

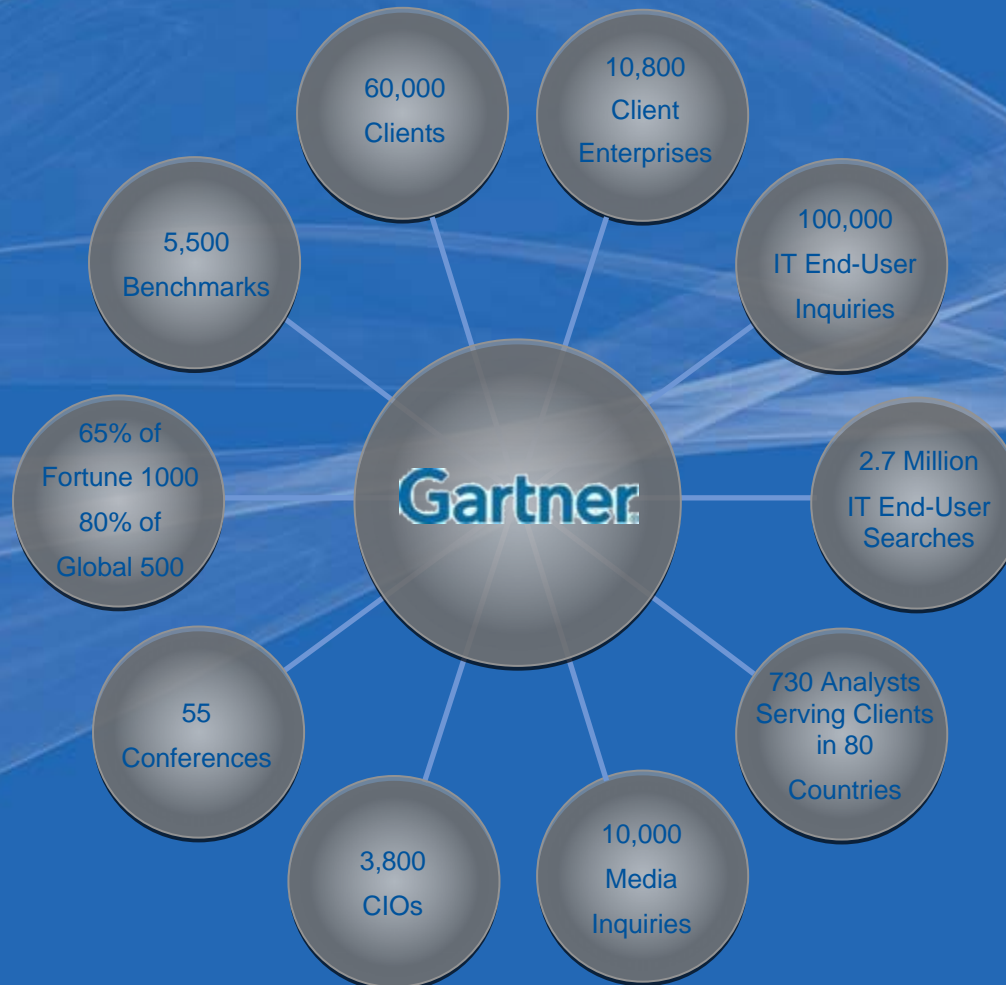
CRM: 8 Building Blocks for Success

Gene Alvarez

Welcome!

Thank you for joining this Gartner webinar.

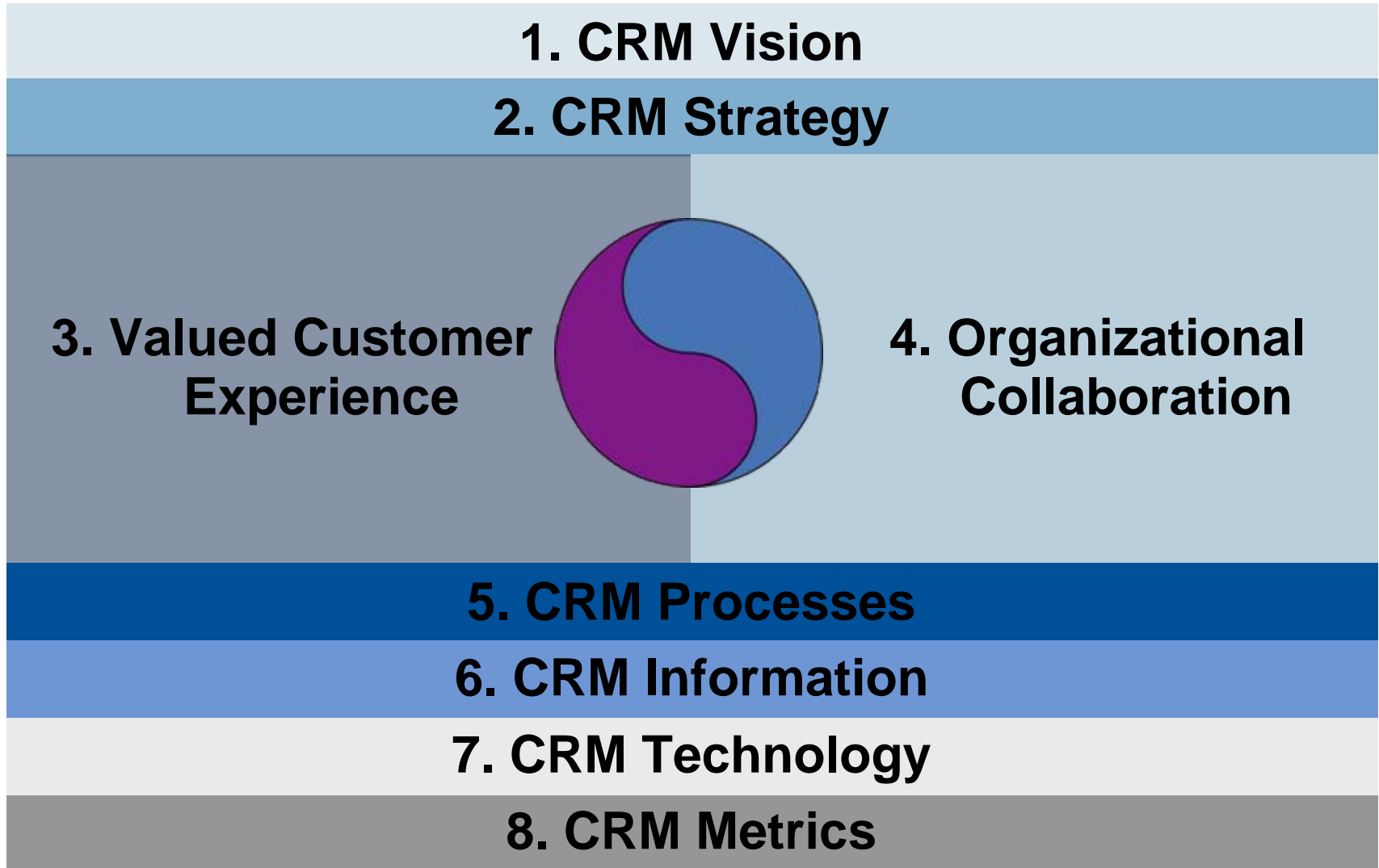
Today's topic is "The Eight Building Blocks for Successful CRM "



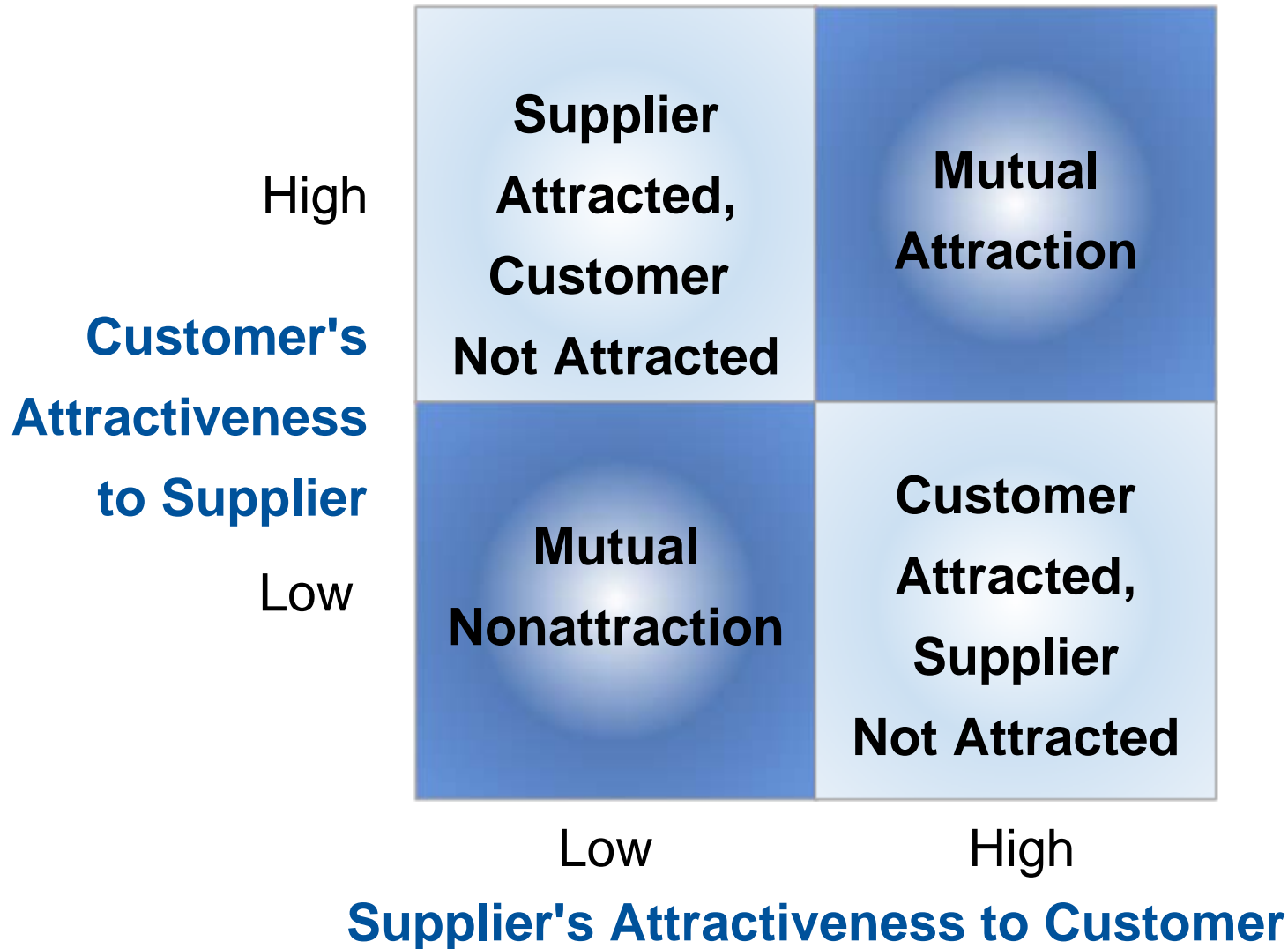
CRM: 8 Building Blocks for Success

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CRM — It's Not Just Software; The Eight Building Blocks of CRM



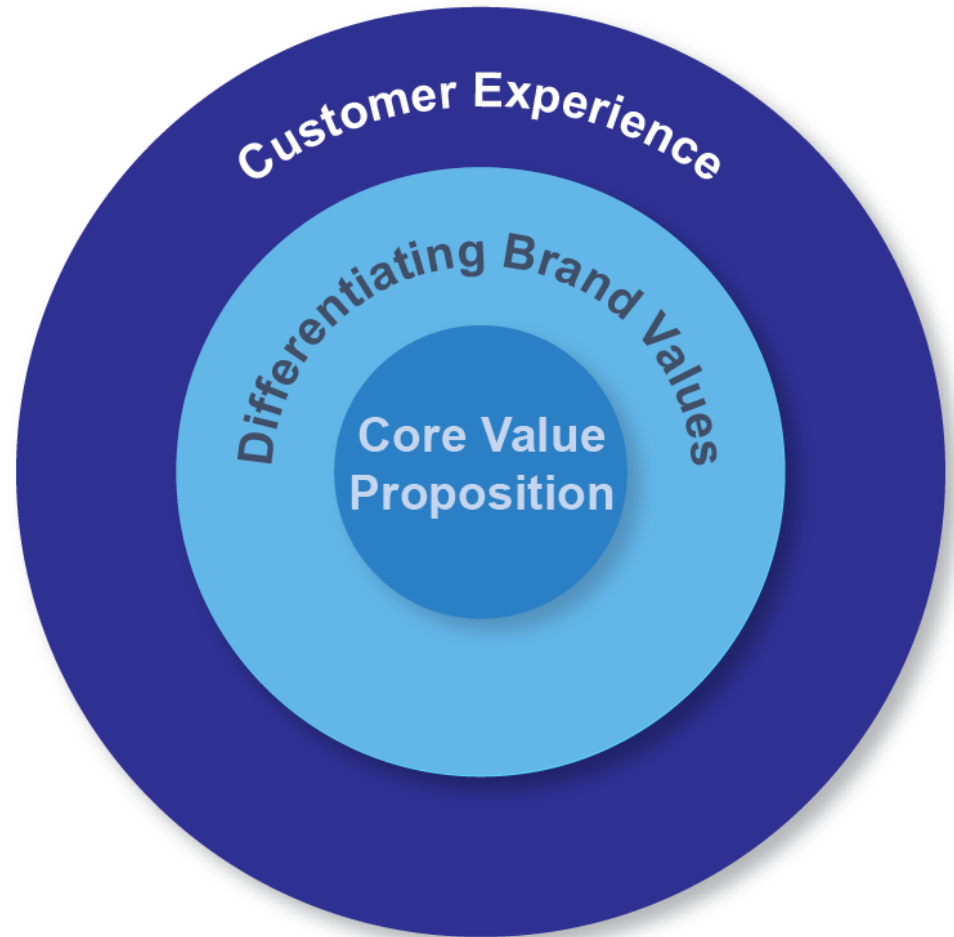
CRM Starts With Value-Based Relationships



Creating the CRM Vision

The CRM vision requires a leader to:

- Define CRM
- Set objectives
- Determine what the company wants to be to its target customers



**The vision is "what" and "why."
The strategy is "how."**

Primary Business Objectives Change 2009 and 2010

2009

- Enhance cross-sell/upsell opportunities
- Increase customer satisfaction
- Increase sales revenue
- Improve lead quality and conversion
- Increase customer retention
- Increase campaign response rates
- Acquire new customers
- Increase customer loyalty
- Reduce cost of service
- Reduce operations costs
- Reduce cost of marketing *

2010

- Increase customer satisfaction
- Acquire new customers
- Enhance cross-sell/upsell opportunities
- Increase sales revenue
- Increase customer retention
- Increase customer loyalty
- Improve lead quality and conversion
- Increase campaign response rates
- Reduce operations costs
- Reduce cost of service
- Reduce cost of sales *



2011 CRM Program Objectives

What are the primary objectives of your 2011 CRM programs?

IT Roles



N=187

Business Roles

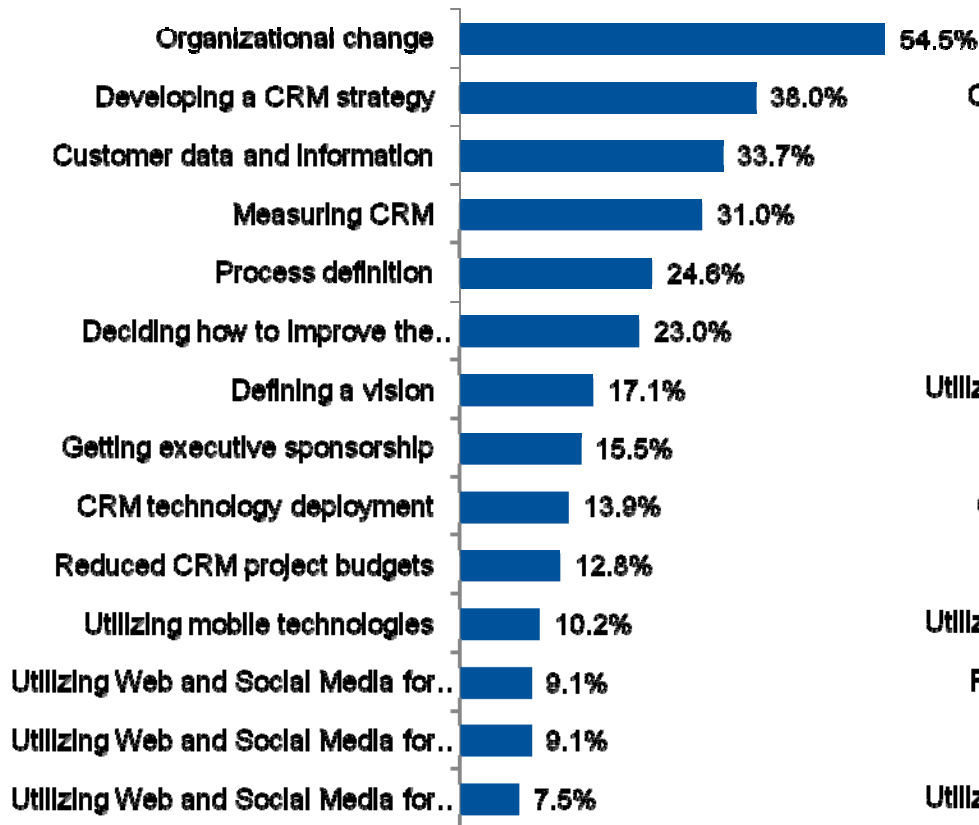


N=291

2011 CRM Biggest Challenges

What are the biggest challenges facing your customer initiatives/programs?

IT Roles



N=187

Business Roles



N=291

How Does a CRM Strategy Enhance a Marketing Strategy?

Business Strategy

How do companies deliver stakeholder value and build a competitive advantage?

Marketing Strategy

How do companies take advantage of market opportunities and mitigate competitive threats?

- Vision: Market position
- Market definition and audit
 - SWOT analysis
- Target market segments
- Objective for each market segment: Penetration, development, maintenance and productivity
- Measures: Market share, brand equity and market penetration
- Based on product life cycle



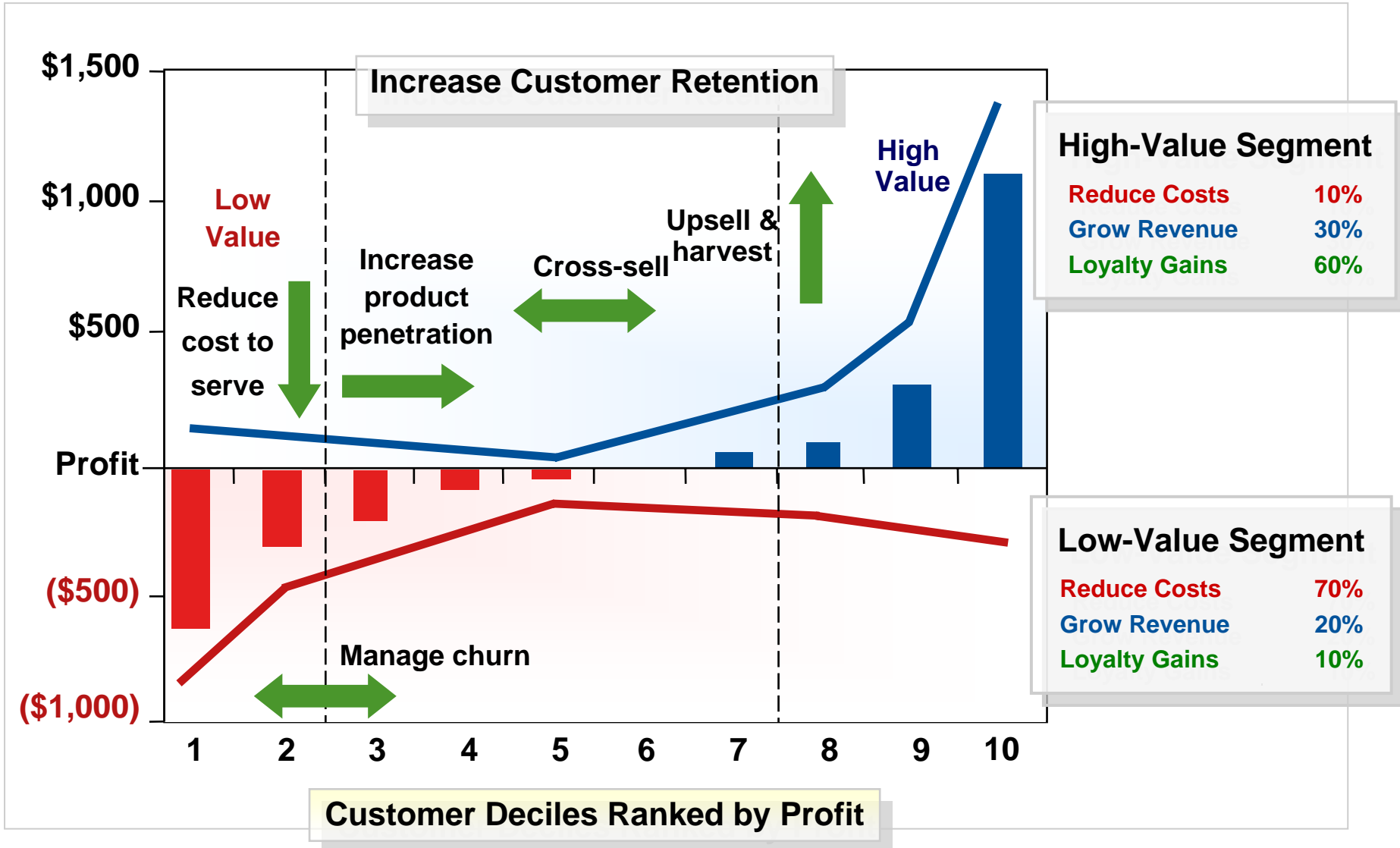
CRM Strategy

How do companies get closer to customers to deliver value and create value for themselves?

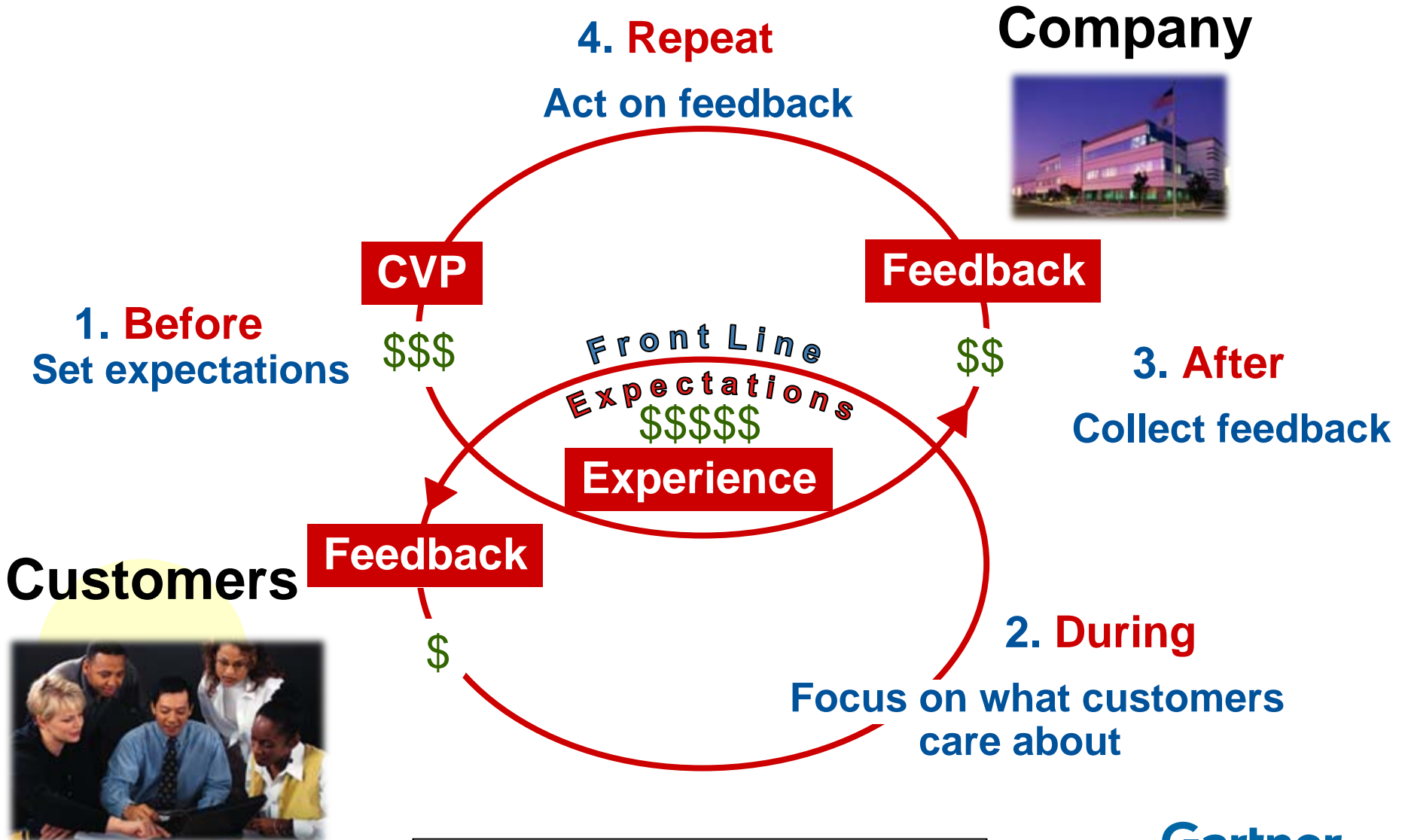
- Vision: Customer experience
- Customer definition, and behavior and requirement audit
 - Capability analysis
- Target customer segments by value
- Objective for each customer segment: Acquisition, development, retention and efficiency
- Measures: Satisfaction, loyalty, cost to serve and employee satisfaction
 - Based on customer life cycle

Acronym Key: **SWOT** = **S**trength, **W**eakness, **O**pportunity and **T**hreat

Customize by Segment to Specify Objectives and Create Tactics



Customer Experience Management: Before, During and After the Experience



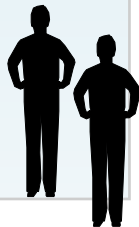
Acronym Key: **CVP** = Customer Value Proposition

Creating Organizational Collaboration: Five Elements for Successful CRM Change

Direction and Trust

Leadership/ Partnership

- Sense of purpose
 - Brand values
- Management style
- Supportive team
 - Leadership
- Motivation for joint decision making



Innovation/Renewal

Skills/ Competencies

Knowledge/ Learning

- Interpersonal
 - Professional
- Customer-facing
- Positive reinforcement
- Customer understanding
 - Build creativity
 - Coaching
- Collaboration
- New technologies



Agile and Aligned

Organization

Recognition/ Incentives

- Fluid teams
 - New roles
 - Matrix
- Community
- Decision making
- Objectives cascade
 - Relevant metrics
- Creative compensation

The Seven Steps for Customer Process Re-engineering Heaven

Step 7. Measure success, and refine process changes for different customer segments.

Step 6. Set up a customer service-level agreement for customer-selected key processes.

Step 5. Implement changes in the front office, back office and processes that affect suppliers and partners.

Step 4. Give each key process an owner, a cross-departmental owner, if required.

Step 3. Prioritize the customer-selected processes by the impact they have on your CRM strategy goals.

Step 2. Identify the key processes your customers value most.

Step 1. Audit and map the processes that affect customers.

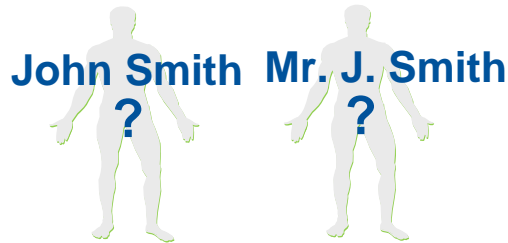
Refining Process Attributes to Improve the Customer Experience

Business process leaders can help improve the customer experience by isolating the most relevant attributes and systematically improving them.

Attribute	Benefit to Business	Benefit to Customer	Action
Accessible	Visibility, use	Convenience	Identify the processes that customers value most, and evaluate the cost/value of increased accessibility
Reliable	Cost savings, predictability,	Confidence	Embed mechanisms to test customer processes on an ongoing basis
Thorough	Consistency, efficiency	Trust	Identify what "closure" implies from the customer's point of view
Timely	Cost savings, predictability	Informed	Seek to set (or reset) customer expectations of timeliness
Adaptable	Flexible, dynamic	Accommodating	Test customer processes to ensure that they cope with the unexpected
Personalized	Effectiveness, loyalty	Personal	Balance customer surveys with predictive analytics to determine what customers want

Customer Information Is the Foundation of CRM

Data Quality Challenges



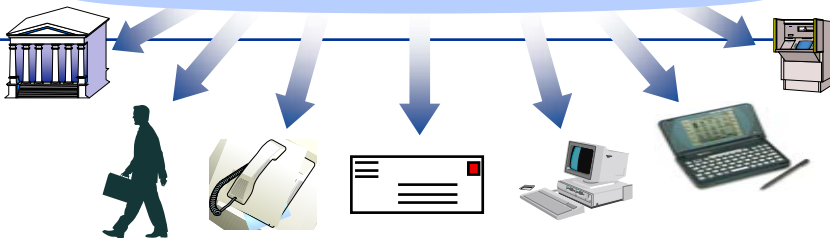
- Data quality: operational and analytical
- Data ownership: stewardship

Data Fragmentation and Consistency Challenges



Challenges in Enabling Consistent, Integrated Customer Interactions

Single-customer view?



Challenges in Creating and Applying Customer Insights

Customer profitability

Propensity to churn

Lifetime value



CRM Application Architecture Types: 2007 to 2012

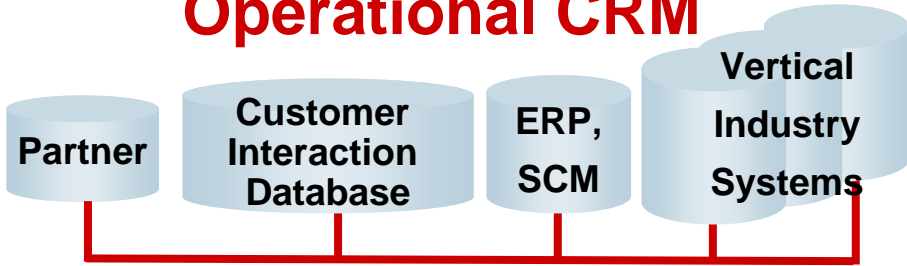
← **Packaged ... Configured ... Model-Driven** →

	CRM Suite	Enterprise Suite	Best-of-Breed CRM	Model-Driven Application	Model-Driven Framework	
Value	Sales, CSS and marketing functions in one suite	Provide an integrated suite from one platform	Best operation for department or industry	Part control architecture, differentiate processes	Control own architecture, differentiate processes	
Process	Integrated CRM processes; best practice	Integrated CRM and ERP processes; best practice	Limited process integration; best practice	Re-express own processes rule engine, repeatable	Re-express own processes rule engine, repeatable	
Data Model	Imposed data model covering CRM	Imposed data model covering CRM and ERP	Some impose data model, others don't	Imposed data model CRM and ERP	Designed to fit established data model(s)	Build or Outsource
Buying Center	Business users, CIO	Finance, CIO, boardroom	Business users	IT architects, process experts	IT architects, business users	
Sample Vendors	Microsoft salesforce.com, Amdocs, SugarCRM, SuperOffice	CDC Software, Epicor, IFS, Infor, Oracle, SAP	Aprimo, CAS Software, Nice Systems, Cegedim, SAS, Teradata, Unica, StayinFront	Oracle Fusion, SAP NetWeaver	Portrait Software, Chordiant, Pegasystems	
2007	24%	55%	17%	0%	4%	70%
2012	33%	40%	15%	5%	6%	55%

Spending Shifts From Operational to Analytical to Context-Aware and Social CRM

70% of spend, 10% of growth

Operational CRM



1. Monitor/Capture State Change

Context State Detection Bus

2. Publish State Change

Business Process Management Tools

4. Apply Business Rule

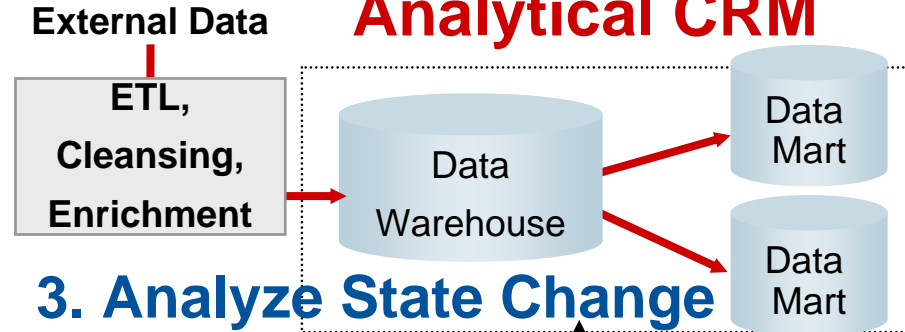
Marketing, Sales, Service, Order Fulfillment

Conference	Community Portal/Extranet	Face-to-Face Interaction
Web Conf.		
Mobile	New stuff!	Voice IVR, CTI, ACD
Twitter, Jigsaw		ERMS

Acronym Key: ETL = Extraction, Transformation and Loading

29% of spend, 30% of growth

Analytical CRM



3. Analyze State Change

CRM Analytics
Historical and Predictive

Collaborative and Social CRM

1% of spend
60% of growth

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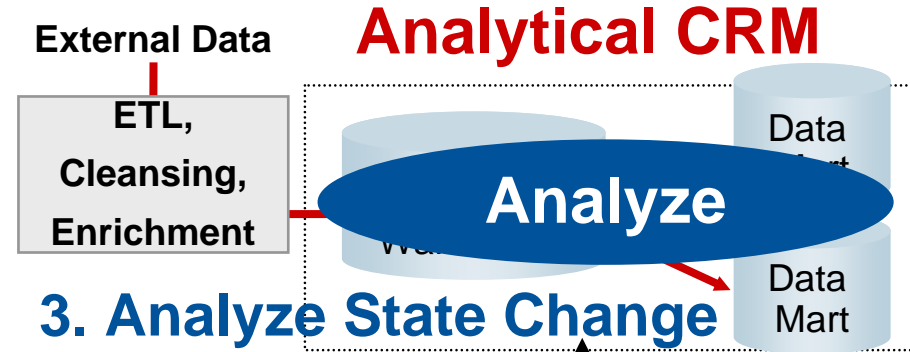
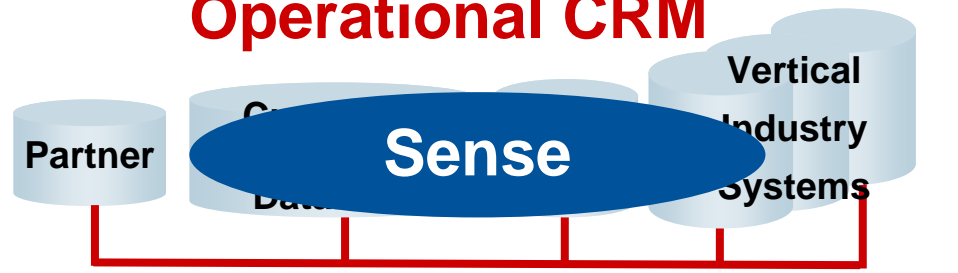
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Operational CRM

29% of spend, 30% of growth

Analytical CRM



1. Monitor/Capture State Change

3. Analyze State Change

Context State Detection Bus

2. Publish State Change

Business Process Management Tools

Respond

4. Apply Business Rule

Predict

Marketing, Sales, Service, Order Fulfillment

Conference	Community	Face-to-Face
Web Conf	Partnership	Interaction
Mobile	Stimulus	SMS
Twitter, Jigsaw	IVR, CUI, ACD	ERMS

Visualize

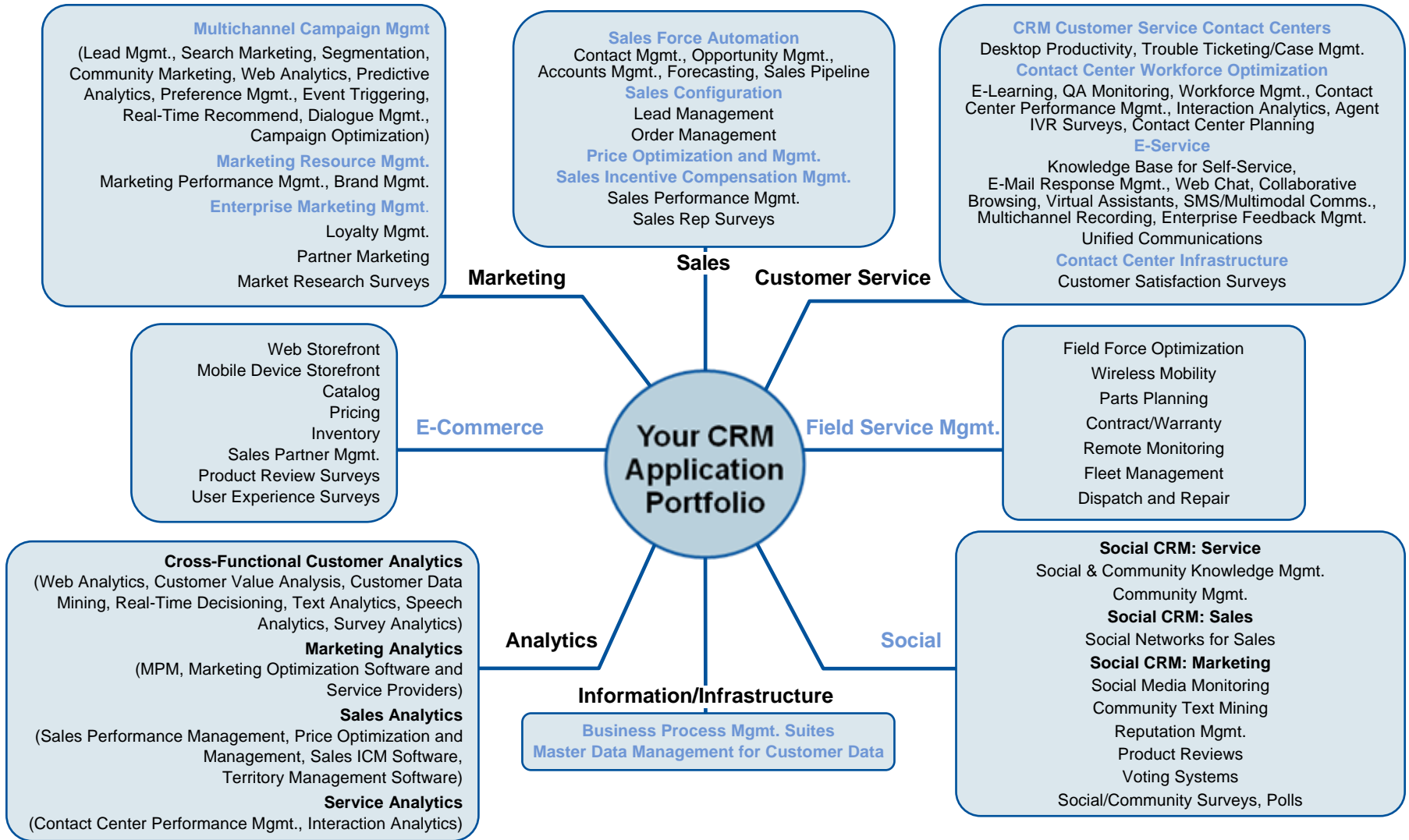
Collaborative and Social CRM

1% of spend
60% of growth

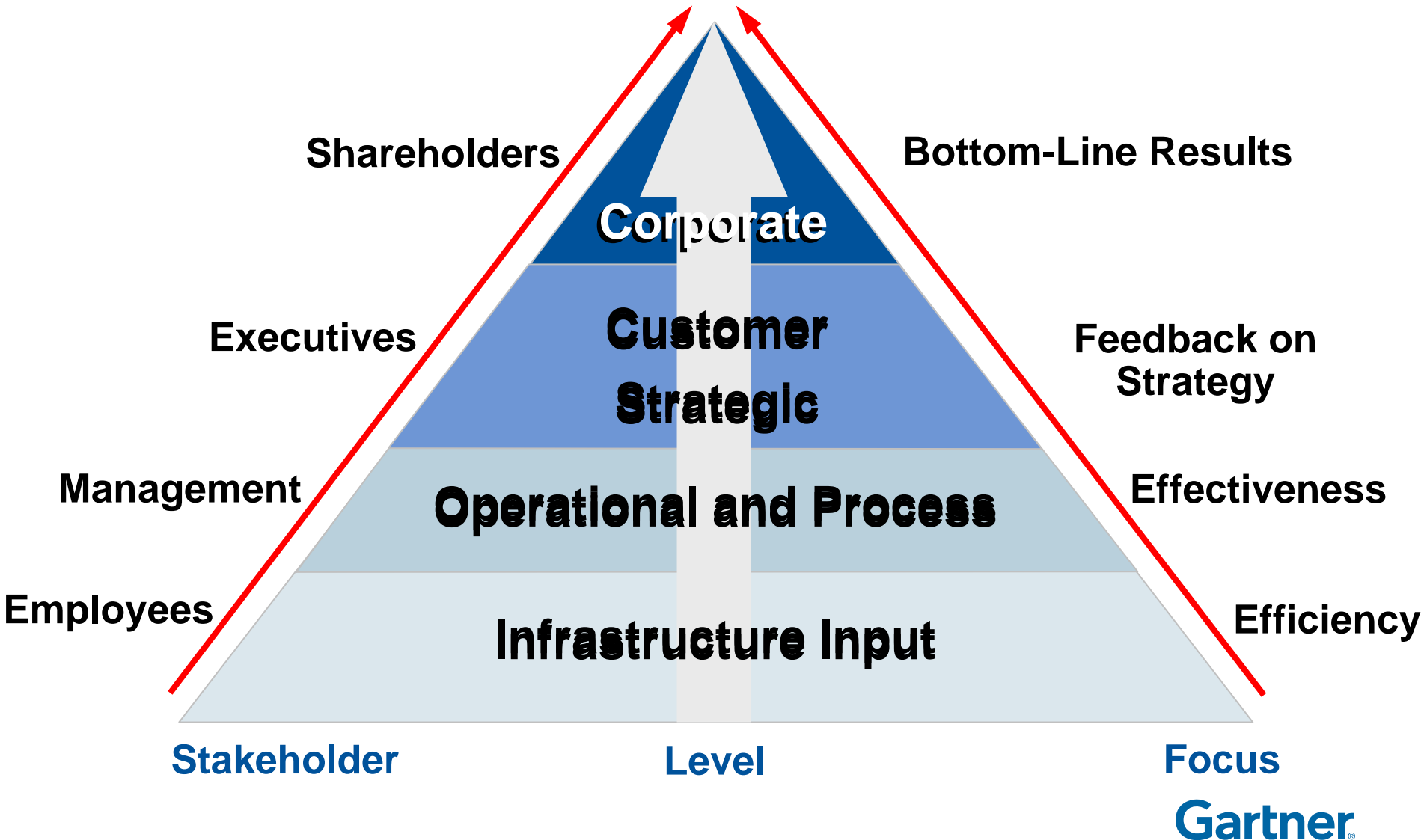
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Acronym Key: ETL = Extraction, Transformation and Loading

CRM Technology: The Elusive CRM Magic Quadrant



A Hierarchy of CRM Performance Metrics



A Few Examples

Corporate <i>Objective</i>	Market share Revenue growth <i>Increase shareholder value (external)</i>	Profit growth Margin growth	Cost ratios Customer loyalty
Customer Strategic <i>Objective</i>	Lifetime value Customer profitability Cost to serve <i>Enhance customer value (external)</i>	Acquisition Development	Risk profile Staff satisfaction Retention
Operational <i>Objective</i>	Response levels RFM measures Conversion ratios <i>Effective strategy implementation (internal)</i>	Complaints NPD times Staff turnover	Cross-sell ratio Recommendation levels Channel-specific measures
Infrastructure <i>Objective</i>	Call-answering times Customer data Accuracy <i>Process optimization (internal)</i>	Response times "Do not mail" markers	Staff qualifications Staff sickness

Acronym Key: **NPD** = New Product Development
RFM = Recency, Frequency, Monetary

Recommendations

- ✓ **Vision:** Define CRM, find a leader, answer "why," set the customer value proposition.
- ✓ **Strategy:** Develop the customer base as an asset, answer "how," set objectives, seek to align with broader strategies.
- ✓ **Customer experience:** Design, then refine constantly based on feedback.
- ✓ **Organizational collaboration:** Change organizational structures, skills, incentives and the company culture to deliver the customer experience.
 - ✓ **Processes:** Re-engineer to meet customers' expectations, provide competitive differentiation and work from the outside inward.
- ✓ **Information:** Treat customer information as an asset and a foundation, focus on tighter integration between operational and analytical systems.
- ✓ **Technology:** Outline the company's CRM architecture first, consider CRM as one large integration exercise and assess the best style of CRM application for the company.
- ✓ **Metrics:** Set CRM metrics at multiple levels and consider this the most difficult part. Without performance management, a CRM strategy will fail.

Related Gartner Research

- **"Applying Gartner's Eight Building Blocks of CRM"**
(G00169547) Ed Thompson, 23 July 2009
- **"How to Create a Powerful CRM Vision"** (G00168417)
Gene Alvarez , 28 May 2009
- **"How to Develop a CRM Strategy"** (G00168304)
Kimberly Collins, 27 May 2009
- **"Customer Information and Insight Are the Lifeblood of CRM"** (G00168643) John Radcliffe and Gareth Herschel
16 June 2009
- **"Manage the Customer Experience to Improve Business Performance"**(G00169030) Ed Thompson , 30 June 2009
- **"The Elusive CRM Magic Quadrant"** (G00173246)
Ed Thompson and Thomas Skybakmoen , 22 December 2009

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