibit 3 (customer-centric technology, data quality, people/process) are integrated and leveraged fully. For example:

- **An integrated customer-facing technology backbone** ensures that a complete and dynamic view of the customer is consistent across the entire organization and provides the right information at the right time to optimize the customer and employee experience. The technology foundation should also be expanded throughout the extended enterprise to include value-added networks.
- **Meticulous quality data management requirements** that are comprehensive and leverage both historical and real-time data for more contextual applications and customer dialogues. Critical information such as customer lifetime value should also drive the process.
- **An alignment of people and business processes** that are optimized and adjusted based on not only the customer interaction, but also a hierarchy of CRM metrics and KPIs derived from corporate performance objectives. It's critical the customer interaction drive the process, is aligned with goals and objectives, and can guide the customer or employee on the best course of action.

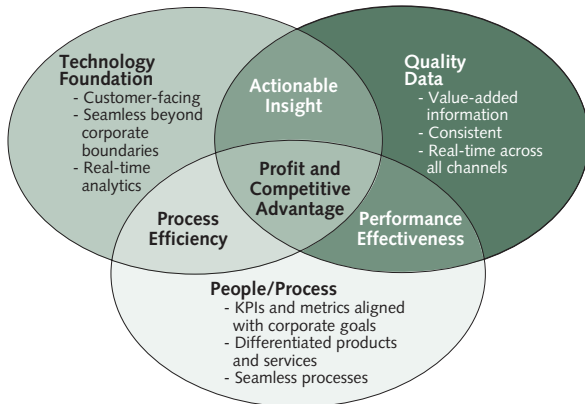
Exhibit 3 also illustrates that:

- By integrating technology with quality data, businesses gain insight that is more actionable.
- Combining technology with people achieves process efficiencies.
- Providing employees and customers with the information (quality data) they need enables performance effectiveness.

Actionable insight, process efficiencies and performance effectiveness will lead to profit and a competitive advantage.

Exhibit 3
Customer-Centric CRM Creates Profit

Source: The Yankee Group, 2004



The million-dollar question remains: What are the hierarchies of customer-centric metrics that should be incorporated into corporate performance initiatives? Businesses need to pick key performance indicators that are quantifiable and measurable today and over time, and assess regularly against preset corporate targets. Exhibit 4 shows a sample of metrics by department.

Exhibit 4
Key Metrics for Measuring Success

Source: The Yankee Group, 2004

Sales	Marketing	Customer Service	Customer
- Revenue per salesperson - Average sales cycle - Average deal size - New rep ramp time - Average administrative time/rep - Average price discount - Percent of accurate forecasted opportunities - Average number of calls to close the deal - Average number of presentations necessary to close the deal - Average number of proposals needed to close the deal	- Marketing dollars as a percent of revenue - Average return on marketing - Total leads generated - Average response rate - Lead qualification rate - Lead close rate - Percent of marketing collateral used by sales representatives - Change in market penetration - Improve time-to-market - Number of feedback points - Marketing execution time - Message close rate	- First call resolution rate - Call quality (as measured by quality monitoring) - Voice service level (by type of call) - E-mail service level (by type of e-mail) - Average speed of answer - AHT: average handle time - Cost per contact (calls, e-mails) - Average call value - Average close rate - Agent turnover - Accuracy of data entered (e.g., trouble tickets)	- Abandon rate: online or IVR - Conversion rate - Share of wallet - Customer satisfaction - Customer profitability - Customer lifetime value - Customer loyalty
Value Impact on Customer-Centric CRM			
Strategic account planning that maximizes sales-facing processes to reduce sales cycle and increase win rate	Differentiated marketing that is allocated appropriately to reduce costs and increase product margins through specialized products or services	Differentiated service optimized around key corporate performance objectives such as customer satisfaction, loyalty or profitability	Optimized, personalized customer experience that is aligned with corporate performance goals

III. Conclusions and Recommendations

The best metrics in the world will have no meaning without a plan, process and integrated customer-facing technology foundation to maximize value. From a management point of view, it is all about customer share versus market share. Because all customers are not created equal, it's critical to understand which customers cost you money and which high-value customers must be retained. Customer service differentiation has a cost. Because most customers demand personalized service across all channels, companies must align resources profitably. However, success demands integrated insight. Without integration across corporate and departmental boundaries, businesses can't answer these questions:

- Which prospects look like my most profitable customers?
- Which promotions produced the most qualified leads?
- Which products are the most profitable over 3 to 5 years?
- Which customers are likely to respond to which new product offering?
- What product and service mix will increase customer satisfaction and reduce churn?

Smart businesses understand that the only way to offer profitable, differentiated services and products is to better understand their customers. By gaining insight into both individual customers and target market segments, these companies can boost sales and optimize business performance.

Enterprise Recommendations

- **Enterprises must put an end to business as usual and optimize the CRM investment around the customer lifecycle.** Customer-centric CRM optimizes the customer experience across sales, marketing and service interactions. With effective CRM, customer relationships can be appropriately managed to maximize revenue and lifespan while keeping operational costs low.
- **Sales must create strategic account plans across all departments based on customer-facing qualitative and quantitative metrics that can be analyzed against corporate goals.** In a customer-centric company, the sales department is aligned with strategic customers and prospects. Integrated sales tools maximize sales efficiency and sales effectiveness to help guide and optimize each interaction.
- **Marketing must use real-time analysis to create a profitable and enhanced customer experience both online and through assisted channels such as the contact center.** Marketing needs to incorporate a combination of planned campaign activity as a start, and more situational sequences of messages where greater understanding of the customer is achieved through channel- and context-specific interactions to optimize any cross-sell opportunities.
- **Service must deliver higher customer satisfaction at a lower cost by improving agent productivity and effectiveness.** It's critical to provide guidance and in-context information not only through improved customer self-service, but also through assisted service channels such as customer service representatives. Customers and employees must have access to the right information at the right time to maximize the profitability of each interaction.

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