IBM

# CRM: Transformation for an on demand World

*The road to successful*
*Customer Relationship Management*

## Introduction

IBM has extensive experience implementing Customer Relationship Management (CRM) solutions – both with our customers' projects and with our own successful global CRM initiative. Through that experience, we've learned that CRM is truly a journey. It's about making a shift – or a series of shifts – from being product or channel-focused to being customer-focused. It's about making every step count, until one arrives at the desired result: improved business performance and real competitive advantage.

In this briefing document, IBM presents insights and lessons learned on how to successfully plan and execute a CRM initiative. We identify a number of prerequisites for successful CRM. We also provide recommendations on how to move forward today, while laying the foundation for tomorrow's needs.

## CRM benefits: The compelling case for change

First, what is it that leads an organization to move forward with a CRM initiative?

It typically starts with a need to manage the increasing complexity of today's Web-based, multi-channel business environment. Most companies that operate across multiple channels know the frustration of trying to deliver a consistent, high quality customer experience while improving cost structures. For these organizations, CRM presents a path to achieve these goals through streamlining and integrating their customer-facing

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business

## Real organizations, real results

Examples of IBM customer CRM initiatives

- *Alberta Treasury Branches now routes more than 7,000 daily customer requests through a centralized system – streamlining the previous process by an estimated 20 percent.*

- *Merck-Medco Managed Care, LLC estimated $5 million in savings annually from improved tracking and monitoring of commitments to patients.*

- *Ceridan Canada implemented a self-service platform that is expected to reduce customer service costs by approximately 20 percent in three years.*

- *Blue Cross Blue Shield of Tennessee increased call center agent efficiency 15% while reducing agent training requirements substantially. As a result, the company can support additional customer call volumes without increasing its overhead. It also reports improved customer satisfaction due to the higher percentage of first-call resolutions.*

- *Whirlpool Corporation, running its applications on IBM infrastructure, expects that its enriched service capabilities will boost customer satisfaction, secure customer loyalty, increase productivity and reduce IT operational costs.*

*View full-length case studies on other successful CRM initiatives by IBM customers, visit*
http://www-1.ibm.com/solutions/businesssolutions/

operations – primarily represented by sales, marketing and customer service. The results can be extremely powerful, as people, business processes and technology come together to enable a single, consistent view of the customer across the enterprise.

IBM has helped thousands of organizations achieve major quantifiable business improvements through their CRM initiatives. The results we've seen include:

- **Significantly lower contact center operating costs**
  - Mean time to resolve issues reduced 10-25%
  - Average call handle time dropped 15-20%
  - First call resolution increased 20-75%

- **Increased customer satisfaction and sales conversion rates**
  - Customer satisfaction improved 5-20%
  - Cross sell ratio grew by 1 to 5 products
  - Number of closed sales/cross sells increased 5-75%

- **Improved sales performance across all channels (direct, indirect and partner)**
  - Productivity (revenue/cost) up 10-20%
  - Close rate improved 10-30%
  - Sales cycle time reduced 20%
  - Sales administration time cut 25-50%

- **Reduced costs of field service operations**
  - Call center traffic cut by more than 30%
  - Dispatch efficiency increased by more than 20%
  - Field technician efficiency improved by more than 15%

- **Reduced infrastructure costs and improved performance**
  - Total cost of ownership (TCO) reduced as much as 59% (with IBM infrastructure)
  - Production system performance superior to competitive offerings
  - Proven, certified performance delivering sub second response time for 30,000 concurrent Siebel *e*business Application users running on IBM infrastructure

Benefits like these are what great CRM is all about. To get there, however, the journey must be mapped out carefully, starting with a clear vision and direction. It's this intelligent planning, more than any other element, that is most critical to successful CRM.

## CRM vision: The starting point

Businesses today need to respond in real time to whatever the day brings. They need to be intuitive in responding to changes in demand, supply, pricing, labor, capital markets and customer needs. This requires an infrastructure that's different in concept and capability from anything ever seen before. It's what we at IBM call the on demand Operating Environment.

The promise of on demand is that a company or institution can provide products, services, information and so on—all "on demand" for customers. These "sense-and-respond" or "real-time" enterprises enjoy enormous competitive advantages.

For example, on demand e-businesses are resilient in the face of change. They can improve service without adding overhead. They can increase margins while lowering costs. They are able to convert fixed costs into variable costs. They can greatly reduce inventories. And, most

compellingly, they are extremely responsive to the needs of their customers, employees and partners.

IBM's vision of CRM goes far beyond the implementation of new business applications to embrace on demand principles. It involves transforming core business processes, end-user behavior and the underlying technology infrastructure to support customer-centric operations. As Gartner Inc. states, "Effective CRM demands that enterprises become more customer-centric, literally changing the way that they do business – not just implementing CRM-related applications and other technologies." [1]

In IBM's view, CRM provides a disciplined framework that enables an organization to:

- *Share information and collaborate easily internally and across the entire value chain;*
- *Focus on core capabilities while shedding less profitable or non-strategic business activities; and*
- *Build a fully integrated IT infrastructure to support the business vision and reduce the total cost of operations.*

To achieve these advantages, organizations must start now to develop fully integrated business processes and internal systems. CRM represents an important step in this direction – if the execution is well planned and executed. Unfortunately, CRM initiatives sometimes fail to yield the anticipated results. The critical question is, why? Or, rather, why do those that succeed, stay on track?

**Sources:**
[1] CRM Key Issues: Success Means Asking the Right Questions, Gartner Inc., Aug 5, 2002.

**Powerful results from IBM's global CRM implementation**

*IBM estimates its internal CRM initiatives have delivered the following benefits to date:*

- *$2B in cost reductions*
- *22% productivity improvement*
- *Significant IT cost avoidance*
- *Reduced sales staff requirements*
- *Improved management reporting*

**An inside look**

*The IBM CRM Business Transformation Story*

*Take an up-close look at the inner workings of IBM's own CRM Business transformation initiative. Register now for a special half-day session either at an IBM briefing or sales center or your location. Topics include business rationale, architecture, project management, IBM methodologies and capabilities and lessons learned. For more information, please contact your local IBM representative, or call 1 888 917-8884. Please note that registration is limited and must be made through your IBM sales representative.*

## CRM  prerequisites

### Requirements for the journey

A successful CRM initiative depends on an organization's ability to embrace and manage change across multiple dimensions. IBM has identified a number of specific capabilities required from both a business and information technology (IT) perspective. These prerequisites include:

### Business prerequisites

- Clearly stated CRM vision and measurable objectives
- Top-level executive ownership
- Full alignment of senior management and project team expectations
- Alignment of CRM investments with specific business objectives
- Strong governance model

### IT prerequisites

- An open standards, scalable IT architecture ensuring ease of integration and lower total cost of operation
- Enterprise-wide integration of process, applications, data and IT infrastructure
- Easy access to customer data and rich query capabilities
- Rigorous controls around new application development to minimize customization

These foundational elements, effectively delivered by IBM today, reflect the fact that, ultimately, CRM is about the exchange of information not just across an enterprise, but also along the end-to-end value chain.

## Lessons learned: The straight and narrow path

The challenge is to find the straight and narrow path that leads to optimal results. IBM is one of a handful of e-business service and solutions companies that have had the opportunity to explore CRM from virtually every angle. We have not only supported a broad base of global customers with implementations ranging from the relatively small and straightforward to the highly complex; we've also tried and tested our methodologies in our own internal CRM initiatives, featuring the world's largest implementation of Siebel *e*business Applications. When completed in 2005, more than 80,000 employees, thousands of Business Partners and ultimately millions of IBM customers will use this CRM solution worldwide.

Based on our external and internal CRM experience, IBM has developed a lengthy list of principles for success. These include:

### 1. Establish a common CRM vision and strategy across the enterprise.

Objectives should be quantified and categorized in terms of the following benefits:

- *Decreasing operating costs*
- *Driving incremental revenue*
- *Creating market advantage*
- *Reducing risk*

At the same time, it is vital to have full senior management commitment to attaining these goals and to manage expectations carefully. CRM initiatives sometimes require difficult trade-offs in some areas of the business to optimize the benefits from an enterprise perspective. One powerful approach is to link incentives or some part of variable compensation to the achievement of the stated objectives – and make sure these incentives are aligned for both senior executives and project team leaders.

### 2. Identify the required capabilities to execute the vision.

Taking stock is time-consuming, but essential to ensure tight project management and control. It's critical to thoroughly assess current business and IT capabilities, assets and resources, so that you can identify areas needing new investment.

### 3. Develop a roadmap of prioritized initiatives.

A CRM roadmap must include a long-term process architecture or core process master plan, as well as an incremental project path to achieve it. Specific initiatives should be prioritized, taking into consideration the business impact, constraints, risks and dependencies of each project. This approach ensures that CRM investments are ultimately driven by customer value, every step of the way.

### 4. Manage the end-to-end change process.

There's no way around it: CRM calls for change on a broad scale across the enterprise. It impacts the entire organization and culture, as well as core business processes and systems. To leverage the benefits of what you're trying to deploy, disciplined change management is essential. So is end-user support, across all phases of implementation. User involvement and education play a major role in supporting successful CRM implementations.

### 5. Implement in phases, with a broad initial deployment of each CRM application.

User demand for deeper functionality can bog down a CRM implementation. Yet, the initial roll-out must provide enough capabilities for people to adopt the new systems and processes smoothly. A phased approach directly supports reducing deployment time through rapid, incremental releases of new CRM capabilities. Later phases will proceed once the success of earlier ones is clear. This approach also allows the project team to build on lessons learned to improve the quality and time-to-market of subsequent phases.

### 6. Adopt a comprehensive, end-to-end deployment methodology.

It is vital to ensure all CRM initiatives align fully with the business strategy, processes and IT infrastructure. This can be especially challenging where multiple project teams are executing in tandem. An end-to-end methodology establishes consistent guidelines for every step of the way, from prioritization and business validation, through to development of code, end-user and systems testing, end-user education, production launch, and ongoing operations.

With any business or technology initiative where the investment can be significant, the pressure is on to deliver real results, quickly. Thousands of organizations have chosen to work closely with IBM as their trusted e-business solutions partner to shorten the time to results and reduce the chance of unexpected delays or cost overruns.

### IBM value proposition: Added resources for the journey

Organizations considering a major CRM investment have a number of very valid concerns. "Will our people be able to manage the complexity? Will the rollout stay on time and on budget? Will executive support last long enough until real results are achieved? Will these gains position us effectively down the road?"

IBM appreciates these concerns. We have lived through them firsthand in our own planning and internal CRM implementation. As a result, we have developed field-tested  proven methodologies, technologies, solutions and expertise that help ensure your organization experiences CRM done right! And, as we continue to track industry trends and initiate new developments, we work to bring valuable thought leadership to the entire CRM community.

Our goal is to help organizations boost competitive advantage through:

- *Integrated, end-to-end CRM solutions*
- *Reduced risk*
- *Shorter time to results*
- *Lower total cost of operations*

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## IBM full life cycle offerings for CRM

### CRM strategy

- *Ensure early stakeholder buy-in on vision and objectives*
- *Align vision with shareholder and customer value*
- *Align the strategy with operations by linking the value proposition with customer-facing processes or channels*

### Contact center optimization

- *Reduce cost of care through optimizing customer care assets*
- *Migrate lower value customers and transactions to lower cost media/channels*
- *Consolidate and standardize care processes and infrastructure*

**Integrated CRM solutions**

Sustained business prosperity depends on intelligent, consistent relationship management – from the front office, across every touch point to the back office. IBM's experience with enterprise applications enables us to leverage customers' CRM investments by fully integrating them with other mission-critical systems. We've developed an extensive suite of offerings to address the full life cycle of a CRM initiative, across every major dimension.

These include:
- *CRM Strategy*
- *Contact Center Optimization*
- *Marketing and Customer Intelligence*
- *Sales Productivity*
- *Field Service Effectiveness*

IBM also provides the integration middleware and technology platforms that are required to implement CRM successfully. We help firms with custom-built CRM systems preserve the best of their prior investments while introducing new advanced capabilities and integrating them smoothly with their legacy systems.

In addition, IBM offers core e-business on demand outsourcing offerings, including CRM/Siebel Application Management Services and IBM Managed Hosting Services. These offerings provide new financial models to help organizations achieve greater flexibility, variability and affordability in buying and managing computer resources.

Finally, through seamless execution across all of the above solution areas, IBM eliminates the need to validate multiple service providers. This approach reduces hand-offs and improves communication – all of which supports faster time to real results, while helping you improve competitive advantage.

**IBM full life cycle offerings for CRM**

**Marketing and customer intelligence**

- *Increase effectiveness of targeting and customer segmentation to optimize marketing spend*
- *Drive measurable payback from marketing campaigns*
- *Reduce campaign cycle times and costs*
- *Increase level of understanding and tracking customer profitability and customer behaviors*

**Sales productivity**

- *Optimize selling resources to drive sales growth and reduce cost of sales*
- *Provide more accurate forecasting and pipeline management*
- *Increase delivery to and use of critical information by sales representatives*
- *Shorten sales cycle and time to market*

**Field service effectiveness**

- *Improve customer service while reducing costs (eg. reducing spare parts inventory)*
- *Improve revenue through enhanced cost competitiveness*
- *Enable an integrated view of field service and customer care activities*
- *Improve field organization knowledge, productivity and workload balancing*

**Reduced risk**

The likelihood of a CRM misfire decreases sharply when you work with experienced and accountable collaborators who focus on achieving consistent results, employ proven methodologies and deliver the complete infrastructure required to support your project needs. IBM brings the following value to customer CRM initiatives:

- Deep IBM business and technology expertise and skills, combined with extensive industry experience and industry-focused solution sets.
- Ability to deliver a broad range of fully integrated solutions combining IBM infrastructure offerings, worldwide services and industry specific applications for CRM.
- Strategic alliances with key CRM application software providers such as the market leader, Siebel Systems, committed to seamless hardware and software integration and extensive co-development efforts.
- Breadth and depth of IBM consulting capabilities, with a resource pool of more than 5,000 CRM consultants (1,500+ Siebel certified), supporting thousands of projects worldwide.
- A clear governance framework and associated methodologies to facilitate rapid enterprise-wide decision-making and link actions to measurable results.

## Benefits of partnering with IBM

### We help organizations win at CRM by:

- *Providing an infrastructure to meet your growing on demand business needs*
- *Quickly and fully integrating your business processes and operations*
- *Enabling you to become extremely responsive to the needs of your customers, employees and partners*
- *Helping you increase your competitive advantage in the marketplace*
- *Reducing your risk and cost of implementation while maximizing business impact*

- Advanced, insightful analytic solutions for getting to the next level of CRM: knowing what customers need before they realize it themselves.
- Creative contracting/risk-sharing through IBM Global Financing, the world's largest IT financing organization.

### Shorter time to results

At the heart of our value proposition, IBM offers special tools to help organizations achieve results as quickly as possible. These include:

- Comprehensive value-driver frameworks
- Economic value analysis tools and ROI calculators
- CRM accelerators: a unique set of industry assets, process models and industry solution templates designed explicitly to jump-start and reduce the time for implementing solutions

With these tools, we work to link business benefits to shareholder value creation, both through rapid incremental results and substantive, sustainable competitive advantage.

### Lower total cost of operations

In choosing a CRM solution, it's important to remember that hardware and software licenses represent only a portion of the costs. Ongoing maintenance and support costs can also add significantly to the price of admission. By using IBM technologies that integrate seamlessly and leverage open standards and component-based technologies customers can reduce the total cost of operations (TCO).

### Advantages include:

- Leading application providers such as Siebel Systems develop their applications on IBM platforms ensuring that these solutions are tried, tested and proven to work together optimally, supported by a solid, open, scalable e-business infrastructure.
- A CRM solution built on an IBM infrastructure typically requires fewer technical resources to support their requirements both today and tomorrow.
- Through our proven track record on enterprise integration, IBM is able to leverage our customers' CRM investments by integrating them seamlessly with other mission-critical systems.

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## Conclusion

Like any major business change, CRM takes place at the intersection of people, business processes and technology. This raises the level of complexity enormously and organizations do themselves a disservice if they underestimate the scope of the task. Yet, given the evidence of the many successful IBM CRM initiatives, it is clear the complexity can be managed and real, rapid results achieved.

One thing is clear: a well-planned and skillfully executed CRM initiative can consistently deliver powerful business benefits. It can increase differentiation, leading to greater customer satisfaction and loyalty. It can improve efficiency, integrating channels so that resources are used more effectively. And, it can support added organizational resiliency, through initiating a renewed and more robust technology infrastructure.

The corresponding boost to the balance sheet – both in terms of increased revenues and lower cost of operations – makes the journey, though sometimes challenging, highly worthwhile. IBM is ready to assist you on that journey.

## For more information

To find out how IBM can help your organization manage the complexities and risk of implementing CRM while achieving real and rapid results, contact your IBM representative or call 1 888 917-8884.
Or, visit **ibm-siebel.com** and **ibm.com**.

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