

**To CRM and Beyond!** To deliver on the promise of competitive differentiation through superior customer relationships, customer relationship management (CRM) as a business system must evolve to a customer life-cycle management approach, encompassing the customer interactions required to totally “immerse” the customer and create exit barriers.

**META Trend: During 1999/2000, enterprises will adopt piecemeal approaches to operational CRM (i.e., sales, service, marketing) and associated analytical applications. Through 2001/02, IT organizations will increasingly craft CRM application architectures to integrate operational, analytical, and collaborative front/back-office applications; maturing enterprise marketing automation applications and call centers will converge into unified customer interaction frameworks (mobile and multi-channel).**

The vision of customer relationship management (CRM) is to “technology enable” enterprises to create competitive advantage through sales and marketing resource optimization, superior customer relationships, and service excellence. This vision is currently gated, however, because the CRM market is in its infancy and is fragmented into multiple, separate segments that touch an enterprise’s customers (e.g., call centers, Web/electronic presence, e-mail response, direct sales, indirect sales). Although Web/electronic presence (e-channel) currently receives the most attention (see ADS Delta 800, 22 Nov 1999), our research indicates only 2% of (developed country) consumers are now utilizing this channel. And although Internet/electronic commerce (EC)-enabled CRM will grow to 15%-20% of (developed country/economy) retail purchases during the next two years, the more traditional channels will still be critically important for most enterprises.

The critical issue is that most companies are failing to create a CRM technology ecosystem (see ADS Delta 724, 16 Mar 1999) and instead are purchasing disparate EC/CRM products, services, and solutions that do not “play” well together (e.g., e-mail response and Web click-through data collection systems not integrating into analytical marketing applications). Indeed, Internet-enabled CRM is currently a misnomer, and except for the boisterous minority of regular Web users (and a more significant business-to-business segment), the e-customer is still missing in action. To date, the Internet is most useful for generating sales leads (and advertising

revenues) that can be pursued via more traditional channels. This will change — slowly.

**From CRM to CLCM.** CRM, in its ultimate form, will become a systemic approach to customer life-cycle management (CLCM). CLCM is a three-domain business system, aligning business processes, technologies, and the customer life cycle. This business system must integrate sales, service, and marketing processes and the CRM technology environment with the customer. To fully realize the potential of CRM, this business system must be optimized around the customer life cycle (engage, transact, fulfill, and service — [ETFS]), where the customer is the design point (not the technology or process). CRM business systems must align three syndicated domains that are predictable, repeatable, and measurable. These systems should be clearly defined, enabling predictable business activities to be automated and leveraged by technology (see Figures 1, 2, and 3 in Addendum).

Beginning now and through YE03, these disparate customer-facing systems will be integrated to enable a

#### *Business Impact*

**Customer relationship management and customer life-cycle management enable hybrid selling, service, and marketing systems, which drive lower costs, increased revenue, and optimized customer lifetime value.**

panoramic view of the customer (as well as to provide the customer with a panoramic view of the business). Our research indicates that customer-centric organizations not only value preintegration in the CRM technology ecosystem, but they are willing to pay a premium for it. Beginning in 2H99, vendors will respond to this opportunity by enabling a CLCM approach and a CRM technology ecosystem (see Figure 4 in Addendum). CLCM, which will evolve during the next two to four years, will encompass the entire spectrum of customer interactions (i.e., ETFS) that are required to totally “immerse” the customer and to create exit barriers. Relevant CLCM metrics, which currently are virtually invisible in 90%+ of CRM implementations, will include acquisition and retention costs versus five- to ten-year revenues. Implementing integrated CLCM will be difficult and expensive — integrating the technology will be challenging, but dealing with the organizational and cultural issues will prove to be the most difficult task. Our research indicates that for full implementation (across all geographies, lines of business, and channels), a Global 2000 company can expect to spend as much as \$250M over the course of two to three years.

Clearly, hybrid selling systems (integration of customer interaction centers [CICs], e-mail response, Web-based leads, direct and indirect sales, partners, etc.) will be critical on the front end of this approach, enabling customers to transact their business with the company through different channels, based on their specific requirements. On the back end of these systems will be operations, including supply chains, logistics, distribution, etc., which are typically part of the enterprise resource management (ERM) packaged software

solutions that have been built during the past five years. This ensures the fulfillment and service components of the customer experience.

Exit barriers will be created by bringing the customers deeper into the process — offering incentives (e.g., free products and service, information) to gain psychodemographic profiles (see Figure 5 in Addendum). This will drive greater personalization (e.g., MyWay personal Web pages), development of self-adapting and intuitive user interfaces, and the sharing of knowledge. The idea is to encourage customers to “invest” their time in sharing information about themselves, which will enable the enterprise to serve them better (and eventually to sell them more products). This evolution will require significant investments in IT software (e.g., for data mining, Web presence, data warehouses, and integration services). Companies will also measure the effectiveness of exit barriers (e.g., “The customer is theirs to lose”), with metrics such as customer life-cycle revenues or profitability and customer retention rates. Ultimately, however, the customer will be pampered like a king!

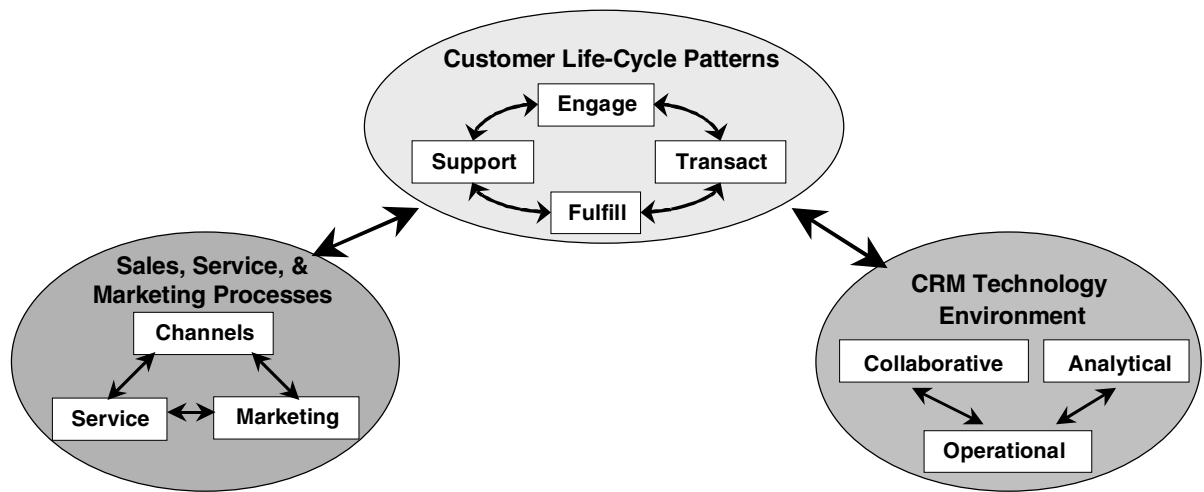
As far as integrating other customer/sales channels, call centers (i.e., CICs) are just beginning to be integrated to create a holistic or panoramic customer view. And of course, these must all be linked to “back office” systems that manage customer order fulfillment, product availability, service management, etc. — both within the enterprise and with partners in the supply chain. The result of this disparate technology purchasing is that different parts of an enterprise are dealing with the same customer and are unaware of other interactions that have already taken place.

*Bottom Line*

**Organizations must look beyond customer relationship management (CRM) to customer life-cycle management (CLCM). Users should begin planning now to integrate the three CLCM domains (i.e., create the CRM technology ecosystem with the appropriate sales, service, and marketing processes), all with the customer as the design point. Through 2001/02, users must look beyond single channel tunnel vision and support the broad spectrum of channels and points of interaction.**

**Figure 1 — The CLCM Business System**

Customer life-cycle management (CLCM) approaches will require convergence of three currently independent domains — the selling process, the CRM technology environment, and the customer interaction life cycle.



Source: META Group

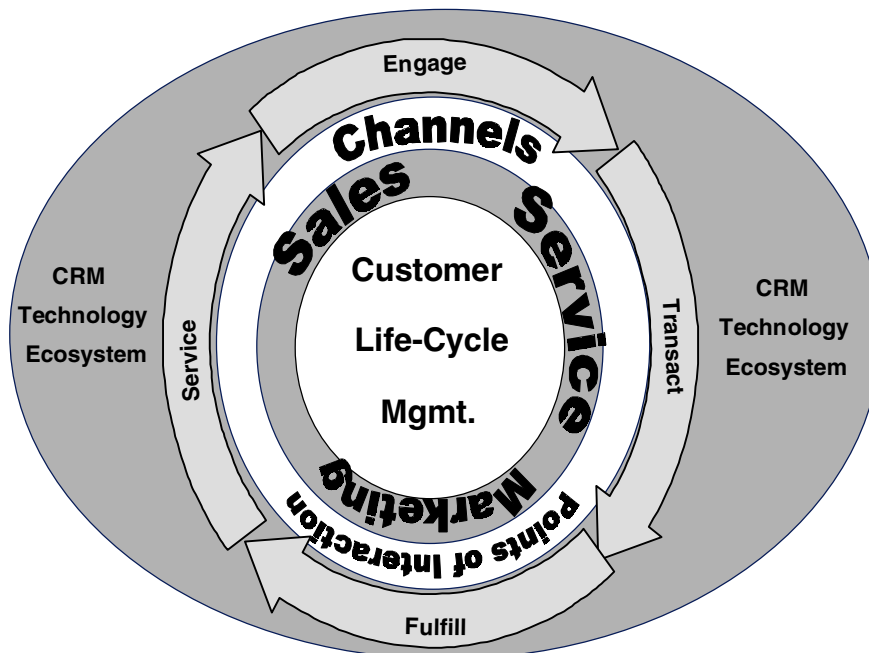
**Figure 2 — CLCM: Three Domains**

The three domains that must be syndicated to achieve CLCM are:

1. **Customer Life-Cycle Patterns.** This involves a panoramic view of the customer experience, from engaging the customer to transacting business, fulfilling orders, and providing post-sales service and support.
2. **Sales, Marketing, and Service Processes.** Three business processes are involved in acquiring and retaining customers:
  - Selling channels such as direct sales, business partners, telechannels, and electronic commerce
  - Service, support, and customer care capabilities
  - Marketing programs, including advertising, promotion, direct marketing, and product marketing
3. **The CRM Technology Ecosystem.** CRM architectures will evolve into three fundamental segments:
  - Operational CRM
  - Analytical CRM
  - Collaborative CRM

Source: META Group

Figure 3 — The CLCM Syndicate



Source: META Group

Figure 4 — Will CRM Developments in Europe Be Different?

Some local CRM “specialists” will manage data, perform services/outsourcing, and even customize software. But in general, unification of the European markets (driven by the euro, the Internet, and globalization) will cause many of the differences to be minor. European companies will purchase IT hardware and software from leading worldwide players, and, of course, as European companies, SAP and Baan will aid them in their quest to become major CRM players. However, both companies, as well as other enterprise resource management leaders such as Oracle, JD Edwards, and PeopleSoft, are significantly behind best-of-breed CRM software vendors like Siebel, Vantive, and Clarify. We estimate this gap represents at least 18 months in features and functionality, as well as in the ability to integrate call centers, Web leads, etc. As far as culture is concerned, Europeans have data privacy legislation that will curtail some of the poor customer management practices that are common in the US and Asia. But as European cultures homogenize (again, due to globalization and the Internet), and consumers seek to gain the upper hand over their suppliers, CRM — and its more evolved state, CLCM — will become common on a global basis. A positive aspect of CLCM is that with the cost of basic computing and telecommunications plummeting, even small local shops, home heating oil distributors, etc. can be customer-centric. EC-enabled storekeepers can keep their personal relationships and even expand them dramatically with automation.

Source: META Group

**Figure 5 — Do Customers Like CRM, or Do They Prefer to Be Unidentified?**

Our research indicates that business customers want to be identified for their appropriate requirements (e.g., resupply of goods and services that they already purchase), so that they can save time. Many consumers fall into a similar camp. But in exchange for being identified (e.g., providing information about themselves, or having it collected), customers/consumers expect to be treated as “special.” This means free products, better service, useful information, etc. They also do not want to be bothered by endless phone calls or e-mails to sell them more “stuff.” Companies must therefore have better coordinated CLCM to ensure that customers’ wishes (e.g., expressed to their sales channel) are respected. In addition, customers definitely want to “opt in” (agree to, or not allow) the use of their personal information by other parties (e.g., selling of mailing lists). This is the main difference between the European privacy laws and those in the US — Europe’s demand for an “opt in” is good business practice and should be adopted more universally.

Source: META Group