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Building a Sustainable E-Business CRM Strategy

The key is not just the Web -- it's the enterprise. While the ability to interact and dialogue with customers on the Web is still in its infancy, formulating the right back-end integration strategy for e-business solutions is the key to successful CRM.

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No one in business today can afford to ignore the explosive growth of e-business. Fueled by the Internet, e-business has reached the "critical mass" of overwhelming acceptance by both business and consumers within a much shorter timeframe than other life-changing technologies such as the telephone, television and even the PC itself.

In 1997, e-business transactions totaled over \$1 billion. According to Forrester Research, that number is expected to reach \$1.3 trillion by 2003, with business-to-business (B2B) e-business outpacing business-to-consumer (B2C) by a factor of ten, to represent 9 percent of all U.S. business trade. IDC, another research firm, predicts that 510 million people on the planet will be online by the same year.

E-business is opening the door to unprecedented opportunities for building sales and increasing revenue streams by expanding geographic scope, reducing operating costs, improving procurement, productivity and supply chain efficiency. However, many articles in the business press imply that implementing a Web site is the "silver bullet" that can propel a company into new-found prosperity and success. This is not true -- e-business is a lot more complex than that.

The Changing Business Model

To be successful at e-business and Customer Relationship Management, companies have to rethink, at the most basic level, how they do business, how they bring products to market, and how they serve their customers. Their business model has to evolve from production-centric to customer-centric. As products have become more commoditized and pricing differences more slight, the great differentiator today is delivering customer value. Perceived value is what leads to increased loyalty, sales and retention rates.

A recent IBM ad notes: "It costs six times more to acquire a new customer than to keep an existing one." We know how to get new customers. The question is: How do you keep existing customers coming back, year after year? The answer is by giving them what they want. Whether B2B or B2C, most manufacturing and service companies today rank improved customer service among their top three priorities. However, in order to know what customers want and what they value most, companies have to find ways to get closer to them. Occasional focus groups, quarterly meetings, customer surveys and direct mailings simply won't suffice.

Rushing to implement a Web site is not the solution either. Too many organizations take a "Build it and they will come" attitude. This is a common mistake that may do more harm than good to your customer relationships. According to Gartner Group, more than 55 percent of organizations pursuing the allure of the Internet miss the mark dramatically. Their Web pages are static and non-functional and have limited online business capability, giving first-time visitors no reason to return.

What customer-centric companies need is a well-planned, integrated e-business strategy that takes into account both customer needs and corporate business objectives. Only by combining the two can companies reach their objectives of more satisfied customers, increased sales and new revenue streams. These are the goals of Customer Relationship Management in the electronic age.

The Electronic Customer Relationship

Customer Relationship Management is hardly a new concept. Good businesses have been practicing it for centuries - remembering customers' names and family information, monitoring buying patterns and preferences, and promoting new business using this information. The difference today is electronic technology which has increased both the speed and the volume of information exponentially. However,

customers are still customers and the key word in CRM is "relationship." The media we use to reach and serve customers today may include a brick-and-mortar enterprise as well as various kinds electronic interaction - such as email, Web site FAQs, self-help applications, remote help centers for sales and after-sale support, and inbound and outbound call centers for telemarketing, technical support and service. More than ever, this abundance of choices puts customers clearly in control.

Customers today want 24x7 accessibility to your products, removal of geographic boundaries, easy ordering, timely delivery and responsive service. If you don't deliver, they are just a mouse-click away from your competition. Yet, in research conducted by Internet and e-business analyst Jupiter Communications, up to 42 percent of top-ranked Web sites took longer than five days to respond to a customer inquiry, did not accept email, or never responded at all. Something is wrong with this picture.

CRM is fast becoming a market imperative. As e-business grows, so does the sense of urgency -- especially in industries where established businesses are waking up to find their market share being eroded by dot.com upstarts. CEOs are losing sleep wondering whether there's a drugstore.com or Amazon.com lurking in their market space.

Correctly gauging the potential of the electronic marketplace, a number of "early adopters" devised e-business and customer relationship strategies that were tightly linked to their core businesses. To grow their customer base and serve existing customers better, they implemented more than just a glamorous Web presence. Networking industry giant Cisco Systems, for example, began its B2B Web initiative in 1994 by introducing customers to the idea of online technical support. As inquiries mounted, the company introduced the FAQ site to address common problems and questions. Now 79 percent of Cisco's tech support is handled via the Internet and customers can also configure their networking products and make purchases online.

On the consumer side, Amazon.com is still a classic case of being first to the e-market with a commodity product (i.e. books and music CDs) backed up by highly personalized service. When was the last time your local book chain recommended a new release based on your interests and past purchases? Amazon does it all the time and customers keep coming back. Now that the company plans to significantly expand its product categories, it remains to be seen whether this level of personalized

service can be sustained. However, what these two companies share in common in their e-business success is a comprehensive plan tied closely to their core marketing strategies and business goals.

Linking E-Business CRM To The Top and Bottom Line

It has been proven that Web site functionality and integration strengthens e-business initiatives. Static Web sites do very little for a business. To get close to customers, whether consumers or other businesses, you need a fully transactional Web site that provides key links to your company's ERP, supply chain, sales and marketing, logistics and other mainstay legacy systems.

Organizations that neglect to integrate e-business solutions with back-end systems run the risk of the "silo" effect. A silo is a standalone application that does not relate to the enterprise as a whole. In silo applications, the focus is on the enabling solution -- such as the storefront, catalog, order entry, payment and customer service -- instead of on the business impact and ROI. Highly visible front-office applications require considerable investment of time, money and resources. Doesn't it make sense for them to deliver a return? Silo applications can also lead to redundant data entry and/or loss of response time.

These are just a few of the pitfalls of non-integration. Companies diving into e-business hastily because their competitors have, often do not realize that they lack the infrastructure to support CRM applications. If the front- and back-office systems are not linked, how is the company going to deliver product or services to customers? When orders, help requests or inquiries come in over the Web site, where will they go? Where will qualified leads be sent? How will you deal with an unexpected surge in orders? These are just a few of the issues that must be resolved before launching an e-business-based CRM application.

Well-planned and well-executed electronic CRM solutions can have a significant long-term impact on both the bottom line (e.g. reducing administrative and customer support costs, speeding up order to deliver cycles for faster, better customer service and more turns), as well as on the top line (e.g. increasing the dollar value of existing customers, increasing sales and profitability). The important thing is to do it right.

Integrating E-Business and CRM Into the Enterprise System

One of the greatest benefits of integrating front-end CRM solutions with back-office business processes is improved business intelligence (BI). In doing so, data can be captured at every point of customer contact from order entry to fulfillment -- whether that contact is by telephone, fax, call center, or Web site. Using data warehousing and online analysis tools, companies can transform this raw data into valuable information to help them increase competitiveness in their market space.

For most lasting effect, the e-business vision should be long-term. Once the e-business vision has been formulated, incremental steps can be taken to bring the vision to reality. It is important to link your corporate and customer service objectives to technical realities that affect not just the Web site, but the entire enterprise. By linking key front-end CRM applications with critical back-end components of the enterprise application -- such as order entry, logistics, execution, business intelligence, sales, marketing and finance -- the value of the CRM solution is multiplied tremendously. The key here is to focus not on quick profits and one-time customers, but on taking good care of existing customers by being more responsive to their needs.

Enterprise Portal Technology - An Innovative Gateway

Enterprise "portals" are becoming a popular vehicle for effectively handling information glut and disseminating information to wherever it is needed, while enabling a wide array of customer-driven strategies. The enterprise portal involves an Internet framework as a platform for Web-based CRM. Enhancements can include personalization, fast and easy product configuration, speedy and secure customer transactions, remote help centers and more.

CRM portals should provide broad functionality for marketing, sales and service users, in addition to other front-office applications and relevant Internet content through a single, personalized interface. The portal solution should also be flexible and fully scalable to meet current and future needs. Content might include market research, customer information, sales coaching, and competitive research, as well as productivity tools such as Web collaboration and presentation tools, pricing and commission information, and expense reporting. In short, a well-designed enterprise portal gives users what they need, when they need it. And, because they can personalize the interface to their own use and purposes,

front-office workers can become more productive, more efficient, and more responsive to customer needs.

According to industry analysts, extended enterprise systems are the wave of the future. Where once the ERP system served only for internal "command and control," it has now become the essential backbone for customer-facing solutions that can help a company improve its competitive stance. Those organizations that keep their focus firmly on the enterprise and the customer as they evaluate and integrate end-to-end technology solutions will experience lower risk, better results, and faster implementation and ROI.

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