Customer Relationship Management
Strategies for tough economic times

A Unisys Research Report

UNISYS
CRM IN A TOUGH ECONOMY

Against a backdrop of dramatic world events and a continuing economic downturn, we are witnessing a significant decrease in technology expenditures around the world. Companies and major government agencies are now focusing on core competencies and a “back-to-basics” approach; what’s more, they are demanding hard returns on their infrastructure investments, including a rapid payback.

In this context, we believe that in forward-thinking organizations, investments in Customer Relationship Management (CRM) programs should be considered at the core of recalibrated business priorities, not at the periphery. That’s because CRM is about fine-tuning sales and marketing, re-engineering to impact value delivery, and identifying and solidifying relationships with top customers. In fact, the latest Unisys research reveals that in the past year, the majority of our customers have dramatically shifted their CRM priorities from customer acquisition to customer service and retention.

Strong organizations often increase their market share in tough economic times – and dominant organizations become even more dominant. Smart companies will actually accelerate their investments – seizing the opportunity to surge ahead of their competitors – while companies struggling with who they are and how to break out of the pack will reduce expenditures. Thus the rich get richer and the poor get poorer.

In an uncertain economic environment, a strong CRM solution can not only lend focus and generate added revenues, it also can be a very valuable tool for forecasting. R. David Schmaier, executive vice president of Siebel Systems, notes that new software can “provide clear visibility into a company’s sales pipeline.” This better enables management to understand where it stands in terms of “making the numbers” for an upcoming quarter.
Two CRM models: Customer Focused and Customer Centric

Key to integrating CRM into your organization is defining CRM’s organizational context for your colleagues and senior management. Decide on which priorities you want to address, and then architect your business strategy around them.

To simplify matters, let’s examine two different thrusts that CRM context and strategy can take: we call them customer centric and customer focused.

**Customer-centric model**

Think of the customer-centric scenario as service industries that are “high touch.” These would include financial services, transportation and hospitality.

In the customer-centric model, the customer is really buying into an “experience.” He or she is driven by the value of the services – the more differentiated and relevant, the better. Author Michael Tracey calls this “customer intimacy.” Success in this scenario becomes a function of the ability to meet customers’ expectations and anticipate new ones. In this way, your business capabilities and processes are focused on how your customer defines value, not on how your organization defines value.

Effective customer-centric programs maximize all points of customer interaction. Every time a customer touches your enterprise or agency, he or she should have a unified experience. It follows logically that the customer becomes the center of your information technology (IT) universe. And the only way to make this model truly work is through a holistic, cross-functional transformation across all areas of the company.

**Customer-focused model**

The alternative CRM thrust is the customer-focused model, which relates more to manufacturing and other industries that want the most cost-efficient ways to satisfy their customers. Here, customers are really buying a product or a service, and their primary interest is minimizing what they perceive to be non-essential costs. In such cases, business capabilities and processes must focus on efficiency – what Tracey refers to as the “operational excellence” of a product-based company. The objective: to meet basic customer demands precisely and with minimal cost to serve.
Two models, two success stories

Unisys helped the City of Chicago adopt a holistic, cross-departmental customer-centric approach for a new 311 program initiated by Mayor Richard Daly. The program was developed to provide Chicago’s citizens with easier access to their city government and improved services. This integrated, multi-channel program, developed with the support of Unisys CRM professionals, allows citizens to request services over the Internet, in person or by phone. Field workers, equipped with wireless devices, can respond to requests based on real-time information.

The project’s major challenge involved change management – convincing city social services employees to adopt the program. This was because their work would be measured and monitored more closely than ever before. Over time, these once-skeptical employees became staunch advocates of the 311 program. They realized the added value of knowing when, where, how fast, and how well services were being provided.

Unisys helped the Seattle Mariners baseball team implement a customer-focused model for fan services, which include ticket sales and food services, at their newly opened ballpark, Safeco Field. The Mariners organization used CRM to learn about their customers, their seat locations and preferences. By surveying fans and tracking consumption patterns, concession stands were moved to maximize customer satisfaction – and team revenues.
Regardless of the chosen model, the single most important element of any CRM initiative is the strategy. The greater the upfront investment in that strategy, the faster the overall CRM payback.

**THE CRM CUSTOMER LIFECYCLE**

Regardess of the chosen model, the single most important element of any CRM initiative is the strategy – understanding your customers, establishing value, defining strategic capabilities and envisioning the overall CRM strategy through their eyes. Moreover, research has shown that the greater the upfront investment in that strategy, the faster the overall CRM payback.

**Other major elements of the CRM Customer Lifecycle include:**

- **Customer design** – Design your business processes and systems around the customer. Remember that poor forgotten individual – the customer – in your architecting and engineering. And be sure your systems align with the customer’s priorities, not yours.

- **Deployment** – How you roll out your system, customize and refine it, integrate it with your legacy systems and mobilize it.

- **Measurement** – Operate, manage, monitor, measure, maintain and, ultimately, leverage the system.

**RE-ALLOCATING YOUR CRM INVESTMENT**

Various research studies by Unisys and other organizations show that companies typically allocate 80 percent of their resources – time, money, people – to technology. Yet we have already established that strategy is the single most important success driver of CRM. In other words, we tend to invest backwards – that is, in inverse proportion to our real priorities.

Another important area that is often glossed over is market research. Rather than conducting customer and segment market research to determine what’s really required, we have a tendency to accept internal anecdotal evidence from individuals within the sales, marketing and service departments.
In the accompanying pie charts, we have taken “typical” CRM budgets and modified them according to what we believe is a more effective use of capital to help bring about a better, faster ROI.

In the hypothetical cases shown under “Where CRM is going,” we’ve lowered the technology investment to 30 percent, slightly increased strategy and business process re-engineering, and added customer and segment market research and behavioral re-engineering.

According to Richard Fredrickson, managing principal for Unisys CRM practice, “Behavioral re-engineering means turning that emotional and psychological switch from the point when companies think they know what customers want – but don’t – to the point where they are comfortable with an outside-in view, namely, what they must do to understand the true differentiators that deliver real value from the customer’s point of view.” Often this means creating different categories of customers differently, based on the value of their relationship and the transactional nature of the customer relationship.

“If you were a bank,” says Fredrickson, “you wouldn’t treat a customer who wants a jumbo mortgage the same way you treat a customer who wants to break a $20 bill.”

Without changing how your whole company behaves, Fredrickson notes, “you won’t be able to talk in terms of the other person’s interests.” Moreover, you will not be able to create a unified experience for your customers across all touchpoints of your organization.

Note that in the customer-focused model (bottom pie chart), the blue technology slice of the pie has decreased by more than half from what we see in the top pie chart. In this theoretical allocation, we’ve also decreased overall market research while further increasing behavioral re-engineering.
A common problem is using a one-size-fits-all approach, rather than designing the program around an industry-specific value chain.

**Design for Success**

Many well-intentioned, well-funded CRM programs never make it through the first round of initiatives because they are not set up to enable the right process. Another common problem is using a one-size-fits-all approach, rather than designing the program around an industry-specific value chain.

In the center of the design platform below is what we call the “business-use case scenario,” looking at how customers are going to use these capabilities going forward. On the sides, we show a series of useful models to create – all based on designing from scratch around the core requirements of customer sets.

To aid in the design, there are different sets of tools available, including business system architecture and modeling tools to help clearly define what needs to be done to support customers.
What it takes to win

To recap, here are some actions that can make CRM a core strength in your enterprise, especially in tough economic times:

▸ **Identify your customer’s priorities** – This will assure that you get the right levels of investment. Use the “80/20 rule” to select the most critical priorities.

▸ **Design and implement around your customer’s priorities, not yours** – We believe that customer-specific blueprints will speed time-to-implementation, thus generating a faster payback period.

▸ **Be quick, agile and smart** – Remember that understanding and servicing your customer’s needs appropriately are critical to your business.

▸ **Invest prudently** – Have a focused strategy that has developed into a strong business plan. Invest according to your strategy and plan, then introduce the necessary technology, not vice-versa.

▸ **Measure, measure, measure** – Monitor the core metrics for your enterprise, i.e., cost reduction, customer advocacy increases, new customer acquisition, old customer retention, cross-selling, or share of wallet.

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Where is CRM headed?

In the early years CRM meant loyalty programs such as frequent flyer programs. It also meant basic call centers, which evolved into primitive opportunities for cross-selling.

The CRM movement started to come into its own in the 1980s and 1990s with the advent of Enterprise Re-engineering Packages. This software enabled companies to pull together disparate and disconnected processes such as finance, manufacturing and human resources, and then move into integrating the supply chain to deliver products better, faster and cheaper by automating processes. The consulting world looked at the front office and saw a similar opportunity to link and automate the demand chain – internally connecting sales, marketing and service, while tying in partners, resellers and even customers.

With the advent of sophisticated relational databases and data-mining techniques, CRM enabled companies to specifically target customers to determine what products, services and value they want. Over the past few years, a proliferation of new technologies – including the Internet – added powerful new marketing, sales and service channels. According to Lawrence Byrd, AVAYA’s CRM “Evangelist,” these new channels significantly raised the expectations of today’s customers. They are no longer content with “one-way marketing initiatives” – they are demanding much more interactivity, information, customization, recognition and personalization in both their business-to-business and business-to-consumer relationships. With new sales force automation and multi-channel distribution capabilities, CRM has expanded its potential to include overall marketing initiatives, one-to-one marketing, customer experience differentiation, brand enhancement, and even day-to-day customer service.

Moreover, as Patricia Seybold, CEO and Founder, Patricia Seybold Group notes, a company’s stock value is now being driven more and more by the value of customer relationships, rather than traditional assets such as factories and financial assets.

The next wave of CRM, already on the horizon, will continue along the curve that began with the ability to collect data points and then mine them into patterns of information. Next-generation CRM systems are starting to integrate sophisticated analytic capabilities that transform consumer information patterns into actionable business intelligence that drives business strategy and creates important competitive advantages.

There is tremendous CRM growth in Europe, where companies tend to be organized by customers rather than by specialists or departments. According to Erin Kinikin, vice president of Giga Information Group, European CRM practitioners tend to view problems more holistically and, consequently, they are focusing on change management and real-time marketing. “They’re learning a lot from the current CRM failures which have just focused on the operational nature of CRM and did not get to the so-what,” says Kinikin.
Unisys and CRM

Using a unique CRM approach, Unisys professionals can support CRM worldwide. Unisys provides broad, integrated, strategic and tactical services leveraging our intellectual capital, industry and CRM implementation expertise – experience that has been proven with scores of world-class corporate and governmental clients.

Unisys provides end-to-end CRM solutions, merging “best-of-class” solutions focused on where you want to take your business. Unisys CRM solutions include a full range of planning assessments, customer contact strategies, process re-engineering, architecting solutions, project plan development, solution implementation, hosting services, solution training and support and post-project services.

For further information, a complimentary video of the Unisys symposium on CRM, or a copy of the white papers, “Getting Started with CRM” and “The Dozen Deadliest Mistakes of CRM Users,” please contact Richard A. Fredrickson, Managing Principal, at 401-848-0955, or richard.fredrickson@unisys.com.

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