

## **Business Strategies for Accelerating Growth:**

The Value of Making Better Decisions Through CRM

**SIEBEL**  
**CRM** OnDemand

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## Introduction

Today's leading organizations are accelerating the pace and enhancing the effectiveness of decision-making with help from their information systems, resulting in improved bottom-line performance and a redefinition of competitive landscapes across industries.

Customer relationship management, or CRM, supports strategic and tactical decision-making by providing not only an integrated, real-time view of customers, partners, and employees and their interactions across marketing, sales, and service functions, but also a deep, real-time insight into customer-focused operations.

CRM makes this current, relevant information and insight available to employees and partners throughout the organizational ecosystem, from the front line to the executive office. Increasingly, advanced CRM capabilities are also being extended to small and medium-sized businesses, through hosted offerings designed to enable rapid deployment to smaller user groups. In both cases, CRM provides decision-makers with critical and actionable analytics to facilitate better decisions regarding the strategies they pursue, the customers they target, the products and services they provide, the channels through which they interact, and their internal goal setting and skill management.

Across a wide range of industries and geographies, CRM users have improved decision-making in these areas to realize significant business benefits, including increased revenue; reduced risk and costs; and improved customer, partner, and employee satisfaction.

This paper explains how leading firms are deploying CRM today to realize such benefits and outlines specific requirements and approaches for using CRM to enhance the effectiveness of business decisions.

*“...The substantial improvement in the access of business decision-makers to real-time information has played a key role...” in keeping the economy in a milder recession and allowing for a quicker comeback.<sup>1</sup>*

—Alan Greenspan, Federal Reserve  
Chairman, February 27, 2002

<sup>1</sup> Testimony of Chairman Alan Greenspan, Federal Reserve Board's semiannual monetary policy report to Congress, before the Committee on Financial Services, U.S. House of Representatives, February 27, 2002.

## Benefits of Making Better Decisions

*“Profitability analysis by product, channel, and customer is an essential part of the planning process to make decisions regarding resource allocation, product development, and for identifying pockets of opportunity.”<sup>2</sup>*

—Gartner Group

CRM helps organizations make better decisions regarding which customers to focus on, when and how to interact with them, and which products and services to deliver. The information captured by CRM systems combined with real-time analytics can provide deep and meaningful insight into customer-focused operations—insight that is critical for developing business strategies, planning operations, and aligning employee efforts and support with these strategies.

Specifically, organizations can employ CRM to make more effective decisions in five primary areas:

- **Strategy and planning**—By facilitating the development and maintenance of a comprehensive CRM strategy and planning and managing overall business operations based on timely, accurate forecasts of true market demand and risk
- **Customers**—By identifying the most valuable customers and better understanding their wants, needs, and buying behavior
- **Products and services**—By evaluating and investing in new products and services based on a detailed understanding of customer preferences and behavior and improving the efficiency and consistency of product and service delivery
- **Channels**—By matching investments in channels with the needs and value of particular customer segments and managing interactions across all channels based on a shared, holistic view of customers and segments
- **Employees**—By aligning employee efforts with organizational goals and proactively managing employee skills, training, and support needs

The remainder of this section discusses key decisions that organizations must make explicitly or implicitly in each of these areas, describes the information and analytical capabilities required to make better decisions, and outlines the business benefits of doing so.

<sup>2</sup> “Analytic Cycle: CRM Starts and Ends with Data Analysis,” K. Collins, Gartner Group Research Note, October 11, 2001.

### Strategy and Planning

Organizational decision-making begins with formulating strategies and then continues with planning and managing operations to realize them most efficiently and effectively. If strategy is about optimal allocation of limited resources to maximize returns, then a structured, insight-driven approach to strategic planning can result in optimal investment decisions that increase revenues, lower costs, and maximize profitability. Further, an analytical approach to strategic planning is not just for large global corporations. Any organization, regardless of size, can benefit from improved tools and information to drive planning and execution. After all, the business problems faced by smaller, rapidly growing businesses are often every bit as complex as those faced by larger corporations.

Decisions	Information Requirements	Benefits*		
		Revenue Enhancement	Cost Reduction	Quality Improvement
<p><i>What should my strategy be for managing customer relationships?</i></p> <p><i>How should I plan to deploy resources now and over the next several years to meet the changing needs of my customers?</i></p> <p><i>Where should I focus to help meet this quarter's revenue, operational, and profit goals?</i></p> <p><i>How do I better align production levels with product demand?</i></p>	<ul style="list-style-type: none"> <li>Actionable insight into employee, customer, and channel performance data and long-term trends</li> <li>An accurate, real-time, organization-wide understanding of current goal and target attainment</li> </ul>	<ul style="list-style-type: none"> <li>Increase selling time by up to 10 percent due to reduced forecasting administration</li> </ul>	<ul style="list-style-type: none"> <li>Reduce inventory carrying costs by up to 30+ percent</li> </ul>	<ul style="list-style-type: none"> <li>Improve forecast accuracy by up to 35 percent</li> <li>Reduce the frequency and risk of bad decisions, whose consequences can prove to be catastrophic</li> </ul>

\*Benefits information is obtained from Siebel customers, Siebel research, and third-party sources.

### The Cost of Bad Decisions

Recent business history provides many examples of the cost of bad business decisions. One of the more remarkable examples of this is the collapse of insurance and finance firm Consec. Burdened by \$6.5 billion in debt resulting from an acquisition spree in the late 1990s, Consec filed bankruptcy in December of 2002, the third largest in corporate bankruptcy history.

Consec's failure was precipitated largely by acquisitions such as that of Green Tree Financial for \$6.7 billion in 1998. Consec's acquisition strategy incorrectly estimated the risks associated with assuming such a large debt burden for a portfolio of high-risk loans, including those made to low-income trailer home owners.

The bad decision-making in this case does not end with Consec's strategic decision to borrow heavily to acquire firms such as Green Tree, however. The acquired firms themselves made poor operational decisions in executing their own strategies that led to the collapse of their loan portfolios, including extending the length of trailer home loans from 15 to 30 years and leaving borrowers "upside down" as their debt quickly exceeded the value of these temporary structures.<sup>3</sup>

Consec and Green Tree are not alone in the ranks of those who have made bad business decisions. Indeed, recent research suggests that about half of all business decisions end in failure, including a lack of implementation or later reversal. "Vast sums of money are spent to make decisions that realize no ultimate value for the organization," notes Paul Nutt, author of this research and professor of management at Ohio State University's Fisher College of Business. "Managers make the same mistakes over and over again as they make decisions."<sup>4</sup>

#### *CRM's Role in Strategy Development*

Siebel Systems has identified five key components of a successful CRM initiative:<sup>5</sup>

- Effective customer segmentation
- Integrated multichannel strategy
- Well-defined business processes
- The right skill sets and mindsets
- The right technology

As successful organizations develop and implement comprehensive CRM strategies based on these five components, they make critical decisions regarding how they will interact with customers, partners, and employees and also determine the appropriate people, process, and technology changes necessary to support their objectives.

As described in the "Customers" section of this document, CRM facilitates the identification, detailed description, and valuation of customer segments. Likewise, CRM provides the insight into channel performance required to integrate and optimize customer experience through consistent interactions across distribution channels.

<sup>3</sup> "Trailer Home Sales Collapse, Repossessions Soar," [www.consumeraffairs.com](http://www.consumeraffairs.com), November 25, 2001.

<sup>4</sup> "Half of Business Decisions Fail Because of Management Blunders, New Study Finds," [www.newswise.com](http://www.newswise.com), July 2002.

<sup>5</sup> "Why CRM? The Business Case for Customer Relationship Management," Siebel Systems, Inc. white paper, November 2001.

Meanwhile, state-of-the-art CRM applications now offer prebuilt, end-to-end support for industry-specific business processes spanning internal and external organizations and seamlessly integrate data from enterprise and legacy applications both within and outside of the firewall. Leading CRM vendors and systems integrators are also codifying their thought leadership into high-impact product and service offerings to ensure that change management efforts drive adoption of the right skill sets and mindsets among key user groups.

As a final piece of the puzzle, the right CRM technology offering robust functionality and global deployability is available to maximize the value of decision-making processes, as described in the How to Make Better Decisions with CRM section of this document.

#### *CRM's Role in Planning*

The application of now widely accepted CRM principles and best practices provides the clear understanding of current and past performance results required to plan and manage business operations in support of an organization's defined strategies. Whether choosing where to focus short-term selling activities, determining where and how much to invest in long-term production capacity, or giving guidance to the financial community, managers require accurate, real-time quantitative information on actual performance versus targets and forecasts.

CRM offers the ability to track actual performance versus targets and assess root causes for variance over short- and long-term time periods. In the short term, for example, CRM allows managers to understand sales performance against forecasts by region, customer, product, channel, and other variables. In the long term, CRM enables decision-makers to identify risk areas in time to implement action plans to address changing market conditions, customer preferences, competitive threats and widespread economic cycles.

Improved intra-period performance tracking also enables more efficient management of high-turnover resources required to satisfy customer demand in the short term. By better understanding short-term trends in demand across the markets in which they operate, organizations can minimize the levels and cost associated with carrying excess inventory, for example, while also protecting against the lost sales and customer dissatisfaction associated with unplanned stockouts.

Organizations and executives can also maintain credibility in financial communities by managing the expectations of investors and analysts more accurately and informing interested parties of any potential shortfalls versus targets in a timely fashion.

*“In the absence of an accurate, collaborative forecasting process, an enterprise is ‘driving blind,’ making customer commitments (and often stock market predictions).”<sup>6</sup>*

—Gartner Group

<sup>6</sup> “In Search of One Number Forecasting,” Gartner Group Research Note, January 23, 2001.

Organizations must also make a variety of key planning decisions to implement their long-term strategies and manage investments in staffing, facilities, production capacity, and other relatively fixed assets accordingly. Such planning and investment must occur well in advance of when such assets are needed in order to ensure their availability and allow sufficient time for effective deployment. Even small amounts of over-investment in these assets can turn bottom-line profits into losses, while hurried investment or under-investment can critically impair an organization's competitiveness.

Honeywell Aerospace, the \$10 billion aerospace division of Honeywell, was perceived by customers as difficult and confusing to conduct business with: Customers viewed Honeywell as 16 disconnected businesses. Unable to see a "customer scorecard" of sales, service, and satisfaction to drive improvements in operational processes, executive management struggled with a lack of insight and intelligence from customer data. Management analysis and reporting required significant manual processing, which not only demanded significant time and resources, but also produced decisions based on stale, often irrelevant data.

To increase planning and decision-making effectiveness, Honeywell Aerospace embarked on a program to enhance its CRM system with comprehensive analytics capabilities. The eventual goal was to provide business intelligence to users at all levels in the organization—from executive management and sales personnel to field services engineers, program managers, development engineers, and call centers agents.

An immediate benefit of the analytics implementation was the availability of real-time information allowing employees to formulate and share new short- and long-term planning insights. Management was able not only to make long-term strategic decisions based on facts rather than anecdotal evidence and opinions, but also to respond rapidly to changing market conditions. For instance, if sales management saw they were getting a large percentage of wins on certain products with certain types of customers, they were able to identify these high-value opportunities, understand key win factors, and apply those techniques or best practices to customers in future sales. Analytics has also helped Honeywell Aerospace realize measurable business benefits in other areas, including modeling prices to stay in line with competition, responding faster to customer issues, improving overall customer satisfaction, and improving product performance.

As illustrated by Honeywell Aerospace, maximizing the value of CRM through robust analytics capabilities can not only help ensure effective long-term strategic planning, but also keep the entire organization focused on the pulse of the business to ensure the effective execution of those strategies.

*Source: "Five Minutes With Darryl Carroll," Siebel Systems Case Study/Interview with Darryl Carroll, Senior Director of Process Integration, Honeywell Aerospace.*

**Customers**

To begin building better, more productive relationships with customers, organizations must first identify distinct segments within their customer base.

Decisions	Information Requirements	Benefits*		
		Revenue Enhancement	Cost Reduction	Quality Improvement
<p><i>How should I segment my customers?</i></p> <p><i>Who are my most valuable customers?</i></p> <p><i>How should I manage customers throughout their life cycle?</i></p> <p><i>How can I optimize the experience of various types of customers?</i></p> <p><i>How can I maximize close rates, cross-sell rates, and order volumes?</i></p> <p><i>How can I increase lead quantity and quality?</i></p>	<ul style="list-style-type: none"> <li>• The ability to segment, value, and target customers based on a real-time understanding of their needs, preferences, and behavior</li> </ul>	<ul style="list-style-type: none"> <li>• Increase cross-sell rates by 0.5–5.0 percent</li> <li>• Increase total revenue per customer by up to 20 percent</li> </ul>	<ul style="list-style-type: none"> <li>• Reduce marketing campaign development costs by up to 10 percent</li> </ul>	<ul style="list-style-type: none"> <li>• Increase offer response rates by 10–100+ percent</li> <li>• Increase customer retention by 5–25 percent</li> <li>• Increase customer satisfaction by 10–50+ percent</li> </ul>

\*Benefits information is obtained from Siebel customers, Siebel research, and third-party sources.

The most effective segmentation approaches identify substantial, homogeneous customer segments based on unique needs rather than relying solely on demographic distinctions or a priori segmentation. Such needs-based segmentation uses information-gathering tools such as focus groups along with advanced analytical approaches such as conjoint and cluster analysis to define and validate segments based on the importance of various attributes of the organization’s current and potential offerings.

Once key customer segments are defined, organizations can clearly and accurately understand the distinct requirements and demands of each segment. They can then decide which of these segments to focus on based on the estimated lifetime value of each segment, which is driven by both the expected revenue to be generated by a particular segment and also the expected cost to serve that segment.

Better customer segmentation with the help of effectively deployed CRM can improve the results of selling efforts and reduce costs by enabling an organization to target only those customer segments that are proven to be responsive to particular selling approaches and are also profitable to serve. Customer experience is also enhanced, as the relevance of offers received by individual customers improves.

For example, Proflowers.com, a direct-from-the-grower Internet florist, significantly improved response rates to marketing offers by digging deeper into the purchasing behavior of its key customer segments and evaluating which segments bought multiple times, who spent the most per order, and for whom these customers were purchasing. By using insight-driven analytics to determine its primary targets and extending to them the most appropriate offers, Proflowers.com achieved significantly improved business results. It discovered that the segments that received tailored messages and clicked through to the Web site were 56 percent more likely to purchase than a control group receiving generic messages. Aggregate campaign response conversion rate was more than 35 percent higher than the control group, and some segments generated as much as a 113 percent increase in conversion rates. Average order sizes increased as well—a combined \$1.44 above that of the control group, with the best performing segment spending \$3.12 more on average.<sup>7</sup>

Understanding customer behavior and preferences also allows organizations to deliver offers when a customer's purchase interest is at its peak and the value proposition of the offer is perceived as real.

In fact, the CRM-Forum reports that well-executed, event-driven marketing campaigns, which enable organizations to tie offers to recent interactions such as product inquiries, purchases, and service transactions, typically deliver response rates on the order of 25 percent to 50 percent<sup>8</sup>, compared to response rates ranging from less than 1 percent to 10 percent for unprompted, generic offers.

Consider the case of a leading Canadian financial institution that developed an algorithm to identify indicators of significant deposits. As part of a pilot program, the system began reviewing 3,000 transactions nightly. When a significant deposit occurred, it generated a Web-based message to the contact management system of the branches involved. The benefit: Sales reps were following up on 84 percent of the leads and gaining \$5,000 in new balances, on average, for every lead they contacted.<sup>9</sup>

While understanding revenue propensity is an important factor in targeting customers effectively, it is equally important to analyze and understand the cost to serve those segments. By measuring costs against revenues from a given segment, organizations have a much clearer picture of the contribution margin specific segments can deliver—thereby avoiding the trap of maximizing revenue without maximizing profits.

<sup>7</sup> Adapted from Ito1 Magazine, Peppers & Rogers Group Consulting, June 11, 2001, author Carol Ann Wharton.

<sup>8</sup> "Re-evaluating CRM Clichés No. 1: One-to-One Marketing," Richard Forsyth, The CRM-Forum.

<sup>9</sup> Event-Driven Marketing Keeps the Customer Loop Fluid," Ruth Stevens, Inside Ito1, March 3, 2003.

**Products and Services**

Organizations must continually assess which new products and services to develop and how to manage existing products and services throughout their life cycle. Also, they often must help their customers navigate through increasingly complex product and service offerings to ensure that their needs are met accurately and at minimal cost.

Decisions	Information Requirements	Benefits*		
		Revenue Enhancement	Cost Reduction	Quality Improvement
<p><i>“How should I manage, develop, and enhance products throughout their life cycle?”</i></p> <p><i>How should I manage them throughout their life cycle?</i></p> <p><i>How can I bundle, price, and promote products and services most effectively?</i></p> <p><i>How can I improve the efficiency and effectiveness of product and service delivery?</i></p> <p><i>Which types of service interactions are best suited for self-service?</i></p> <p><i>How can I improve my field service resource utilization?</i></p>	<ul style="list-style-type: none"> <li>• Cross-life cycle insight into the performance of existing product and service offerings</li> <li>• Automatic support for complex or routine product- and service-related decisions</li> </ul>	<ul style="list-style-type: none"> <li>• Increase service contract sales by 5–35 percent</li> <li>• Increase quote-to-cash time by up to 75 percent</li> </ul>	<ul style="list-style-type: none"> <li>• Reduce quote-configuration time by up to 50+ percent</li> <li>• Reduce call-handling times by 5–35 percent</li> <li>• Reduce service inventory by up to 35 percent</li> </ul>	<ul style="list-style-type: none"> <li>• Reduce billing errors by 2–50 percent</li> <li>• Increase customer satisfaction by 10–50+ percent</li> </ul>

\*Benefits information is obtained from Siebel customers, Siebel research, and third-party sources.

Understanding the sales performance, discount levels, service history, and customer satisfaction levels of existing products increases the acceptance and penetration of new offerings and provides key pricing and bundling information that is essential to maximizing the odds of successful product launches. Aggregating and maintaining this decision-making information in real time ensures that it is available in time for organizations to capitalize on emerging opportunities faster than the competition.

Additionally, achieving a cross-life cycle view of products and services better enables organizations to identify issues with existing products or services in time to implement cost-effective remedies and minimize their impact on customers.

For example, detailed, real-time information on the service history of individual products is critical to identifying potential quality or use issues. Organizations that analyze product or service performance in real time can be proactive in addressing emerging challenges. For example, they might choose to append frequently asked question information on a Web site with relevant advice, organize customer education campaigns, modify product or service offerings, or order recalls.

CRM can also have a dramatic effect on the value of pricing and promotion decisions by enabling organizations to identify and replicate effective strategies based on detailed analysis of current performance by plan, promotion, product, category, and account.

This enhanced visibility into pricing and promotion results can have a dramatic impact on an organization's ability to distinguish valuable decisions from ineffective ones. This is particularly relevant within the consumer packaged goods industry, where organizations make thousands of pricing and promotions decisions each year. For example, Kellogg determined that it had been breaking even or losing money on one-week promotions for roughly 55 percent of its brands after integrating its CRM and promotions planning systems.<sup>10</sup> Nestle, whose annual sales involve more than 5,000 promotions to 30,000 customers, reported a 7 percent decrease in inventory and a 20 percent increase in forecast accuracy after it integrated CRM with its back-office systems with supporting analytics.<sup>11</sup>

Finally, effectively automating complex or routine product- and service-related decisions can reduce service delivery, order fulfillment, and other costs, while again increasing satisfaction by providing customers with more accurate and timely products and services.

For example, field service organizations can automatically optimize scheduling and route selection for mobile service teams based on the skills of individual field service technicians and the number, type, and location of jobs to be performed on a particular day.

Sales organizations can also automate many administrative sales activities such as order processing, quoting, and fulfillment. Leveraging automation to streamline or eliminate execution of these activities not only ensures the consistency, accuracy, and completeness of quotes and orders, but also frees up the sales force to focus on more value-added activities.

<sup>10</sup> "Key CRM Focus: Promotions and Deductions," *Consumer Goods Magazine*, [www.consumergoods.com](http://www.consumergoods.com).

<sup>11</sup> Siebel Customer Case Study—Nestle.

Gateway, for example, used CRM to improve quoting and ordering across multiple business units and channels. Its new solution replaced an inefficient process where sales agents lacked the ability to configure a valid product set or deliver a quote during the customer interaction. Instead, configuration was performed after customer calls were completed, and customers had to be called back to reconfigure approximately 60 percent of orders. Even worse, Gateway managed credit, shipping, and other back-office operations in separate, unintegrated systems, requiring a whole team of employees to reenter quote information and preventing customers from getting timely updates on their order status.

By deploying a common CRM desktop integrated with back-office applications including tax, payment processing, product availability, and fulfillment systems, Gateway is now able to manage the entire quote-to-order process in a single system. Leveraging customer information within CRM, agents can guide customers through a configuration session that ensures completeness, validity, and accuracy of products, pricing, shipping, and credit terms and then automatically convert the quote to an order for back-office processing.

Gateway has plans to extend this capability to the Web channel, in order to offer to its high-value clients account-specific product catalogs along with pricing and product configurations that honor existing sales contracts and purchasing agreements.

Gateway expects significant benefits from the use of automated, CRM-based order processing, including a 50 percent reduction in order cycle time, a 20 percent reduction in call handle time, consistent pricing across channels, and increased up-selling, resulting in real dollars to the bottom line and superior customer relationships.<sup>12</sup>

<sup>12</sup> Siebel Customer Case Study—Gateway

### Channels

Today’s organizations have the ability to interact with their customers through an increasing variety of channels, including field sales and service forces, call centers, email, the Web, and partners. Thus, organizations must decide how to deploy these various channels efficiently and effectively in order to meet the needs of various customer segments most profitably.

Decisions	Information Requirements	Benefits*		
		Revenue Enhancement	Cost Reduction	Quality Improvement
<p><i>How should I interact with customers in various segments?</i></p> <p><i>How do I identify and execute on high-cost, low-probability opportunities?</i></p> <p><i>What channels are best suited for product placement and distribution?</i></p> <p><i>Which segments of the value chain do I need to build relationships in, and with which partners?</i></p> <p><i>How do I assign territories and quotas for my sales force?</i></p>	<ul style="list-style-type: none"> <li>• Support for a wide variety of channels required to meet customer needs, including call centers, the Web, email, and direct sales</li> <li>• The ability to monitor and manage the efficiency, effectiveness, and consistency of each channel</li> </ul>	<ul style="list-style-type: none"> <li>• Increase in channel revenue up to 15 percent</li> </ul>	<ul style="list-style-type: none"> <li>• Reduce channel management costs by up to 35 percent</li> <li>• Achieve adoption of lower-cost self-service channels of up to 40+ percent</li> </ul>	<ul style="list-style-type: none"> <li>• Reduce call handling errors by up to 80+ percent</li> <li>• Reduce time required to sign up new partners by up to 85 percent</li> <li>• Reduce lead and order-sharing time by up to 25 percent</li> </ul>

\*Benefits information is obtained from Siebel customers, Siebel research, and third-party sources.

The cost of deploying these various channels varies greatly—from several hundred dollars for an in-person sales call to less than one dollar for an effectively targeted email offer.

CRM gathers data and facilitates analysis to allow organizations to understand the performance and cost of these various channels from both a product and customer perspective. CRM users can effectively align channels with the nature of various products and customer interactions while focusing on shifting each interaction to the lowest-cost channel without compromising the customer’s experience.

For example, organizations should drive recurring questions in the call center to electronic forms of communication, such as by adding them to a list of frequently asked questions, or FAQs, maintained on their Web site. Conversely, complex sales initiated by customers on the Web should be migrated in real time to a more sophisticated, interactive dialog with live representatives.

Figure 1 below summarizes how organizations should address channel decisions in the context of channel costs and channel capabilities.

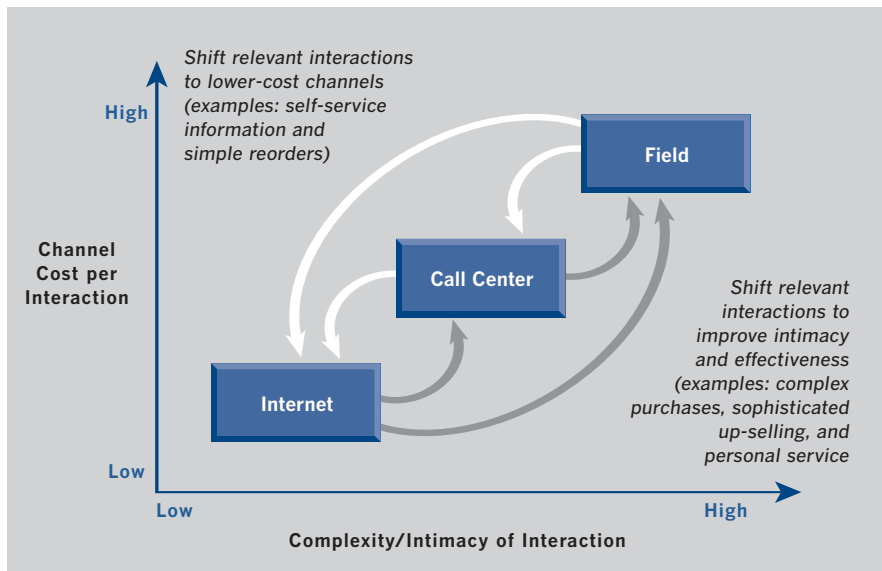


Figure 1: Appropriate channels should be deployed based on both the cost and complexity/intimacy of specific types of interactions.

Charles Schwab discount brokerage provides an excellent example of how multiple channels can be combined and integrated to optimize an organization’s go-to-market approach.

Charles Schwab’s multichannel approach incorporates 300 retail outlets, four call centers, and a significant Web presence. Recognizing the need for greater intimacy at the beginning of a customer relationship and the value of automating routine, high-volume transactions for existing customers, Charles Schwab deploys its retail establishments to manage new account setup while driving existing customers to a robust and effective Web site for ongoing trading. Roughly 70 percent of new accounts are established in Charles Schwab’s “high-touch” retail outlets, while 70 percent of ongoing transactions take place on the Web, thus maximizing the effectiveness of selling new accounts while keeping ongoing relationship costs low. Charles Schwab’s call centers serve as a useful bridge between its retail and Web sites and help drive this transition, where appropriate.

In addition to enabling organizations to align channel activities for maximum value and minimal cost, CRM reduces the cost of deploying each channel through standardization and automation.

For example, CRM supports direct selling efforts by allowing organizations to implement proven sales methodologies quickly and consistently. CRM enables sales teams of any size, ranging from small operations to large, geographically diverse sales teams, to design and implement selling strategies based on a standardized best practice framework. This increases close rates and reduces sales cycles while standardizing inputs used for common resource allocation decisions such as territory assignment and quota development.

Organizations can also employ CRM to enable higher-quality, more cost-effective decision-making in customer service centers. For example, they can empower customer service agents to make or implement better decisions while interacting with customers based on a detailed understanding not only of the historical value of a particular customer, but also of that customer's recent sales and service history. CRM systems can also reduce the interaction time required to serve customers via email by suggesting responses to incoming emails automatically based on their contents or by responding to those emails automatically without any interaction from an agent.

CRM can also drive the cost-effective implementation of service strategies based on a detailed understanding of the value that they provide to each customer. For example, they can intelligently route calls or emails to agents with the most relevant expertise and available capacity based on service-level decisions incorporated into queuing and routing rules or extend highly responsive, higher-cost channels such as premium toll-free numbers to only the most valuable customer segments.

Furthermore, CRM enables organizations to minimize the cost and maximize the quality of partner interactions by providing an integrated, real-time, shared platform from which to evaluate, grow, and manage their partnerships.

CRM can enhance the accuracy and quality of interactions with partners and reduce costs by providing a common system and framework that is accessible to all relevant partners for decision-making purposes, allowing them to allocate and track joint marketing expenditures, prioritize and share leads, and plan and schedule both promotions and production levels while minimizing or eliminating costly data migration and synchronization.

Radio frequency identification (RFID) tags have garnered significant amounts of press recently, particularly following the announcement by discount superstore Wal-Mart that its top 100 suppliers must supply RFID tags in their shipment pallets by January 2005. The tags, which use radio waves to track products, are viewed as a more useful and powerful alternative to bar codes.

Organizations can integrate RFID information into their CRM initiatives to drive significant value for their customers. For example, if a customer finds an item online that he or she would like to pick up at a store that day, RFID technology can indicate whether the item is available and, if so, which location provides the most convenient pickup. Customers can then utilize CRM systems to request that the store put the item on hold and ask to be notified by email when the product is ready for pickup.

RFID can also offer a clearer picture of inventory, giving marketers a better idea of how much of a particular good has been sold, how much is in stock, and how quickly it can be replenished. Improved product tracking can increase organizations' frequency of getting the right shipment to a customer at the right time in the right quantity. For customer field service, RFID can also monitor the location of spare parts and how quickly they can be delivered.

However, current process and data management woes including multiple, incomplete versions of product information; disparate systems and applications; labor-intensive and error-prone manual processes; and incompatible media and formats can limit the potential benefits of RFID.

CRM systems can help organizations maximize the value of their RFID initiatives by providing a single source to manage product information; automating manual processes and facilitating the deployment of best practices for product management and customer interaction; performing data cleansing, matching, and validation; and connecting disparate applications to reduce the administrative burden of managing greater volumes of data while improving efficiencies throughout the demand chain.

## Employees

An organization’s ability to realize the benefits of better decisions in areas such as customers, partners, and channels hinges on its ability to make effective decisions regarding its employees.

Decisions	Information Requirements	Benefits*		
		Revenue Enhancement	Cost Reduction	Quality Improvement
How can I align employee performance to further corporate goals?	<ul style="list-style-type: none"> <li>The ability to share and link organizational goals to individual employee objectives</li> </ul>	<ul style="list-style-type: none"> <li>Increase productivity devoted to selling efforts by up to 3+ percent</li> </ul>	<ul style="list-style-type: none"> <li>Address up to 40 percent of internal service requests via low-cost email or Web channels</li> </ul>	<ul style="list-style-type: none"> <li>Reduce employee ramp-up time by up to 50 percent</li> </ul>
How can I ensure that my organization’s skill base meets current and future needs?	<ul style="list-style-type: none"> <li>A comprehensive, real-time view of employee skills, goals, and performance</li> </ul>		<ul style="list-style-type: none"> <li>Reduce training time by up to 50+ percent</li> </ul>	<ul style="list-style-type: none"> <li>Reduce employee turnover by up to 30 percent</li> </ul>
How do I train and support employees most effectively?	<ul style="list-style-type: none"> <li>Efficient, effective tools and content for employee training and support</li> </ul>			<ul style="list-style-type: none"> <li>Increase employee satisfaction by up to 35 percent</li> </ul>
How do I improve the output of my low performing sales reps and other employees?				

\*Benefits information is obtained from Siebel customers, Siebel research, and third-party sources.

*“Today’s high-performance enterprises are able to bridge the strategy–execution gap. Strategy translates to explicit operational goals. Employees understand the context and purpose of their work and can readily measure how well they’re doing their jobs. They understand the corporate resources at their disposal and how to exploit them. As their jobs evolve with time they are given the tools, training, and support to remain effective.”<sup>13</sup>*

—Don Tapscott, Digital 4Sight

Such employee-related decisions include how to link employee goals to overall corporate objectives, how to manage employee skills and performance, and how to train and support employees effectively. Employee relationship management (ERM) applications integrate tightly with CRM to address these needs.

Managers must first ensure that the goals and efforts of individual employees support the overall objectives they have set for the organization. The strategy–execution gap describes the disconnect between organizational goals and employee efforts and can prove to be extremely costly in terms of its impact on employee performance. Specifically, McKinsey and Company found that high-performing employees in operations roles are typically 40 percent more productive than average. Similarly, high-performing general managers produce 49 percent more profit than average, while high-performing sales forces bring in 67 percent more revenue.<sup>14</sup>

ERM helps organizations address this strategy–execution gap by facilitating the process of translating organizational strategies and objectives into periodic individual and team-based goals. Organizations may thus ensure that all objectives are adequately resourced, track the completion of key objectives across the organization, and reward employees and teams for the completion of these objectives.

<sup>13</sup> “The High-Performance Enterprise: Bridging the Strategy–Execution Gap,” Don Tapscott, Digital 4Sight, January 2003.

<sup>14</sup> “War for Talent, Part Two,” *The McKinsey Quarterly*, 2001, Number 2.

In addition to facilitating decisions regarding resourcing and alignment for current objectives, ERM also helps organizations ensure that they proactively manage their employee skill base in support of future goals. ERM enables the categorization, measurement, tracking, and analysis of employee skills, allowing managers to quickly assess their organization's ability to support potential initiatives and to tailor their hiring and training efforts to meet the needs of new strategic objectives over time.

Tactically, ERM helps managers to track and evaluate the cost, usage, and effectiveness of various training efforts, including Web-based learning and classroom training, to decide which approaches are likely to work most effectively in support of specific change-management needs.

ERM also provides an effective platform to guide the organizational change by sharing information through employee portals (see the Executing Decisions More Effectively section for additional details) and by providing employees with a wide variety of interactive channels designed to meet specific training and service needs accurately and efficiently.

Early in 2002, FleetBoston rolled out Siebel ERM to 2,000 account managers and product specialists under the name "Business Advisor," giving them instant access to all the information they needed to do their jobs more effectively. With a single log-on, users can now access a unified repository of customer information as well as business intelligence from external sources such as Lexis-Nexis. Business Advisor is also integrated with internal systems for email, document management, pricing, and credit approval.

The Business Advisor portal is well-named. With consolidated, personalized information at their fingertips, FleetBoston relationship managers have improved their efficiency and effectiveness in interacting with customers. Business Advisor enables relationship managers to transcend the confines of traditional, menu-oriented banking and to engage in truly interactive, consultative selling.

FleetBoston believes that by consolidating customer information and "wringing paper out of the system," the bank has achieved a 200 percent return on its technology investment. FleetBoston also expects that the bank will soon be saving 3 to 5 percent annually in administrative costs. With each 1 percent increase in productivity equivalent to an additional \$15 million in sales, this is real money, potentially equaling \$75 million if the 5 percent goal is reached.

"The Siebel system is helping us to plan business several quarters out," said the Executive Vice President and Managing Director of FleetBoston's Business Development and Strategy Group. "It's not an IT project exclusively, or a business line project. It brings us new, analytical insight into the entire corporate picture. This delivers results to our own bottom line and helps us build valuable long-term relationships."

Source: Siebel Customer Success Story: FleetBoston Financial Corporation case study, "Turning on a Dollar", Baseline Magazine April 2002

## How to Make Better Decisions with CRM

The integrated, multichannel capabilities of today’s leading CRM systems provide a high-impact and robust foundation for organizations to make better decisions.

In order to ensure that CRM capabilities yield the desired benefit of improved decision-making, Siebel Systems has identified five key steps to making better decisions, described in Figure 2.

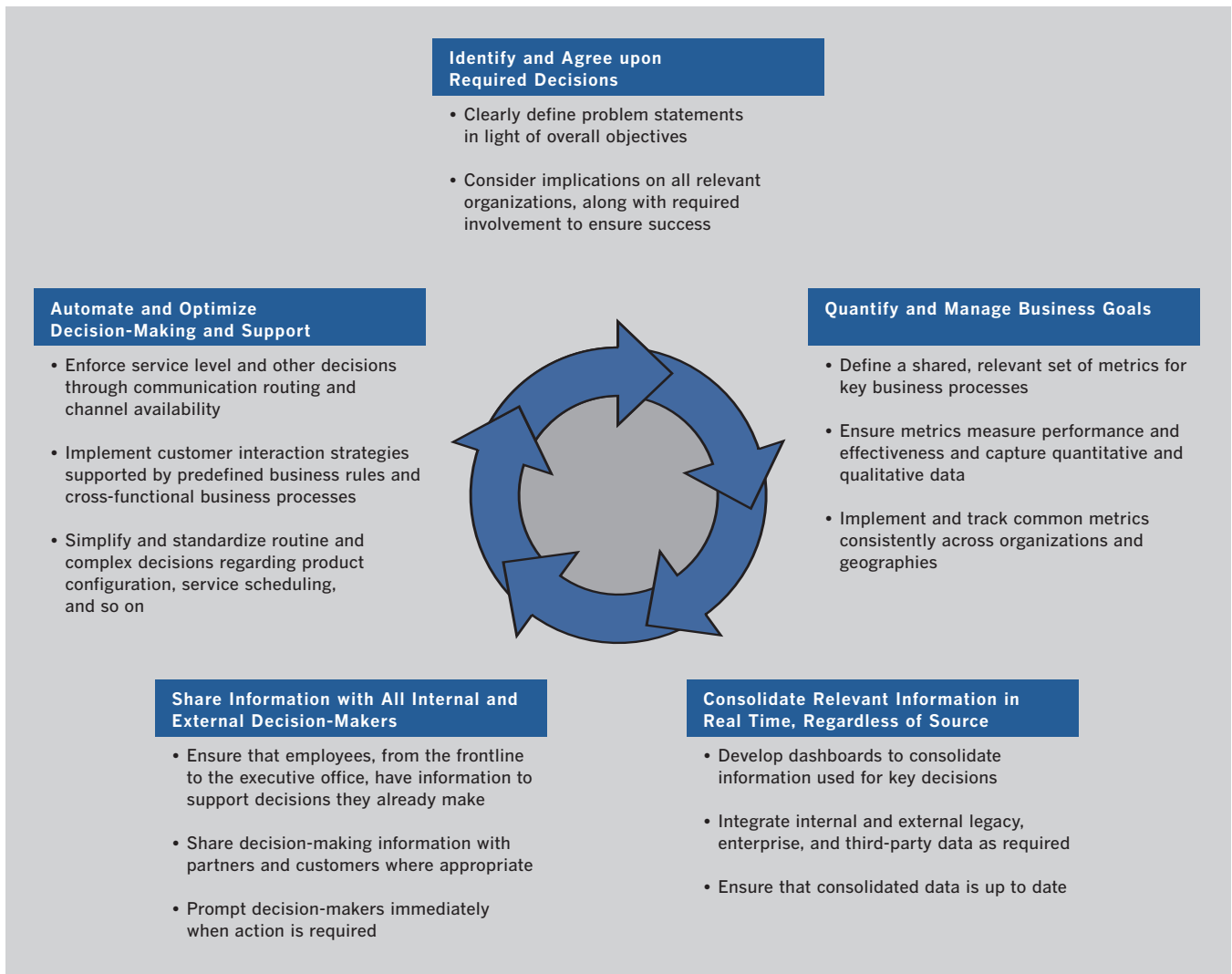


Figure 2: The five key steps that define a closed-loop decision-making process are shown above.

### **Identify and Agree upon Required Decisions**

The first step in any decision-making process should be for all key participants to agree upon the specific decisions that must be made.

Decision-makers should articulate and agree upon formal problem statements for key decisions, which describe the challenges that must be overcome to reach specific organizational objectives. Well-defined problem statements:

- Describe a specific pain point
- Scope the extent and magnitude of this pain
- Establish the requirements of a successful solution
- Identify known obstacles to achieving this solution

Problem statements should consider internal and external organizations that will be impacted by decisions or involved in decision-making or execution, and those organizations should be involved in the development or verification of problem statements as appropriate.

### **Quantify and Manage Business Goals**

Once key decisions have been identified and agreed upon, organizations must also ensure that they establish a common framework for decision-making and evaluation.

Establishing a common set of performance metrics for key marketing, sales, service, and other business processes within an organization provides a shared context in which decisions may be made among staff, line management, senior executives, and even partners.

An effectively designed system of metrics also provides a comparable and consistent standard by which the results of decisions may be analyzed and evaluated across large, cross-functional, geographically diverse teams.

Such metrics will vary based on an organization's strategy, structure, and industry but may include, for example, monitoring service levels in the call center, measuring click-through and conversion rates for electronic marketing campaigns, and tracking actual direct sales versus forecast.

When establishing or updating metrics, it is important to consider both leading and lagging performance measures and the causal relationships between them and to establish a baseline against which to measure future performance.

Value tree analysis offers a useful way of deconstructing performance as measured by an array of metrics ranging from lagging indicators (such as financial performance) to leading indicators (such as operational drivers and metrics), which can be used to measure and improve performance. For example, an organization's primary performance measures might include tracking revenue growth. This is a lagging measure that is driven by several leading measures such as close rate, revenue per close, number of calls per representative, and up-sell/cross-sell rate, which should also be tracked.

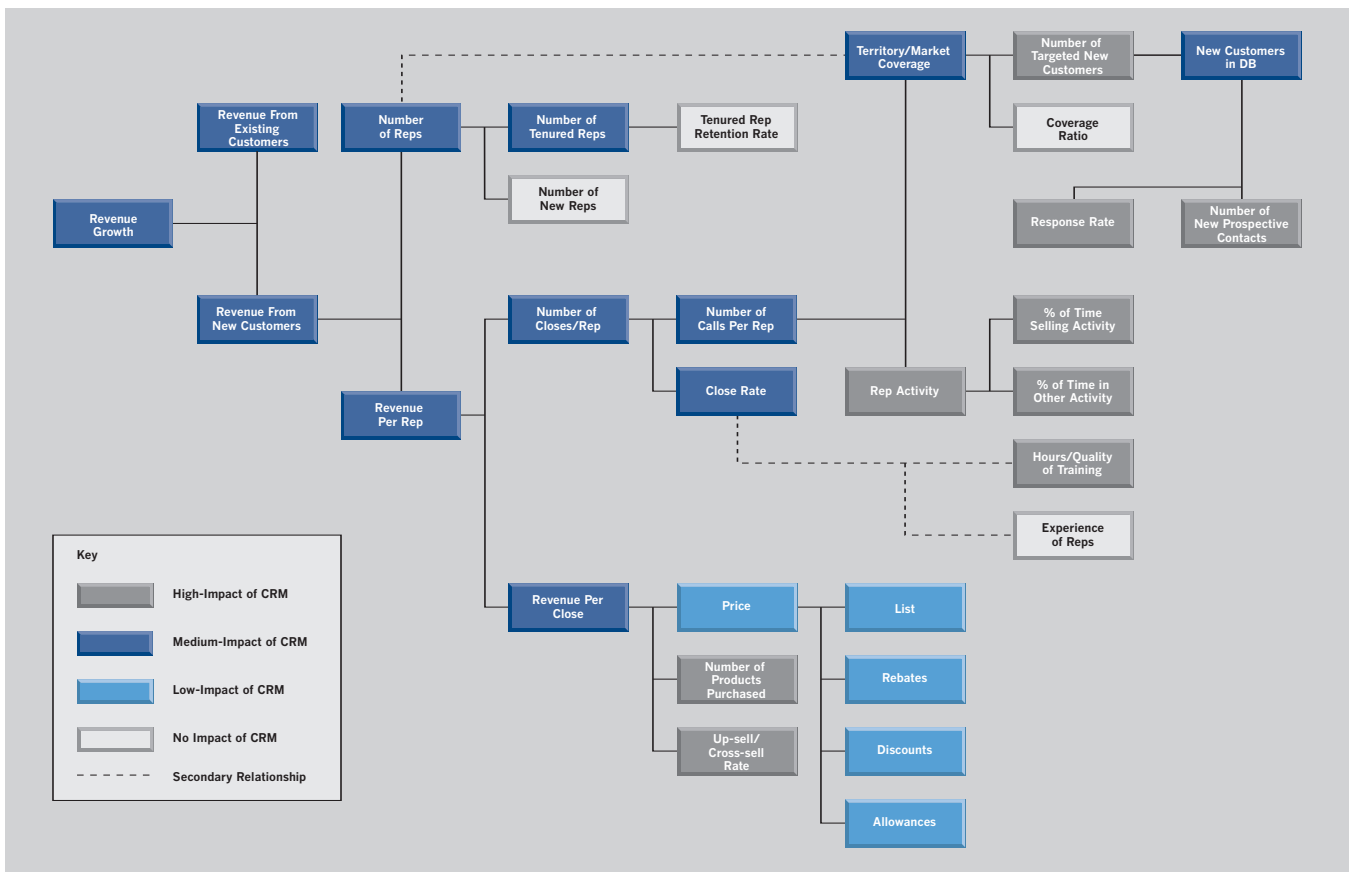


Figure 3: This chart provides an example value tree for revenue growth from field sales, focusing on revenue from new customers.

**Consolidate Relevant Information in Real Time, Regardless of Source**

Effective decision-making requires a complete view of relevant customer, partner, employee, and other information, which frequently spans an organization's front office, back office, partners, and third-party data providers. Thus, organizations must cast the net wide to ensure that they capture all information relevant for decision-making, both from within their own information systems and also from external sources.

For example, customer service agents in the retail finance industry increasingly require a comprehensive view of a customer's bank balances, credit card balances, service history, and recent statements, along with up-to-the-minute information on interest rates and other market news, in order to maximize cross-selling and provide useful recommendations on how the customer can best utilize various offerings.

In industries such as consumer packaged goods, where decisions on individual products and promotions must be made in light of retail sales volumes and trade promotion balances and transactions, the information required to make effective decisions spans several external entities.

This creates the need for CRM systems to consolidate a vast array of enterprise, legacy, and third-party information in order to facilitate effective decision-making and to summarize this information in a clear, concise analytical dashboard tailored to the needs of each type of decision-maker.

Information consolidated for purposes of analysis must also be recent—up-to-the-minute in many cases—to facilitate optimal decisions. Week-old service history data will not allow a supervisor to determine whether to extend a complementary service call to a disgruntled customer, for example, and an outdated list of email campaigns that have already been sent to a specific customer cannot be used to determine whether to target that customer with a telesales call this evening.

Thus, in order to adequately support better decision-making, an organization's CRM system must facilitate the consolidation, presentation, and analysis of data from all required internal and external data sources and be able to perform this work with sufficient frequency and speed.

### Executing Decisions More Effectively

To fully realize the value of better decision-making, organizations must also ensure that they execute decisions effectively.

Another key aspect of managing the strategy-execution gap that ERM applications address involves ensuring that employees have one-stop access to the information, tools, and processes required to execute decisions.

As illustrated by Accenture in Figure 4, the value of ERM accelerates as solutions evolve from mere integration of point and legacy applications to the delivery of unified, real-time, process-driven access to all of the resources that employees need to meet their own goals while driving the achievement of overall corporate objectives.<sup>17</sup>

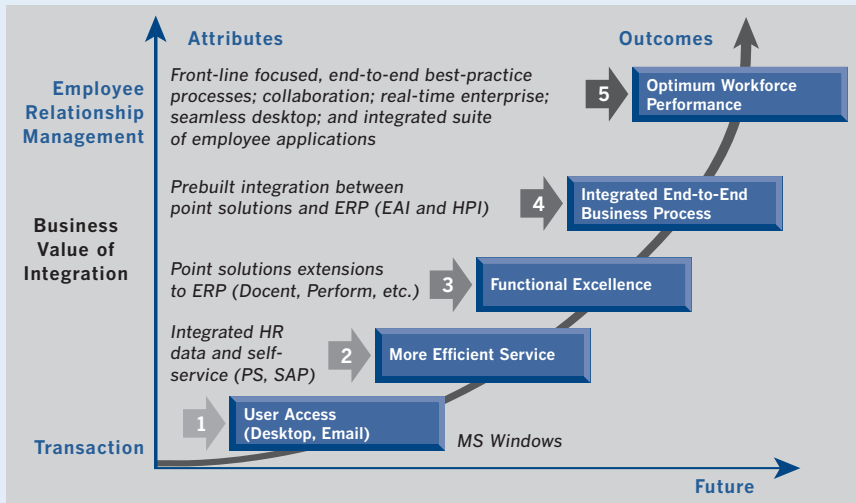


Figure 4: The value of ERM increases exponentially as data timeliness, integration with other systems, and use of best practices increase.

Consider the case of Itron, the 25-year-old international provider of data collection and communications products for the electric, gas, and water utility industries.<sup>18</sup> Itron closed four acquisitions in a very short time as part of a strategic plan to grow annual revenue from \$200 million to \$500 million within five years.

With such rapid growth came the challenge of establishing a consistent and "customer-focused" approach among new Itron employees who knew little about the company's history, its approach to dealing with customers, and its goals. New employees were often confused about company branding and unsure where to get marketing materials, for example. At one point, Itron's 1,400 employees had to wade through content on up to 45 different internal Web sites to view all available content on Itron's different branded products and services.

To help bring Itron's burgeoning workforce into alignment with the company's overall business objectives, management chose to develop a unified employee portal to consolidate the company's vast array of intranet sites into a single location, provide external content from Lexis-Nexis, enable online registration for product training, and manage annual reviews.

"Our goal for the ERM system is ambitious," said Itron's Manager of Technical Services. "Throughout the organization, we want myltron, powered by Siebel ERM, to be everybody's home page. Siebel ERM will serve globally as our 'knowledge central,' making it easier for customers to do business with a unified Itron."

<sup>17</sup> "Employee Relationship Management," Accenture, 2002.

<sup>18</sup> Siebel Customer Case Study—Itron

### **Share Information with All Internal and External Decision-Makers**

As organizations expand their use of information technology, they enable a greater number of employees and partners to make more key decisions.

If not managed carefully, expanded decision-making can outgrow an organization's ability to provide newly empowered formal or de facto decision-makers with relevant decision-making information.

Thus, it is important to equip all decision-making employees and partners—not just the top executives—with the information and analytical capabilities they require to make better decisions.

Decision-making information and analytical tools must be shared not only throughout an organization, but also externally. After improving internal pricing and promotion decision-making, for example, leading consumer goods firms are now looking to gain value from sharing information externally by integrating with retailers' systems to track and manage trade marketing claims and event performance levels and by providing self-service capabilities to partners.

Effectively sharing information internally and externally involves not only providing access to relevant decision-makers, but also prompting those decision-makers when time-sensitive decisions are required. A CRM solution can help ensure that decisions are made in a timely fashion by reaching key decision-makers with event-driven notifications wherever they are, using real-time communication methods including email, the telephone, or wireless devices. A field service supervisor may choose to alter his schedule to ensure that an urgent new service request raised by a key customer is resolved successfully, for example, after receiving instant notification of the service request on his wireless phone.

Indeed, when an organization truly understands the extent to which virtually all of its employees and partners make decisions on a daily basis, the need becomes clear for each of those decision-makers to have instant access to the information and analytics they need to ensure that the decisions they make are consistent with the organization's goals, strategies, and values.

### **Automate and Optimize Decision-Making and Support**

CRM systems can play a key role in decision-making not only by consolidating, distributing, and facilitating the analysis of decision-making information, but also by reproducing and validating decisions and even making certain types of decisions automatically.

Here, CRM can enforce business rules designed to route incoming phone calls, email, and other communications to agents with the skills needed to handle those requests most efficiently, based on a set of decision criteria relating to service levels and skill requirements made by service center managers. Further, physical co-location of agents is no longer a prerequisite for controlled decision-making and compliance. Hosted multichannel customer service solutions that are integrated with on premise contact centers now enable small, medium-sized, and large organizations to deliver consistent, high-quality service across an ever-wider organizational ecosystem, which may include locations as "remote" as the homes of various employees.

Such rules-based automation can also be used to automatically send direct mail to new customers to thank them for their business once they receive their first order, to follow up with each customer via email after one month to deliver a customer satisfaction survey, and to schedule a telesales call two months later to offer additional goods and services to those new customers who responded positively to the survey.

Furthermore, today's state-of-the-art CRM systems can integrate and manage the cross-functional execution of predefined business processes across multiple roles and participants within an organization, sharing information seamlessly across all applications involved in decision-making and ensuring that decision-making processes are executed consistently and efficiently.

By incorporating rules-based configurators, leading CRM systems can also add value to decision-making processes by ensuring that field-based sales representatives and partners offer valid product and service configurations to customers or that customers select valid configurations themselves when purchasing over the Web. Such configurators can also help ensure that valuable cross-sell and up-sell offers are extended consistently during the product and service configuration process.

Finally, CRM applications are increasingly developing the capability to make complex decisions in real time, including performing complex route and schedule optimization for mobile field service technicians; recommending responses to customer service agents based on a customer's issues, products, and value to the organization; and even responding automatically to common questions submitted via email.

## Conclusion

The costs of bad decisions are high, and the need for better, more valuable decisions is increasing as industries become more competitive.

CRM provides a powerful mechanism for organizations of all sizes—from small and mid-sized companies to large multinational corporations—to equip employees to make better decisions regarding their overall CRM strategy and planning, customers, products and services, channels, and employees. CRM provides a framework with which to capture, share, and analyze in real time all of the internal and external information relevant to making key decisions and supports the consistent and efficient execution of those decisions.

CRM helps organizations make faster, more effective, and better decisions by enabling them to:

- Identify key decisions that must be made
- Quantify and manage business goals
- Consolidate relevant decision-making information in real time, regardless of source
- Share information with all internal and external decision-makers
- Automate and optimize decision-making and support

With the help of CRM, organizations can improve uncoordinated, ineffective, or even destructive decision-making processes and better align decision-making throughout the organization with their overall goals, strategies, and values.

In doing so, organizations can experience short-term financial and operational benefits and increased customer satisfaction, while laying a foundation for industry leadership and profitable growth for years to come.



### **Siebel CRM OnDemand**

Siebel CRM OnDemand is a hosted CRM offering delivered over the Web and accessible from an Internet browser at a fixed price per user per month. Customers can deploy Siebel CRM OnDemand quickly, easily, and affordably, without any up-front IT investments. Siebel CRM OnDemand delivers complete sales, marketing, and service functionality; built-in customer analytics; virtual call center technology; embedded best practices; and world-class hosting services and support.

Siebel CRM OnDemand is the industry's first and only hosted CRM solution designed to work in conjunction with on premise Siebel CRM systems. Sharing a common data model with Siebel 7 applications, Siebel CRM OnDemand offers an easy migration path to on premise Siebel CRM systems. Siebel CRM OnDemand incorporates a user interface designed to maximize user success and adoption without extensive training.

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