

MINING THE VALUE IN CRM DATA:

A CFO PERSPECTIVE

A Report Prepared by



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ABOUT THIS REPORT

In June 2002, CFO Research Services, the sponsored research unit of CFO Publishing Corporation, which publishes CFO magazine, launched a study in the United States to explore how finance and other business executives determine and gain value from the implementation and use of customer relationship management (CRM) systems. Specifically, we wished to determine where executives found quantifiable business value in the data produced by CRM systems.

This report summarizes the findings of telephone interviews and associated research done as part of that program. The Sun – SAS Alliance funded the research activity and publication of our findings.

Organizations that participated in the interview program and agreed to be cited are:

- | | |
|--------------------------------|--|
| ■ AXA Financial | ■ Minerals Technology, Inc. |
| ■ Basell USA, Inc. | ■ Mott's Inc. |
| ■ Dreyfus Services Corp. | ■ Saab Cars USA |
| ■ Harrah's Entertainment, Inc. | ■ United Concordia Companies, Inc. |
| ■ Hunter Douglas Group | ■ Wells Fargo National Home Equity Group |
| ■ Jostens, Inc. | |

CFO Research Services, Saugatuck Technology (an IT research and advisory firm), and the Sun – SAS Alliance jointly developed the research hypotheses. Saugatuck Technology's Senior Program Director, Bruce Guptill, conducted the interviews and wrote the report. Bruce Kasanoff, senior business strategist for Saugatuck, and Mary Driscoll, Editorial Director of CFO Research Services, also contributed.

We would like to thank Allen Watson and Judith Novick of The Sun – SAS Alliance for their insight and guidance in developing this paper. We would also like to thank the many finance and CRM executives who took time to participate in the interviews and provide background information.

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RESEARCH SUMMARY

- CRM should be considered as an enterprise business strategy that provides a competitive advantage. When used proactively and when aligned with business strategy, CRM yields strategic business intelligence. Therefore, CFO involvement in CRM strategy is critical.
- The CFO at the forward-thinking company today functions as the chief allocator of resources, and as such he or she influences operating decisions that over time determine whether shareholder capital is increased or destroyed. The CFO who does not understand the pros and cons of CRM, or fails to appreciate that short-term ROI does not necessarily lead to lasting value, is just as accountable as operating managers for what happens to shareholder value.
- Any technological CRM implementation should begin with an examination of business problems and goals. CRM may or may not be an answer to existing or expected business issues.
- Organizationally, CRM is a strategic focus on the behavior of, and communication with, the customer. Technologically, CRM is based on the use of data mining to identify customer preferences and behavior. And in business processes, CRM is the use of this data to improve efficiencies and effectiveness in marketing, sales and support.
- CRM forces change in business processes. To reduce trauma to the enterprise as part of an overall enterprise business strategy, CRM implementations should follow a segmented, step-by-step approach that enables related processes and channels to adjust as necessary. CRM technologies and applications should be set up so that the data being generated assists in aligning processes with corporate strategy.
- To optimize the value of the data, implementations of CRM technologies require consensus and support across all business processes and systems. This means that responsible executives incorporate CRM as part of their enterprise and group business plans, sharing in the costs and rewards of all CRM efforts.
- The most valuable application of CRM data is in applications and processes that identify and help leverage relationships with the most valuable customers – including increasing “share of customer,” or “wallet share.” This requires close integration between data generating applications and business processes, as well as between data mining applications and CRM applications themselves.

CRM: COMMITMENT TO CUSTOMER & SHAREHOLDER VALUE

Customer relationship management (CRM) is that part of an enterprise's business strategy that enables the entire enterprise to understand, anticipate and manage the needs of any current and potential customers. CRM is not an event or a technology, or even an application or a process. Ideally, CRM is a comprehensive strategy that integrates all areas of business that touch the customer – though mainly, it is limited to marketing, sales, customer service and field support — through the integration of people, process and technology. To be successful, CRM requires acquiring and distributing knowledge about one's customers across the enterprise, to balance costs, revenue and profits with customer satisfaction. Obviously, business processes and key technologies are required to optimize CRM strategies.

In sum, CRM is four things that provide competitive advantage to the enterprise:

- Organizationally, CRM is a strategic focus on the behavior of, and communication with, the customer.
- Technologically, CRM is based on the use of data mining to identify customer preferences and behavior.
- In business processes, CRM is the use of this data to improve efficiencies and effectiveness in marketing, sales and support.
- CRM is a commitment to drive customer satisfaction and shareholder satisfaction simultaneously. Such action implies allocating scarce resources to provide a seamless, high-quality experience for a company's most valuable customers, and shedding the least desirable customers.

WHY THE HYPE?

One could easily argue that CRM should be considered nothing new. Communication with the customer, developing products and services that customers want, and selling or supporting them in manners that customers desire, have been part of successful businesses forever.

A big reason for the hype surrounding CRM is the recent confluence of supporting and enabling technologies. Automated call centers, web-based customer sales and support applications, sales force automation (SFA) and related customer-facing technologies have matured to the point where they now overlap in many organizations. Redundancies of effort and expense, plus inefficiencies in staffing and allocation of other resources, are growing large enough to be significant to the enterprise bottom line.

The availability of standardized, consolidated data, and the ability to classify, sort and report that data into patterns, are what make effective CRM possible.

These technologies also deliver tremendous amounts of data on customers and their behavior. This type of data has been available since the advent of the first hand-written customer file in the first sales representative's briefcase. But there have never been so many streams of related data, regarding the same targets, available simultaneously. And inexpensive bandwidth and storage enable cost-effective transmission and archiving of huge amounts of data.

But there was still a need for two core technologies to enable efficiencies and effectiveness for CRM applications. Data warehousing – the consolidated, managed storage of relational data – and data mining – the application of data sorting and searching technologies to identify patterns – together form the engine that drives today's CRM applications. The availability of standardized, consolidated data, and the ability to classify, sort and report that data into patterns, are what make effective CRM possible – and what deliver value from CRM data. Through this process of filtering and analysis, raw data becomes useful information, and information becomes competitive intelligence.

The Data Pyramid



The business processes supporting—and supported by—CRM are the defining element.

THE VALUE OF CRM: PROCESS, THEN DATA

Saugatuck Technology research indicates that process and organizational change is a required element of CRM success, as most sales, marketing and support processes have been developed over time without coordination or integration. For CRM systems to provide optimal value in business planning and management, the data feeding in from those processes needs to be coordinated and integrated across multiple applications and groups.

So for most firms, the business processes supporting — and supported by — CRM are the defining element when it comes to identifying current or potential problems, and then developing value-based solutions. All of the firms interviewed for this paper are pursuing CRM value by beginning with a single, very important step: identifying the basic business problem(s) that any CRM-related investments would be addressing.

"Before we decide to implement CRM or any technological investment, we study how it will improve efficiencies or solve another important business challenge."

According to Gordon Khan, SVP and CFO of Hunter Douglas US, too many firms begin investing in CRM because it looks or seems like a sound strategy, and then try to "back fill" business cases, developing processes and infrastructure to support their investment plans after the money is spent. Such "after the fact" justification is a dangerous and potentially expensive path to follow. Since the decision has already been made to proceed, estimates of direct and indirect costs and resource requirements are frequently under-estimated due to poor planning, a desire to keep project momentum rolling, or political considerations including avoiding the appearance of a poor decision in the first place. **As a result, business cases are built on poor or incomplete research, inaccurate estimates of resource requirements, and optimistic cost assumptions.** The result is a series of what networking technicians call "cascading failures," where each step of the process potentially delays or destroys multiple steps that follow, because the initial foundation is faulty.

"Before we decide to implement CRM or any technological investment, we study how it will improve efficiencies or solve another important business challenge," explains Prasanna Dhore, executive vice president of Dreyfus Service Corp. "Then we follow a series of small steps to address the problem in a logical manner. We derive more long-term value by trying to hit singles instead of home runs."

"To be successful and deliver value with CRM," adds Dhore, "you have to connect all the dots." In Dreyfus' case, this meant first identifying the business challenge, setting very specific business goals that would meet that challenge, and then building the strategy to achieve those goals, including incorporating all relevant systems, groups and processes. "We did not begin by specifically looking for an enterprise-wide CRM solution," explains Dhore. "The company was looking for ways to address the greatest problem we see in financial services: retention of assets [customer money invested]. We determined that CRM is one of the significant steps in solving this critical business problem."

Fundamental CRM Data Business Value

- Increased customer retention
- Quantification of customer value
- Optimized retention of valuable customers
- Increased process efficiencies
- Reduced operating costs
- Increased revenues
- Identification/anticipation of market shifts
- Insights for new product development

Mott's Inc. is the U.S.'s leading producer of branded applesauce and apple juice, and a wholly owned subsidiary of Cadbury Schweppes plc. According to Mott's controller Jack DeVito, the value of CRM begins with the processes. "If you're going to make this big investment in technologies, you're going to change your processes anyway," DeVito suggests. "So look at the processes and see how they can and should be improved, and then decide on the technologies to implement. Otherwise, you won't get the understanding to see what's needed, and you won't get the strategic alignment of technology and process needed to gain value."

CRM is a worldwide process effort, according to Basell USA CFO Francisco Svelto. Basell is the world's largest producer of polypropylene, a leading supplier of polyethylene and advanced polyolefin products, and a global leader in the development and licensing of polypropylene and polyethylene processes and catalysts. Basell has customers in more than 120 countries and manufacturing facilities in 18 countries on five continents. The firm has an internal task force implementing a CRM program as part of a \$4 million - \$5 million, worldwide e-commerce initiative including web-based customer-supplier communication and ERP-to-ERP interaction as well.

The primary CRM value for Basell, according to Svelto, is streamlining order and manufacturing processes, and enabling customers to see and use their own account data. The primary use of CRM data from the various systems will be coordinating demand and manufacturing forecasting, then billing, payment, and shipment information. "The immediate benefits will be process change and improvements, including helping customers save time, reducing errors in ordering and fulfillment cycles, and saving everyone money," Svelto says.

STEP-BY-STEP, SHARED APPROACH IS KEY

Research by Saugatuck Technology indicates that the firms enjoying the greatest long-term value from CRM, and experiencing the least amount of management difficulty, are those that pursue a segmented, step-by-step approach to CRM.

The best approach to implementing technological CRM is project-by-project as part of a long-term enterprise strategy. This approach is typical of the more successful CRM system implementations, especially those that are designed to deliver the greatest strategic value. Project-by-project implementation is a sound method of testing and proving whether the technology is equal to the strategy.

But guarding against isolation of technologies, systems, processes and especially data, is paramount. "The biggest problem facing most firms," says Dreyfus' Dhore, "is that the processes and data are not shared." Dhore credits a great deal of Dreyfus' CRM success to the close ties between the data mining efforts and company sales processes.

Wells Fargo National Home Equity Group developed an effective set of models for determining customer profitability and predicting customer behavior through collaboration between its finance and marketing departments. The largest prime home equity lender among banks in the U.S., the firm currently manages a \$30 billion loan portfolio. They used a joint approach to developing and then leveraging CRM.

“Marketing spearheaded our CRM efforts and did the research and modeling,” according to Home Equity Group SVP and CFO Tom Tolda, “and Finance interfaced with them regarding customer profitability and earnings dynamics.” The result is a set of financial models that use CRM data to identify customer value and profitability, and refine marketing and sales efforts. “We’re better able to look at who we target as customers, and then refine and retarget them as needed,” says Tolda.

Ten Signs of a Customer-centric CFO

- (1) Endorses CRM as enterprise strategy
- (2) Aligns IT strategy with enterprise strategic focus
- (3) Ties IT acquisitions to specific business issues, not processes or group
- (4) Implements regular reviews of customer value to the enterprise
- (5) Integrates regular reviews of customer data and trends into business planning cycle
- (6) Implements customer satisfaction metrics as part of business planning cycle
- (7) Incorporates top-value customers and partners in business planning
- (8) Ties acquisitions of any customer-facing applications to integration with data warehouses and data mining capabilities
- (9) Endorses marketing, sales and support strategies to increase customer retention and wallet share
- (10) Understands that the greatest ROI comes from the highest-value customers

AXA Group: Building a Multinational, Enterprise CRM Value Platform

In response to fierce competition in the consolidating financial services industry, the global AXA Group – with approximately 140,000 employees worldwide and \$845 billion in client assets under management — is aggressively pursuing CRM data value as a strategic advantage. AXA Financial, for example, has moved from gathering isolated information regarding insurance policies to measuring cross-sell rates, “share of wallet,” and the rate at which new products are being sold to existing customers.

AXA Group’s global customer data strategy is spearheaded by a multinational CRM IT committee. This committee, including the largest companies within the AXA Group family and participation from a central Global IT group, started to work together in 1998. Their initial goal was to share CRM efforts, and lay out an enterprise CRM architecture, building off of a consistent IT Technical Architecture blueprint. The group defined layers for a CRM architecture, assessed what tools and applications each company was using, and then started to promulgate standards at the global level.

As its base CRM platform, AXA is using Base SAS modules, SAS Enterprise Miner and SAS DB2 Connect with Oracle Connect. The group is also assessing SAS Data Warehouse Administrator. The SAS applications work in conjunction with Siebel eBusiness software, in various stages of implementation, including Siebel Marketing Enterprise (in production), Siebel Analytics (in pilot mode), and Siebel Sales Force Automation (currently in development). AXA Financial is also implementing IBM’s CIIS software as its core Customer Information File. The SAS and Siebel applications are running in a distributed SUN Unix/Solaris environment; one of the Siebel marketing components is running on NT. The CRM IT group is complemented by an international Customer Value Management committee, which is comprised of director-level business managers from various AXA companies. The two committees help AXA companies stay connected to both the IT and business aspects of CRM. The arrangement maintains consistency between business and IT strategic plans and metrics.

Many executives are intrigued by CRM due to current publicity surrounding short-term cost recovery and ROI.

SHORT-TERM ROI DANGERS

Many executives are intrigued by CRM due to current publicity surrounding short-term cost recovery and ROI. Most CRM applications today are sold primarily on the strength of these two benefits, and target specific groups (such as Marketing) or processes within a group (such as Lead Management). **For stand-alone CRM applications, it is not unusual to see costs of acquisition and implementation recovered in less than six months**, and long-term ROI of several hundred percent over the accounting life of the system. These benefits are readily quantifiable and useful in helping to build business cases for the required technological investment.

But these benefits come at significant risk of longer-term cost increases. For example, the calculation of these benefits typically relies on very limited examples that focus on cost reductions in a small set of processes. This often encourages the implementation of isolated CRM efforts rather than as part of an integrated enterprise strategy. These “silo” systems end up without enterprise-wide coordination or planning, drawing on scarce resources for redundant results and increasing the costs of CRM and enterprise operating costs. Even so, the short-term gains are often enticing enough to convince financial officers to approve CRM projects costing from several hundred thousand to a few million dollars.

Such project-by-project or group-by-group CRM implementations are not inherently bad. As noted earlier, the strongest CRM technology strategy is to implement in a sequential, phased program. However, the smart CFO will work with the CIO to enforce a technology and acquisition strategy that leverages the short-term gains in each group throughout the phased implementation.

In order to gain maximum value from the data, it must be used.

A PHASED PLAN FOR MINING CUSTOMER DATA VALUE

Simply having data delivers little added value to the enterprise. In order to gain maximum value from the data, it must be used, according to VP and CFO Ken Adams of Saab Cars USA. “The data itself is good,” says Adams, “but being able to use it is the key to its value.”

Each firm has multiple methods for mining value from customer data, and most have proven successful to some extent. The typical goal is to identify trends and opportunities with current and potential customers, to improve the efficiencies and effectiveness of pre-sale, during and post-sale activities, including marketing, sales and customer support. The first step is usually to develop classification and stratification of data based on customer-facing business processes.

The following program, developed by AXA Financial, a financial services firm managing more than \$500 billion in client assets, sums up the foundational elements of some of the best plans. According to AXA Financial Managing Director Sharon Sibigtroth, the firm is implementing the plan in three phases:

■ **Phase 1: Net present value (NPV) of customers.**

Develop a system of customer scoring and segmentation that tells the firm “what are we getting from our customers.”

■ **Phase 2: Expected value of customers.**

Based on a combination of customer profile data and publicly-available data (e.g., census), develop a set of criteria regarding “what should we be getting from customers, and how.”

■ **Phase 3: Total potential value of customers.**

Consolidate all available data with the results of phases one and two to build a comprehensive profit prediction model of all products, channels and customers.



So What?

Value is in the eye of the beholder. Almost any firm can find and measure the value gained from CRM strategy, technologies and data. At bottom, CRM data is about customers, and the value of that data is that it can be transformed into business intelligence. That, in turn can have a significant impact on corporate profitability over the long run.

“We follow a very basic set of steps when it comes to understanding the value in the data,” says Dreyfus’ Dhore. He calls his three-step process the “what – so what – now what” model:

■ **What:** What data do we have?

■ **So what:** What do the data mean?

■ **Now what:** What steps need to be taken next to produce business intelligence that drives profitability?

The three questions form a basic process for data analysis, and the answers to these three questions form the basis for an action plan that in turn fits within a CRM business strategy.

The overwhelming application across industries is in sales and marketing based on behavioral patterns.

CUSTOMER DATA IN ACTION

How firms actually use customer data varies widely as well, but the overwhelming application across industries is in sales and marketing based on behavioral patterns.

AXA Financial, for example, uses its data to profile not only existing customers and their behavior, but looks at how potential customers with similar profiles might behave. "We try to identify customer and prospect propensities to buy, based on their own previous behavior and on the behavior of similar customers," according to managing director Sibigtroth.

At Wells Fargo's National Home Equity Group, CRM data reporting and analysis is used to help the firm better leverage its customer base, including its most profitable customers. One example is in prepayment of loans. When interest rates fall, higher rate loans are more inclined to prepay as customers find lower rate alternative financing. Wells Fargo's CRM data models help the firm predict and rank the customers most likely to prepay their loans. If the data analysis also identifies any of those customers as high-value, Wells Fargo can then implement one or more customer-retention activities.

Customer data mining is also valuable in business-to-business CRM. Process industries such as chemical manufacture and petroleum refining mine customer and market data to increase the accuracy of production plans, anticipate demand shifts and better allocate expensive resources.

Few firms mine customer data to the same extent as the gaming industry. Casino operators gather and store data from loyalty programs, direct mail databases, socioeconomic data, and credit card issuers, among other sources. The use of such data is not limited to the gaming industry, but casinos have become masters of CRM by gathering and mining more complex customer data on a larger scale for a longer time than most other industries.

Harrah's Entertainment, Inc. is one of the leaders in mining for gold in CRM data. The company stores exhaustive data records for between four and five million members of its loyalty and marketing program participants. The data warehouse also stores direct mail and other marketing data, customer activity from the firm's Total Rewards loyalty card program, and slot machine data. Customer usage data from Harrah's food and beverage business is being added. The data feeds Harrah's segmented marketing programs that promote customer retention in the highly-competitive casino business.

"We get value from the data in several ways, first by being able to consolidate it all," according to Harrah's VP of Loyalty Markets David Norton. Consolidation of data warehousing and mining has enabled Harrah's to effectively and efficiently combine and utilize data from the millions of customers visiting its 26 properties in the U.S.

"We get value from the data in several ways, first by being able to consolidate it all."

"The real value is how much more efficient this makes our marketing efforts."

Harrah's values its CRM data and activities so much that it owns several patents on consolidating gambling and hospitality data from its 26 properties. Harrah's is able to track customer visits to any of the properties as well as their activities inside those properties. Mining the data results in a "mass customization" environment that enables Harrah's to extend personalized offers, reward loyalty and enhance the gaming experience for guests on an individual basis.

"The real value is how much more efficient this makes our marketing efforts," explains Norton. "We have better segmentation, which means we're able to provide more tailored offers to guests and are able to realize several million dollars a year in keeping and extending that loyalty."

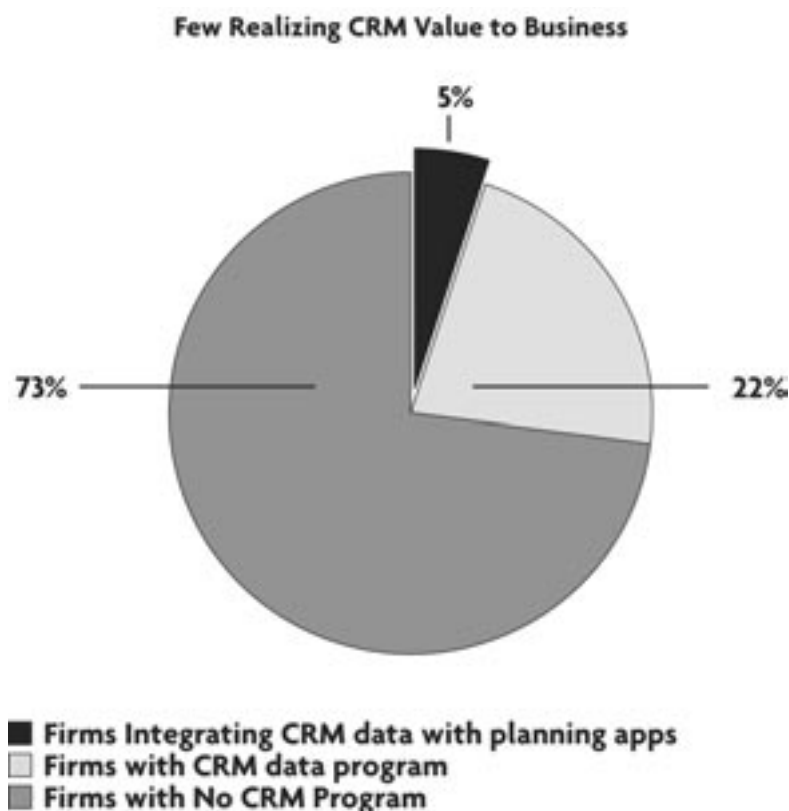
CHANNEL DATA VALUE

Channel partners are customers, too, and provide critical business planning data regarding cost, revenues, sales cycles and other operations. Part of Mott's current investment focuses on a system to increase and improve sales data coming back from different channels. **Data regarding actual spending on channels, spending by channel partners, and effects on sales in each channel will enable improved business planning, budgeting and resource allocation,** as well as streamline distribution and manufacturing by helping to predict demand and channel behavior. Mott's will be better able to track and compare spending with revenues by brand, by product, by channel (more than a dozen currently in place), and by time period. The firm expects to save more than \$3 million annually over the financial life of the system, while improving the abilities of its channel partners to do business.

Utilizing the data available from those sales intermediaries is crucial to delivering value from CRM.

Such a system may sound basic, but Mott's is far ahead of most firms. According to Saugatuck Technology research, fewer than 25% of enterprises in the U.S. and Europe are currently using any sort of automated channel reporting or similar CRM data system. The majority of firms with such systems in place do not have them integrated into business planning applications, so while they are receiving some value for their CRM investments, the value of the systems and data is diminished due to under-utilization. (see Pie Chart on opposite page). **Firms that are integrating channel data – and other CRM data – into business planning thus hold a distinct competitive advantage in today's market.**

Mott's channel data focus is not unusual. Since most firms sell through a series of intermediaries, treating the intermediaries as customers makes good business sense. And utilizing the data available from those sales intermediaries is crucial to delivering value from CRM. Basell follows a similar strategy, as do most other firms delivering value from CRM data.



Saab Cars USA uses a “multitude” of channels, including its dealers, to touch the customer and therefore get useful data, according to VP and CFO Ken Adams. Saab CRM programs include coupons from the dealers to end customers, lead generation and management from web sites and direct mail applications, loyalty management programs, and overall sales force management.

A mix of technologies, programs and management enthusiasm is key to delivering real value from CRM for Saab. “We have to be proactive in managing the programs and in our willingness to use the various technologies available,” says Adams, in order to constantly improve the channels’ effectiveness.

SVP and CFO John Feenan of Jostens Inc. concurs. “The value for us in CRM is in using the data to improve the channel,” Feenan says. Jostens is a leading provider of products, programs and services that help people celebrate important moments, recognize achievements and build affiliations. The company’s products include yearbooks, jewelry, graduation products, school photography, and sports achievement awards.

Jostens relies on CRM data to develop and manage programs that improve sales and manufacturing process efficiencies, improve the efficiency and effectiveness of sales rep efforts, and overall to “improve the life of the sales

rep in the field” and thus improve sales rep retention. “We spend a great deal of time and effort in training and managing sales reps,” says Feenan. “Some have tenures of more than 20 years, and have built up solid, profitable relationships. Anything we can do to enhance their performance is a win-win for us and the reps.”

VALUE FROM CUSTOMER DATA ACCESS

Data utilization also provides value for customers themselves. The ability for customers (and channel partners) to access their own account data and use it in business applications and processes is a key leverage point in realizing value. The customer gains by being able to streamline its own processes, reduce costs, and improve communication. The provider gains in the same ways, plus there is an increased bond between the provider and the customer – an improved relationship that requires management.

“The easier it is for customers to access their own data, and to simplify the ordering and related processes, the better our customer retention percentage will be,” says Bassell’s CFO.

“Customer data management is probably the most important piece of our current CRM efforts,” states Dan Wright, senior vice president of finance and CFO for United Concordia Companies, Inc. (UCCI) of Harrisburg, PA. One of the largest dental insurers in the U.S., UCCI has been insuring dental health since 1971, and in 2001 processed more than 10.4 million claims, answered over 3.8 million calls and paid \$930 million in dental benefits.

“[Customer data management] allows us to process claims correctly, it allows our customer service reps to respond more effectively, and it allows the customers to keep their data current,” explains Wright, adding, “it’s certainly part of our relationship management process.”

Three Ways to Destroy Value

According to CFOs interviewed for this paper, there are three recurring bad practices that will inhibit or even destroy the value sought from CRM data applications and strategies. Executives building and managing CRM strategies and programs need to avoid the following:

- (1) Bad data. If the data is out of date, inaccurate, corrupted or otherwise “dirty,” analysis and evaluation of that data will either lead to erroneous conclusions or frustration. Either path decreases the value of any technological or organizational investment in CRM. Methods for avoidance include periodical examination and cleansing of data; purchase of data only from proven, reputable suppliers; and regular audits of all applications feeding data into the system.
- (2) User-unfriendly applications. Whether the users of the systems and processes are internal or external to the enterprise, the interfaces and operations must provide obvious benefits and ease of use. Poor user interfaces and processes are a leading cause of bad data, as users may mistakenly enter incorrect data, or enter data in incorrect fields, whether due to unclear interfaces or frustration with the system. Poor interfaces and data translation between system interfaces should also be considered “user-unfriendly.” The result is still bad or incomplete data, and increased opportunity for poor communication. Methods of avoidance include inclusion of all participants in interface and process design, training, and ongoing communication regarding effective and efficient interaction.
- (3) Lack of incentives. Getting good data requires getting all parties – intra- and extra-enterprise — to participate, and that requires incentives. Properly-incented participants are more likely to champion any efforts to gain value. Effective management incentives include communication of business benefits and value, inclusion in decision-making, and sharing of responsibility for strategy and system failure and success.

CFOs need to establish standardized metrics and processes for reporting and comparing data against business goals.

MEASUREMENT FOR VALUE MANAGEMENT

Value of CRM data is managed partly through regular and frequent measurement. **CFOs need to establish standardized metrics and processes for reporting and comparing data against business goals.** These may be financial metrics (transaction volume, value, revenues), usage metrics (number of visits, system access counts, resources utilized), communication metrics (leads generated, call center activity, email traffic) or, more properly, a mix of key metrics that effectively track the combination of value and behavior needed to gauge progress against corporate business goals.

Constant monthly measurement of CRM efforts is part of Saab's method of delivering ongoing value from CRM data. "We are constantly looking at lead generation and management, couponing and sales management systems," says CFO Adams. "It's how we manage the dealer network, and the dealer network is how we manage the relationship with the end customer. We can see how the dealers as a group and as individuals are performing, identify current and possible problems before they grow, and use the channel to encourage and expand the dealers' positive efforts and promote successes."

"We constantly track the data to check our progress and compare what's been accomplished versus what our targets were," adds Harrah's Norton.

All metrics developed for tracking and managing data must be standardized so that the data – and any progress – can be fairly compared against not only corporate goals, but against itself in other time periods. Any data mining applications need to ensure that data is reported and presented in the same manner for the same applications. Metrics should change as corporate goals change – but any changes need to be clearly noted, and differences need to be accounted for, when comparing data against previous metrics.

CRM data provides a competitive advantage.

CONCLUSION

It is clear from talking with CFOs and other executives that CRM data provides a competitive advantage — when it is understood and utilized effectively. The most valuable application of CRM data is in applications and processes that identify and help leverage relationships with the most valuable customers – including increasing “share of customer,” or “wallet share.” This requires close integration between data generating applications and business processes, as well as between data mining applications and CRM applications themselves.

The following steps must be taken to build that advantage:

- CRM must become an enterprise strategy.
- Technology acquisitions and implementations must address specific business issues, and responsibility for these must be shared among all parties involved.
- CRM implementation and management must be aligned with business processes and follow a segmented plan that reflects financial, organizational and market realities.
- Data warehousing and data mining must be at the core of any CRM technological efforts. The data is less valuable if it isn’t consolidated, understood and then shared.
- CRM data must be used and shared among processes and applications. Management measures must be in place to encourage and enforce the effective sharing and application of data.
- Data must be tracked against standardized metrics that enable comparison over time. Data mining and marketing efforts must be measured consistently and regularly.

This is not to say that the acquisition and implementation of CRM technologies and applications cannot be pursued on a non-enterprise, departmental basis. Valuable data can be gained from almost any CRM implementation, especially through the short-term reduction of specific process costs.

Overall, however, the cost of piecemeal implementations will likely be greater to the enterprise – and the potential value of the strategy, system and data will be less. As CFOs are charged with optimizing the value of the enterprise, it behooves them to make CRM – and its data – an enterprise imperative.

SPONSOR'S PERSPECTIVE

Sun Microsystems, Inc.

THE KEY TO SUCCESSFUL CRM:

CAN YOU SAY "INTEGRATEABILITY?"

T.S. Eliot wrote, "Hell is a place where nothing connects with nothing." He may not have been referring specifically to CRM solutions, but his point is prescient nonetheless.

When we talked with CFOs of major corporations about their concerns and problems with CRM, the recurring issue came down to the lack of integration between systems that are data-driven, data-dependent, and data-fed. Many companies implement CRM in a piecemeal fashion, addressing one specific need or opportunity at a time, and inadvertently create "islands of information," "silos," and "silos of silos" that cannot be connected. The results are inefficiencies, cost overruns, disjointed business processes, and end user frustration.

In a perfect world, the CFO and CIO would get together and map out the company's CRM requirements in one fell swoop, then implement one all-encompassing, adaptable, affordable CRM solution. In reality, the requirements for CRM solutions will continue to be unpredictable, highly variable among lines of business, and subject to the vagaries of internal politics and short-term financial considerations.

The answer is to implement CRM solutions that are "integrateable." This term has several shades of meaning. Integrateable CRM solutions are:

- Based on open, industry standards that are not under the control of a single company or group of companies
- Modular, with discrete chunks of functionality that can be used as building blocks to create customized solutions
- Powered by hardware and software platforms that are quickly, painlessly, and cost-efficiently scaled to meet unpredictable requirements

Connect the ROI Dots

By making integrateability a technical requirement of your CRM solution, you can have it both ways. You can take a long-term, enterprise perspective as you create a CRM strategy, because you know that your CRM technology is future-ready and adaptable. And you can implement smaller, short-term projects that deliver high ROI right away with complete confidence that they'll mesh with your other CRM initiatives down the road.

Simply put, you can create--and later connect--islands of successful, high-ROI CRM deployments. You can leverage the short-term gains of individual projects while adhering to a well-thought-out, long-term, phased implementation.

Adherence to integrateability will also help reduce the trauma to the enterprise that often results from business process overhauls associated with CRM. When your CRM implementations are integrateable, you can follow a segmented, step-by-step approach that enables related processes and channels to adjust as necessary; and that can make it easier for you to keep your CRM solutions aligned with corporate strategy.

Organizationally, integrateability supports the goal of building consensus and support across business processes and lines of business, because all constituencies can be assured that the CRM solution will meet the needs of their business plans and that the costs and rewards will be equally shared.

A Series of Singles Equals a Home Run

By embracing open standards, modular solutions, and integrateable platform technology, you can get from the theory of CRM to great results—quickly and cost efficiently. You can plan for the long term while “hitting singles” along the way, implementing CRM step by step, project by project, testing and proving as you go. And you can protect your current investments while protecting against vendor lock-in. It all adds up to reduced risk and higher ROI—both in the short term and over the long haul.



Working together with you, Sun and SAS can deliver a complete, industry-specific analytical CRM solution that works for your business. Visit our Web sites and learn how we can help you transform raw data into actionable intelligence. www.sun.com/sas and www.sas.com/partners/directory/sun.

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