

The Five Waves of CRM

How CRM Functionality and Architecture Have Evolved

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UNDERSTANDING CRM: A MOVING TARGET

Customer Relationship Management (CRM) solutions are still the most vibrant area of IT investment in 2002. Why? Because if you don't know who your customers are, and what they care about, you can't retain them. And without customers, you're out of business.

The CRM movement is less than a decade old. Yet the systems and software that are available to help you better understand and serve your existing customers, while enabling you to acquire new, profitable customers, have already gone through four overlapping waves of functionality and IT architecture.

First Wave of CRM: Single-Function Client/Server Systems to Support Employees

In the first wave, which began in the mid-'90s, many firms purchased and implemented inward-focused, single-function client/server CRM solutions—systems that were designed to support a particular group of employees—technical support personnel, the sales force, call center reps, or the marketing department. Vantive, Scopus, Clarify, and Siebel were among the then dominant players.

Second Wave of CRM: Integrated, 360-Degree Client/Server Systems

In the second wave, corporate customers began demanding more integrated solutions. CRM managers were seeking the holy grail—to create a 360-degree view of their customers' relationships. In response, many of these point CRM solution suppliers began to acquire companies with the additional functionality they needed in order to offer a 360-degree view. Soon, there were fewer, larger players from which to choose. Siebel bought Scopus. Nortel Networks bought Clarify, and so on. Each integrated CRM supplier now offered a full suite of offerings with marketing/analytics, sales, support, service, and call center functionality. The integrated CRM supplier's goal was to enable your employees to provide a single-face to the customer by enabling employees to work from a common set of customer information and to use a set of loosely-coupled customer-facing applications. But this was still an inward-facing approach to CRM. It helped your employees serve customers better.

Third Wave of CRM: Customers Serve Themselves via the Web

At about the same time that CRM firms were merging—the late '90s—the third wave hit. The Internet appeared on the scene. The chances are pretty good that your company, like most others, launched an e-commerce or e-business initiative in 1998. And the chances are also pretty good that, like everyone else's, your e-business venture wasn't linked into your then-CRM initiatives. But what you probably experienced was that, all of a sudden, customers could serve themselves. The third wave of CRM, catalyzed by the Internet, was upon us. Customer self-service and Internet architectures became the next big thing in CRM. Many people referred to the suppliers that embraced this new wave as e-CRM players. Some of those players are still familiar names like Silknet (now merged into Kana) and ATG. In fact, every e-commerce supplier suddenly became an e-CRM supplier.

However, these customer-touching e-commerce applications and customer support applications quickly hit two major obstacles. The first was the lack of seamless integration into companies' back-end operational systems. If a customer couldn't see what products were currently available in inventory, he couldn't place an order. The second obstacle was the lack of integration across customer-facing interaction touchpoints. Customers expected your call center personnel to have access to the history of their Web transactions and interactions. These two sets of obstacles have now largely given way to fourth-wave solutions.

Fourth Wave of CRM: Leverage Internet Architectures, Span Touchpoints, & Integrate with ERP

We are now in the fourth wave of CRM functionality and architectures, on our way to the fifth. In the fourth wave, the big CRM suppliers have re-architected their integrated application suites to take advantage of the Internet. By using Web browsers and thin clients, they are able to offer much broader access to CRM functionality. Instead of making customer-facing CRM applications available to hundreds or thousands of employees, the new Internet-based architectures enable you to extend the reach of CRM functionality to tens of thousands of employees, to your distribution partners, and even out to customers themselves.

Fourth-wave solutions also begin to tie together customer self-service via the Web with customer service through the contact center. Customers can now begin an interaction online and then pick up the phone and have some hope that the call center rep will be able to see their Web interaction and help them complete the transaction.

In this fourth wave, most CRM buyers are also scrambling to tightly integrate their CRM systems with their ERP and other back-end operational systems. In this fourth wave of CRM, we have a new set of major players who are vying for your attention. Every ERP supplier is now also a CRM supplier. SAP, PeopleSoft (with its Vantive acquisition and integration), and Oracle have now become major CRM players.

The Fifth Wave: CMR—Redesign Your Business from the Customers' Point of View

Next will come the fifth wave, in which you should turn your focus to "what matters most to my customers" in making your decisions about application functionality and IT architectures. We call this CMR—customer-managed relationships. It's the era in which customer portals abound. It's the time when you begin to give customers direct access to all of the information and application

functionality they need in order to do business with you. CRM suppliers will be leveraging the next wave of IT architectures—Web Services—to enable this capability. It's also the era when we all redesign our business processes and our customer impacting information in order to make it easy for our customers to do business with us. But, as we move into the fifth wave, we won't be abandoning our customer-centric analytics, our marketing campaign management, our sales force opportunity management, nor our contact center and field service support. Nor will we be walking away from our e-commerce implementations nor our Web-based customer self-service. We'll want to insure that, as we redesign our business processes to be more customer-centric, we evolve our CRM application functionality and customer analytics to keep pace.

How to Make Intelligent Decisions When CRM Is a Moving Target

You can't think about CRM in a vacuum. You really need to think about your CRM applications and business processes in terms of how well they integrate with the rest of your customer-impacting and customer-touching applications and interaction touchpoints.

No matter which wave of CRM you're currently taking on, we strongly recommend that you think through your IT architecture requirements very carefully. In a field in which there's been (and will continue to be) such continuous change, the extensibility and flexibility of the architecture you choose far outweighs the functionality of specific CRM applications. Be most careful, however, to look closely at the underlying customer data model for the solutions you're evaluating. Don't think of this as a "techie" exercise. It is the business executive's responsibility to insure that the way customer relationships and information are represented maps closely to the way his business needs to think about its customers. Once you've consigned your precious customer information to the wrong data schema, it will be very difficult for you to understand your customers and to model their behavior in meaningful ways.

Since customer information is so critical for the success of any CRM initiative, you should be thinking about your requirements for your customer-centric intelligence initiatives. It's one thing to have a huge amount of customer information. It's an entirely different thing to be able to use that information to take actions that will yield profitable results. That's the role of customer-centric analytics.

Finally, it's not too early to be thinking about how to get ready for the fifth wave—the point at which you begin to transform your business practices and processes to be more customer-centric.