

ideas

MANAGEMENT STRATEGIES FOR THE 21ST CENTURY

King of the Hill

Intrawest's bold leap into customer relationship software

Matthew Dunn,
Senior Vice-President
& CIO, Intrawest Corp.

A Sales Revival

Could the new tools of the trade have helped poor Willy Loman?

In the Mood

Knowing exactly what your customers are feeling

Five on Five

Expert viewpoints on the next big trends in customer service



Frank Koblun
Director of Consumer E-commerce,
HMV North America



Welcome to the inaugural issue of *Ideas* — a magazine that celebrates the Ideas that power business success in Canada today.

The focus of this issue of *Ideas* is Customer Relationship Management (CRM). Why CRM? It has been said that the reality of the 21st century is that someone new is in charge of your company — your customer. In a world in which increasingly savvy and discerning customers can access your business via an ever-growing array of channels — telephone, Web site, mobile Internet devices such as Pocket PCs — ensuring a consistent, high-quality experience has become one of today's business manager's biggest challenges.

CRM is much more than a corporate buzzword. In fact, it has become synonymous with the imperative to re-focus business around customers. After all, if you don't, your competitors will. But what does it really mean in practice, and what does it take to get a business to this customer-centric utopia?

In this issue of *Ideas* you'll hear from some of Canada's leading proponents of CRM — leaders such as Iain Scott of Onyx Software Canada and Matthew Dunn of Intrawest Corp. Although definitions of CRM may differ, the imperative is the same — aligning people, processes and technology to produce first-class customer experiences.

I hope this issue of *Ideas* is of benefit to you and your organization, and can help you provide even better service to your own customers. If you have any comments about this publication, please feel free to send email to the address below.

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Microsoft issueone

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King of the hill

Matthew Dunn, senior vice-president and chief information officer at Intrawest

The Internet is changing the rules around business, letting people buy anytime, anywhere. Despite this brave new online economy, most companies have track records that range from unremarkable to simply abysmal when it comes to keeping customers happy. Smart businesses are realizing this and turning to customer relationship management (CRM) to help them score sales and competitive advantages.

“Businesses have to do two things essentially to survive,” says Robert Runge, chief marketing officer at Vancouver-based CRM vendor Pivotal Corp. “They have to make products or services, and they have to make customers. So they have a supply chain that

drives the making of products and they have a demand chain that drives the making of customers.”

Most companies pay lip service to the fact that the customer is king, but even those trying to build a following around Internet selling aren't rolling out the red carpet. A Gartner Group Inc. survey earlier this year found that of the world's top 50 consumer e-tail sites, not a single one was rated exceptional or even good in customer service — 23 per cent were rated average by their customers, 73 per cent fair and four per cent poor. And a report by Datamonitor PLC says U.S. e-tailers alone lost US\$6.1 billion in potential sales last year due to poor customer service.



Flying down a slippery slope

Software on steroids

Simply put, CRM is a way of linking every system within a company that touches customers or partners, in order to provide better service and zero-in on new business opportunities.

It's difficult to get a consensus on what makes up a CRM system, because it's really an array of technologies and a strategy for putting them to good use.

By linking these systems, "you get a whole that is so much greater than the sum of the parts," Runge says.

"The only reason that anybody invests in any of these technologies having to do with customer relationships or customer service or marketing or selling or partner management, or whatever, is to get people to buy things — to drive the first transaction and then to drive the second and third, and keep that customer for a lifetime."

Customer relationship management is sometimes referred to as sales force automation (SFA) on steroids. SFA software manages things like customer and supplier contacts, accounts and sales opportunities.

CRM takes SFA functions and links them to front-office applications that accept orders and queries from customers and partners, and which employees or automated systems use to respond. It can involve everything from Web sites, product information databases and marketing applications, to electronic billing, payment and shipping. CRM ties into call centres, including phone, fax, e-mail and text Web-chat, to provide employees or customers with information such as marketing material, warranty records and custom-configuration systems for products.

A CRM framework also connects to back-end systems such as enterprise resource planning (ERP) applications that oversee financials, inventory and supply chain management, as well as the tools used to sift out business intelligence about customer demographics and buying patterns.

One of the reasons for the sudden surge in the popularity of CRM is the huge return on investment that the technology can deliver, that is, the ability to attract buyers and turn them into repeat customers.

For example, statistics show roughly 60 per cent of the people on a ski hill one year will not be back the next.

"That means you're blowing your brains out on marketing money every year to get six out of 10 customers onto the hill," says Matthew Dunn, senior vice-president and chief information officer at Intrawest Corp. in Vancouver, which runs ski and golf resorts, including Whistler Blackcomb in B.C. "This technology should give us a chance to change that ratio."

The company started a CRM project in the spring of 2000 and had it running within 90 days.

"We're in food and beverages, retail, ski and resort clubs, and so on, so we had a very concrete problem: How the heck to get a view of that business and know if we're doing well or we're doing poorly," says Dunn. "We also wanted to line up the services for the guests instead of the other way around."

Intrawest did a trial run last year with Web-bookings for ski rentals at Whistler-Blackcomb.

"When it was not crunch-time, instead of twiddling their thumbs, the rental (technicians) could look at a list and say 'who's coming in tomorrow morning?' If the customer was a size eight boot they could have a size seven, eight and nine lined up waiting for them to try. They could stage a lot of the activities that they would otherwise have to wait to do until the guest was waiting there in front of them."

Dunn says service got faster and the company was able to allocate resources more efficiently to meet expected demand.

This is what CRM is all about.

"It's always a cliché to say it's better for both us and the customer, but I've been unable to see a way in which this isn't."

Now people can book an entire vacation at the company's Web site, from the hotel and equipment rentals to the lift tickets and ski school package.

"If someone books a (ski) rental, which is the most detailed example, we record everything — boot size, preferred ski brands, ski length, what kind of skier they think they are, everything. So that means next year we should be able to say that with one click you can pick that rental package up again," says Dunn.

He adds that Intrawest will add the profiles of people who simply show up and rent equipment, too. Technicians will be able to use the profiles of return walk-in customers to reduce the wait on their next visit.

"We're in the 'experience' business, and standing in line for something and answering the same questions over and over again isn't a plus for anyone's experience," says Dunn.

He adds that Intrawest plans to expand the CRM system to encompass every type of transaction it handles, both on- and off-line, and can use it for everything from customizing customers' golf packages to deciding what proportion of two and three-bedroom units to build in resort developments.

"Frankly, I think we are going to be miles ahead," says Dunn. "This will be putting more of our people into the customer service business instead of the transaction service business."

"If you tie things back to the fact that the repeat customer is a better customer and less expensive to get, as opposed to marketing to new ones all the time, then you're trying to enable the customer to say I really would like X," says Intrawest's Dunn. "This gives us a way to listen and say, OK, we'll build or create X for you. It's demand chain instead of supply chain."

Even concentrating on small parts of Intrawest's business for its initial project, Dunn says his team tangled with a surprising amount of "big, fat, hairy" complexity integrating the new and existing systems. "I think the biggest money we spent was on data modeling, believe it or not."

Dunn says involving managers from each resort was crucial. And even though CRM has been one of Intrawest's most successful business projects to date, he admits some employees are still waiting to see long-term results. "I think cautious enthusiasm would be a good way to put it."

In fact, CRM capabilities used to be added to ERP systems aimed at cutting operational costs, but as businesses recognize the importance of giving sales forces the tools to win and retain customers, CRM has become a key business system in itself.

“I think we’re clearly getting the sense that we need to do something in the face of really fierce competition, product commoditization and globalization,” says Fenella Potter, director of application-driven solutions research at IDC Canada in Toronto. “We’re moving away from that cost-savings model to more of a realization by companies that they have to retain their customers.”

Try Before You Buy

The Internet gives people access to an enormous array of goods and services and lets them compare prices in seconds. And on-line, customers can’t kick a product’s tires before they buy, so they often have questions and a greater need to feel confidence in the supplier. As a result, generating customer loyalty has become crucial to success, whether companies are bricks-and-mortar operations, on-line sellers or a combination of the two.

“In terms of why companies should consider CRM, let’s face it, products and services are commoditized today,” says Potter. “So ultimately the differentiator becomes the customer’s experience with the supplier. If it’s inefficient or unpleasant then that customer is going to go somewhere else, because it’s very easy now for them to do so.”

In the past, good customer service meant knowledgeable sales representatives who remembered a repeat customer’s preferences and could help steer them straight to goods and services they were most likely to buy. The problem today is that more and more interaction with customers is happening on-line or through call centres.

Yet Runge says CRM and the Internet are a way to have a more personalized relationship with these people. He points out that most sales departments only have enough time and resources to give one-to-one service to larger customers. “But the Internet comes along and offers this place of business called a Web site that’s open 24-by-seven. And it’s not just a place you visit and access static information, it can actually be brought to life and enabled to deliver a very interactive, personalized experience.”

Customer relationship management systems can help with simple things such as remembering the shopper’s regular purchases and offering an order template so they don’t have to re-enter information every time they visit an e-commerce Web site. Or it can be as complex as identifying a company’s most valuable customers, analyzing their buying habits, determining complementary sales opportunities and tailoring a direct marketing campaign to deliver the highest return.

The Profit Motive

According to some estimates, as few as three per cent of companies use CRM, but this is expected to change dramatically.

For example, IDC Canada surveyed companies in utilities, telecommunications, financial services, manufacturing, retail and wholesale distribution.

“If we looked at it overall, what we found was that less than 20 per cent are currently using CRM,” says Potter. “But what we also found was that over 50 per cent were indicating that they were planning to purchase or upgrade a (CRM) solution within the next 12 months.”

One of the reasons for this growth is that companies are realizing the huge returns an investment CRM can deliver. The primary goal of CRM is to attract buyers and turn them into repeat customers.

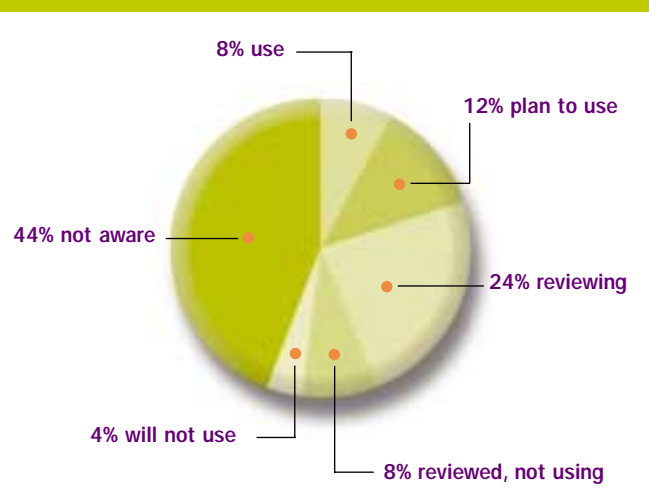
By providing company-wide access to customer and sales information, CRM can help put an end to frustrating scenarios such as people sitting on hold only to find they have to contact another department to check or add to an order, track down a part or get support.

CRM can also unlock new sales opportunities by identifying the most profitable groups of clients to pursue and which sales incentives to use, rather than wasting marketing resources or missing potential opportunities.

For example, a marketing system might identify someone who recently bought a barbecue and mail them a coupon for patio furniture or a brochure on remodeling a deck.

The level of complexity in a CRM project depends on the goals set by the organization, so a CRM provider has to map out a strategy with the customer. Some specialize in front-end

The Use of CRM



Source: Cutter Consortium Arlington, Mass.

A huge pitfall is to look at this as automation ... obsessing on the efficiency issue and missing the whole point as it pertains to revenue and customer satisfaction increases ...

applications, others in tying together back-end systems, and some do it all.

Some CRM vendors even give software away free. This can save money upfront, but since these suppliers usually plan to make their profit from maintenance and support fees, it may not be the most economical alternative in the long run.

Instead of buying and maintaining all the technology necessary for CRM, some companies are turning to application service providers, or ASPs.

An ASP runs and maintains software on its own servers and the client accesses them over a network or the Web for a monthly fee. This can often cut both operating overhead and the time it takes to get a CRM system running, particularly for smaller businesses.

But the ASP model is not risk-free. Since customer data is stored on the ASP's servers, it's harder for a company to ensure security and backups are handled properly, there's less control over software changes and user support, and it can be difficult to integrate an ASP's software with the company's legacy systems and data. And there's the sticky issue of how to get customer information back if the relationship with the ASP goes sour.

Pivotal offers an ASP option to customers, but Runge is quick to point out it's not for everyone. "I would say look at your business and your level of risk tolerance and look at the operations you can afford to trial the ASP model with, because certainly the benefits are very compelling. But don't bet your business on it in the short term."

Growing Pains

Whether a company chooses an ASP or runs its own system, there are pitfalls. A survey by Cutter Consortium showed dissatisfied users of CRM systems outnumbered satisfied ones by about two to one, and other studies peg CRM project failure rates at around 60 per cent, due almost entirely to two factors.

The first is an attempt to do too much at once. "It can mean big growing pains for a company," says IDC Canada's Potter. "The companies we interviewed indicated that their preferred approach was very much to implement solutions gradually, realizing that a

CRM solution is not just technology and it does have a fundamental impact on an entire customer-facing business process."

The other common mistake is a failure to involve managers from each business unit.

"Because it's such a fundamental thing at the core of the company's entire operation, since customers are what keep a company in business, it can't be just an IT initiative," says Potter.

A system that makes salespeople spend a lot of time keying-in information keeps them from doing what they do best — dealing with customers. But if data is incomplete it will foul up attempts to identify buying trends and employees will abandon the system because they won't trust it.

Serve Yourself

Some companies emphasize self-serve systems where clients do the data entry themselves as part of Web-based or telephone transactions. Others devise systems that glean as much information as possible from the sales process and share it with every department.

Self-service not only saves time and money, it can be used to address the fact that the Internet has reduced buyers' patience. Since the Web and automatic voice response systems are "open" 24 hours a day, and as more people have instant access to these systems through PCs, mobile phones and other portable devices, customers are coming to expect service around-the-clock.

Since CRM bridges marketing, sales and customer service systems, it becomes easier to build another bridge to a Web site. Then customers can do everything from placing or tracking orders, to finding product information and seeking help from a support database.

But becoming too reliant on self-service can also derail a CRM initiative. Technology can't solve every customer problem.

"A huge pitfall is to look at this as automation ... obsessing on the efficiency issue and missing the whole point as it pertains to revenue and customer satisfaction increases," says Pivotal's Runge. "You're enabling people with knowledge, intelligence and information in order for them to do their job better."

feature

by John Shoemith



A sales revival

Frank Koblun,
director of consumer e-commerce,
HMV North America

Sales hasn't really changed all that much since Willy Loman ranted about all the highways, the trains and the years spent on the road. Sure, air travel has replaced the railroad and made the journey quicker, but sales people still spend many a lonely night away from home in unfamiliar places. The nature of sales has also largely remained the same: it's still all about forging personal relationships and winning confidences. But not everything has remained frozen in time. For one, Willy

would be hard pressed to recognize his sales brethren today, what with the PC, the handheld devices and the cordless phones standard appendages to the average sales person. One wonders what poor Willy would make of the changes technology has wrought on the sales function.

Although technology will never relegate the sales person to a supporting role, the technology goodies are hardly bit players. The fact is, sales software is becoming an essential tool in every sales

“The relationship between buyer and seller has already fundamentally changed and customer expectations for service have never been greater. Now combine that with the inordinate amount of information a sales agent must know.”

person's kit. The job can still be done without it, but it's akin to a carpenter working without a power drill — he may be able to work a screw into the wall with nothing more than a regular screwdriver and the strength of his muscles, but his task is made that much easier with a Black and Decker power pack on his belt. With that reasoning, it's no wonder the market for sales force automation software is going through the roof.

Count Frank Koblun, director of consumer e-commerce at music retailer HMV North America, is among those who see its great potential. Koblun says the relationship between buyer and seller has already fundamentally changed, and customer expectations for service have never been greater. Now combine that with the inordinate amount of information a sales agent must know. “Take a consumer who likes a song but doesn't know what it's called or who the artist is. Well, we get a thousand of those questions a day,” he says.

Koblun admits he is just starting out on the road to establishing CRM at HMV, but when he reaches the destination, he will have the ultimate prize, a one-to-one relationship with the customer. This will include the ability to keep an order history, to track individual tastes and preferences, and to personalize offers.

A care package

Sales force automation software is exactly that: software that helps the sales force automate the sales function. They are products specifically designed to meet the routine needs of the sales rep and sales management. SFA products help the sales professional organize and collect information about territories, customers, products, competitors, marketing campaigns and pricing. Features could include some combination of a customer database, lead qualification, integrated word processor, report writer, an address and phone card system, and a tickler file. Many products offer an opportunity management system, sales order or sales configuration tools, marketing encyclopedia, reporting and forecasting, and Internet or Web access. Online capabilities allow rapid and global information dissemination, sharing and collaboration within a company and between companies.

It's big business, if technology pundits are believed. Growth rates of SFA software are forecast at over 40 per cent over the next few years, resulting in a US\$4.8 billion worldwide market by 2003, according to International Data Corp., based in Framingham, Mass. But that's only piece of the total pie: SFA is often used interchangeably with its direct relative, customer relationship

management (CRM). A comprehensive CRM solution encompasses all aspects of an organization's front office “client-facing” applications, including sales, marketing and customer support. Some have dubbed CRM solutions as “customer care” systems, typically involving customer interaction centres, marketing automation, online customer service and, of course, sales force automation.

Depending on the level of technical and business sophistication of the system, the cost of a CRM solution can range from a few thousand dollars for a simple off-the-shelf contact management system, upwards to millions of dollars for a fully integrated customer management system that touches all parts of an organization. It's one reason why CRM is painted with a similar brush to its even-more distant cousin, enterprise resource planning (ERP). There are obvious comparisons. For example, implementing a CRM solution is a planning exercise and a business re-engineering not dissimilar from an ERP system.

When customer is king

The CRM market is even bigger business. AMR Research estimates that CRM application sales will reach US\$5.4 million worldwide by the end of 2000. By comparison, the Canadian CRM market is small. Front office CRM sales were approximately \$70 million in 1999, according to Toronto-based IDC Canada, but the market is estimated to reach \$375 million by 2003, growing at a rate of over 60 per cent per year. The market for CRM services — the consulting, systems integration, outsourcing and training required to design, build and operate customer care processes and systems — will be twice the size of the CRM software market, growing to \$750 million in Canada by 2003. There's a simple explanation for this, says Stan Brown, partner for PriceWaterhouseCoopers' CRM practice in Toronto: organizations can't implement these systems by themselves. “You can't be a prophet in your own land. People are more willing to listen to someone that's going to be a task master and someone they're paying for.”

Fueling these markets is the simplest business maxim: the customer is king. Although the messages the application vendors are using to sell their CRM solutions sound familiar — how retaining a customer is far less expensive than generating leads and finding and selling to new customers, and the importance of cross selling additional products and services to one's most lucrative customers — the technologies they're hawking are not. As the CRM market grows, the software tools are becoming increasingly complex.

The market numbers tell only a small part of the story, however — it's a play without characters. After all, technology doesn't exist to replace people; it's there to help them. With SFA and CRM, the software is meant to make the sales job easier, to help generate leads, to retain customers, with ultimately one goal: to make more money. Still, it's basic human nature to resist change, and implementing a sales automation system, which may fundamentally change how a sales person does his job, must be done with an eye to the people who are going to use it.

A win-win situation

Although there's no formula for getting sales on board the SFA train, there are ways to at least get them to the station before implementation takes off. And the good news is that many organizations can draw on the experience of past projects. "The interesting thing is that getting sales buy-in (for SFA/CRM implementation projects) is no different than when we were doing business process re-engineering, or doing quality management," says Brown. "If they view it as something where it's more of a controlling aspect, then they are going to resist it. If they see it as something that's going to help them, then that's something different." The first rule of thumb seems numbingly obvious, although most companies can't seem to pull it off: getting everybody within the organization involved from the get-go. "You've got to get people active, you have to be able to show them the win-win relationship," says Brown.

The relationship between sales and the executive office can often be anything but win-win — it's usually one of deep mistrust and discreet antipathy. This can add problems to any technology implementation, normally because big projects are given the go-ahead from the corner office. It's especially true in the SFA and

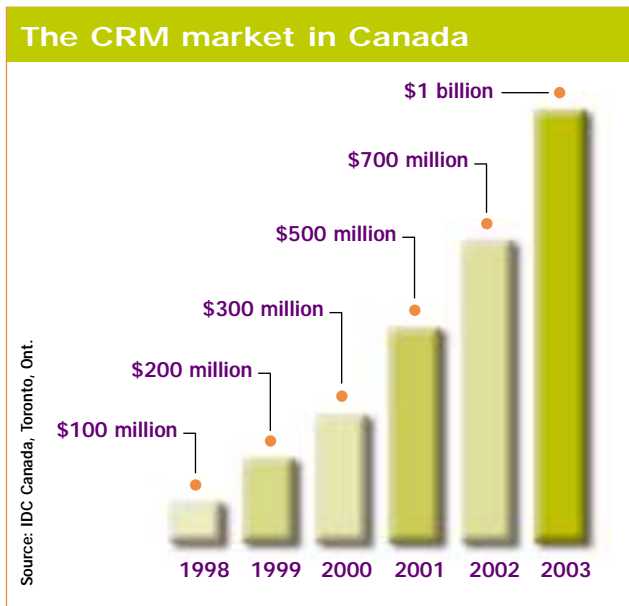
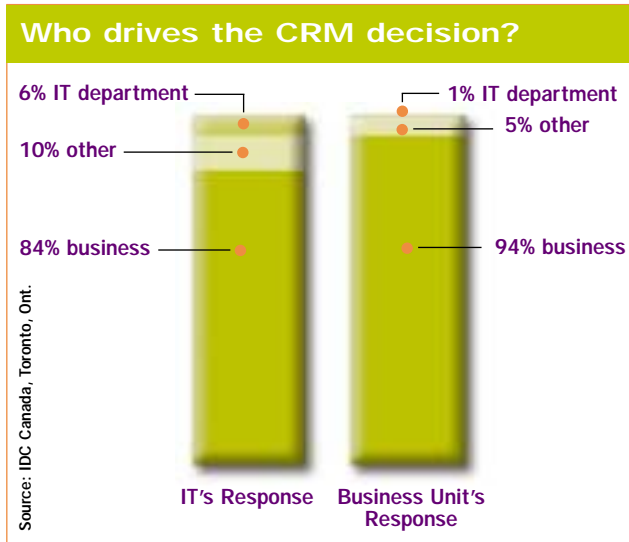
CRM space. "I don't think any CRM solution is going to work in the long-term if there isn't senior management involvement," says Brown. "It's got to be a top-down project as opposed to a bottom-up solution." Iain Scott, general manager of Onyx Software Canada, a CRM application vendor, agrees. "My experience is that if it isn't a top-down initiative and there isn't executive buy-in, then it's too difficult of a concept to percolate through the organization." Although there have been exceptions, he believes projects that have started at lower-levels of the organizations are far

less successful. "It's especially true if IT people have got hold of the notion that it would be a good thing to have, but sales or marketing VPs may not believe in it. Those projects are doomed to fail."

All aboard

Getting executives on board can be difficult — many organizations have been singed and burned with the promise of innovative technologies. At the highest levels of an organization, says Brown, the message that resonates is that a CRM system "will drive the ease of reporting, reliability of the funnel and ease of tracking opportunities. At any point in time, the executive can see what the funnel is, he can track things throughout the various stages of the sales process, the strengths and weaknesses within that sales process, and allocate resources accordingly." In short, it empowers the executives to make decisions based on quality information.

This can create problems within the sales force, however, if the system is viewed as Big Brother. "Definitely, they don't want to think that they're being watched," says Brown. What's more, their thumbs-up has to be obtained right from the beginning. Scott is a big believer in getting field-level, grassroots support before implementation.



“I don’t think any solution is going to work if there isn’t senior management involvement,”



A ‘mood ring’ for the ‘net?’

“If you don’t get that up front, if you haven’t got full buy-in from sales, this is going to end up costing the company more money than it would return to them,” he says. The system will go unwanted and unused, and no user wants to feel they’re getting something shoved unnecessarily down their throats like unsavoury medicine.

There are ways to win them over, and in most cases it’s incumbent on the SFA vendor and implementer to gain the victory. For example, Scott says he advocates spending as much time as possible with the sales units, gathering information and understanding their particular way of doing business. “Not every business is alike, and not everybody follows the same processes,” he says. One of the keys is determining particular “points of pain” for every sales agent, and then demonstrating how things can be made easier with the technology. “You have to hit the right buttons,” says Scott. “You tell them it’ll make a salesperson’s life easier, it’s easier to manage one’s contacts, manage work flow, you can see support issues that are outstanding before you go in with a customer so you won’t be blindsided, you can see and update the sales funnel.” These are fundamental concerns for every sales person.

PWC’s Brown advocates getting something in place fast and proving it works. Starting small and creating momentum, as opposed to doing the whole thing in one fell swoop, works best here. It also may not hurt to tap into their most base instincts. “You tell them that if you do all these things better, you’re going to make money because you’re going to be more productive,” says Scott. It’s a message even poor Willy would understand.

Ask any company if they want to be kings of customer service and the first question they will ask is: ‘So, exactly what is the mood out there.’

Tools that can do this are few and far between. Right now, Vancouver-based MindfulEye Systems Inc. thinks it has the answer. The company has developed an Internet monitoring service that automatically alerts users, in near real-time, to news, rumours and chat sessions about companies, and to changes in public sentiment.

If that sounds like a mood ring for the ‘Net, well, that’s what it is, says Todd Cusolle, MindfulEye’s chief technology officer.

It uses a technique called natural language processing, basically a branch of artificial intelligence that lets users do a query against the whole of the Internet using plain, simple everyday words.

“It finds all the content about what that company is about,” then maps it to a stock ticker to spot patterns between the public mood and the value of the stock. The primary market: investors and risk-takers who are always on the hunt for that bit of juicy information.

In the future, Cusolle expects to apply the same technology to CRM systems, and to any company that wants to monitor on-line, news and chat sessions to detect the overall customer mood.

Says Cusolle: “It monitors all the places people go anyway — chat groups and news wires — but it also monitors all the places you didn’t know exist — from consumer groups to on-line services.

This is important because marketing intelligence needs to be more than just anecdotal. Says Cusolle: “It’s not what a group of seven or eight is saying, it’s what 10,000 people are thinking,” which obviously can have a profound effect on the value of a stock, or a customer’s perception of a company and its products.

All mentions are probed to determine if it is a ‘negative’ or a ‘positive’, and if that company wants, it can be given a scorecard, or what Cusolle likes to call an “overall sentiment index.”

You can also drill down and find out things such as ‘What are the 10 most negative things being said about us or our product?’

If this all sounds simple, it’s not. A number of technologies need to come together to make this all work, including a robust database for content storage and data analysis tools. A problem too is the size of the system both in terms of the amount of content that has to be searched and the potential number of users on such a system.

“Our biggest challenge relates to scalability in every sense of the word,” says Cusolle. “We needed to ensure that we were on track, that the database could handle our rate of growth, and that we could continually expand without hitting a wall.”

Cusolle also cautions that this is a technology very much under development, and as such, “It’s not the be-all and end-all.”

What it is, though, is an important new step towards getting a more accurate sense of customer satisfaction.

A HUGE INCREASE IN
PRODUCTIVITY CAN BE FOUND
RIGHT UNDER YOUR NOSE.

IT'S CALLED YOUR DESKTOP.



by Lionel Linton



Anywhere and anytime

Lionel Linton is manager, customer relationship management and business intelligence solutions for Compaq Canada Inc.

In an era of globalization, increased competitive pressures, and escalating customer expectations, the rules for customer service are constantly being tested and re-evaluated. Change is the order of the day as customers demand improved service, easier access to products and information, and speedier turnaround.

Finding a competitive advantage can be a matter, not only of continued prosperity, but of survival. It's small wonder then, that as technological advances deliver automated and linked business processes, data warehousing and data mining, and 24 X 7 information accessibility via the Internet, companies are turning to new solutions to improve service.

Exemplary service

Enter Customer Relationship Management (CRM), an automation-based service approach that transforms segregated sales, marketing and customer service processes into one streamlined, integrated, customer-centric operation. In other words, CRM's goal is to provide exemplary service to customers on an anytime, anywhere basis.

While CRM's overall goal over time has changed little, its potential today is unrivaled by anything it has achieved in the past. By ensuring that consistent, complete, accurate and up-to-date information about customers is made available to the sales, marketing or service team, and by discouraging silo mentalities in divisions or departments, CRM helps ensure that each customer experience is a positive one.

On the move

Of course, instant access to information is achievable when dealing from home base. But as business professionals have become mobile,

maintaining a positive, high-quality contact experience for customers has become increasingly difficult. Lugging portable PCs about, finding plug-ins, and accessing information via dial-up modems is not the most efficient way to manage customer information.

In a world of time-sensitive transactions going hand-in-hand with a demand for immediate and individual service, many businesses need the ability to empower their mobile professionals. They need them to easily use databases from remote locations, as well as capture and enter customer information on the spot.

The answer? Wireless Application Protocol (WAP) enabling hardware and CRM-oriented software solutions to be used in the car, from a customer's office or from virtually anywhere in the civilized world.

Companies are eagerly looking to take advantage of this technology for their mobile e-commerce initiatives. Indeed, according to research firm Ovum Ltd., by 2005, there will be 250 million micro browser terminals in North America, and approximately 1.3 billion users worldwide.

The big payoff

The advantages of wireless connectivity and powerful CRM software support for professionals are obvious. For instance, an ability to get answers for customers immediately, peruse their buying history, realize previous customer concerns, or capture, enter and store customer data remotely. The payoffs can include increased sales and finding collateral business.

In the end, CRM activities supported by wireless capabilities will help entrench a customer-centric philosophy within a company positioning it for current and future growth.

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The ABCs of CRM

Robert Love is managing director, customer management services for KPMG Consulting LP

The term Customer Relationship Management — CRM, is widely used and its potential often applauded. But, CRM, like other terms when first used, can and does mean different things to different people. CRM is associated with wide-ranging and sometimes fragmented initiatives in a company, from e-commerce to marketing programs to the many technologies that touch the customer. Uncommon results are possible from CRM, but first there should be common understanding of the basics if CRM is to provide a basis for integrating the various projects and programs. Before discussing CRM and its strategic potential, let us start with what CRM is not.

CRM is not...

CRM is not sales force automation, database or direct marketing, or e-commerce. CRM is also not about call centres, predictive modeling or customer information files. It is not about web-marketing, bricks and clicks or many of the other initiatives often associated with CRM. CRM can include many or all of these approaches as part of a CRM implementation, but it is not, *per se*, about any one.

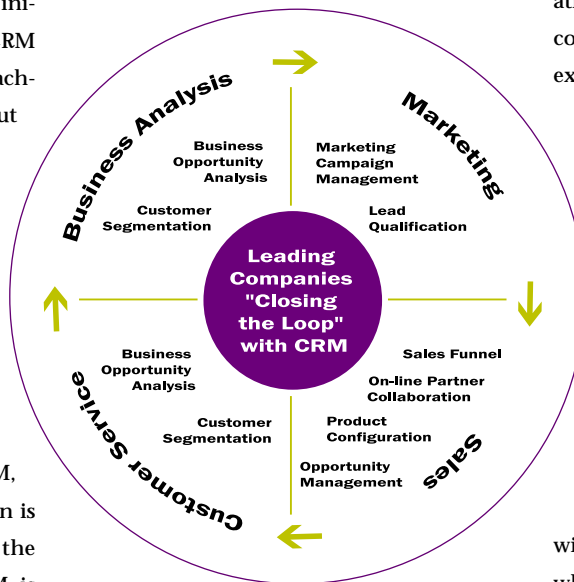
CRM is...

“CRM creates new and mutual value with chosen customers over a lifetime of purchasing.” This means that technologies, processes and people that are focused only on a single technology or approach are missing the broader opportunity for CRM, and particularly if the company’s vision is simply about taking costs out of the demand chain. More than this, CRM is about working with chosen customers over an extended period to create the value you and they both want, and then sharing the benefits with the customer, whether consumers or businesses.

Of course, one cannot work with individual consumers the same way that you would with businesses, but even so, the consumer must still participate in innovations that affect them.

cutting costs will do no more than develop a temporary advantage, while competitors catch up. More than this, cost reduction only contributes to commoditization of the product or service. The strategic manager must see beyond this first generation of CRM implementation. After the company and its competitors have driven excess friction from the demand chain, what then?

The second generation of CRM involves innovation, but not as the company has historically practiced it. This time, the company needs to innovate in several dimensions and then share the benefits of novelty with its customers, whether consumers or businesses.



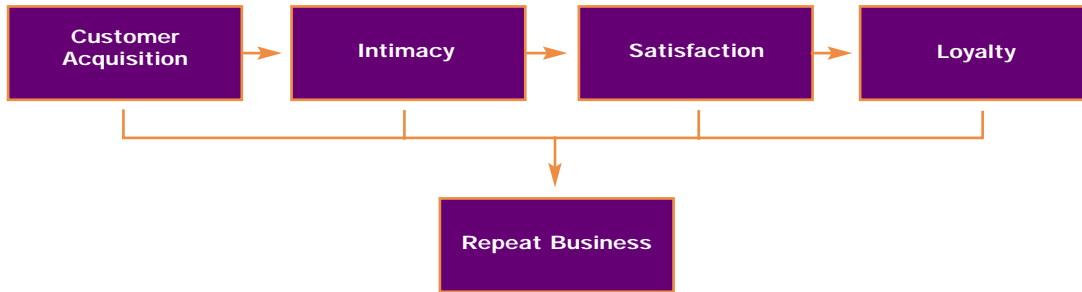
New and Mutual Value

Certainly, cost reduction can be an important benefit of a CRM implementation, but the company focusing only on

Revisiting Strategy

Before the company can innovate with CRM, it needs to unlearn much of what it now knows about strategy and marketing. For example, the company competing on scale — wanting to be the biggest in its industry, focused on certain products and services, and catering to target markets has missed the concept of

The goal of world class customer care is to deepen the bond with the customer at every stage of the relationship.



CRM so completely that any adoption of technology in support of CRM is strategically wasteful. CRM is about competing on scope — giving customers what they expect you to supply and becoming more relevant to them. The CRM company should see “focus” in terms of customers, not products or services, and should not only tolerate but welcome the process and other changes that this redefinition of focus will cause. The CRM company should also understand the full profitability of its customers and the strategic potential of each, leading to a choice of customers rather than a selection of target markets. In short, the company should consider a strategic CRM review before it considers technologies and other CRM implementations.

Innovation required

After the company has reviewed its CRM foundations, strategies and processes, it is ready to innovate. Innovation in the CRM company focuses more on strategic capabilities and collaboration than innovation as many companies have historically conceived the process. The focus of innovation in the CRM company can be on organizational culture and the development of trust-based relationships, customer access,

processes for innovation, customer knowledge and insight, creating new partners and managing new competitors. Now the company works with its chosen customers (or groupings of them) to define the strategic capabilities they want, and then captures these requirements with the customer, as each wishes.

The company then readies its offer for the customer to select using points of access of the customer’s choosing. The CRM company builds the shooting gallery and positions a target, while the customer aims his weapon and takes a shot. With CRM, the customer targets the company, not the reverse.

Increase Revenues

More than cost reduction, CRM’s strategic potential lies more in increasing revenues and differentiating the company from its competitors. Enduring incremental revenues will come not just from the places that companies are now looking for it, such as by giving customers anywhere, anytime access to the company, establishing Internet storefronts or upgrading call centres and their personnel, as desirable as these and other approaches might be. Competitive advantage that lasts will also not come from cost reduction. Because

competitors within most industries are adopting similar technologies and approaches, the company that differentiates must do this in non-traditional ways using standard tools. In the product-focused world, companies wanting to lower their costs went after more volume to move down their experience curve before their competitors.

In this customer-centric era, the CRM company should be accumulating customer data and insight, moving down a customer knowledge curve in advance of competitors, so that the company can predict customers’ requirements and position to satisfy these needs before competitors can achieve the same ability. Incremental revenues will increasingly come from predicting customers’ requirements and positioning the firm to supply these when the customer is ready to buy.

There is no single recipe for building customer-centric revenues, just as there has never been just one way to succeed in the marketplace.

What is clear, though, is that CRM is not just another program, technology or approach. CRM is your business as it could be. CRM is so important to the future of the company that it merits its own strategic plan. Do you have one?

“In this customer-centric era, the CRM company should be accumulating customer data and insight, moving down a customer knowledge curve in advance of competitors.”



Built to last

Perry Marshall is vice president, e-business, CGI Group; and Tho Hoang, is director, customer contact centre of expertise, CGI Group.

Customer relationship management (CRM) is much too often a world of hazards, hurdles and shattered expectations. An estimated 60 to 80 per cent of CRM projects fail. We believe these failures can be avoided so that companies will reach the CRM goal of higher customer profitability through greater retention and acquisition of high value customers.

Consider the traditional product-centric beginnings of companies. Their launch is typically based on a product or service. Initially, they focus steadfastly on building that product or developing that service and informing the marketplace of its availability and desirability. When another company eventually begins producing and marketing a similar product, suddenly the original company's product focus isn't enough of a competitive edge. Typically at this point, companies will begin streamlining operations to produce the product better, faster and cheaper. The

improved enterprise performance is a short-lived advantage as the competition inevitably applies the same strategy.

In our world where a customer can switch to a competitor's product with just a click on a web page, companies should consider an evolution towards customer-centricity as the best means for creating competitive advantage in the new economy. A customer-centric organization mines sales, billing, service, support and other data to identify high value customers, anticipate their needs and create value for them where it did not exist before — and that competitors cannot duplicate. Product-focused organizations use sales data primarily to report against financial targets.

Becoming customer-centric is truly an evolutionary process, although admittedly fraught with failure. One reason for failure is that it is easier to build good products than good customer relationships. As soon as you start dealing in a competitive world, the customer relationship becomes more important than the building



a good product or just delivering good service. What has been easy in the past is still important, but is no longer the key to sustainable competitive advantage.

A common difficulty is integrating customer information. Fragmented information makes it difficult to know who your customers are. That erodes opportunities to increase customer service, loyalty and profitability.

For example, knowing that a customer's spouse and child are also customers gives a company the opportunity to up sell or cross sell products or services. Or, consider a customer who is the vice president of a company with a substantial salary gets preferential treatment every time they call a company. Meanwhile, the stay-at-home spouse who also has an account at the same firm, gets their call queued to the bottom because they are a low value customer and their relationship with the high value customer is not known. One complaint to the spouse, and together, they take their accounts elsewhere.

Maybe you, too, have heard of marketing groups spending money selling products to customers on whom the same company is also spending money to collect on overdue accounts. CRM is not just about customer focus or improving customer satisfaction. It is a comprehensive strategy that involves an enterprise's entire organizational structure.

Marketing, sales, services, technological activities — all must be components of a strategy to improve customer profitability and the rate of retention.

CRM involves managing customers' lifetime value. Consider the inappropriateness — and missed opportunities — of still treating the president of a company with annual sales of \$5 million like a fresh University graduate making \$15,000/year because her profile hasn't been updated for 10 years.

CRM focuses on enabling companies to maximize profitability with their customers by providing metrics that help differentiate between high and low value customers.

Here's another reason a lot of the work done under the name of CRM over the last couple of years has failed. Companies eager to boost customer relationships have leapt upon technology as an immediate solution. Disastrously, the companies' supporting systems, people and processes — and even the culture — are often not ready to deal with the new technology.

A further major roadblock is the inability to manage interactions with a customer consistently through all customer contact channels — phone, store, Internet, kiosk, etc. Picture yourself sitting at home and ordering a ticket through an airline's website. A few minutes later, sitting in stop and go traffic on the way to the airport, you call the airline from your mobile phone and ask to change the ticket to a later flight. Consistent customer contact would mean that such agents see in their screens exactly the same booking the customer just booked through the Internet. Moreover, the agent could answer your call by greeting you by name and commenting: "I see that you just ordered a ticket a few minutes ago; what can I do for you?" Instead, current call centre agents or store clerks have to admit: "We operate our on-line booking and call centre bookings separately."

We believe that successfully implementing the complexity of CRM requires a methodology that takes into account the basic business functions of process, people and technology, as well as specifically customer-facing processes. This will ensure that adopted CRM projects will not go awry. We believe this approach is the key for companies to buck the current failure rate of CRM applications and instead enjoy greater levels of customer profitability.

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The bigger picture

Al Povoledo, Senior Manager of Deloitte and Touche's CRM Practice in Canada, and Dan Eybergen, Partner, of Deloitte Consulting's CRM Practice in Canada, recently spoke about CRM in Canada and how companies can best implement a CRM solution within their organizations.

Q: Is there a simple way to define what customer relationship management is?

Povoledo: First off, on a fundamental level, organizations should understand that CRM is not simply something you buy. It's not all about technology. It's about changing one's business processes, altering how one does business, both internally and externally. They should understand that CRM will help them transform how they sell, service and market to their clients.

Q: Is there a formula to ensure a successful CRM project?

Eybergen: There isn't a cut-and-dry formula, but what we want our clients to understand is that a successful CRM initiative should have a focus on three aspects. One is strategy, and this is about understanding who your customers are, how you want to segment them, what's the value proposition you want to offer these segments, and what's your strategy for delivering that value proposition. When you have your strategy in place, the second is something we refer to as operations: in other words, what processes,

systems and data is necessary to support that strategy. Lastly, an organization needs to have what we call the right mindset. Do the people understand the processes and the systems, can they adapt to changing the way they do business, and do they understand the strategy.

Povoledo: We believe a successful CRM initiative should focus equally on each of these areas, or at least have an understanding that they should have a healthy balance of each one. CRM is not just about technology, it's not just about strategy. You need to have both of these over a period of time in order to be successful in your CRM journey.

Q: Do you think the most successful CRM implementations come when the IT department is leading the drive, or when it's the business side that's heading the project?

Povoledo: I think it's important that there's both IT buy-in as well as business buy-in. If it's IT that's leading the whole initiative, then we make sure the business side also gets involved.





Eybergen: One of the things I've noticed in the marketplace is that successful CRM initiatives cut across the entire enterprise. It shouldn't be just a sales initiative or a marketing initiative. CRM is something that touches every part of the organization.

Q: How do you get that buy-in from all parties involved?

Eybergen: Buy-in is required at all levels of the organization. In initiating a project, there needs to be clear executive sponsorship from the business side of the organization. This ownership then drives the importance of the project down to the user community. In order to obtain buy-in at the user level, they need to be part of the definition process and begin to own the solution. Developing the solution is a partnership between the organization and the integration firm. At least 40% of the development team should come from the client, creating ownership on the IT side of the organization to support the solution going forward.

Q: Is there a difference in between getting executive buy-in and winning over the sales force?

Eybergen: Yes, there is a difference. The executive level is looking to a CRM solution to see how they can cut expenses as well do some upselling and cross-selling of its product and services and grabbing more market share. Sales individuals, on the other hand, are scared of

the "Big Brother" aspect of CRM. For them, you need to show them that this is a tool that will make their lives easier, that it'll help them meet their quotas and facilitate their ability to execute from a customer relation aspect rather than a transactional aspect. It gives them a new tool to work in the new economy environment.

Povoledo: It's sometimes easy to forget the human element, but it's a very important part of any CRM initiative. You have to make sure you have a healthy balance and focus on the people issues. It's not about technology, but it's also about process.

Q: That goes back to your earlier point, that CRM is not just a product, but a way of doing business.

Povoledo: I think that's an important part of the consulting approach. Some organizations still don't understand that, so there's a lot of education to be done there. If they don't change the process when they put a new tool in, there will be big resistance, and the implementation will most likely fail. That's the value that an organization must try to bring. It's very easy to get excited about a technology, but at the same time you need unbiased opinions about what is possible and what is not.

Q: Do the implementation timeframes scare some organizations? Many still have scars from long and expensive ERP implementations.

Eybergen: We find a CRM initiative can be broken down into 90- or 100-day wins. These can be technology wins, strategy wins, process wins, and we try to target that right from a project's initiation. An organization can see those milestones and changes as the project goes along. It's important to focus on these milestones and at the same time understand the end goal of the initiative.

Povoledo: For example, you can start with a small piece of functionality and then grow it, or you can start with a small division and grow it, or start with a geographic region and grow it. So there are several different ways you can start small and grow quickly. Unlike enterprise resource planning (ERP), it doesn't have to be a big bang implementation. It's not unusual for a CRM project to be up and running in 60 days.

Q: What else should organizations understand before tackling a CRM implementation?

Eybergen: A lot of folks tend to think that e-commerce is separate from CRM, but the line is really graying between the two. Often, taking on a CRM project involves some e-business components to it. I've talked to a number of chief information officers in the last year or so and they're trying to debate whether they should be doing an e-business project separate from a CRM one, and the answer is no, you have to think about both at the same time.

five on five

The need for a solid CRM strategy to build a successful business has become an accepted truth. Here are five views on how to tap CRM's huge potential.

Jan Duffy,
Group V-P, solutions research
IDC Canada

Randy Harris,
Managing director,
Executive Intelligence



<p>1 In what ways can a CRM strategy deliver value to a company?</p>	<p>To me, CRM is one element in the process of achieving customer-centricity. Having the relationship without capitalizing on it is minimizing a tremendous opportunity for change.</p>		<p>First, we have to define value. If we expand our thinking into how emerging technologies and a changing buyer culture will allow new ways of creating value, the implications are huge.</p>
<p>2 What do you see as the main barriers to implementing a successful CRM strategy?</p>	<p>The implementation of CRM is a project, but the overall change in an organization's focus definitely is not. Unless this is fully understood, it is unlikely that an organization will achieve its objectives.</p>		<p>Lack of strategy and answering the questions on how you honestly win and lose business today, what the customer most deeply values, how an organization can creatively apply technology and what it will take to compete.</p>
<p>3 How is the Internet effecting the buyer-seller relationship?</p>	<p>The Internet should be viewed as a natural extension of other customer-facing enablers and it should reflect the organization's desire to be helpful, courteous and responsive. Movement between the Web site and the bricks and mortar should be seamless.</p>		<p>Massively, but not like most people see it and that has huge implications for folks that build new concepts in business models and in corporate structure.</p>
<p>4 The need to improve customer service is a huge issue in every organization. How does CRM help?</p>	<p>A single view into a customer's file and all related information can be a significant improvement particularly if the organization has incorporated all channels and all products into that file. CRM can also be the catalyst for investigating new processes.</p>		<p>First, CRM is not a technology, it's a cultural change that drives the need for process and technology improvements. Take customer retention. How much of an investment must a company make to retain existing customers in order to realize more profit.</p>
<p>5 Which company do you most admire for its CRM approach and why?</p>	<p>I'm not sure that any organization has all the pieces in place yet. Some hotels are doing a good job such as Westin, Four Seasons and Ritz-Carlton at understanding its customer preferences and applying them.</p>		<p>Cisco Systems. I admire the way they moved a significant portion of traditional manufacturing to the supply chain, reduced massive production costs and raised the bar for every competitor by offering a uniquely designed product.</p>

Robert Love,
Partner,
KPMG

Peter Keen,
Founder,
Keen Innovations

Chris Stanley,
Director, Enterprise Group
Microsoft Canada



Cost reduction can be an important benefit. However, more than cost reduction, CRM's strategic potential lies in increasing revenues and differentiating the company from its competitors.

It must be used appropriately. The customer 'experience' perspective is essential, and CRM won't work if you think of it only as a database for storing transactions.

A good CRM strategy can lead to an increased knowledge of customer preferences, customer satisfaction and ultimately customer loyalty. A company can also look forward to an increase in revenue.

One of the main barriers to CRM is the need for companies to see focus in terms of customers not products or services. Some companies may not welcome the process and other changes that this re-definition of focus causes.

Two things. First, someone gets the CRM religion and puts a junior marketing guy in charge with no real authority to do things. Second, problems occur when CRM becomes a software feature game much like ERP was.

Internal buy-in from all levels of the organization. CRM is a self-serve based application approach and sales teams must be engaged and measured against it.

The Internet is driving call centres to become customer interaction centres but not all in the same way. Many will add the Internet as a new channel, some will add functionality only and others will move to multi-functional, multi-channel capability.

It's become a 'freedom economy' and the Internet has caused the complete deregulation of everything. You can't control the consumer anymore when, for example, in the travel industry, the buyer may know more than the agent.

The internet is actually providing a more complicated model for a company. Touch points are increased, but buyers are exposed to a lot more choice and the seller is in a position to understand his customers better than ever.

CRM is changing the nature of customer care. No longer is the service function a passive role. Rather, it's becoming a dynamic focal point for customer relationship and a crucial battlefield in a company's struggle for competitive advantage.

It can help in a negative and a positive way. CRM tells you that profit is in the relationship, not the transaction. It gets you to look at the win-win. On the negative side, it can lead to favouritism, with greater service provided to fewer customers.

CRM helps by empowering customer service representatives with a complete view of the customer. The largest number of customer satisfaction issues are driven by a lack of knowledge of the customers' preferences.

Cisco is universally admired for its approach to business-to-business marketing and CRM. Over 80 per cent of all revenues are generated through their site and customer service, finance, manufacturing and sales all work together to achieve this end.

Charles Schwab. It's got into a position where it can offer personalized service at \$29.95 a trade. They look after the customer experience. Too many companies look at the customer as a piece of data.

The financial services industry. Banks are working very hard to ensure an increase in customer service, and as a result, are providing better and more complete financial advice.



The final word: CRM in a 7 X 24 world

Carol Burch is president of SAP Canada.

Customers have taken charge and are changing the face of business. Not only do they want 7 X 24 service, they expect to receive the same level of service and expertise whether via telephone, visiting a web site or in person in a store.

Additionally competition for customer loyalty is fierce. In fact, customers have never had it so good! But to a business wanting to be 'customer-focused' all the IT systems and tools have to point toward the customer to create a so called, "perfect customer interaction experience".

To be successful, customer centric companies not only need to meet — and surpass — customers' needs for service, they also need to be able to anticipate customer needs. No easy task, even from the best IT shops.

Corporations across Canada are realizing the importance of creating a definitive CRM strategy and implementation program. But despite recognition of its importance, more than 40 per cent of CRM initiatives/projects will fail during the next two years due to an enterprise's disjointed customer management approaches.

This failure rate is significant. So, what can businesses do to avoid becoming just another statistic of failed CRM practices? They need to get inside a customer's head — understand what motivates customers and what makes them tick. Companies can then anticipate what the customer will need.

Through CRM, employees, partners, suppliers and customers are able to collaborate and leverage fully integrated information from the entire enterprise and beyond. This ties CRM functionality closely with e-commerce, supply chain management and business intelligence to create a holistic circle of commerce.

Through this "holistic approach" companies will be able to understand their customers better. They can tap into the most recent customer information available. And, as we all know, the more accurate the information you have about your customers, the more likely you are to understand their needs.

Take, for example, sales representatives of a major pharmaceutical company. When on the road to a customer site, they can check inventories with their cellular phone to ensure product availability. At the same time, they can check on the client's order status and be alerted of any "red flags" on the account.

Or consider the case of a furnace technician who has arrived at a customer site. During the course of the repair, it becomes evident that new parts are needed. While one of the components is in the truck, the other needs to be ordered. From a handheld device, the technician can send in the order, find out the price and availability and confirm with the homeowner, right on the spot, whether or not they want to proceed — and how much the total repair will cost.

Another example is a company with three distinct customer touch points — a retail location, web site and call centre. A customer can place an order, check it, pay bills and verify prices at any one of these locations, and at each touch point, the representative will know the order history, outstanding orders and be able to reference all billing and delivery details. Now that's service.

Companies that are going to survive in the new, new economy are the ones that can deploy a first to market strategy thereby increasing shareholder value, retain their customers and build long-term relationships — profitably. Knowing your customer and providing them with the highest possible levels of service at every interaction will become key.

"To be successful, customer centric companies not only need to meet — and surpass — customers' needs for service, they also need to be able to anticipate customer needs."