

# WORKING TOGETHER

Delivering a successful CRM project depends upon building a successful team, the most important component of which is the core team. The core team usually consists of 8–12 employees for whom the CRM project is a full-time job. Though supplemented by additional internal and external resources, the core team is the group that will live through the project and provide the resources that will be able to execute the methods, processes and technologies that will be the project's results.

## **Building the Core Team**

The make-up of the core team is critical. The team's membership needs to provide three key characteristics – organizational breadth, functional breadth, and resilience. The need for organizational breadth is perhaps the most obvious need. While a CRM project must take care not to spread its efforts too thin, the project has to be more than a simple sales force automation (SFA) implementation or a customer value segmentation exercise. Organization breadth gives the team the knowledge and the relationships needed to bridge the marketing, sales and service silos.

Functional breadth provides the subject matter expertise to design and implement the new CRM strategies, processes and technologies.

## **What skills are required?**

Four key requirements are needed to build profitable customer relationships (see figure on page 11).

- **Designing customer strategies**  
– Building strategies to attract, win and grow customers.
- **Building enabling technologies**  
– Developing and implementing the technology platforms for delivering compelling customer experiences.
- **Developing customer experiences**  
– Designing meaningful customer experiences that provide coherent interactions across multiple customer touch points.
- **Measuring the results**  
– Developing and executing measurement processes to track the business value and provide insight to drive continuous improvement.

Matrixed against these requirements are the skills required for implementations in the customer-facing organization – marketing, sales, and customer service. It is rare for any company to be able to field an internal team with expertise in all of these skill areas. Partnering with external experts is a common solution to this problem. External partners can provide

key skills not resident within the core team, or the expertise needed to coach and develop less-experienced internal resources.

The third of the key characteristics, resilience, is the least obvious needed by the core team. Yet, for many CRM projects, especially those trying to drive significant change in a resistant organization, the ability to keep moving forward after an intense pilot or Phase 1 implementation is the most difficult challenge. Here, too, external partners can provide the core team with help. Partners can provide supplemental resources, the “fresh troops” needed to push a difficult implementation “over the top.” Partners should also provide an experienced perspective – the ability to identify “land mines” and providing techniques for avoiding them; and, most importantly, the foresight to look ahead to the next phase.

## **Building the Extended Team**

The requirement for functional breadth is the first thing that drives the core team to reach out for external help. The need for additional resources to meet peak project staffing levels, especially in phases heavy with technology implementation, is often the second reason that an external firm is engaged. Once the decision to supplement

the core team is taken, the question of sourcing arises – which is better, a large multi-disciplinary firm or a series of smaller, focused, best-of-breed consultancies?

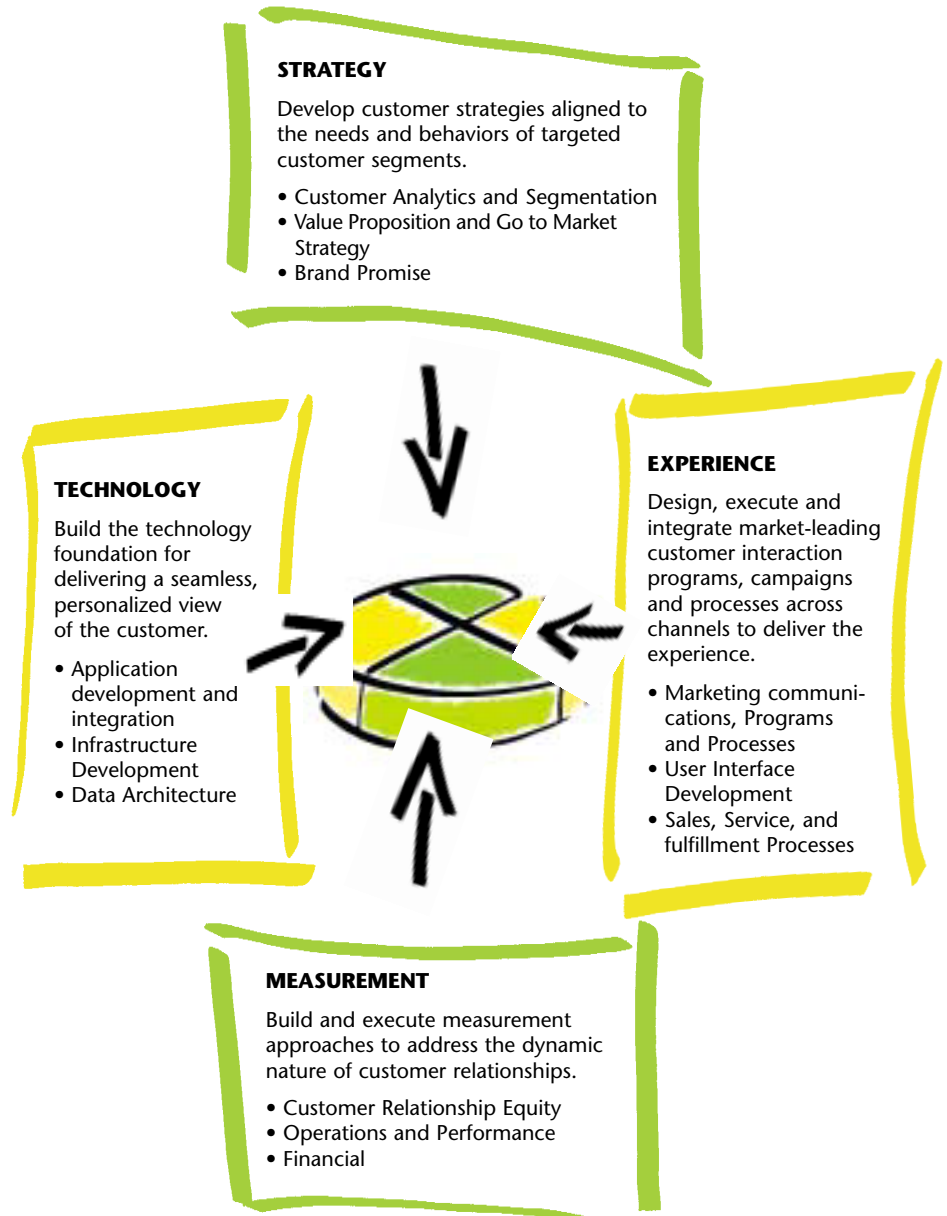
Unfortunately, the best answer is: both. Though many say they can, no single firm can provide deep expertise across all the dimensions of customer relationships – marketing, sales, service, branding, segmentation, strategy, technology, metrics. However, very few core teams have the capability to play general contractor, to develop a single-project methodology and then integrate into it a half-dozen best-of-breed firms.

### The importance of an integrated network

A common compromise is to break up the effort into a series of functional sub-phases, retaining firms with the necessary expertise to assist with specific sub-phases, and then having the core team maintain overall alignment and integration among the sub-phases.

Unfortunately, most core teams do not possess the project management skills necessary to coordinate, on the fly, the smooth integration of multiple sub-phases. The usual result of this approach is a series of separate initiatives, made generally aware of one another via monthly executive steering committee meetings, which are then more or less bashed together by a separate “integration” initiative at the last minute.

There is beginning to emerge, however, a different model. This new model can be called an integration network, a pre-established partnership of best-of-breed firms that integrates the delivery of its individual offerings through a single project methodology, and pro-




The 4 key requirements needed to architect profitable customer relationships.

vides a single project team through pre-set rules of engagement. This is very different from the standard practice of a large integration firm subcontracting a piece of the project to a small specialty firm. Rather than the traditional one-off prime contractor/subcontractor relationship, the members of the integration network come together as a practiced team – a team of highly talented specialists that, having worked together before, knows each member’s strengths and weaknesses, and has a clear game plan, the single integrated project methodology. The core team gains the benefit of deep functional

expertise without having to pay the integration costs.

### Conclusion

CRM requires working together both internally as an organization, and externally with partners. A prerequisite for successful CRM design and implementation is senior management’s support. This, together with the right core team, ensures company-wide support for CRM initiatives across different units. Where the best solutions require working with outside companies to implement solutions, close integration helps ensure a successful outcome. 

# One Web Image

Creating a uniform look and feel – one company, one Web image.

It wasn't that long ago. Remember when you first brought up your company's Web site? It had a nice picture of corporate headquarters and your logo on the home page. Then you realized you should put product brochures up there. And it started to get a little more serious. Now you had a central team that worked with the product groups to put up all the pages. And the site looked good. Pages all looked the same. It was easy to navigate. Then, everything changed.

Suddenly everyone wanted their product on the site. Your central team couldn't keep up with new products. Then everyone started to use these easy authoring tools – HotMetal to ColdFusion – with every temperature in between. In the race to get a broad presence, you decided to decentralize the Web site. "Let the lines of business put up their own pages. They are closer to the products and they can manage their own launches." And you thought that was good.

## Importance of a consistent user experience

And it was, for a while. But as time has gone by, you're starting to notice that three of the product groups have their own e-commerce facilities. Every part of the site has a different look and feel. And you're hearing complaints from customers that it's hard to find things. Just to be sure, you run some usability tests, confirming that your visitors are confused.



IBM "Call-Me" functionality provides a real-world representative to support a customer's virtual experience.



The art of consistency:  
One company, one Web image.

IBM faced just this problem a few years ago. Each product group did their own thing across a multi-million-page site. It was expensive and inconsistent and it wasn't working. To move to the next level as an e-business required a consistent user experience across the site.

### Customer's viewpoint – What would you do?

First, it was important to look at the situation from the customer's viewpoint. Customers were coming to the Web site, but they also interacted with IBM through other channels. Research showed that customers who used the Web also contacted IBM frequently by phone. So, cross-promotion looked like a natural. Display the phone number on the Web site and play the Web address during the on-hold phone message. Could more be done? Last year, the Call-Me button was introduced, so that Web visitors needing help can get a call from IBM within five minutes.

Integrating the Web and phone channels make a more unified customer experience.

But how would you unify the Web experience itself? Every product group had its own Web site and each looked like a separate company. It wasn't realistic to go back to a centralized model, but clearly some kind of central control was needed. In 1997, IBM established a central organization to manage the top-level pages of the site and established a governance model to set and enforce company-wide standards.

### Single look and feel

IBM established a single look-and-feel across the site in 1999. Trying to get each product group to rework the pages and promote them all the same day was a bit like herding cats, but the results were dramatic. Over the years, user research has continued to inform changes to our site-wide navigation template and standards, which IBM updates twice a year.

Today, IBM is focusing on initiatives that improve visitor experiences through improved content. A major area needing standardization was the landing experience,

the first page a visitor sees when coming to the site from a banner ad or other promotion. Studies

#### CRM is NOT primarily about technology.

Buying and integrating a best-of-breed CRM system will not necessarily lead to best-of-breed CRM practices and programs. Successful CRM involves strategy, tactics, processes, and skills, and is powered by technology. It is necessary to have the business clarity and focus, not just the technology, to support your CRM objectives and facilitate reaching the business goals of your company.

You should start by identifying your most valuable customers. CRM requires priority and focus. The biggest gains usually come from learning more about your best customers' behavior, expectations, attitudes and interests. It is only through a deeper level of understanding that companies are able to create and sustain real value for their best customers.

were convincing us of the need to make that first page look visually similar to the ad that drove the visitor to the site, whether a click from a banner, a television spot, or a print ad, to provide continuity and reassurance to continue. At IBM, we expect the adoption of these standards to markedly improve the conversion rate of visitors who click through banners to come to the site. (See next page.)





Kevin Horne

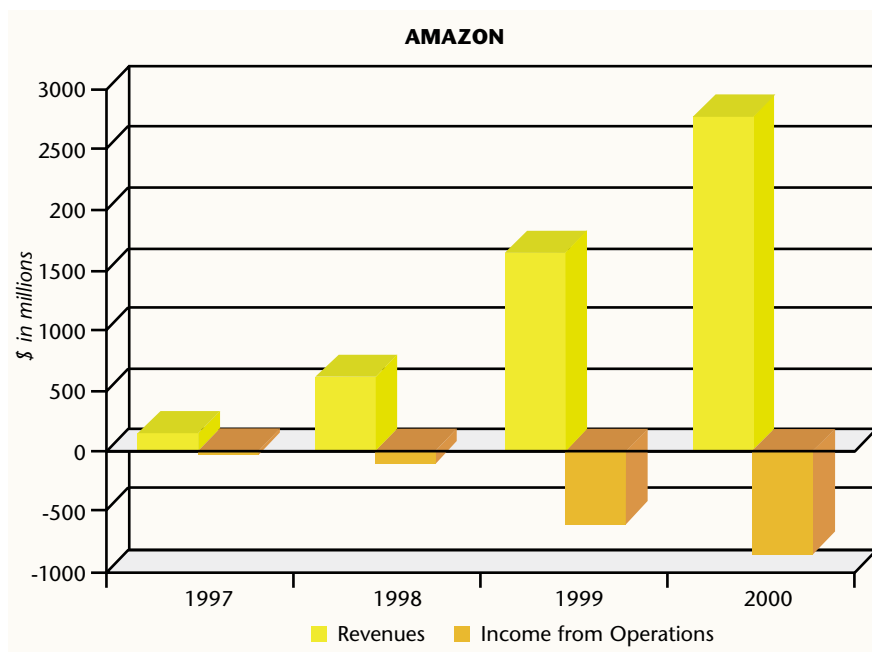
# Multiple Channels, Customers, and Profit

## CRM AND BUSINESS MODELS

How does CRM contribute to a business model? First, it is important to ensure that the definition of “business model” is agreed upon.

If you limited your perspective to the last five years, you might think that a good definition of “business model” is “how a company brings in revenue.” However, it’s impor-

tant to widen the scope to define a business model as the way, or ways, in which a company makes profitable revenue. While the early casualties in the Internet economy were certainly the companies that couldn’t eke out much in commerce sales or advertising revenues, the death spiral eventually caught up with those entities that couldn’t survive the “burn rate” – i. e., their sales just couldn’t outpace their expenses. And many of the (current) survivors are clearly trying to work their way out of the woods. Think Amazon – here is a company with revenues closing in on an annual run rate of \$ 3 BILLION, but it has yet to turn a profit!



More revenue doesn't necessarily lead to profit.



Where the customer is: American Express employs all available channels to deliver what customers want.

### CRM AND THE INTERNET

So, where does CRM fit in? Interestingly enough, the Internet and CRM, if managed properly, could be a perfect match! Web-based companies have several advantages over traditional businesses, which could provide significant competitive leverage, such as:

- real-time customer information and transaction data,
- direct customer “dialog” opportunities, and
- low-cost channel operations.

But, for a variety of reasons, these apparent advantages were underleveraged. Many blame it on bad “business models.” However, digging a little deeper reveals that these models lacked a CRM strategy. One which might have averted some of the pain suffered in the last few quarters.

### CRM AND ROUTES TO MARKET

Let us focus this discussion on the last item mentioned above – the low-cost channel opportunity. On the face of it, it is fairly obvious that the Web can reduce “touch” costs, as well as potentially eliminate costly activities such as phone calls and mailings. What may not

be so clear, however, is the importance of the “touch” to the customer – when, where and what the preferred points of access are. Treating every customer the same, with limited choice of access, is an unwise CRM approach.

Our client work in this arena derives in large part from our channel strategy practice. Here we deploy a “Routes To Market” offering that determines optimal channel investments and projects outcomes in terms of customer behavior (inquiries, purchases, etc.). Our experience shows that, while the exact answer may vary by industry and geography, there is typically a single best route to market, but that it rarely uses a single channel. Instead, the optimum route to market will cross several channels.

The impact of the multi-channel route to market is significant on the CRM strategy. Many dot-com companies quickly learned that even though the Web was the core of their business, customers desired offline alternatives for activities such as shopping and customer service. Treating these customer-access channels as an adjunct to

the core CRM strategy was devastating. Customers couldn't believe that a company's call center had no information on their purchase history, or that they couldn't return products to a store. Or that the customer service representatives treated them poorly (in many cases, these reps were poorly trained, third-party staff).

And we've now become privy to the outcome of all of this – many companies' sales stagnated, and profits became impossible to achieve for most. There have been more than a few ex-CEO's who have suggested, in so many words, “. . . if we had just concentrated on our most loyal customers. . . .”

### CONCENTRATE ON THE RIGHT CUSTOMER

Let's come back to the poster child of the Internet, Amazon, a company very much focused on loyal customers. It's interesting to note that on many lists of CRM best practices, Amazon often shows up. Most often, these citations are for its ability to “suggest” other products in which a customer might be interested, based on an aggregation and analysis of profile



American Express knows that extraordinary service isn't always inexpensive but, for the customer, a need met is always memorable.

information, transaction history, and similar consumer browsing/purchasing patterns. But this is a fairly pinpointed and technologically-driven initiative, not a holistic CRM strategy. It's difficult to say what it has yielded Amazon at a business model level. But at least one analyst recognizes a higher-order problem – Prudential Securities analyst Mark Rowen reported that Amazon added about 3 million new customers in its most recent fiscal quarter, yet “lost” about 2.3 million from its total base of more than 32 million (“lost customer” is defined as one who has not made a purchase with Amazon in the past 12 months). When you imagine the investments required to operate a business with such a high level of customer acquisition and churn, it's not hard to believe that profitability remains elusive.

“We believe there is a clear negative correlation between Amazon's improving operating margins and its loss of active customers.”

Mark Rowen, Prudential Securities

### REMEMBER CUSTOMER'S PREFERENCES

The answers are not easy. But a simple first step is recognizing the following – companies with a CRM strategy recognizing customers' preferences in a multi-channel universe are more likely to succeed.

Simply stated: No CRM strategy = no profitable customers = no business!



# Where There's a Need There's a Way.

Expanding the ability to deliver value through  
interactive and customer-centered thinking

As is true in traditional advertising, digital marketing has the ability to sell products and services. Through interactive, marketers can convey a brand promise, support awareness and create added emotional bonds with customers.

Via the other side of interactive, application development, marketers can also tap the ability to couple a powerful addition to a brand promise: Brand experiences.

We're talking about the kinds of online brand experiences that serve the needs and wants of a brand's customers in ways that complement and reinforce the positive moments they encounter in using the same product or service in their offline lives.

A key to leveraging this potential is a shift in outlook, one that says that, in addition to selling products and services, and along with building awareness, digital marketers can actually shape and even invent meaningful products and services.

Creating products and services, not only selling them.

A bit of definition: When we create Web sites, *interstitials*, or banners, we are also creating products and services. They happen to be software products and services, and are delivered on many platforms – the Web, PDAs, wireless devices are just a few. What most defines them as products and services is a simple fact: People use and interact with them.

These “tools” serve as experiential connections between customer and brand. While the experiences can reinforce all-important brand messages, when done well, they become the brand in action.

It's evident that when we create good online tools, we help the customer initiate and maintain a relationship with a brand. However, start thinking of tools as products, and suddenly the potential of Web sites and banners expands; view them as services, and the potential becomes dramatic. Services, after all, represent the most natural value businesses can deliver to customers via the Web.

**Applying an understanding of fundamental customer needs.**

To complete this thought shift, there's one all-important criterion: Understanding customer needs and how they relate to your business. Here lies the core of customer-centric thinking. Let's examine an example.

Virgin Atlantic Airlines, widely recognized in the industry for being highly customer-centric in their operations, is an excellent example of customer-centric thinking and innovation. In particular, their value proposition for upper-class customers is hard to beat.

**Moments of Truth: Turning challenges into solutions.**

What Virgin does well is understand the challenges facing their customers; what they do brilliantly is translate those challenges into services, products and enhance-

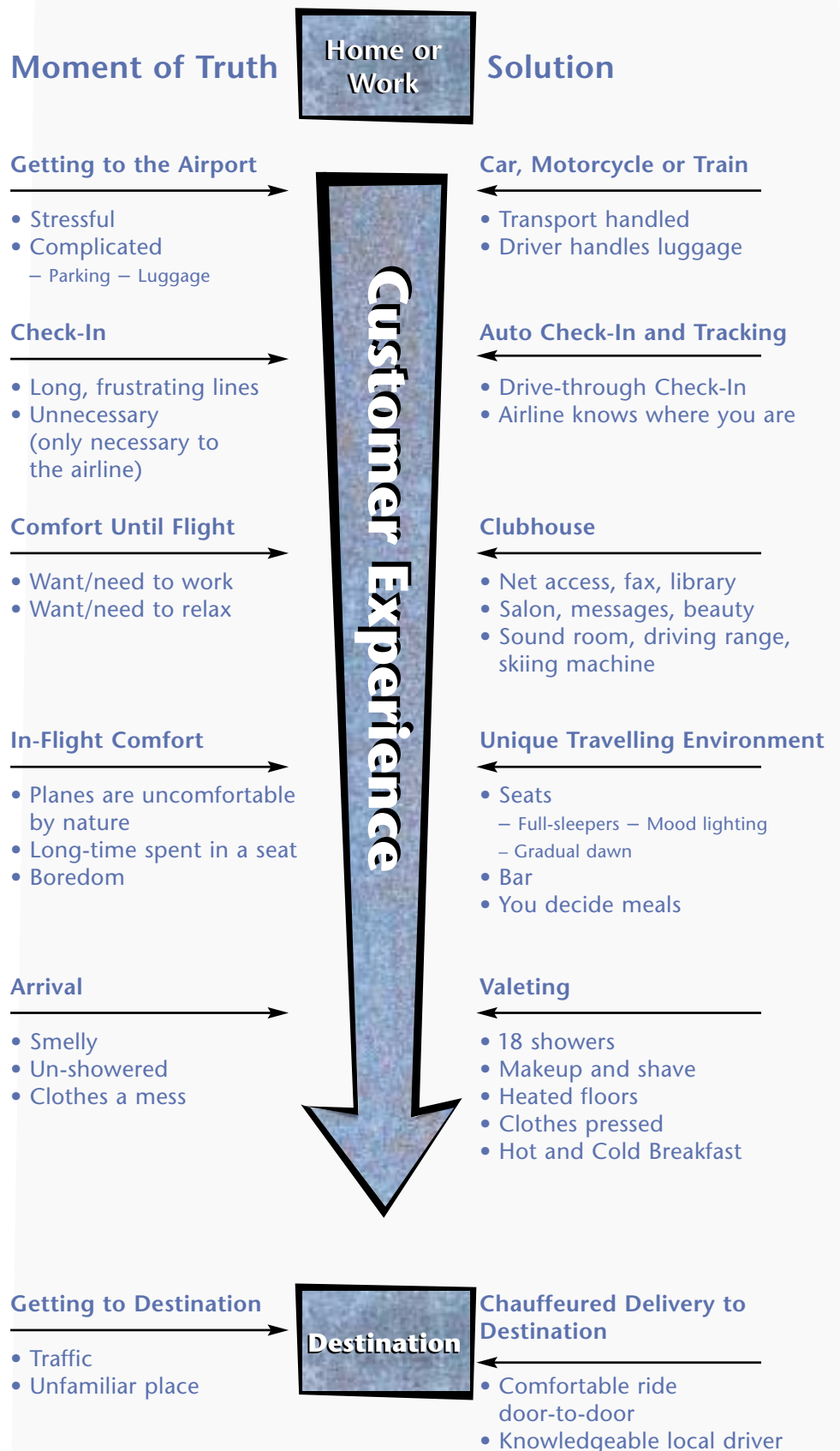


Figure 1: Virgin upper class customer experience: surpassing expectations.

## Issues

Small  
Business

## Solution

### Application Process

- Lengthy, over 10 pages
- Month-long approval wait
- Thin customer service support at peak hours

### Using the Card

- Limited acceptance at merchant establishments
- Credit limit and account info hard to determine
- Uncertainty about which card to use at P.O.P.

### Your Bill

- Rigid billing cycle may not fit small business cash flow
- Hard to get billing data into business owner's accounting software
- Limited account info available to owners

### Capital Expenditures

- Small Business cash flow uneven; hard to get loan approval
- Long waits for loan approval/rejection notice
- Small business can't offer as many services as larger competitors

### Taxes

- Complicated record keeping required
- Rules specific for small business, expertise required

### Payroll

- Cash flow unpredictable, but payroll a constant
- Payroll a constant issue, even for profitable small businesses

Customer Experience

### Fast and Simple Application

- Simple App (easy to use, 5 pages maximum)
- Instant approval
- On Your Terms, i. e., 24/7/365 availability
- Application venue of choice (Web, phone, etc.)

### Flexible and Informed Payment System

- Payment solution: Buyer uses card, company sends check to Seller
- Preferred plan for small business customers at select merchants
- Status check: view account any time
- Education on where and when to use the card

### Management Tool

- Flex Cycles for billing – customer chooses
- Billing data made compatible with order and banking software
- Full account info, plus "limit" notice and due date reminders

### Growth Tool

- CapEx Options: advice on realistic terms.
- Instant Approval with alternatives, product variations
- Community Connection: merchant partnerships to fill service gaps

### Headache-free Reporting

- No-Sweat Proxy Service – data direct to your accountant
- Tax Data Reminders for customer and accountant
- Online and Tele-help tax info service

### Worry-Tree System

- No surprises in account status check: notifications and alternatives offered
- Loyalty-based alternatives: e.g., bridge loans to meet payroll

Business  
Success

Figure 2: Moments of Truth analysis: Identifying common problems faced by small business owners who were customers and prospects of a major financial services company and converting these issues into actionable, customer-centric solutions.

ments. Figure 1 on page 55 illustrates the common challenges, or Moments of Truth, for almost any business traveler going from home to a final destination on a typical trip, and the associated solutions and services that Virgin Atlantic offers in response.

*“Once you become customer-centric, it isn’t hard to envision how to create services in interactive media”*

Getting to the airport is difficult, so Virgin Atlantic will come pick you up, even by motorcycle, if that’s your preference. Checking in for your flight is a pain, and it really only benefits the airlines, not the traveler. Virgin Atlantic solves it by keeping your driver in touch with the gate during your ride to the airport. By the time you arrive, you are already checked in (by your driver via phone) and as he drives up, someone is waiting to check your bags on the spot. Each Moment of Truth is addressed in a customer-centric fashion.

Many of the Virgin Atlantic solutions require a decision on their part to do business in a certain way. But one can begin to see how, once there is a commitment to doing customer-centric business, it isn’t tough to envision how to enhance and create services in interactive media.

## From Airlines to Financial Services

Recently, OgilvyInteractive in New York employed a similar approach to defining an offerings plan for the small-business services unit of a major financial services company. The objective of the research was to uncover the critical Moments

of Truth – and to thereby identify potential service enhancements and new service opportunities.

To discover relevant Moments of Truth (see Figure 2), we started with actual customers, interviewing small business owners who were customers of the brand. We uncovered six Moments of Truth.

In turn, we were able to identify several key conditions ripe for new solutions. Here are a few highlights. For example, we learned the application process was too long, up to 15 pages too long. Worse, applicants waited weeks to find out if they were accepted. This is not an optimal situation for a small business with a deal on the table.

*“Start thinking of tools as products, and suddenly the potential of Web sites and banners expands; view them as services and the potential becomes dramatic”*

We also learned that small business owners work exceptionally long hours, and usually do their administrative work after hours, at home. Exactly the hours when the financial services company provides its least robust telephone customer service (an example with evident implications for online services opportunities).

When their own customers don’t pay on time, small business owners frequently face cash flow pressures. Financing for capital expenditures, paying their taxes, and meeting their payroll on time were all Moments of Truth contributing to the problem. While the financial services company in this example wasn’t to blame for the cash flow problems, they weren’t

appreciating the service opportunities these problems presented.

**When you’ve found ways which match the needs: your reward.**

These are just a few highlights, but you get the picture. By uncovering these needs, actionable solutions were identified, yielding numerous recommendations for efficient service improvements. These insights will result in better customer experiences and loyalty, and ultimately deliver measurably improved ROI.

Hopefully, we’ve illustrated the importance of customer needs and Moments of Truth. And how, by thinking in terms of making products and services – not simply tools – one can deliver greater value to a brand’s customers. We encourage thinking in these terms. Working to identify and fulfill customer needs is a critical skill that can be applied

### Conclusion

Remember that CRM is a journey, not a destination. CRM is a never-ending cycle of testing, measuring, and learning what works and what doesn’t. It is important to understand that CRM is not a system. It is, instead, a new way of doing business, a powerful strategic asset, a core part of the brand, how you fulfill your brand promise in customer’s mind, and a value/belief-system. It should be owned and practiced by the entire company, not just the marketing division. When considering ROI, these factors should be taken into account.

Most importantly, DON’T get hung up on acronyms and jargon. CRM is intended to allow you to know your customers better than your competitors, and give them what they value most. When you consider how much it costs to acquire new customers, you simply can’t afford to lose existing ones.

to any business problem. Which, in turn, can make one’s business that rare gem among others: a customer-centric company.

