

Customer Management: The Key Differentiator

By Bert Latamore

As the voice marketplace commoditizes and competition to wireline service from cable carriers, cellular providers and, particularly, cut-rate Internet-based services such as Skype, grows, voice carriers worldwide will be hard pressed to find the differentiation they will need to hold their customer base. New services may help in the short term, but any successful service, such as high speed Internet access, will quickly become commoditized itself as it is duplicated by the competition.

Experience in other industries shows that competition becomes focused on two areas: price and customer service. Price wars are devastating to all participants — witness the airline industry with its constant bankruptcies and the disappearance of long-established players. The losers disappear, and the winners end up surviving on razor-thin margins.

Managing Customers to Maximize Success

As the market commoditizes, therefore, customer service becomes a key differentiator, and can allow a competitor to survive and prosper against lower priced options. The voice carrier industry witnessed one of the strongest demonstrations of the importance of customer management earlier this decade when AT&T Wireless imploded after a custom-built customer relationship management (CRM) solution failed. For six months it bled customers, reducing it from a market leader to a second-tier player and acquisition candidate.

Ideally, every interaction with every client should be driven by corporate strategy and that customer's value to the organization. Every time a sales or service representative answers a client or prospect call, e-mail or IM, he should know into what tier — gold, silver or bronze — that client fits, what recent interactions that client has had with the enterprise, and why that customer may be calling.

This functionality is within the capabilities of the present generation of customer relationship management (CRM) products from industry leaders such as Siebel, SAP, and Oracle. However, according to BearingPoint, Inc. Managing Director Tom Johnson, several widespread problems have prevented these practices from becoming industry standards. Among these are:

- A lack of defined, repeatable customer experience scenarios based on customer lifetime value (CLV) or persona. This leads to a one-size-fits-all approach.
- Failure to listen to customer preferences on cost versus service and what form that service should take.
- Loss of control of the customer experience through outsourcing major points of interaction such as retail or the contact center.
- Industry consolidation that leaves the survivors with multiple, incompatible systems.

- Failure to manage customer expectations. For instance, if the support center is not equipped to handle e-mails or IMs in a timely manner and integrate them with phone conversations, the organization should not provide e-mail links to service on its Web site.

Focus on Service Excellence

The keys to strong customer service are an enterprise-wide, consistent focus on service excellence that comes from the highest levels of corporate management and is backed with financial investment, supported by a strong CRM solution. Fortunately, today sophisticated CRM solutions are available in the marketplace, eliminating the need to gamble on untested, custom-written software. The CRM marketplace is experiencing a dual evolution. Experts agree that the sale of Siebel Systems, long one of the leaders in the development of complete CRM solutions, marks the end of the stand-alone CRM marketplace. Smaller CRM vendors are rapidly disappearing, many snapped up by larger business systems vendors, while others, such as SAP, are developing their own integrated CRM modules in-house. Enterprises will look to their accounting, ERP, or other central business systems vendor for the functionality they need to support their customer service initiatives.

Customer Experience Management

Simultaneously, CRM is evolving to the next level, customer experience management (CEM), which Johnson terms, "...the final shift from art to science."

Seen as the key to targeted customer retention, the CEM vision is consistent customer experience across all channels from advertising through sales and support. "If your brand's message is cheap and fast, then you need to be cheap and fast all the time, in every interaction with every customer," says Woody (Woodruff) Driggs, managing partner of operational CRM at Accenture. "If you are high-end, you need to always be high-end."

CEM is not simply a technology. It must be a corporate-wide management initiative to break down the silo walls that still divide many organizations. "CEM starts by getting everyone important to the customer experience into one room," says Driggs. "Often this is the first time the key people from marketing, advertising, sales, and service have talked to each other about what the customer experience should be."

The result often is that customers receive contradictory messages. "Marketing may be promising service," Driggs says. "But service got a cost-cutting message two years ago and now puts everyone into call-waiting hell."

Making matters worse, enterprises often installed their ERP and CRM applications along those silo lines, so that the corporate Web site, sales force effectiveness, customer relationships, and fulfillment are tracked by different technologies. Instead of a closed loop, customer management is fragmented and much of the investment

made in securing customers is wasted when they do not receive the promised experience and take their business elsewhere.

Standardization on an enterprise-wide CEM solution is a necessary requirement of successful service delivery. However, by itself it is not sufficient to guarantee success. "People expect too much from these *verticalized* versions of CRM and ERP products," says Current Analysis Inc. Senior Analyst Ian Jacobs. Customers expect these products to impose sophisticated processes out of the box, but all they have are templates providing terms commonly used in the particular industry and tools for building custom workflows. The carrier must customize those workflows and business rules based on its unique business strategy.

For instance, all companies want to retain customers, but not all customers have equal value. CEM allows management to define how they want to measure customer value, weighing such considerations as current customer spending, anticipated future spending, the potential for word-of-mouth recommendations, etc. Is the customer who spends more today more important than the customer with several children who may become customers for music and video download services in a few years? The answer depends on the carrier's business strategy and will vary from company to company. These questions need to be answered by senior management and the resulting business rules enforced consistently across the enterprise.

Can it be done? Certainly. The past master of customer service management, McDonalds, created a consistent customer experience across thousands of franchises in virtually every country in the world before the term CRM had been invented. Wal-Mart broke down all the silo walls in its organization and built a totally integrated, highly efficient, integrated company that used the efficiencies it gained to take over and revolutionize retailing in the US. These companies used advanced technology, but their key to success was vision, leadership and enforcement from the top of the company.

Ultimately, says Jacobs, "Technology is a tool, not the solution. Organizations without strong corporate policies based on an enterprise-wide vision and unified strategy will be in trouble."