

WHITE PAPER.

CRM: Alive and Shaping the Future of Business

Customer relationship management (CRM) has changed dramatically over the past five years, according to Unisys Global CRM Practice Leader, Steve Olyha. 'People now recognize that CRM is not just about technology. It is about people,' he says. Olyha chaired a Unisys-sponsored Executive CRM Forum at the end of March 2003, which attracted delegates from across the globe. This white paper shares the results from the forum.

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Imagine it. Done.

Gartner Group claims that only 40% of companies in the Global 1000 have implemented a CRM strategy. The analyst says that 85% of those do not cater for multiple channels and 50% have not yet achieved their planned results.

Business executives representing a plethora of industry verticals descended on St Paul de Vence in France to explore the future of CRM and discuss the issues and current trends. Olyha claims that irrespective of the industry, all businesses face the same issues. He adds: 'Products are different. The key drivers of consumer purchase behavior are different. But at the end of the day, companies face the same fundamental business problems.'

According to Peter Drucker's book *Management Challenges for the 21st Century*: 'The customer never buys what the supplier sells. What is value to the customer is always something quite different from what is value or quality to the supplier.' This would explain why the phenomenon known as CRM has been a challenge for organizations to properly embrace in previous years. CRM is certainly not a new buzzword – it is a way of doing business – but it has failed to make an impact on the market, largely because it has not been approached correctly.

Research director at Gartner Group, Brian Wood claims: 'The essence of CRM was originally about gaining profitability; it was company centric. Then it was all about boosting customer satisfaction. But for a CRM strategy to work effectively, organizations have to balance these two driving factors.'

Many companies have made the mistake of taking a narrow-minded approach to CRM, considering it primarily as just an IT issue. However, a good CRM strategy has to comprise technology along with people, processes and the organization, as well as customer trends and other external factors. 'CRM is a business strategy which is enabled by technology,' Wood adds. 'Do you want to manage your customer relationships or do you want to let them take their own course?'

According to Gartner's figures, only 40% of companies in the Global 1000 have implemented a CRM strategy. Of those, 85% do not cater for multiple channels and 50% have not yet achieved their planned results. Clearly something is going wrong.

Wood claims that several aspects have to be considered when ensuring a successful CRM strategy is in place. Primarily, a company vision detailing the overall value proposition of what is to be achieved has to be communicated at the highest level. There has to be organizational collaboration, which can be difficult to achieve. Wood adds: 'Reality doesn't always match up to perception. The executive board will be supportive at the beginning of a CRM project, but they are likely to disappear later. Getting through the first year can be painful.'

As well as organizational collaboration, it is useful to get customers involved. After all, a CRM project is designed to increase customer satisfaction whilst streamlining processes and driving down costs. Technology can be a key enabler for making processes more efficient. However, the proof of any pudding is in the eating, so to determine how successful a CRM strategy is, companies need to define metrics to measure their effectiveness.

Essentially, a good CRM strategy is built on insight – the ability to understand how your company is perceived in the market, forecast customer behavior and imagine how needs will change can give you the tools to get your nose in front of the competition. However, predicting the future is not a quality that many companies boast on their résumés. But the ability to imagine future possibilities is a quality that companies have to harness if they are to be successful, according to Associate Dean of Unisys University, Mike Chuchmuch.

Thinking outside the box

‘Developing for the future is a deductive process and can be very inaccurate,’ he claims. ‘But scenario building looks at a number of possibilities. You shouldn’t limit yourself to current reality; you have to do some imagineering.’ Chuchmuch opened the Unisys Executive CRM Forum and challenged delegates from across the globe to consider ‘what if?’ He referred to one example of how the ‘what if?’ question can help generate success, using the case study of Shell Petroleum. He said that former chief executive officer of Shell, Peter Schwarz considered the possibility of oil prices declining or flatlining during the height of the market. It was a consideration far removed from reality, but during the mid-1980s, oil prices took a tumble. While most oil companies felt a huge impact, Shell was able to put in place one of its strategies generated using scenario building. As a result, Shell became the fourth largest oil company globally, having previously been 30th. It is now number two in the world.

When chief executive officer of Shell Petroleum, Peter Schwarz considered the possibility of oil prices declining during the height of the market, his thoughts were far from reality. However, in the mid-1980s the cost of oil dropped dramatically and many companies were hit hard. Due to envisaging this potential scenario, Shell was able to put a strategy in place that ensured it profited. The company became the fourth largest oil company in the world having previously been in 30th position.

When you consider some of the current market trends alongside global issues such as terrorism, demographics and political uncertainties, the future is a blank slate with a multitude of possibilities. What trends will develop and what will prove to be the shaping factors in the future of CRM. Here are a few examples:

- ▶ Governments will deliver new privacy laws that will require companies to allow citizens to have control over their personal information. Organizations will be required to communicate why customer information is being gathered and how it is being used. Customer-personalized websites will become the norm, as will the establishment of a liaison role of privacy officer within industry and government.
- ▶ Companies will move away from using CRM as a method of persuading clients to buy, to a way of gaining a customer’s permission to sell. This will be achieved through the establishment of Trusted Trading Networks. Organizations will look at integrating the technology systems and business processes of partners in the network.

- ▶ Organizations will increase their investment in training and development to ensure that not only employees understand how to maximize the use of CRM, but that clients do too. Reliance will be placed upon online and self-directed learning, as well as instructor-led webinars. Organizations will move away from treating customers like income sources to be exploited, to assets that need to be nurtured and retained. Employees will be viewed as the biggest promoters of CRM and, training ‘customer service people’ to become ‘sales delivery people’ will be a key aspect of the business.
- ▶ CRM will evolve to incorporating full CVM or Customer Value Management and will become the standard approach to maximizing an organization’s return on customer investment. Aligned with predictive analytics, organizations will analyze each individual client’s value to the company and provide segmented and individualized services and benefits as a response. As a result, organizations will truly evolve from measuring customer value from a revenue-based metric to an individual customer profitability metric that focuses on providing the client with value for their loyalty.

Customer is king

The future holds some exciting prospects, but also some worrying scenarios. For example, consider the implications of technological development and Trusted Trading Networks paving the way for a single ‘super business’ to dominate the industry. The company would have omnipresent knowledge of exactly what customers need, creating a monopoly whereby it corners the market and its partners become nothing more than commodity suppliers. It’s a scary proposition for the commodity suppliers but an ideal situation for customers. The so-called partner organizations struggle to use their employees to differentiate them from the other commodity suppliers. Meanwhile, the customers will feel comfortable about how their personal data is being used and will get service tailored to their individual needs, interacting with the super business in an environment of trust and permission-based selling.

But can customers be the winners in the current environment, where a single super business does not rule the world? According to Dr. Jon Anton of Purdue University, they can – and organizations can also realize substantial benefits. He claims the answer is to assign the work to the customer through self-service.

Traditionally, the telephone is the primary channel for transacting with organizations, aside from face-to-face interactions. And the number of contacts by phone is expected to double by 2005, according to Dr. Anton. However, it is a costly channel for both the customer – especially if they are in a queue waiting for an operator to become available – and for the organization, making it difficult for it to operate effectively.

Every company wants to decrease costs, while improving customer satisfaction and gaining market share. Dr Jon Anton of Purdue University claims that companies can achieve these effectively by developing multiple channels and encouraging customers to conduct self-service. He adds: 'Customers like choice and they will often pick whichever is best for them – and more often than not, it will also be the best for the organization.'

What does the CEO of a company want? He wants to decrease costs, while improving customer satisfaction, increasing profit and building market share. By creating multiple channels and encouraging self-service, Dr. Anton says this is achievable. Operating costs can be reduced by directing customers to the company website, customer satisfaction can be improved by giving clients a choice of channel, organizations can increase profits by having fewer operators to answer the telephones and market share naturally multiplies as the organization has a wider reach.

Dr. Anton refers to a sample of 5,000 random households in North America, the occupants of which were encouraged to interact with organizations via alternative channels to the call center. The vast majority of people in the sample were aged between 26 and 45, were well-educated and comfortably wealthy – ideal candidates to transfer to another channel. By using call deflection, whereby organizations promote their other channels through the call center, Dr. Anton claims that over 50 per cent of calls moved to self-service. The primary reasons people use the telephone is for questions. They want the organization to do something, they need something fixed or they want to lodge a complaint. In this particular project, half of this could effectively and efficiently be conducted via an alternative channel.

However, for multiple channel delivery to be successful it has to be simple, intuitive, work first time and reward the customer with convenience, speed and reduced costs.

So, how can organizations use multiple channel delivery to benefit the business? Dr. Anton says it can be used to gather more data about customers and understand them better in order to provide a more valuable service. He adds: 'It is all about the customer experience. By managing it you can constantly look for areas of improvement and measure value to ensure customer loyalty improves. And customer loyalty can be achieved, just look at Harley Davidson – a third of its customers are so loyal to the brand they have the logo tattooed on their bodies!'

Some organizations are guilty of not providing alternative channels because they believe their customers want the personal touch, but they won't know for sure unless alternatives are made available. Dr. Anton refers to the automated teller machine (ATM) as a case example: 'Was the ATM driven by the customer? Was it accepted by the customer? It wasn't when it was first launched, but financial institutions encouraged their use by implementing more ATMs and reducing the number of human tellers. It took a lot of idea selling but it is now a very cost-effective channel.'

By making the call center less attractive to customers, Dr. Anton claims organizations can bridge the gap between multiple channels. 'Customers like choice and they will often pick whichever is best for them – and more often than not, it will also be best for the organization,' he adds.

CRM is undoubtedly the most strategic business process now, according to Dr. Anton, but will it always be? On the flip side of one super business running the show, developments in technology and Trust Trading Networks could open the doors for several large players to compete for market share.

They will still know exactly what the customers want, but the key differentiator between them would be education and training. Competition is healthy and, in this scenario, customers would be even better off because they would have a choice. Organizations may even appoint a board-level director of customers and industry auditing may be conducted on customer performance, as well as just costs and income. Essentially the winners would be those organizations with the most educated and highly trained employees tuned into customers' needs.

Big Brother tackles terrorism

Current concerns about security and terrorism are likely to have a huge impact on the business of tomorrow. But could it possibly lead to a National Citizens Database, whereby the Government owns all customer data? If it did, there would be major implications for organizations trying to drive CRM strategies. Data previously owned by individual companies would be in the Government's hands and players would undoubtedly have to comply with an ever-growing list of regulations and laws, whilst simultaneously attempting to create competitive edge.

However, such a scenario would create a level playing field where all organizations were following a pre-determined set of standards. The Government would cleanse data and certain chunks of it would be made available to companies, who could create added value on top by focusing on the customers rather than the data. It could potentially make way for a more creative industry.

Creativity is already being harnessed by some organizations to improve the customer experience. ColorLine, one of Europe's largest cruise ferry operators, is using its call center to gain as much customer data as possible to enhance loyalty, whilst driving down operating costs. According to the company's director of e-business, Jan Kverneland there are 110 touch points from booking to disembarking, whereby ColorLine can make an impression and gain customer information. And with some four million passengers using its ferries every year, there are 440 million opportunities to make a difference.

ColorLine takes bookings from passengers, or 'guests' as the company likes to refer to them, in Norway, Sweden, Finland, Denmark and Germany. Some 70% of those bookings are conducted through the call center, which Kverneland considers as one of the primary touch points. He says: 'If you speak to someone with the same dialect, you are likely to tell them more.' With such an expanse of languages and dialects to interact with, ColorLine has deployed natural language technology to match call center responses to the customer, making a good impression at the initial stage of the process.

Natural language technology also improves customer satisfaction, claims Kverneland. Prior to the technology being implemented, the average booking took three minutes to complete. It has now been reduced by 20% giving the customer a more efficient service and saving ColorLine a massive \$1m a year.

Scandinavian cruise ferry operator, ColorLine has harnessed natural language technology to improve the customer experience of its call center operations. Before the technology was implemented, it took an average of three minutes for a customer to complete a transaction through ColorLine's call center. It has now been reduced by 20%, giving the customer a better experience and saving the company some \$1m a year.

Mobile telecommunications giant T-Mobile has taken this creativity to a higher plain, using automatic speech recognition and natural language understanding to improve customer service. The company aims to find a blend between live assistance and self-service call handling with a virtual agent. It is looking to enhance its speech recognition engine to recognize dialect, syntax, semantics and even emotional states in order to route calls appropriately. The technology is in its infancy but is expected to reach maturity by 2008.

Chief linguist at T-Mobile Deutschland, Dr. Guntbert Markefka explains: 'As well as identifying the speaker, the technology will be able to classify them and, if necessary, route them to a live operator. If somebody has a complaint, they are likely to want to speak with a human being rather than a machine. Our speech recognition technology will be able to detect an unhappy customer by breaking down the language patterns, and route the call accordingly.'

However, if somebody simply wants to change their bonus lines – the telephone numbers of friends and family, for example, that they can call at a cheaper rate – all they have to do is utter the numbers to a voice recognizing virtual agent. Unlike some current recorded call center messages, Dr. Markefka says that callers will be able to interrupt the virtual agent to reach their desired service quicker, rather like you would by clicking to specific links on a website.

When fully mature, this creativity will enable T-Mobile customers to interact with the organization much more effectively and efficiently, and it will also create massive savings for the telecommunications company. 'The service will be free of charge,' claims Dr. Markefka. 'And it will reduce the typical transaction time from two-and-a-half minutes to almost 40 seconds.' Although it sounds like groundbreaking stuff, Dr. Markefka believes 'people will adopt the technology quicker than you think'.

Some organizations are using innovative ideas to streamline internal processes, in addition to improving customer service and maintaining the value of the organization's brand. Unisys has worked alongside mmO2 to pilot the xda (personal digital assistant combined Pocket PC and general packet radio service) personal digital assistant to enhance processes, particularly with field engineers and onsite client liaison.

The xdas were rolled out to a representative sample of Unisys employees when the pilot began to assess the user experience. The xdas proved particularly helpful with email, according to partner of CRM at Unisys, Howard Barrett. 'Giving people access to a device that mobilized their applications meant they were more inclined to work while on the move or at home. They were able to check their emails wherever they were and respond more quickly. Not only did this improve the efficiency of staff, but it also reduced operating costs as it meant those employees avoided seven to nine PC network dial-ups a week,' he adds.

However, the most effective use of the xda mobile devices for Unisys has been in the field. Onsite engineers are now able to access the corporation's mission-critical legacy system for support on customer issues. Previously, field engineers had no way of accessing the system remotely, so they had to rely on a call center to talk them through any support issues. Barrett claims:

Mobile telecommunications giant, T-Mobile is developing a CRM tool based on automatic speech recognition and natural language understanding to identify callers and route them appropriately. Chief linguist at T-Mobile Deutschland, Dr. Guntbert Markefka claims that when the service is fully mature, the typical transaction time will fall from two-and-a-half minutes to just 40 seconds.

‘To integrate the xdas with the legacy system was not a huge implementation, but it has a huge impact. The average time field engineers spent on the phone to the call center has been reduced from 14 to just four minutes.’

Needless to say, this implies large cost savings, but it also means improved customer service as Unisys clients now get a more efficient service from engineers. Not only have the xda devices allowed employees to be more productive and efficient with their time, they have also made way for more prompt, decisive and direct communications.

Living the brand

Those companies that have CRM strategies in place often have the additional target of creating the real-time customer experience. Vice president and research director at industry analyst Aberdeen Group, Stephen Lane defines this as: ‘The spontaneous and automatic flow of transactions and information through the enterprise and its customers, partners, suppliers, and employees all working in concert to optimize the long-term value of the customer relationship, reduce costs relevant to the customer relationship and eliminate inefficiencies in servicing the customer.’

It is an ideal that requires investment from every stakeholder in the business supply chain – they all have to live the brand. However, to do this effectively, they all have to have access to the same data. Lane comments: ‘To achieve zero latency on all accounts requires immediacy, accuracy and automation integration.’ He claims that a single repository of customer data, cleansed centrally and analyzed regularly can help integrate the supply chain.

But how far can this customer knowledge sharing go? With the convergence of capabilities through such Trusted Trading Networks, establishing best practices to deliver true customer value management, service could eventually become nothing more than hygiene, and any product differentiation may become short-lived. However, customers would have personal relationships with organizations and gain information through the channel of their choice. Naturally, this scenario would require massive investment in the company brand because essentially, with service so similar across the board, business would be won purely through brand loyalty.

Theoretically, the customer is king in this situation. However, is there really a choice when all customer service is the same? Organizations will have to deal with mundane projects and customers will have to spend time selecting a suitable company to transact with if they do not buy the brand. It’s a no-win situation.

Call center conundrums

Just as it is important to create a single repository of customer data to enable effective management and analyses, it is becoming increasingly wise to consolidate call centers to streamline processes and deliver more direct returns from CRM.

However, it is not wise to rush into call center consolidation in a bid to reduce costs quickly. ‘It is easy to take the crash and burn option and bring

Vice president and research director of Aberdeen Group, Stephen Lane says that to create the real-time customer experience every stakeholder in the business supply chain – suppliers, partners and employees – has to live the company brand. He says a single repository of customer data, cleansed and analyzed regularly can help to integrate the supply chain.

Over half a million jobs will be going cross border in the next 28 months, mainly to Asia,' claims managing director of offshore solutions at Avaya, T J Karklins. He says that significant returns on investment can be achieved within ten to 15 months of embarking on an offshore outsourcing – capital that can be reinvested in the business to improve CRM.

all your call centers together without making any other changes,' says Managing Partner at Unisys, Dick Fredrickson. 'You may find that you reduce your operational costs by 25 to 50%, but this will certainly not be sustained.'

Consolidating your call centers can potentially help with customer and staff retention, cross-selling products, saving operational costs, standardizing your infrastructure, reducing the sales cycle and giving you a better and broader view of your customers. But how you model your consolidation project can make the difference.

According to Fredrickson, call center consolidation takes two major forms: physical and logical. Physical consolidation enables better hardware management as technology can be brought together into a single location, and logical consolidation integrates similar business processes across a small campus, again streamlining the way an organization operates.

So what are the options? To have a single center covering all aspects of customer calls may provide economies of scale, but your business is more vulnerable without a disaster recovery site. Fredrickson claims that at least with two sites you have disaster recovery built into your model. And with three sites, particularly if one or two are offshore, your model has disaster recovery, as well as better customer time zone coverage and labor draw.

According to managing director of offshore solutions at Avaya, T J Karklins offshoring is increasingly being chosen as a way of improving CRM, streamlining processes and reducing costs. 'Over half a million jobs will be going cross border in the next 28 months, mainly to Asia,' he asserts.

Job losses is one of the major factors against offshoring processes like call centers, but from a corporate perspective, offshore providers give you more work hours at a lower cost and access to skilled and motivated labor, rather than the majority of western call center operators who, according to Karklins, consider their roles as a stop gap before getting a different job.

Karklins claims that offshore outsourcing can create significant return on investment after about ten to 15 months into the relationship. And this money can easily be reinvested into the organization's CRM strategy. Offshore outsourcing your call center does not necessarily mean uprooting all your company's customer contacts and re-locating them in India, there are other options that can allow you to have more control. Karklins says that there is also a trend towards adopting nearshore opportunities, whereby companies in the UK, for example, might outsource their call center capabilities to a team in Ireland – they will still enjoy the efficiencies and cost savings associated with outsourcing but will have more physical control over the assets. Another option that some organizations are currently considering is to acquire offshore assets or build offshore subsidiaries, whereby you control the processes and the people.

The offshore issue is irrefutably a politically sensitive one. In fact, not so long ago, call center staff from British Telecom demonstrated against their jobs being outsourced to India. Although offshoring is an economically sound idea for reducing costs and improving CRM, is it ethically correct? Could customers eventually join forces with domestic employees and boycott offshore outsourcing?

Although it is a current trend to outsource processes like call center operations, what if there was a reversal of sentiment and current trends were polarized? It could potentially see customers disengage and block the development of CRM. Things might go back to how they were in the 'old days', when people were given personal service, so that companies can restore trust in the organization. And with demographics showing an aging population, personal service will become a right of seniority.

In the worst case scenario, customers would have less faith in the brand despite the huge investments in CRM. Processes would be out of synch with customer expectations, which may cause customers to compare prices and service across the product board, effectively making the intermediary provider void. CRM as a concept would essentially evaporate.

On the other hand, organizations could respond well to this reversal of sentiment. Despite the wasted money on CRM, personal service will be restored and privacy respected. Organizations may tailor services to individual needs, maximizing trust and developing a much more knowledgeable and customer-centric environment.

Customer-centricity is at the core of any good CRM strategy, but for it to be true, every employee in the food chain has to have the information to offer that personal service.

Fingers on the pulse

Nationwide Building Society is the epitome of a traditional business. It is the world's largest building society and is owned by its customers – they are the shareholders and they are the people the company has to impress, not an executive board in its ivory tower. As such, a CRM strategy is central to its development and it has spent the past ten years enhancing an integrated CRM tool.

The CRM tool, referred to as Pride, enables customer-facing employees to have an instant portrait of the customer. 'Pride gives employees a snapshot of the customer's assets with us, alongside recent interactions with the customer, including any captured data and intelligent prompts for additional sales and services to represent their current financial status,' comments head of technology development at Nationwide, Michael Humphreys.

The project has entailed thorough data cleansing and employee motivation, with rewards, incentives and recognition to get to its current stage. It is now undergoing a hefty marketing campaign ready for June 2003, when Humphreys claims Pride will be fully operational, with intelligent and relevant customer prompts integrated into the first version of the tool launched in October 2002.

Nationwide Building Society has developed a CRM tool called Pride, which enables customer-facing employees to have an instant portrait of the customer. It includes their assets, most recent interactions with the building society and any other captured data, alongside intelligent prompts for additional sales and services, which might complement the customer's financial status.

Change as good as a rest

Employees are crucial to the success of any CRM project and it is critical to get their buy-in and train them effectively to handle any process changes. However, change management is not necessarily a simple task and one that is often overlooked. An electronic poll conducted at the Unisys Executive CRM Forum found that over two thirds of attendees were spending less than 10% of their CRM budgets on change management.

This is a worrying statistic, but one of the major US State's project to transfer its Bureau of Workers and Unemployment Claims from a branch environment to a multi-channel call center operation is proof that change management is central to CRM. The State began its project in 1998 and planned to close 43 of its branches and replace them with three call centers to process claims more efficiently and improve customer satisfaction, but the Government organization wanted to retain only half of its existing staff, whilst losing the rest. A lot of issues were at stake, namely new technology and a complete culture shift that the employees would have to adapt to. Having failed to drive the project forward with three vendors, the State employed an external project manager to take the project on in the middle of 2002.

Within a few weeks, the project manager had contracted Unisys as a partner and the climate took a turn for the better. She adds: 'By December 2002 the telephone claims system was up and running. We had achieved more in five months than we had in five years, and we were back on track ready for our proposed state-wide deployment in November 2003.'

Although the project was on course, there was still the change management issue for employees. The project manager worked with Unisys to establish a strategy whereby a mentor figure would represent and operate alongside ten of the State's call center employees. 'We knew the culture had to be enhanced with a specific focus on technology and operations,' she comments. 'We have now implemented a strategy so that employees have a mentor that they can learn from and mirror their expertise.'

The State is now channeling a lot of its energy into training and education for its call center operators, and mentoring will continue to be a major element of its strategy to achieve a successful transition and improve customer satisfaction.

Despite some misplaced investment in recent years, CRM is definitely still alive and it is looking set to become a top priority for organizations. Many will have to develop new strategies around their existing investments, but there are clearly a plethora of options to help companies gain competitive edge. Mike Chuchmuch believes that by the end of 2003, over \$6.5bn would have been invested in CRM. However, companies have to ensure it is wisely spent. Scenario building and analyzing customer trends will help organizations to estimate the future value of CRM and invest accordingly. The most important factor is that any investment geared towards the future of the business will have to be made now to ensure successful execution.

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Printed 5/03



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