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## **Enabling the Customer Relationship Management Revolution**



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## THE CALL TO ACTION

Recognizing the increasingly critical role of customer relationship management, a growing number of corporations are viewing technology as a strategic means to build competitive advantage. As a result, winning CIOs must now demand that new IT investments actually build customer capabilities, not simply improve operations.

This paper seeks to provide CIOs and information technology staff with a strategic approach to this new role. Starting with the dramatic shift from approximate relationships to specific one-to-one relationships, it then discusses the three strategic success factors for one-to-one marketing, the enabling role of technology as a core component, and makes specific suggestions for a systematic approach to delivering customer data when and where it is needed.

## INTRODUCTION

A management discontinuity greater than any modern industry has seen now exists. Old business practices built around traditional product marketing and sales are being rapidly modified or replaced by customer centric relationship marketing in which share of customer is the economic driver. Technology has reached a state where quantum leaps can be made toward the ultimate competitive form of relationship building - one-to-one marketing. In this new paradigm, customer data is both a strategic asset and critical success factor. As a result, the job of the CIO and information technology staff is under increasing demand to deliver the infrastructure needed to make these transformations and to play an integrating role, speaking the strategic language of the marketer and acting tactically to build the required customer information architecture.

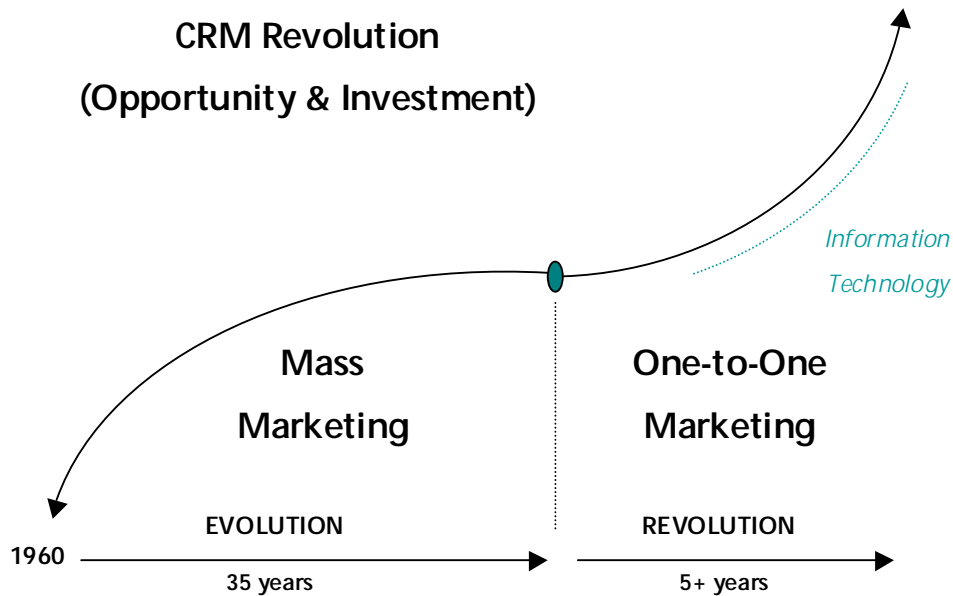
## THE SHAPE OF REVOLUTION - THE SHIFT FROM APPROXIMATE TO SPECIFIC RELATIONSHIPS

### Momentum

Two decades ago, Burger King was considered foolhardy when it launched its now famous campaign, 'Have It Your Way'. After all, such a promise was longed for by customers but unheard of in a mass production industry. As it turns out, Burger King's campaign was an early sign of a secular change in how businesses behave toward customers. Today, Mattel advertises on television that it is possible for a young girl to design and order her customized Barbie from her computer at home. Airlines know the habits and preferences of their best customers and are trying to link that information with every contact point the customer has.

Even large-scale manufacturers have entered the arena. Saturn has leveraged its customized car position so that you can complete your order from home and have the car delivered to your door.

Major newspapers are creating web sites where readers can design their own paper. Dell and Gateway build computers to customer specifications one order at a time. Kraft Foods, the multi-brand food company, is striving to create one-to-one relationships with frequent buyers through its inbound telephone lines, an interactive web site, customized cookbooks and integrated brand promotions. Indeed, the transformation of consumer marketing from mass techniques to one to one techniques has gained revolutionary momentum. The next five years will see more dramatic changes, both in the way business is conducted and the role of technology.

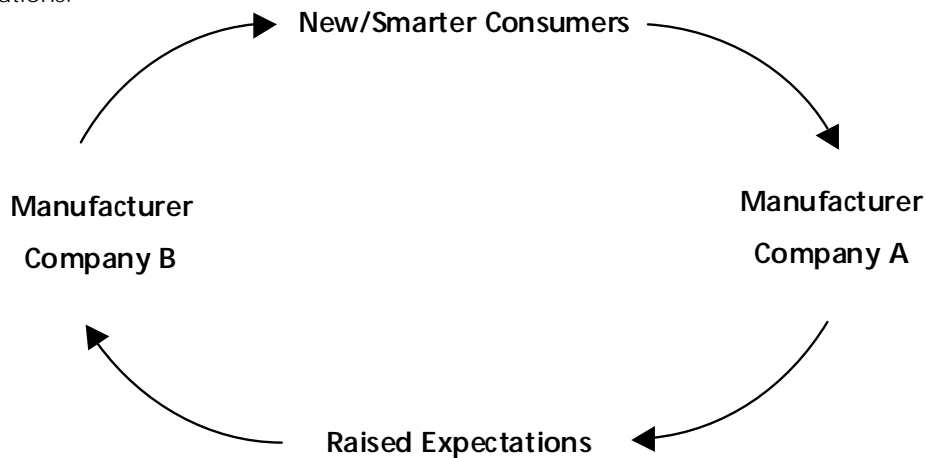


**Figure 1. Evolution to Revolution**

Today, many companies have achieved some degree of mass customization. Mass customization, however, largely uses technology in a decision support mode to assist in targeting and modeling consumer behavior at a segment level. The one-to-one revolution places technology at the operational core of sales and marketing strategy, embedding it in every aspect of interaction with individual customers. It is estimated that over the next five years the majority of investments will be allocated to support this new level of sophistication in customer relationship management.

## Customer Demand and Expectations

The list of companies engaging in relationship marketing and using at least some form of one-to-one marketing is diverse and growing. All are raising the consumer satisfaction bar for the next purchase, regardless of the category. For example, when a customer has a high-touch, customized experience with company A, her expectations are now raised for any other transaction, regardless of the company or category. In a real sense, there is a new, more savvy consumer who is being educated through her collective consumer experience to be more demanding by companies who are not necessarily in the same competitive set. As a result, companies engaged in consumer businesses are under increasing pressure to meet these rising expectations.



**Figure 2. Customer Expectations**

Complicating the picture further is the rush of new companies, such as Amazon.com, that do not have to grapple with old paradigms and old technology. These companies are raising the bar of customer expectation for individual recognition and choice. They exist in a virtual world that simulates a degree of service and individual recognition that disappeared with the corner soda shop.

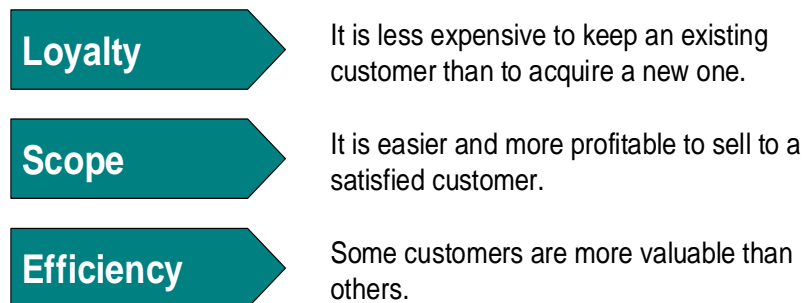
## Business Drivers

Mass marketing, once the engine of modern economy, has become mired in the expense of mass media and distribution, the inefficiencies of approximate targeting, and the tendency of mass marketing practices to churn customers through an endless cycle of product purchase, promotion and repeat purchase. This cycle carries an intrinsic risk of attrition at each new purchase point. The use of relationship theory and one-to-one techniques significantly reduces this risk by focusing resources on the most valuable customers, shifting media and distribution to micro channels where there is less waste, and creating a fertile environment for cross selling by building loyalty.

Mass Marketing	Relationship Marketing
<ul style="list-style-type: none"> <li>■ Expensive</li> <li>■ Inefficient</li> <li>■ Churns Customers</li> </ul>	<ul style="list-style-type: none"> <li>■ Cost effective</li> <li>■ Efficient</li> <li>■ Builds loyalty</li> </ul>

**Figure 3. Mass vs. Relationship Marketing**

Specifically, relationship marketing in its best competitive expression - one-to-one marketing rests on three very simple ideas about reducing costs and increasing long term profitability: customer loyalty, scope and efficiency.



**Figure 4. Relationship Success Factors**

As Peppers and Rogers, the authors of *The One-to-One Future*, have pointed out, achieving these goals in our modern economy can be costly, if not impossible, unless ways are found to use technology to create and generate individual interaction with the customer.

In a real sense, a dichotomy exists between the ends and the means for achieving change. The goal of this revolution is to create an old fashioned sense of personal relationships and individual recognition. Yet, in the new enterprise, technology will be the enabler in every aspect of marketing. No longer an operational silo, the configuration of complex, adaptive systems will create and deliver performance and benefits to both the business and the consumer. CIOs must therefore align the information systems infrastructure of the organization to directly support the objectives of customer relationship management (CRM).

**Build Loyalty- Fill Relationship Needs - Build a New Customer Focused Infrastructure**

Long-term loyalty results when a range of *relationship* needs are addressed holistically. The more needs are met, the greater the degree of dependence and loyalty. Given the volume and complexity of customer interactions, the provider must be able to shape the customer's experiences at multiple contact points: front office, sales, marketing, billing, and customer service.

Loyalty Requires Specific Behaviors	Customer Centric Technology Delivers
<ul style="list-style-type: none"> <li>■ Recognize me</li> <li>■ Know My Habits and Preferences</li> <li>■ Act Accordingly</li> <li>■ Communicate in Dialogue</li> <li>■ Respect me</li> <li>■ Anticipate My Needs</li> </ul>	<ul style="list-style-type: none"> <li>■ Recognize Name/Address</li> <li>■ View and Remember Interactions Across Time</li> <li>■ Tailor Products and Offers</li> <li>■ Receive and Store Information</li> <li>■ Enable Individual Service</li> <li>■ Predict New Needs</li> </ul>

**Figure 5. Building Loyalty**

At each instance of contact, a company must engage in specific behaviors that signify the relationship from a customer's point of view. Subsequently, CIOs must deploy new information systems that will satisfy these requirements and create a sense of consistency, dialogue and reciprocity between the company and the client.

**Build Scope: Fill Practical Needs - Orchestrate a Range of Products and Services**

Scope results when a company leverages a customer's loyalty to address practical needs holistically. Achieving scope increasingly means redefining the business. Many advanced companies have realized that individual products in narrowly defined categories are a limited response to a customers needs. These companies have begun to plan and sell broadly within product categories in order to fill a wider range of related needs.

FINANCIAL MARKETER	POST MERGER/ACQUISITION
<b>Traditional Product Menu</b>	<b>New Product Array</b>
<ul style="list-style-type: none"> <li>■ Financial Plan</li> <li>■ Investment Products</li> </ul>	<ul style="list-style-type: none"> <li>■ Financial Planning</li> <li>■ Tax Planning</li> <li>■ Small Business Services</li> <li>■ Investments</li> <li>■ Insurance</li> <li>■ Credit Products</li> </ul>

**Figure 6. Traditional vs. New Product Array**

This need to broaden scope dramatizes the technological imperative to orchestrate a complex array of products and services around customer needs. Businesses that have historically defined their product focus narrowly are now looking at customers more broadly, and entering related businesses where their core competencies are an advantage. In a one-to-one world these companies must be able to provide each customer the opportunity to create a unique menu of products and services. Furthermore, they must recognize the customer in every configuration on an on-going basis.

Clearly, these new expanded definitions of customer need will create a demand to use and integrate data from multiple sources. Conversion of data to customer-centric space, and the trajectory of mergers, acquisitions and partnership marketing deals will remain intensive over the next decade. Most important, the need for integration will not be a one-time occurrence but will require ongoing capabilities to manage the flow of information between customer interaction systems and customer analytical applications.

<b>New Requirements Multiple Sources Mergers, Acquisitions and Partnerships</b>
<ul style="list-style-type: none"> <li>■ Convert from product centric to customer centric warehouses</li> <li>■ Incorporate data from mergers, acquisitions and partnership marketing</li> <li>■ Facilitate on-going integration</li> </ul>

**Figure 7. New Requirements**



### Build Efficiency: Determine Value and Focus - Streamline Analytical Applications

Efficiency is a critical tenet of relationship marketing success. The task is, however, dramatically different from traditional approaches to cost containment. In this new world, efficiency results from recognizing the most profitable customers and focusing the majority of resources on them. Even in a one-to-one paradigm, there will be a need for different levels of service and attention based on the customer's annual profit and lifetime value. Thus, achieving efficiency will require more sophisticated analyses and the ability to orchestrate resources according to those findings.



Figure 8. Efficiency

In a sense, achieving efficiency is the most critical step for the company. Here is the moment of truth in which companies must shift from product-centric to customer-centric measurements and create an ability to organize and manage their stream of service, products and communications, both in the present and over the relationship's *lifetime*. To enable these measurements, CIO's must establish the ability to rapidly deliver customer data for a wide range of application-specific analyses.

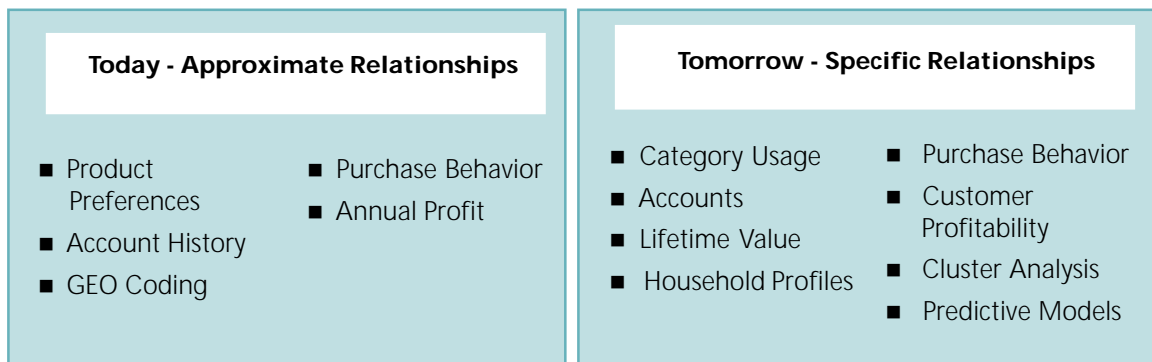
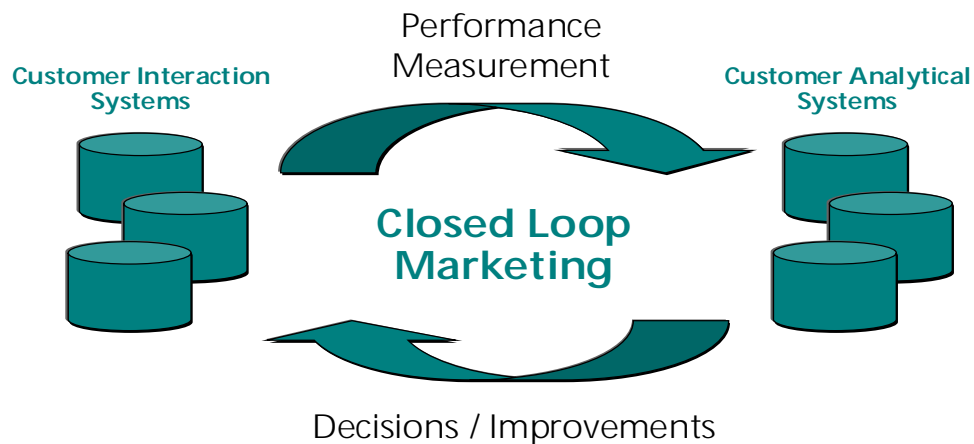


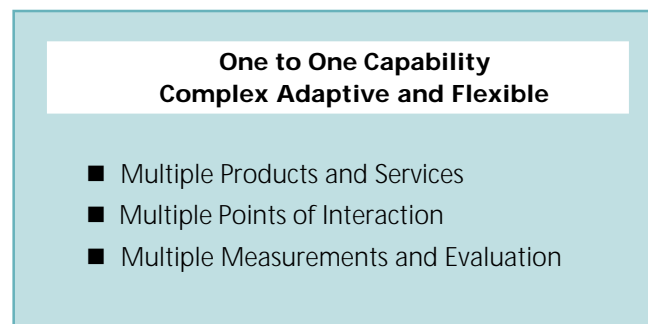
Figure 9. Relationships

Until recently, relationship marketing has relied on approximations whether for segmenting customers, targeting direct mail, or modeling profit. Today, these practices are giving way to atomic level information about each and every customer in order to satisfy pressure for more tailored offerings and tighter standards of behavior. As a result, broad segmentation schemes are yielding to much tighter clusters some as small as a few hundred customers. Predictive models related to purchase, usage and behavior over time can now be made far more accurate because they are weighted with actual individual level behavior and an increasing amount of real customer information based on account history.



**Figure 10. Closed Loop Marketing**

Simultaneously, companies are broadening their product variations and points of interaction so that more data is needed at the individual consumer level and the demand for information collection, real time coordination, and updating is increased. The ultimate objective is "closed loop" integration between the operational customer interaction systems (CIS) and customer analytical systems (CAS) that seek to measure and improve the effectiveness of customer relations and the efficiency of the organization.

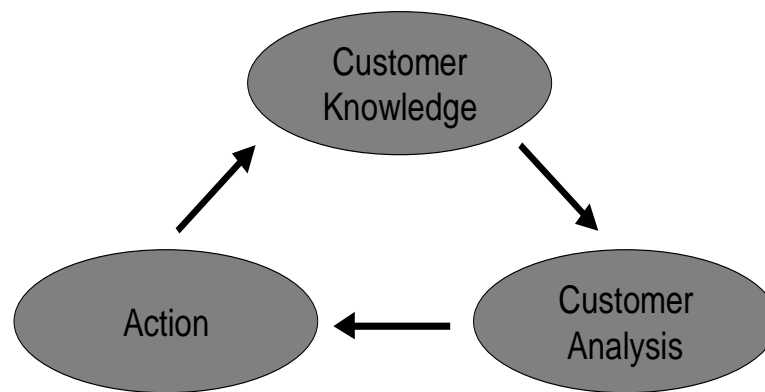


**Figure 11. One to One Capability**

## Customer Information Architecture

In order to meet the customer relationship management objectives of the organization, IT must develop fundamental new capabilities to improve the availability and effectiveness of customer information. The internal demand for customer knowledge is increasing dramatically as organizations focus more of their planning and operational processes on customer relationships. Subsequently, IT must view the deployment of customer relationship management capabilities as a strategic objective.

Leading IT organizations are deploying customer information architectures that improve delivery of individual CRM initiatives, such as new front-office applications or specific customer analytical applications, while laying the foundation for an integrated closed loop marketing environment. This "Active Customer Data Management" approach addresses three critical needs of the customer-centric organization in these areas: customer knowledge, analysis and action.



**Figure 12. Objectives of a Customer Information Architecture**

### Customer Knowledge

Surprisingly few organizations have a complete view of their customers. Customer information is often fragmented and distributed across historical, product-centric, business-line systems and in databases designed to support specific operational functions. Yet, the success of a CRM strategy will largely depend on the availability of complete and accurate information about individual customers and their relationship with the organization.

A primary goal of the customer information architecture is to develop a customer data repository where the fragments of customer data can be assembled and enhanced into a valuable business asset. As the scope of the customer data repository grows to provide a more complete view of individual customers, the capability of the organization to respond to new needs and opportunities increases.



## Analysis

There are countless ways to leverage the knowledge of customers' needs and preferences into new opportunities. Applications such as cross selling, profitability analysis, and campaign management are just a few, and new approaches are surfacing all the time. The depth of customer information is a critical success factor. However, each of these applications requires an application-specific view of that customer data and the view required for reporting is likely to be very different from the view required for data mining applications. Subsequently, the customer information architecture must support rapid delivery of customer data in a wide variety of forms suitable for application-specific requirements.

## Action

Customer analytical applications are useful only if the organization is positioned to capitalize on the results. That is, the organization must be able to take action on the results in the course of day-to-day operations and interactions with customers. For example, if high-value customers can be identified, customer interactions should then reflect the preferential status of those customers. The customer information architecture must therefore provide not only the ability to capture information from operations systems, but must also facilitate a cooperative exchange of customer information between customer analytical systems and customer interaction systems.

**CONCLUSION: ACQUIRING A SYSTEMATIC APPROACH TO CUSTOMER INFORMATION IS CRITICAL TO SUCCESS.**

Every information technologist will recognize that the revolutionary organization must orchestrate more data from more disparate sources than ever before. That data will, in turn, have to be available to more people within an organization than previously anticipated. Most important, it is now critical that IT operate within the strategic context of customer information.

As more organizations move toward one-to-one marketing, IT leaders must be able to play a transformative role, helping the CEO, marketing and sales understand the technological paradigm shift that must also take place. The strategic shift from approximate relationships to specific relationships requires new thinking and new activities. It is now critical that companies abandon the incremental improvements of ad hoc methods and build new, systematic approaches to customer data. Doing so is the only way to deliver customer data consistently when and where it is needed at the level of detail required, and to ensure the strategic success of the organization.



## About Carleton

Carleton is the leading provider of customer data management solutions for customer-focused front office and analytical applications. Carleton Pure•View™ integrates diverse enterprise customer data to create a complete, accurate view of customers and their relationships with the organization. Pure•View's unique Active Customer Data Management™ architecture provides powerful customer data transformation, integration, cleansing and delivery capabilities in a single solution enabling organizations to deploy critical marketing, sales and service applications faster and with better results. for more information contact a Carleton representative by telephone at 1.800.328.3998 or via the web at [www.carleton.com](http://www.carleton.com).

