



**Deloitte
Consulting**

Customer Relationship Management

**A Guide to
Marketing, Sales,
and Service
Transformation**



Preface

Today, no single business topic commands more attention, yet generates more confusion, than transforming the way you market, sell, and service customers to build a competitive advantage – otherwise known as Customer Relationship Management (CRM). On one hand, some organizations that reengineer their CRM processes are reporting revenue increases of up to 51 percent, margin improvements of 2 percent, decreases in cost of sales of as much as 46 percent, reductions in sell cycle length of 25 percent, and increases in customer satisfaction ratings of 20 percent and more. On the other hand, we are still seeing claims that 50, 60 and even 70 percent of all CRM initiatives generate minimal gains or no improvement at all.

The truth surrounding CRM is elusive. Is the answer to all business challenges the transformation of marketing, sales, and customer service? Or will your efforts represent an enormous waste of time, effort, and money? Based on the CSO Forum's review of over 1,400 CRM initiatives, and Deloitte Consulting's experience working side by side with clients in over 300 marketing, sales, and service transformation projects, worldwide, our conclusion is simple: Your success depends on the correct approach.

The difference between the success or failure of a CRM project lies in the knowledge and ability that an organization brings to its effort. Companies that know what problems they need to solve, how to sort through the hundreds of technology solutions available, and how to structure and manage their process reengineering efforts – these are the ones achieving breakthrough results through CRM. And as they succeed, they are setting the benchmark level for performance that all their competitors must meet.

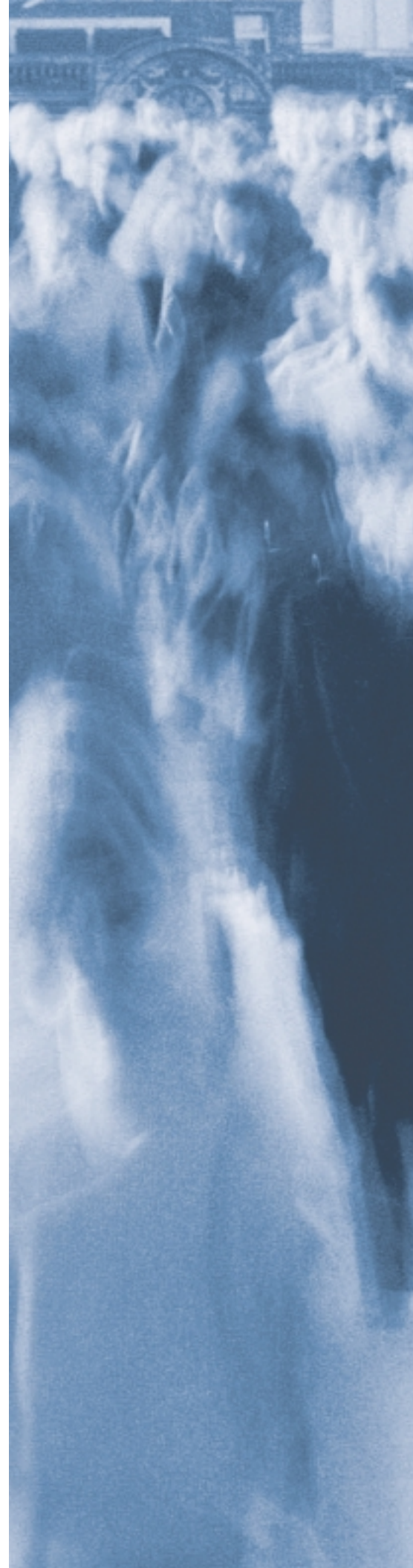
The purpose of this report is to share some of the major trends occurring in the CRM marketplace. The document is divided into three sections. First, we deliver the results of a recent survey of 225 firms that engaged in the process over the past year. Next, we present a structured approach for how to manage your initiative to maximize your chances of success. In the final section, we profile seven firms that, by adopting the principles of CRM, are changing the way the game is played in their industries.

By deciding to focus on your marketing, sales and service challenges, your organization is already headed in the right direction. The insights contained in this report will assist you in turning your efforts into successful action.

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Section 1

Customer Relationship Management

State of the Marketplace Review

Section 1

Customer Relationship Management - State of the Marketplace

Summary

Deloitte Consulting, a global leader in CRM consulting, prides itself on its track record of customer satisfaction. Our collaborative approach and focus on achieving sustainable business results quickly make us the choice of many clients to join them on their CRM journey. As part of the efforts to provide services of value to you, we have teamed with the CSO Forum, a leading authority on CRM benchmarking, to develop this guide to CRM transformation. We hope you find it of value.

Since 1993, the CSO Forum – a Boulder, Colorado-based research firm – has conducted an annual benchmark study to help track vital trends in the area once known as sales force automation (SFA), which has today evolved into Customer Relationship Management – a radical transformation of the ways companies market, sell, and service. To date, we have surveyed more than 1,400 such corporate initiatives.

In just six years, the CRM marketplace has changed in ways its pioneers could not even have envisioned. The sense of urgency surrounding projects has increased as companies look for new ways to remain competitive: increasing revenues, maintaining margins, shortening the sales cycle, increasing customer satisfaction. The scope of these initiatives, moreover, has broadened from a focus on the individual salesperson to include all touch points to the customer – sales, marketing, customer service, R&D, finance, management, channel partners, and even customers themselves. At the same time, the technical complexity of projects has increased as companies seek to integrate front office systems, back office systems, and the Internet, giving timely information access to every appropriate user within the enterprise.

To learn where the market is currently headed, in early 1999 we completed a review of an additional 202 CRM initiatives. We surveyed the executive management, marketing, sales, service, and information systems professionals ultimately responsible for these projects. Through this effort, we uncovered a wealth of insights into the critical success factors that generate meaningful results from reengineering investments. The following summary of our research outlines the major trends now transforming the CRM marketplace. By delineating these trends, we aim to help companies better align their business and technology strategies to deal with the marketing, sales, and service challenges they currently face.

Research Project Background

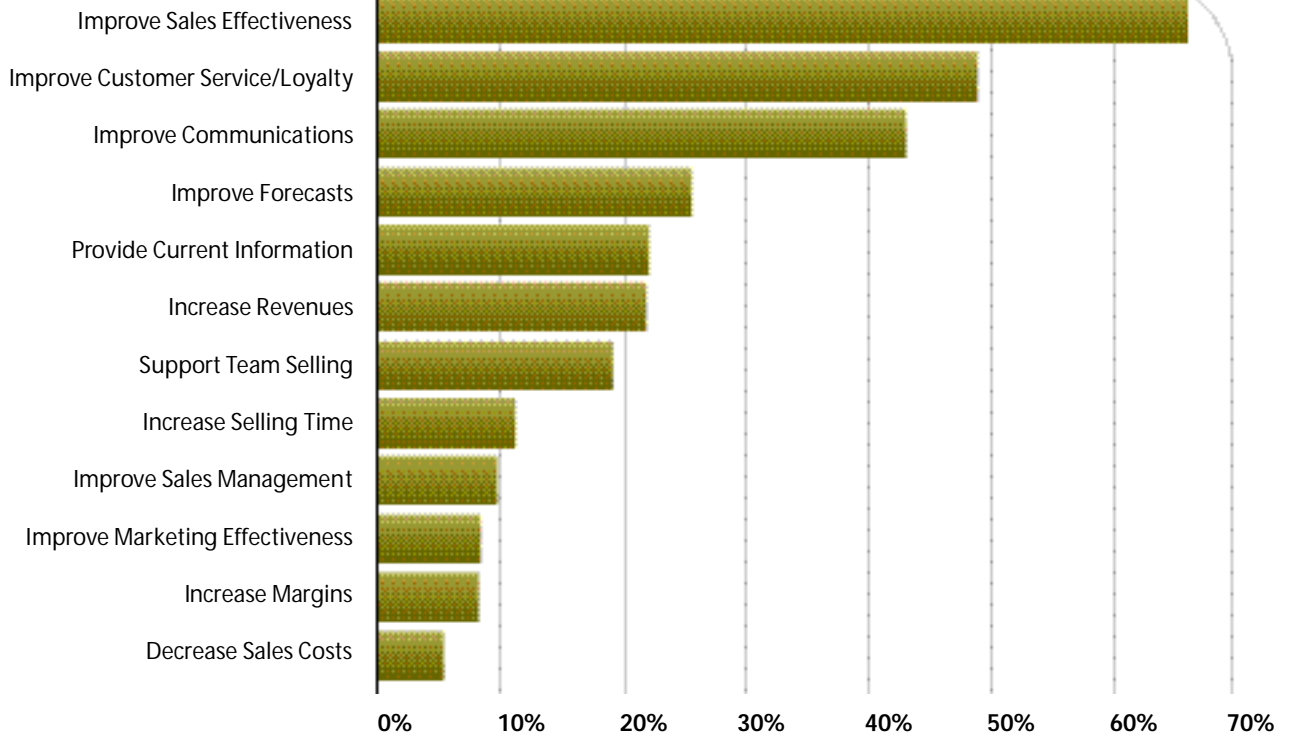
The 202 companies surveyed were divided into two, nearly-equal groups. The first group included those firms in the implementation process. Under this definition, we included organizations just starting to review their operations and technology, all the way up to firms in the actual pilot phase of their CRM initiative. The second group included companies that had already implemented a project – that is to say, organizations that had rolled out their system into full production. Of these 202 companies, 47 percent were manufacturing firms, 39 percent service organizations, 7 percent distributors, 5 percent retail firms, and 2 percent other (government agencies, charitable organizations, etc.).

In gathering preliminary information for this research project, we asked participants to complete a survey form. Where projects had already been rolled out, we conducted phone interviews to gain a more detailed perspective on the organization's project experiences. In cases where companies had hard performance numbers for their projects, we conducted onsite meetings. (Individual project results were kept in strict confidence and used only to create a summary analysis.)

Customer Relationship Management Project Trends

To begin, we explored the business objectives of each firm in the survey. What was driving them to undertake the project? The answers, as seen in Figure 1, reflect two interesting shifts from prior surveys. Six years ago, when this research project was first conducted, most firms were primarily focusing on issues associated with efficiency: increasing selling time, decreasing paper work, reducing administrative burdens, etc. Now companies are focusing on increasing selling effectiveness as well.

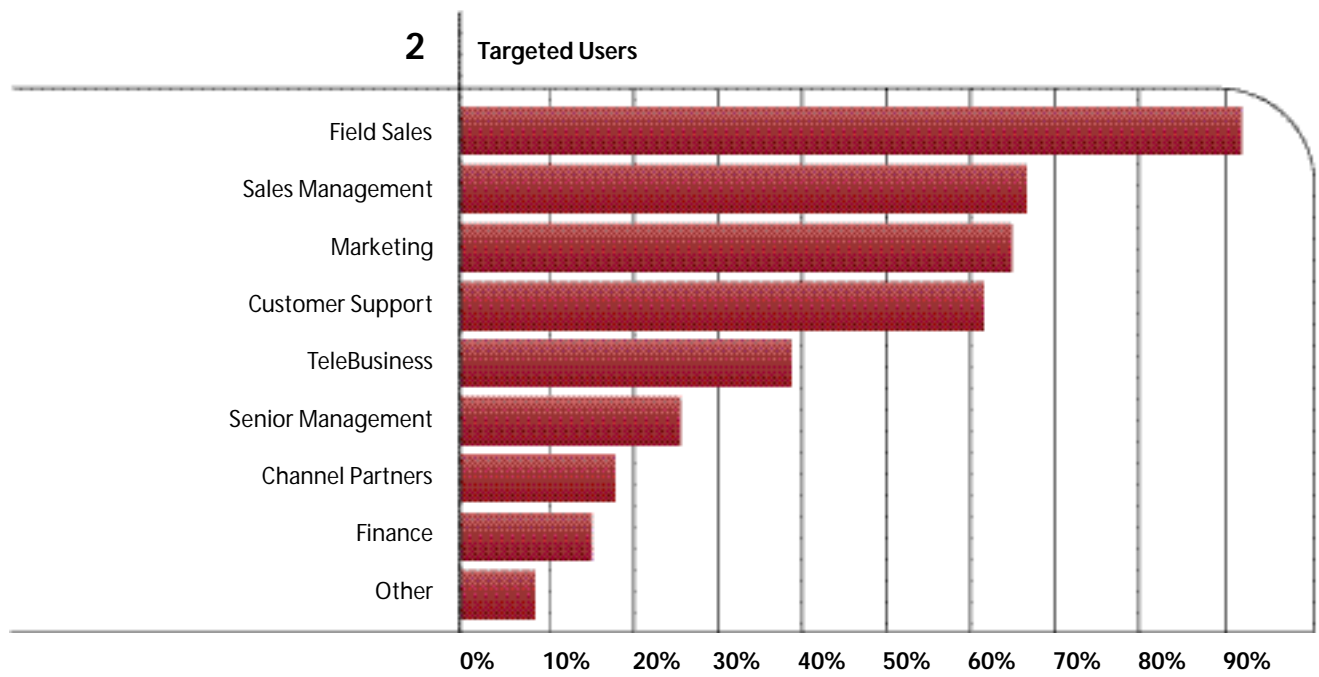
1 CRM Project Goals



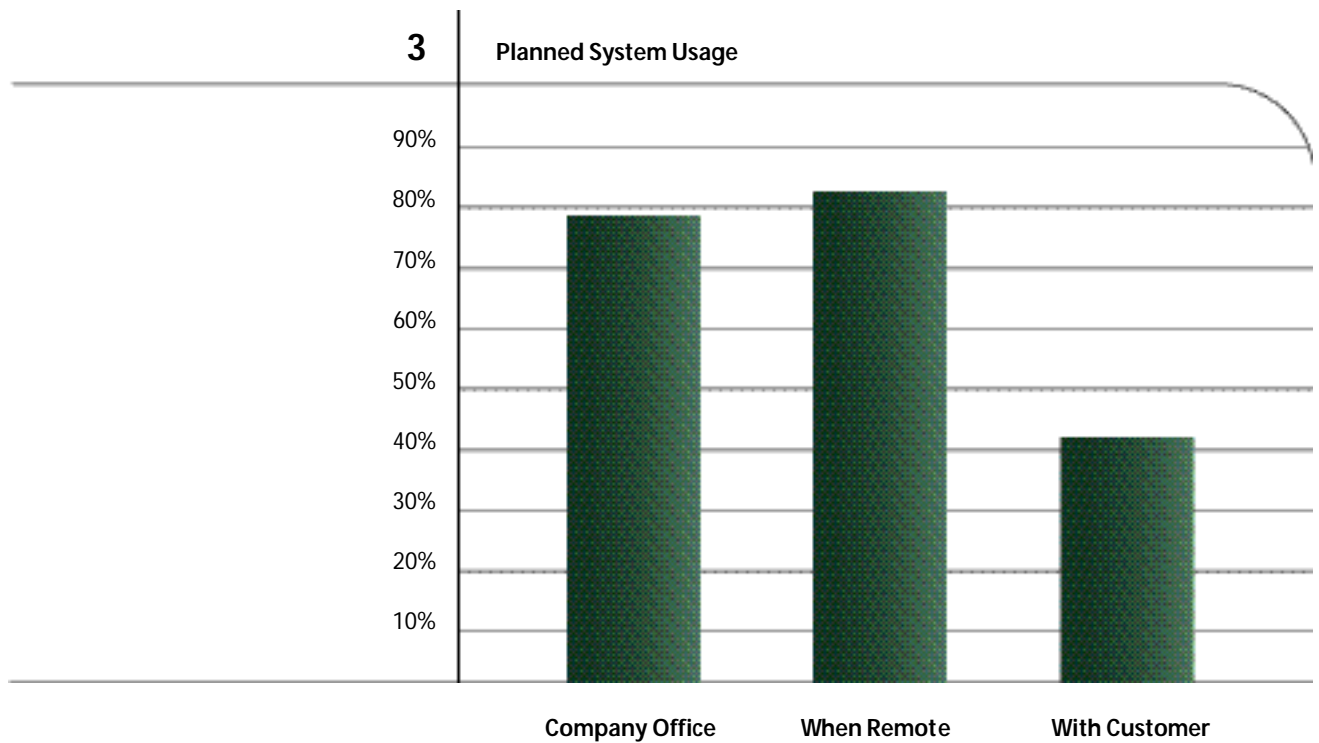
Organizations are realizing that in order to achieve their business objectives, increasing efficiency alone is not enough. “If I only make my sales reps more efficient, that just means my *average* rep can now make more *average* sales calls,” said the vice president of sales for a manufacturing firm. “What I need is to have my *average* rep make *world-class* sales calls.” The issue is *effectiveness*. CRM leadership teams are exploring how they can bolster the abilities of their people rather than just automating what they do.

The second shift in project goals is an increased focus on improving customer satisfaction and loyalty. Few companies reported that they had a dominant product advantage in their marketplace. Instead, many stated it was not what they sell, but how they sell to and service customers that helped them establish long-term business partnerships. They are therefore expanding their CRM efforts by exploring ways to improve the vendor/customer relationship.

The survey participants were next asked to describe where in the company they were targeting their initiatives. As organizations go beyond sales and service efficiency and concentrate on customer satisfaction and sales effectiveness, they are expanding the scope of their project as well. It is now common for departments such as marketing, service, and tele-business to take an active role in CRM projects, as is shown in Figure 2. The goal is to share knowledge across the enterprise, providing access to the information wherever it is needed.



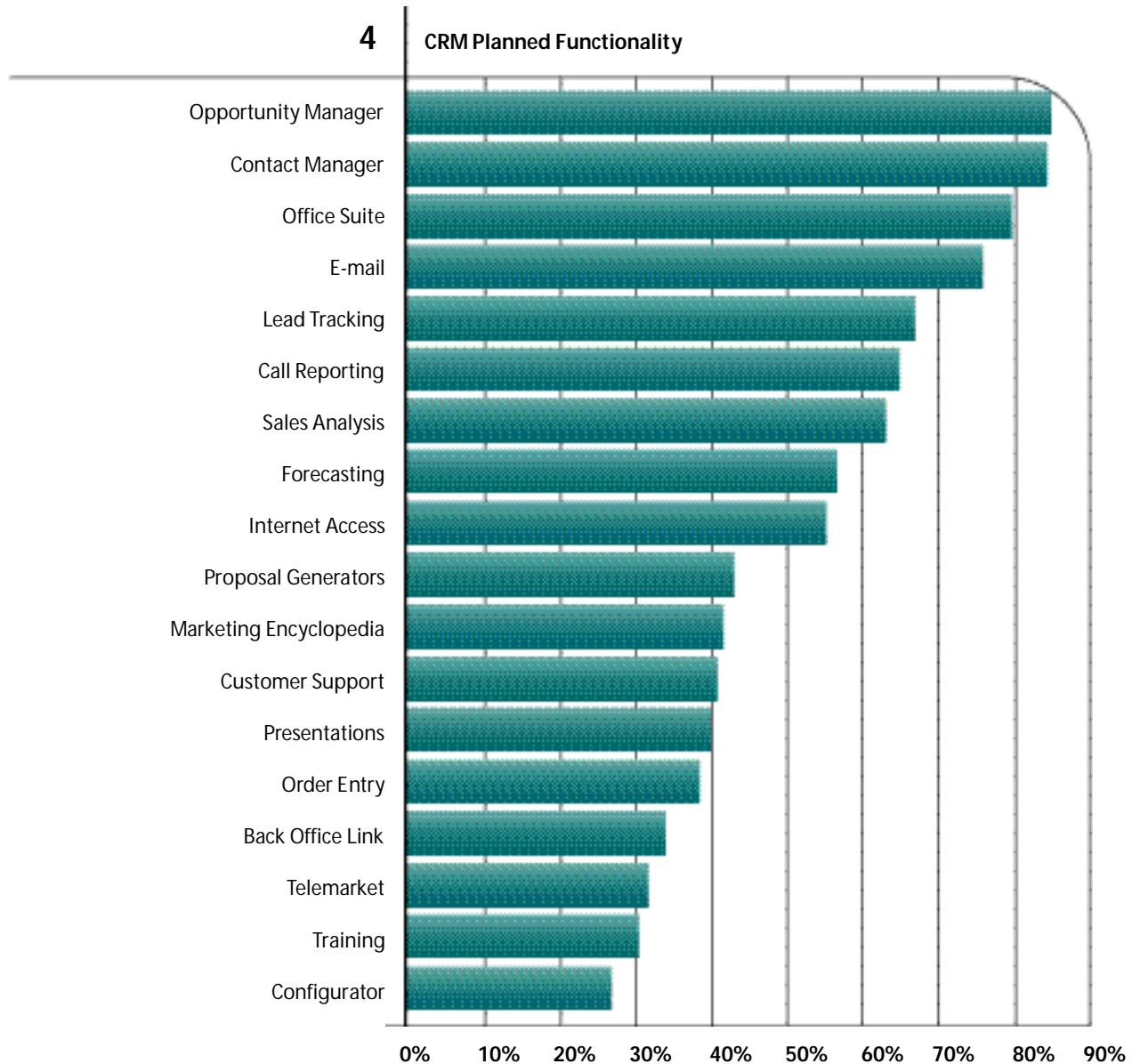
Another project trend is worth noting: Companies are expanding the areas in which they use CRM systems. Early CRM systems were designed to help sales or service personnel place or follow up on a call when they were at headquarters. The trend now is to allow access to CRM capabilities when working from remote locations, or on the road, as seen in Figure 3.



In the past year, sales and service reps have expressed a desire to have more knowledge and information at their fingertips while dealing directly with the customer. The reps surveyed said that during a sales call, they would like to be able to: conduct presentations (71.6 percent), conduct needs analysis (65.1 percent), generate proposals (46.7 percent), answer customer questions (56.3 percent), and perform product configurations (20.9 percent).

Customer Relationship Management Technology Trends

The technology choices companies are making mirror these project goals, as the inclusion of CRM tools and systems that address effectiveness and service objectives are on the rise. We continue to see a transition from simple systems to more complex applications that address a variety of functions *across the enterprise*. An increasing number of projects include applications such as opportunity managers, marketing encyclopedias, proposal generators and configurators as part of their CRM system. The importance of leveraging the Internet and e-Business as a platform for sales and service has also skyrocketed. Figure 4 shows the variety of technologies that companies are integrating into their CRM solution.

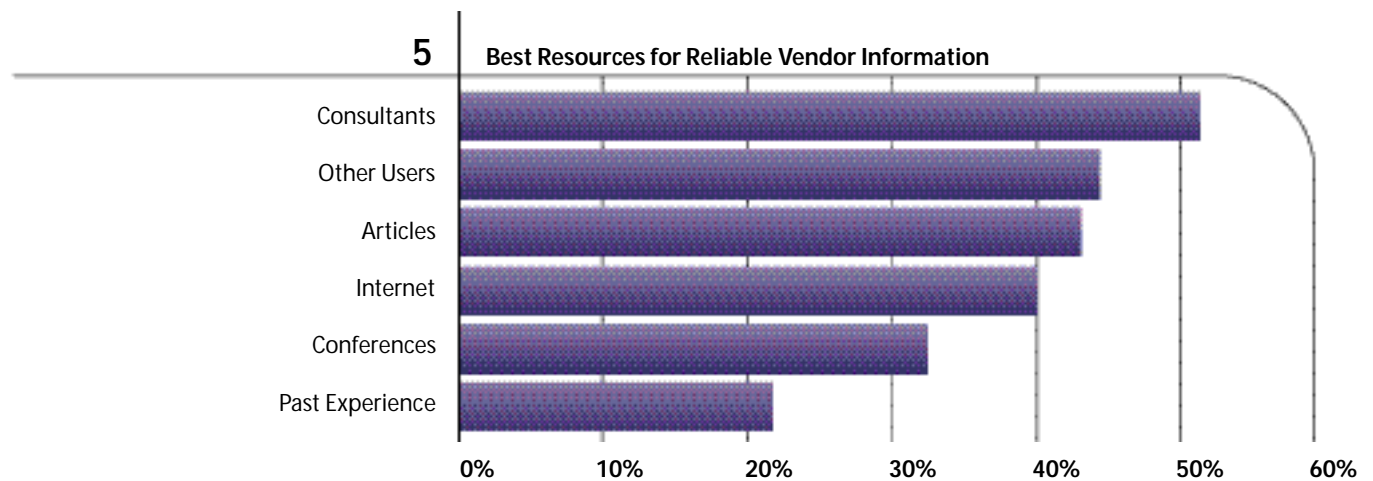


Many more companies are planning to link front office and back office systems. Over 18 percent of the companies surveyed stated they planned on integrating their CRM and ERP systems as part of their initial rollout. Nearly twice as many intend to do so at a later project phase.

When we asked CRM project teams to review the specific products they were evaluating and purchasing, a significant market trend emerged: *a shakeout of front office vendors appears to be at hand*. Today, there are over 500 sales and service automation tool developers, with new Internet-based players still entering the market. Two years ago, no real market leaders existed. But in the course of our recent interviews, a dozen CRM players were mentioned far more often than the rest.

As the market matures, we expect two developments. First, the general CRM market will continue to be dominated by fewer and fewer larger players. The smaller companies will be forced to change their business focus in order to survive. They will either need to select a market niche to focus on – as some players are already doing in vertical segments like pharmaceutical, insurance, and advertising – or they will look to be acquired by back office system vendors looking to broaden their product line. Firms who fail to respond to this market shift could easily fail. Second, the number of CRM industry players could start to decline as early as 2000.

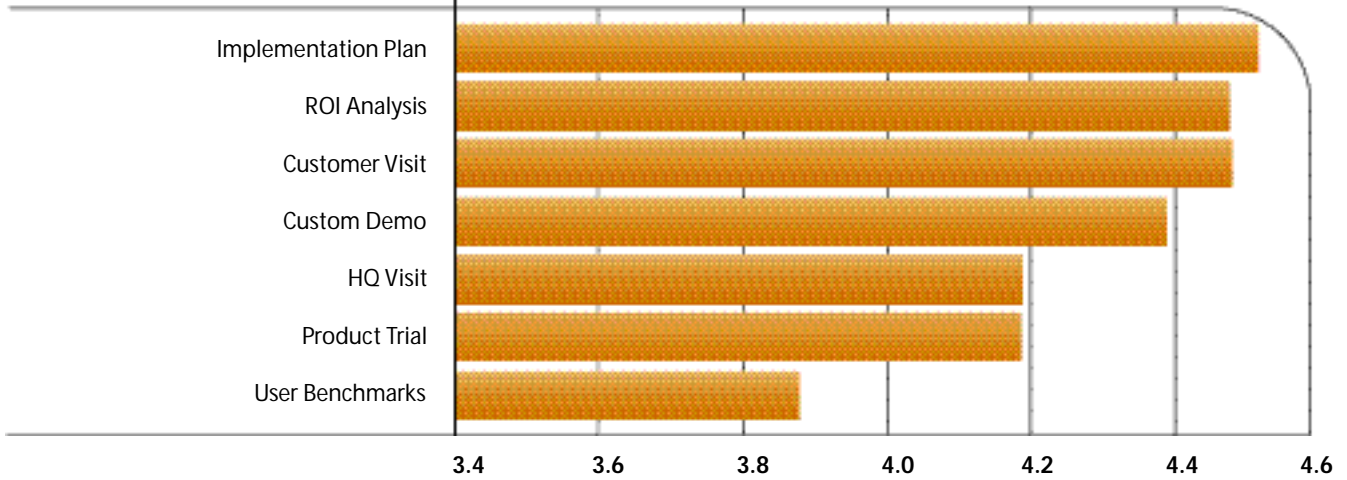
With the vast number of product choices available, many CRM project teams reported that wading through the offerings – and really understanding the differences between vendors – was difficult. But the technology evaluation process can be made easier. Figure 5 highlights the sources that CRM teams recommended for reliable information on product alternatives.



Overall word-of-mouth was rated as the best source of reliable information on vendors and product offerings. This included getting insights from consulting firms on their experiences implementing various systems, reading product reviews and user stories in technical and business publications, and talking directly to users of systems at other companies. The Internet has also given people access to a wealth of information. Vendor sites and user group sites were the two most commonly mentioned places to search on the Web.

Using the above sources can help reduce the number of potential vendors from 500 to 5 rather quickly, but making your final choice still requires a lot of work. Companies that completed their technology selection process reported that understanding what tasks a product performs is not enough; you also need to have a complete understanding of how the product operates. We asked these firms to rate the value of various techniques they used to compare solutions. Using a 1 to 5 scale, with 5 being most valuable, Figure 6 ranks the evaluation steps mentioned.

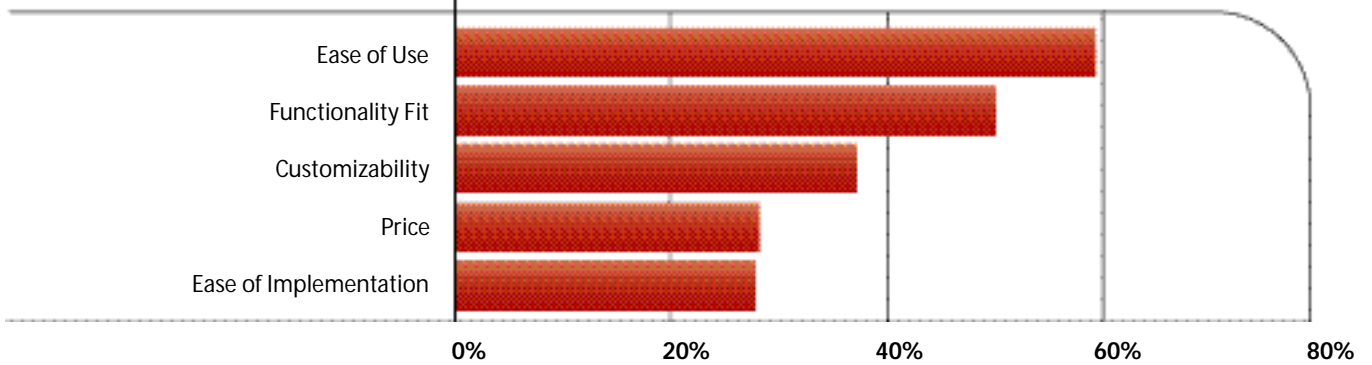
6 Best Evaluation Steps



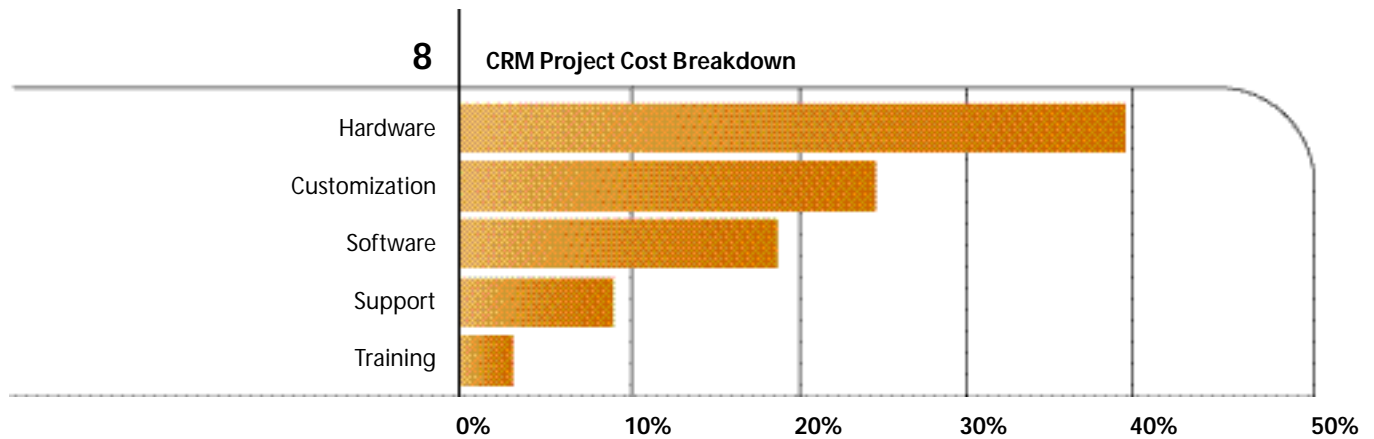
Tap into a vendor's project experiences. Ask them to develop an implementation plan and an ROI analysis along with their proposal. Spend a day with existing users of products. Meet with the development, support and management teams of the vendor firms. All are valuable tactics to help separate myth from reality in understanding competitive offerings.

We also asked these firms to describe how they made their final technology choices. Figure 7 overviews the top 5 decision criteria mentioned. Ease of use and functionality fit were cited as key – you need to ensure that your users will support the systems. Customizability was also highlighted – few of the products purchased were useable right out of the box. Due to the specific ways that a company sells to and supports customers, changes to the systems almost always need to be made.

7 Decision Criteria



A final technology-related trend emerged when we surveyed firms on their investments. The cost of implementing a CRM solution has been falling steadily. We asked companies who had fully deployed their systems to calculate how much they spent on hardware, software, system customization, training and support. For the first time in five years that number decreased from the previous year. *The new average investment per rep came in at \$9,864, versus \$10,385 in 1998, and \$13,039 in 1997.* A cost breakdown is shown in Figure 8.



The major cost changes from the 1997 survey occurred in two areas. The first was the cost of the marketing, sales, and service automation software. The competitive nature of the CRM market has resulted in software costs falling this year to \$1,875 per seat from \$3,800 two years ago, as some vendors use price as a way to win deals. The costs may continue to notch down as the vendor shakeout continues.

Customization costs also declined. The leading edge vendors continue to significantly enhance the robustness of their systems, thereby reducing the need for major customization. In addition, they are also providing new development tools to assist in streamlining the implementation process. This has helped reduce the cost of customization from \$3,800 per seat in 1997 to just under \$2,560, a trend that should continue into 2000.

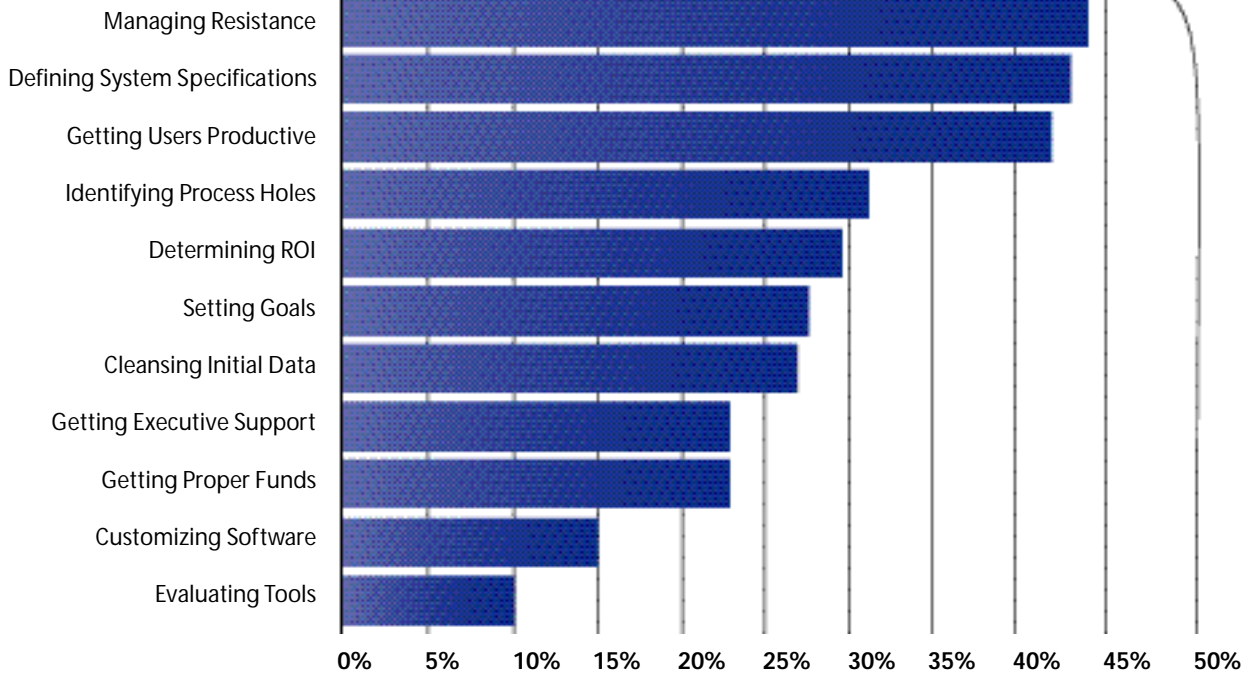
It should be noted that these figures represent the average investments companies are making in their systems. Specific project costs varied greatly, from a low of \$2,200 to a high of \$32,550 per user. *The CRM initiatives generating the best results have a significantly higher price tag than the average.* As companies integrate some of the more complex marketing, sales, and service tools into their CRM systems, and invest in additional training on new business processes, the investments can easily come in at approximately \$16,840 per rep.

Customer Relationship Management Project Implementation Trends

While selecting the right technology to support a CRM initiative is an important task, other issues need to be confronted. When asked to rate the top three challenges that they encountered during their project, organizations that had fully deployed their Customer Relationship Management systems cited a number of additional critical problems, as seen in Figure 9.

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Toughest Challenges



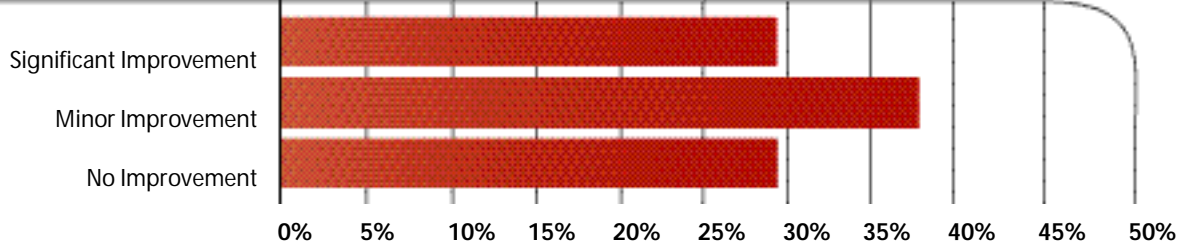
Several process-related obstacles must be overcome when embarking on a CRM project. The overall project goals have to be clearly identified and agreed upon and *executive sponsorship is key*. Weaknesses in the existing marketing, sales, and service processes must be identified. Well-defined specifications must be developed to map how technology needs to be designed to enable change. Failing to perform any of these tasks competently can jeopardize a project's chances for success.

Even more important are *people-related issues*. The best processes in the world, supported by the latest technology, can still result in a failed project if the people involved are not behind the effort. Ensuring that you have executive support, providing the right level of training and support to get new users comfortable using the new systems, and managing the potential resistance to change were listed as critical people-related challenges that CRM teams frequently have to deal with.

While transformation efforts still require a great deal of time, effort, and money, they are starting to produce solid and measurable results. Past projections from industry groups and analysts have shown failure rates as high as 80 percent. But organizations are now starting to crack the code on how to successfully reengineer their marketing, sales, and service operations, as reflected in Figure 10. *For the first time, a majority of projects surveyed said that they were achieving at least some improvement.*

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Project Results vs. Expectations



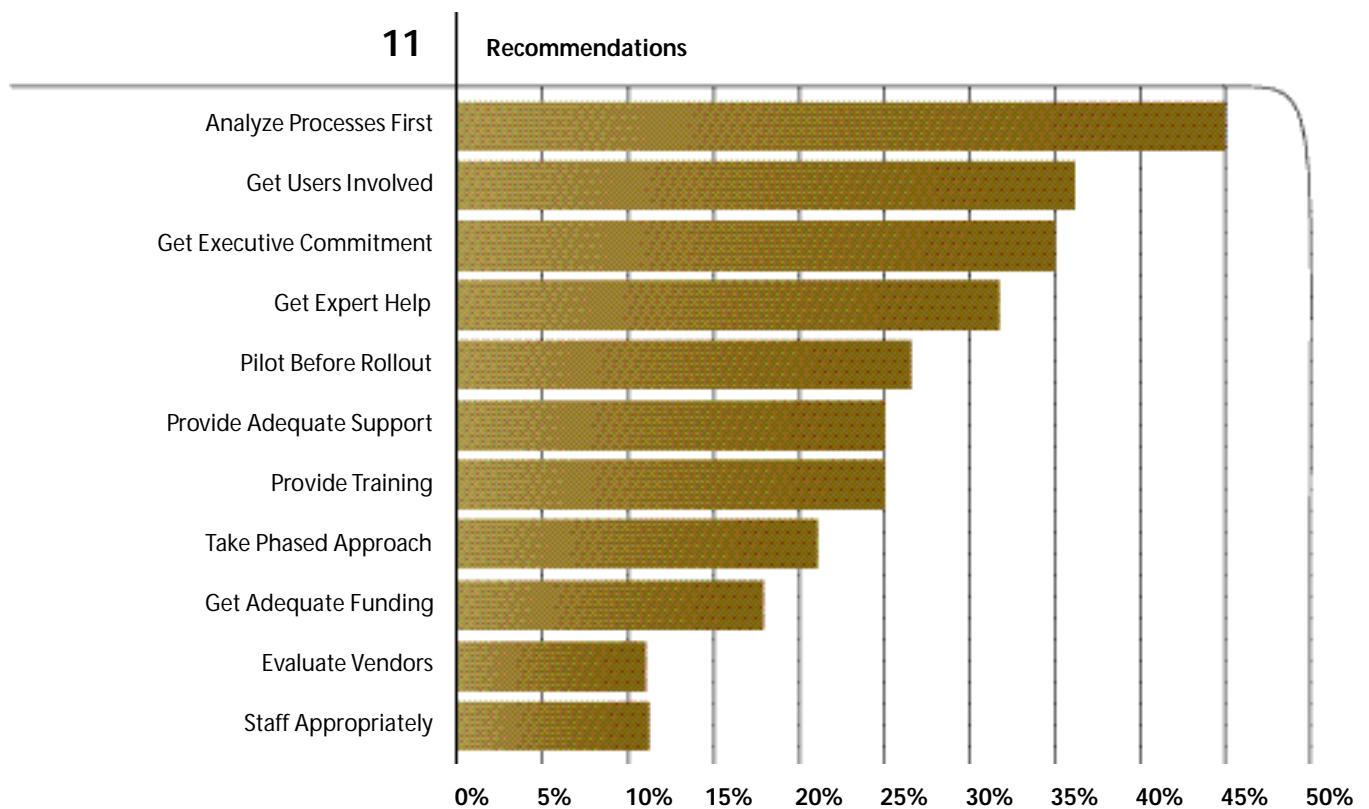
The most successful CRM initiatives are generating significant returns on investment. A few examples include the following:

Combining the capabilities of an opportunity management system and a configurator, a \$2.5 billion manufacturing firm cut the time for generating a custom bid from 10 days to a matter of hours. This helped cut the sales cycle length by 25 percent.

A \$1.7 billion medical products distribution firm implemented a mobile computing-based marketing encyclopedia that allowed their sales reps to access information on the 30,000 products they sold. New product introduction close rates increased 400 percent and revenues increased 30 percent per rep within 120 days of system rollout.

A communications firm implemented an Internet-based needs analysis system that allows customers to determine on their own what products or services they need. They are now generating over \$3.5 million in sales per day with this system.

Results like these can change the competitive balance in a market, giving one firm a significant advantage over other companies offering similar products or services. But success is still not guaranteed. The above numbers still show that nearly one-third of all CRM projects still generate no meaningful results. We asked the firms who had been through the process to share their recommendations for how organizations just starting (or restarting) a transformation project should structure their initiative. Their top 10 suggestions are seen in Figure 11.



In projects that fell short of meeting all expectations, at least one of the above items was missing from each project. The most critical of these items is the need to analyze your processes prior to focusing on technology. The most successful projects took the time to look at how they are marketing, selling, and servicing, as well as how their customers are buying. In doing so, they identified the specific problems they needed to address, and focused their CRM project on dealing with those challenges. Having established a specific goal made the rest of the job much easier.

We hope that the insights shared by other companies dealing with marketing, sales, and service challenges are helpful to your organization. In the next section, we discuss, in more depth, the critical factors that contribute to generating CRM wins.

Section 2

Customer Relationship Management

Critical Success Factors



Section 2

Customer Relationship Management Critical Success Factors

Why is there such a wide disparity in the results generated by CRM initiatives? To begin answering that question, our research efforts focused on the 21 percent of marketing, sales, and service organizations whose projects met or exceeded expectations. We searched for common trends and discovered seven critical success factors. We encourage organizations embarking on a transformation program to examine what they share with these success stories.

Executive Sponsorship

Universally, successful CRM initiatives have an executive project champion. Who is the project champion? Individual titles may be vice president of sales, general manager, vice president of marketing, president, or partner. They are the individuals ultimately responsible for ensuring that their company or business unit is able to compete effectively in today's increasingly complex marketplaces. In a business environment where product or pricing advantages are short-lived, and quality is a given, this is the person assigned the challenge of transforming the way a company markets, sells, and services to sustain a competitive advantage.

This executive oversees the initiative, ensures the project stays on track, and breaks down any barriers that get in the way of success. They have enough authority to make changes happen, and they also clearly understand that if they continue to sell and service in the late 1990s the way they did in the '70s, '80s, and early '90s, they may not make it past the turn of the century.

The role of project champion can be broken into three parts. They serve as a visionary, a motivator, and a leg breaker. As a visionary, they set specific targets for the transformation project: increase sales by 20 percent, improve margins by a percentage point, shorten the sell cycle by a third, double new product introduction close rates. They give the project team a specific goal to achieve.

As the motivator, they realize that while goals come from the top down, solutions need to come from the bottom up. They provide the transformation team with the time, money, and resources to develop solutions for achieving the objectives that have been set. They then fight for the investments that need to be made to implement sound reengineering strategies.

Finally, as a leg breaker, they continually ensure that the organization realizes that success of the transformation initiative is imperative to the firm's future survival. When problems do occur during the project, they focus their people on working through the issues rather than dwelling on them.

How important is a project champion to a company embarking on a transformation project? In organizations absent a project champion, studies may get completed, some sub-processes may be redesigned, and technology may be purchased – but the chances of meaningful change occurring are low. CRM is not as much about marketing, sales, or service automation, as it is about marketing, sales, and service process optimization. Since CRM processes span multiple functional areas within a firm, an executive champion is required if enterprise-wide improvement is to take place.

Commitment to Process

Some project teams make the mistake of immediately focusing their attention on technology. However, the best CRM initiatives first focus on process. These teams understand that technology is an enabler, not a solution by itself. They therefore invest the time to illuminate and correct flaws in their marketing, sales, and service strategies prior to doing anything else.

To identify these flaws, project teams conduct an up-front analysis of how their company is marketing, selling, and servicing – and just as important, how and when their customers are buying. They start by interviewing marketing, sales, and service personnel to find out what they do, how they do it, and what information they rely on to do their work. Next, they focus on determining what users see as the barriers to their own success: difficulty in getting hold of product experts, inability to access current information, difficulty in generating error-free configurations.

Project teams often go through the same process with their customers, reviewing their prospects' buy cycle steps: what they do to evaluate competitive offerings, select the right vendor, and cost-justify the expense. Again, they look to identify process flaws where it becomes difficult for the prospect to buy, such as taking too long to respond to customer inquiries, delivering incomplete proposals, or providing poor post-sales support.

Next, having determined the flaws in the process, CRM teams assess the causes. They determine why it takes several days to get a lead to the field, why it takes a week to get a custom bid signed off on internally, why salespeople do not have access to key customer support information. And they determine the costs for letting that problem continue.

By doing some initial homework, CRM teams discover the most important problems they need to target for solution, and they create a baseline of performance that they can use for comparison after the new systems are installed. This process makes the rest of the project flow much easier.

Intelligent Use of Technology

When reviewing the best CRM projects, project teams' technology choices are directly tied to solving specific business challenges. If reps are having difficulties communicating between headquarters and the field, they may have selected an opportunity manager. If they are experiencing a high rate of errors in processing orders, they may have turned to a configurator. If sales management is trying to reduce the time it takes to get new salespeople productive, they may have selected a marketing encyclopedia. The bottom line is that they select technology that supports their processes, versus expecting their processes to change to accommodate technology.

While they may take a tactical approach of starting with a single department, such as marketing, field sales, or customer service, successful CRM projects ensure that the technology foundation they use is flexible enough to meet future expansion needs. They understand that they will want to connect all the users across the enterprise into a single system, allowing everyone to have access to the customer information they need to do their job. This holistic approach to selecting the technology foundation means that they select a more comprehensive software system than they need initially, so that they have the ability to grow in the future.

When evaluating CRM tools, they do not just focus on what a product does, but how it does it. They do their homework to fully understand the system architecture around which vendors are building their programs. They select the solutions that best fit their own internal information system strategies, versus attempting to change their technology plans to accommodate a vendor.

Assemble the Right Team

The best CRM initiatives ensure their project team has competencies in four areas. The first of these is reengineering. CRM is not about doing everything 5 percent better. It is about doing a few things an order of magnitude better. This requires an organization to be willing to transform critical components of their business. The key to making this work is to have representatives on the project team who have no vested interest in the status quo: You need people who will ask why things are done a certain way, and challenge the group to change.

The second competency area is system customization. Regardless of what CRM solution the companies surveyed selected, some degree of customization was always required. As this is a fairly young industry, most of the products have been developed using the latest technologies. Successfully modifying these CRM tools to fit the workflow of a company is critical to gaining end user acceptance, and therefore is typically assigned to developers who are skilled in programming environments in which the tools are written. Dealing with system integration issues is equally important, especially if a company plans to support mobile users. This third competency requirement necessitates that an IT organization successfully size the network correctly, support the application with adequate power on the user's desktop or laptop workstations, and adequately design a data synchronization strategy.

System rollout support is the final area companies need to ensure they have covered. Implementing CRM systems normally requires users to change the way they work. Having change management skill sets on the CRM project team and providing adequate help desk support coverage is necessary to assist users make the transition to the new way of doing business.

The most successful CRM project teams assess their skill levels in all four of these areas. When they discover an area that they are weak in, they involve outsiders to fill that role. They may add representatives from sister divisions, or outside consultants, but they ensure their team has members experienced in successfully implementing complex projects.

Take People into Consideration

The human side of reengineering is often neglected in project planning, but not because the teams don't think it is important. More often it is because they do not know how they should approach the issue. Organizations that reported exceptionally high end user buy-in for their projects shared a number of strategies for how to manage the people part of the CRM equation. Some examples are as follows:

The first sale your CRM system should make is an internal sale. To start to build end user support for their CRM initiative, a paper manufacturer invited one of their suppliers' salespeople to show their sales force how he sold. This parts supplier had rolled out a very successful project the year before. When their sales rep did a day-in-my-life demonstration of their system at the paper manufacturer's annual sales meeting, he got a standing ovation. Having a peer present the potential for CRM helped the project team win the support of the sales force early in the process.

An often mentioned strategy is to actively involve users in the project. A semiconductor manufacturer chose the region that would be the pilot for their system very early in the project, and involved those nine salespeople at each major milestone in the process. The field reps initially identified the problems they saw existing in the way they sold to and serviced customers. They took part in the half-day meetings with the top four CRM vendors. They reviewed and signed off on the ROI plan for the project. They took part in full-day joint application design sessions with information systems to work on the screen layouts and workflow diagrams for the system. The end result was that by the time they were asked to start pilot testing the system, they had already accepted responsibility for the success of the project; it had become their project as well.

Another idea was shared by the leader of a consulting firm who wanted to demonstrate to his sales force that the management team was committed to the success of the CRM project. To do this, instead of having the company's training group handle educating the reps on the use of the system, he placed that responsibility on the sales managers. The sales managers attended a train-the-trainer class, and then they were required to conduct the classes for the salespeople. Seeing their managers become proficient at using the new sales tools created a sense of importance for the project.

Finally, when a manufacturing firm surveyed their salespeople, they found that only 23 percent of them had previous exposure to PCs. So, early in the project they decided to budget extra resources for follow-up training on an as-needed basis, after the kickoff session. Several of their reps struggled with learning how to use computers, let alone complex interactive selling tools. But instead of allowing them to become increasingly frustrated, they made trainers available starting on the first day of in-field usage to help them become proficient with the tools. The end result was that every salesperson was successfully using the system within 60 days.

In each of the above cases, taking the time to look at the personal aspect of reengineering contributed to the overall project success. The best process in the world, supported by the latest and greatest technology available, can still yield poor results if the people who will ultimately use the systems are not committed to the project. The most successful CRM initiatives ensure that the human side of reengineering gets as much attention as technology and process, thereby significantly reducing the problems they encounter.

Realize Less is More

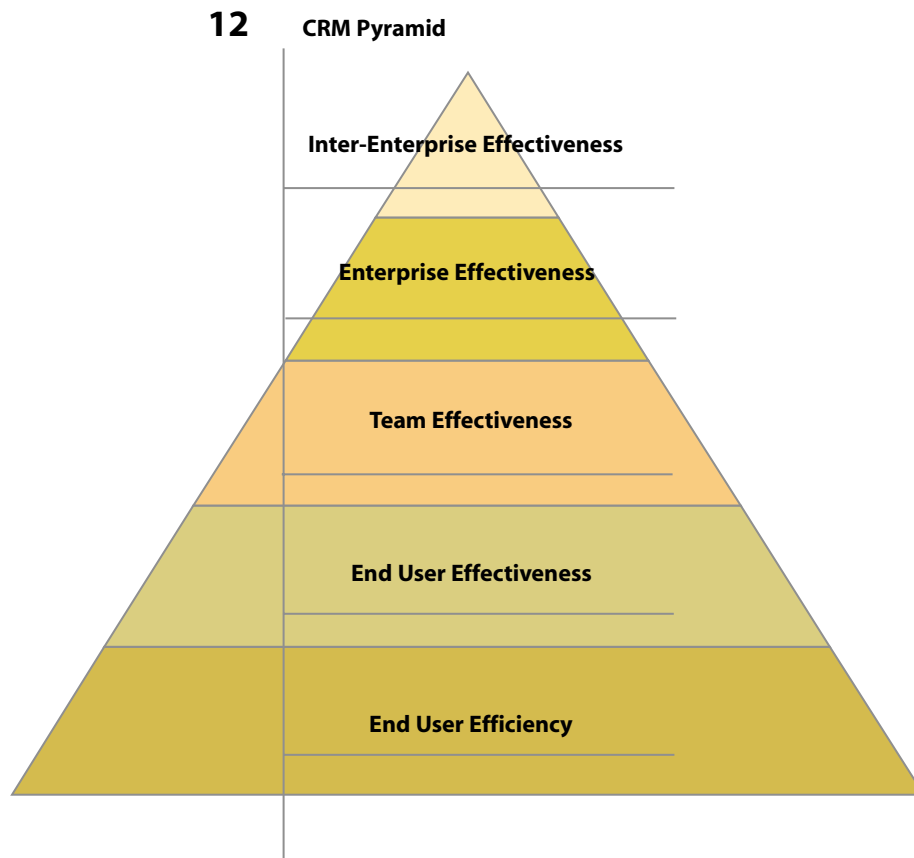
While they have a long-term vision of where they want to be in three, four, or five years, CRM initiatives that excel tend to break that vision into manageable phases. Introducing massive changes all at once overwhelms an organization. Through their process analysis, they may identify many areas of their business that could benefit from reengineering, but establish priorities and tackle only a few at a time.

For example, a computer firm documented their existing order-generation process. The resulting flowchart, using miniature print, was eight feet long. In reviewing the process flow, the CRM team identified 42 different process steps that could be streamlined. But instead of trying to do them all at once, they picked the three steps that represented the greatest potential payback, and reengineered those sub-processes first.

By scaling back on the initial scope of the project, they were able to get phase one of the CRM tools into the hands of the users in only a few months. Using the new system and revised procedures, the sales force was able to reduce the sales cycle length by 25 percent within four months of rollout. The ROI from this improvement alone covered the costs of the hardware, software, and customization for the phases going forward.

Build from a Solid Foundation

The final trait common to successful projects is in how they put all the pieces together. Figure 12 shows our presentation of the approach CRM teams often take to building successful projects. As we discussed earlier, they first analyze their processes and then use that input to develop their technological system architecture definition. After those steps, it is how they assemble their systems that makes a key difference in the results a project achieves.



Experience has shown that, in order to ensure that they have support for the project, CRM teams are best served by solving end user problems first. The initial focus should be on marketing, sales, and service process problems that are causing users to be frustrated, as opposed to management or enterprise-wide issues. If their users are not yet computer literate, CRM project teams should begin by focusing on personal efficiency. This is a safe starting point, as it leverages the more mature parts of CRM systems, and allows users to become familiar with computer and networking operations.

For example, as part of their first steps into CRM, a sporting goods firm provided their salespeople with laptops, a contact manager, and some software agent technology to automate many of the internal and external correspondence tasks the reps complained were taking too long to accomplish. When salespeople took the time to input their customer profiles into the system, they were pleasantly surprised: The system took over the task of generating dozens of memos to manufacturing, sales management, marketing, and the customer. The project team scored a quick win in the eyes of the reps. Not only did they become familiar with the technology, they also had evidence that it relieved them of busywork. The stage was set for future project phases.

If users are already comfortable with technology, they can then be given some of the more sophisticated tools, such as proposal generators, marketing encyclopedias, and configurators. These systems help increase end user effectiveness. Take, for example, an investment firm that provided its salespeople with a PC-based system for doing an asset allocation analysis. What used to take three or four calls to complete manually could now be done in a single client meeting. The firm reported an 85 percent close rate when using the system with first-time prospects.

Once users experience how these tools are designed to help them do their jobs more competently, they will voluntarily put accurate information into the systems. When this occurs, team selling effectiveness tools such as opportunity managers that allow all members of the sales/service force to communicate with each other, as well as management to do accurate pipeline and forecast management, can be introduced.

Organizations that reach this level of the pyramid then find that moving the next step, to enterprise effectiveness, is easier. At this level, they link front office and back office systems together, so that everyone is informed about customer-related issues. They can also feed information from these systems into data warehouses, in order to conduct sales and marketing trend analyses that previously were not possible.

Finally, once all their internal users are integrated, an organization can move beyond their own walls to involve other groups who are part of the process – such as suppliers, channel partners, and even customers themselves. Recall, a communications firm reported that they gave customers access to an Internet-based configurator which is now generating \$3 million a day in sales from clients completing their own needs analysis and placing their own follow-on orders.

The key to effectively using the CRM pyramid concept is to accurately assess where your organization is today, and start building from there. You cannot focus on running until you have taught your people to walk. Get users comfortable with the systems and show them early how the tools and new processes benefit them personally, and they will support the initiatives. Once information is shared freely across the organization, the rest of the project will run much more smoothly. The insights shared in this section will help you identify any weaknesses in your CRM strategies early in the process. The key feedback from these successful organizations was that CRM initiatives can have a profound impact on a firm's future, if they are managed correctly. In the following section we will review some of these successes in detail.

Section 3

Customer Relationship Management

Case Studies

Section 3

Customer Relationship Management Case Studies



CRM in Action

Company Profile

- Cable TV Firm
- 2 Million Subscribers
- North America-based Operations

Business Challenge

In the past two years the business climate for this cable service provider had changed dramatically. The exclusive hold they had on their marketplace was being challenged by not only competing cable companies but also new services such as satellite delivery. Realizing that this new competition would start to attract users from their customer base overtime, the company knew they had to start doing things differently to minimize their loss of market share. The question though was “what”?

The company brought in a new CEO to help define the business strategies for maximizing their performance in this new competitive world. One of the first actions he took was to focus on letting customers determine what changes the firm should make. He formed a transformation team to initially survey what their subscribers valued in terms of product or service. Based on those insights, the team sought to develop the systems and plans to improve customer relations, minimize market share erosion, and generate more revenue per subscriber.

Project Milestones

Process Analysis

Phase one of the project was a customer demographics analysis. The project team surveyed 3,000 existing customers to determine who they were, what they valued, how they made cable services decisions, what other services they wanted, etc. Through this research, six clear customer segments emerged, each with its own set of preferences and needs. With this new understanding of their customer base, the team developed a series of innovative marketing strategies designed specifically for the needs of each segment.

Technology Application

The next objective of the project was to assign each of the 2 million current customers to their appropriate market segment. The cable firm had an existing

data warehouse containing information on each of their subscribers. To make that data more useful, they needed to compare each of their existing customers against the demographics models and place them in the correct category. They then needed to make that information available to the customer service representatives in the call center so they could more effectively market the new service offerings.

Program Development

Using the data from the 3,000 customers initially surveyed, the transformation team developed a set of algorithms to determine in which market segment a customer should be placed. After conducting a number of sample runs against that database, they were able to modify the algorithms so that they correctly assigned a customer to the right category with an extremely high rate of reliability. They then ran those metrics against the full database and created the new marketplace data warehouse.

System Rollout

The system and the new marketing strategies are currently being integrated into the call center operations. When a customer or prospect now calls in, the call center system will determine the market segment they are in and present the customer service representative with the options that best fit the customer's needs. Increased flexibility has been built into the system so that the customer has much more choice in picking the specific shows they would like access to, increasing the attractiveness of the cable firm's offerings.

CRM Benefits

By going through this process, the cable firm uncovered a number of insights that helped them more clearly define their marketplace strategies. For example, when they surveyed customer preferences, they determined that programming content was the Number 1 priority. The firm had been assuming that service issues, such as fast installation, were key to keeping customers, and had been planning to make significant investments to further improve their service response times. After discovering that service was not a key issue, they redirected those budgeted funds into what customers valued most. Taking the time to build the data warehouse on all their customers has now positioned the firm to be much more effective at marketing new services. The cable firm is now in the position to be more agile in their sales and service. By accessing the data warehouse, the call center representatives will be able to do a more effective job of segment marketing, offering individuals a set of services more tailored to their unique needs.

Recommendations

Many companies state that they are customer-driven, yet they never invest the resources to really understand what their users want and value. As a result of this transformation effort, this cable service provider's view of their market place is much clearer. Their advice to other CRM teams is:

- Survey, survey, survey. Take the time to regularly ask customers and prospects what they think is important, rather than assume you know.
- Build flexibility into your offerings.
- If you do not have the right levels of expertise internally, supplement your team with outside resources, and then bring the project in house.
- Expect your human resources model to change dramatically, and offer people the training needed to develop new skill sets.

CRM in Action

Company Profile

- Retail Store Chain
- \$20+ Billion in Revenues
- 1,400+ Locations



Business Challenge

The introduction of 15,000 to 20,000 new products into the marketplace each year represented a major opportunity and challenge for this nationwide retail chain. The opportunity was provided in the form of a variety of incentives manufacturers offered to motivate retailers to stock new items. But, as with any retail operation, the firm had a finite amount of shelf space. So the challenge came in first trying to decide which of these new products to carry, and then deciding which existing product to discontinue to free up display room.

The company realized they needed to become much more effective at making stocking decisions to maximize their profitability and customer service. To do that, they needed better insight into what customers really wanted and valued. To achieve this, they formed a transformation task force and chartered them with the task of designing new business methods that would enable their product managers to become experts at category management. The goal was to streamline the product mix within a given category – cake mixes, detergent, wine – to meet customer expectations while optimizing inventory.

Project Milestones

Process Analysis

The project started with a review of sales at the category level. The firm found that in many cases, 10 percent of the products generated up to 90 percent of sales in a given category. Therefore, an unnecessary duplication of products was taking up valuable shelf space. This study also uncovered that the most desired products were often out of stock because they were not allocated enough shelf space. When these findings were shared with the product managers, they reported that the processes and systems they used did not allow them to easily determine these trends. To move to true category management, they would need to reinvent the role of the product manager.

Technology Application

It became apparent that the product managers needed to have access to two types of new applications. The first was a data mining system that would allow them to easily analyze buying trends – what customers expected in variety, packaging and price. In addition, they needed the ability to review products from a competitive perspective, to see what was available at other stores in a geographical area. The product managers also needed a group of analytical templates to guide them through the process of working with this data in order to make better product choices. The goal was set to deliver these two systems as a single toolkit for product managers to combine data and conduct analysis.

Program Development

A data warehouse was created that combined consumer buying information with third-party competitive data into a single category management database. The analytical templates were then designed to allow product managers to do multidimensional analysis to determine the optimum product mix, by product type and location, to meet the needs of consumers while minimizing inventory.

System Rollout

The category management system was introduced in parallel with a series of organizational changes and new job training. The training focused not just on system usage, but also dealt with other issues such as strategies for getting nonprofitable products off the shelves. Within months, the product managers had made the shift to category management.

CRM Benefits

With the ability to conduct detailed market basket and competitive analysis, the firm started dramatically streamlining operations. For example, in the wine category, even though the number of brands carried fell from 600 to less than 150, wine sales increased significantly. Customers reported that they actually felt the product selection had increased, because the wines they wanted now had enough shelf space to remain in stock.

The company was also able to work much more effectively with their suppliers, since they could now generate quantitative results on the sales of each brand of a product they carried. This increased their ability to negotiate better deals for future purchases. The performance of the product managers now has a significant impact on maximizing profitability.

Recommendations

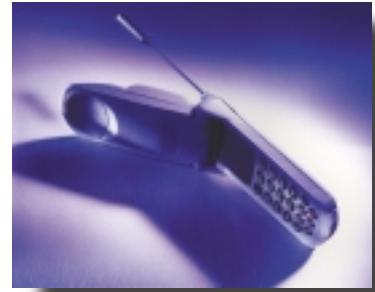
In retrospect, this retailer made a significant shift in their business model in a short amount of time. Looking back on their progress, the following lessons should be noted by other CRM teams:

- True transformation needs to start with the customer. You need to understand what they want and value first.
- Data warehousing represents a powerful tool for sales and marketing, but it is totally dependent on good information. Do not underestimate the challenge of data clean-up.
- Ultimately, you need to give users tools that help them use data, as opposed to just playing with it. The analytical templates made the system much more valuable.
- Make sure you provide adequate training. Reengineering of this type requires users to make fundamental changes in how they work. They need solid support to make the transition to these new business models.

CRM in Action

Company Profile

- Telecommunications Supplier
- \$10+ Billion in Revenues
- 200+ Customer Support Representatives,
- 4 Call Centers



Business Challenge

When the new senior vice president took over the sales operations of this telecommunications firm in late 1996, he was concerned about a trend in the industry of using price discounts as a way to attract customers from other service providers. This practice provided a short-lived competitive edge, but did nothing to build long-term customer loyalty. Having built value-focused sales organizations previously, the new SVP set about transforming the sales operations at his new firm. The challenge he presented to his CRM team was to develop a consultative sales process that accomplished three objectives. First, it had to enable salespeople to be well informed about industry facts, issues, and trends, and to stay attuned to the goals and inner workings of their customers. Second, it needed to help formulate communications solutions that precisely met customer needs. And finally, it had to capture strategic marketing data on customers.

Project Milestones

Process Analysis

Through a series of focus groups conducted with end users and management, the project team identified the core challenge. Salespeople required better information about customers and their business challenges in order to make a successful consultative sell. Two process teams were then formed to address this need. The first focused on developing knowledge databases for each of the 28 industries the sales force was targeting. These knowledge bases included such information as industry trends, key performance metrics, benchmarks, and specifications the customer could take to improve their business operations. The second team's charter was to build a knowledge base that included the full spectrum of the firms' products and services, including features, pricing, and inventories.

Technology Application

To allow these knowledge bases to be utilized interactively during a sales call, the CRM team determined that they would need to develop an Interactive Selling System (ISS). The ISS would utilize an artificial intelligence (AI) engine to help sales reps identify weaknesses in the client's operations by comparing them against industry benchmarks and best practices. Next, the ISS would formulate solutions to these problems, based on an analysis of the 3,000+ universal service order code options. Ease of use and system performance would be key to winning end user support for using this system when working directly with clients.

Program Development

The two process teams, and a third technology team focused on the AI-based engine, worked concurrently to develop and integrate the industry knowledge database, the products/services database, and the rules-based ISS. Utilizing the insights that resulted from the internal focus groups and leveraging the experience of external experts in ISS development, these projects were completed in 24 weeks.

System Rollout

In October 1997, the system was ready for deployment. To thoroughly assess how the ISS performed in real-life sales situations, the CRM team opted for a pilot with a sample of existing customers. The feedback from usage in actual sales calls allowed the CRM team to tune the system to help their salespeople take on a true consultative role in qualifying the business needs of a prospect, proposing custom solutions, and closing business.

CRM Benefits

Having benchmarked the ISS usage at other companies, the firm's business case was built on improving four areas. With the new ISS, the company expected to increase sales productivity by helping reps handle more customers more effectively in less time; increase revenues by presenting robust solutions; increase margins by shifting the decision point from price to value; and increase customer retention by becoming a true business partner. The company's field test supported each of these goals, plus an additional one. Using the ISS, the credibility of the salespeople increased: They were able to demonstrate knowledge about the customer's industry that in many cases the client did not even have. As a result of using the new tools, the morale of the sales force increased.

Recommendations

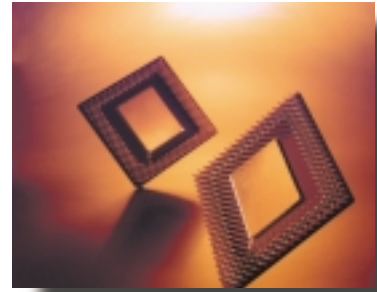
The company is now poised for full system rollout of a new sales process that can fundamentally change how business is done in their industry. Based on the insights gained from this project, their recommendations to new users are:

- Ensure you have senior executive sponsorship, someone that challenges and supports the project team throughout the initiative.
- Take the time to conduct focus groups to involve users early on in the project, and emphasize that the goal of the initiative is to make them more effective.
- Pilot before you deploy. Real customer feedback is priceless in ensuring that you are providing them with real value.
- Realize that the real goal of transformation projects needs to focus on creating long-term customer loyalty. You will no longer simply be selling products or features – you will be turning the sales force into a true consultative sales organization.

CRM in Action

Company Profile

- Computer Firm
- \$10+ Billion in Sales
- Worldwide Sales & Service Operations
- 3,000+ Salespeople



Business Challenge

As the complexity and breadth of their product increased in the early 90s, this computer firm noticed a significant increase in order problems. It was taking salespeople days to prepare a quote for a client, and even then the proposal was often inaccurate – prices were being misquoted, configuration errors occurred, and promised delivery dates were incorrect. This problem reached crisis level as the company found they were spending more than 3 percent of total sales for service allowances or gratis parts to correct these errors.

The firm assigned a sales transformation team to deal with this problem. They knew a quick solution would be to develop and offer a set of pre-certified configurations, but that alternative would not meet marketplace requirements long-term. Customers were demanding more customized solutions to fit their specific needs. Therefore, the team was challenged to come up with a method for allowing salespeople to develop custom configurations – right features, right price, right delivery dates – in minutes, not days. Further, the salesperson needed to deliver the figures while working interactively with the customer.

Project Milestones

Process Analysis

As the project was launched, the CRM team began analyzing the existing order process. They found that across the firm there was not one, but more than 100 processes in place to generate an order. In addition, the information technology groups within the company were maintaining 12 internally developed software tools to support these processes, none of which were integrated. The project team first focused on obtaining agreement on a single process that everyone would follow. They then took six weeks to define the architecture requirements for a single configuration system to support this process.

Technology Application

The team evaluated the capabilities of their existing tools, as well as commercially available products. Based on the significant investment they would have to make to support an internally developed system, they decided not to develop their own configurator. They opted to do a boardroom pilot of a software vendor's product and were able to prove to themselves that the commercial tool could handle the task.

Program Development

After the core technology decision was made, the team then took three months to define the business case and functional requirements for the project. This was followed by a six-month intensive development effort. A major aspect of the development phase included a functionality usage audit to ensure the system supported the new process, and to surface and correct any usability issues prior to introduction to the salespeople.

System Rollout

When the system was formally introduced to the sales force, initial adoption of the new configurator was slow. However, once the project team started conducting presentations at sales field offices on the new capabilities, the groundswell for the project picked up significant momentum. The delivery of multimedia-based training tools also helped facilitate increased system usage.

CRM Benefits

The CRM initiative business plan estimated the six-year project costs would be over \$30 million (excluding the hardware costs for laptops and servers, which had been previously budgeted to support the sales operations). For the 3,000 users involved in the project, this represented a per-salesperson expense of \$10,000. Based on the sales force's ability to generate accurate customized configurations in only a few minutes, projected annual benefits were targeted at \$250 million per year, based on the following improvements:

- Significant reduction of service allowances and gratis parts write-offs for orders generated by the new system.
- Elimination of the information systems expense of supporting 12 internally developed tools.
- Increased win rates due to the ability to respond much more quickly to customers with solutions.
- Improved customer satisfaction due to the reduction of service problems caused by incorrect configurations.
- Improved morale of sales force, who were now able to sell more effectively and professionally.

Recommendations

Based on their experiences, the CRM team's recommendations to other firms attempting to deal with this type of business challenge include:

- Obtain executive sponsorship early on. This type of effort will undoubtedly span multiple functional areas with a firm.
- If you do not have the right levels of expertise internally, supplement your team with outside resources who have successfully implemented these types of projects before.
- Conduct a usage audit prior to introducing the system to the sales force to ensure that the workflow aspects of the system meet their needs.
- Over-invest in training. New users need to be proficient and productive as soon as possible.

CRM in Action

Company Profile

- Investment Firm
- 4+ Million Investors, \$300+ Billion in Assets
- Worldwide Sales and Service Operations
- 4,000+ Account Representatives



Business Challenge

While many companies struggle with the problem of not having enough prospects, this investment firm's challenge was that they had too many. As their business grew, they found their lead flow increasing from hundreds to thousands per day. Even with an aggressive hiring plan, they still were unable to respond to all inquiries. And when they did contact a prospect, all too often they presented only a fraction of the offerings in which a client might be interested, due to the expanded breadth of the product line.

In the early 1990s, the company tried twice to boost the abilities of the sales force through enhanced technology. Both attempts failed. The first project tried to accomplish too much, as they attempted to reengineer everything all at once. In the second effort, the technology itself presented roadblocks. So a new team set out to avoid past mistakes, and designed a new CRM system that would allow account representatives to prioritize their prospects, spending time with high-yield accounts first, and more effectively presenting the entire product line.

Project Milestones

Process Analysis

Having learned from their past failures, a vice president was assigned to be the project sponsor. For real change to occur, executive support was crucial. The CRM team also evaluated the skill levels of their internal resources, and brought in outside consultants to supplement areas where they were weak. Instead of trying to master the project by themselves, the project team significantly increased the participation of the users. Forty individuals from the functional departments involved were included in the project from day one, and assisted in conducting the problem analysis and requirements definition phases. The training department was also involved in the project at the onset, so that they would be better prepared for the system rollout when it occurred.

Technology Application

Having defined the system requirements to meet the users' needs, the team then looked at the technology required to support the project. Their key concerns were how easily the system could be customized to support their processes, and whether the technology was scaleable enough to eventually support 4,000+ users. They narrowed down their list to two vendors. Each was then asked to prove, through a series of technical review sessions and prototyping examples, that their products could meet the challenge. This intensive review helped them select the technology and business partner that clearly met their needs.

Program Development

The detailed advance work proved worthwhile. Once the technology choice had been made, the team was able to have a system ready for pilot within four months. From that point on, the project adopted a “go slowly, to move fast” attitude. They took an additional three months to fully field test the system. While no major problems were found in the design, several usage annoyances emerged. The CRM team decided to take the additional time to fix those problems prior to the rollout.

System Rollout

Once the pilot issues were resolved, the project was ready for introduction to the sales force. The time invested in dealing with the usability issues paid off, as user acceptance was very high. Since the training department had been involved in the project from the start, it was able to provide the necessary education to get users productive quickly. Over the next few months, 2000 users were brought onto the system.

CRM Benefits

The original project business case was built around improvements in three areas. They projected a 20 percent minimum increase in sales activities, a 5 percent minimum increase in conversion rates, and a higher close rate of key prospects due to better targeting. After several months of usage in the field, the firm found they were achieving a different, but very beneficial set of results. As opposed to increasing the quantity of their calls, they found that using the new CRM system, their salespeople were improving the quality of those calls. They were able to target high potential individuals much more easily for fast response. They were then able to access information on their full product line and tailor solutions to customer needs. While they did not see a noticeable increase in their close rates, the profitability of accounts showed a significant improvement.

Recommendations

Having learned not just from this success, but from their two previous miscues, the CRM team felt there were four factors that contributed significantly to their success. Their recommendations to other firms are:

- Involve a senior executive actively throughout the project.
- Develop your functional requirements from working directly with the users who will ultimately be using the system.
- During the design phase, you cannot anticipate all the problems that may occur. Conduct a detailed pilot and fix any problems prior to rollout.
- Realize that you cannot spend too much on training.

CRM in Action

Company Profile

- Municipal Utility Firm
- Unionized Workforce
- 100+ Customer Service Representatives



Business Challenge

As deregulation of the utilities industry loomed, this municipal utility company was concerned that their customer service levels were not meeting the demands of the marketplace. Compared to industry benchmarks, customers calling their service center encountered busy signals twice as often as the norm. When their calls did go through, they were answered three times slower than the industry average. This was even more disturbing when the firm saw that their customer service reps (CSRs) were fielding 33 percent fewer calls per day than their counterparts in other organizations.

Initially, the performance problems were thought to be due to the CSRs' reliance on outdated mainframe-based legacy applications. The information technology (IT) group was therefore chartered to update the call center systems. But as the IT team began the project, it became clear that process and people problems were also contributing to these low service levels. This prompted the firm to expand the scope of the project to transform the call center. They established a CRM team to develop a plan to improve customer care, increase operational efficiency, and improve employee morale.

Project Milestones

Process Analysis

The CRM team launched the project by conducting a detailed analysis of the existing environment. This effort identified weaknesses in both the systems and processes the CSRs were using. In addition, it brought to light other issues contributing to a serious morale problem. The CSRs felt stagnant in their jobs, and believed that the rest of the company perceived their value as low. Consequently, they lacked the motivation to do a good job.

The results of this analysis were shared with the executive management team during a one-day visioning session. After reviewing the existing operational and people-related problems, and learning what technology could and could not do to help, the executives were asked to discuss and agree upon a set of critical success factors (CSFs) for customer service going forward. These CSFs clearly established a consistent set of goals for the organization to achieve.

With the CSFs defined, two teams were formed to attack the problem. The first team focused on operational workflow. Working with the client groups, they broke down the call center operations into six major customer support processes. They then spent six weeks further analyzing each process, surfacing operational flaws, and establishing baseline metrics for improvement. The second team focused on the human side of the CRM equation.

Working with human resources, call center personnel and change management experts, they analyzed the role of the CSRs and their supervisors. The roles of the group were redefined, and the procedures for how they would work with customers were modified to reflect a process everyone could support.

Technology Application

By dealing with the workflow and people problems first, the utility avoided making a common mistake encountered by some CRM projects – applying technology to flawed operations. The technology selection process that is currently under way is targeted toward supporting the new work procedures versus perpetuating past problems.

CRM Benefits

While the new application development project is still underway, improvements are already occurring. The personnel related changes within the customer service department have been implemented and a noticeable increase in employee morale has resulted. In addition, a solid foundation of support for the upcoming automation project has been laid, which will make the introduction of the new call center information systems run more smoothly.

Recommendations

Through their transformation efforts to date, this utility company has learned that CRM projects need to focus on people and process as well as technology. Their advice to other organizations is:

- Do not expect technology to be the answer to all your operational problems; success will ultimately be dependent on your people.
- Take the time to establish agreement on a common set of goals before you dive into the project.
- Involve cross-functional teams in analyzing problems and developing solutions.
- Since CRM efforts often require people to significantly alter how they work, involve change management experts to make that transition run as smoothly as possible.
- Do not underestimate the complexity of the technology side of the project.

CRM in Action

Company Profile

- Health Maintenance Organization (HMO)
- Division of Nationwide Firm
- \$7 Billion in Revenues, 1.5 Million Members
- 400 Customer Support Representatives



Business Challenge

As the competitiveness of the health care industry increased in the mid '90s, this HMO faced, for the first time, the loss of market share. A review of their operations showed that the processes they were relying upon were creating a severe customer service problem. After a client signed up for their health care program, they were not officially enrolled until they had been billed and their payment posted. This process involved multiple departments, contracts, billing, and customer service. The process took up to 60 days to complete.

The HMO was planning some very aggressive marketing campaigns to attract new members. It was, therefore, imperative that they correct this operational problem. With a large number of leads being generated and the company unable to process them promptly, a fiasco was in the making. The CRM team was chartered to reengineer the enrollment process, to reduce the time to complete an enrollment to less than a day, and modernize their call centers to handle the projected increase in lead flow.

Project Milestones

Process Analysis

The sales transformation team first conducted a business process reengineering (BPR) analysis. The current process required new customers to fill out a five-page, 100+ question form as part of the medical review. The information for accepted members was then forwarded to multiple departments where it was manually entered into each functional area's systems. This resulted in extensive data entry duplication. The process was redesigned and streamlined so that the information requirements were reduced to a single page with fewer than 20 questions. The team also defined the functional requirements for a system to automate the cross-functional information sharing process.

Technology Application

It was determined that the CRM system to support the new procedures needed to include the following five modules: automated medical application review, contact management, lead generation, marketing encyclopedia, and billing. Due to the unique requirements of the company, each of these ended up being a customized application. The goal was to implement a system that would require data to be entered once, with the appropriate information routed electronically to the other functional areas as needed to complete the enrollment process.

Program Development

Because of the critical need to eliminate the new member application backlog, and to prepare to support the increase in lead flow resulting from the new marketing programs, the medical review system was developed first. Thanks to the definition work conducted during the BPR phase, the task was completed in just 90 days. A parallel project was started to complete the other four modules. These were finished within six months.

System Rollout

The implementation plan called for the system to be rolled out in a single region first, then made available to other parts of the firm. The rollout was split into two phases, each with a pilot prior to full release. The medical review module was introduced first, with the second phase of modules coming 90 days later. The CRM team compiled a process deployment model to help the other regions assess their readiness to implement the system and new processes.

CRM Benefits

The first benefit noted was a dramatic drop in the amount of time it took to process each new client application – a decrease from 28 days to less than one. There was also a noticeable reduction in the overall enrollment time, as the billing and the posting of payments processes were also streamlined. The HMO also experienced cost reductions from elimination of duplicate data entry and increased customer satisfaction with the overall enrollment experience.

The most significant improvement was the HMO's ability to handle the increased lead flow resulting from the marketing campaign. The firm exceeded their new member target by 45 percent. This would have been impossible if they had been processing enrollments using the old procedures. The new system's ability to integrate the efforts of marketing and tele-sales resulted in the firm signing 300,000 new members last year.

Recommendations

While the pressure was on the HMO to make changes quickly, they never panicked and tried to cut corners. The lessons that they felt served them well were:

- Take the time to fix your existing processes first. Automating fundamentally faulty business procedures will not fix the problem.
- Take a phased approach; you need to walk before you can run. Work on the biggest problems first, and then move to the next set of issues.
- Pilot your system first and then scale up. You need time to analyze the systems in production before you roll them out to everyone.
- Develop deployment assessment guides to help users surface the pitfalls that can impact their system implementation.

In Conclusion

We hope this executive white paper has been helpful to you as you consider your customer relationship management challenges. We've highlighted some of the basic issues you should address. And we've provided recommendations on helping clients solve these issues on a global scale. If you have any questions or you'd like additional information about any of the topics covered in this white paper, please contact the CRM practice at Deloitte Consulting and the CSO Forum:

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Notes

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