
Transactions to Trust : The New Era of Customer Relationship

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Organizations have the opportunity to develop more significant customer relationships by embracing social media technologies at the core of their customer management processes and technologies.

Executive Summary

Customer Relationship Management (CRM) tools today often ignore the very core of customer management success: the relationship. Current CRM efforts could be better described as CTM: customer transaction management. With CTM, companies interact with customers in a narrow, highly prescribed way that focuses primarily on the exchange of data, not the interaction with customers.

Unfortunately, few companies see both the need and a path to adjust their strategies and technologies to improve customer interactions, foster deeper relationships and build brand loyalty. And, they fail to appreciate the opportunity to do so when the technology exists to fundamentally change the nature and quality of customer relationships.

Avanade's vision for customer relationship management involves establishing a deeper relationship between companies and their customers that empowers the customer in new ways. This pushes both parties to a more rewarding level of engagement. That vision is stronger today than ever before with the emergence of new technologies: social media, service oriented architecture (SOA), and voice over IP. Making this happen requires change—whether in the contact

center, the online sales process, or in other marketing channels. Emphasizing the “relationship” aspect in CRM requires a new way of thinking. This requires a commitment from organizations to become more open and transparent to their customers. It means giving customers an independent voice in the relationship. It requires adopting new technologies to enable a richer interaction that goes beyond transactions—including technologies that many employees already exploit on their home computers. It involves expanding definitions of success to include the qualitative customer experience as well as presents privacy and security issues.

All these changes emphasize that the time is now for businesses to adopt new strategies and technologies to improve customer relationships. This paper addresses the opportunities and challenges presented by this shift. It also provides a framework to help enterprises move down this path.

The Current Landscape

Customer loyalty remains one of the holy grails of business. It is the key to lower customer acquisition costs and improved customer retention. It is also a driver of increased profitability as loyal customers increase their spending.

Attracting and retaining new customers is the No. 2 business priority in 2008, according to a survey of chief information officers (CIOs) worldwide by a leading market research company. The survey also showed that investments in business intelligence, CRM, enterprise resource planning and other enterprise applications rank as the first and second technology priorities.

Of course, the impact of customer loyalty on business growth is a strong motivator behind continued investment in CRM and business intelligence technologies. It becomes particularly important as

market globalization expands customer choice and intensifies the competition facing organizations.

Access to technology as it evolves serves as another factor for the continued investment in CRM. Earlier generations of customer applications and business intelligence systems proved highly complex. They were difficult to integrate and not intuitive.

Newer technologies are designed for simplicity and ease-of-use. They are more straightforward in their integration with other enterprise applications. These improvements help address low user-adoption rates and disconnected business processes.

Yet, even with these and other advances, it's unlikely that enterprises will achieve their goals for establishing customer relationships and loyalty if they follow the approaches behind many customer-centric initiatives to date.

Consider some of the sought-after benefits of CRM and customer-centric initiatives using today's approaches:

- ▶ Maximizing sales effectiveness in real-time by accelerating the quote-to-cash process;
- ▶ Increasing pipeline and win rates;
- ▶ Raising average transaction values;
- ▶ Reducing the cost of customer service, returns and warranty claim processing;
- ▶ Empowering employees to record interactions with customers, anytime and anywhere;
- ▶ Streamlining business processes across customer touch points.

While these are important capabilities for any business, they have very little to do with relationships. Rather, these benefits are about transactions - processes, data, efficiency and cost. Despite the move to multi-channel

views of customers or holistic CRM strategies, today's CRM systems are missing the "relationship" element.

A true customer "relationship" should have some of the same qualities as a personal relationship. It should include giving each party a voice to fully express needs and preferences. This interaction should be in a flexible and fluid context that allows for structured and unstructured communication.

However, today's CRM technology gives the customer little ability to initiate interactions outside of the structure defined by the organization. It fails to allow individuals to voice his or her unique needs and preferences.

With this approach, the "relationship" becomes little more than a set of processes and transactions defined and measured from the organization's perspective. Additionally, the applications used are focused on internal processes, back-end integration, efficiency, cost savings and communication behind the firewall. This creates a significant numbers of detractors among customers, rather than promoters. And it fails to achieve the growth promised by CRM solutions.

Drivers for Change

The emergence of social media, or Web 2.0, technologies offers people a host of new applications. They include such vehicles as blogs, and social networking sites like Facebook, LinkedIn and wikis, for example. These applications are intuitive and easy-to-use. They support self-expression, interaction and collaboration in ways that are proving natural and comfortable.

According to a survey by a leading industry research company, 22 percent of adults now read blogs at least monthly. And, 19 percent are members of a social networking site like Facebook or LinkedIn. As the survey

notes, "these new technology and social changes are transforming the way all businesses operate, create products and relate to customers."

Today's knowledge workers—especially younger workers—expect these same technologies in their workplace. They already use them in their home and academic environments. They also expect and embrace technology improvements, upgrades and refreshes at a more rapid pace. In years past, the workplace was often the most technically advanced environment workers saw in their daily lives. But companies, with three to five year refresh cycles for hardware and tight IT budgets, often offer technology that is a generation or more behind what employees now have at home. This creates an environment where user adoption is at even greater risk when applications don't meet user expectations for ease of use and performance.

These technologies change the way customers relate to companies and each other. A growing number of consumers use the freedom provided by Web 2.0 technologies to express both their satisfaction and frustration with products, customer service and their experiences. Social media tools and easily established Web sites have empowered discontented consumers to create destinations for like-minded customers.

Getting Started with Social Media Technologies

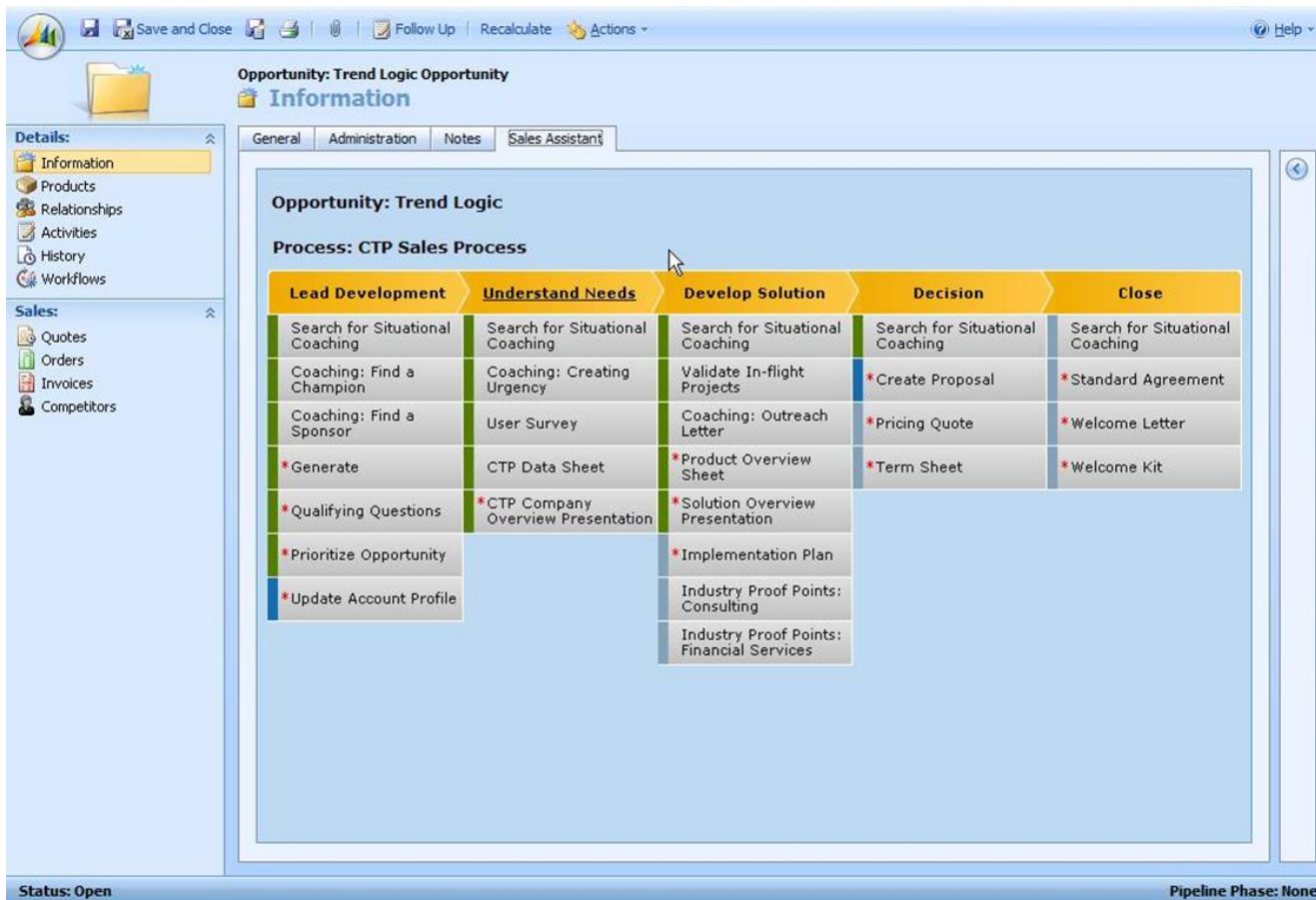
Today's technically savvy customers expect a richer approach to service than they've been receiving. Many progressive companies are responding to this expectation. According to an industry research firm, nearly 25 percent of companies in a survey cite implementing Web 2.0 technologies as a priority for 2008.

A first step for companies is to develop an understanding of the issues and benefits to Web 2.0 technologies. They need to identify an existing process that can benefit from an aspect of the technology, like continuous collaboration capabilities.

For example, an organization can enable collaboration among employees around the globe on behalf of customers. It can do so by introducing business networking capabilities into the sales function. In one scenario, a sales executive seeking advice about current or prospective customers could use this technology to immediately access the entire network across the organization and beyond to identify contacts with relevant relationships and/or expertise to bring to bear.

Avanade has developed this capability into its Sales Performance Workbench to encourage collaboration in a natural manner. The Sales Performance Workbench (see Figure 1) provides this capability from within the application that the sales professional is already working (in this case, Microsoft Office Outlook), eliminating the need to exit one application and use separate networking or collaboration software. This illustrates the optimum way that Web 2.0 tools can be deployed to create business benefits while preserving the user experience and allowing people to do their work in a natural way.

Figure 1



The Broader Business Opportunity

Businesses can apply Web 2.0 social networking and related technologies beyond the scenario described above to a variety of CRM-related situations. They include customer contact centers, online marketing and direct sales.

Today's contact centers give customers little voice in how they will be helped, even for the most highly-valued customers. Callers find themselves routed through a voice response system to a queue for their particular problem or query. They have little or no way to express their preferences or impact how they are serviced. That doesn't have to be the case.

For example, what if customers could view the profiles of an organization's customer service representatives and ratings from other customers? Imagine if they could choose a representative based on a profile, taking into consideration the "wait time" involved. Customers could make informed choices about whether to be served by the next available service agent. Or, they could choose to wait for a particular agent with favorable survey ratings for, or expertise in, resolving problems like theirs.

Giving preferred customers this type of information, along with the ability to act on it across multiple contact channels such as phone, email, web and chat, empowers them to contribute to the development of a more advanced, valued relationship.

By empowering customers to make these choices, they are learning about their options. Then they get to make the choice about how to best meet their needs. The company no longer dictates to customers how it will serve them. Nor is it solely responsible for trying to guess how to best serve its customers' needs.

The customer's choice enables an aspect of shared responsibility for the outcome – a key tenant in forming

the basis of a more substantial relationship. As companies adopt this holistic approach to customer relationship, the entire sales lifecycle—and not just after-sales support—will provide this level of customization.

This approach contrasts sharply with the common customer service model today, which focuses on maximum throughput and minimum customer touch. But where, in that model, is the value of the relationship with the customer? An organization that focuses solely on throughput might gain efficiencies. But, it will lose the bigger battle as it loses relationships with its best customers. This Web 2.0 approach can also reduce costs for a company as customers can categorize and shift less urgent queries to a later time. This reduces the burden of responding to every contact as soon as possible.

Web 2.0 technologies aren't just for customer contact centers, either. Sales executives can take advantage of them to maintain relationships with their customers, even during periods when those customers aren't making purchases.

In many industries, customers buy from a salesperson at least in part because they have an established, trusting relationship with that person. So, the more relationships of that type a salesperson can maintain, the more successful that salesperson will be. Traditionally, maintaining those relationships has been an expensive and time-consuming matter of staying in touch with customers even when they're not ready to buy anything. Beyond direct costs from interacting with such customers, salespeople and their companies also incur costs from taking time away from potential sales.

Social media technology can improve efficiency by enabling salespeople to establish and maintain customer relationships without having to get on a plane or drive across town. Social networking allows sales people to

find points of commonality with their customers and prospects. They may have mutual acquaintances. Maybe they went to the same schools. Or they share common interests. All that makes the salesperson-customer relationship meaningful even when there is no pending sales transaction.

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Challenges and Implications

The opportunities that Web 2.0 technologies provide in changing the rules of engagement with customers are tremendous. However, risks do exist.

When a customer enters into a deeper relationship with a company through Web-based technologies, the company must address potential breaches of privacy of the customer and security of the organization.

Additionally, greater transparency in relationships can require closer management of how the company is represented. Greater interpersonal interaction across channels may create greater potential for criticism.

However, companies can maximize the value and minimize the risk of adopting social networking and other Web 2.0 technologies in their customer relationship programs. For example, companies can begin by adopting these technologies behind the firewall, with employees or other internal audiences. Then they can extend them to customers –after the companies have had the chance to fully evaluate potential benefits and risks. Companies also can adopt a partial or phased

approach in extending Web 2.0 technologies to customers, starting with their best customers, or a highly targeted customer segment first.

Finally, it's important for a company to adopt measurable goals for these initiatives. Then they can create a baseline against which to measure progress toward those goals. However, Web 2.0 technologies can challenge traditional metrics used in contact center management. So, new metrics should be carefully considered, taking into account key stakeholders such as the legal and human resources departments. Also, given that the goal is to empower the customer, key customers should be invited to contribute their perspectives as well.

Actively engaging customers in the service process and how they interact with companies is increasingly important, whether it involves metrics, communication or outcomes. With emergence of new social media technologies, businesses need to find ways to use them to shift the focus from managing transactions to building deeper relationships. Customers want, and in the future may demand, Web 2.0 technologies that engage them as partners in the business transaction. The evolution of social media empowers customers to create a deeper relationship with the companies with which they do business.

Companies seeking to create longer term, profitable customer relationships must take action now to reach customers not only with the way they interact with friends, family, colleagues and companies today, but with tools that they will employ in the future to maintain those relationships. Put another way, companies need to focus on the centerpiece of CRM: relationship.

Companies must learn how customers want to interact and connect with a business, and provide the tools to accommodate those preferences. Relationships succeed

technologically the same way relationships succeed personally. They both require trust, transparency and participation.

Avanade believes the opportunities provided by social media technologies promise a new era of company-customer connection. Risks exist. But, the risk of ignoring new relationships emerging as a result of social media far outweighs the risk of continuing business as usual.

At Avanade, we envision scenarios that make the word “relationship” the crucial linchpin between “customer” and “management.” We’re dedicated to developing and providing the business and technology expertise needed to help make CRM a solution of the future where customers and companies can form profitable relationships.

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Avanade is a global IT consultancy dedicated to using the Microsoft platform to help enterprises achieve profitable growth. Through proven solutions that extend Microsoft technologies, Avanade helps enterprises increase revenue, reduce costs and reinvest in innovation to gain competitive advantage. Avanade consultants deliver value according to each customer’s requirements, timeline and budget by combining insight, innovation and the talent of our global workforce. Founded in 2000 by Accenture and Microsoft, Avanade has more than 8,000 professionals serving customers in 22 countries worldwide.

For more information on Avanade’s CRM expertise and findings from the recent “CRM and Social Media” survey, please visit www.avanadeadvisor.com/CRMSocialmedia.