



Defying The Limits

Mastering High Performance CRM

A white paper by
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*Mastering Analytical
Marketing Initiatives*

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Mastering Analytical Marketing Initiatives

Learning from successful strategies and projects

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Mature companies that have achieved a significant return on analytics-driven CRM programs are those who start by looking for empirical links between marketing excellence, business processes, communications, technology, and bottom line financial performance. Many firms still struggle with important basics that delay the realization of their objectives. Our organization has provided guidance and support to hundreds of firms as they have launched analytical marketing initiatives. Based on this we offer some key elements for your consideration and raise a few issues to help guide your planning, investing, executing, measuring and maturing.

1. What is your business objective? Know what CRM must accomplish for your business – and what you need to do.

Is it intuitive that a CRM solution should begin with a customer-centered perspective? Apparently not, since many CRM implementations are focused on internal cost savings only – seeking efficiencies first, addressing the “how” rather than the “why.” It’s true that CRM can be deployed without understanding process drivers or customer impact. However, efficiencies alone deliver limited value.

The premise of most leading CRM implementations is the inherent recognition that customers are a company’s most valuable assets. Customer relationships drive all economic value, and customer equity is any firm’s primary asset.

Customer equity, defined as the total lifetime value of a firm’s customer base, “is the only asset that matters, from a marketing standpoint,” says Professor Roland Rust of the University of Maryland, one of the authors of *Driving Customer Equity: Linking Customer Lifetime Value to Strategic Marketing Decisions*. He points out that “to be truly customer-focused implies organizing the company around customer equity and its drivers.”

Yet some companies focus on a point solution to solve one piece of the customer management puzzle without

clear linkage to other enterprise initiatives. For example, they seek call center efficiency – so they buy an automation package. Automation alone minimizes human interaction – time spent with a customer on the phone. Is that good? Not always. We’ve seen that this cost-cutting approach can reduce selling opportunities and customer satisfaction. Think about it: Which of your customers love to talk to machines? It pays to look at the big picture. Companies should evaluate and manage the many customer management tradeoffs. We’ve seen that the firms that have learned to balance the wants of the customers with the needs of the business are gaining more success.

CRM is about intelligence – about understanding individual customers and their many interactions across channels, wherever they touch the business. By automating your processes you gain efficiencies but may limit your effectiveness. It’s best to explore potential customer business value and behavioral preferences using customer analytics to enhance relationship value across the business and over time.

Know what you are trying to do. Include the proper balance of analytical CRM (intelligence gleaned from deep customer analysis that feeds all communications) and operational CRM (customer interaction systems) technology to enable you to realize benefits from the efficiencies and effectiveness of your customer management program.

2. Pay attention to the data – deal with your data issues early.

Data issues are often an afterthought in CRM projects, and data warehousing may be an esoteric subject for some. However, the ability of your enterprise to give your customer-facing employees an accurate and relevant view of each customer relationship will determine the level of return and degree of competitive advantage you are able to create for your business.

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As a company grows, the sheer number of customer interactions and channels can complicate the lives of the best marketers. Yet with a complete view based on detailed, accurate data, marketers can create relevant conversations that result in consistent customer experiences – and more effective relationships. Why do some companies invest heavily in brand image consistency and then undermine it by delivering inconsistent customer experiences based on incomplete data? An enterprise data warehouse can ensure consistent customer experiences while supporting and enhancing your brand presence. Credibility of the data and the resulting intelligence for decision support is critical.

“With CRM, data warehousing for the first time ever enables the capabilities of technology to catch up with the rhetoric of the 360-degree view of the customer. ... Credibility is one of the marks of quality information. Nothing will damage the credibility of the data warehousing system more quickly than data which is inconsistent, inaccurate, insecure, obsolete or suspect.”

– Lou Agosta, Giga IdeaByte, May 2001

A complete view begins with all of the right investments. Technology is one of them. Sure, analytics are important, but without the proper foundation, your customer knowledge – and resulting CRM systems – will be naive. If you can only look at the “last 10 mouse click” Web data profiles or what happened last month, can you say you know the customer well enough to deliver a timely and relevant sales or service message? Companies serious about customer management are investing in a real-time enterprise infrastructure to drive intelligence into their operational application environments – an intelligence engine capable of rapidly generating a holistic view of the customer now, and over time – one that includes those “last 10 clicks” yet also adds depth from detailed history captured from previous interactions.

Many large CRM solutions are built around an ongoing, time-consuming data aggregation and consolidation process. This can result in data duplication and maintenance that inhibit consistency and timeliness and drive communication activities off-target by reducing relevance, which alienates customers. Once you get the right data, the business advantages are endless. Following are some examples to strive for:

- A detailed, complete and credible view of each customer relationship (both positive and negative experiences) leading to differentiated treatment of each individual;
- An accelerated analytic cycle and easier automation of customer conversations – which reduces costs and drives high-double-digit responses leading to rapid and higher return on each contact;
- Optimized customer communications (sales, marketing and service) for peak operational efficiency and customer intimacy;
- Consistent customer intelligence at each and every touch point for consistent and satisfying customer experiences – leading to measurable revenue growth;
- Improved visibility of opportunities to communicate with individual customers; and
- Increased return on relationships – i.e., wallet share and lifetime value per customer.

What’s more, a centralized view simplifies customer information management in the advent of privacy legislation. Consumer surveys show that consumers are usually more willing to share personal information when they receive proportional value in return. Companies that are judicious and fair in their use of customer information build stronger customer relationships over time. Recognize the importance of data to the success of your customer management initiatives and invest in the value of an enterprise data warehouse. It more than pays for itself over time.

3. Don’t try to build everything at once.

Launching a customer management business strategy requires that appropriate technology solutions be deployed in specific areas of the business. Your choices: Build the entire solution all at once with the risk of disrupting the business while prolonging the payback period; implement a predefined, packaged application, which may not allow for tailoring to your business situation; or implement in stages, solving one business issue at a time. The third choice provides the best of both worlds – quick payback and an ability to better tailor the process to your business.

The challenge is to create a solution incrementally, step by step, evolving deliberately and methodically toward a consistent, customer-centered view that increases returns at each stage. Paradoxically, a complex customer management solution becomes simpler with a basic architecture. Architectural building blocks accommodate a phased approach, and a staged methodology facilitates a structured organizational alignment process that demonstrates value as it comes together.

Change underscores the need for a systematic, customer-focused business approach, as well as a corresponding CRM platform that performs as a ‘relationship engine.’

The only catch, in any case, is that whatever approaches a company chooses to take, business conditions will change. There is an advantage to having a flexible, modular architecture that can adapt with your business and the market. Change underscores the need for a systematic, customer-focused business approach, as well as a corresponding CRM platform that performs as a “relationship engine” – capable of analyzing and delivering a complete, up-to-date view of your ever-changing customer asset base.

An incremental approach to customer management is shown in Figure 1. By taking a step-by-step approach to building the customer management infrastructure, you evolve at a pace that makes sense for your business strategy and objectives.

4. Be ready and willing to realign your processes and organization as you implement your CRM solution.

Be willing to redesign organizations and processes to ensure that the technology is enabling and energizing improved processes. On the other hand, the pace of change must not overtake the organizational capability to use the new solution. Putting an automation tool to work without clearly understanding the impact and without having a measurement

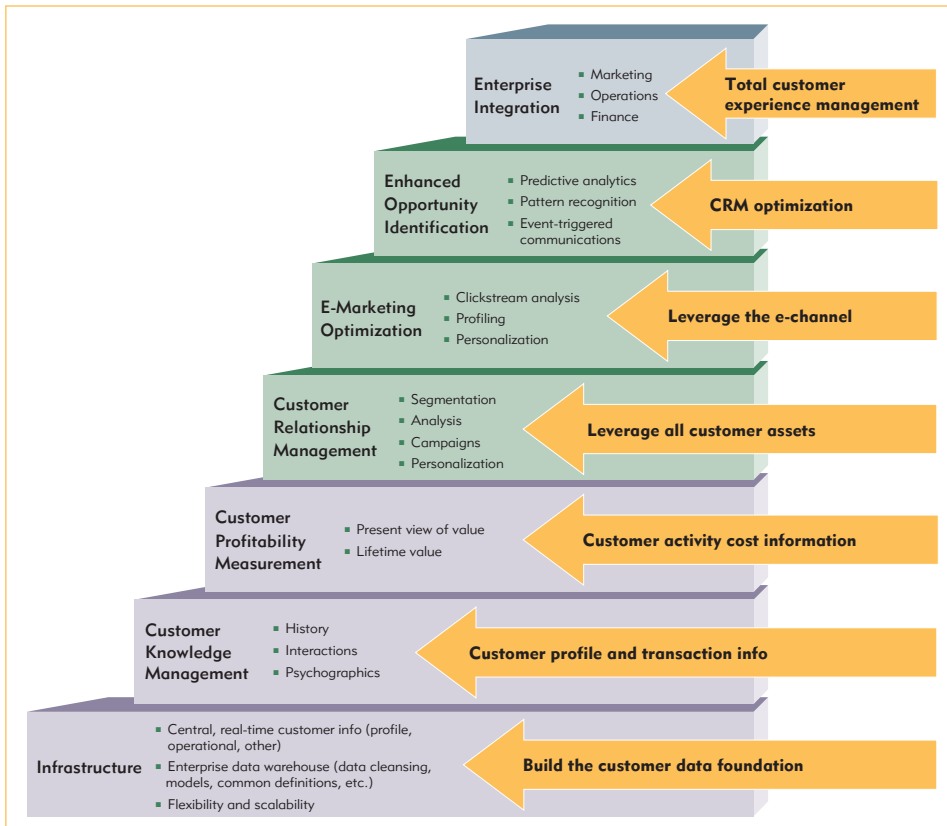


Figure 1: Build your customer management capabilities one step at a time.

system in place to control it is a serious risk. In any case, CRM is much more than simply trying to automate the things your business is already doing.

Customer management is best accomplished a step at a time, according to the strategic needs of a business. As the company expands its customer management activities to benefit both customers and the business, the technology must also evolve in several dimensions. These dimensions include deeper understanding of customer behavior through integrated analysis, better management of the customer experience through more sophisticated communication scenarios, and tighter integration with the interaction systems to couple the delivery systems with consistent communication management.

Typically this roadmap would include several stages, starting with campaign planning and staging for delivery in few channels and enhancing analytic capability to ensure feedback and measurement of effectiveness. It would then expand to multiple channels and increased automation of offer delivery and service management over time.

A good CRM solution should provide a broad set of analytical tools that marketers could use to achieve a complex variety of strategic objectives, communication tactics, and sales and service offers. Companies that train and enable users to be creative in their use of CRM tools achieve the best business results.

As you increase your understanding of the tradeoffs in the implementation of CRM, keep the big picture in mind. Customer management is more than cross-selling and upselling. It is equally about

customer service, because customer management is about building relationships that last – and that generate more lifetime value. In every moment of customer contact there exist both dimensions – sales and service. CRM must not only improve customer equity for the business, it must also add value by improving the quality of life for each customer.

The bottom line: Technology choices must be flexible – to enable baseline functionality and to provide a path dictated by an organization's goals and maturing capabilities.

5. Establish consensus on customer management objectives and metrics – including your employees.

Successful customer management is the result of a shared vision rooted in a realistic grasp of business needs. Bring together the business parties that have a stake in the success of a CRM initiative – from the executives who approve technology investments to the marketing users of the technology. Ask and answer questions that will translate to objectives and metrics.

Once they describe and document the kinds of customer experiences and business outcomes that optimal customer management must create and replicate, they can then establish a

useful consensus on customer management objectives and necessary next steps. These next steps will translate to decisions about the best CM functionality choices and capabilities.

The focus on measurable results must be detailed. An optimal customer management initiative must justify its existence and deliver measurable, high returns. What's key is the understanding that customer management is the tactical cultivation of customer relationships based on a detailed strategy and clearly defined objectives.

CRM tools must enable, not inhibit, the capabilities of people to deliver and build customer relationships while producing business value. Implementing a CRM solution – along with the processes and technology tools that enable rapid business evolution – can be a ponderous task for the individual employees who must adopt new tools and routines. It is vital that users receive the education they need – not only to be conversant in the new tools, but adept – capable of discovering new ways to use technology to cultivate customer value.

Moreover, successful customer-focused companies are moving away from a product-ownership approach to a focus on employee ownership of customer relationships. To encourage this approach, some companies design sales compensation plans to reinforce and reward customer-relationship building. It's wise to reward the behaviors you wish to promote among individuals who interact personally with your customers. People do what they are rewarded for doing. Make it as easy as possible and align incentives for your customer-facing employees to say and do the right things – every time. Your return on relationships will grow.

6. Work with consultants who are experienced in customer management and CRM solution implementation in your industry.

When a decision to implement a CRM application has been made, successful companies get experienced professional services people involved upfront. These consultants will help define and prioritize your most critical business improvement opportunities and appropriately work the new CRM application into your business processes and practices. It makes sense to choose a professional services implementation team with significant experience in your industry. They will help ensure that your CRM process is deployed in a way that aligns with your strategic objectives while also contributing to business performance improvement. Experienced professional services people know what has been successful in similar industry CRM implementations – and can save you time and money by steering you clear of obstacles that have ensnared other companies, thus speeding up your time-to-business value.

In summary, successful customer management is the result of fully-informed strategic decisions, tactical actions and communications – driven by complete and credible intelligence from information across all channels and across the entire enterprise – to those individuals who engage customers. These people are empowered and incented to build differentiated relationships with serious value.

Successful customer management comes from making all the right moves – from establishing the enterprise foundation to the analytical tools to an implementation guided by experienced CRM practitioners who have proven strengths in enabling the highest levels of customer relationship optimization. The results will then match the goal: a company of people who know exactly what they need to know – and can do exactly what they need to do to achieve highest return on relationship and establish sustainable competitive advantage that sets the company apart from their competition.

At what stage in the evolution of customer management is your business?

Now is the time to think about where your business is in its customer management evolution. What are your capabilities and your current focus? What kinds of relationships do you have with your customers, and what kinds do you wish to create in the future? How sophisticated do your value propositions need to be?

In Figure 2, we show five basic stages in the evolution of a company's customer process management. The five stages are mass marketing, segment marketing, target marketing, event-based communications, and

interactive conversations. Each stage represents increasingly sophisticated capabilities to understand your customers, tailor value propositions, differentiate your company and generate profitable revenue from customer relationships.

In the mass marketing stage, you are automating customer list selections and sending out one-size-fits-all offers in which customers are interchangeable. With segment marketing, you are using ad hoc analytical tools to match offers to customers grouped by a segmentation scheme. With target marketing, you are more focused on individualized marketing, analyzing customer behaviors and predicting propensities to buy with modeling techniques, and calculating customer lifetime value.

Event-based communication capabilities in Stage 4 require software event detectives to identify and respond to events that signal when a customer is ready to buy or has reached a threshold you have defined. According to the Teradata white paper, "The Power of Event-Based Marketing," this is a rules-driven process that can require sophisticated tools and analysis to successfully execute. However, the returns and responses are dramatic.

Very few companies have yet reached Stage 5, which we call interactive conversations. This refers to the complex, multistep, multichannel conversations that may involve the combined capabilities, methods and tools used in previous stages. At this level of expertise, a company has evolved its customer management capabilities to the enterprise level and is using event-driven tools as well as deep analytics to engage individual customers wherever and whenever they interact – with real-time capabilities to interact with relevance, timeliness and consistency of treatment on any channel or touch point.

There is a great deal more to discuss when it comes to understanding the capabilities of a business to create relevant value propositions and engage customers at the right time with the right conversations – but this is a good starting point. It's important to think about where your business is operating in terms of its customer communications capabilities – and where you need to go next. ■

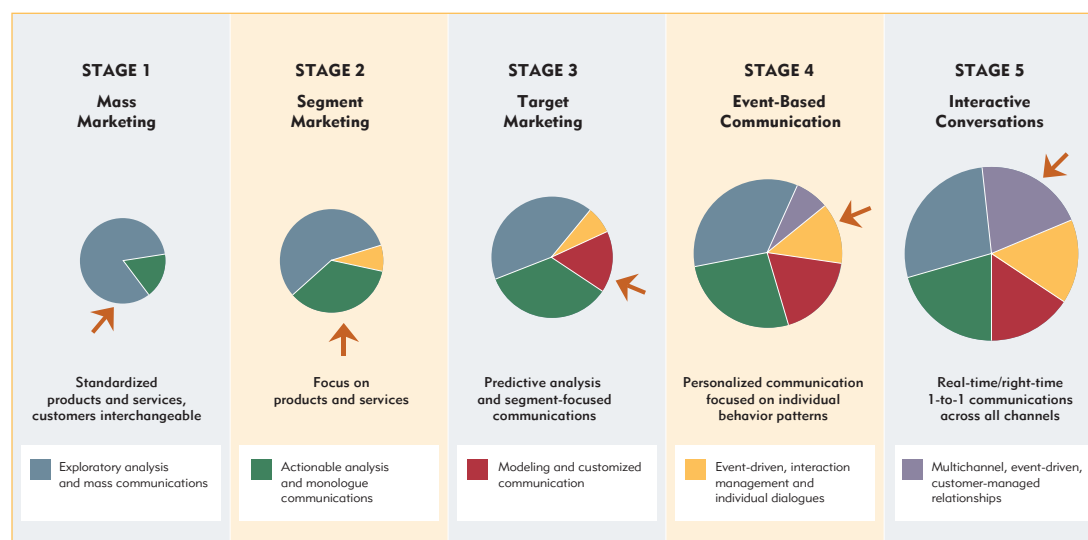


Figure 2: The Stages Of Customer Management Evolution



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