



Patricia Seybold Group

Strategic Consultants & Thought Leaders

What Comes After CRM?

Customer-Led Business Transformation

By Patricia B. Seybold



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NETTING IT OUT

In today's tough global economy, businesses are focused more than ever before on retaining their existing customers and on lowering their operating costs. Customer Relationship Management (CRM) strategies and systems, once thought to be the silver bullet that would catapult companies to higher profits, are now coming under increasing management scrutiny. The "problem" with CRM, if there is one, which we doubt, is that capturing customer information and acting upon it is only one piece of a much larger challenge confronting today's businesses. Customers don't just want to be marketed to, they want to be well-served. Our companies are notoriously ill-prepared to meet the challenges posed by today's increasingly demanding business and consumer customers.

What do we need to do beyond installing CRM systems to help us better understand our customers and to better market products to customers, sell them to customers, and support customers? Actually, there's a lot beyond CRM that we need to do. Despite our investments in customer-facing Web sites, customer portals, and CRM systems, our businesses are still designed from the inside out as product-centric and functional fiefdoms. This drives our customers nuts! Until we actually begin redesigning our entire businesses to be customer-driven and customer-led, we won't be able to meet the needs of 21st century customers.

IT'S A RECESSION: DO YOU KNOW WHERE YOUR FOCUS SHOULD BE?

You've already got a customer-facing Web site or portal. No doubt, your company is also in the midst of a major CRM initiative to pull together and to mine much of your customer information so that you'll be better able to target your most profitable customers with relevant offers and to aim your marketing campaigns at more likely acquisition targets.

But customers aren't buying right now. And your sales cycles have gotten longer and longer for smaller and smaller returns. You've trimmed staff, lowered prices, gotten rid of excess inventory, and your management is looking for the next place to cut costs. You're looking for the best opportunity to bring in revenues and profits without increasing costs-to-serve. You're both looking for improved results. What's the answer?

Go Beyond CRM

Guess what? CRM isn't the silver bullet that will yield more effective sales, greater wallet share, and faster profitability. There's only one thing that will really do that. You're going to have to let your customers drive your business—all the way through.

Pulling together customer information and mounting better marketing campaigns won't make it easier or more enticing for customers to do business with you.

Let Your Customers Transform Your Business

Face it. Your business is broken (from your customer's point of view.) Your customers can't get consistent information across your Web site, your contact centers, your retailers, and your channel

partners. They can't easily locate the products they need. They have to make several attempts to resolve problems and to get questions answered. Your business, like any business, is designed inside out. It's designed for you to develop, build, and sell stuff. It's not designed to help customers buy stuff from you. The problem is as simple as that. And as hard.

So what SHOULD you be doing? Where SHOULD you be investing your scarce resources? How do you transform your business from a collection of product line silos and functional fiefdoms to a streamlined, efficient customer-driven pipeline—one where customers' needs and requests appear at one end, and product development, delivery, and service take place in a transparent and dynamic Value Web?

The good news is that there IS a proven way to transform your company to be lean, clean, and customer-centric. And you can do it one step at a time. This transformation starts with the Web and with your other customer-facing interaction touchpoints. Then it ripples through your entire organization, your partner chain, and your supply chain—in fact, your entire Value Web. (At some point in the past five years, supply chains became supply Webs; the same thing happened to demand chains. Instead of a series of one-to-one causal relationships, we now realize that each customer request or need fans out through an entire Web of organizations, each of which may participate in providing the solution.)

Clearing the Way

But, in order for this customer-centric transformation to take place, you need to remove barriers, solicit high-level support, and seize tactical opportunities. Once customer information and requirements begin to drive your business in real-time, the path forward becomes clearer and clearer and more and more compelling.

WHO SHOULD LEAD THE CHARGE? The people who are leading the customer-transformation of their companies tend to be the same people who have spearheaded their companies' e-business initiatives. Usually, they're strongly backed by the CEO,

aligned with their company's IT visionary and with the global marketing executive, and have a strong business P&L sponsor—usually in an organization that is already organized around a major customer segment.

Occasionally, as at Delta airlines, the major transformational trigger comes out of the need to streamline operations. (Delta began the revamping of its internal systems in order to gain a better real-time view of its fuel needs. Then the company was able to use its business events-based “digital nervous system” to proactively improve customers' experiences when the inevitable travel disruptions occurred¹.

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Learn the Survival Skills from Customer-Centric Organizations

If you look at the evolution of the customer-driven transformations that have rippled through the today's most successful companies, you'll see some interesting similarities.

Here are some of the patterns that I've noticed.

- **Focus on a Key Customer Segment.** At Wells Fargo, Dudley Nigg, who led that company's transformation, was initially responsible for the bank's high net worth customers. At American Airlines, John Samuel focused on frequent business travelers. At Boeing, Bill Barker began his odyssey with customers who purchased replacement parts. At General Motors, Chet Huber at OnStar and Paul Comfrey at Vauxhall both targeted customers who valued convenience. At Fidelity, Steve Elterich focused first on his retail customers. At Hewlett-Packard, Leslye Louie focused on consumers who are multi-touchpoint shoppers (research on the Web/purchase in the store; shop in the store; buy online; get pre-sales and post-sales help on the phone and on the Web). Phil Gibson at National Semiconductor began by focusing on design engineers. Scott

¹ See John Mann's “Customers Experience Your Internal Operations,” July 19, 2001, www.psgroup.com/doc/products/2001/7/CS7-19-01CC/CS7-19-01CC.asp.

Eckert at Dell focused first on large business customers. Sue Steel and Marc Tennessee at Cisco Systems targeted their largest resellers first. Brad Lewis at Snap-On targeted consumer customers—a market that Snap-On wasn't serving at the time.

- **Offer Web Self-Service for the Key Scenarios Customers Care About.** For Boeing, this was, “give me my company’s negotiated price, your time-to-delivery, and the current location of the part I might need.” For Cisco, this was, “let me configure a system and get an accurate quote,” and “show me the status of all my orders, and let me change the ones you haven’t shipped yet.” For Fidelity, it was, “let me roll over my IRA easily” and “show me my combined retail holdings and those in my company-sponsored Fidelity retirement account.” For HP, it was, “let me download a printer driver for my new printer,” and “how do I order supplies?” and “it’s not working, how do I get this fixed?” For Dell, it was, “help me manage the computers I’ve bought from you” and “send me 2,000 computers with the following software configurations to these 18 offices in 10 different countries over the next 6 months and let me time the shipments and re-allocate deliveries.” For National Semiconductor, it was, “let me design and simulate my new designs online, now show me a bill of materials with your parts and your competitors’ parts, and let me order that bill of materials from a distributor that has them in inventory with prices I can afford.” With Delta, it was “re-route me and my luggage so that I’ll arrive at my destination as close as possible to my original plan.”

Notice that all of these customer scenarios² aren't Web-only scenarios. They link directly into the company's (or in some cases, their channel partners') operational systems: inventory, pricing, order entry. And, in many cases, these scenarios also span functional boundaries

Today's leading companies are redesigning themselves from the outside in.

(sales and manufacturing; retail vs. institutional; customer service and order-entry, and so on).

- **Combine Contact Center and Web Infrastructures and Organizations.** Wells Fargo built its Web customer self-service infrastructure on top of the application integration infrastructure it had already designed for the customer service reps (CSRs). These CSRs needed to access operational applications across business units and product lines on the customers' behalf. Once CSRs could access the information customers' needed, Wells Fargo enabled customers to help themselves to the same information.

- **Deliver Customer Portals First; Then Turn Them into Employee Portals.** At Boeing, Bill Barker is using the same infrastructure and architecture he developed to give Boeing's customers access to 100 of Boeing's core

operational applications. Now, he's enabling Boeing's own employees to see the same information to which customers already have access, along with additional “employee-only” information.

- **Give Customers a Seamless Experience with Your Channel Partners.** Cisco Systems has done a great job of integrating channel partners and customers. Cisco bucked the conventional wisdom that tells us that channel partners need to “own” the customer and “add value.” Cisco redesigned its systems from the customers' point of view. Customers configure their systems directly on Cisco's Web site. They then get pricing and delivery commitments from their preferred dealer (without leaving Cisco's site). Cisco configures the system and ships it to the dealer pre-configured to the customer's specs. The customer has visibility into the entire process. The Dealer installs and integrates the systems at the customer's premises. Deliveries are fast. Configurations are accurate. Everyone wins. On the consumer side of the equation, watch HP and Best Buy. This manufacturer and retailer combination are tightly integrating their supply chains

² Customer ScenarioSM Design is a Service Mark of the Patricia Seybold Group.

and their key customer scenarios (e.g., service, supplies, and handling returns).

- **Let Customers Drive Cross-Product Line Integration.** At Fidelity, there had been a Chinese Wall between the giant retail division and the institutional division. One sold to and serviced individuals and their households; the other supported corporate HR and benefits' buyers. However, often, the end-customer is the same. A person who had a Fidelity 401K plan through his company was also likely to have a retail account with Fidelity. In fact, employees have been demanding better self-service and tighter integration. The result for Fidelity is a now-seamless Web environment for both retail and corporate accounts. Customers gain because they have the same user interface, log-ins, and a complete picture of their accounts. Fidelity gains because it is leveraging much of the same Web infrastructure across both divisions.
- **Let Customers Custom-Configure Their Own Products and Services.** We all know that the migration of "build-to-order" is rolling from the computer industry to the apparel industry all the way to consumer packaged goods. We can already design our own custom breakfast cereal online. The ramifications of custom-configured products are enormous. However, to enable this build-to-order capability your firm has to move to lean manufacturing practices. That impacts your in-house and outsourced product design, manufacturing, and supply chain.
- **Measure and Reward Based On What Matters to Customers.** As you're undergoing this infrastructure transformation, you'll also find that you need to put new customer metrics in

place. In addition to measuring revenues and profits by product line, you now need to measure profitability by customer segment. That means knowing your costs-to-serve and your costs-to-deliver for each customer segment, each interaction touchpoint, and for most of the activities that impact customers. At the same time, you'll want to monitor very carefully the "moments of truth" in your dealings with customers. For each key customer scenario, there are usually two to three key business events that will make or break the quality of the customer experience. These are the points you want to instrument and monitor very carefully. Finally, you need to reset your corporate compensation structure so that you're rewarding employees based on the quality of the customer experience and its link to customer profitability.

Let Customer-Driven Business Processes Re-Focus Your Organization

You can see that customer-driven business processes are already rippling through many businesses and transforming them dramatically from the inside out. This is a not "just CRM." It's far more profound and impactful. Today's leading companies are redesigning themselves from the outside in. While many of these initiatives I've described started with the Web and with customer self-service, the customer ripple effect has actually impacted these companies' entire business structures. You may be able to move more quickly on the Web side of the business, but in order for true customer-driven transformation to take hold, what you learn from your e-business needs to be used to transform and streamline your entire business.