

Multi-Channel Customer Management Solutions:

*Making Sense of the Operational Issues
and Deployment Alternatives*



Solutions for Unbreakable Lifetime Relationships.™

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Introduction

Customer Loyalty is the number one agenda topic for CEOs.* So creating a flexible, world-class customer loyalty architecture is arguably the most important information systems initiative. This loyalty architecture must deliver the necessary feedback and reports for corporate management to define and adapt its resources and customer programs to maximize revenue and profit.

Companies large and small are confronted with an increasingly sophisticated customer universe that expects and demands a higher level of immediate service across multiple access channels. As they react to this new business paradigm, companies must plan, build, operate, and measure investments in electronic Customer Relationship Management (eCRM) solutions.

This paper focuses on the key issues that a business must consider when deploying an eCRM solution, and explains various deployment alternatives in the market that deal with those issues. The four deployment alternatives are:

- On Premise
- Contact Center Outsourcing
- Application Service Providers (ASPs) for CRM Products
- eCRM Solution Hosting

The Business Challenges

Service is perhaps the last remaining way for a business to effectively differentiate itself. Effective service involves managing each customer interaction to ensure a consistent experience and an outcome that is in line with each individual customer's wants, needs, and expectations—as well as being in line with the economics the business desires from a relationship with that customer. The customer experience should also be consistent across all interaction channels (such as the Internet, email, telephone, web-chat, fax, etc.) and across all areas of the company a customer interacts with (sales, service, marketing, etc.).

Delivering these consistent, focused experiences over time builds customer satisfaction and loyalty that increases sales and profitability.

*The Conference Board (Heidrick & Struggles), 550 CEOs interviewed.

Business executives are looking for customer management solutions that provide the ability to:

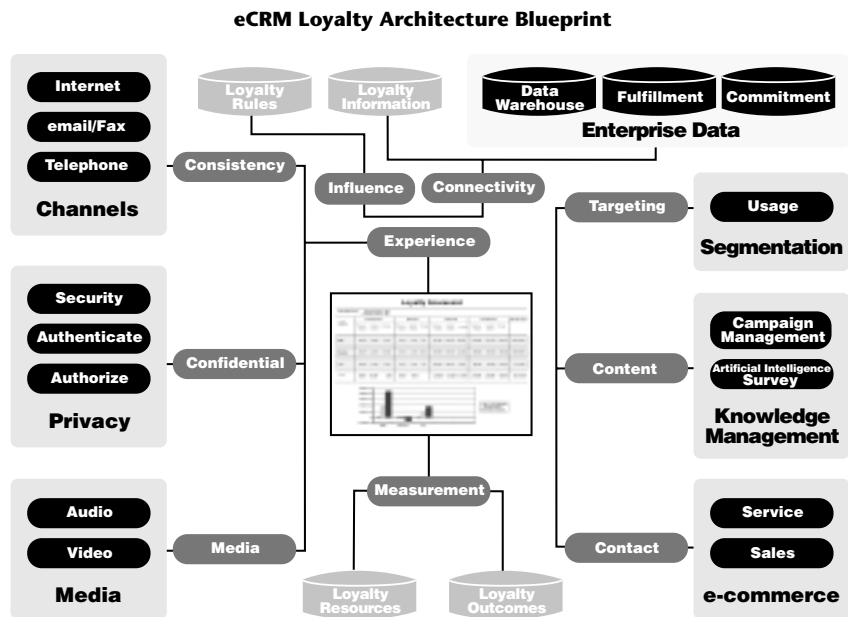
- Identify a unique situation of a customer;
- Prescribe rules on how to treat and influence that situation;
- Execute those rules consistently across all contact channels; and
- Measure the effectiveness of the program on that unique situation.

Business executives are searching for solutions that allow them to experiment and execute focused customer programs. Flexibility to change the customer experience, how a company's resources interact with its customers, and the rapid integration of new technologies to support new business objectives are now key criteria in world-class customer management and loyalty solutions.

The vast majority of business executives cannot get appropriate information about which types of customers are using which company resources (Internet, Interactive Voice Response, self-service, and people) for what types of interactions. That information helps a business develop and modify customer programs to influence behavior to the desired economic objectives.

The Technology Challenges

Truly effective eCRM solutions involve complex architectures, time-consuming product selection and acquisition, and integration challenges to existing and future investments. For example, today's multi-channel solution involves email routing, web-chat, web-collaboration, web personalization, intelligent call routing, and contact management, to name just a few. Products providing these capabilities take significant research and skill to integrate, implement, maintain, and continuously upgrade when you consider the software, servers, database, hardware, and telephone switches involved. Plus, with new technology being developed every day, it's very difficult to remain on the leading edge, while continuously researching how new technologies will complement and coexist with an existing architecture.



The key to the success of an eCRM solution is a flexible loyalty architecture “blueprint,” such as the one outlined above. The “black items” are typical point solutions and various categories of information systems focused for customer management. The “dark gray” items represent the key design tenets of a world class loyalty architecture that integrate and structure the point solutions in “black” around key customer management processes. The “light gray” items represent the execution layer of a loyalty architecture—the current unique customer situations; the rules to influence those situations; the technique to influence those situations for each interaction channel; and the data about the customer’s response to help a business measure the impact of those rules.

Many businesses avoid integration challenges and acquire point solutions in areas such as front-end applications, Computer-Telephony Integration (CTI) or email management. The result is a silo effect, with different access channels and different parts of the company acting, in effect, independently. Additionally, a business begins to place business logic and objectives redundantly in each channel, which creates additional maintenance and integration challenges.

The Operational Challenges

Businesses typically focus most of their energy and investment on management resources to develop the required marketing and customer influence programs, and the staff resources to execute those programs. For competitive advantage, both these investments should typically remain “in-house” and strategic to the business.

The retention of key staff resources to communicate with your customer base is a vital issue. A business has to consider many things as it enters new markets, grows in an existing market, and attempts to retain its key personnel who interact with customers. Where a business locates its service resources has many dynamics too large to focus on in this paper. However, a business needs to consider how its resources can effectively access an eCRM solution and any impact the eCRM solution may have on retention and physical organization of those service resources.

However, there is an important additional investment required—the people skills to manage, upgrade, and enhance the eCRM solution once it has been developed.

A multi-channel eCRM solution involves many players, including support skills for the products involved, and any outside guidance and direction from integrators, product companies, and management consultants. This operating complexity can cause problems in four distinct areas:

1. *Accountability*—frustration due to vendor “finger-pointing” when technical problems surface because of the growing number of product vendors involved in a solution. Businesses struggle to identify who is on point to manage the complete operation, not just one or two elements of the solution.
2. *Personnel*—difficulty in attracting, training, and retaining the key skills to operate, change, and enhance the supporting technologies. Maintaining and operating the technology requires a different mind-set than the individuals who utilize their technical skills to develop and create the initial solution.
3. *Business change management*—the inability to effectively add capacity and the natural human apprehension to change from an existing environment. Understanding when the solution will require the next “wave” of investment, and that impact on all levels of people resources using the eCRM solution.
4. *Technical change management*—difficulty in properly staging, testing, and designing changes to the technical solution and architecture. Adding technical capabilities requires a unique discipline and management focus to reassure the business that the new change will have little-to-no business interruption. Most businesses have not yet placed management attention to this very key issue. Since the technical world changes so rapidly, this must become part of the operating and management culture of a business.

The Financial Challenges

Financially, the cost of “turning the lights on” for a required eCRM solution is daunting. One way to get your arms around the extent of the investment is to consider different investment categories. The categories of investment required to create, operate, and maintain an eCRM solution are:

1. Production hardware and software;
2. Labor expense—operating staff expense to support, change, and upgrade the business use of the technology solution;
3. Test and staging hardware and software;
4. Maintenance expense—production and test environments;
5. IT research and development expense—to assess new enabling technologies in customer service management and their impact on the current or planned business requirements.

Scenario

*For example, a start-up web-based or dot-com business must now address how to prioritize key investments listed above versus increasing marketing and sales investments to help them rapidly acquire customers. Their challenge is that addressing only an investment in the Internet will not get them a solution that addresses live contact and other self-service channels customers will demand—and probably are demanding. Many articles have been written recently about the need for these companies to address live or “assisted service” when problems or issues arise with their products. However, the initial cost burden to acquire the necessary infrastructure is quite painful to a start-up business. As some of these start-up companies build their new financial model, a recommended exercise is to add the variable cost-per-user of the required infrastructure that touches or serves the customer, including **all** channels of service required, not just the Internet.*

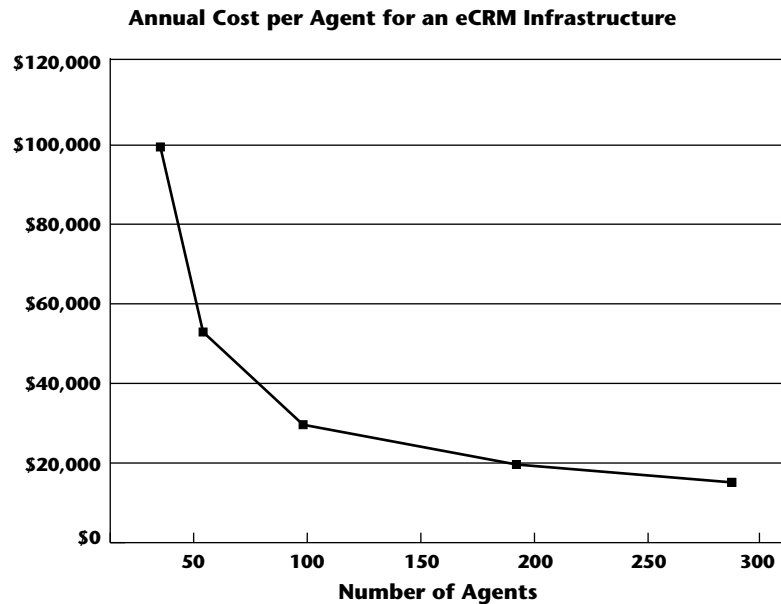
Most businesses with mature customer service environments have invested in categories one, two, and four above. But these investments are primarily in voice infrastructure and contact management aspects of contact centers (and are focused primarily in the call center). Their technology is getting old, and they are having difficulties adding and integrating today’s Internet and self-service product offerings and “middleware” technologies to manage contact channels.

Even fewer businesses have invested in category three, the required infrastructure to test, stage, and “roll out” new versions of their customer management solutions. This results in poor staging and rollout of new, required technologies, and interruptions to the business when a new product or upgraded component occurs.

The extent of investment today in category five is usually attending an industry show or reading industry publications. Unfortunately, this does not properly prepare a business to understand how the latest trends impact its existing investments or where it's best to introduce new products and technologies. So a new class of technical problems arises when integrating new products into a business's existing customer management architecture.

The investments in staff in categories two and five must work as a team to take a hard look at another critical financial issue—hitting the next frontier of investment. As the use of a system grows, companies are faced with costly upgrades in capacity to the next “tier” or “cliff” of use. This includes things like additional servers, cabinets for telephony environment, service packs in software, etc. A business must consider developing a financial model or cost curve that shows when the next tier of investment is required, in addition to the other variable costs of an eCRM solution.

The bottom line is that companies must consider the cost of all five categories when understanding the true cost of building, operating, and enhancing an eCRM solution. We have found that a very powerful way to visualize the total cost of an eCRM solution is to consider the annual cost for a company against the number of key users of the solution.



Our research indicates that only very large contact centers, with over 300 connected service professionals, can reasonably absorb the necessary continuous investments in technology and operations on a cost-per-agent basis. However, the majority of the contact centers globally, especially outside North America, are significantly less than 300 agents, making this a key area for most businesses to review and address.

Most service environments going forward will leverage their customer service professionals to manage customer interactions across all channels. Therefore, the “annual cost-per-agent” becomes a useful metric to help understand the cost model of delivering an effective eCRM solution to manage customers.

The Time Challenges

Businesses are expecting to get results and measurement of the investments made on their eCRM investments. The business results are directly related to the leverage an eCRM solution gives them—the information and data about customer behavior and the impact their resources and customer programs are having across all key contact channels.

Multi-channel eCRM solutions can take 12 to 15 months or even longer to deploy. When you factor in key required initiatives—such as business strategy and requirements, business case, customer experience design, product RFPs and acquisition, development of a test/staging capability, integration to legacy systems, comprehensive testing, training, and rollout—the required solution takes too long through the eyes of key business sponsors.

The market must address this and provide for solutions and techniques to deploy the required eCRM architecture and its subsequent enhancements to provide measurement and business benefit sooner.

For example, many mature businesses are attempting to enter a new market or geography where they have no customer critical mass. They cannot afford to wait 12 to 15 months or longer to develop an on-site infrastructure with the key integrated technologies to compete. Perhaps an interim solution allowing them to rapidly acquire customers, learn and measure behavior, is a good first step prior to the eventual eCRM solution architecture.

Some companies simply want an infrastructure where they can rapidly experiment or prototype a new marketing program and receive valuable customer feedback on the program’s influence.

The Solution Alternatives

While the challenges outlined above may seem intimidating, there are several solution alternatives that offer varying levels of effectiveness. Balancing their effectiveness with time, cost, technology, operations, and business considerations should guide companies in deciding which solution is best for them.

On Premise

The majority of today's customer management solutions are implemented as on premise solutions. However, a business faces significant challenges as it learns to operate, change, and enhance its eCRM solution.

A business must be willing to invest and hurdle in each of the five investment categories described earlier if it expects to have an eCRM solution that will achieve the desired business results.

Then, if a business case properly shows how it will "hurdle" that investment, the business must consider if a premise-based solution can be established and changed in timeframes acceptable to its sales, marketing, and service management.

That investment commitment then translates to a management commitment to find ways to build a focused, quality team to manage and operate the eCRM solution. This includes not only technical maintenance skills, but skills in ongoing R&D, change management, and business reporting.

On Premise Highlights:

- Provides an entirely custom solution with key integration to the required eCRM and legacy systems a business needs;
- Typically takes significant lead time to develop the required infrastructure and eventual solution;
- Solution can be prohibitively expensive to build and operate; and
- Requires a key commitment from management to invest in all categories of support and ongoing change management and solution enhancement.

ASPs for CRM Products

An ASP (Application Service Provider) remotely manages and delivers packaged application capabilities from an off-site, centralized location over a wide-area network.

Typically, an ASP aligns with a particular software vendor. Some software vendors provide ASP services to their customers. Although an ASP provider may offer multiple products to its customers, an ASP is not designed to present an "architecture view" of how all the customer's contact channels best interface with its front-office and back-office fulfillment needs. The solution will be as good as the package implementation by the ASP or a systems integrator who assists the ASP.

Also, since ASPs are product-based, they are focused on delivering those products. They typically have "bench strength" and technical skills to provide limited customization of that package for a customer. These strong product ties also prevent ASP adopters from employing new technologies quickly and efficiently. The business model looks to provide complete services for the "fashionable" or leading software products on the market.

When it comes to creating a view of customer behavior, ASPs are limited to the small slice of the customer interactions that their provided packages support. That makes it challenging to create a single customer view to guide all interactions or spot business trends.

Implementing changes through an ASP works when modifying the product, but it is difficult for an ASP to advise the customer on the impact that change has with other investments required for a complete eCRM solution. Further, managing service levels around the complete solution can become fragmented since it will involve multiple players who are supporting one or a few of the required components in the eCRM solution.

ASP Highlights:

- ASPs can rapidly provide the functionality of a software package and operate that product's complexities as a customer begins to build a complete eCRM architecture;
- ASPs typically rely on an external sales force from the product vendor or a systems integrator, and thus "execute" a request to implement and operate a product; and
- ASPs do not typically have customer management domain consulting or systems integration expertise on how to best integrate and measure a complete eCRM solution and architecture.

Contact Center Outsourcing

Outsourcing providers are selling efficiency and cost management of the primary cost factor in contact centers—labor. For this reason, their operations tend to rely on mature technologies and economies of scale with labor, rather than delivering state-of-the-art technology and thought leadership on programs and techniques to measure customer loyalty. Outsourcers are not typically new adopters of technologies, and their existing customer base will tend to use their mature technologies for utility and not strategic competitive advantage.

Outsourcing also requires companies to surrender a great deal of control by employing third-party agents and managers to deliver a company's message through telemarketing and telesales activities. They can get a program implemented fast, but it is more difficult for companies to control the effectiveness of the customer programs they define—but the outsourcer is tasked with executing—since the outsourcer owns the people.

Traditional outsourcing also includes people to operate and support the technology solution that the outsourcer chooses to deploy. They insulate technical issues the people at the outsourcer have with their supporting tools and technologies.

Outsourcing Highlights:

- Primary focus is on cost-effective delivery of people to support some component of a company's sales and service function (technology comes "along for the ride");
- Are comfortable being measured to a service level, although that service level normally represents call center labor efficiency or campaign metrics;
- Typically late adopters of new technologies which most likely will not include Internet or web self-service applications for a customer; and
- Outsourcers do not typically have domain consulting or systems integration expertise on how to best integrate and measure a complete eCRM solution and architecture.

eCRM Solution Hosting

Hosting the entire eCRM architecture is a new solution alternative that provides solid answers to most of the key challenges addressed above. This solution recognizes the combination of technology, financial, and operational issues facing most businesses today.

eCRM Solution Hosting is an alternative that provides access to a completely integrated multi-channel contact management solution. Similar to an ASP, eCRM Solution Hosting involves the remote management and operation of technology. However, eCRM Solution Hosting involves managing multiple product vendors in an integrated architecture and operating that complete architecture instead of one product. Many of those software and hardware components provide network or channel management of voice, IVR (Interactive Voice Response), and Internet capabilities.

eCRM Solution Hosting allows a business to effectively use and "outsource" the following key aspects of an eCRM solution:

- Costly initial and ongoing hardware and software RFPs (Request For Proposals), and product acquisitions to support the eCRM architecture;
- Architecture development and product integration;
- Technology staging in a test environment;
- People investment in ongoing research and development to capitalize and integrate the latest technologies into the evolving eCRM solution; and
- The daily operation of the eCRM solution, including business change management, technical problem management, report delivery, and network management.

eCRM Solution Hosting also provides a predictable cost structure that prices the integrated solution typically on a “per-use” basis. This avoids the costly initial investment in these systems and the costly “cliffs” of investment as the system is improved or as the company increases its use of the solution.

Internet customer service, email routing, web-chat, web-collaboration, speech-enabled applications, and Computer-Telephony Integration (CTI) are all common investments in today’s eCRM architecture. eCRM Solution Hosting employs leading-edge thinking of eCRM specialists to effectively integrate all elements into a consistent, pre-integrated architecture to understand customer behavior across all contact channels.

eCRM Solution Hosting allows companies to deploy a full-function, integrated, tested, operable solution faster and more cost-effectively, with the latest eCRM technologies. Using high-speed IP connections, eCRM Solution Hosting delivers complete functionality to agents and customers at virtually any location, a choice that may allow a business to retain and be flexible with its key resources or to serve a geography with service resources from a completely different geography.

Another benefit of eCRM Solution Hosting for eCRM solutions is a six-month or longer time savings, since the key technologies are pre-integrated and tested together with the required channel management technologies. eCRM Solution Hosting should allow a business to more rapidly run a campaign and gauge its effectiveness, similar to the approach of a traditional call center outsourcer. However, it lets the business utilize its people resources to execute a customer influence program and see its business results integral to its other technology investments.

An ideal eCRM Solution Hosting provider will also employ a proven set of tools and methodologies to create business reports for customer interactions and customer program effectiveness. In addition to interaction management, the system can provide valuable insight into customer behavior—such as defection analysis and cross-selling effectiveness—through detailed, timely reports. eCRM Solution Hosting becomes a strategic information system since it offers a proven integration framework to a company's legacy environment to give visibility to commitments made to the customer and allows each channel the ability to manage those commitments.

eCRM Solution Hosting Highlights:

- Provides immediate access to a pre-integrated eCRM solution architecture;
- Provides a predictable cost structure for a business as it grows across initial and ongoing “cliffs” of investment;
- Like an ASP, provides operation, change management, and technical problem management, but does this for key components and vendors in the solution, not just a single product;
- Allows a business to focus more attention on its customer programs and service resources;
- New to being measured based on service levels when compared to a traditional outsourcer. Measurement criteria and service levels are being evaluated and changed based on the new class of business issues eCRM Solution Hosting addresses; and
- Should have domain consulting and systems integration experience to properly integrate the eCRM solution to a company's other required systems involved in servicing the customer.
- Allows a business to more rapidly and more reliably introduce changes to their service infrastructure.

Making a Choice

The unique business objectives, total cost, time to implement and change, and solution management are the key factors each company should take into account when deciding on how best to deploy an eCRM solution. The chart below gives a quick overview of some of the major issues and how each deployment alternative “stacks up”:

Issue	On Premise	ASPs for CRM Products	Contact Center Outsourcing	eCRM Solution Hosting
Speed of Implementation	No	Yes	Yes	Yes
Cost-Effective	Maybe	Yes	Yes	Yes
Integration to Required Legacy Environment	Yes	No	No	Yes
Scalable	Maybe	Yes	Yes	Yes
Complete eCRM Architecture	Yes	No	No	Yes
Freedom of Product Choice	Yes	Yes	No	No
Leading-Edge Technologies	Maybe	Some	No	Yes
Ability to Change Business Process or Programs	Maybe	Limited to product	Limited to products used	Yes
Able to Add Leading New Technologies	Maybe	Some	No	Some
Business Reporting	Maybe	Some	No	Yes
Resource Reporting	Yes	No	Yes	Yes
Problem Management of Complete Solution	Maybe	Some	No	Yes
Operational Management	Some	Some	No	Yes

Summary

Building and maintaining an eCRM solution is vital and necessary for any company to compete and thrive in the new Internet business economy.

However, when reviewing alternatives to deploy and operate the solution, a company should:

1. Look at developing an annual cost model to understand the investment and financial commitment of an eCRM solution;
2. Consider the flexibility of its eCRM architecture so that it can effectively change and learn the impact of its resources and programs on its customers;
3. Make a continual commitment to uncover the next key-enabling technologies, and update its existing eCRM architecture and the integration to its legacy environment;
4. Structure and invest in a focused group of resources to operate and support all aspects of the eCRM solution. This team should deliver a set of services that is clearly measured by the business; and
5. Consider the length of time required to deploy one or several eCRM solution alternatives based on its unique business climate and time to market.

About the Author

Kevin Kraft is the Senior Vice President, Global Solutions Marketing for eLoyalty. He is responsible for the creation and promotion of innovative solutions using eLoyalty's software and consulting proficiencies, and is responsible for the management of eLoyalty's messages and execution in the market through key industry partnerships. Mr. Kraft is also responsible for eLoyalty's Loyalty Hosting service that provides customers with immediate access to the world's leading eCRM solution.

Mr. Kraft received his Bachelor of Science degree in Computer Science from Purdue University and has a Master of Business Administration degree from the University of Chicago in Finance.

eLoyalty (NASDAQ: ELOY) is the world's first and only global business/management consulting and systems integration organization focused exclusively on building customer loyalty. With more than 700 professionals in offices throughout North America, Europe, and Australia, eLoyalty delivers the proven proficiencies, technologies, and business practices that span the full spectrum of a company's operations including the Internet, call centers, marketing channels, sales force optimization, customer service, and field service and logistics. eLoyalty was named the 1999 Solutions Integrator of the Year by *Solutions Integrator Magazine* as part of their SI Impact Awards. For more information, please go to the company's web site at www.loyaltyco.com or call 877-4-ELOYAL.



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