



SAP White Paper
SAP Customer Relationship Management



CRM WITHOUT COMPROMISE: A STRATEGY FOR PROFITABLE GROWTH

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THE CRM PARADOX

Investments in customer relationship management (CRM) applications have produced a broad spectrum of results. Some companies report amazing outcomes, such as dramatic increases in revenue and boosts in customer satisfaction along with significant savings in operating costs. For others, such investments have delivered only limited benefits or proved disappointing.

Notwithstanding notable success stories, we have been witnessing a paradox trend: While implementing CRM, many organizations have lost sight of their customers. They focus on efficiency gains in specific areas like sales force automation (SFA) instead of looking at the bigger picture – from a customer perspective. They fail to become truly customer centric because they rely on point solutions with little or no integration – solutions that are not aligned with the organization’s long-term strategy and provide only a limited view of the customer. They focus on single channels and rarely achieve true multichannel coverage, resulting in bad customer experiences. They either compromise on functionality or try to achieve too much at one time and end up with a complex, expensive implementation with hardly any return on investment. Organizations often just automate existing bad processes instead of redesigning their customer-facing operations based on best practices. No wonder customer satisfaction is near an all-time low in many industries. It’s time to refocus on what CRM really is about – the customer – to achieve the results CRM has promised to deliver. In order to be successful, organizations must approach CRM without compromise.

Focusing primarily on bottom-line costs and departmental goals limits the top-line potential of CRM investments. The benefits of CRM can be much greater if more companies take CRM to the next level by designing their CRM strategy for future ambitions instead of just implementing software to support current capabilities. This white paper describes the concept of “CRM without compromise,” elucidating how organizations can maximize their results by taking a more structured, holistic approach to CRM across the enterprise to gain a competitive advantage and promote sustainable, profitable growth.

A CUSTOMER-CENTRIC BUSINESS STRATEGY

Customers Define Your Business

No business can exist without customers. Without customers there is no reason to make any investment in employees, products, office equipment, or technology. That’s why you need to look at your business from the customer’s perspective: The customer defines your business. No matter how good a product is or how efficiently an organization operates, without customers there is neither growth nor profitability. Customers make the purchase decision and they bid the price up or drive it down depending on the value they perceive from a product or service. It’s the customer who decides which way and when he or she wants to interact with a company and how he or she wants to buy products – online, over the phone, in a store, or through another channel. It’s the customer’s perception of everything a company does that creates an image of its brand and eventually determines its success or failure as a business. Hence, you need to develop strategies that enable your organization to continuously improve the ability to win, know, and keep your customers.

A Strategic Perspective on CRM

CRM isn’t new. Every company needs to do CRM – one way or another. No matter what the business, every company has to make its products known to the market and find customers who are willing to buy its products in order to stay in business. Every company must discover customer needs, market and sell products that meet these needs, provide some sort of customer service, and make sure that the revenue it generates covers the costs of business plus any profit margin it tries to achieve. Obviously, some companies do this better than others.

These companies take a holistic approach to CRM and put the customer first. They elevate the role of the customer throughout their business and approach CRM with the same fortitude, care, and steadfastness with which they approach other critical business functions. Companies that have taken this path, transforming their organization from a product-centric into a customer-centric business, report amazing returns: double-digit revenue growth, improved customer satisfaction and loyalty, reduced churn rates, and increased frontline employee productivity, along with dramatic savings in customer acquisition costs, and lower costs of marketing, sales, and service operations.

Successful companies build their business around the customer. They know who their most valuable customers are and understand their needs and buying habits. They target and tailor their offerings and personalize their interactions with their customers. Successful companies design and continuously improve business processes across their entire ecosystem – including partners, suppliers, resellers, and distributors – to respond quickly to changing customer needs. They strive to become fully customer driven, delivering superior customer, value and consistently providing exceptional customer experience across all customer touch points. They make every effort to build long-term relationships with their customers, recognizing that keeping customers is more profitable in the long run than winning new customers over and over again.

Essentially, this is what CRM is about. It's a customer-centric business strategy – not a technology. However, IT is a mission-critical element of this strategy, not just to understand each customer's needs, but also to reshape business processes to meet customer expectations, empower employees to best serve the customer, and determine how to most efficiently and effectively deliver on those needs.

This Is What CRM Is About

- Acquiring customers
- Keeping customers
- Growing your customers
- Gaining customer insight
- Interacting with your customers across all touch points
- Building lasting relationships with your customers
- Delivering value to your customers
- Achieving a sustainable competitive advantage
- Growing your business

STRATEGIC BUSINESS CHALLENGES

CRM is a business strategy that helps organizations cope with three of today's most urgent business imperatives: generating new growth, attaining operational excellence, and enhancing competitive agility.

Driving New Growth

More than ever, CRM is critical to an organization's success. After more than a decade of harnessing cost-savings potential to remain competitive in an increasingly global economy, driving growth has replaced cutting costs as the most important goal of most CEOs. Hence, it is no surprise that CRM is back on the agenda of many top executives.

To stimulate new growth, organizations worldwide are beginning to explore a more disciplined approach to exploit untapped opportunities and make the most of relationships with existing customers. They strive to increase wallet share, deploy new channels, penetrate underserved segments, reach out to new customers, and enter entirely new markets.

However, in order to drive new growth in today's complex, highly fragmented, proliferating multichannel environment, CRM must have a different place in the value chain, enabling organizations to excel not only across, but also beyond customer touch points. IT needs to strengthen and hone an organization's capacity to identify sources of differentiation that are difficult to imitate and to discover opportunities to deliver value to the customer and get value in return. In addition, operational excellence and competitive agility are critical to securing long-term success and sustainable profitable growth.

Operational Excellence Redefined

Until recently, price and efficiency were the driving forces of competition. Many companies set their sights on increasing their competitive strengths by improving their internal processes. Continuous, standardized processes were the key to new efficiency potential and to survival in the market. The spotlight has since shifted to relationships with customers and partners; inter-

nal efficiency alone is no longer enough to guarantee market differentiation and competitive edge. Success is no longer determined only by price and product, but also depends on well-designed sales channels and service processes.

At first, niche vendors took the opportunity to turn this situation to their advantage. "Best of breed" became the new catch phrase. Companies were encouraged to focus on the customer through CRM software. However, while sales productivity, call center efficiency, or marketing effectiveness may have improved, internal focus, tactical departmental solutions, and inadequate integration of front- and back-office systems often prevented the progression to efficiently managed customer relationships. Where closer integration was attempted, customization and maintenance costs were high, and many times real integration was never achieved.

Successful companies realized that integration along the entire process chain was the only way to gain a lasting competitive advantage. The need for change grew under the terms of global competition. So far, few companies have used the time profitably, redefining their own strategies and reshaping business processes for a truly customer-driven enterprise.

Operational excellence in today's context needs to encompass not only customer-facing operations within departmental boundaries, but also end-to-end business processes in an industry-specific context. In order to succeed, an organization must be engaged in more than running effective marketing campaigns or operating an efficient call center. Entire business processes such as order to cash or customer problem resolution need to be customer driven; seamlessly connected to other critical business functions from finance to the supply chain; and designed to meet customer expectations regarding quality, speed, convenience, and reliability.

Organizations need to break down their silos and redefine their business processes from end to end, intertwined and coordinated across front and back offices beyond customer touch points for a common goal – to create and deliver customer value.

Competitive Agility

In today's highly competitive and dynamic market environment, organizations need to continuously develop distinctive capabilities to quickly perceive, adapt, and respond to ever-changing customer and business needs – ideally before their competitors are even aware of an opportunity. Agility and speed have become critical competitive differentiators; constant innovation and business transformation have become imperative. In some respects, it's an organization's ability to reinvent itself that ensures its long-term survival and success.

As less emphasis is placed on the products and services offered by an organization, what becomes more important is how quickly it can deliver those products and services to customers and how flexibly it can respond to market changes. Hence, for a company to enjoy success in the coming years, flexibility, openness, collaboration, and speed must become integral parts of its corporate culture.

Coping with constant change and market dynamics, adapting business processes rapidly, and quickly turning innovation into customer value are not only key to improve the bottom line, but also fundamental to achieving sustainable top-line growth. This puts CRM at the core of a successful business strategy: By capitalizing on customer insight, organizations can better and more quickly identify and prioritize new sales opportunities, discern and leverage sources of differentiation, spur product and service innovation, and strengthen relationships with customers and partners. Anticipating customer needs early helps improve decision making and time to market, and provides the basis to better align supply with demand and quickly shape demand in times of constrained supply.

In the future, companies will also need to focus increasingly on their core competencies and will be evermore dependent on an integrated network of partners and suppliers to meet customers' demands. In such an ecosystem that includes different organizations, you must be able to implement new business models that go beyond traditional value chains to encompass entire customer-focused and demand-driven value networks as quickly as possible in order to secure competitive advantages.

As flexibility, adaptability, and speed become winning elements of corporate success, IT becomes more critical than ever. It needs to provide the basis for rapid response and the adjustment of business models in order to keep pace with changing market conditions. In this broader context, IT is more than an enabler supporting existing processes and tasks – it's a catalyst for business transformation. This, of course, requires that the technology itself is flexible and open and supports both tactical and strategic business needs. Organizations must be able to realize quick time to value to meet immediate business needs and short-term goals. At the same time, they must be able to uphold their long-term business strategy and adapt to changing business needs in order to become a truly customer-centric enterprise and maximize their return on investment in the long run.

THE PATH TO CRM SUCCESS

You can't achieve all of this overnight. CRM is a journey – it requires a vision, a strategy, and a deliberate execution road map to get there. It requires a holistic view of customers, channels, processes, employees, partners, and technology, as well as a stepwise approach to its implementation.

Evolution of CRM

Today, very few companies have managed to become truly customer-centric, and most still have highly fragmented customer-management applications to support specific departmental or divisional needs. CRM implementations range from initial, isolated efforts to improve customer-facing processes (such as simple contact management or spreadsheet-based sales planning) to more sophisticated support of specific customer-interaction channels for improving sales effectiveness or call center efficiency. Or they can be entirely customer-focused, value-network-enabled organizations that expand CRM beyond the enterprise and across the entire ecosystem. In years to come,

more companies will embark on a journey to reach higher ground, aligning channels and departments, allowing them to achieve better and more tangible results. This transition isn't easy: it takes time and requires a commitment to customer-centric philosophy across an organization from top to bottom.

Customer-Centric Ecosystem

Customers influence virtually every business function, role, and resource of an organization and its partners, which is why CRM touches all of these areas. A truly customer-centric enterprise empowers its own organization and partners to orchestrate their employees, processes, and resources to gain visibility and deliver value around customers. CRM encompasses all interaction with customers and prospects across different channels and touch points and all business processes that are related to the customer from end to end – whether they are customer-facing or take place in the back office, like order fulfillment and accounting.

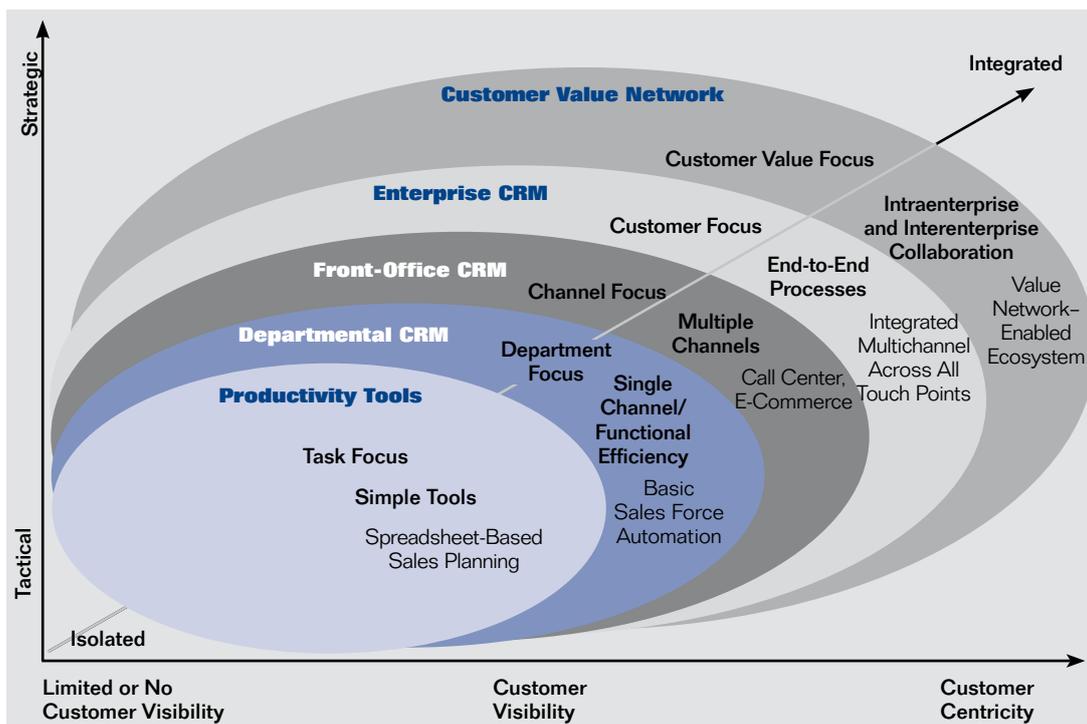


Figure 1: The Evolution of CRM

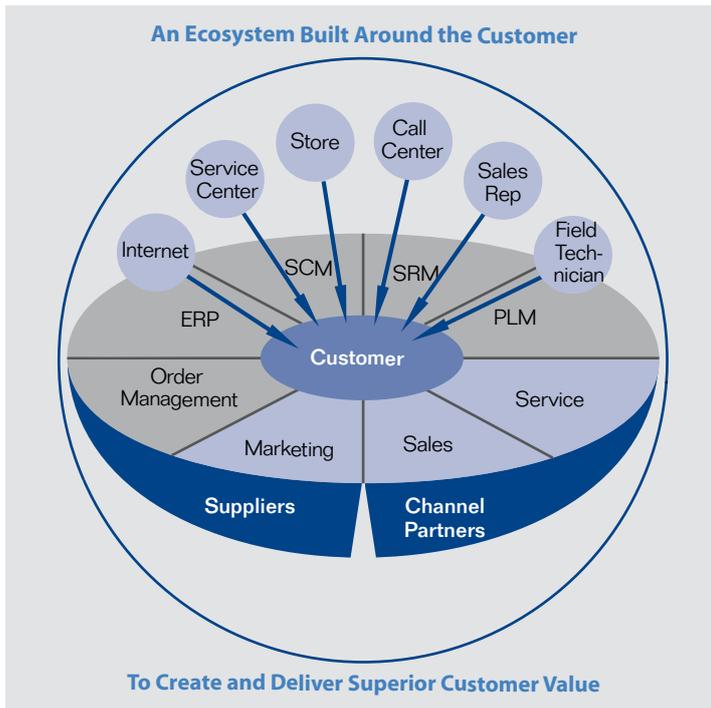


Figure 2: The Customer-Centric Enterprise

In a customer-centric enterprise, front and back offices are interlocked synchronizing the supply and demand chain; this includes not only marketing, sales, and service departments, but also finance, human resources, product development, and supply chain management (SCM) activities, such as inventory management, sourcing, order processing, delivery, and logistics. The role of channel partners goes way beyond serving as a distribution channel. They become an integral part of this network, complementing the core competencies of an organization and adding customer value by providing critical functions to market to, sell to, and service customers. All of their interactions with the customer – on behalf of the brand owner – have a strong impact on customer experience and brand image.

A customer-centric enterprise must be a dynamic, networked organization that can quickly perceive, adapt, and respond to customer needs and changing market conditions before their competitors are even aware of an opportunity. Consequently,

IT needs to enable both intraenterprise and interenterprise collaboration and provide customer insight throughout this network. It needs to support organizations in building such an ecosystem around the customer to consistently create and deliver superior customer value and provide an exceptional customer experience across multiple customer touch points.

The key to success of such wide-ranging CRM implementations is an evolutionary approach where each step in building the system represents a carefully planned, well-defined advancement of the business strategy. Successful companies take a very disciplined, sequenced path to implementing CRM, launching highly focused projects first to solve clearly defined problems in areas that can undermine overall performance, such as customer contact center or order management. In these most critical areas, they start with improvements that promise to yield the biggest returns. Upon achieving their goals with small projects, they leverage their initial investments to address additional challenges. Some extend their implementations by integrating additional channels like the Web and commence with the leveraging of customer insight to better target customer interaction and drive product innovation. Over time they continuously improve their capabilities not only to increase customer value, but also to maximize the value they get in return.

A Real-Life CRM Journey – Step-by-Step

Let's take a look at a global high-tech company serving both consumers and business customers that recognized its need for a broad customer-focused strategy comprising all customer touch points.

Its sales came from different channels including the Web, resellers, and a customer care center. For large accounts the company also had a field sales organization. The customer care center has been and continues to be its primary face to the customer providing technical support and serving as a sales channel. It comprises more than a dozen call centers across North America, Europe, and Asia Pacific – both in-house and outsourced.

The Challenge

For each sales and service channel the company had disparate solutions in place – most of them only providing basic functionality. Even within the customer care center, different systems and databases caused inconsistent call handling, order management, and service resolution. Agents at different call centers worked in different environments with different tools at each location, and they all had to access three different systems to check product registration, get product and price information, and take orders or provide technical support. Toggling between different systems took a lot of time and caused inconsistent problem resolution; hence, customer satisfaction was declining. The different channels were not integrated at all.

The Vision

The goal was to better meet the needs of customers through an improved customer experience across all touch points and to generate customer insight for use across the enterprise from product development to marketing, sales, and service.

The Strategy

The plan was to move step-by-step from diverse regional, departmental, and tactical implementations and myriads of systems (including many silos) to true multichannel coverage from a single instance. Most critical to the business, the customer care center was the logical starting point of its journey, which began in North America with subsequent roll outs (and adoption of regional distinctions) in Europe and the Asia-Pacific region.

Execution Road Map

Step 1: Reshape the Customer Care Center

- Create a single instance for customer data, product and price information, order management, and service resolution.
- Streamline sales and service workflows, eliminate costs, and drive revenue by providing customer service agents with easy access to up-to-date information.

- Standardize tools and processes based on best practices across in-house and out-sourced call centers to ensure consistency and provide one face to the customer.

Step 2: Add Analytics and Marketing

Analyze customer data from the customer care center to create customer profiles, gain customer insight, and use that insight for targeted marketing activities, up-sell opportunities, and more-personalized customer interaction.

Step 3: Integrate the Web Channel

Extend the interaction channels to the Internet by providing customers with an intuitive e-commerce Web site and easy-to-use online self-services – fully integrated with the customer care center and back-office fulfillment processes.

While the intention of the original plan was to replace a legacy sales force automation (SFA) system, priorities of the IT department had shifted to an enterprise resource planning (ERP) upgrade and roll out of both ERP and customer relationship management (CRM) to a recently acquired company. But an SFA solution was still needed as soon as possible.

Step 4: Implement Integrated SFA

- Support the combined sales force of both organizations as soon as possible – without disruption to the business.
- Subscribe to an on-demand SFA solution that can integrate with CRM on-premise to immediately support the sales force; transition to an on-premise solution once IT is ready.
- Use this tactical approach, which is fully aligned with the organization’s long-term strategy and not a temporary dead-end solution.

Step 5: Include Channel Partners (Resellers)

The last step will be to expand CRM to support the indirect sales channel (that is, resellers) in order to better manage channel partner relationships, enable channel partners to better sell to and service end customers, and improve management of channel marketing funds.

Once the company completes these five steps it will have integrated all customer touch points including the indirect sales channel. Customers will have a consistent experience across all interaction channels, employees will have a single view of the customer across the organization, and business processes will be streamlined and seamlessly integrated across departmental boundaries for marketing, sales, and service.

A STRATEGIC FRAMEWORK FOR CRM

A Framework to Outsmart and Outgrow Your Competition

Stimulating innovation and energizing growth requires the creativity of people and deliberate deployment of technology. In order to gain a competitive advantage and make the most of relationships with customers, organizations ought to blend art and science. Market leaders complement creative marketing campaigns with precise analytics, thoughtful planning, and rigorous execution. They combine skillful selling with proficient guidance, scientific methodology, and analytic insight. They couple this with distinct excellence, accuracy, and speed in performing critical operational activities such as processing orders, fulfillment, billing, and payment. Last but not least, they not only serve their customers in a friendly, courteous, and respectful manner, but also deliver these services in a reliable, fast, and satisfying way. Different disciplines need to work hand in hand and should be masterfully orchestrated to create value and successfully attract and retain customers.

Organizations seeking to outsmart and outgrow competitors with CRM should consider some basic principles that are vital to yielding maximum returns on their CRM investments. This includes capitalizing on customer insight: aligning marketing,

sales, and service with the customer in mind; managing customer experience across touch points; guiding customers to the right channel; connecting the front and back office; and creating a value network with partners – while balancing efficiency and effectiveness.

As fundamental pillars of your CRM strategy, you also need to put in place the right technology platform, consistently manage performance improvement, and develop and endorse a customer-centric culture throughout the organization. All together, these principles and fundamental pillars of a customer-centric enterprise constitute a strategic framework for CRM that can help you distance your organization from the competition and secure sustainable success.

Capitalizing on Customer Insight

A prerequisite for successful customer relationship management is to know your customers and leverage this knowledge to make the most of these relationships. Essentially, gaining customer insight is about learning your customers' needs, preferences, and expectations; tracking their purchases and interaction history; understanding their buying behavior; and determining their value to the organization. In today's highly competitive environment, organizations need to identify and prioritize opportunities before it becomes too late.

To be ahead of the competition, organizations need to develop proprietary information about customers beyond common industry wisdom, linking relevant customer data with information about channels, segments, products, and events. Therefore, you need to gather customer information across all touch points, departments, and divisions; combine it with data from other sources (both internal and external); connect, consolidate, and analyze that data; extract the appropriate data; and convert it into useful customer knowledge. Now, it's vital that you embed your customer insight in critical planning and decision-making processes such as sales planning, new product development, and marketing investments, as well as resource alignment and supply chain planning.

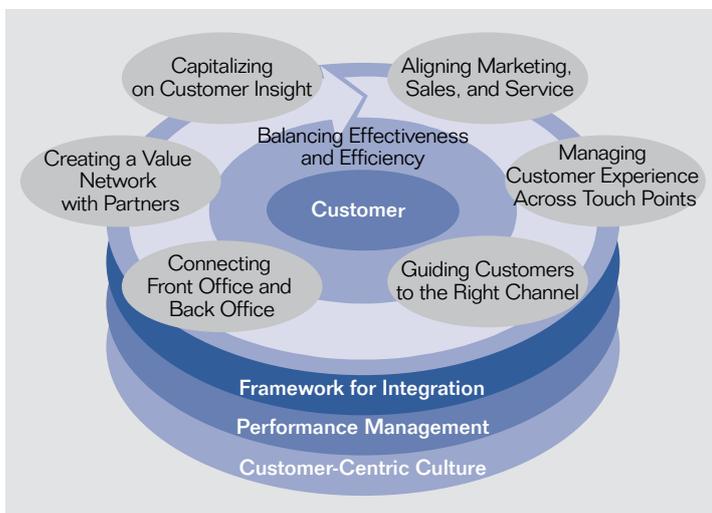


Figure 3: A Strategic Framework for CRM Success

The data sources, tools, and storage capacity to do so are available today. The issue is, however, that many organizations fail to recognize the value of customer information that goes beyond what, when, how, and why their customers are buying. Although organizations capture a lot of information and may even have complete records of customer interaction histories, the data often resides in isolated systems owned by a single department, division, or market research group, and is neither linked together nor shared across the enterprise. In order to capitalize on customer insight organizations not only need to get a 360-degree view of customers, but also must generate valuable insights using different perspectives (product, channel, or segment). And you need to make the insight accessible throughout the organization and translate it into frontline actions.

Successful organizations build a customer intelligence network that becomes an integral part of their entire business and enables them to better target marketing campaigns and customer interaction, tailor product offerings, identify and prioritize sales opportunities, and increase lead conversion rates and share of wallet. Disseminated customer insight can also be leveraged to improve product quality, inspire product innovation, improve service processes, and better define service levels. If passed along the entire value chain, it can help you optimize inventory levels, improve supply chain planning and execution, and reduce cycle times.

Equally important is assessing the value of a customer to the organization. For example, the projected customer lifetime value can be a very powerful concept to improve customer interaction and to better allocate resources across marketing, sales, and services. The value of a particular customer should determine the amount of time and effort invested in the customer relationship. However, the value of a customer should not be seen in strictly financial terms. Customers can also have a strategic value if they are opinion leaders, win backs, early adopters, “tipping point” customers, important references, or industry leaders who may influence purchase decisions of many other potential buyers.

Balancing Frontline Efficiency and Effectiveness

A good CRM strategy needs to balance effectiveness and efficiency. Often considered synonyms the two terms take on different meanings in a business context. Efficiency is the degree to which a business process consumes resources such as time, financial resources, or human resources. It addresses questions such as these: How fast can you process an order? How much does a customer service call cost? But effectiveness is about how well a process accomplishes its intended purpose, for example, driving revenue or better service quality. Here, it’s about generating customer value, which ultimately leads to customer loyalty.

In business, it’s very important to distinguish between efficiency and effectiveness, and to understand the implications of each: Efficiency doesn’t matter unless you take the right actions, that is, anything that contributes to providing your customers with the value they require so you can get the value you require. A product that doesn’t meet customer needs won’t sell, no matter how efficiently you operate. Making bad processes faster or less expensive doesn’t help either – that’s not what customers want. Yet, effectiveness alone isn’t enough either: in order to stay in business an organization needs to operate efficiently, balancing cost and revenue.

Inefficient processes are costly, which is why organizations need to be able to eliminate duplication of effort, automate rote tasks, reduce waste and rework, better utilize resources, and streamline entire business processes. But ineffective processes are costly as well because they aren’t reliable and don’t deliver on an organization’s value proposition. They result in a negative customer experience, more customer complaints, and higher churn rates, and eventually destroy market share.

While efficiency helps you stay in the game, effectiveness enables you to win. Still, most organizations tend to focus their efforts largely on efficiency and often ignore how those efforts impact an organization's effectiveness. For example, while reduced average call-handling time can improve call center efficiency and provide cost savings, it can also result in ineffective problem resolution leading to declining customer loyalty and missed (future) revenue opportunities.

Deflecting customers to low cost channels (for example, from the phone to the Internet) may be efficient, but it's hardly effective if customers are forced to do something they don't want to do or don't see any benefit or value in it. The almost frantic urge of many organizations to unconditionally strive for efficiency in terms of reduced operational costs may alienate customers and erode profits. In other words: efficiency improvements must not compromise effectiveness.

Customer-centric organizations must give effectiveness precedence over efficiency without neglecting to identify critical processes and areas for efficiency gains. This is definitely a big challenge, which is exactly why it's important: the best-run companies develop strong capabilities and distinctive competencies, and leverage IT to efficiently marshal them to create exceptional customer value, thus turning them into competitive advantages.

Aligning Marketing, Sales, and Service with the Customer in Mind

Marketing, sales, and service are the cornerstones of CRM. Thus most companies start their CRM journey in their marketing group, sales organization, or service department seeking to address specific business challenges in the respective area. However, departmental thinking and decision making often lead to disparate systems, an incomplete view of the customer, and broken processes. While a step-by-step approach focusing on the biggest challenges first makes perfect sense, organizations should always keep the bigger picture in mind and have every employee in every department pull in the same direction and strive to create and deliver value to the customer.

Many organizations fail to get marketing, sales, and service aligned in such a way that it benefits both the organization and the customer. Conflicting goals and short-term thinking as well as egoism and rivalry (sometimes even hostility) among different parts of an organization lead to problems that can be avoided when there is a shared CRM vision and culture in place across the organization from top to bottom. (This may entail putting departments for disciplines such as sales and service under the same management.) A consistent customer experience can't be achieved when each discipline makes independent decisions and takes isolated actions to achieve its numbers.

For example, it's a common experience for customers to call about a newly advertised promotion and find that the call center agents have not been adequately briefed and can't find the information about the requested special offer. Even if the agents can retrieve the required information after putting the customer on hold and spending a lot of time searching for the answer, they may still be unable to take an order because their order entry screen doesn't accept the promotion code. This can happen if the order management system has not been updated immediately when the promotion was launched. The likely results are that customers aren't pleased, agents need more time to complete their calls, and many imminent sales opportunities are lost.

Customer interactions have become key sources of competitive differentiation for many organizations: Every single interaction provides a chance to better understand customer needs and preferences, please the customer by solving his or her problem, or increase share of wallet. By failing to pass leads, service cases, and purchase histories across departments, companies miss out on such opportunities.

Sales representatives need to know about any current service issues, customer escalations, back orders, or unpaid bills as well as relevant marketing promotions before they make any attempt to sell more products to a customer. When pursuing a complex sales opportunity, hybrid teams from different departments and product divisions need to be aligned and coordinated.

Marketing managers should be able to leverage customer information from the sales and service organization to better target their messages and offerings, and tie their marketing program to sales planning and forecasting.

Customer service agents need quick access to a customer's complete sales and service history and ought to have full visibility into order status, contracts, pending deals, impending service renewals, and so on. You don't want to make them toggle between different systems when they have a difficult customer on the phone. Based on the customer profile, history, and value, and the given context, agents should be enabled to identify the best service and deal to offer to their customer in real time.

Integrated Sales and Marketing

In the consumer products (CP) industry, planning and launching trade and consumer promotions, managing brands and channel partners, and executing at the point of sale have become entwined processes across departments and roles. Brand and marketing managers, as well as key account managers and field sales representatives, need to collaborate with each other and with retailers to guarantee that consumers reach for their products on a retailer's shelf – and not for competitive brands.

CP companies need to manage and track a brand's performance in the marketplace throughout its entire life cycle; work closely with retailers to help them decide how best to stock their shelves based on consumer behavior, brand loyalty, and purchasing trends; and ensure all of their locations are stocked when new advertising appears. It's vital that the field sales force is on the same page as the marketing and account teams at all times.

Critical information about new promotions, underperforming brands, and impending out-of-stock or overstock situations need to be passed to account managers and sales representatives. They also need to know about the most productive stores, profitable customers, and changing consumer behaviors. Insights into brand and product performance should be passed to new product development and brand managers, turning sales and marketing processes into sources of innovation.

Collaboration among sales and marketing departments allows for more accurate forecasting and greater sales efficiency. It helps you spend marketing dollars more wisely and target promotions more effectively. It improves an organization's ability to stock a retailer's shelves and shape demand during times of constrained supply, improving consumer loyalty while reducing administrative time. Integrated sales and marketing also increases the speed of decision making and time to market.

Organizations need to give up their internal, departmental views and revise their frontline business processes and information sharing across marketing, sales, and service. Even if they do capture customer history, this valuable information is often secluded and inaccessible to other parts of the organization. They need to recognize the tremendous value of better alignment of their customer-facing operations, break down the silos, link discrete systems, or – even better – create a single instance, so they can frequently share and pass valuable marketing, sales, or service information to the right person, who interacts with the customer in a particular situation.

Managing Customer Experience Across Touch Points

Today, customers want to interact with organizations in many different ways. They can go online to secure the cheapest air fares and best hotel deals and also see a travel agent for professional advice about the best places to go. They can configure and price out a new car at an automaker's Web site and visit the dealer the next day for a test drive. Customers who don't want to hassle with checks and stamps can pay their bills online or by phone.

If customers have a problem with their DVD player, digital camera, or computer, some may prefer seeking online support to help themselves, while others would rather pick up the phone and call the vendor's customer service or return the item to the store where it was purchased. Bank customers may want to check and manage accounts online, call the service line to dispute a credit card charge, withdraw cash from a checking account at the ATM, and visit the local branch to negotiate a mortgage to refinance a home face-to-face. In addition, customers may want to use a fax, mail, e-mail, chat room, and so on.

The proliferation of channels and customer touch points has made business a lot more complex than it used to be. Whether in a business-to-consumer or business-to-business context, customers demand multiple channels that they can use to get information, purchase goods, view and pay their bills, request services, or get support based on their specific needs and preferences. And customers who use multiple channels tend to spend more than those who use only one. For organizations, the ability to successfully manage the complexity of customer interaction across multiple channels and customer segments can become an important source of differentiation.

Every customer interaction counts and provides an opportunity to add value – whether it's face-to-face, online, on the phone, or via e-mail. Organizations that can provide convenient touch points, deliver a consistent, positive customer experience across these touch points, and empower the customer to control the interaction based on his or her preferences – rather than trying to control the customer – will be able to gain a competitive edge.

Customers want to choose the most convenient way to interact with an organization in a particular situation. While in some situations a customer may prefer the Internet because it's faster or allows easy comparison of different purchase options, in other circumstances the same customer might prefer to discuss very specific questions or a complex problem on the phone. Different customers have different preferences, and sometimes customers simply have no online access. Their expectation is that all touch points work reliably, are easy to use, and are linked together.

Customers want consistency when they interact across multiple touch points. They want to get the same information and be able to switch channels seamlessly. A customer who orders on the phone might want to track the order status online or vice versa. Customers who submit a claim or request online and then call in with a question should not have to provide the entered information again. It's even worse when an online customer is told to fill out a paper claims form, sign it, and send it via fax or mail. In order to provide consistency you need to integrate all channels – ideally on a single platform. It's surprising that most organizations today are not able to supply the same information to all channels.

Most important, customers want reliability. No matter which channel, they expect to receive accurate answers and efficient follow-through on all commitments and be spared the pain of having to hunt for an answer. Reliability across channels is a big issue, especially when new channels are introduced: if basic processes are broken, online transactions fail, customers get trapped in a maze of options of automated response systems, and service representatives have no clue what transpired on a different channel: then customer loyalty is clearly at stake.

Guiding Customers to the Right Channel

The increasing number of available channels and touch points has had some unintended effects in many industries: while providing their customers with more options and implementing technologies to support existing and new channels, organizations have been struggling with escalating costs and diminishing returns. What went wrong? Many organizations have failed to tailor their channels to meet the touch-point needs of their customers and carefully guide them to the most appropriate channel. The strategy to simply push as many customers as possible to – often patchy and spotty – low-cost self-service channels such as an automated response system or a self-service Web site has backfired for many organizations. Often customers have had to recontact an organization because they had difficulty with or didn't want to use a self-service, thus leading to increasing costs and churn rates, and eventually to diminishing returns for the organization.

It's important to understand the economics, strengths, and weaknesses of each channel, and carefully evaluate how to reach out to customers. To reap maximum results you must optimize the entire channel mix, aligning the different channels with customer preferences and business needs. You need to develop multichannel strategies for different customer segments based on segment needs and value.

A simple segmentation-based channel strategy can look like this: Key accounts are managed by account teams; orders from most of them are transmitted via electronic data interchange (EDI), and they have a preferred line to the customer service center. Midsize customers are assigned to sales reps that take care of multiple customers in a given territory; while orders in this segment used to come in mainly via fax or phone, ordering online has become an increasingly popular option. Channel partners reach out to the large number of smaller customers, maintain close relationships with them, take their orders, and serve as primary contacts in case of any issues. This is a fairly simplified example but it shows the concept. Real-life channel strategies may be more sophisticated factoring more segments and channels into the mix.

New channels like the Internet can become attractive avenues for both inbound and outbound customer interaction if they are well designed, targeted to the right customer segments, and tailored to the specific needs of these segments. To gain an advantage in automating customer interaction, the benefits need to be mutual for you and your customers. It's true that customer requests for a wide range of product categories can be handled more quickly and conveniently online, such as getting up-to-date flight arrival information, tracking order status, checking account balance, renewing car registration, or purchasing online. In fact many customers prefer using online self-services for many types of simple requests and orders. But more complex questions, multifaceted services, and difficult transactions may still warrant human interaction and the additional costs and time associated with it, in order to provide real value to the customer.

With customer benefits in mind, self-service channels can help you strengthen sales and service operations, penetrate underserved segments, and enter new markets while reducing transaction costs and service calls. But for customers, self-service isn't a panacea. If they have a question they can't answer online, they want to be able to call someone for help immediately. Urging customers to use self-service options by making more expensive channels inconvenient – for example, by causing long wait time on the phone – and seeking primarily to curb operating costs will result in low levels of problem resolution and customer satisfaction.

Recognizing that customer interaction channels can be important sources of differentiation, some organizations have made fairly significant investments to transform their call centers into central interaction hubs that allow them to handle multiple channels from a single instance more efficiently and effectively. By complementing human interaction with automated, convenient self-services, they have improved overall service efficiency with easy-to-use interactive voice portal technology and online self-services without compromising effectiveness. A number of organizations have also shown how to turn the Internet from just a low-cost channel into a highly effective sales and interaction channel. What was once just bolted onto their business has now become a vital part of their business.

Successful organizations empower their customers and guide them to the right channel based on customer segments, customer value, and interaction type by providing true benefits and offering incentives for low-cost options while ensuring reliability, interoperability, and accessibility of its channels across customer touch points.

Turning the Internet into a Highly Effective Sales and Interaction Channel

Within a decade, the remarkable rise of the Internet has impacted just about every realm of modern life – more radically than any other innovation of the 20th century. Information and news travel at the speed of light and are disseminated even to the most remote places in an instant, reaching almost a billion people. The Internet has dramatically changed the way we live, work, communicate, shop, and consume. It serves as a channel for mail, news, information, entertainment, social networking, financial and commercial transactions, and countless other activities.

As the Internet becomes more embedded in everyday and commercial life, organizations can no longer afford to disregard or underestimate its relevance to business. Those that don't go online constitute an ever-shrinking minority. While many organizations have started to explore new opportunities of the Web, only few have been serious enough about it. The Internet is more than a high-speed mail pigeon and an attractive advertising vehicle. It's also more than a low-cost channel for sales and service that doesn't require a lot of attention. It's important to see the Web as an integral

part of business that can help you foster relationships with customers and partners, reach out to underserved segments and new markets, and harness collective intelligence about consumer preferences and trends, while taking advantage of automation efficiencies. Only then will you be able to reap maximum benefits.

Organizations need to develop an Internet strategy that is tightly integrated into its overall customer relationship management strategy with regard to customer segments, other channels, and across marketing, sales, and service. You need to discern which segments are most likely to respond to offers online and use online services, and which segments should be dealt with offline. And you need to sync every aspect of your online and offline operations in order to fulfill promises and provide a consistent customer experience.

But online experiences vary widely and many Web sites don't measure up to the promise of convenient buying or self-service. Online customers often encounter an array of problems: lack of usability; navigational issues; missing information, such as order status, product availability, contracts, or customer-

specific prices; ailing check-out processes; poor search functionality; and deficient problem-resolution capabilities. Online frustration can turn into anger when orders, claims, returns, service requests, or payments aren't accurately executed because of disconnected fulfillment processes. Cross-channel inconsistency is another prevalent issue. Customers frequently have a hard time even finding a phone number they can call when they have a question, and if they do find one, the service rep often can't track down the problem – no less, solve it.

The point is that a Web channel can either increase or decrease customer loyalty. Many consumers and business customers are ready and eager to take advantage of the convenience of the Internet. If done right, providing customers with easy access to enterprise knowledge, up-to-date information, and critical transactions anywhere, anytime can be very powerful. A fully integrated Web channel can be a significant differentiator because it's difficult to imitate. And it allows an organization to reach out to its customers and prospects more effectively, improve customer relationships, and strengthen sales and service operations while keeping a firm grip on costs.

Beyond the Touch Point: Connecting Front Office and Back Office

A CRM strategy focused on the front line can work pretty well: The sales team improves its productivity and can spend more time with customers; marketing campaigns are more effective generating more leads that sales reps can turn into more deals – driving revenue to new heights. But can the back office keep up with the faster pace of selling and higher demand? Will the organization be able to fulfill the increasing order volume and continue to deliver on time and on promise? Or will out-of-stock situations multiply and back orders pile up? An organization may then need to improve call center efficiency to handle all the complaints.

It's an ironic twist that organizations have made big strides optimizing their supply chain with the specific goal of efficiently delivering their products and services to customers. However, these activities came to a halt before they actually reached the demand side. Instead, separate initiatives were launched to improve customer-facing business processes leaving a critical missing link between these areas.

Every day, organizations are losing substantial revenue simply because they fail to connect their front and back offices to close the loop on business processes from end to end. Customer satisfaction declines and customer attrition rises if products aren't available at the times and places needed, service technicians don't have the right spare parts, returns aren't correctly passed through to accounts payable, and service requests can't be resolved immediately at the first call. Without a true 360-degree view of their customers and customer information visible across the organization, companies may miss important opportunities to up-sell, advance product quality, improve business processes, and spur product innovation.

While companies have separately improved frontline efficiency and optimized their supply chain, disconnected departments, disjoint processes and systems, and bureaucratic procedures are still leading to customer frustration and lost sales opportunities.

Many executives admit that in most cases, customer issues are cross-departmental and not limited to the front office – that's because customer experience doesn't happen in silos. In fact, it's not uncommon for the average order management process to cross 10 departments and 10 systems in an organization. To move ever closer to order perfection and satisfied customers, you must eliminate virtually all issues and errors that can stymie on-time, accurate order fulfillment. This involves every process including planning and forecasting; acquiring accurate quotes, orders and contracts; dealing with back orders; handling order changes; and resolving fulfillment, shipment, and postdelivery problems.

Integration failures and their unfortunate consequences aren't limited to order management and fulfillment processes. A host of other problems such as these can occur: Billing disputes can't be resolved because call center agents don't have unlimited access to billing systems. Payable services aren't charged accurately because warranty entitlements can't be properly checked. Marketing funds aren't correctly paid to partners because the claims process isn't tied to the financial system. Profitability analyses are wrong because cost data is inaccurate. Discrepancies occur frequently with promotional prices and invoicing, returns and reimbursements, and planning and budgeting. Even if organizations get the processes to work by manually bridging integration gaps, they are error prone, subject to delays, costly, and bear the risk of losing revenue.

Organizations can no longer afford to view CRM, SCM, and enterprise resource planning (ERP) as separate initiatives. Synchronizing front-office, back-office, and supply chain activities is critical to attracting and retaining customers, fulfilling demand, and delivering on service promises. Aligning the front and back office just for end-to-end order management, for example, will yield measurable returns on a number of key indicators, such as shorter order cycle times, increased order accuracy, reduced number of incomplete orders, fewer billing disputes, fewer order status calls, and lower inventory costs.

Creating a Customer-Driven Value Network

Creating a customer-driven value network supersedes the idea of merely integrating CRM, SCM, and ERP. A value network is an ecosystem that extends the core competencies of an enterprise by involving suppliers, channel partners, and other partners with distinct capabilities to complement the goods and services of a company in order to make its value proposition exceptionally strong and enable it to consistently deliver on its brand promise.

In the future such well-orchestrated ecosystems will become even more imperative for superior performance if not for the very survival of a business. Defining the role of partners and other players in the ecosystem, managing partner relationships, and integrating them in a way that enables seamless end-to-end business processes will be absolutely critical.

Many organizations, particularly in manufacturing industries, have focused on building a high-performing supply chain with highly flexible, fully-integrated, multitiered networks. Now it's time for organizations across industries to engage in similar endeavors to intensify collaboration with both sales and service partners in order to improve the demand and support chains, drive more revenue through indirect channels, and reduce channel costs. This requires consistently identifying and targeting the right partners that can provide complementary products, promote their brand, and deliver value-add services.

Successful organizations deliberately design partner programs and manage the entire partner life cycle. They establish a consistent process to align sales prospects and customers with the right channel partners based on partner profiles. They gain full visibility into partner performance, leads, cases, and follow up, ensuring that they drive the right leads to their most valuable and best-fit partners. They provide partners with the knowledge, tools, and expert advice needed to more effectively sell to and serve customers. They enable partners with easy order capabilities and online access to see timely, accurate information about product availability, pricing, shipment, and so on, eliminating manual, error-prone, and costly support processes. They offer

incentives to their partners to represent their brand, drive demand, and act on the organization's behalf beyond its own reach, creating win-win situations.

Some organizations have built integrated service networks to get closer to their customers and respond faster to their needs for service delivery and support. This helps ensure that service resolution involving partners such as service contractors is as fast and reliable as if it were handled by in-house staff. Too many times customers are frustrated by having to wait days after contacting the company's service hotline to receive a call back from service contractors to schedule an appointment, and once contractors show up they don't have the information or parts needed to fix the problem — if they show up at all.

Organizations need to think about how to integrate service partners in such a way that service processes and execution run seamlessly end to end beyond the enterprise. They should be able to automatically route service tickets to partners based on availability and skill profiles, and to track when service orders are accepted, scheduled, and completed in real time. Also, they should give partners visibility into the customer's service and case history while providing partners with the tools and information required to fix the problem and to ensure correct billing in accordance with warranty and service-level agreements.

Technology Framework for Adaptability and Integration

With the emergence of customer-centric business strategies the old designations of CRM, ERP, and SCM have given way to a more holistic process-driven perspective. The lines are more blurred between the supply and demand chain, enterprise resource planning, and managing relationships with partners and customers, as well as between marketing, sales, and service departments. As organizations focus more on core competencies and outsource nondifferentiating operations, even standard processes, like order management, suddenly become more complex since they now cross enterprise boundaries. Transforming core business processes to create strategic advantage increasingly involves people, processes, and information across multiple organizations and systems (within and outside the enterprise).

Without an adaptable, flexible, and open framework for integration, it's increasingly costly and inefficient to stitch together new business processes that span disparate applications, cross organizational boundaries, or require comprehensive analytics and intensive collaboration. Traditional application architectures that form the business backbone of today's enterprises were designed as high-performance transactional engines driving distinct operational efficiencies. Modifying these systems to support the addition of a new channel, introduction of new product lines or services, targeting of new customer segments, or entrance into new markets can result in unforeseen costs and complexity.

IT architectures that supported process automation in a departmental context must evolve according to business needs. They must seamlessly integrate processes and information from disparate applications regardless of where they reside. And they must enable collaboration between departments and divisions, suppliers, partners, and customers, as well as manage and adapt processes to the pace of business change.

In today's intensely competitive, increasingly complex and dynamic environment, IT is a core element fueling mission-critical business processes for any customer-centric enterprise. It helps organizations cope with mounting customization requirements from partners and customers, economic constraints, and government regulatory initiatives. More than ever, success rides on IT's ability to adapt rapidly to evolving business needs.

In this context, innovative organizations have begun to recognize the value of an enterprise service-oriented architecture (enterprise SOA) that finally bridges the gap between business needs and IT delivery. With such a framework for developing services-based, enterprise-scale business solutions, organizations can leverage existing systems to build and deploy flexible solutions that support end-to-end business scenarios across heterogeneous landscapes. Utilizing Web services, they can have the flexibility to delegate parts of an overall business process to different parts of the organization or to internal operations of their business partners. Adopters of such a framework will be able to realize

dramatic efficiency improvements, find new ways to provide value to their partners and customers, create new business opportunities, and move closer to the vision of a real-time, value-networked enterprise.

Managing Performance Improvement

The multiplication of customer segments, channels, and touch points has led organizations to launch a variety of customer, channel, and brand initiatives across marketing, sales, and service departments. This complexity often yields inconsistent processes, incoherent collaboration, and misalignment of tools and resources, as pointed out earlier. To avoid these deficiencies, organizations not only need to design integrated business processes, but also need to develop and embed well-integrated performance management that spans across and beyond its customer-facing departments.

Executives can't have a handle on the performance of their organizations and processes unless they define and use appropriate metrics for efficiency, effectiveness, and agility. They need to establish a carefully balanced, baseline set of key performance indicators (KPIs) around customers, people (employees), processes, channels (including channel partners), and products. They need to determine current performance levels, benchmark best-practice processes, set aggressive goals for improvements, and continuously feed back the results of those measurements to the respective business and process owners. Performance management also requires a firm executive commitment to manage and enforce changes. Linking incentives and compensation to targeted performance outcomes encourages employees to exhibit the intended behavior and helps them achieve their goals.

Let's take a customer contact center as an example. To begin with, organizations should always look at the customer needs to define effectiveness. For example, customers want you to resolve issues on the first call. Doing so also helps improve the efficiency of a call center because follow-up calls increase overall call volume and cause additional expenses without adding any value. However, many organizations focus strongly on curbing average

call handling time and thus may reward agents who try to end a call before a problem is fixed. They may also focus on easy, quick sells instead of taking the time to find the best offer for a particular customer. To improve call center performance, metrics like average call handling time and first-call resolution rate (or in a sales context, lead conversion rate or alternatively generated revenue) need to be balanced and linked in such a way that agents with a higher first-call resolution rate (or lead-conversion rate) automatically get a softer target on average call handling time. This way they get to spend more time with customers without being penalized.

Performance management is still largely inadequate in most organizations. In order to improve performance, organizations need to balance effectiveness and efficiency, and carefully analyze which improvements yield the highest returns. First, they should ask how they can create customer value and develop customer loyalty; then they should look at how to do this efficiently. In general, metrics for customer loyalty and retention (such as net promoter scores, customer lifetime value, and churn rate), which indicate an organization's ability to generate value and long-term profitable growth, should be weighted higher than efficiency metrics.

Certainly, all metrics must be aligned with and support strategic corporate goals. Be careful, though, with customer satisfaction indices: many customers defect to the competition even if they state that they are satisfied. Thus, it's important to relate satisfaction to specific events or items and analyze its impact on customer loyalty for your business.

Increasing Call Center Performance

While raising efficiency of a call center is critical, performance management must not focus on curbing expenses by solely looking at cost-related metrics. Instead, the primary focus should be on improving effectiveness – while keeping a grip on costs – in order to turn a call center into a strategic asset. Technology can help you improve call center performance without excessively increasing the amount of time agents spend on the phone with customers.

Here's what organizations should consider doing:

- Empower customer service representatives (CSRs) to resolve issues at the front line. Enable them to quickly and easily access billing and order systems, account information, and so on, from their agent desktops – depending on the business and industry context. It is also important to authorize them to actually solve customer problems. This will improve first-call resolution and customer satisfaction and reduce overall call volume.
- Make the most of every call by knowing the customers who call and tailoring services to their preferences. Today, organizations have a wealth of information about their customers.

Often though, call center agents aren't given access to this information or their desktops are too cluttered with customer data to find and extract the information most relevant for the call. The key is to identify the most effective set of information for your agents. In addition, using concepts such as projected customer lifetime value or propensity to churn can be very helpful in setting the stage for every customer interaction.

- Evaluate self-service options such as interactive voice portals for simple requests and transactions. If done right they can help you increase call-volume capacity without increasing staffing. But make sure customers who don't like these services can speak to an agent without first having to go through a maze of options.
- Avoid customer wait time. Customers don't like to wait, so any measure that helps reduce wait time on the phone – at the beginning of a call or for call transfer – improves effectiveness. Intelligent routing systems can balance the load among agents and different call center locations to shorten wait time and improve resource utilization. Managing the workforce to better balance peak and idle times can also help avoid over staffing and minimize wait time for customers.

Creating a CRM Culture – Because Employees Matter

Besides your customers, your employees are your most strategic asset. Your employees run your business: They drive innovation, make business processes work, and build relationships with customers. They represent your company and your brand. Employees are your face to the customer in the “moments of truth” and they have a strong impact on customer experience.

Hence, to become a truly customer-centric business an organization needs to develop and endorse a culture where all employees from top to bottom across the organization live and breathe a customer-centric philosophy. All employees, regardless of their role, need to put the customer first, listen to the customer, understand his or her needs and wants, and act on the customer's behalf. Changing your employees' mind-set and empowering them to take the necessary actions is key. Share the vision, provide employees with the right skills and tools, involve them in change, and put incentives in place so they're able and committed to deliver value unconditionally to the customer. While this is important for all employees it's especially relevant for those at the front line.

Training and Coaching Frontline Employees

Investing in the right skills for front-office employees is vital to delivering a positive customer experience. Hence, training and coaching are critical not only for using tools and systems, but also for building a deep knowledge about your products, services, and processes, as well as for developing soft skills. Implementing great software alone won't do the job. Empowering employees goes beyond providing technical tools and teaching them how to best use them. They also need to know how to behave in critical situations, whether they are on the phone with a complaining customer or in the middle of negotiating a complex contract. When dealing with a customer concerning a problem, they need to know never to blame another department, internal bureaucracy, or flaws in the software system; this will have a negative impact on the customer's confidence in your organization. In-

stead, they should focus on how to fix the problem, for example, by bridging the gap of a broken process and helping the customer. Think about training by means of role-play: put your employees in your customer's shoes once in a while and have them deal with your service center or make them use your Web site.

Making the Most of IT

IT is critical not only to supporting and automating business processes, but also to helping employees interact with customers and manage customer relationships. (In fact, many CRM solutions focus exclusively on customer interaction, which yields only limited returns.) Software applications, often in conjunction with communication technology, are meant to improve efficiency and effectiveness of both processes and people.

Unfortunately, sometimes IT has become a burden for employees rather than a productivity tool that enhances performance. Sales representatives, for example, have pushed back on SFA software because they don't like the regimentation of collecting data that management can peruse at will. Many times employees are reluctant to use software because it's not intuitive or tailored to their roles and tasks. In some cases employees don't fully leverage software functionalities as they feel more comfortable with the "old" way of doing their job. They ignore product recommendations from system-generated real-time offers or refrain from pursuing leads according to a new sales methodology introduced with new software. Both managers and employees often feel overwhelmed and constrained by the sheer complexity of functionality and wealth of data when confronted with powerful IT.

The examples above show that even the best software application won't deliver the expected results if it isn't used as intended. User adoption is a critical issue and many CRM software implementations have failed simply because employees didn't like using the software or wouldn't use it at all. In order to drive user adoption and utilization of software, organizations should implement and use technology deliberately and with care, making sure to get the basic technologies and processes right and focusing first on the most beneficial improvements. Later on they can implement

additional technologies and changes incrementally. Employees should be involved early on and actively participate in implementation and change-management initiatives. Organizations need to make the benefits transparent to users, provide sufficient training, and establish and administer rules and guidelines on how to best use the software. Last but not least, the software should be intuitive, easy to use, and flexible so it can be tailored to the specific tasks and different roles of users.

Driving User Adoption and Better Utilization of Software Functionalities

Use Technology with Care

Implementing new technology, particularly for customer relationship management (CRM), is a highly sensitive endeavor that needs to be approached deliberately and with utmost care as it may have a strong impact on your business, customers, and employees. IT is a means to an end not an end in itself. (For example, there's no point in amassing loads of data just because you can.) Its implementation and use must be strictly driven by business requirements, supportive of business strategy and goals, and prudently aligned with employees' needs.

Get the Basics Right and Implement Incrementally

The key to any successful implementation of CRM is to get the core business processes and basic technology right. First, organizations should focus on identifying the most critical business challenges in terms of pain points and sources of competitive differentiation. Based on this analysis you should determine what improvements yield the highest return, redesign the relevant business processes, and define the appropriate basic technologies – all aligned with strategic objectives and priorities. Be careful not to overengineer the implementation or put too much strain on your employees. Once the basic technology is in place, more capabilities and technologies to support additional business processes can be added incrementally. An execution road map should detail the step-by-step implementation and phased rollout.

Involve Users Early On

Get employees involved early in the process of any implementation and business process redesign. Have employees from different departments and across hierarchies actively participate in the blueprint and rollout; consider using pilot groups. Sales or service representatives on the front line every day understand not only their own needs, but also critical pain points and customer needs. They can provide valuable input to improve customer-facing processes.

Make Benefits Transparent

You can overcome resistance to new technologies and business process changes if the benefits are made transparent to all affected stakeholders – across departments and hierarchies. It's important to convey not only the benefits the new technology brings to the company or department as a whole (for example, cost savings), but also the benefits it offers the individual employee or user. For example, you can show sales reps how they can reduce administrative tasks and close deals more quickly.

Invest in Sufficient Training and Coaching

When implementations fail, the problem often lies not in the software but in a lack of user training. Training is often reduced to a minimum to trim costs. While this is a known problem with all sorts of complex software implementations, it still persists. At the front line, insufficient training and coaching in software use can turn out to be a fatal mistake when customers must endure nightmares because employees can't use software correctly.

Establish Rules and Guidelines on How to Use Software

Another cause of difficulty can be habitual work routines. Seasoned executives know that technology won't yield the expected results unless they change the way employees work. Organizations should establish and administer rules and guidelines on how to use software and apply appropriate measures to enforce compliance.

Pay Attention to All Aspects of Usability

Usability is more important for CRM software than for any other kind of business application. A simple and intuitive user interface that is easy to use and navigate is critical for rapid user adoption and productivity. However, most simple software solutions lack critical functionality and industry-specific context, fall short on covering multiple channels, and don't support business processes end to end. Organizations should look for comprehensive solutions that provide quick and trouble-free access to all relevant information, functions, and transactions, and support entire business processes.

Tailor the Application to Tasks and Roles

Marketing managers, sales reps, call center agents, and other CRM users have very different tasks and roles. Thus a sales manager's dashboard, a customer service representative's desktop, and a partner portal should be tailored to those specific roles. A strong focus on business users and their needs, tasks, and processes ensures the entire enterprise can fully leverage the software functionalities and operate successfully.

CRM Deployment Options: Making the Right Choice

When we talk to our customers about their fundamental CRM requirements, we keep hearing the same things: Organizations need to provide a consistent, single face to their customers across all customer touch points. They want to streamline business processes, such as order management, from end to end and adapt business processes to changing needs over time. They seek a solution that supports business processes that are specific to their industry. Often organizations need to increase productivity in critical areas like SFA quickly but can't wait for the IT department, which has other priorities at the time. Organizations also look for a CRM solution that meets today's needs and will still serve their needs in five years from now. They want a CRM solution without trade-offs that truly supports CRM without compromise to help them achieve their strategic business goals.

Software as a Service

Tactical business considerations often lead organizations to choose a solution that may impede strategic business goals in the future. Software as a service, for example, has become a popular option for organizations that need a quick fix to a single issue such as managing the sales pipeline. There are good reasons to turn to this new type of solution: A subscription-based offering has an advantage over a license-based model when budget constraints are an issue – at least in the short term. Time to value is another motive to consider an on-demand solution because it does not require a long implementation to get up and running – it can be turned on quickly. Limited IT resources or IT priorities in areas other than CRM (such as an ERP upgrade) can also result in a need for a temporary, hosted on-demand solution. Under these circumstances, or if an organization has very basic needs in specific areas like SFA, an on-demand solution can be an attractive choice.

However, there is a downside: When business needs evolve and organizations need a powerful, integrated CRM application, there is a costly dilemma. A hosted on-demand solution will provide a limited level of effectiveness before reaching its limit. To align customer-facing operations across channels and beyond the customer touch points, you'll need to switch to an on-premise deployment of a full-scale, multichannel CRM application. This means additional costs and business disruption.

The Hybrid Model: Act Immediately – Grow Strategically

A hybrid solution that works both on demand and on-premise avoids these shortcomings, allowing organizations to start small and grow without disruption, expand quickly, and transition seamlessly. The sales organization can get up and running immediately while maintaining IT alignment; the marketing department can rent now and buy when ready. With a truly hybrid model – utilizing the same architecture and data model, shared customer data, and a common, intuitive user interface for both on-premise and off-premise deployments – organizations can quickly outsource or in-source specific business processes.

To meet such needs, SAP has extended its enterprise CRM application to include hosted, on-demand deployment options. The subscription-based offering provides customers with targeted functionality to meet urgent business needs quickly while helping lay the foundation for a long-term CRM strategy. With this unique hybrid solution for CRM there is no lengthy migration; no change for the user; and no need for retraining, remodeling, and reconfiguration. Organizations are always aligned with their business needs and no longer have to make technology choices that restrict flexibility and impede growth.

A CATALYST FOR BUSINESS TRANSFORMATION

IT is supposed to support business processes and information needs, and has become a mission-critical enabler for CRM. But it can be more than just an enabler – it can serve as a catalyst for business transformation. CRM without compromise is about transforming a business to become truly customer driven. It's about building a synergistic ecosystem with employees, customers, and partners that consistently creates and delivers customer value; an ecosystem where customer demand drives the supply chain, customer insight inspires innovation, and customers are empowered to control their destiny. Organizations that can build such an ecosystem that is also flexible enough to quickly respond to changing customer needs and business challenges will have a sustainable competitive advantage and enjoy profitable growth for years to come.

CRM Business Benefits for Your Organization

Drive Growth

Increase revenues by improving customer loyalty, increasing wallet share, speeding new products to market, and closing more sales. Launch new products faster. Deploy new channels to reach new customers, penetrate under-served segments, and enter new markets. Help your sales teams focus on strategic tasks as you increase your win rates and convert more leads into actual sales.

Maintain Operational Excellence

Improve efficiency and effectiveness by streamlining end-to-end business processes, enhancing service levels, and reducing costs and errors. Shorten cycle times, increase order

accuracy, reduce the volume of customer calls, decrease billing disputes, and lower inventory costs with better order-to-cash processes. More reliable business processes help you enhance service levels and curb costs. Resolve issues faster and boost customer satisfaction as you reduce call volumes, expenses, and errors with low-cost interaction channels such as online self-service and order management.

Enhance Competitive Agility

Respond faster to change, optimize the customer experience, and differentiate your company from your competitors with innovation. Adapt your business processes quickly to respond to changing market conditions and customer demands. Launch new initiatives rapidly, improve decision making, and speed time to market. Shape demand in times of constrained supply. Align your channels with the interaction needs and preferences of your customers to ensure consistency and convenience across all customer touch points. With complete customer insight, you can better identify and leverage sources of differentiation.

Find Out More

If you want to learn more about how SAP can help your organization drive new growth, attain operational excellence, and enhance competitive agility with CRM contact your local sales representative or visit our Web site at www.sap.com.

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