Top Trends in
Customer Relationship Management

CRM Association
The Netherlands
November 16, 2006

Bob Thompson

CEO, CustomerThink Corporation

Founder, CRMGuru.com

CRMguru.com

About CRMGuru.com

- Launched January 2000; now largest CRM industry portal serving 300,000 per month

- Supported by expert panel of CRM gurus and members in 200 countries worldwide

- Mission: To help business leaders succeed with Customer Relationship Management (CRM)

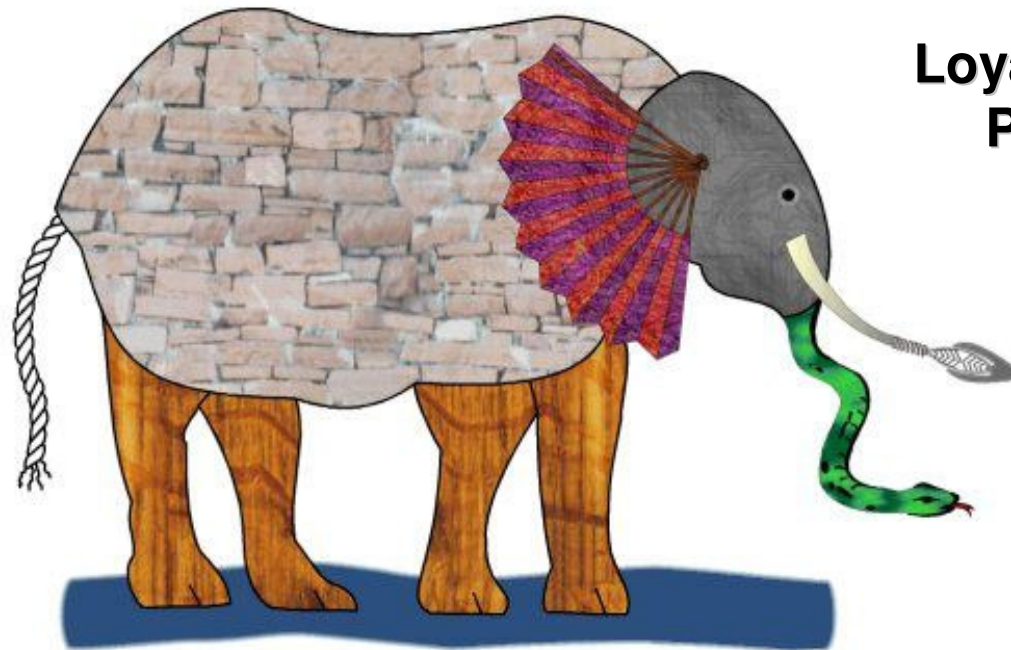- Our View: CRM is a <u>business</u> strategy to acquire and grow profitable customer relationships

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Topics

➢ What is CRM?

➢ Top Four CRM Trends

➢ Framework for Success

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What is CRM?

Master Customer Database?

Loyalty Program?

Targeted Marketing?

Culture?

SFA Software?

Call Center?

Competitive Weapon?

CRMGuru Survey 2006
What is CRM?

Automation of customer business processes 3%

Other 3%

Business strategy to increase customer profitability 14%

Putting customers at the heart of business 35%

Relationship marketing supported by technology 17%

Creating win-win relationships with customers and stakeholders 28%

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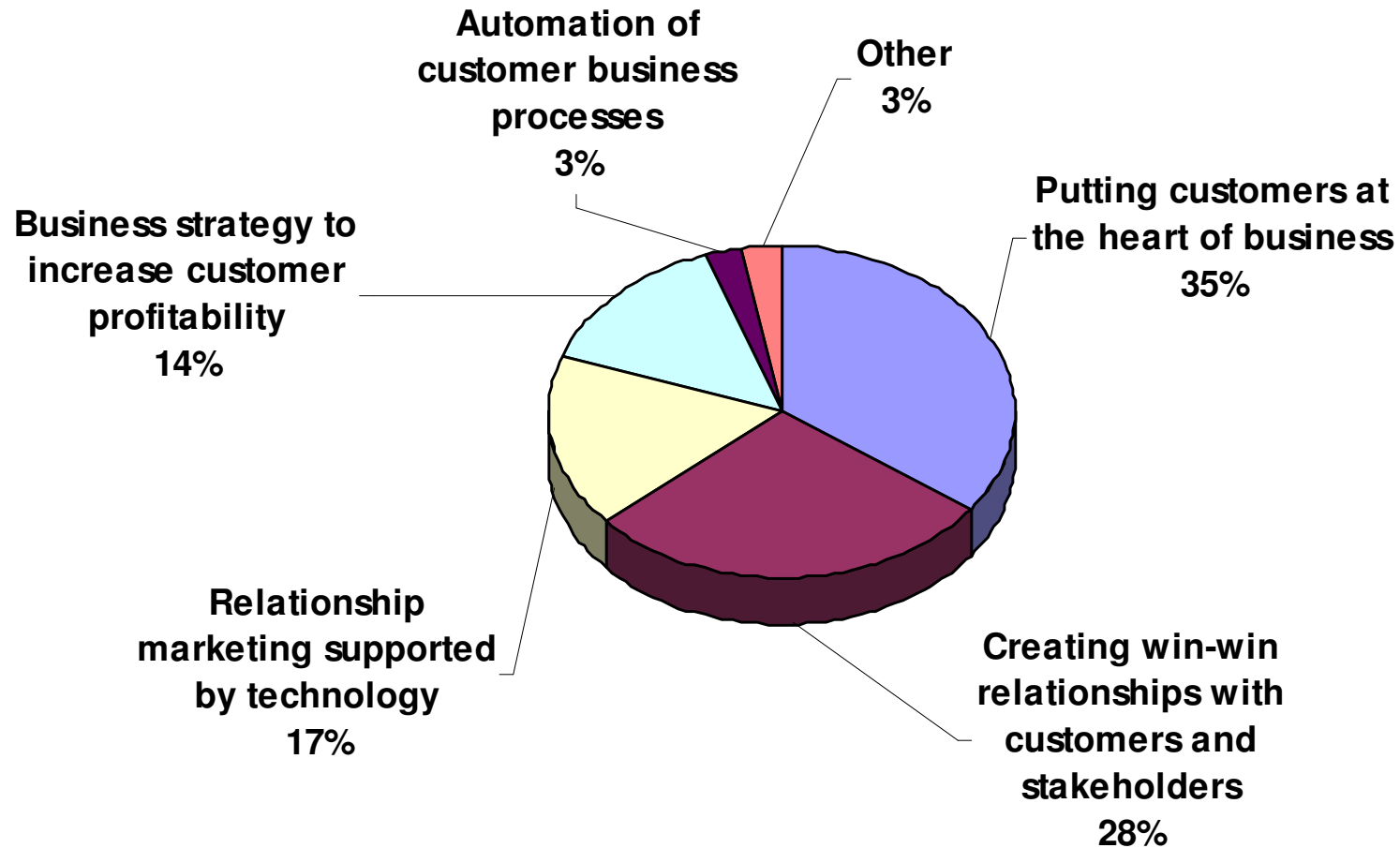
CRM is the Execution of a Customer-Centric Business Strategy

Customer-Centric

Give customers what they want

Business Strategy

Make money and beat competition

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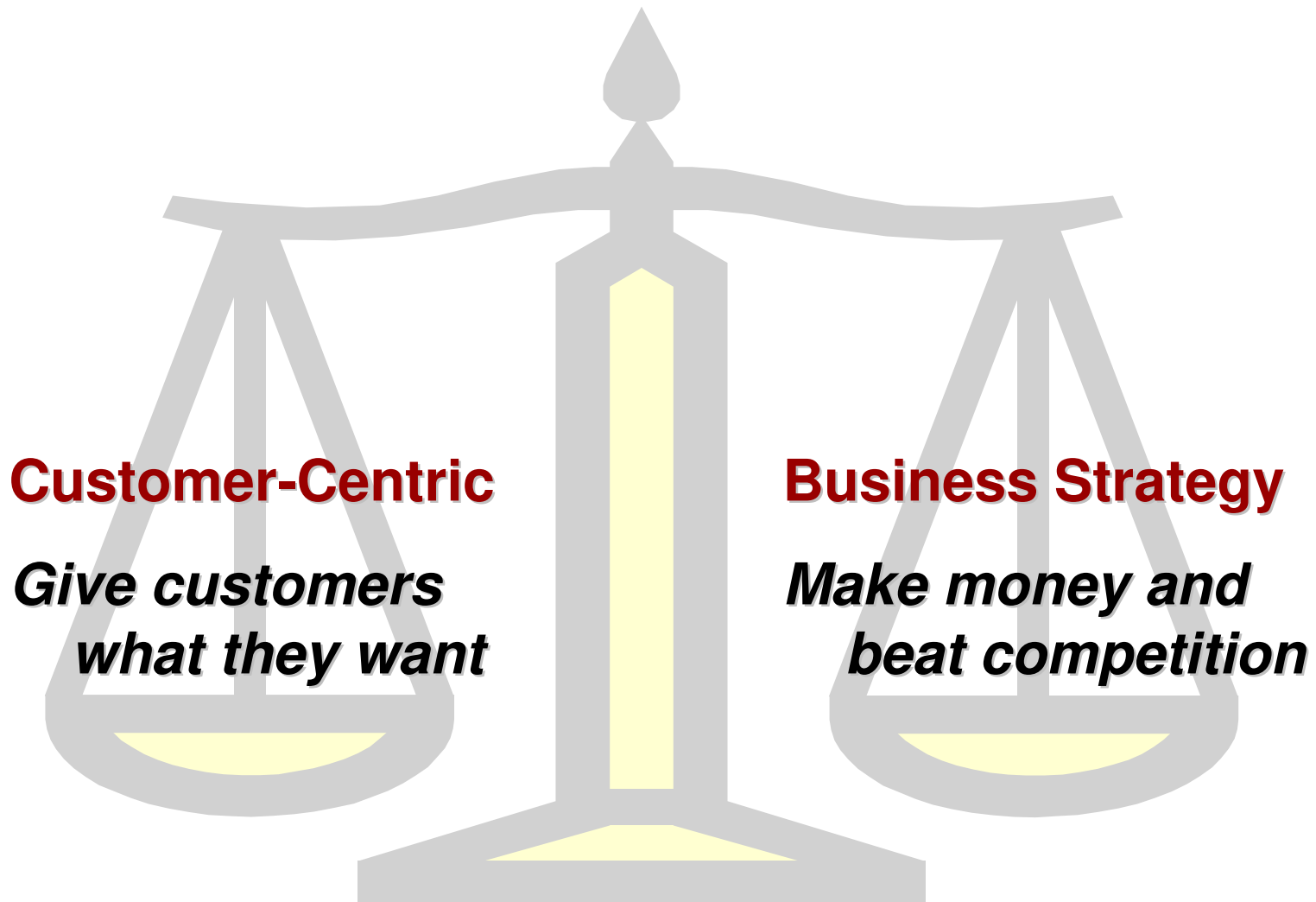
How enterprises see value on their side of the customer relationship "coin"

Sales   **Profit**

Lifetime Value   **Strategic Fit**

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Customers see value differently on the other side of the (same) coin

High-Quality   **Empowered Employees**

Honest Communications   **Rewards for Loyalty**

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Enterprises and customers often don't agree on the health of relationships

Companies Provide an Excellent Customer Experience?

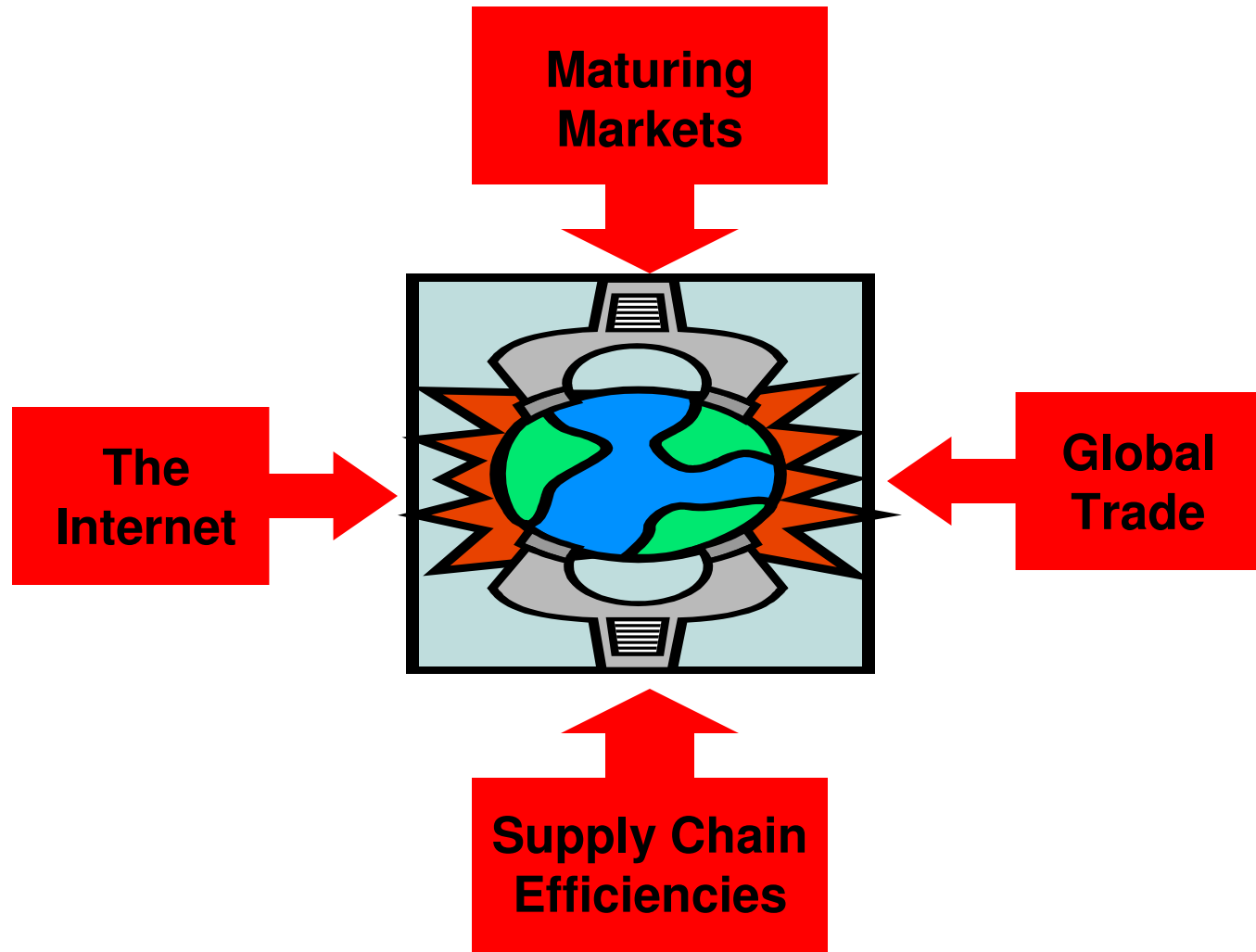|	Agree	Neutral	Disagree
Customer View	22%	60%	18%
Enterprise View	42%	50%	7%

■ Agree □ Neutral ■ Disagree
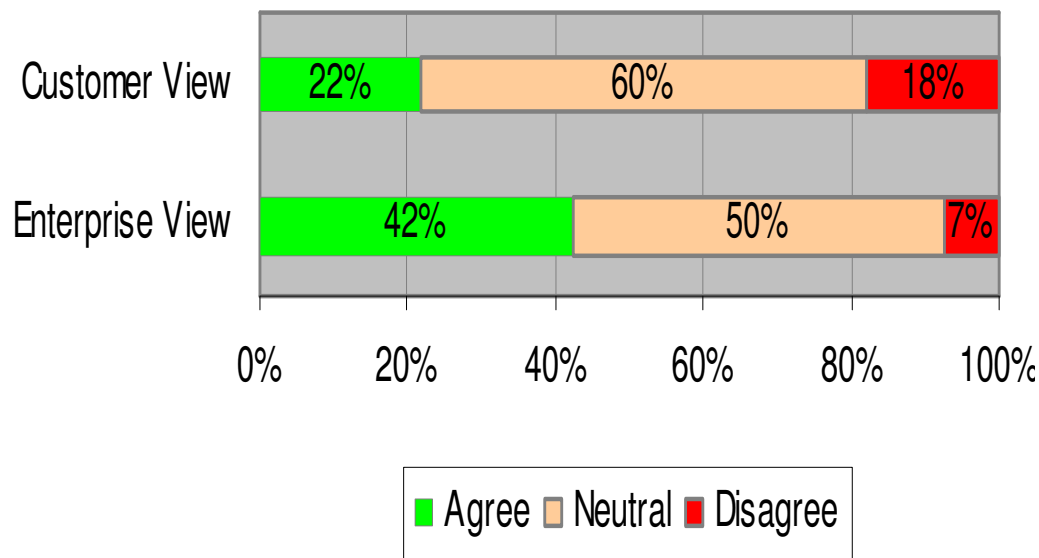
Net Agreement

Customers: +4

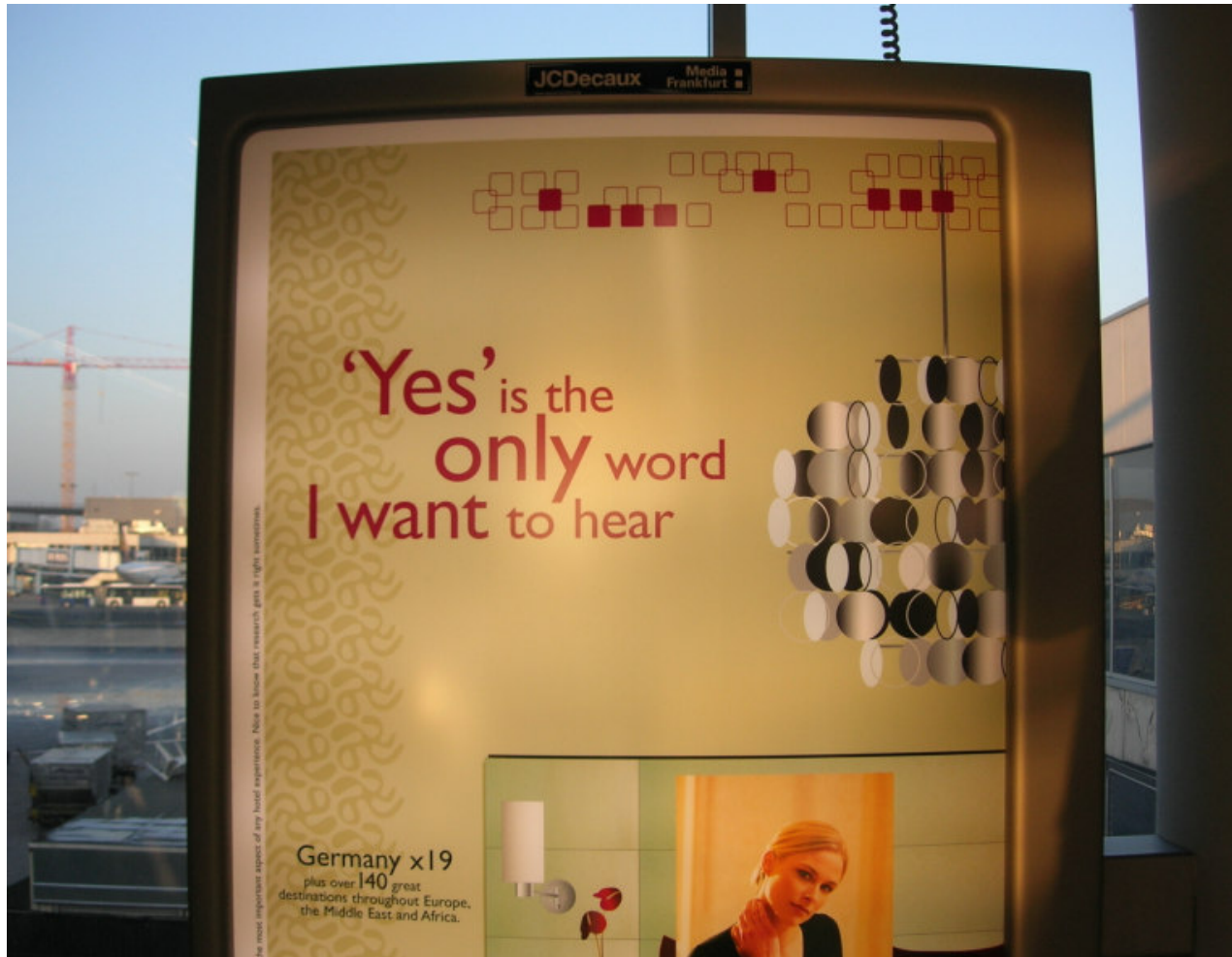**Enterprises: +35**

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Trend No. 1: The Global Customer Economy

58% say harder to make a reasonable profit, compared to 5 years ago

Maturing Markets

The Internet

Global Trade

Supply Chain Efficiencies

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Customer Want What They Want. Period.

Frankfurt Airport, January 2006

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IBM Global CEO Study 2004:
CEOs Return to Customer-Focused Growth

"80% of the world's top corporate CEOs declared that their primary objective has shifted from cost-cutting to **revenue growth**"

"90% of CEOs expect to transform their enterprise to **become more responsive, particularly to customer demand**, within the next five years"

"More than 60% feel they need to do a better job **capturing and understanding customer information** rapidly in order to make swift business decisions".

"More than 50% predict greater **customization of products by specific customer segments**, with most CEOs focusing on significantly increasing customer input on the development of new and better products"

Source: IBM BCS, *The Global CEO Study 2004*

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"Be Distinct or Be Extinct"
Tom Peters

Customer Experience

Product Leadership

Operational Excellence
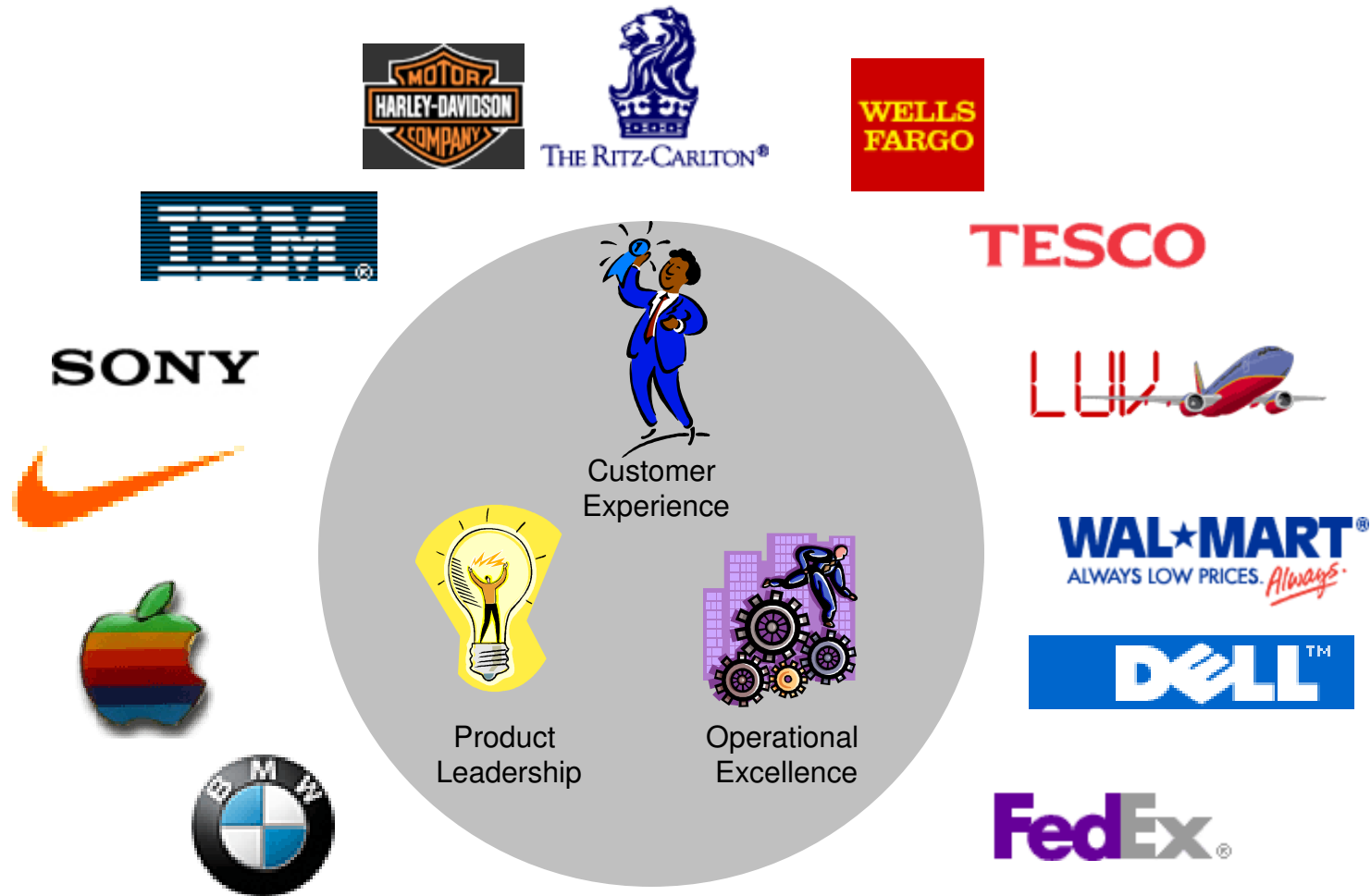
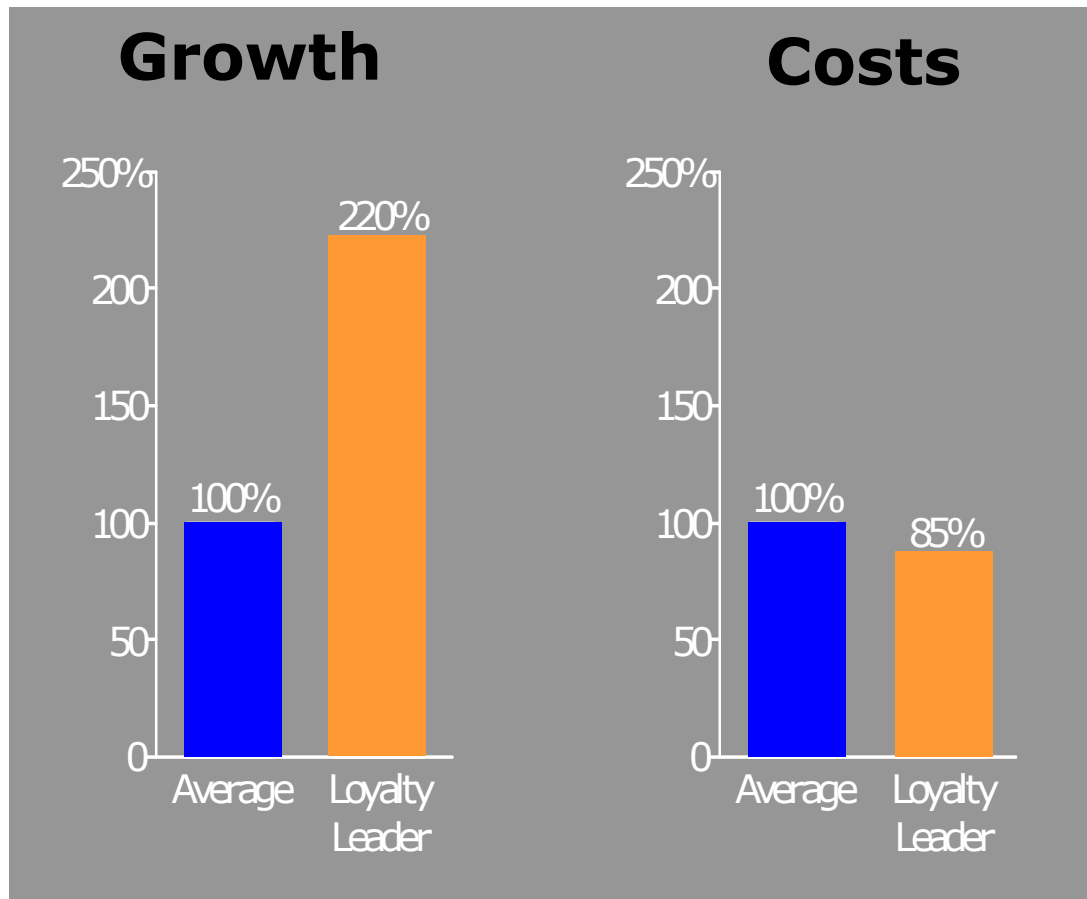Source: Model adapted from "The Discipline of Market Leaders," by Treacy & Wiersema

CRM Trends
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It's tough out there,
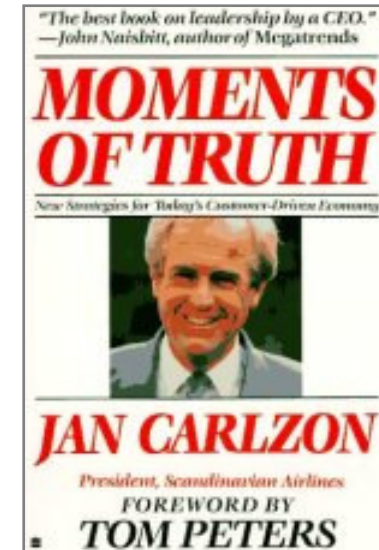# but someone still can win the loyalty race

Trend No. 2: Experienced-Based Differentiation

➢ Customer Experience: The customer's perception of interactions with a brand

➢ Customer Experience Management: Managing customer interactions to build brand equity

➢ To "manage" experiences, you must understand perceptions, orchestrate high-value interactions ("moments of truth"), and deliver the brand promise.

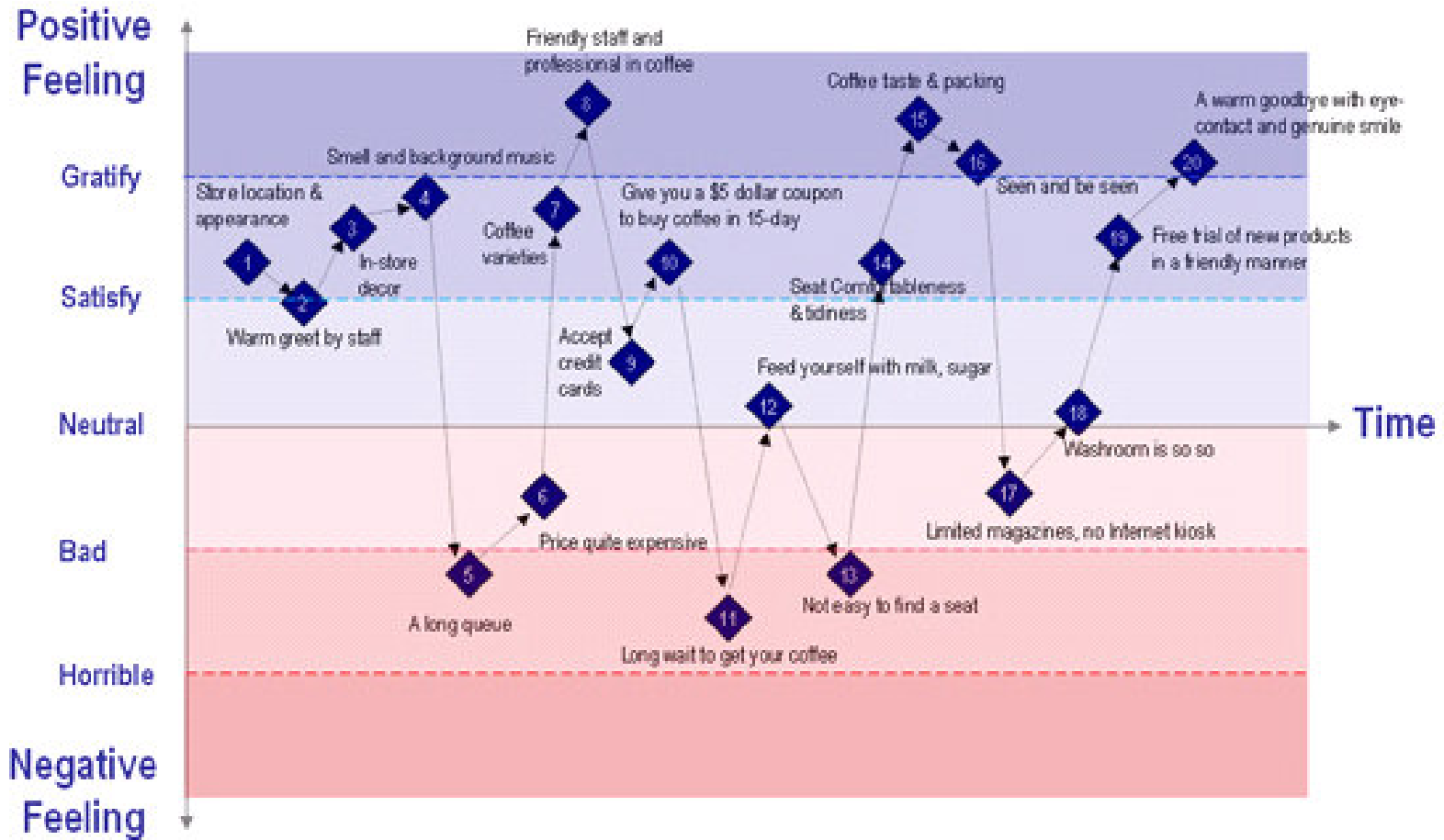➢ Interactions are the building blocks for relationships

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Moment Of Truth

➢ Dictionary: "A critical or decisive time on which much depends; a crucial moment"

➢ Jan Carlzon (Former CEO, Scandinavian Airlines): "Anytime a customer comes into contact with any aspect of a business, however remote, is an opportunity to form an impression."
- call to make a reservation to take a flight
- arrive at the airport and check your bags
- pick up your ticket at the ticket counter
- greeted at the gate
- taken care of by the flight attendants onboard
- greeted at your destination

"The best book on leadership by a CEO."
—John Naisbitt, author of Megatrends

MOMENTS OF TRUTH

New Strategies for Today's Customer-Driven Economy

JAN CARLZON

President, Scandinavian Airlines
FOREWORD BY
TOM PETERS

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Customer Experience Map—Starbucks

GCCRM

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Customer <u>Experience</u> Management Brings a "Right Brained" Approach to Customer Management

Strategic Customer Management

CRM	CEM
"Left Brain"	"Right Brain"
Customer's Value to Enterprise	Enterprise's Value to Customer
Systems and Transactions	People and Interactions
Functional Value	Emotional Value

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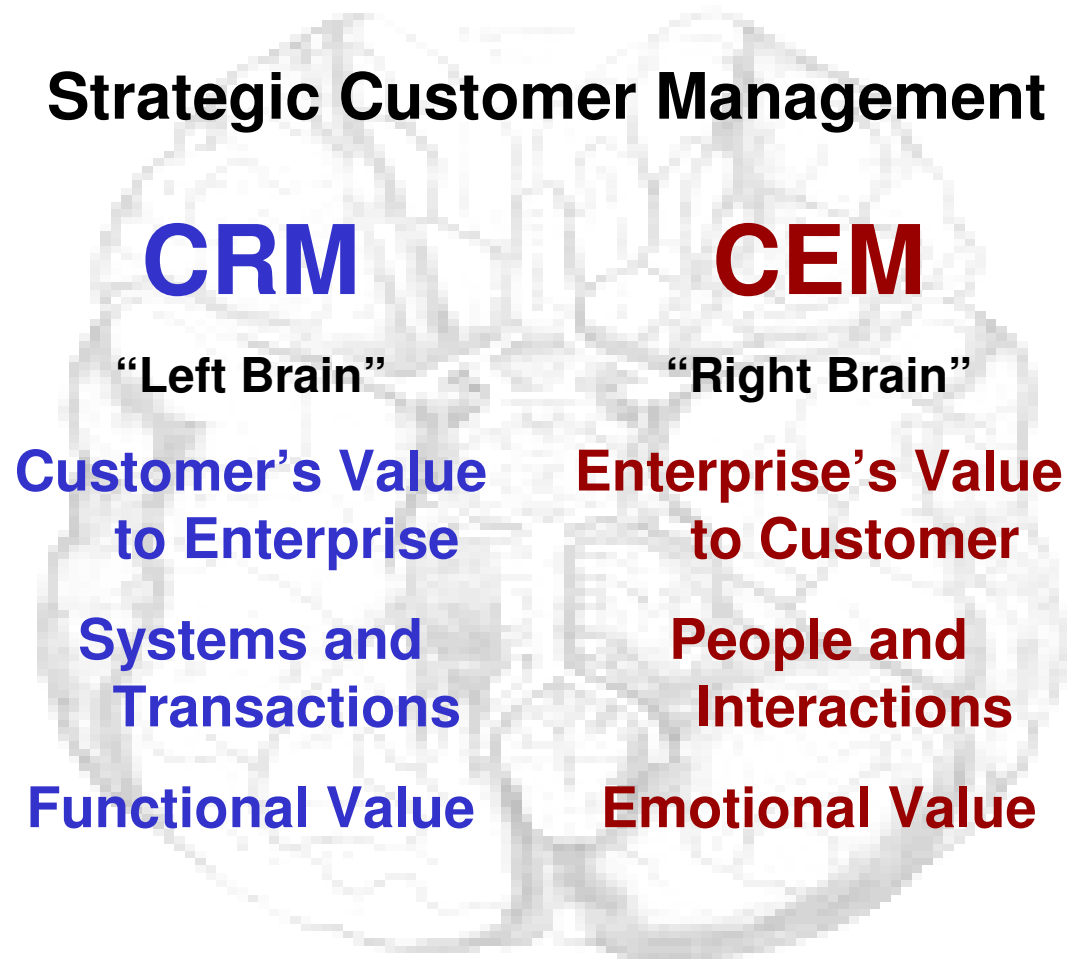
High-quality interactions drive loyalty as much as the core product/service

Loyalty Drivers

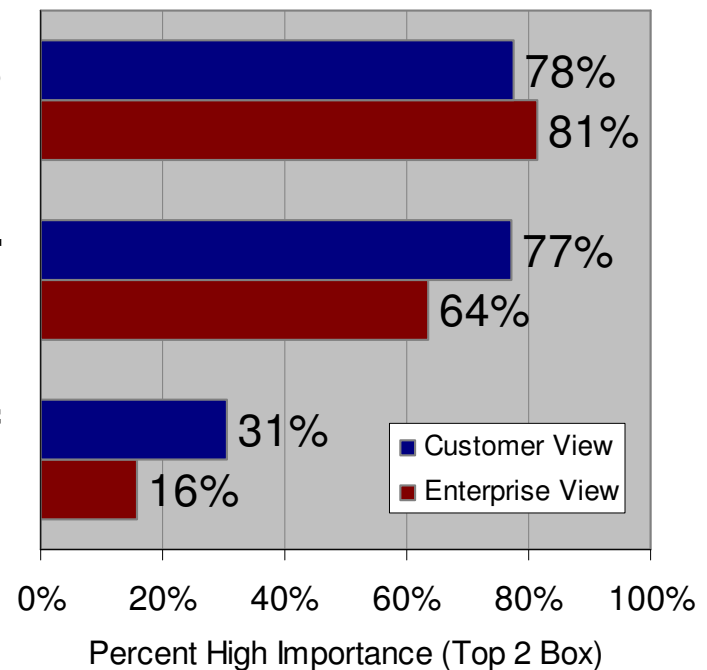High-quality interactions with people and systems
- Customer View: 78%
- Enterprise View: 81%

Superior product or service
- Customer View: 77%
- Enterprise View: 64%

Lowest price or cost of ownership
- Customer View: 31%
- Enterprise View: 16%

Legend:
- Customer View
- Enterprise View

X-axis: 0% 20% 40% 60% 80% 100%

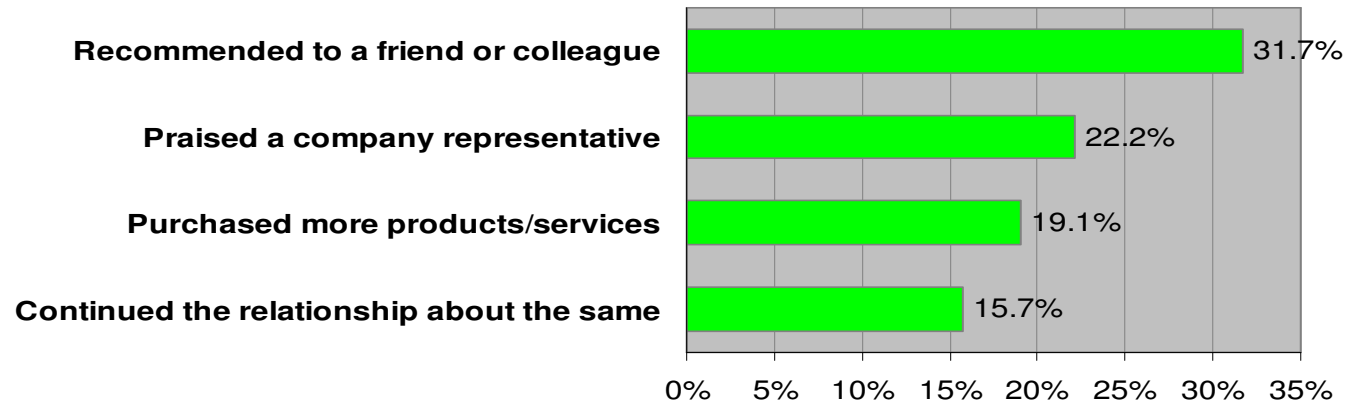Percent High Importance (Top 2 Box)

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Memorable experiences can lead to customer actions that build—or destroy—profits

Emotions

Actions

Pleased
Comfortable
Appreciated
Important
Special

Action	%
Recommended to a friend or colleague	31.7%
Praised a company representative	22.2%
Purchased more products/services	19.1%
Continued the relationship about the same	15.7%

0% 5% 10% 15% 20% 25% 30% 35%

Frustrated
Let Down
Angry
Ignored
Confused

Action	%
Complained to a friend or colleague	25.3%
Complained to a company represenative	24.0%
Switched to new supplier/provider	20.1%
Purchased less products/services	9.5%

0% 5% 10% 15% 20% 25% 30%

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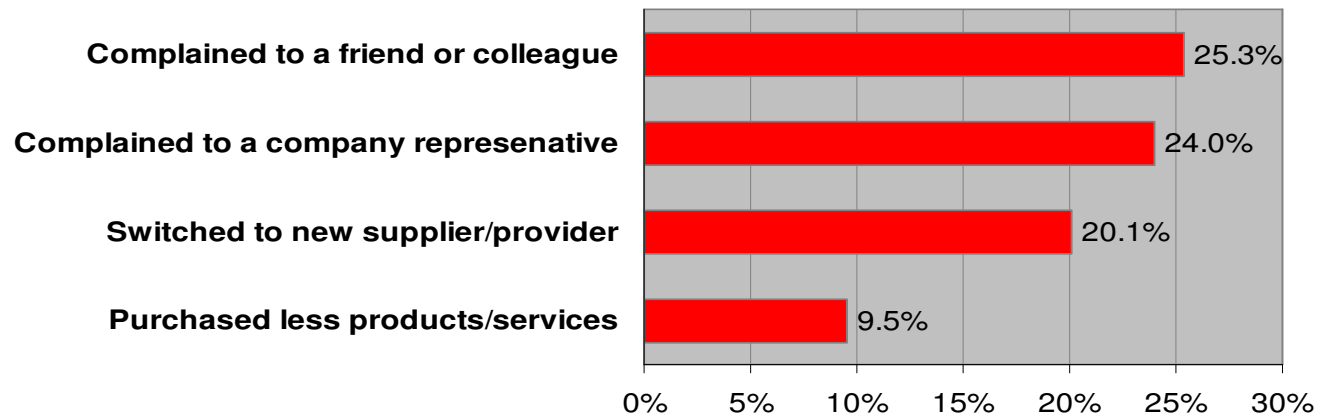
Customers want low cost, but…

InformationWeek — BUSINESS INNOVATION POWERED BY TECHNOLOGY

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Dell CFO Admits Service Blunders, Vows Rebound

"Customer experience ... I don't think we purposely eroded it," Schneider said. "Along the way, we had some stumbles. We didn't become the easiest [company to get service from], and if you're only a few bucks cheaper, it doesn't matter as much. We want to be more clearly the leader."

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…cost-cutting can undermine customer experience.

Have companies improved the customer experience with…

|	Agree	Neutral	Disagree
…well-trained people?	36%	49%	15%
… Internet sales/support?	34%	51%	15%
… voice response (IVR)?	8%	57%	35%
… off-shore call centers?	6%	55%	38%

Source: CRMGuru Online Survey, 2006

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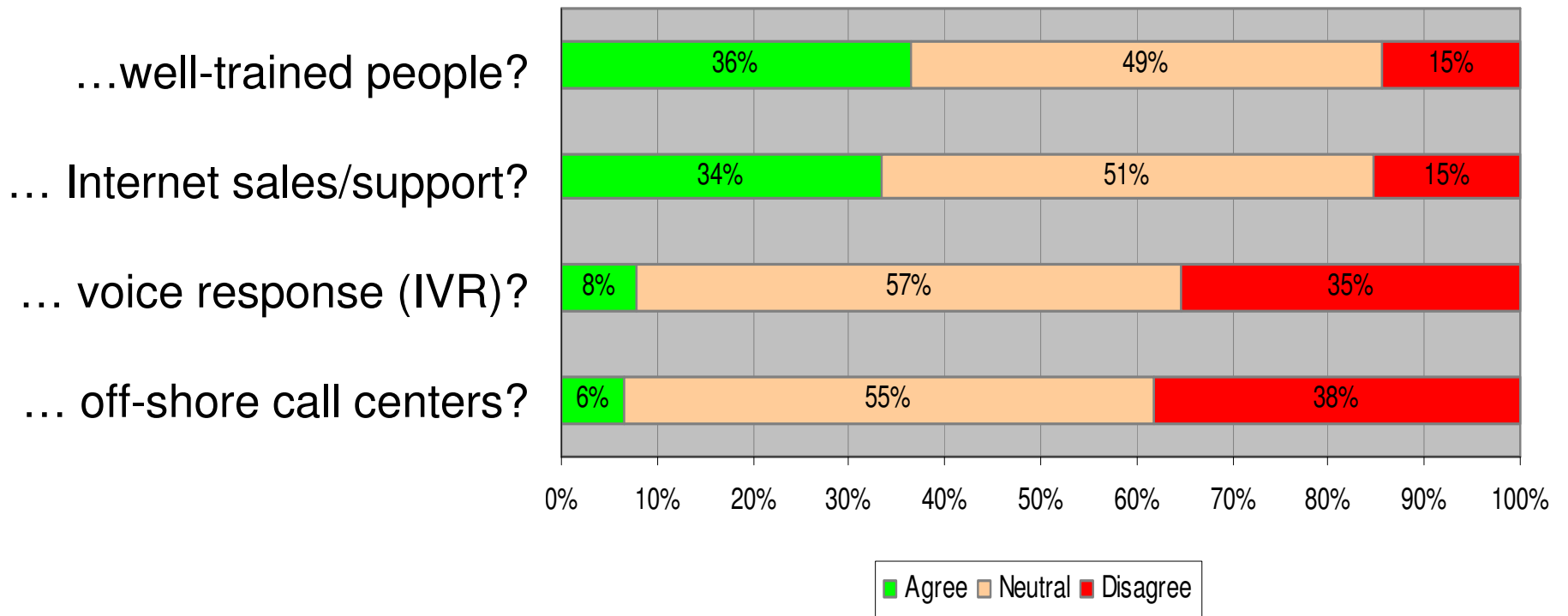
CEM Leaders Perform Better!

CEM Effectiveness vs. Business Performance

- ➢ CEM effectiveness score developed from 25-question assessment in five categories

- ➢ Statistical analysis found CEM scores "predicted" business performance (profitable growth)

- ➢ Growth leaders earned CEM scores 29% higher than laggards

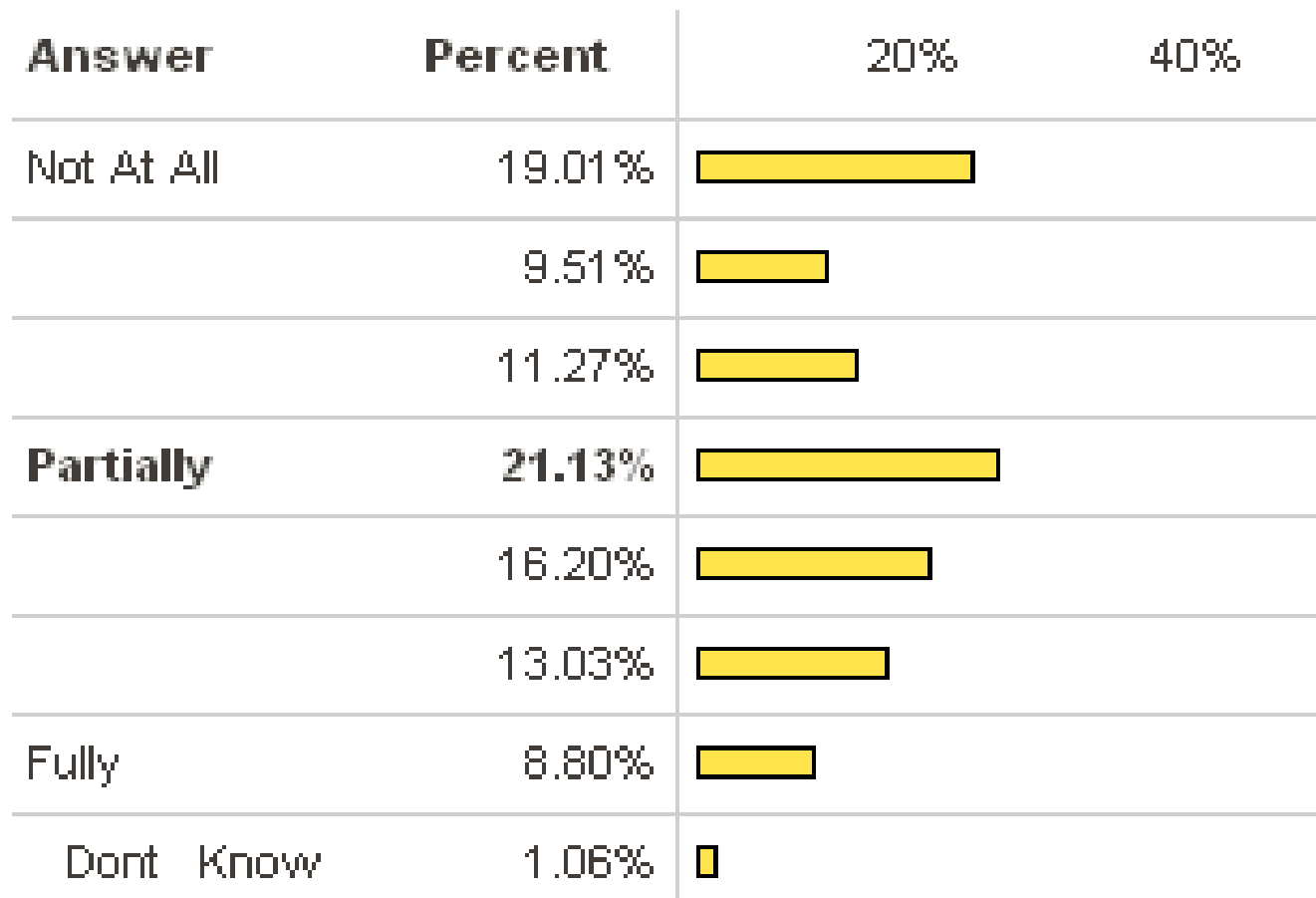- ➢ Not all CEM leaders had high business performance, and not all BP leaders had high CEM scores

Average Business Performance (y-axis, 50–85)

CEM Score	Average Business Performance
Low	68
Medium	75
High	80

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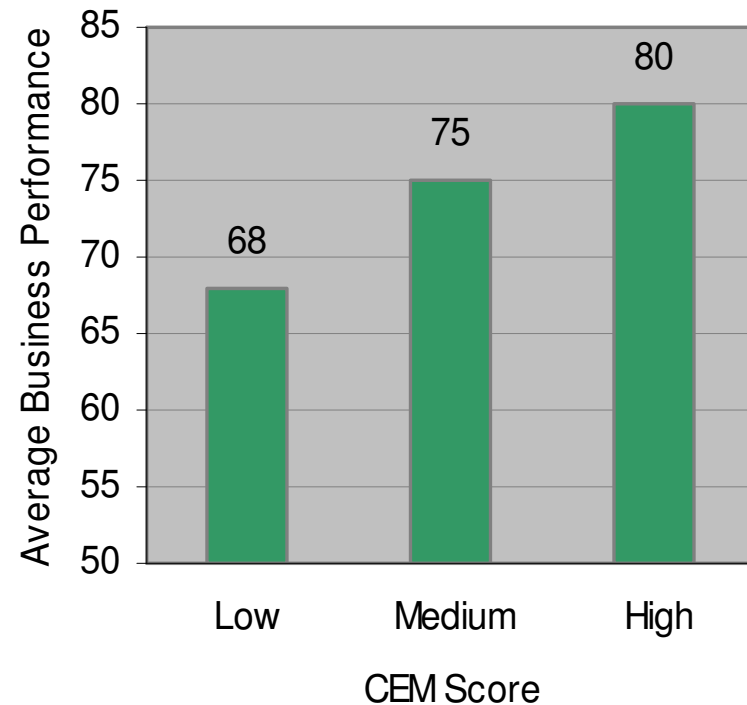
Trend No. 3: Customers Really Matter…To <u>Me</u>

➢ Customer-centricity is a myth: we are all "me-centric"

➢ Customer-centric business leaders are adept at making customers important to their employees' success and happiness

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Top 5 Attributes of Companies That Deliver "Consistently Excellent Customer Experiences"

1. Well-trained and Helpful Employees

2. Excellent Customer Service

3. High-Quality Goods and Services

4. Friendly and Caring Employees

5. Personal Attention, Reward for Loyalty

Do your performance measures and rewards encourage employees to treat customers well?
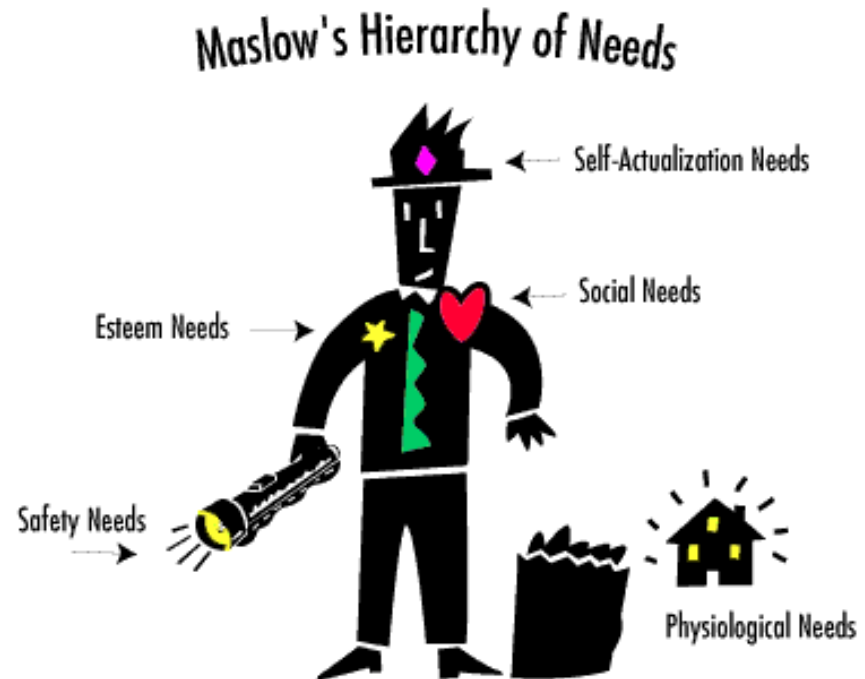
Answer	Percent	20%	40%
Not At All	19.01%		
	9.51%		
	11.27%		
Partially	**21.13%**		
	16.20%		
	13.03%		
Fully	8.80%		
Dont Know	1.06%		

Source: CRMGuru Online Survey, 2006

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Employee rewards are not just financial

- Interest in Task
- Achievement
- Recognition
- Responsibility
- Personal Growth
- Advancement
- Money

Maslow's Hierarchy of Needs
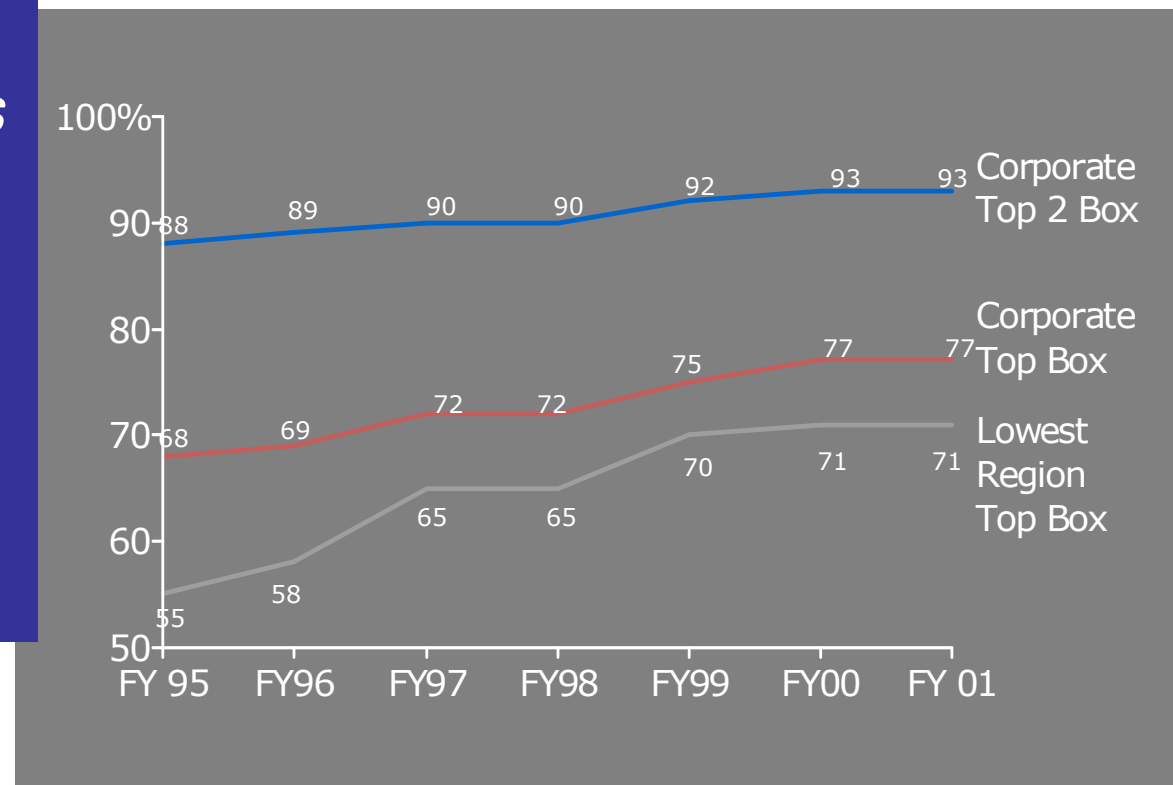
If You Don't Measure, You Can't Manage
Enterprise uses satisfaction scores to motivate employees

> *"At Enterprise, loyalty is everything. If we don't satisfy customers so that they come back, we can't build the business."*

Andy Taylor, CEO
Enterprise Rent-A-Car

Source: Reichheld

Satisfaction Trends

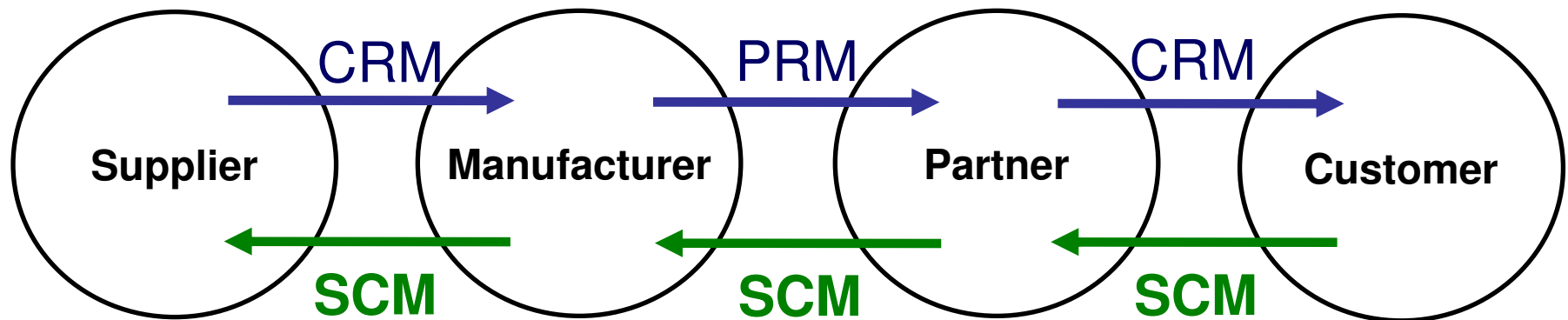|	FY 95	FY96	FY97	FY98	FY99	FY00	FY 01	
Corporate Top 2 Box	88	89	90	90	92	93	93	
Corporate Top Box	68	69	72	72	75	77	77	
Lowest Region Top Box	55	58	65	65	70	71	71	

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Trend No. 4: Technology Turns Strategic

➤ Applications add real value to customers and users, driving loyalty and adoption

➤ Composite Applications break down silos within and between enterprises

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Applications Add Value

➤ Integrated performance management: scorecards: executives to frontline

➤ Natural language speech recognition: service efficiency without degrading experience

➤ Real-time analytics: right offer and experience to the right customer

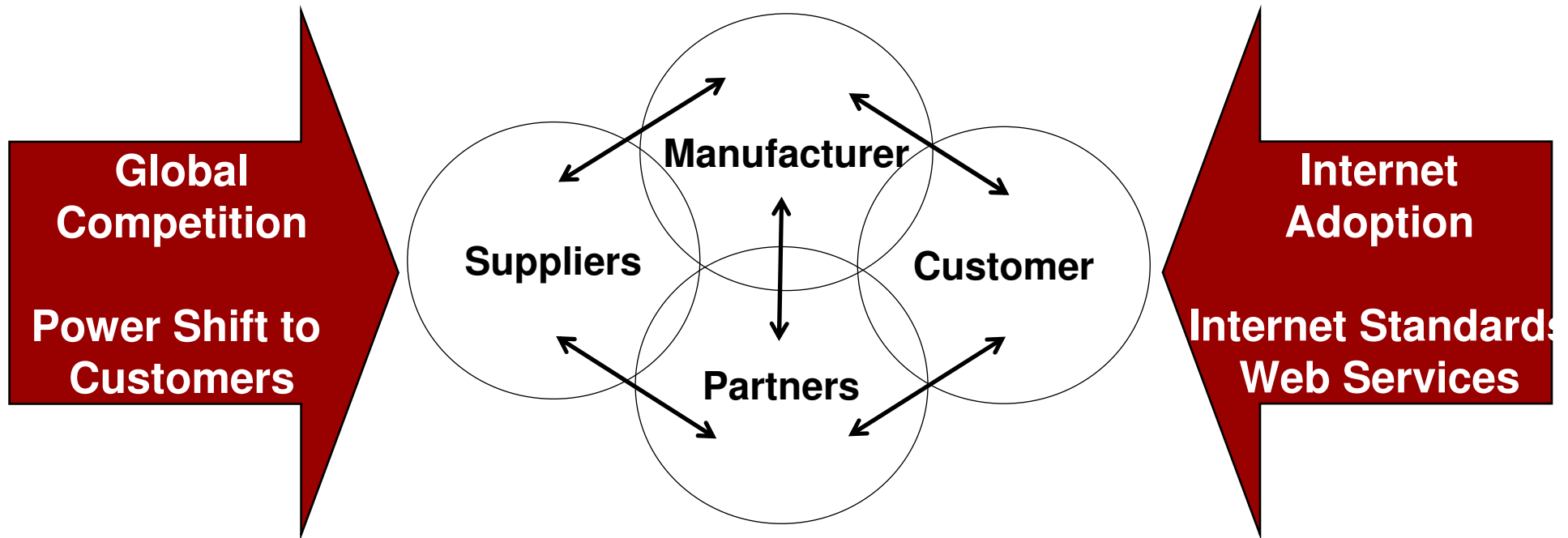➤ Sales coaching: tools to help reps become a trusted advisor

Now: Dueling Relationships!
Customer Management vs. Supplier Management

Supplier → CRM → Manufacturer → PRM → Partner → CRM → Customer

Supplier ← SCM ← Manufacturer ← SCM ← Partner ← SCM ← Customer

Relationship Management: "Sell-Side" Focus on Lifetime Value, Customer Experience, Revenue/Profit Growth

Supplier Management: "Buy-Side" Focus on Cost, Cycle Time, Responsiveness

Future: Optimized Value Network

Global Competition

Power Shift to Customers

Manufacturer

Suppliers

Customer

Partners

Internet Adoption

Internet Standards Web Services

Collaborative Relationships: Focus on Mutual Value, Profit, Efficiency, Integrated Processes

Service Oriented Architectures Enable the Virtual Extended Enterprise

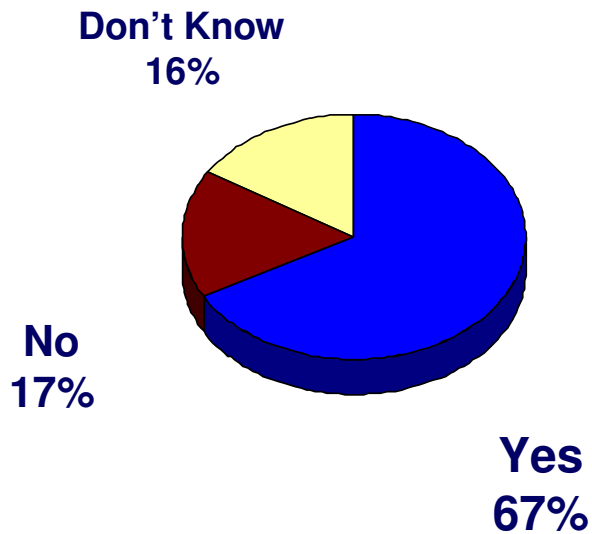Traditional Corporation

Virtual Extended Corporation
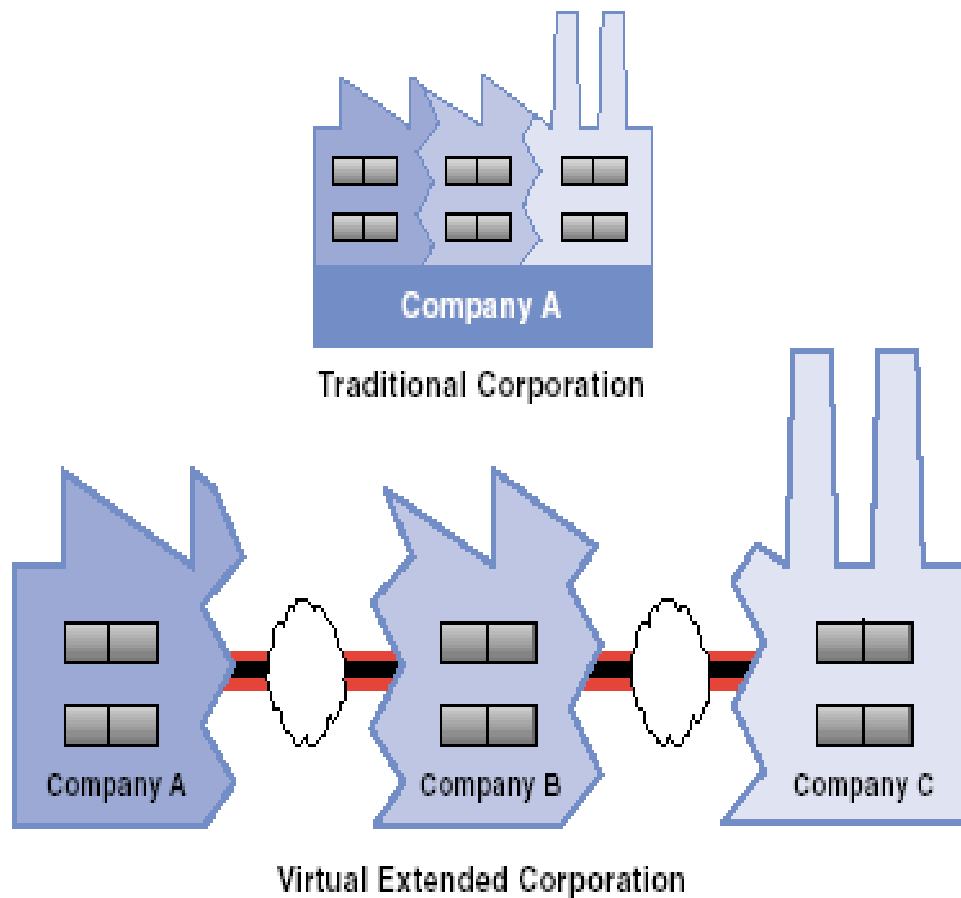
Cisco Systems

➢ 87% of Orders Placed Online

➢ 25% Increase in Customer Satisfaction

➢ 70% reduction in order cycle time

➢ $175M savings in annual operating costs

➢ 45% inventory reduction for Cisco and its partners
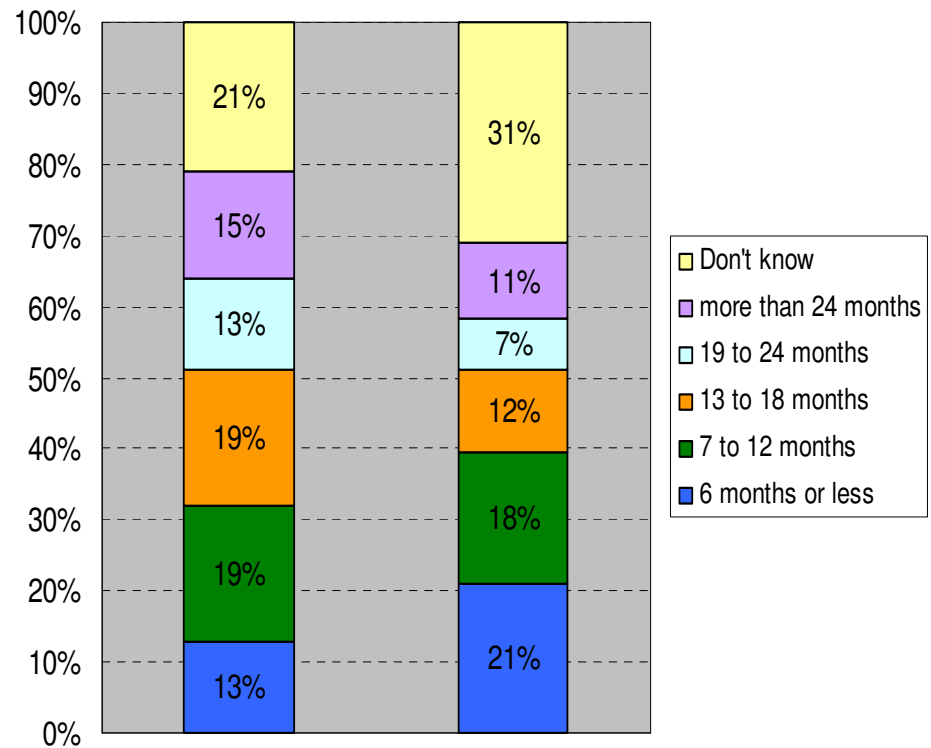
Source: IBM

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Framework for
CRM Success

Good news: Most IT-Focused CRM projects are successful, and performance is improving
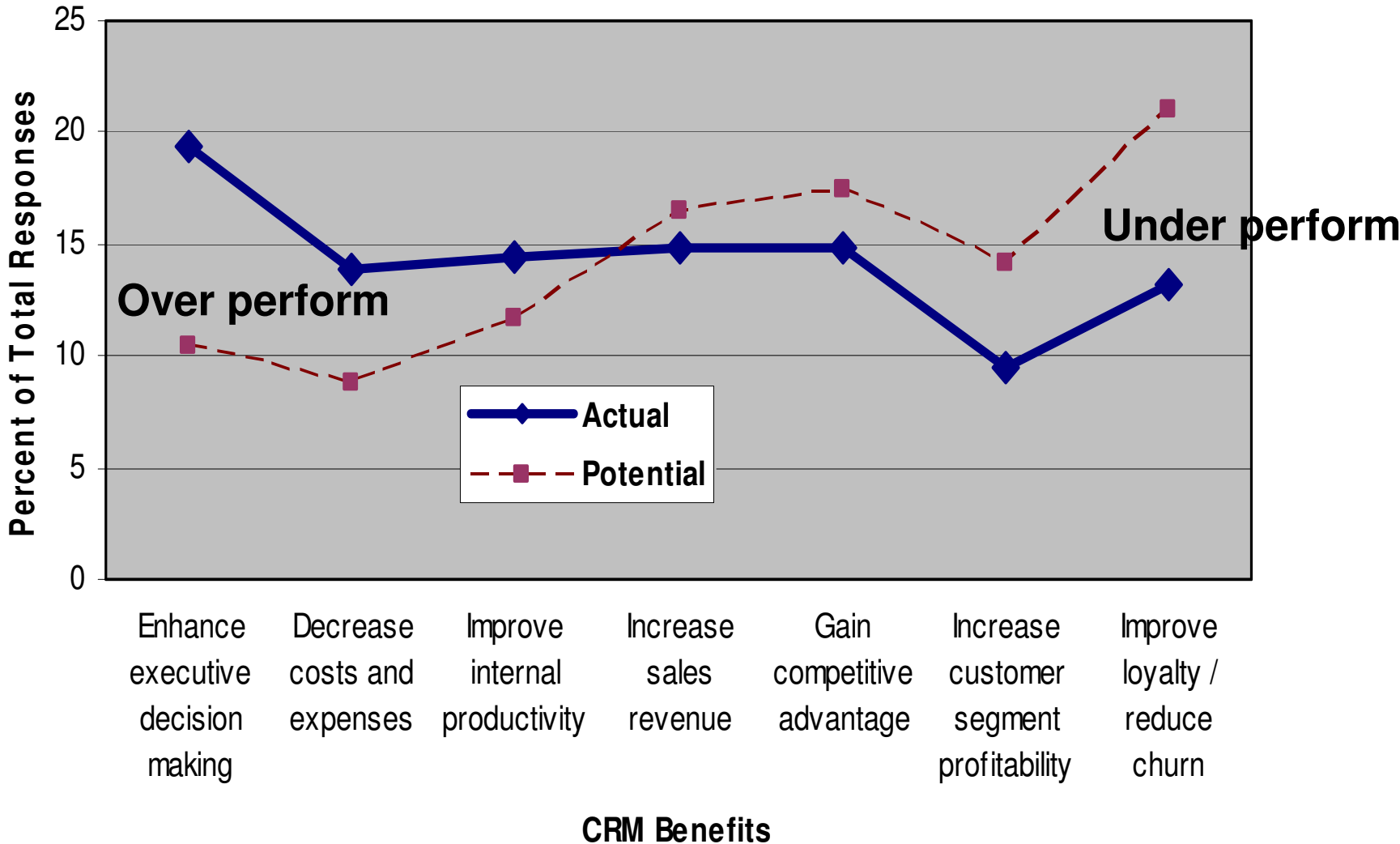
Is Your CRM Project a Success?

Don't Know
16%

No
17%

Yes
67%

CRM Payback Period

21%	31%
15%	11%
13%	7%
19%	12%
19%	18%
13%	21%

Legend:
- Don't know
- more than 24 months
- 19 to 24 months
- 13 to 18 months
- 7 to 12 months
- 6 months or less

Source: CRMGuru Study of CRM projects, 2004-2005

CRM Trends

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Bad news: Strategic CRM benefits fall short of expectations

Source: CRMGuru Study of CRM projects, 2004-2005

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For Success with Customer Relationship Management, be SMART!

Strategy for Customer Value

Publix.

Intuit

Metrics to Guide Journey

Alignment of Human Resources

Customer
Relationship
Management
SMART
Framework

Hilton

WELLS
FARGO

Redesign Processes

Technology to Optimize

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Yes, technology can deliver strategic value…

➢ Improve <u>sales/service delivery</u> with a unified customer view

➢ Provide tools to help employees be <u>helpful and responsive</u>

➢ Optimize marketing to deliver <u>relevant offers</u>

➢ Identify potential defectors and provide <u>proactive service</u>

➢ Tie customer-centric behavior to <u>employee rewards</u>

"If we are not customer-driven, our cars won't be, either."

Ralf Caly,
CRM Head, BMW

…but SMART CRM is about people

Technology is often necessary, but without executive leadership (<u>people</u>), user buy-in (<u>people</u>), and a genuine emotional bond with your customers and partners (<u>people</u>), a CRM project is destined for failure.

The #1 CRM Challenge is <u>People</u> Resisting Change

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Customer-Centric Leadership is Required Throughout the Organization

➢ Chief Executive Officer: Vision, Culture

➢ Chief Marketing Officer: Customer Strategy

➢ Chief Sales Officer: Consultative Relationships

➢ Chief Service Officer: Quality <u>and</u> Efficiency

➢ Chief Information Officer: Information Architecture

➢ Chief Customer Officer: Agent of Change

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Thank You!

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