

CRM at Work: Eight Characteristics of CRM Winners

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Less than 10 percent of enterprises have a single, integrated view of their customers, which is the critical milestone for achieving customer loyalty.

ANALYSIS

"If your customer satisfaction is decreasing, you're in a death spiral.

Customer satisfaction equals customer loyalty."

— **Douglas Allred**

Senior Vice President, Customer Advocacy

Cisco Systems

How are you treating your customers? Does anybody in the enterprises have purview across business lines, channels and touchpoints? Gartner's research shows that less than 10 percent of enterprises have a single, integrated view of their customers and, those that do are just beginning to leverage their investments to improve customer loyalty and profitability. Our customer relationship management (CRM) Spotlight addresses two questions:

- *What have enterprises accomplished thus far with their CRM efforts?*
- *What does it take to be a winner in CRM?*

To find the answers, we investigated enterprises in eight industries:

- Banking
- Brokerage
- Entertainment
- Software
- Hardware
- Healthcare
- Chemical
- Retail

BMC Software, Charles Schwab, Compaq Computer, Dow Chemical, Harrah's Entertainment, Wells Fargo and Williams-Sonoma are all making business-critical investments in their CRM strategies, infrastructures and applications. Using Gartner's CRM Maturity Model, we have rated each company based on its CRM maturity (see Figure 1).

Figure 1. Rating of Enterprises Using Gartner's CRM Maturity Profile

	Score	Description	Definition	Examples
Excellent	6	Maximum	Theoretical highest level of achievement	
	5	Leading	Describes an enterprise that has differentiated itself based on customer-centric capabilities and has simultaneously redefined those capabilities	
	4	Optimizing	Describes an enterprise that has not only developed customer-centric capabilities, but also actively integrates them into its daily operations	Compaq Dow
Improving	3	Practicing	Describes an enterprise that has implemented basic customer-centric capabilities; basic CRM capabilities have been implemented	Charles Schwab Harrah's Wells Fargo
	2	Developing	Describes an enterprise that has a rudimentary, loosely woven set of customer-centric capabilities in place	BMC Software Williams-Sonoma
Poor	1	Aware	Describes an enterprise that exhibits few customer-centric capabilities; considering and planning CRM initiatives in this area	
	0	Ground Zero	No action taken on CRM initiatives in this area thus far	

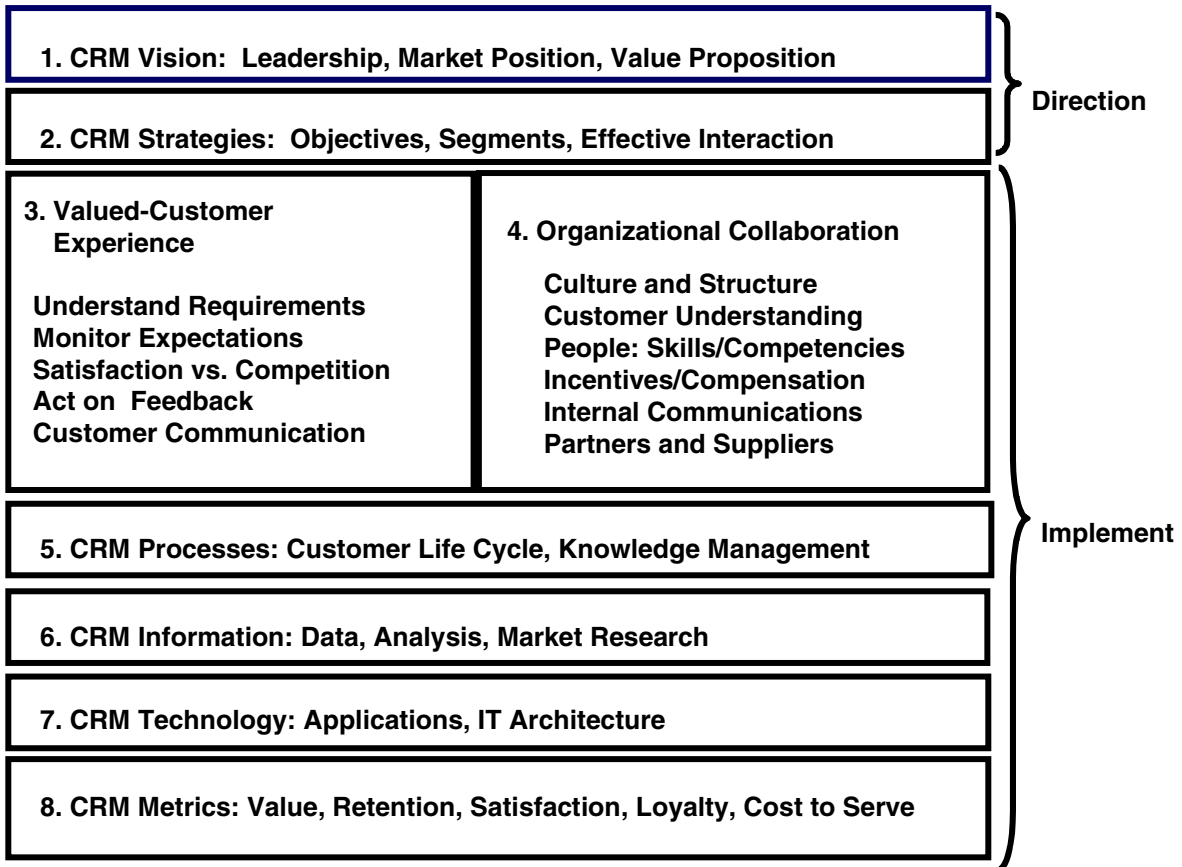
Source: Gartner Research

Several enterprises and consultancies have developed formal methodologies and models for performing a complete assessment of an enterprise's CRM maturity (contact Gartner for a list of providers). For the companies listed above, we have used our construct and case study analyses to rate their CRM maturity.

Each company represents a sample of what enterprises have been capable of achieving thus far in their efforts to become more customer-centric and profitable. All have achieved a level of CRM success, and each has exhibited one or more of the following eight key characteristics required to be a winner in CRM (see Figure 2):

- CRM vision
- CRM strategy
- Consistent valued-customer experience
- Organizational collaboration
- Processes
- Information
- Technology
- Metrics

Figure 2. Eight Building Blocks of CRM



Source: Gartner Research

As we profiled the eight Fortune 1000 companies, we noted growing revenue year-after-year (all but one was profitable in 2000), and all ranked high in their respective industries (see Figure 3). Our findings, verified using larger samples, suggest a correlation between CRM maturity and profitability. The only enterprises that sit outside this correlation are those in extremely competitive markets and monopolies. Very competitive industries do not follow the same correlation because it is hard to get customer loyalty, because of easy substitution; therefore, these businesses require good customer capabilities just to keep customers (e.g., supermarkets) "sticky." Monopolies obviously do not need to try to win customers, and they can have good results without good customer capabilities (e.g., the U.S. Postal Service or the U.S. Internal Revenue Service).

However, as deregulation becomes more pervasive, these enterprises should, at least, work toward meeting customer expectations. In addition to financial performance, we researched these enterprises' positions in customer satisfaction, according to the University of Michigan Business School's research, using the American Customer Satisfaction Index (ACSI). ACSI is a cross-industry national indicator linking customer satisfaction to financial returns. Scores are compared to others in the industry and by period vs. period for the enterprises in the study.

For example, Wells Fargo is trending up compared to the prior quarter's score, but it is trending down overall since its first score of 71 (its baseline) in 1994. For all of financial services (including banks, life and personal property insurance) the most current quarter's score is 74.4. Although it

is getting better, it is still below the average for its industry. This correlates with its CRM maturity in that it is ranked as practicing, but not yet optimizing.

Figure 3. Company Profiles

Company	Revenue (\$ millions)	% Change From 1999	Profits (\$ millions)	% Change From 1999	F2000 Revenue Rank	Rank Within Industry	ACSI Score*	% Change From Previous Year	% Change From First Measured
Compaq	42,383	10	569	0	27	2	71	0	-9
Wells Fargo	27,568	26	4,026	8	62	3	67	3.1	-5.6
Dow	23,008	22	1,513	14	78	2	-	-	-
Schwab	7,140	52	718	22	260	6	76	-	-
Harrah's	3,471	15	-12	-106	470	5	-	-	-
Williams-Sonoma	1,830	32	57	-17	740	34	-	-	-
BMC	1,719	32	242	-33	791	7	-	-	-

* Out of 100 points
www.fortune.com/
www.bus.umich.edu/research/nqrc/acsi.html

Source: Fortune and the University of Michigan (ACSI)

What did they do right?

1. Vision: Successful enterprises display inspirational leadership, building a market position against competitors with defined value propositions based on requirements, personified by the brand and communicated. For example, Wells Fargo's Los Angeles Metro Region illustrates how even a large, decentralized enterprise can translate vision into action across all functional areas and make it executable at the local level. The results were dramatic. Customer profitability increased by more than 10 percent, and account-related initiated transactions also rose dramatically. Within one year, Wells Fargo achieved three times its investment in stores in its Los Angeles metropolitan area (see *Research Note CS-13-5978, "Wells Fargo: Driving Customer Information to Local Level"*).

2. Strategy: A successful enterprise should understand how the customer base can be turned into an asset through the delivery of a customer value proposition. It should provide objectives, segments and customers, and it should define how resources will be used in interactions.

3. Consistent Valued-Customer Experience: This involves ensuring that the propositions have value to the customer and the enterprise, achieve the desired market position and are delivered consistently across channels. Charles Schwab — viewed as a leader in technology innovation in the CRM financial services arena — continues to face growing competition. Financial institutions are challenged to be more proactive regarding customer demands; to provide quality service through multiple channels 24 hours a day, 7 days a week; and to gain a better understanding of product requirements. Schwab is responding by offering more service functionality across both traditional channels and Schwab.com. Although its CRM initiatives from 2000 through 2001 are still in their infancy, Schwab has already begun to experience positive results from its efforts (see *Research Note CS-13-6899, "Schwab: Customer-Centric Approach in Financial Services"*).

4. Organizational Collaboration: This involves the transformation of culture, structures and behaviors to ensure that staff, partners and suppliers work together to deliver what is promised. Critical to ensuring end user acceptance of new behaviors and enabling technology is a solid change management strategy. BMC Software applied an aggressive change management plan,

combined with excellent project management and strong executive commitment to achieve a 96 percent adoption rate by its sales force for its third generation of sales technology. BMC included in its project plan six key steps, including a change management strategy (see *Research Note CS-13-6511*, "SFA Success — Third Time's the Charm for BMC Software"). Another example of organizational collaboration is Compaq. Compaq is not unlike most enterprises with channel partners. The IT infrastructure to support partners is often a combination of custom and niche applications with disparate databases. This often requires partners to access product and service content in multiple locations, as well as complete and maintain multiple user profiles. This causes duplication of efforts, inefficient processes and lost opportunities. Compaq has set out to provide "one face to the customer," in which the customer is its channel partner. Compaq's partner relationship management (PRM) initiative, integrated with its CRM efforts, projects a \$100 million contribution to earnings during the next three years (see *Research Note CS-13-6904*, "Compaq Looks to Provide One Face to the Customer").

5. Processes: This area involves the management of the customer life cycle and processes relative to analysis, planning and knowledge management. Williams-Sonoma, a nationwide retailer of specialty products for the home representing multiple brands, saw the Web as an essential ingredient in its channel mix because of its data-collecting tools and personalization capabilities. The results of its efforts are the acquisition of new customers to the Williams-Sonoma brand (35 percent) and stronger relationships with current consumers (65 percent multichannel consumers) — a key to its multichannel CRM strategy (see *Research Note CS-13-6910*, "Williams-Sonoma: Cooking Up CRM").

6. Information: Quality data is collected and used to make decisions supporting business processes. With the average customer making 5.4 visits per year to a casino, customer loyalty has become a major driver for Harrah's Entertainment. Harrah's has implemented a solution to share customer data across its multiple casinos and hotels to create a holistic view of its customers. Based on profitability, it has created a personalized rewards program. Using Web-based tools, the call center can now access a data warehouse in real time to reward valued customers with discounts, upgrades or event tickets. This supports its goal of getting its clients to visit multiple Harrah's casinos each year, not just the one in their area (see *Research Note CS-13-5933*, "Harrah's Success Is No Crapshoot — It's Solid CRM").

7. Technology: Successful enterprises leverage data and information management, customer-facing applications, and supporting IT infrastructure and architecture to enable CRM. With an antiquated system and manual processes, fulfilling customer needs is impossible.

8. Metrics: It is important to track internal and external measures of CRM success and failure. Increasingly, enterprises will begin to establish the key elements of their value proposition and service delivery that really drive customer loyalty — as the customer sees it. At the same time, they can establish areas in which they are overdelivering on customer requirements and, thus, can make cost savings without affecting loyalty. Dow provides an excellent example. Dow started its efforts by measuring customer interface costs and activities per contact channel across its entire global organization. This critical procedure is overlooked by more than 85 percent of enterprises. Dow has already realized about \$15 million in annual cost savings; however, it expects and is committed to much more. Dow expects \$100 million to be added to the bottom line through improved customer loyalty and increased productivity (see *Research Note CS-13-6992*, "Dow Chemical Provides a Consistent Face to the Customer").

Early adopters of CRM are reaping the benefits; however, most enterprises are in the aware and developing stages of CRM maturity, with only the most aggressive enterprises practicing and optimizing. The stage of leading and maximizing remains out of reach for most, which suggests great opportunities for using CRM investments against the competition if done properly.

Enterprises should perform a CRM maturity/capability assessment, followed by a CRM business strategy: It is never too late for a "reality check."

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