

Building your CM capability one step at a time

By Ica van Eeden, Director of Paladin-Consulting

Introduction

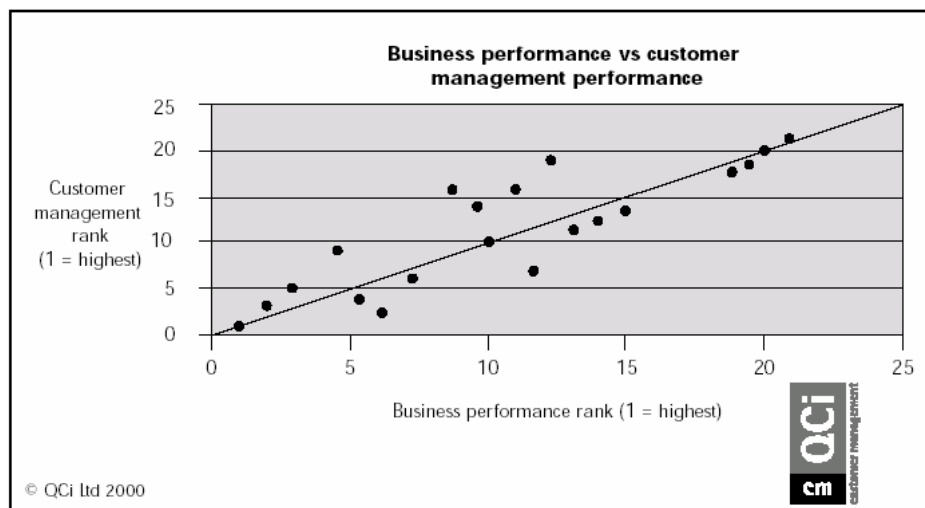
The ancient law of economics; that of supply vs. demand, still holds true in today's business environment. A company will only be successful if it can accurately and efficiently match its supply to its customers' demand. This has however, proved to be a significant challenge in a world where choice, alternative delivery channels, service and customer needs evolve at the speed of light.

One business area that has received a lot of attention in the past few years has been that of Customer Relationship Management (CRM). The concept was hailed as the saviour of modern business and seemed to be the solution to all of management's problems. Many companies invested in CRM technology, but did not experience the promised returns and thus, management has become very sceptical of the value CRM can add to their business.

The problem, however, was not with the concept, but with the approach, the focus and the implementation these companies followed. In most cases, top management understood the philosophical statements of CRM and agreed in principle, but failed to commit and to see it through when times got tough (Woodstock et al, 2000).

In order to convince senior managers that there is a link between how well customers are managed and how well the business performs, QCi Assessment Ltd in the United Kingdom commissioned a research project among 21 companies to investigate the correlation between how well companies manage their customers and their business performance.

Figure 1: Business performance and customer management performance.



Source: Qci Ltd, State of the Nation, 2000

The research revealed that there is a very high (0.8) overall correlation in the business performance of those companies who focus on customer management (1=perfect correlations, 0.4=average).

In the table below, the correlation of the different elements of business performance is summarised. It is clear that the following areas influence the performance of a business:

- People (0.8 correlation)
- Customer Management (CM) Activity (0.7 correlation)
- Measurement (0.7 correlation)

Table 1: Business performance correlation

	Overall CM Performance	Planning and analysis	Proposition	People	Information on and technology	Processes	CM Activity	Measurement	Customer experience
Business Performance (rounded to 1 decimal place)	0.8	0.6	0.6	0.8	0.5	0.5	0.7	0.7	0.29

Source: Qci Ltd, State of the Nation, 2000

This research clearly proved that companies that manage their customers effectively excel in business performance.

The challenge

In a recent market viewpoint by the Aberdeen Group the following statement was made:

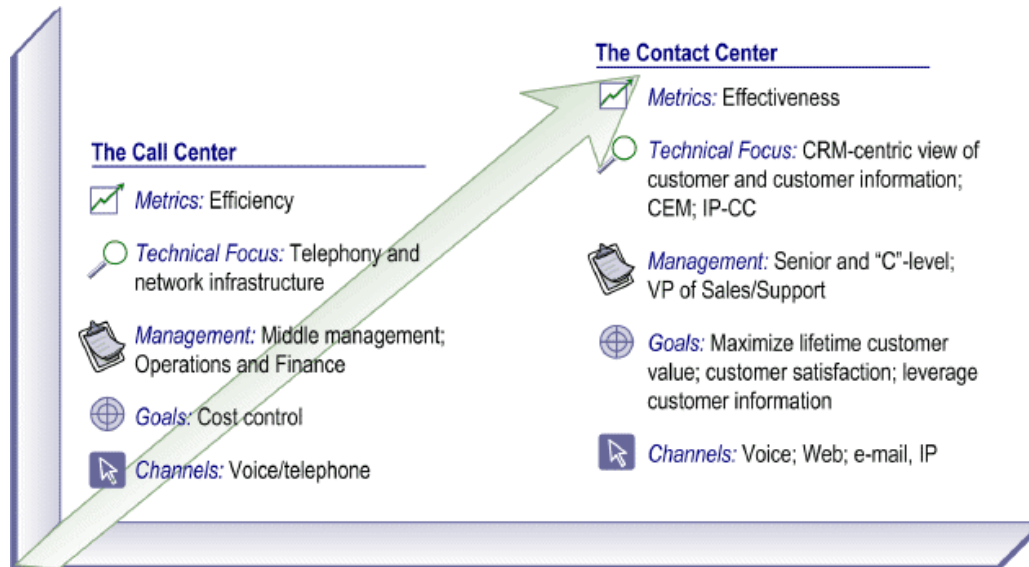
“There is a fundamental disconnect between the CRM world and the world of contact centres.”

The reasons for this disconnect are:

- Contact Centres focus on and measure agent efficiency, the ability to control costs, the maintenance of internal service level agreements and ramming as many calls through the company’s agents as possible.
- CRM focuses on the customer to provide customer-facing employees with a single view of the customer and to measure success in terms of lifetime value, customer satisfaction and the company’s ability to increase revenue through cross / up-selling opportunities offered while interacting with a customer.
- The large majority of contact centres have virtually no understanding of their customers or the customers’ needs. (Aberdeen Group, 2002)

The challenge can be summarised in the following illustration.

Figure 2: The evolution required to migrate Call Centres towards CRM functionality



Source: Aberdeen Group, October 2002

A Contact Centre is probably the most important touch point a company has with its customers and therefore a critical communication and service delivery channel. It is unfortunate that most Contact Centres are not seen as a strategic CRM hub that centralises all customer-facing communication. Fortunately, the migration has started and Call Centres are moving away from efficiency metrics towards customer satisfaction, first-call resolution, customer profitability and lifetime value. The industry is currently in the midst of an evolution that is driving them to provide higher value, better quality and better customer experiences.

How then would an organisation approach the migration of an operational call centre to a customer-centric contact centre?

We recommend:

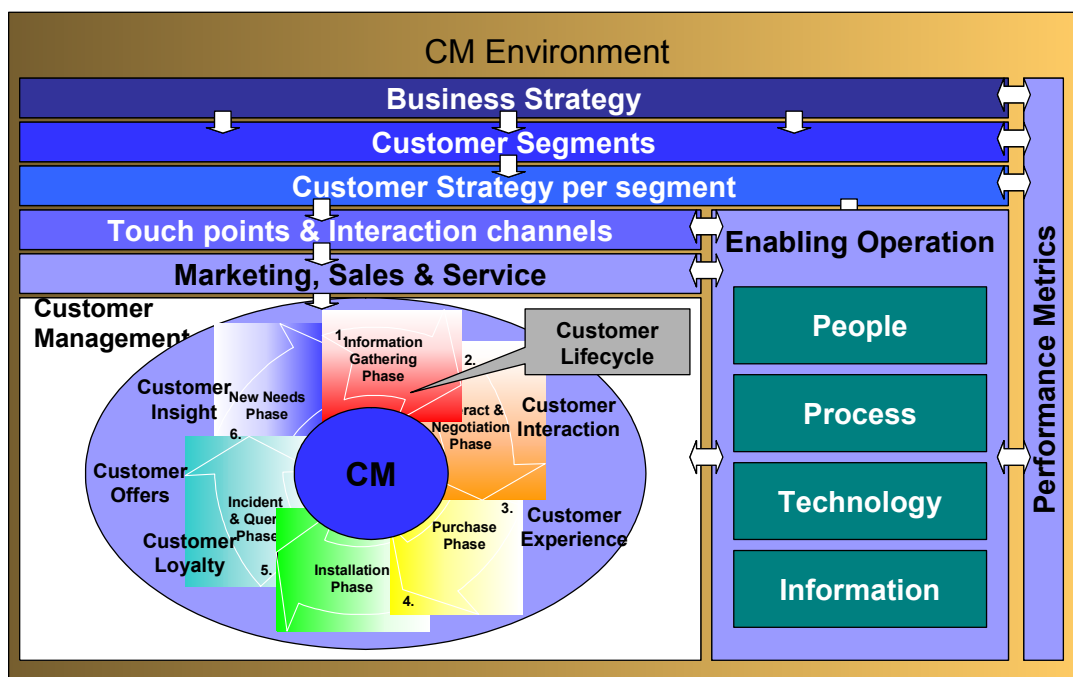
- With vision and clear objectives
- With a clearly defined approach and methodology that has been tested, refined and proven.
- With a few tools e.g. models, excel spreadsheets, graphs etc.
- With previous experience
- Applying learning from international case studies and best practice
- The ability to measure performance and re-adjust strategy and initiatives where required.
- Valuing the importance of the customer for the business.

A comprehensive methodology

Paladin Consulting combined various elements of best practice to create a unique process of due diligence applicable to the development of a customer centric business strategy (Customer and CRM strategy). This should be followed by the interpretation of these strategies into a prioritised roadmap for the implementation of the CRM strategy.

Paladin Consulting uses the following framework to define the CRM requirements, the initiatives required to migrate towards a customer centric organisation, the development of a prioritised roadmap for implementation and the ability to measure the strategic impact of each initiative on the organisation.

Figure 3: The CM framework



Source: Paladin Consulting

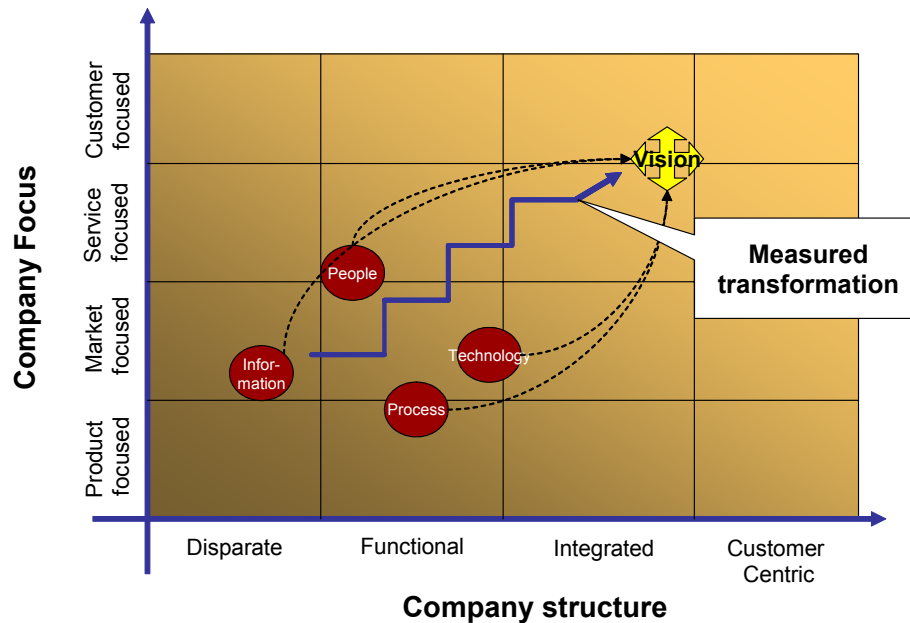
In essence: CM is the operational strategy of a company that enables its Business and Customer Strategy through the use of People, Processes, Technology and Information.

The above methodology is a comprehensive and workable framework for the understanding of the CM requirements, to break the huge task of CM into manageable elements and initiatives that can be implemented for the successful migration of a business to being customer focused.

Identifying the CM Journey

The following figure illustrated the journey requirements identified in the CM framework. It indicates the path of capability development required to achieve the company's vision for customer centricity.

Figure 4: The CM Journey map

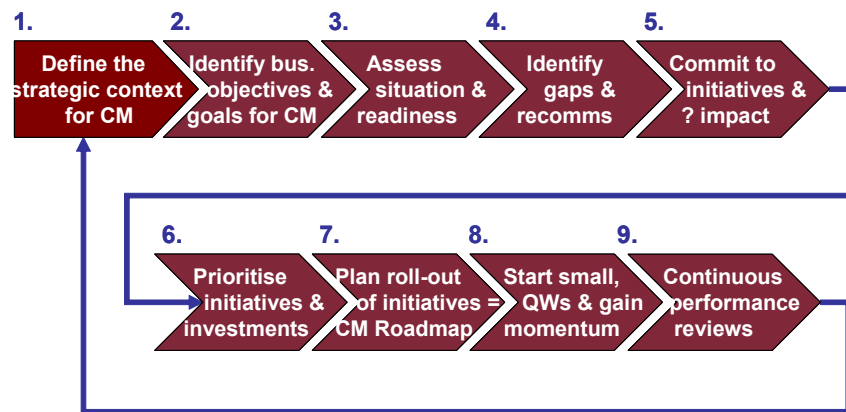


Source: Paladin Consulting

How then does one approach the journey?

We suggest that companies implement their CM strategy and initiatives using the following process:

Figure 5: The CM development process



Source: Paladin Consulting

Developing CM capability using the proposed CM framework:

Strategic Input and assessment

The Methodology starts with the analysis of certain strategic inputs e.g. the business strategy, with the aim of clarifying the understanding of the business objectives; the customer requirements; the company's people and cultural elements, and the competitive environment.

The input documentation should cover the areas of:

- Business information & knowledge e.g. vision, objectives, goals, customer focus, business drivers, stakeholders' value, etc.
- Customer information e.g. target marketing information, segmentation, needs and requirements, etc.
- Internal company information e.g. culture, people, values, service delivery, etc.
- Competitive information e.g. market size, competitors, offerings and value proposition, focus on the customer, etc.
- Current go to market strategies, value proposition, etc.

This information will supply input to the development of the Customer Strategy.

The most important "deliverable" from this analysis, is the development, agreement and understanding of the company's customers, the various segments and their lifecycles. This forms the link that will supply the necessary input for the development of the Customer Strategy.

The Customer Strategy

A comprehensive customer strategy is developed from various customer research documents, marketing and sales strategies and best practice information in the industry and supplies the required input for the development of the CRM strategy.

The customer strategy addresses who the customer is; what the customer wants; how the customer wants to be treated; what communication channels the customer prefers; the types of interaction he/she will have with the organisation; his/her expectations of the company and the required experience.

The CRM / CM Strategy

The Customer Relationship Management (CRM) / Customer Management (CM) strategy aligns the Customer Strategy with the operational requirements needed to fulfil the identified customer needs and requirements, and at the same time allows the company to apply business reality and focus. The main objective of

the CM Strategy is to create and facilitate a customer-focused and customer-responsive enterprise.

The CM strategy focuses on the business requirements identified by the customer strategy, with particular reference to the domains of:

- Collaborative CM
- Operational CM
- Analytical CM
- Integration with the business operations

The strategy focuses on “what needs to be done” in the operational environments of:

- People (P)
- Processes (P)
- Technology (T) and
- Information (I)

At each of these levels, Strategic Imperatives (SI) should be identified and used to guide the CM strategy.

It is important to note that a CM strategy, like the Customer Strategy, is not a once-off event. It is an iterative process dependent on the behaviour of the customer and the changes in customer requirements. The CM strategy and plans must be re-evaluated and adjusted on a regular basis. This must be facilitated with the assistance of the Strategic Performance Measurement tool.

The CRM Roadmap

In essence, a Roadmap illustrates the process of the prioritisation and implementation of the different elements of the CM strategy against a time frame. Following the Roadmap will enable an organisation to focus on the most pressing CM requirements, while at the same time aiming for a complete CM solution in future implementations to achieve the business performance goals. It also allows the business to realign current initiatives to the planned strategy and to ensure a due diligent approach is applied to strategic implementation.

The Strategic Performance Measurement Framework (SPMF)

Two of the biggest challenges a company has in the implementation of CM projects are the lack of evidence of return on investment (ROI), and the validity of the business performance measures. In the past few years, many have attempted to understand and develop a methodology to measure the initiatives of CM, their impact on the overall business and the success of CM implementations. Most of these methodologies only aimed to investigate the financial gains from a CM initiative; however, the benefits of CM are far reaching

and impact not only the tangible assets of an organisation, but also the intangible assets.

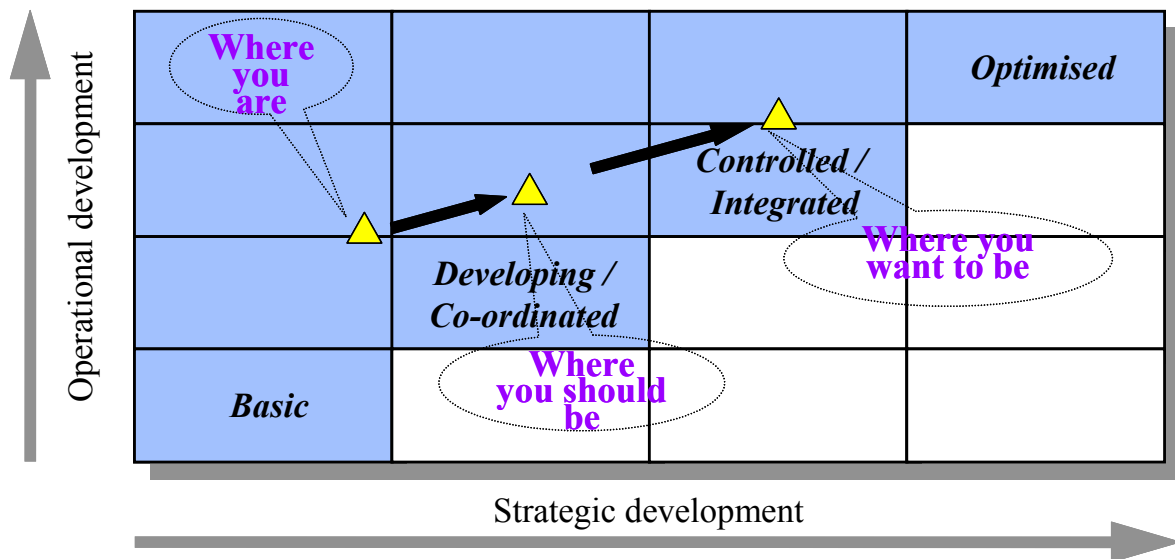
Building a compelling business case for CM is much more than a straightforward ROI exercise. It means choosing the right customer-focused strategies, the right enabling CM solutions and the right CM measurement framework. Once these are in place, an organisation will need to demonstrate and build support for the resources and changes needed in order to plan for the overall CM success.

Aligning the CM capability development to the development of the company's Call Centre

The Contact Centre development model (illustrated by the diagram below) provides a framework to map previous, current and future positions in an effort to understand current state and the requirements needed to migrate from a “basic” Call Centre operation to an “optimised” Contact Centre that delivers strategic benefit to the organisation and the customer.

The scoring system behind the development model provides a clear framework, which enables accurate comparisons with best practice and allows an organisation to plot the evolution process to customer centricity.

Figure 6: The Contact Centre Development Model



Source: DD CIS Consulting

The operational axis addresses: people, process, technology, information and performance related measurements. The strategic axis makes allowance for the migration across: the customer strategy, customer interfaces, customer communication, customer knowledge and customer culture.

In Conclusion

The CM environment is a complex landscape and should be approached with a proven methodology. The framework supplied in this document will assist organisation to:

- Focus on their customers
- Focus on the quality of each interaction
- Improve the value of the entire customer relationship
- Deliver the required customer experience and create customer satisfaction and
- Understand the importance of the Contact Centre in the organisation and in CM.
- Allow the organisation to focus on the CM journey and the end destination.

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