



Customer Relationship Success Demands Insight

Executive Summary

CRM has done a solid job of giving line-of-business managers better technology for process improvements and incrementally better data. However, the overall ROI is limited due to a lack of actionable insight that is only achieved through the better use of information. Businesses embark on CRM projects for a variety of reasons, but more than 85% expect to increase revenue by better understanding their customers. Unfortunately, the insight to understand customers better is sometimes buried deep in a database or siloed among different departments. Yet effective implementations of CRM are critical to the success of every company. As seen in Exhibit 1, many companies are stuck in either Stage 2 or 3. The missing critical link for achieving Stage 4 and being truly customer-centric lies in leveraging the data and analytics for actionable insight.

Analytics help businesses understand the appropriate actions by sales, customer service and marketing to support the creation of relationships that yield maximum customer value. Customer-centric CRM ensures that businesses sell, market and care for customers based on their specific needs and preferences.

It enables businesses to optimize each customer touchpoint by linking analytics to their CRM process initiatives. By gaining insight into both individual customers and target market segments, these companies can boost sales and optimize top-line business performance.

Exhibit 1

Stages of Insight Drive Customer-Centric CRM

Source: Yankee Group, 2005

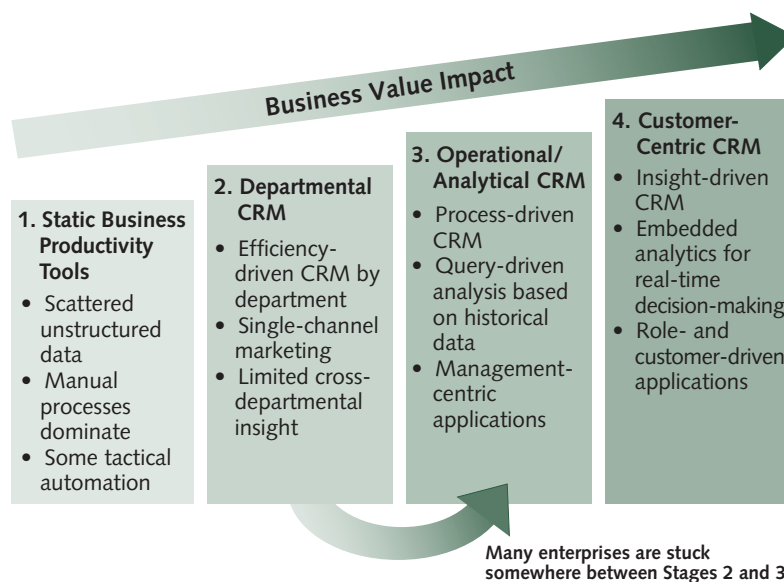


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I. Delivering on Customer-Centric CRM

The essence of customer relationship management is to balance the following goals:

- Decrease sales, marketing and service costs through better execution
- Enhance the customer experience for improved loyalty
- Increase revenue through differentiated products and services

Past CRM implementations have focused on the first goal, but it is only when CRM solutions tackle the customer experience that true value and increased revenue is achieved.

Today, line-of-business managers and employees may be given some incrementally better data, but the overall ROI is limited and doesn't necessarily meet business desires. Businesses require process efficiencies as well as performance effectiveness to help professionals identify and understand complex factors that affect sales, marketing or service outcomes. Through the benefit of greater insight, organizations can address issues, including:

- Increase win rates by anticipating and responding to prospect and customer needs
- Increase order size through improved cross-sell opportunities
- Create more accurate forecasts by linking customer behavior with sales methodology

Effective CRM implementations are critical to the success of every company. Since many CRM initiatives stall out somewhere between Stage 2 and 3 (as illustrated in Exhibit 1), companies never fully realize their potential for true customer-centric CRM. To reach Stage 4, businesses need to tie analytics into their CRM initiatives. CRM implementations with embedded analytic initiatives will more successfully meet top-line business performance objectives by:

- Optimizing the customer lifecycle with a seamless 360-degree view of customer-facing processes
- Leveraging customer data across all touchpoints for differentiation—this will improve customer satisfaction, retention, loyalty and corporate performance
- Transforming CRM metrics and key performance indicators into an over-arching customer strategy to optimize business processes and make better decisions on both a tactical and a strategic level

II. Insight Improves the Customer Experience and Revenue

Companies should continue to focus on CRM as a key driver for improved business performance. It is critical to shift the focus from primarily automation and efficiency toward gaining insight from the sales, marketing and service systems. Gaining insight from these systems is necessary to achieve the next level of value from these investments. Customer-centric companies maximize value by implementing insight directly into the business process to stimulate interest, close business, satisfy a need or demonstrate commitment to the relationship.

Many companies today are trying to assemble a coherent picture of the customer from scattered information located throughout the entire enterprise. It would be analogous to a 100,000-piece puzzle with half the pieces missing—not a very effective strategy to improve the customer experience. During the last few years, there has been explosive growth in data volumes from multiple sources:

- Sales departments have scattered information in SFA, spreadsheets, contact managers, outlook, proposals, quotes and e-mails
- Complexity in marketing departments has grown from a few media buys to hundreds of media buys, targeted direct mail and one-to-one multichannel marketing
- Contact centers, customer service and support contains incident information and inquiries, purchase data, financial data, credit data, third-party sources and web statistics

Many businesses can still achieve actionable insight and customer success by making strategic decisions based on quality, not quantity. The key is to build on sales, marketing and service process efficiencies created with CRM by injecting actionable insight. By adding analytics, companies can create better relationships and increase success.

In 2004, Yankee Group interviewed 500 marketing and sales executives on their use of technologies and related key performance indicator benefits (see Exhibit 2). Analytics adds the intelligence for improved decision-making.

The best approach to achieving insight from the abundance of customer information is to understand the critical question of “What is the right amount of data and how should it be analyzed to add value to the customer-centric initiative?” Data collection initiatives demand planning because anything that is not measured cannot be managed. Primary issues to consider are:

- What is the reason for the data? Create expectations for measurements.
- What data elements need to be collected (e.g., behavioral, transactional, demographic)?
- What metrics need to be measured for continuous improvement? What are the specific details of how the collected data points will be used?

Exhibit 2
Impact of Analytics on Business Performance for Improved Sales, Marketing and Service

Source: Yankee Group, 2005



By understanding and prioritizing the right information to be delivered at the right time, organizations can ensure they have the critical foundation to drive improvements in business outcomes. These key insights can then drive actions that lead to higher revenue, greater customer satisfaction and improved productivity.

The following are a variety of ways that businesses can use information across sales, marketing and service for improved customer insight.

Analytics and Business Intelligence Increase Sales and Profitability

Analytic applications to optimize sales can provide a competitive edge to increase win rate and deal size. Sales departments today are struggling to improve effectiveness. Although sales automation is perfect for managing a sales team and organizing the status of opportunities, sales analytics can:

- Improve pipeline visibility and forecast accuracy
- Align sales personnel and resources with largest potential opportunities
- Match optimal product/offer to customer segment or individual customer
- Maximize wallet share with real-time information and recommendations

By adding intelligence to the operational system, sales managers can use information at their fingertips to assess sales performance over time. By continually measuring critical key performance indicators such as average discount, average close rate and average deal size by sales representative, territory or segment, sales managers can more effectively manage and predict future revenue. Sales representatives can also gain insight to improve their effectiveness, such as the next best offer based on segment-critical customer profiles, marketing activities and potential future value.

Understand Marketing Effectiveness and ROI

Although most executives agree on marketing's necessity, most cannot demonstrate why they need it, nor can they document the business value it has generated for the company. Marketers need insight to correctly locate their resources and dollars to programs that produce the best results. Analytics ensure that marketing is more science than art. By creating valuable insight into what is working versus not working, marketing can present a clear case for budget dollars, ensure better results on campaigns and provide the optimal balance of programs to meet revenue objectives. The ultimate goal is to leverage insight for improved business performance and successful customer-centric programs. Insight-driven marketing can help companies:

- Create and target marketing offers based on future customer value
- Identify high-potential customer segments or groups
- Deliver dynamic, real-time offers based on customer behavior
- Measure and improve lead-to-sales acceptance and closure
- Measure campaign effectiveness based on true success metrics

Retain and Maximize Value of Existing Customers

In the past, contact centers were not viewed as a revenue-generating opportunity. The customer service function was analyzed and managed as a function that should be provided at the lowest possible cost. Times have changed. Companies are now realizing that customer service is a key differentiator to reduce customer churn and increase customer loyalty. The contact center is now viewed as a valuable asset for building lasting and profitable relationships. The contact center understands and has the most experience with using a 360-degree view for customer-facing processes aligned with every customer, partner and employee. It also is the best interaction point between the customer and company for differentiation to

improve customer satisfaction, retention, loyalty and corporate performance. Not only have some contact centers already integrated CRM metrics and key performance indicators for motivating behavior, but they also have demonstrated a proven ability to help non-sales staff drive more sales. By providing analytics at the point of interaction with the customer, businesses can:

- Increase customer loyalty and lifetime value by tailoring service levels
- Track customer satisfaction by product, segment and cost to serve
- Increase customer satisfaction and decrease costs by predicting service issues
- Turn service calls into sales opportunities through enhanced cross-selling

III. Customer Success Scenarios for Using Actionable Insight

The use of analytics for improved customer-centric processes represents a major commitment by all businesses, not only to improve customer satisfaction and retention, but also to increase employee performance effectiveness and process efficiency. Many companies still struggle with moving from their present operational CRM initiative to future customer-centric initiatives. As shown in Exhibit 3, analytics is a core part of all customer-centric CRM initiatives.

Companies getting the most out of their CRM initiatives are using actionable insight for improved customer-centricity by providing role-based contextual dashboards driven by analytics. The dashboards provide actionable information including:

- Opportunities based on segmented information
- Triggered sales alerts highlighting urgent incidents, such as off-forecast revenue
- Insight into marketing response rates on campaigns, as well as recommended actions to make a change in the campaign
- Customer service representatives gain insight on the best proactive offer for the customer

Using Insight for Sales Success Scenarios

- A medical devices company is investigating changing sales strategies to generate sales for a new product. The company has divided the salesforce and given each group a different sales strategy to follow. Using the sales application (and integrated with analytics), the VP of sales can see the pipeline for each group, along with progress by sales stage, and each tracked opportunity. By assessing the two groups, the VP of sales can make a quantifiable determination of which sales strategy is most effective to use when rolling out the new product.
- A manufacturing company wanted to increase sales volume and forecast accuracy against its current targets. It also wanted to eliminate the myriad of critical customer, prospect and product information that was contained in various databases and spreadsheets. By providing a single source of information for each prospect or customer profile, as well as sharing the information seamlessly with departments, the company was able to increase sales volume by 8% and improve accuracy to 98% in quotas. The single integrated customer view provided improved cross-sell and up-sell for other complementary products, along with an improved focus on key accounts. The improved analytic perspective helped with all marketing and sales activities such as direct mail, telemarketing and events.

Exhibit 3
Analytics Are Critical for Customer-Centric CRM

Source: Yankee Group, 2005

Past	Present	Future
<ul style="list-style-type: none"> • Siloed applications for sales and service • Tactical marketing automation • Disconnected campaign activity • Basic personalization • Query-driven analysis • Current or historical reporting 	<ul style="list-style-type: none"> • Semi-integrated enterprise application • Data-driven marketing • 360-degree view of operational customer data • Analytical-based decision-making • Combining current with historical reporting 	<ul style="list-style-type: none"> • Near-real-time blended enterprise • Role- and contextual-driven interactions • Dynamic navigation and content based on analytic infrastructure • Predictive and proactive notification • Quantitative and qualitative real-time decision-making
Departmental CRM	Operational CRM	Customer-Centric CRM

Customer-centric CRM requires all business processes throughout the extended enterprise to be optimized on customer lifecycle care

Marketing Success Scenarios

- A software company has purchased advertising on Google and Yahoo! to create marketing leads. The company needs to know which search engines, landing pages and keywords are producing the most effective sales leads. With an integrated marketing application, the interactive marketing manager creates different marketing campaigns for each test scenario. With integration between the marketing and sales applications, the results can be continuously tracked and analyzed by marketing campaign elements. By reviewing this information on a campaign-focused dashboard, the marketing manager can quickly identify which campaigns are most effective at generating leads and responses, as well as review costs and campaign ROI. This will help drive future marketing strategy as well as marketing spend decisions.
- A manufacturing company wanted to increase marketing and sales efficiency and effectiveness by unifying its systems with a complete customer and prospect profile to create and execute multichannel campaigns and optimize them in real time with actionable insight. The company's vision was to reinvigorate marketing and sales processes based on a clear understanding of customers needs. By embedding analytics into the sales and marketing processes, the company had advanced insight into the sales pipeline, successful marketing campaigns and expected business results.

Service Success Scenarios

- A manufacturing company produces electronic components for consumers and businesses. Both will call into a contact center for service so the contact center must quickly identify the customer and deliver the appropriate service. As with most businesses, 20% of the customers produce 80% of the revenue—so it is important to identify the high-value customers. Using analytics, a customer value score is computed and used to identify the high-value customers. Once identified, the system will apply business rules and workflow to ensure the high-value customers receive the best service available. An example of this is assigning a high SLA to a high-value customer. Customer value will drive the SLA's response/restore times. The response time will change from the normal 8 hours to 2 hours and the restore time will change from 72 hours to 24 hours. This will ensure that escalations happen (when necessary) at a time that will exceed the customer's expectations. A more relaxed SLA will be applied to the standard customer as identified by the computed customer value. This would become the standard service offering.
- A telecommunications company wanted to respond to service inquiries more efficiently and segment its customers effectively for improved revenue opportunities. With millions of customers to support, it also needed to understand and analyze purchase patterns. By embedding analytics into customer service operations, CSRs had the information to respond more intelligently and efficiently to customers' needs, provide the appropriate level of service and cross-sell more effectively. Embedding analytics into the service process also alerted managers to emerging situations that need immediate action such as increased call volumes, repeated product inquiry issues and unknown outages. It also helped to understand and examine agent performance and provide insight into underlying cause of problems.

IV. Recommendations

The only way to embark on customer-centric CRM is to understand the importance of customer intelligence by using integrated analytical applications. The thirst among enterprises for greater customer insight is hardly new. However, the growing amount of customer data coupled with the maturation and integration of analytics into CRM applications has made it a measurable reality.

Customer-centric CRM ensures that companies use insight for more targeted and personalized customer communications. Again, the coupling of analytics and action is not a new concept, but the ability to blend analytical and real-time front-office capabilities without considerable integration or custom development is. It is also critical that companies provide an easy-to-use foundation to ensure employees have the right information at the right time for impactful decision-making.

Once a strategy is in place, use a CRM success index or scorecard to stay on course and continually improve and ensure that the CRM investment is maximized to drive success of customer-centric initiatives.

To leverage customer data for valuable insight-driven CRM, companies must have:

- **Meticulous data management and business processes:** They will ensure the integrated view of the customer is consistent across the entire organization and is enriched to make the most relevant and dynamic information available for all customer-facing initiatives.
- **Powerful analytics that leverage both historical and real-time data:** This is needed to incorporate contextual applications and dialogues to drive more relevant communications and greater customer loyalty. It will also help identify marketing's economic value.

- **Adaptive campaign management tools and processes:** Based on customer response, these tools control how fast the campaign is created, executed, optimized and adjusted. The closed-loop feedback empowers the analytic tools and can give marketers the metrics-based dashboards they desperately need.
- **Integrated solutions delivery model that blends analytics, marketing content, data and creative strategy with CRM technology** for the foundation to yield meaningful metrics and accurate responses to ensure customer-centricity.

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