Profitizing Customer Conversations

Bridge the Gap between Customer Knowledge and Interaction

www.datamonitor.com

ABOUT DATAMONITOR

Datamonitor is a leading business information company specializing in industry analysis.

Through its proprietary databases and wealth of expertise, Datamonitor provides clients with unbiased expert analysis and in depth forecasts for six industry sectors: Healthcare, Technology, Automotive, Energy, Consumer Markets, and Financial Services.

The company also advises clients on the impact that new technology and eCommerce will have on their businesses.

Datamonitor maintains its headquarters in London, and regional offices in New York, Frankfurt, and Hong Kong. The company serves the world's largest 5000 companies.

WHITE PAPER OBJECTIVE

The aim of the first section of this white paper is to:

- create a better understanding of the CRM value chain, that is, how interaction and information management solutions exist as part of the same value chain;

- demonstrate how siloed organization structures can lead to a fragmented view of the customer; and

- indicate how companies can use enterprise information to make customer conversations warm and profitable.

The second part of this white paper will look at how divine's Customer Interaction Management solution can be used to provide a Universal View of the customer.

TABLE OF CONTENTS

CONTENTS

USING INTERACTION MANAGEMENT TECHNOLOGY TO CREATE PROFITABLE CONVERSATIONS

CRM defined

While it is currently a widely used term, few people are able to provide a clear definition of Customer Relationship Management or CRM. In fact, rarely can one find two people who can agree on the meaning of the term. For the purpose of this paper (and to keep things simple), Datamonitor defines CRM simply as:

"A strategy to win, know and keep a company's most profitable customers."

This means that CRM involves **both** a technology strategy **and** a business strategy. This white paper will focus first on CRM as a technology strategy. Then it will illustrate how CRM technology should be used to realize CRM business goals.

CRM as a technology strategy

Datamonitor segments CRM technology into the following solution types:

- **Interaction management solutions,** and

- **Information management solutions**.

Interaction management

Interaction management refers to the infrastructure technologies of CRM. Typically, CRM infrastructure technology includes the ACD and PBX, predictive dialer, recorder, interactive voice response (IVR) unit, computer telephony integration (CTI), and web, email and application servers.

Information management

Information management solutions automate the collection, analysis, and retrieval of data across the enterprise. These technologies can either reside in the front office, such as agent desktops used to enter and retrieve customer information, or the back

office, such as database analysis tools used to generate reports on customer buying habits.

Most of the information enterprises capture is derived from interactions with stakeholders, such as customers, partners and suppliers. These interactions primarily take place through the customer service, sales, and marketing departments within the enterprise. Of these, the customer service department, which handles the most interactions on a daily basis, is the largest source of information. **Therefore the infrastructure of the call center, which enables agents to manage interactions, is the crucial foundation of all CRM.**

Surprisingly few executives consider call center solutions to be part of a CRM strategy. However, viewing call center and CRM strategies as distinct entities results in a **fragmented** customer relationship management strategy, which leads to ineffective customer conversations and poor customer experiences.

The fragmented view of the customer

A fragmented CRM strategy is usually the result of siloed organizational structures and/or business systems (including customer data). Organizational units typically have access to different pieces of customer data. For example, the sales department usually owns a customer's sales history, whereas the customer service department owns the same customer's history of service calls. In effect, each segment of the organization holds a different piece of the customer jigsaw puzzle, unable to complete the whole customer picture.

The most common result of a fragmented CRM strategy is a disconnect between an enterprise's customer support, sales, and marketing divisions in terms of customer handling. Customer data drives how organizations interact with and treat customers. Not having the same data set drives different treatment from different groups. It is not uncommon for premium customers who are treated like gold by the sales team to be placed in long phone queues when calling the customer service department. This is a critical mistake given the profound effect that customer retention levels have on the bottom line in the current economic environment. For example, Datamonitor estimates that, in 2001, because of their failure to provide adequate customer service and technical support, online retailers lost **$14bn**.

Figure 1:	The customer information jigsaw puzzle

Source: Datamonitor **DATAMONITOR**

Before the reader sets off in a panic about having a fragmented CRM strategy, it is important to note that every business is affected by fragmentation. The pressing issue is how to solve this problem within the confines of an existing business infrastructure. Existing enterprise applications, such as enterprise resource planning (ERP), supply chain management (SCM), and CRM systems, are extremely costly, complex, and time consuming to implement and manage. These internal systems have been written to optimize and support functional silos – such as ERP for manufacturing – and are not customer-centric. Therefore customer interaction with the enterprise can be extremely frustrating, since no single conversation can cover and resolve the diverse needs of a given customer. Piecing together the whole customer puzzle would mean tying together these disparate systems, which is an enormous development project in itself and virtually impossible to maintain.

When data is not shared between applications and systems, serving customers and communicating with partners and suppliers across multiple channels becomes a nearly hopeless challenge. Companies are often unable to track previous interactions and to provide consistent information and service across all channels. This lack of coordination has serious consequences, including revenue loss and poor customer retention, which are often linked.

Figure 2: **A fragmented data source = a fragmented view of the customer**

Source: Datamonitor

DATAMONITOR
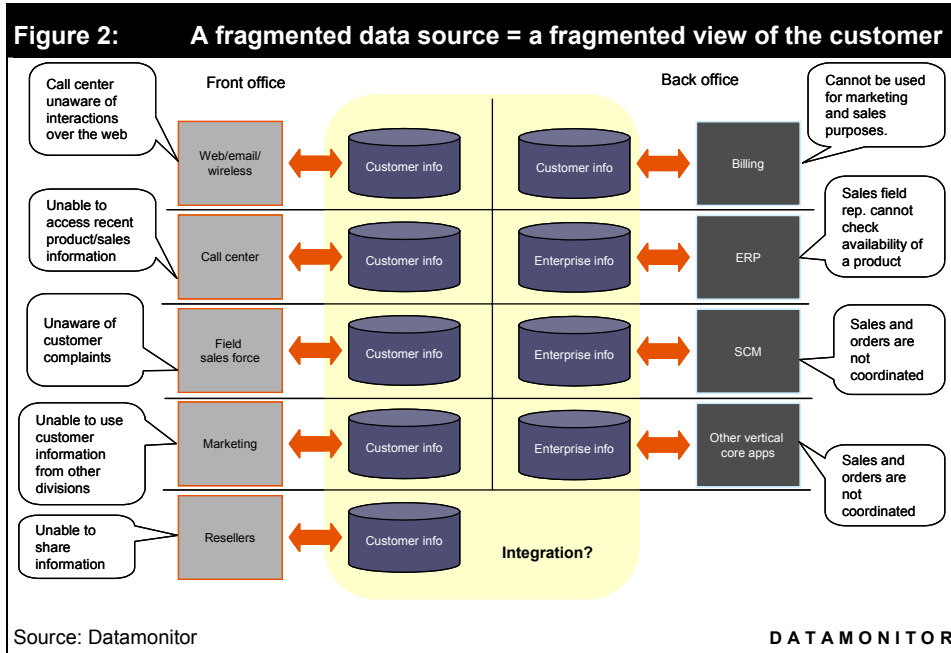
The following is a scenario involving customer contact in a fragmented environment:

A customer calls the support center regarding a problem with a product. During the process the agent realizes that the customer has not purchased a component of the product set that would address the problem. The call now transforms from being a service and support call to a sales call and from one functional silo (service) to another functional silo (sales) within the business. Further, the agent may be forced to transfer the call to another department, whereby the customer is forced to begin the conversation anew with a different agent.

This example demonstrates the poor experience many customers and partners face with every call. Such experiences dramatically affect a customer's relationship with the company and his or her propensity to do further business with that company. In short, **experience drives behavior**.

The warm conversation

Interactions with customers should be viewed as conversations. Typically the focus of the conversation held between the enterprise and the customer depends on which party initiated the conversation:

- Customer-initiated – Customers primarily contact the enterprise for service inquiries. A customer-initiated interaction can be a request for information within sales, a request for assistance in customer support, or a response to a demand creation campaign in marketing. This contact can occur over both traditional (telephone) and new (Internet) channels;

- Company-initiated – Company-initiated conversations are typically used within the marketing department to drive demand, the finance department to drive collections, and the service department to proactively notify a customer of a problem. Increasingly however, company-initiated conversations are being used to alert a customer of some news, educate, or inform the customer;

As with conversations between two people, conversations between the customer and the enterprise can be either cold or warm. Cold conversations are either devoid of familiarity between the two parties or are the result of animosity from one or both parties. Warm conversations on the other hand are initiated when each party has a mutually deep understanding and respect for the other.

In terms of conversations between the enterprise and the customer, the majority are cold in nature. The enterprise typically does not display an understanding of the customer's wants and needs; therefore, there is little opportunity for the conversation to become warm. In order for an organization to create warm conversations with customers, customer information must be collected and disseminated across business units.

Figure 3: Application of enterprise information warms conversations

Source: Datamonitor

DATAMONITOR
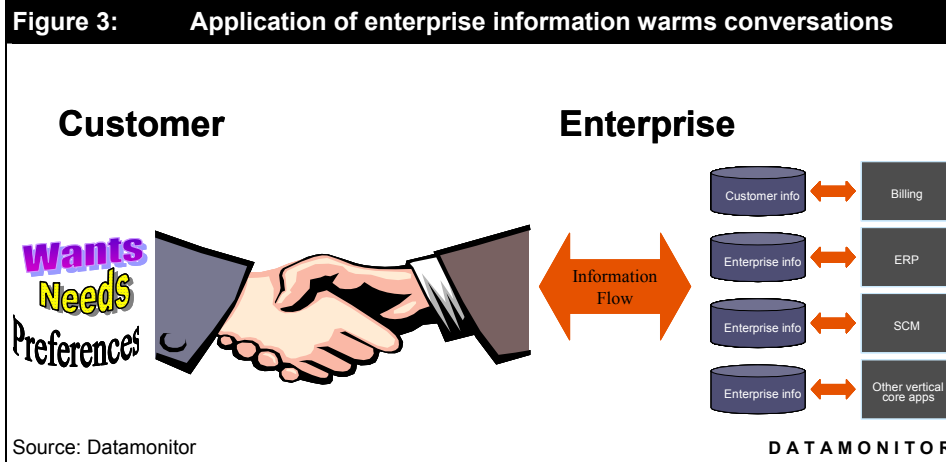
Warm conversations result in improved business results

To enable warm conversations, companies must be able to aggregate information from across the enterprise to form a universal view of the customer. Having this universal view not only increases customer satisfaction by allowing representatives to be able to answer inquiries faster and more accurately, but also addresses key business objectives:

- revenue generation; and

- cost reduction.

Revenue Generation

A universal view of the customer enables companies to access and use all customer information available across the enterprise. For example, a bank with an integrated architecture can extract data from the credit, sales, and customer service systems. This aggregated data can be used to profile customers and identify the most valued customers. This analysis allows for more targeted marketing and sales activities, resulting in higher conversation rates.

Cost Reduction

Organizations that have a universal view of the customer are able to reduce costs by driving efficiency. An integrated interaction management strategy allows organizations to service customers over the most cost effective channel. For example, a banking customer who generates limited revenue would be encouraged to use the bank's website for inquiries, whereas, a premium customer with an inquiry would be handled by a customer service agent.

In addition, customer service agents would not have to search through several systems, weed through endless data or transfer the customer several times in order to find the right information during an inquiry. This reduces talk time and increases first call resolutions. Datamonitor estimates that by reducing slightly the time it takes to handle a call and by reducing the number of failed calls only marginally (i.e. by 0.5%), call centers can expect to save up to 6% on their operational costs, depending on the size and function of the call center.

THE DIVINE CUSTOMER INTERACTION MANAGEMENT SOLUTION

The divine Product Suite

Figure 4: divine's Customer Interaction Management Suite
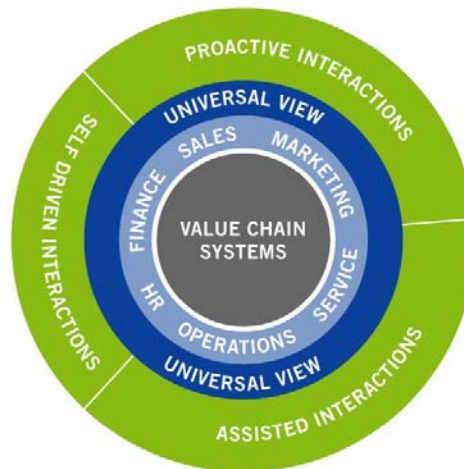
Source: Datamonitor **DATAMONITOR**

The key features of the divine customer interaction management solution include:

Proactive Interactions:

Conversations

divine Conversations is a predictive dialing solution that helps organizations maximize agent talk time to gain maximum efficiencies. Conversations delivers these efficiencies while not relying heavily on hold queues and other practices that cause high levels of customer nuisance.

Velocity

divine Velocity is a multi-channel campaign management system that allows marketers to design and implement event-driven campaigns that have higher conversion rates than traditional methods. Velocity is designed to be easily used by marketers with little technical assistance, allowing campaigns to be designed, implemented, and adapted in minutes and hours rather than days and weeks.

Assisted Interactions:

NetAgent

divine NetAgent is an assisted service solution that allows customers to request assistance by their preferred means (phone, email, chat/collaboration) and gives service representatives the tools to quickly, knowledgeably and accurately handle issues and requests. NetAgent is backed by divine's professional services methodologies and practice groups, and can be used in conjunction with divine's leading content management solution.

Self-Driven Interactions:

divine Self-Service is a flexible online self-service solution that allows companies to deliver 24/7, expert non-assisted service and knowledge to their customers. divine Self-Service can connect to existing knowledgebases and/or can leverage divine's full-featured content management solution that can help bridge the gap between online and agent-based service.

Universal View:

divine Universal View is a "customer activity hub" that is designed to deliver a single view across a customer's entire interaction, transaction and event history from disparate Web-based, client-server or other legacy systems. divine Universal View allows just-in-time access into multiple systems giving agents the appropriate resources needed to handle each inquiring customer's specific issue. Moreover, it can be configured across multiple product lines, divisions, business units, with a single license.

SoftMetric

divine Softmetric product is a business activity monitoring solution that consolidates data from multiple sources into an executive dashboard which allows the user to identify the root cause of business problems by visualizing and navigating the data and, in turn, make business adjustments.

The profitable conversation - illustrated

The advantages of integrating interaction management solutions with information management solutions are tangible enough to be demonstrated during each call or interaction with the customer. Both solutions in combination enable agents to engage in informed and effective interactions with their customers. As such the combined solutions allow for a closed interaction loop, as Figure 5 illustrates.

Figure 5: The profitable conversation

NetAgent Chat gathers info on the purpose of the interaction

NetAgent Chat routes the session to the appropriate agent

Customer Information is retrieved from company databases

Customer Interaction loop is closed and a sale is made

Conversations generates outbound activity

Universal View accesses product information

Source: Datamonitor **DATAMONITOR**

The way the solution works during each interaction can be described in clearly identifiable stages, which can be illustrated using a simple example:

Mr. Farmer is experiencing problems with the new DVD player he recently purchased. Whenever he plays a DVD, no sound is emitted from the television. Being web savvy, he decides to look up his problem on the retailer's website. Not finding the answer to his question, he opts to initiate a text chat session with an agent.

1. **NetAgent Chat gathers information from Mr. Farmer –** Mr. Farmer is prompted to enter his online ID and information about his query. He

selects the checkbox market *Technical Difficulty with Electronics*. While Mr. Farmer is waiting, he is pushed a short presentation about a DVD of the month club;

2. **NetAgent Chat routes the session request to an agent –** taking into consideration information entered by the customer, customer value and other pre-defined criteria, NetAgent matches the session to the best resource available at the time, according to predefined rules:

   Several criteria are taken into account to route Mr. Farmer's chat request. In this case, the primary criterion is customer value. As Mr. Farmer spends on average $5000 a year at the retailer, he is placed at the top of the queue for the next available tech support agent. Mr. Smith's request is answered by the best-qualified agent available at the time of the call.

3. **Information management system retrieves customer information –** the integration between NetAgent Chat and the retailer's customer information system allows for Mr. Farmer's customer profile to be "popped" onto the agent's screen. The agent is equipped with Mr. Farmer's purchasing history before the chat session is accepted;

4. **Universal View allows the agent to access product information about Mr. Farmer's DVD player –** Universal view bridges the interaction management world with various knowledge bases and transactional systems. In this example, the agent is able to access a problem database that indicates that the model DVD that was purchased requires an attachment to function with most televisions manufactured more than 20 years ago. Through some probing it is discovered that Mr. Farmer's television was purchased in 1980. Seeing that Mr. Farmer is a premium customer, the agent offers to ship the attachment free of charge. The agent also tries to up-sell Mr. Farmer to a new television. Mr. Farmer mentions that once flat screen televisions decrease in price, he would make the investment. The agent concludes the session. Mr. Farmer is presented with a short survey inquiring about his level of satisfaction with the chat session. He indicates how helpful the agent was. Meanwhile, the agent enters information in the information system indicating that Mr. Farmer would be an ideal candidate for flat screen televisions once they come down in price*;*

5. **Conversations generates outbound activity –** Six months later, the retailer runs a promotion on flat screen televisions, limited to premium customers. The marketing director runs a query on the customer database to ascertain who should receive the promotion. Because of the information entered on Mr. Farmer during the chat session, he is selected. The list of customers to receive the promotion is loaded into the Conversations dialer so that sales agents can contact them directly. Because of the customer feedback received from Mr. Farmer about the chat session, once he is contacted by the Conversations dialer, he is directed to the agent that helped his with his DVD inquiry;

6. **The customer interaction loop is completed and a sale is made** – Mr. Farmer is pleasantly surprised to hear from the agent again. The agent makes Mr. Farmer an offer that he cannot refuse. Mr. Farmer becomes the proud owner of a new flat screen television.

In short, divine provides intelligent interaction analysis tools, which combined with information management systems, provide customers with a quality service experience and companies with profitable conversations.

CASE STUDIES

Epson

BACKGROUND

The Customer Inter@ction Centre (CIC) was a new concept for printer manufacturer EPSON. They had won awards in recognition of the reliability of its printers and the service it provided to customers from several leading PC magazines over the previous three years. It had also increased its share of the market significantly over that period. But there was, in EPSON's view, no room for complacency.

CHALLENGE

"Service is a key differentiator in the market now" says Ian Bodsworth, OperationsManager of the EPSON Customer Inter@ction Centre "and we wanted to provide new services that our competitors could not match." We looked at various customer relationship and service management applications as well as web sites that provided support. As a result of this research process, we started to examine the idea of creating an on-line interactive 'chat' service.

"We looked at what our competitors were doing and we looked at Call-Back buttons and other web-based solutions. But we decided in the end that what we wanted was an interactive solution. We wanted to create a chat facility that would enable us to talk to our customers. The idea was to get beyond e-mail so that the customer would get that immediate response."

SOLUTION

EPSON liked the fact that with divine NetAgent™ it could customize the screen to make it look like the company's own web pages. This would make the link between the site and the on-line 'chat' area seamless. Being able to push users to a particular Website and then to Chat, as the digital interaction proceeds, was, EPSON felt, going to be a major advantage. Using this tool, EPSON would be able to take the customer into pages on its e-Services website that would guide the customer step-by-step

Profitizing customer conversations

through standard procedures. EPSON could make sure they went to the right page, saving the customer the trouble of typing in the web address or searching for the right page, and reducing the overall time each contact would take.

The concept that was now hatching was one in which customers could communicate with expert support staff over the web. From a customer point of view, EPSON felt that a real-time interaction would be much better. Using e-mail usually means that there is some delay between the replies as they move between the two parties. With the Chat service, EPSON could solve issues immediately and this has resulted in keeping us one step ahead of the competition.

Bodsworth explains the basic thinking behind the plan. "The cost of outsourcing was rising and the benefits we'd get from having our own customer center were compelling. We felt that if we wanted to remain competitive and provide award winning service, we had no choice." Senior Technician, Matt Lloyd was responsible for overseeing the implementation of divine NetAgent™ and completing the initial development work. divine sent one of its technical experts to work with Lloyd for three days on the initial set-up and to transfer the skills Lloyd would need to make sure the system met EPSON's requirements.

RESULTS

"It was a really good three days", says Lloyd. "The guy was definitely a guru. We had certain things that we definitely wanted to do which he helped us with; it was then just a matter of setting up the system and creating the EPSON look and feel. After those three days I was confident with everything in the system."

Lloyd was also impressed with divine NetAgent's usability. "Even when I first looked at the system I was taken aback by how good it was and how it was easy to use and set up. The administration side is well designed and you know exactly where to go. Also, the documentation is superb and that's really unusual." A year after the start of the Customer Inter@ction Centre, EPSON was dealing with 170 on-line 'contacts' a day and still growing. One immediate effect has been a reduction in the number of e-mails received by the support team from an average of around 110, to just over 60 a day.

"The Web page 'push' feature and file download capabilities in divine NetAgent™ make the service very easy for the user", says Lloyd, it has also meant that EPSON

has been able to create more web pages that guide users through simple processes or answer common questions. By providing web-based tools, EPSON speeds up the support process at the customer's end. EPSON printers are used to output hard copies of the instructions, which are sent via e-mail to the customer at the end of the session. Chat also provides EPSON with more information about the type of enquiries coming in through divine NetAgent™ and Bodsworth can see the duration of each customer contact, who took it and how quickly it was completed. This information will prove invaluable over the months as EPSON looks to improve its services and customer satisfaction even further through the web-based interactive service.

"NetAgent Chat will not decrease our customer contacts as web users will choose this method as their preferred point of contact. The divine solution – NetAgent has extended our online service and is embedded in our overall customer relationship management strategy. We need to get more information on the day to day customer requests so that we can feed that information back into the company," says Bodsworth.

In this way, EPSON plans to close the loop, feeding back valuable information about common questions and requests concerning all products so that the company can go on improving its products and providing the customer with a wider choice in methods of contacting EPSON. In turn, EPSON can continue to keep its costs under control while it constantly improves customer service and stays one step ahead of the competition. divine NetAgent™ branded 'Chat' has enabled EPSON to provide multi-channel communications to its customers for service and contact. EPSON'S Customer Inter@ction Centre is dedicated to superior multi – channel customer service and support.

What the EPSON customers say

Some of the comments Ian Bodsworth has received from EPSON customers who have used the Chat service are as follows:

"I would just like you to pass on some credit to Sue who works in your online chat facility. She patiently resolved the query with my Stylus 440, it was a pleasure to be able to speak to someone who knew how to answer my query efficiently and effectively. Thank you."

"I just wanted to say a thank you to one of your chat support team. Rachel found the problem when you pointed me to the BIOS and am no longer getting error messages."

Scotiabank

Solution: divine Velocity Marketing

BACKGROUND

Scotiabank, established in 1832, is one of North America's leading financial institutions and Canada's foremost international bank with approximately 49,000 employees[1] and branches and offices in some 50 countries*. It is known for providing a broad range of retail, commercial, corporate, investment and international banking services to millions of customers around the globe.

As part of fulfilling its quest to become Canada's most successful financial services company Scotiabank determined that it needed to support its customer relationships via an electronic means. To do so, they wanted a full-featured e-marketing solution that would grow with them and their needs over time.

CHALLENGES

Scotiabank's Database Marketing Division clearly outlined their business objectives and challenges:

- They wanted to find a robust solution to create and deliver highly targeted permission-based direct electronic campaigns and communications to their customer base. These campaigns would drive customer growth, cross-sell initiatives, and strengthen loyalty.

- Campaign content should have the ability to be highly personalized. A one-to-one approach was planned as it would create an enhanced customer experience and ultimately increase response rates.

- It was critical that the solution could integrate with their existing Customer Relationship Management Data Warehouse in order to fully leverage

---

[1] As of October 31, 2002

customer data in campaign execution. The data warehouse contained extensive information that would allow the marketers to precisely segment the customers and create highly personalized offers and communications. Additionally, integration with the data warehouse would eliminate the need to load all contact information into the marketing solution – a complex and time consuming process.

- The solution platform must be flexible in order to easily accommodate unforeseen future usage and new information. Changes such as adding and leveraging new customer attributes should be able to be accomplished rapidly and with little effort.

- The scalability and stability of the solution were also very important. The system must be able to support increases in the number and volume of campaigns with no impact on performance or reliability.

- The solution should be delivered in a fully managed and secure hosting environment while complying with all of Scotiabank's stringent security policies. This would allow them to focus purely on the business application, rather than establishing and maintaining the infrastructure as well.

Critical Measures for Success:

First and foremost, the hosted solution required seamless and secure integration with internal bank systems without any threat to the security infrastructure. From a financial perspective, it was important that the solution be able to deliver a quick ROI. Finally, from a business perspective Scotiabank hoped to meet or exceed projected response and conversion rates.

SOLUTION

Scotiabank engaged divine to help enhance their direct marketing efforts through the implementation of divine Velocity Marketing™, a solution known for enabling marketers to increase the effectiveness and speed-to-market of e-campaigns while reducing their overall marketing spend. The solution was provided in a fully managed fashion within one of divine's world-class hosting facilities with the option to migrate the solution in-house should the need arise. Scotiabank's decision was based upon the flexibility of the solution as well as divine's ability to host the solution in

accordance with their security policies. Additionally, Velocity Marketing enabled Scotiabank to tap into the information in their existing data warehouse with minimal effort.

Scotiabank's implementation of Velocity Marketing was built upon a permission-based marketing strategy to ensure a receptive audience for their e-marketing programs while respecting contact etiquette for electronic channel communications. In addition to utilizing opt-in / opt-out links within all communications, a web-based customer preference center was created. The Personal Preference Centre allows customers to define the type of information they are interested in receiving and update their personal contact information so that all communications are sent appropriately.

Overall, Velocity Marketing has enabled Scotiabank to accomplish the following:

- Establish an e-mail marketing channel within their channel marketing mix that is controlled directly by marketing – without a reliance on IT resources.

- Easily build and maintain permission-based customer lists for a variety of e-campaigns.

- Deliver highly personalized and targeted messaging by leveraging existing customer information.

- Actively track and monitor the success of email campaigns in a real-time fashion.

- Successfully extend customer relationships by providing another channel to educate customers on relevant products and services as part of up-sell / cross-sell activities.

With a rapid deployment time, the solution was up and running with virtually no impact on the bank's IT staff. Additionally, Scotiabank was able to focus completely on their marketing programs as divine hosted the solution and performed all system management tasks.

RESULTS

divine Velocity Marketing has fulfilled the challenges set forth by Scotiabank, exceeding expectations in terms of ease-of-use, security and support. The campaign response rates to-date have been exceptional and have led to a clear uplift in net new revenue growth, net new product acquisition & cross-sell, and overall customer relationship growth. Additionally, e-channels have served to increase campaign-based ROI by containing the overall marketing spend with a reduced cost-per-contact when e-mail is used as the primary direct marketing channel.

The bank has recently rolled-out new e-marketing campaigns, based on the success of using highly targeted, web-based communications. As the size of the target base expands there are plans to increase the ways in which Velocity Marketing is used to deepen relationships with the customers.

CONTACT US

How to contact experts in your industry

CRM Technology	**crmtechnology@datamonitor.com**
eAutomotive	eautomotive@datamonitor.com
eConsumer	econsumer@datamonitor.com
eEntertainment	eentertainment@datamonitor.com
eFinancial Services	efinancialservices@datamonitor.com
eHealth	ehealth@datamonitor.com
eLogistics	elogistics@datamonitor.com
eProfessional Services	eprofessionalservices@datamonitor.com
eTechnology	etechnology@datamonitor.com
eUtilities	eutilities@datamonitor.com