Chapter 3
Organizing for CRM success

Since companies began their push into what is now known as CRM. They launched with strategic goals in mind. Instead of companies rushed to realize the benefits. However, the companies do not realize that is the wrong way to do that and it may fail during the implementation phase.

The reasons for fail are many, but can be narrow down to three key factors. The first is *definition*. Since it began, CRM has been surrounded by confusion. Like any new concept, CRM has suffered from a lack of understanding on exactly what it is. Someone think it was the new data warehouse; Another one think it was laptops for sales representatives; Another one think it mean a new call center or Web site. Without a clear definition, managers have a difficult time to understanding how CRM related to other aspects of their company's operations. Furthermore, because of its integral technology component, CRM has been known by innovation. While CRM tools have been constantly evolving, incorporating ever more powerful features.

The second major factor is *leadership*. Leader of CRM efforts historically have been functional heads; marketing, sales, customer service managers; who either did not have a higher-level perspective of CRM. Often, CRM efforts were driven by the head of information technology, in which case the project tool on a decided technology emphasis that translated into a focus on technical requirements instead of business needs.

Finally, there are the *CRM vendors*. Providers of CRM tools have highlighted only the slice of CRM that involves their products, addressing specific challenges within sales or customer service instead of knowledge that CRM has broader implications for many areas of the business and requires much more than a software package.

Therefore, many companies have become over expected with CRM. They are dissatisfied with the results of their CRM efforts, believing that they have failed to

realize for significant benefits although some tactical CRM solutions have delivered business benefits.

3.1 STRATEGY FIRST, THEN CRM

For the companies who realize the full potential of CRM and to ensure that they get the best return on their CRM investments and are not wasting any resources building unnecessary capabilities, they must begin to incorporate a strategic perspective into all of their CRM efforts. In particular, they must address four critical strategies and understand the key factor between them before investing in any CRM project.

1. Customer. Identifying the customers that the company wants, based on its existing business model and corporate mission.
2. Channel. Selecting the most appropriate and effective channels for reaching these customers.
3. Brand. Understanding how all interactions with customers, not just advertising, contribute to the company's brand value.
4. CRM. Determining the most appropriate CRM capabilities for supporting these critical interaction points and channel to reach the chosen customers.

3.2 CUSTOMER STRATEGY

If the most recent CRM initiatives have proved anything, it is the fact that few companies can operate a profitable business with a complete one to one focus on customers. It is simply impractical for most organizations to build themselves around serving segments of one. Therefore, before beginning any CRM project, a company must get a better handle on the types of customers it should be serving and, subsequently, identify the type of interactions with each segment that will generate the greatest loyalty among customers and the most profit for the business. A very effective approach to this is customer segment management.

Customer segment management is the process of segmenting groups of customers based on like attributes and managing those segments in a way that maximizes both the benefits to customers and the long term profit potential of the organization. In short, customer segment management is a way toward the achievement of managing relationships with each customer on an individual basis for companies and it is a more realistic customer centric approach to managing customer relationships for companied that still need some element of product focus in their approach to their markets.

In concept, customer segment management views a company's market as a customer-centric continuum with six stages, ranging from a pure product focus on the left and a total customer focus on the right. The approach recognized that every company will have a different point on this continuum that is best for it. Determining what these requirements are will help ensure that future CRM capabilities contribute significantly to company's efforts to attract and retain the customer segments that are important to it.

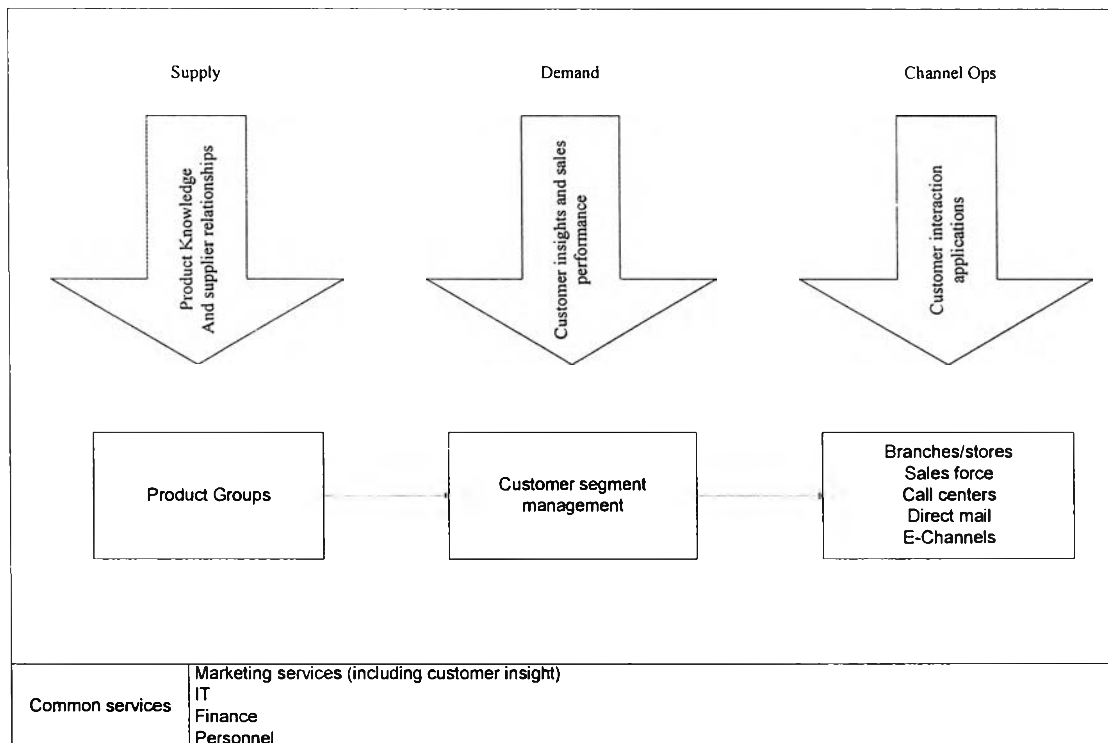

Figure 3.1 Typical customer segment management model

These core functions are supported by a shared group of services, such as information technology, accounting and finance, and marketing services, which may include a customer analysis or insight function.

The customer segment manager are responsible for determining which product offers their customer or prospects will receive and which channels which channels they will be delivered. Where possible, segment managers also define the rules for interacting with customer across the different contact points, which may range from in-store check out to Web-based or phone-based interaction.

Figure 3.1 is primarily useful for demonstrating only what an organization may aspire to achieve in concept. However, the model does not show the many different stages of customer segment management that may apply in helping an organization become more customer-centric.

Figure 3.2 will show a more realistic view of several degrees of customer segmentation management.

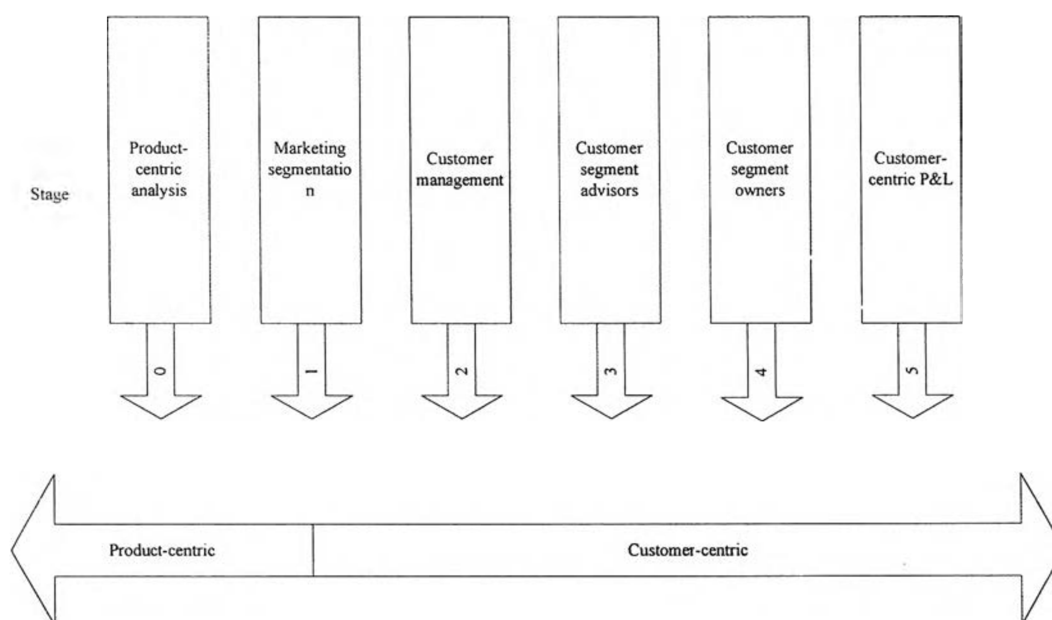

Figure 3.2 Customer-centric continuums

Stage 0: Product-centric analysis

At the far left of the continuum, in the product-centric analysis stage, analysis of customers is focused on product lines. The main element is the product or product line, and customer analysis tends to be based on purchase behavior. Information collected is used primarily for tactical promotions and targeting. Product profit and loss is used as the primary measures for measure an organization's performance.

Stage1: Marketing segmentation

In the marketing segmentation stage, the organization begins consolidating information across product lines and using the insight gained for high-level market analysis, strategy development, and customer communication planning. The nature of the segmentation tends to be offline, periodic, and not well integrated into the operational environment, except where it influences more tactical direct-marketing operations.

Stage 2: Customer Management

A huge change takes place when an organization enters the customer management stage. Rather than being used primarily as a planning tool, customer segments are treated as a management dimension. Typically, it is at this stage that a customer management function is formed. The function assumes responsibility for developing business strategies and measuring performance along customer segments. The customer manager also assumes a coordination role to ensure that the customer element is considered in operations, and this often includes responsibility for setting customer contact rules within a product communication plan.

Stage 3: Customer Segment Advisor

In the customer segment advisors stage, the customer management function is further solidified by the introduction of segment managers, who each may assume responsibility for one or more segments. The role of the segment managers becomes clearly focused on specific segments and the serve as key advisors to product and channel management. However, their challenge at this stage is operating with minimal budget and exerting influence over a strong channel manager or product development function.

Stage 4: Customer Segment Owners

Authority is not longer such an issue in the customer segment owner's stage, as segment manager assumes an overtly operational role with responsibility for setting the rules that govern nearly all forms of customer contact in their segment regardless of the product, channel, or nature of the interaction. In this advanced role, segment managers are more powerful. They own the proactive marketing budget, and controlling which product offers are made available to their customers and how they are delivered. They will be responsible for setting the rules for customer interaction, whether in marketing, sales, or service and tailoring the rules to suit the customer's segment.

Stage 5: Customer-Centric Profit and Loss

At the far right of the continuum in the customer-centric profit and loss stage, the role of segment managers is taken to the ultimate management level. Segment managers become responsible for measuring profit and loss along customer segments, which subsequently poses a more challenging reporting task. Product and distribution channels assume a subordinate position relative to customers. The sum of the profit and loss measures for the segments becomes representative of the organization's overall profit and loss performance. However, measuring profit and loss along customer segment will never completely replace the need for measuring profit and loss by product units and channels. Product profit and loss typically is still reported as a secondary measure of performance and may in some cases be required for public accounting reports.

Success factor

1. Get the segmentation right from the start.
2. Keep the end in mind
3. Plant the journey
4. Define responsibilities and performance metrics
5. Select segment manager with the right skills and attitude
6. Continually evolve skill sets to meet changing needs
7. Build the right supporting infrastructure
8. Create a customer-centric culture

When carefully apply, customer segment management can help effectively position organizations to grow and to protect their share of customers in the twenty-first century. However, customer segment management is just one step in the journey toward managing customer on a one-to-one level with individually tailored products and massages.

3.3 CHANNEL STRATEGY

New technologies bring new opportunities to channel designers, marketers, and business strategies. From catalog selling, which grow because of improved rail and postal technologies, through today's Internet and wireless shopping opportunities, companies continue face of new methods and choices for reaching customers. Many suppliers fail to exploit new channel opportunities for fear of creating conflict with their existing channels.

Choosing to change

Most suppliers can set vision the opportunities new technologies present in the form of new channel designs, increased geographic penetration, market share growth, and higher profit margin and many can go so far as to articulate these goals as their strategic direction, only to freeze when faced with the conflicts that arise from acting on these intentions.

But such problem can be overcome. With the right tools, suppliers can identify the sources of channel conflict in their industries and use this knowledge to devise business-expanding strategies that do not threaten the economic interests of their existing channels.

To evaluate their options and exploit opportunities to create innovative sources of channel value. The first is a **channel map**, which helps managers understand and articulate the path of change. The second is the **channel conflict strategy matrix**, which informs channel strategy choice based on critical aspects of the current channel

environment. Together, these tools enable channel designers to overcome channel conflict and restructure channel roles.

Channel Map

The channel map in figure 3.3 offer a bird's eye view of who's who and who does what in the channel.

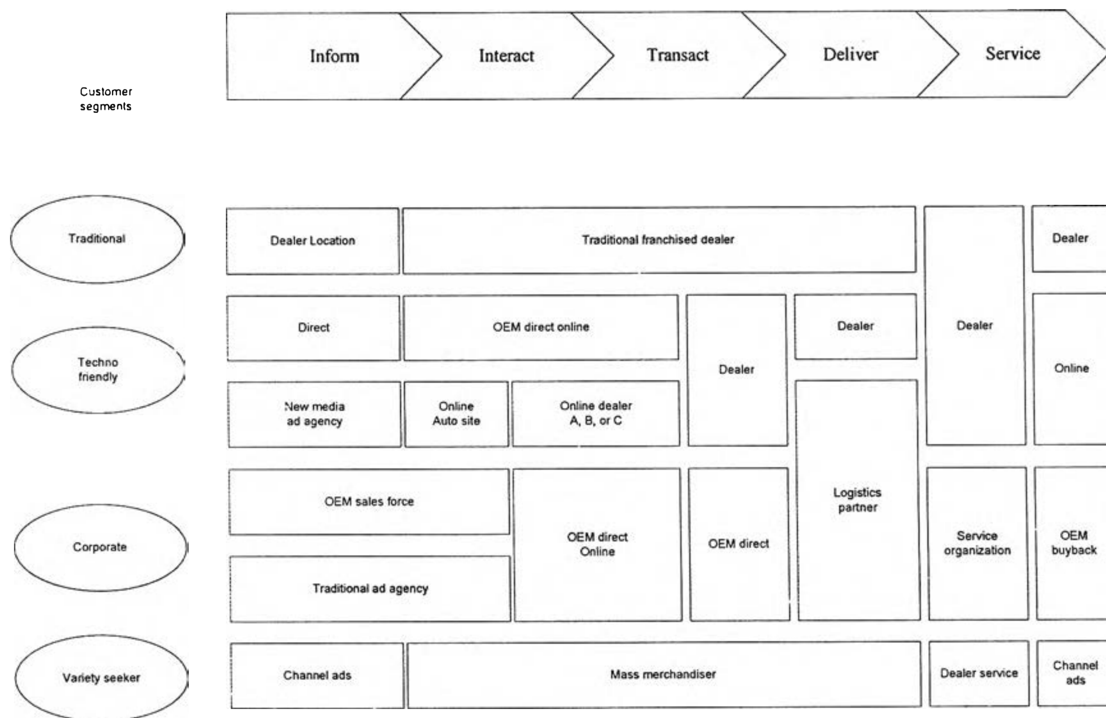

Figure 3.3 Channel map

Channel conflict strategy matrix

Moving from the old one to a new is not likely to be conflict-free. The more customer segments that are added, the greater problem will occur. New segments do not always represent new customers obtained from market growth; often they represent customers from the old segments. This problem, with the associated loss of revenue to the supporting channels, is the one of the major source of channel-change conflict.

Change in processes requires changes in channel participants. As channels specialize and form new roles, old players face continual threats, at least until their place in the new order is clear and secure.

Clearly, making the transition from one to another place gives rise to channel conflict. But proper analysis and appropriate strategies can go far forward minimizing the amount of conflict and its economic destructiveness. To aid this type of analysis and decision making, we have created the channel conflict strategy matrix. Companies use the matrix to assess the forces and opportunities for change in their industries and to quickly identify optimal change strategies in figure 3.4.

Market Power	Insignificant	Significant
Channel Controls Customers	Forward integrate - Identify new value propositions - Act fast/independently - Fill gaps in channel coverage	Cooperate - Look for win-win, grow the pie - Seek compromise - Look to sell new products through new channels
Suppliers Control Customers	Compete - Create internet-enabled direct link to customers - Shift volume to new channel through promotions	Lead - Define appropriate approaches of the channel - Make initial investment

Figure 3.4 Channel conflict strategy matrix

The matrix shows the interplay between market power and channel added value.

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Four core strategies

Once a company determines market power and channel value for each existing channel, the matrix becomes a framework for strategic thinking:

- Pointing to the safest and most effective strategy for each of four potential combinations of channel dimensions
- Showing where to fight out conflicts and where to mediate or avoid them

Complete

If the market power rests with the supplier, and the added value of the channel is low, the supplier's best strategy is to complete with the channel.

Forward Integrate

When the traditional channel has better market power, the value it adds is low. Suppliers should consider invading the channel to increase its capacity for value creation. The supplier must create an innovative offering that the regular channel can not duplicate and avoid the possible conflict.

Lead

Sometimes the traditional channel's added value is high, but the channel itself has little overall market power. This frequently occurs when an offering requires significant geographic coverage or adaptation or close customer contact. The result is channel fragmentation. Fragmentation is a challenge for suppliers because it makes difficulty for the participants to agree and implement new technologies and processes that can serve the customer more effectively.

In the cases, the supplier must take the lead, driving change to improve the channel.

Cooperate

The greatest potential for any conflict in the current channel is adding substantial value and it also has significant market power. So, channel players view themselves as the equals of their suppliers. This supplier is to avoid serious channel redesign.

But it does not have to be that way. Suppliers can look to cooperate with their channel to achieve growth for both parties. Compromise can lead to win-win situations and important benefits for the supplier and the channel. Companies with large portfolios of products can often reach happy compromises with their channels simply by limiting the number of products sold online.

Other ways in which suppliers cooperate with equally powerful channels range from hosting a manufacturer's product information site with built-in dealer locators and links to using the Internet as the backbone of collaborative forecasting and planning system.

Conclusion

A major contribution of the matrix is that it reveals more strategic choices than most managers believe exist. In their confusion, many executives see only two options in applying new technology to their distribution strategies, disintermediation the channel or do nothing. The matrix lays out new possibilities, especially by presenting strategies focused on leading or cooperating.

The map and matrix are tools that offer companies a way to gauge technology's impact on channels and show how to change channel architecture to capture maximum market share. The map alone demonstrated and effective forecasting discipline, because it pinpoints an industry's vectors of channel change.

Combined with the matrix, it reveals the underlying sources of channel conflict and the options for combating that conflict. The tools bring executives to customer of channel-change decision making.

3.4 BRAND STRATEGY

Visa, Coca-Cola, Sony, Nokia everybody know the value of a strong brand. But few companies manage their brand value as well as they should. They should do with their creation and management of customer relationships, or CRM. It is becoming increasingly clear. How ever CRM is indispensable in creating a successful brand, one that can bring tangible benefits to the company. To capture those benefits, brand managers first must expand their definition of brand and move beyond seeing it to identify a particular product or service.

Instead of using imagination, brand managers must use more statistical measurement and analysis to support their decisions. Instead of leaving channel management to the sales force, marketers must actively target the business-to-business (B2B) relationships that increasingly influence customer. And rather than dismissing the call center as the customer service, brand managers must do a better job of understanding how brand value can be strengthened or destroyed with every customer call.

More than a name

Many people instinctively associate brand with a name. To be sure, a company's name is an important element of its brand. However, a brand is far more than a name, icon, or slogan. It represents all the customer's interactions with the company, its products, and its service. Marketers who ignore or minimize the important contribution these elements make to branding will fail to generate significant value from their branding efforts.

All strong brands share three characteristic. First, they offer something better and different on dimension that customers care about. Second, this promise is

executed very consistently. And third, the brand promise is communicated consistently and persistently.

These three characteristic, the promise of something different or better, the consistent execution on that promise, and its effective communication to customers, call into question several other traditionally held beliefs about brand.

- Brand must be top-of-mind

  Probably no other assumption has cost as much money as the notion that to be successful; a brand must be top-of-mind. Given that brand is experience, it has to show more than top-of-mind awareness to be successful. It has to be relevant to a target market willing to pay the price. It has to attract people to try it out at least once and then must be available for reuse or repeat purchase because it did bring such a good experience. In short, the brand has to build a base of loyal customers, emotionally and financially committed to repeat purchasing.

- Advertising is the key to successful brand building

  Managers who hold firmly to the belief that top-of-mind awareness is the essence of brand will readily accept this proposition. Advertising is just one element of the brand experience and very small one at that. It is just one of many tools that innovative and broad-thinking companies use to build their brand.

- Brand must be consumer-driven

  The fact is that more and more consumer decisions are being made by channel customers or partners rather than by consumers themselves.

- Marketing owns the customer

  This used to be the rule when marketers were the only ones talking to customers through traditional advertising channels. Now, however, that is no longer the case. All too often the marketing message hardly gets

through to the customers. Instead, it is the customer service representative who owns the customer. Today's innovation in automated service technology, those telephone answering services that instruct the caller which number to press for this or that service, are symptomatic the loss of marketing's control over communications with customers. As customer's experiences are increasingly determined by interactions with call centers and customer care representatives or through Web sites, it does not take many bad experiences to erode a customer's confidence in a brand and to chip away at the brand's value. Simply put, CRM is rapidly becoming the point for determining whether a brand is strong, weak, or something in between.

Overlooked opportunities

To create a strong brand, a company has to go through the obvious steps of making a distinctive promise, executing well against that promise, and providing consistent brand communication over time. There are, however, three other areas in which opportunities are often overlooked, namely, brand measurement and analysis, treating B2B relationships as important brand components, and aligning and improving execution.

- Brand measurement and analysis

  Marketing managers who take the traditional view of brand strength are less likely to be open to the kinds of metrics that go beyond the traditional measures of awareness. These are the measures of the customer's total experience with the brand. But these measures are exceedingly difficult to quantify and even harder to analyze and apply to decision making. Many marketers, unfortunately, are not trained to do this sort of analysis nor do they have much interest in it or appreciation for what it can do for improvements in decision making.

- B2B customers as a brand value opportunity

  A lot of attention has been paid of late to the consumer or end user as the primary focus for marketers. The consumer is the object of much research and surveying, including details on purchasing habits, price points, household education levels and incomes, frequency of purchases, and so forth. For most marketing managers, this consumer's experiences are the most important in establishing a strong brand.

- Aligning and executing

  Given that the brand is the fulfillment of the promise and that the customer has to have a positive experience with all aspects of the company, then it stands to reason that aligning all the elements in the life cycle of the brand is essential to success. Once managers understand the brand promise, they need to make sure the organization as whole delivers consistently against that promise. In most organizations, those responsible for making the promise and setting the strategy are not those whose job it is to deliver on it.

Conclusion

A broad definition of brand can appear to be a nightmare for marketers. On the other hand, by understanding brand in this way, marketers can move past their preoccupation with advertising and consumer awareness-building activities and start seeing branding from much more holistic perspective. The can begin to use a more complete set of metrics to measure brand value, and they can work with their colleagues in sales and customer service to ensure consistency in messaging and experience for critical channel partners and customers interacting with the call center.

Building a strong brand is only the beginning. To maintain the strength of the brand, a company must be serious in its attention to all aspects of the customer experience. Activities such as constant measuring and analyzing data from customer's responses, comparing the brand against competitor's products and services, making

the necessary adjustments in corporate alignment, these are not one-time actions, but must be performed consistently and repeatedly as long as the brand has life and value.

3.5 CRM STRATEGY

As the global economy was unsteadily through the early part of the twenty-first century, companies around the world are searching for ways to restore the growth and profitability they enjoyed in the buoyant 1990s. For many of these organizations, customer relationship management (CRM) is seen as an attractive proposition. Indeed, better management of the customer base offers great potential for companies to improve their top and bottom lines, especially given how difficult it is become for businesses of all types to attract and retain royal customers. However, as many companies have discovered to adopt the right CRM capabilities, and generating significant business benefit from those investments, is not as easy as they first thought.

As the cost of a typical CRM implementation continues to grow. Organizations will have to become more vigilant in identifying which CRM capabilities will provide the greatest financial benefit; gaining execution plan; and using the new system to develop customer insights that will be more effective strategies and programs for marketing, sales, and customer service.

CRM pitfalls

Several critical factors lie behind CRM's underperformance. One of the most major is the failure of many companies to obtain and maintain executive support for the CRM project.

- Failure to obtain and maintain executive support for the project.
- Failure to align key internal functions or business units on goals and mission of the project.

- Inability to accurately link the CRM project to higher-level business strategies.
- Focusing on capability building instead of ROI creation.
- Lack of an integrated plan for project implementation.
- Failure to achieve successes early in the project.

Avoiding the pitfalls: CRM strategy and road map development

Companies must identify, prioritize, and build the right CRM capabilities for creating customer and company value. This approach, CRM strategy and Road Map, is appropriate for these typical CRM situation.

- For a company that is not sure to implement for CRM investment, often from different business units or departments, and must determine which requests should be funded and how each initiative will affect not only a business unit or department, but also the company as a whole.
- For a company that lacks executive alignment behind CRM strategy and plan.
- For a company that is interested in proactively designing a "Greenfield" CRM capability and has to pinpoint which capabilities are appropriate for its specific business requirements.

The CRM strategy and road map is an alternative to traditional approaches to CRM capability development. It focuses on business outcomes, not capabilities alone. It is analytically logic, relying on an ROI focus instead of subjective considerations. It is emphasis on revenue and cost drivers links the CRM investment directly to a company's income statement. And it provides a value-based, prioritized plan for CRM implementation to ensure that the most important areas are addressed first.

There are four key steps to a CRM strategy and road map project: strategic context identification, capabilities assessment, business case development, and implementation plan creation.

Strategic Context

The first step is to understand how CRM fits into the context of the company's over all business strategy. First, confirming the company's vision for the CRM project as well as the project's business imperative, taking into consideration the existing business environment and the company's corporate strategic priorities.

At this stage, it is vital to understand how the CRM project will fit with the priorities of key stakeholders. To ensure that the project has strong backing from the right people, and that the views of these individuals are in place, the company must understand what key sponsors believe are the project's objectives. In the same way, the views of managers responsible for marketing, sales, and service, and those of their direct reports, must be considered to ensure that everyone is pulling for the same team as the project progresses. One technique used to help is cross-functional input team can be created comprising numerous representatives from all functions affected by the project to ensure that views of executives, manager, and employees to help the project and the system.

Capabilities assessment

Next, the project team conducts a comprehensive assessment of the company's current CRM capabilities. This exercise helps the company understand how current performance on these capabilities to be over against other CRM practitioners and identifies goals for future improvement. The team also reviews the CRM capabilities to determine which one are most suitable to the company's particular situation, assigning a weight to each capability based on how much or little it contributes to the company's ability to create customer value. The result of the assessment, weighting, and scoring process is a comprehensive report to show the areas of strength and opportunity across relevant CRM capabilities and highlighting specific gaps between current and potential performance.

Business case development

The third step involves building a business case to support the CRM investment. This effort begins with estimating how the company could improve its financial position by enhancing its performance on key drivers of revenue and costs such as customer retention, new customer acquisition, and sales per customers on the revenue side, plus average length of call center call-handling time, total number of calls handled, and direct-mail expenses on the cost side. By understanding how the company performs on all revenue and cost drivers, benchmarking this performance against industry standards or new performance goals, and define the gap between current and potential performance, the company can determine where it should focus its CRM efforts to achieve maximum financial benefits.

Implementation plan creation

The final step involves creating the road map that clearly defines how to get there: the technical, process, and organizational elements that must be addressed to complete the CRM initiative. These include the following:

- Interdependencies between new and existing systems and processes.
- Resources needed and available.
- Organizational alignment
- Executive alignment
- Necessary new or redesigned processes
- Key technology infrastructure and applications
- Execution plan
- User training

The CRM strategy and road map approach can help the company determine financing and sourcing options for the project as well.

Conclusion

No doubt that CRM has generated value for many companies in the past several years. However, the value that is been delivered in comparison to what is possible. As economic uncertainty continues and customers become more demanding, organizations must find ways to improve the chances that their new CRM initiatives will succeed.

Building the right CRM capabilities is only the first part of the CRM project. Once these capabilities are in place, it is upon the organization to take the necessary steps to ensure that the new CRM capabilities are implementing most effectively. These steps include creating a high-level customer strategy that builds on the new CRM capabilities to improve the way the company interacts with customers and prospects; developing a better understanding of existing customer's needs and profitability and grouping customers into logical segment; creating strategies for each segment to maximize the value of those groups of customers; and identifying and building the processes, organization structures, and measures necessary to implement these strategies and optimally serve each customer segment.

By following this approach, companies can realize a significant return on their CRM investments, and subsequently attract the attention, loyalty, and business of their most valuable customers for years to come.

3.6 GAINING CUSTOMER INSIGHTS

In the past, companies could be blaming the technology to manage their data better. Technology solutions then were not as robust or user-friendly, often making them lees than effective and difficult to use. However, today companies have no excuse. With the powerful CRM software and other analytic technologies now available, there's no reason for companies to remain unknown the customer information when it comes to truly understanding their customers. Companies no longer can afford to ignore the gold mines they are sitting on. Competitive and customer pressures today force the managers develop to capabilities to aggregate,

analyze and use customer data to generate real business value. To develop such capabilities, companies must attend to three critical issues.

- Creating an integrated view of each customer
- Understanding and predicting customer behavior
- Using customer insights to improve future interactions with customers and enhance the ongoing customer relationship

Creating an integrated view of each customer

When beginning a CRM initiative, companies try to capture as much data as possible about each and every customer. In reality, the quality of the data, not the quantity, is what enables companies to build strong customer relationships and become more customer-centric.

The first step is for a company to determine exactly what kind of data it needs. This involve three basic steps: understanding what is know about customers already; identifying what the company does not know that it should; and determining how to fill the knowledge gaps with appropriate data.

To understand what it already knows, a company should create a profile of its existing customers based on information such as purchase history, length of relationship, purchase details, transactions with other divisions within the enterprise, demographics, credit/financial details of the transactions, and customer's most frequent means of interacting with the company.

Next, the company must define existing gaps. One of the most effective ways to find the gaps is to segment customers into unique groups with similar characteristics of how they behave, what they purchase, and why they purchase. From this segmentation, further questions will arise about specific issues – such as demographic profiles of segments, differences in purchase motivation, and levels of service needed by each segment which will help determine the data elements still lacking.

As a rule, the best source of data about customers is their actual experience with the company. To begin building a knowledge base on each customer, a company should first tap its own information systems for the following:

- Complaints/inquiries to the call center
- Credit and financial information
- Business transactions with all divisions
- Aggregate purchases/history of the relationship
- Purchase details
- Preferences based on actual purchase history/trends

Understanding and predicting customer behavior

Once a company has gathered the appropriate customer data, it must combine the data to understand and predict customer behavior. This is essential to ensure that the right data is delivered to the right business functions at the right time to help shape subsequent customer interactions. To truly understand and predict customer behavior, a company must manager its customer data in ways that enable it to analyze the data and generate deep insights into what customers want and how they behave.

Once the data is formed, the company must identify how the data will be used to shape subsequent interactions with each customer then define the rules for data use. These rules come in two principal forms: personalization and data transformation. Personalization rules each customer interaction by providing for consistent, timely and relevant individualized interactions and offers across multiple customers' channel. Data transformation rules, on the other hand, govern non customer-facing activity: merging customer data from source systems or third parties. Both forms of rules are most effective when they address the broadest possible set of scenarios.

Using customer insights

After generating a solid understanding of customer needs and behavior, a company then must capitalize on those insights. The first step is understands the context in which customer data is used. Context is the translation of a company's customer strategy into rules meant to deliver that strategy. Two facets of context are especially important:

- Coordination of all activities across potential customer interaction points
- Understanding why a rule is being implemented or a decision made

From here, companies can effectively identify particular programs and vehicles for leveraging customer insights.

Using data to become a customer-centric organization

Quality is the key in using data to build strong customer relationships. It is been well established how important it is for companies to more deeply understand their customer and personalize the products and service they deliver.

Defining data requirement

If the companies want to determine what data they need, particularly when third-party data is required. This approach includes three basic steps:

1. *Start with what companies know*: Begin by defining what you know about your customers. Profile your current customers by using information such as purchase history, length of relationship, purchase details, transactions with other divisions within the enterprise, demographics, credit/financial details of the transactions, and customers' most frequent means of interacting with you.
2. *Define what companies want to do with the information you gather:* Understand your objectives behind gathering more information. Want

to retain existing customer, want to sell more products and service to existing customers, want to attract new customers, want to tailor the delivery of services to customer based on their value to your organization, want to develop new products based on your customer preferences, want to enter or exit markets based on profitability and penetration within those markets, the objectives may include all of these and others, but for purposes of defining your requirements, treat each objective as an individual project and define the data elements required to support each project. This approach will help you avoid overloading end users with irrelevant information and will ultimately reduce your data acquisition costs by reducing the number of data elements that company must purchase.

3. *Define what companies do not know:* Define the gaps in companies' knowledge about the customers, what companies want to do with the information, and what companies need to know about the customers, prospects, and market to achieve the objective. Probably the most effective method of defining the gaps is to analyze the customers using the existing data. By segmentation the customers into unique group with similar characteristics. Once the gaps in data have been identified, the missing elements may be gathered from a variety of internal sources (customer surveys, focus groups, other systems within the enterprise, etc.) or they may need to be purchased from a third-party provider. As always, measure the importance of the data against the ultimate objective of this project.

In building a customer-centric organization, information about the customer is critical but it must be information that will help a company meet its goals. To make sure they are using the right data, companies can follow a structured, step-by-step approach: Begin with an understanding of objectives. Study their own customer data. Identify the gaps in the information they have and the information they need, ask customers for information, evaluate and select the third-party companies to provide data that complements and supplements owned data. Then, build the systems and processes to support customer-centric operations.

3.7 REINVENTING CUSTOMER CONTACT

In the past, CRM gave rise to a customer-facing program in companies. These programs were based largely on customer centric strategies and executed through large-scale technology investments. As CRM technologies and practices evolved, companies focus their efforts to improve customer service and provide new ways for customers to interact with them. The motivation behind these efforts ranged from growth, responding to competition, and making operation more efficient. But regardless of why the initiatives were undertaken, the fact is customer-centric became a way of like for most companies.

For instance, many organizations follow the ideal of giving every customer the highest level of personal service possible. This is certainly good; however, the costs of doing so continue to increase as customers become even more demanding and the financial community becomes less tolerant of misuses. Furthermore, companies' significant investments in contact center and interaction infrastructure have left them grapping with high fixed costs and excess capacity. Unable to relieve themselves of these costly assets without compromising service, companies take a major hit on their margins when revenue comes up short or customers leave the company. Finally, the methods for interacting with customers are no longer sufficient to meet customer expectations. Today's customers expect a company's call center representative to know the same things about them that the marketing know. However, past CRM efforts have resulted in a silo effect among the marketing, sales and service functions that has made it extremely difficult, if not impossible, for companies to integrate data and processes across these areas.

To fundamentally change the economic of sales and service, companies must address a number of critical issues. For starters, they have to develop a deeper understanding of customers, particularly, each customer's business impact on the company, and use that insight to dictate specific interactions with each customer based on his or her value to the company. They also have to do a better job of understanding the cost of serving specific customers relative to the potential revenue they generate. In addition, companies must improve the performance of their customer-facing workforces to enhance proficiency and motivation. And they must

work toward integrating all their customer-facing channels to ensure a consistent customer experience and an uninhabited exchange of information and customer knowledge.

Techniques for transforming customer contact

The company can take action to make their customer contact activities more effective and efficient by follow the below mention step.

- **Leveraging new technology-enabled channels**

  Just as the Web opened up a new channel of customer-contact options, wireless and messaging technologies today provide companies with opportunities to interact with customers wherever they are and the cost is extremely cost-effectively.

- **Using customization and personalization**

  As discussed in the above information, new CRM technologies enable companies to analyze customer data as never before and develop greater insights into customers' needs and preferences. The next step is to use those insights to craft more relevant offers and communications, design for each customer or segment, to strengthen customer loyalty and increase revenue while reducing waste.

  To further improve their performance, some companies are combining personalization with customization. These companies are designing processes that solicit and use customer feedback.

  There are three important actions that companies must take to leverage their investments in personalization capabilities and enhance the value of their Web sites. First, they must work within the limits of today's personalization applications to strengthen their personalization efforts where they can. This means having the right content at the right time and generating the right options, recommendations, and communications from interpretations of both

personal. Simply, welcoming a person to a site by name is no longer sufficient. Second, the must more proactively enable the user's involvement in the design and flow of a site by increasing the availability and ease of use of customization options. In other words, they should pay more attention to co-creating their Web sites with their users than trying to create the perfect site. Third, companies should combine customization and personalization to capitalize on the strengths of each approach.

Whether using personalization, customization, companies can realize a return on the significant investments they have made in customer-insight capabilities in the form of more efficient transactions, interactions that with customers, and enhanced customer loyalty.

- **Reinvigorating and realigning customer-facing workforces**

All the technology in the world will not compensate for an ineffectual workforce. That is why it is critical for companies that are serious about transforming the way they interact with customers to include the human element in their CRM initiatives.

There are several keys to reinvigorating and realigning key customer facing workforces. Incremental improvements in job performance in a mission-critical workforce can translate into differences in financial results. Field-service workers, for instance, are a mission-critical workforce for many companies, because companies depend on this workforce to represent their brands to their customers and to be differentiating themselves from competitors based on the services they provide. Improving the performance of this workforce can have a major impact on customer satisfaction and retention, and it can ultimately lead to increased revenue and profitability.

To use any approach to workforce performance improvement, a company can help ensure that its critical customer-facing workforces are operating at peak efficiency and are having a measurable, positive impact on the company's bottom line.

- **Enhancing relationships with channel partners**

  While business-to-consumer CRM seems to get most of the attention these days, there still are plenty of opportunities for companies that do not sell to consumers to use CRM techniques and technologies to enhance relationships with their channel partner.

  Another variation of CRM is an approach called customer-centric service management (CCSM). CCSM is being used by an increasing number of original equipment manufacturer (OEM) in the industrial equipment industry to extend relationship with their business customers and differentiate their products, drive revenue growth, grow customer loyalty, and build competitive advantage. This approach seeks to transform a company that sells products into a company that sells a wide range of services and products, bundled and tailored to each customer's needs. The driving force behind CCSM is the fact that although customers can invest hundreds of thousands to millions of dollars in the purchase of a single piece of industrial equipment, the purchase price represents just 10 to 25 percent of what the customer will spend on the equipment during the product's total life cycle. The rest is spent on such service as maintenance, insurance, fuel, and parts and that is where the opportunity lies: offering bundled services that capture the total life-cycle revenue.

  For industrial equipment OEMs to move beyond their core manufacturing capabilities and go into these valuable product life cycle revenues, they must be adept at generating and using deep insights into their customers' needs and operations; equipping their technicians with the tools and content necessary to skillfully, quickly, and remotely address service issues, and using predictive maintenance to identify and correct issues before they become problems.

Many organizations are facing new market pressures with outdated, unfocused customer treatment strategies, investment models, and delivery options. They

currently have only a picture of their customer's revenue potential, and their infrastructure and service costs are increasing faster than revenues.

Customer-centric service management

The industrial equipment industry is a mature industry with low profit margins and even lowers revenue growth that consistently underperforms other industries. Shareholders are demanding better returns. Channel partners with limited capital to invest in new capabilities are insisting on more innovative, cost-effective ways of working together. Customers are always needed for better service, lower costs, and new ways of doing business.

OEMs have tried to boost their performance through investments in operational excellence, product and process redesign, technology and workforce training. But these efforts have not generated the required incremental value.

Therefore, Management of industrial equipment companies is searching for new ways to differentiate their products, drive revenue growth, grow customer loyalty, and build competitive advantage. Growth in this environment requires new and innovative approaches to doing business.

One approach is to transform from a company that sells products to a company that sells services and products. This approach can lead to significant shareholder value creation and enhanced customer satisfaction and loyalty.

Depending on the industry sector, customers can invest hundreds of thousand to millions of baht in the purchase of single piece of industrial equipment. However, this initial cost is just a one of it (10 to 25 percents) what the customer eventually will spend on the piece of equipment. The remaining 75 to 90 percent of costs associated with product life-cycle ownership are spent on services such as maintenance, insurance, financing, fuel, parts, and tires.

Distributors and customers likewise benefit from the increased focus on service management. Distributors receive increased service and parts revenue and

decreased administrative and technician costs. Customers benefit through reduced downtime, repair costs, and fleet management expenditures.

Customer-centric service management defined

Customer-centric service management (CCSM) is the capabilities that will enable industrial equipment OEMs to move beyond their core manufacturing capabilities and go into valuable product life-cycle revenues. The three main components of CCSM are customer insight, technician enablement, and predictive maintenance. Each of these three components includes a series of critical capabilities.

- **Customer insight**

Customer insight includes customer knowledge management, service forecasting, service proposal development, contract maintenance and monitoring, and competitive intelligence. OEMs and distributors rely on deep customer knowledge and dependable service forecasting capabilities to generate their service management proposals and agreements during and after the initial product sale. The challenge is to maintain the customer relationship during the entire product life cycle.

The revenue opportunities associated with maintaining a long-term relationship continue to increase as the product ages.

Competitors are aware of the ever-increasing value of a long term maintenance agreement and actively compete for post warranty service. Given the competitive environment, it is critical that OEMs be able to initiate, capture, and maintain customer relationship.

- **Technician enablement**

OEMs and their distributor networks need the capabilities to deliver the service levels while still generating an acceptable margin. Many of these

capabilities are related to enabling the technician; they include content management, configuration management, asset management, inventory management, scheduling and dispatching, and mobile access.

Customers view the ability of the technician to fix it right the first time as one of the most critical measures of success. The ability to fix it right the first time is often determined well before the technician is even aware of the work order. All the information about the problem, spare part, tools and knowledge need to provide to the technician before going to fix the problem for the customer. This is one of the major components for customer-centric service management.

- **Predictive Maintenance**

One way to enhance customer satisfaction with service management is to identify a problem before it even occurs. Most service organizations do not have the required sophistication to detect.. The capabilities they require include equipment monitoring, diagnostic, and maintenance planning.

The predictive maintenance program will not replace the need for preventive maintenance. However, the data used to build predictive maintenance program can be used to develop a more effective preventive maintenance program. Typically, half of preventive maintenance activities are not required.

The shift from a product-centric organization to a customer-centric services organization is a challenging transition for OEMs. OEMs are uniquely positioned to make the transition to delivering CCSM. OEMs know more about their product, have more content information, and understand the service requirements better than any other organizations. They and their distributors own the initial customer contact and the initial product purchase.

However, OEMs must carefully explore the CCSM opportunity before deciding to use it. It may not be appropriate for every organization. Important considerations include the comparison of new product margins versus service margins, the size of the installed product base, the extent of influence that an OEM can exert over its distribution channel, and the degree of customer concentration. As the benefit potential increases so does the development complexity. OEMs should evaluate the potential benefits and identify the gaps with their existing capabilities. When the gaps are identified, OEMs will need to prioritize their development efforts, as few will have the resources to implement all the required capabilities at once.

Although there may be significant efforts related to building the required capabilities for most OEMs, the road to CCSM can lead to substantial financial opportunities. The question for OEMs is no longer whether but how to increase penetration into their customer's life-cycle revenues.

3.8 TRANSFORMING MARKETING

In the recent years, many companies have used CRM tools and techniques for their sales and customer service functions. Although it is early in the process, these companies are beginning to see some payoff from their efforts. Many are reducing their costs to serve customers. Others are improving their responsiveness to customers' requests for help. Still others are enhancing the ability of their sales forces to manage their prospect pipelines, respond to sales opportunities more quickly and effectively, and convert more of the right kinds of deals. A select few companies are doing all of these.

Unfortunately, in their quest to improve sales and service; many companies have ignored a critical link in the customer management chain: marketing. In fact, the exclusion of marketing from CRM efforts has, in many cases, severely limited companies' ability to generate greater benefits from their CRM applications. As CRM has taken root in sales and service, it has become more obvious that new marketing processes and technologies must be adopted, and integrated with existing CRM efforts, if CRM is to fulfill its potential.

To get a better understanding of the challenges that today's marketing executives face, the effectiveness of companies' marketing efforts, and organizations' experiences with marketing automation tools, Accenture conducted a survey of marketing professionals in the United States and the United Kingdom in 2001. The goal of the survey was to gain greater insight into five key issues.

- Challenges in creating and executing effective campaigns
- Marketing campaign effectiveness
- Measuring campaign performance
- Campaign cycle time
- Ways to improve campaign effectiveness

In today's world, customers are becoming less loyal to brands. They use new sources of information to build impressions and make decision in buying a product or service. Marketing executives are not equipped with the tools they need to keep up with changing customer expectations, achieve greater share of wallet, and maximize the lifetime value of customers. To achieve the level of efficiency and effectiveness in marketing that customers and the marketplace demand, companies must address their shortcomings in marketing campaign management and their ability to collaborate with other customer-facing functions.

It is time for companies to use the new organization structures, processes, and technologies that are needed to help marketing executive improve the way they do business and in the process, take another step toward fulfilling the promise of CRM.

3.9 REINING IN MARKETING ROI

It is clear that the time has come for companies to measure and improve the return on marketing investment. The first order of business is to adopt a new approach to marketing that consists of six major steps:

1. Quantify the effects of past marketing efforts.
2. Analyze competitive performance.
3. Identify underperforming initiatives before they become too costly.
4. Establish accountability for each marketing element.
5. Identify products and markets that offer significant growth potential.
6. Reallocate marketing resources to capitalize on new growth opportunities.

In the past, such an approach would have been impossible to adopt due to the lack of both the necessary technology and the willingness of the marketing community to use it. However, better access to data and newer marketing techniques, including econometrics, ROI measurement, and allocation software, make it possible.

Step 1 Quantify the effects of past marketing efforts.

Marketing executives are finally coming under pressure from CEOs, CFOs, and shareholders to quantify the effects of past marketing campaigns. Most companies conduct an annual marketing analysis, relating marketing investment to top-line sales and market share. Then they make decisions for the next year's campaign without having adequately quantified the effects of each individual marketing element's impact on growth and profitability. However now, it is much easier to gather all the data and measure that effort in great detail. Most consumer industries have good access to monthly or weekly industry sales data.

Similarly, marketing activities can be recorded with increasing specificity. Whether a campaign reaches its audience by way of television, radio cinema, print, or billboard, reliable estimates of the number of people that see advertising are readily available for both companies and their competitors.

Once the data is collected and organized, marketers can use time-series analysis to determine which elements of the marketing program have delivered results and which elements have underperformed. Then the marketing mix can be reallocated to accelerate growth or cut costs. Today's technology, marketing directors have no excuse not to be able to explain the return their marketing investments have yielded.

Judgment, experience, and creativity will always play a leading role in marketing, but they should not be applied to the exclusion of a disciplined approach to ROI.

Step 2 Analyze competitive performances

It is easier for a company to quantify the effects of its own marketing efforts than to estimate those of its competitors. Managers clearly do not have all the resources they would like when it comes to evaluating how the competition is performing.

Therefore, it is possible to track most competitors' results and activities in terms of advertising and price promotion, perform the same time-series analysis, and use it to analyze of key competitors' strengths and weaknesses. A full marketing-mix analysis should be part of any company's assessment, as should a holistic view of the entire industry and all its players. Such an analysis can yield deep insights regarding the nature of competition and give the company undertaking the review a clear competitive advantage. Not only will company managers learn more about their own marketing processes, they may come away with a better understanding of the competition than their competitors have of themselves.

Step 3 Identify underperforming initiatives before they become too costly.

Time-series analysis show important insights into how different parts of the marketing mix are performing. In addition, it can show how effectively various elements of the marketing mix are contributing to the overall effort.

Marketing-mix analysis can highlight those activities with the highest ROI at the same time that it flags the ones that are likely to show negative or mediocre returns. Especially in difficult economic times, it is essential to know which activities are working well. All too often, a downturn in the economy is taken as a signal to make drastic cuts in the marketing budget without conducting a disciplined review of risks and opportunities. Numerous studies have shown that cutting marketing

investment during a recession can cause more harm than good. This decision should be analysis driven, not reactionary.

Step 4 Establish accountability for each marketing element.

Some marketing activities are designed to increase awareness of a brand; other, to introduce a new product; still others, to encourage repeat buying and build brand loyalty. Despite this division of labor, many companies evaluate their marketing campaigns by looking solely at sales, as if the marketing effort were a single-faceted activity.

Here is one area where marketing executives can take a lesson from human resource personnel. Just as key performance indicators (KPI) are established, measured, and validated for people working for a company, so the elements of marketing campaign must be put to the test. Just as the KPI are established and people are rewarded for reaching or surpassing performance goals, so the various activities of the marketing campaign can be linked to incentives.

Step 5 Identify products and markets that offer significant growth potential

Many executives direct their companies as if they were driving a car while looking in the rearview mirror. That is, they look primarily at past sales and revenue, where they have been, not where they are going. Given that companies have to demonstrate growth, the quantifiable methods now available can prove very helpful in showing managers where they should place their company's future efforts.

Data on demographic makeup and market profiling can help marketers forecast a brand's future household penetration, frequency of purchase and consumption, replacement rate, changes in weight and packaging, and so forth. Such measures can guide them in planning a brand's future category size and setting its market share. Manufacturer could use such information to better predict future sales and profits.

Step 6 Reallocate marketing resources to capitalize on new growth opportunities.

Some companies allocate resources based on who shouts the loudest. Others conduct detailed planning exercises at the country or category level, but few look across countries and categories.

Many companies find this step the most difficult to implement, in part because they rely on ineffective ways of allocating resources. Too often it is a matter of rewarding business units on the basis of last year's sales. Or managers allocate resources on the basic of a brand's current market size. Neither approach achieves its full potential as the investment hinders proper growth. To make matters worse, an under rewarded business unit may find that the resources it receives actually fall below a minimum threshold of required investment and that, accordingly, the investment is wasted.

A system and process based on investing today proportionally to future profit growth potential would represent a radical improvement for most companies.

Marketers rightly say that intuition, experience, and judgments play a big role in their marketing allocation decisions. While these factors will continue to serve important functions in designing and directing a marketing campaign, they alone can not ensure a high and reliable rate of return on the marketing investment. Every part of the marketing mix – television advertisements, print, packaging, rebates and promotions, incentives to distributors, coupons for consumer, and the like - must undergo the rigorous examination that and advanced econometric analysis provides. Otherwise, its contribution to the success or failure of the marketing campaign can not be determined with any validity.

The marketing process is not a guesswork or reaction work, nor is it purely a creative or artistic pursuit. Rather it can and must be quantified and optimized in ways that most companies have not yet taken advantage of – just as companies have streamlined their manufacturing processes or made their logistic activities more effective and efficient. Given the challenged that all companies face today in being heard above the market noise, it is essential that they begin to take a more disciplined

and rigorous approach to marketing - one that not only make their activities more effective, but also identifies where money is being wasted or misspent. The ultimate goal should be to eventually embed an ROI mindset, system, and process into the overall marketing infrastructure to help ensure that scenarios such as invest huge of money and get nothing are avoided.