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Connecting CRM systems for better customer service

Article at a glance

Many companies don't pass leads and case histories across the boundaries of departments and businesses and therefore miss opportunities to make sales or resolve customers' problems.

Customer relationship management systems record customer preferences and histories but are often isolated in one part of a company.

By strategically linking discrete CRM systems, companies can routinely pass valuable sales or service data to the right person—whoever can offer what the customer needs.

Often, much of the technology is already in place, so the main barrier to building these connections is simply a failure to recognize their value.

Few companies gracefully pass sales leads and service information across the barriers of departments and business units. But those that do enjoy substantial rewards.

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To make the most of relationships with buyers, companies around the world spent $35 billion on customer relationship management (CRM) applications software and services in 2005.[1] These investments have generated a wide range of outcomes, but often the payoff has been substantial: boosting revenues, improving the customer experience, and reducing the cost of sales, marketing, and customer service.

The benefits would be greater still if more companies improved the way they interact with customers across channels and product groups—for example, by enhancing coordination among customer service calls, Web site visits, and direct sales. Many retailers track their customers' online and in-store purchases, but few connect the two in order to see the full value of each buyer. Most companies also lack a systematic way to pass leads and service requests from one channel or product group to another, leaving it up to dutiful employees to bridge those gaps by making an exceptional effort, such as that of the bank teller who jots down leads on pieces of paper and hands them to the private-banking team.

Even companies with solid CRM programs in their most important channels usually fail to make these important connections, because the effort involves coordination and investment across functional silos and business unit boundaries. But when companies bridge the gaps, we have seen that carefully targeted investments in business processes and the supporting infrastructure are rewarded. Improving a company's case-management[2] capabilities through relatively modest changes in processes, technology, and organization can increase cross-channel revenues by 10 to 20 percent while reducing customer churn by 5 to 10 percent. What's more, the process and technical changes often are fairly minor,

[1] Brian J. Bingham, *Worldwide and U.S. CRM Services 2006–2010 Forecast and Analysis*, IDC, May 2006.
[2] By case management, we mean the ability to track sales leads and complex service requests.

and a company can typically implement most of them with its existing investments. The main obstacle to making exceptional cases of coordination more routine seems to be a failure to recognize the potential and act on it.

Most companies can easily resolve simple account issues, but they drop the ball when problems **cross the boundaries** *of product groups, business units, or partners*

Missed connections

Companies typically deploy their CRM systems by business unit or functional department. This approach, unfortunately, leaves islands of sales leads and service requests isolated from the corporate information flow because companies rarely link these different systems. There's seldom an easy way for two units to capitalize on their sales or service opportunities by passing and tracking the cases their CRM systems manage. Indeed, it's often difficult to share information within different product groups of the same unit, since CRM systems are typically deployed very narrowly along process lines rather than across product boundaries. Even when employees manually pass cases from one unit to another, it's often difficult to track the results across channels and product groups because the information systems are not set up to identify cross-unit cases uniquely.

The untapped potential is large because shoppers not only spend online but also in retail outlets after educating themselves online. Thus, a current customer browsing for a new mobile phone on a carrier's Web site is really a qualified lead that should be passed to a call center or a retail sales team for follow-up. One telecommunications company was getting 11 percent of its new service sales (representing more than 3 percent of its total revenue) online. Better case management in its CRM systems helped it generate an additional 3 percent of its revenue through follow-up sales. Similar gains might well be possible for other telcos.

For customer service the story is similar. Most companies can easily resolve simple account issues, but they drop the ball when problems cross the boundaries of product groups, business units, or partners. A retail bank's service rep can fix an inappropriate teller-use charge but may find it more difficult to answer a question about a product discount that was part of a bundled offer (for example, a free safe-deposit box with a minimum average balance) because a different group in the bank manages that offer. Or a high-tech equipment maker might have difficulty finding out why the delivery of an integrated solution is delayed if the offering includes products from several vendors. Employees may understand these boundaries, but customers—who neither know nor care about corporate silos—may become irritated as they are forced to become the point of coordination. These "moments of truth" lie behind much of the customer attrition at banks, mobile carriers, and many other companies.[3]

Case management adds value

Adopting a broader case-management approach addresses the opportunity by providing for better coordination and follow-through on customer interactions in every part of the enterprise. By making this level of cooperation more systematic, companies can aim

[3] Marc Beaujean, Jonathan Davidson, and Stacey Madge, "The 'moment of truth' in customer service," *The McKinsey Quarterly*, 2006 Number 1, pp. 62–73 (www .mckinseyquarterly.com/links/22433).

to deliver a better customer experience, especially if processes cut across organizational lines. In most situations, it would be infeasible or too expensive to connect all of a customer's information in all channels. Imagine, for example, how complex it would be for a bank that offers loan, deposit, insurance, and investment services to try offering complete transaction histories and preferences to every customer-facing agent in each channel.

Luckily, that's not necessary. Companies can focus their cross-channel CRM investments on the most common cases, such as passing sales leads across channels or tracking relevant customer service inquiries. Typically, the opportunity lies in capturing unstructured information and creating the right incentives for frontline staff to pass it along. In most cases collecting more detailed data is less important than simply recording contact information and getting it to the right people. In the case of many sales leads the customer's data are already on hand; the extra step required is to tag the lead and pass it to the appropriate sales group in another channel or division.

Bringing case management up to this level typically requires only modest additions to existing processes and IT systems, along with some training. Companies must, for example, figure out how to act on the knowledge that a customer wants to upgrade or buy a new product, even if that opportunity is spotted in a nonsales setting, such as a service call (Exhibit 1). IT systems must be modified to enable information to pass gracefully from the department that records it to the unit that can act on it (for example, from customer service to direct sales) and to note that it has been received. The receiving department's system must be adjusted so that it can do something with the new information, and a performance-tracking process must be put in place to ensure the effective use of the new capability.

Exhibit 1

Managing customer relationships across channels

Creating new connections among CRM systems can make it easier for customer service agents to pass leads to sales.
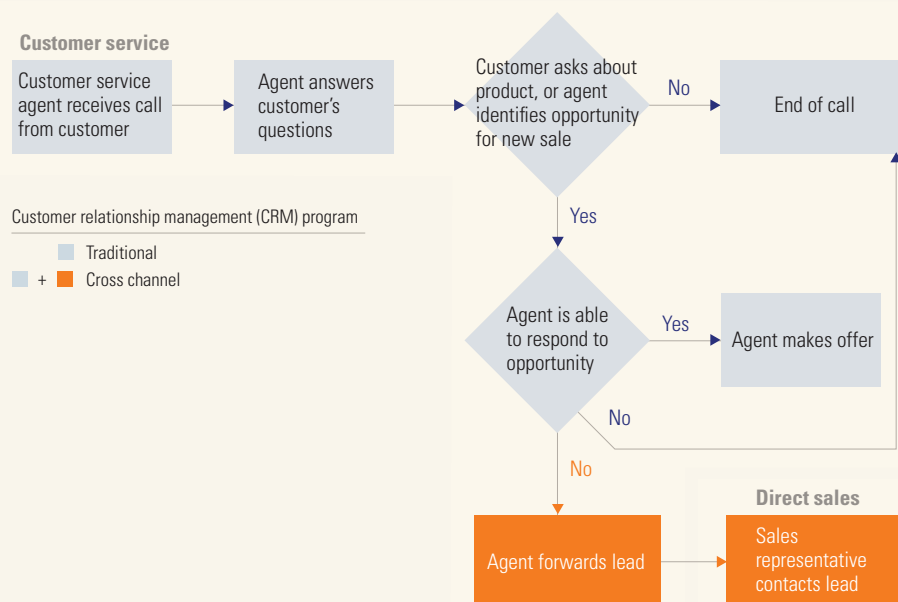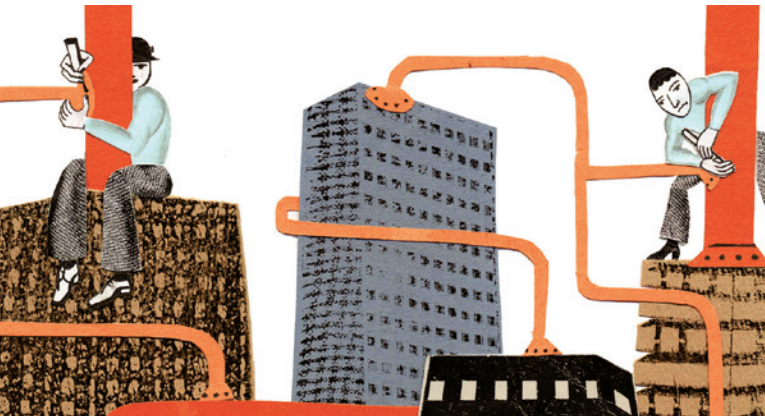
A financial-services institution became one of the best in its market at cross-selling products among service lines by implementing a case-management system that passed 500,000 high-value leads a year across several different sales and service systems. The company gave its service reps new guidelines for identifying leads during conversations with customers and then for entering the information into a lead-tracking system. A new, centralized case-management server that works with the existing CRM system collected the leads daily and then used predefined guidelines to route them to the appropriate sales reps, who followed up and recorded the results.

Likewise, a major wireless company took a similar approach in developing new capabilities to leverage customer leads from its Web site to its call center. About 5,000,000 unique consumers visited the company's Web site every month. Of these, about 10,000 purchased mobile phones during their visits, so the Web site was a significant source of sales but failed to tap two opportunities. First, about 27,000 customers a month began a purchase on the Web site but abandoned their shopping carts before finishing. The new case-management system collected this customer information and passed it along to sales teams, which followed up and brought in an additional 8,000 subscribers a month. Second, more than 20 percent of the visitors who did not initiate a purchase nonetheless did leave contact information. Less was known about these potential customers, so the case-management system treated them as lower-priority leads. The information about them was sent to marketing for mass campaigns (e-mail, direct mail, and outbound calling), which added an additional 35,000 new subscribers a month to the company's sales. These success rates far exceeded those of other mass campaigns.

Customer service offers a similar potential. Sharing information about a customer's value and issues across service units can allow a company to resolve complex problems more quickly and effectively. One telco upgraded its case-management program so that it could track complaints more easily across units. Combined with new training and employee incentives, the upgrades helped the company reduce the level of problems requiring more than three touches to less than 5 percent, from more than 30 percent. That improvement cut customer service costs by 24 percent and increased customer retention.

Cross-silo connections are one way to improve customer service; another is making sure that executives are held accountable for making the most of their CRM programs. See "Organizing for CRM" (www.mckinseyquarterly.com/links/22696).

In other industries, companies have used this type of case-management technology in their CRM systems to resolve complex help desk issues or ensure regulatory compliance. Regulators require banks, for example, to act quickly if a customer reports fraudulent activity on his or her account. Improving case management can help banks establish a paper trail efficiently and speed up the resolution of such problems.

Implementing effective case management

Establishing a case-management system that crosses organizational boundaries can be difficult; many departments may be involved, and such initiatives usually have no natural owner. Consider a retail bank, which may have to bring together product groups (credit, deposit, loans), channels (branches, call centers, Web site), and marketing to build or
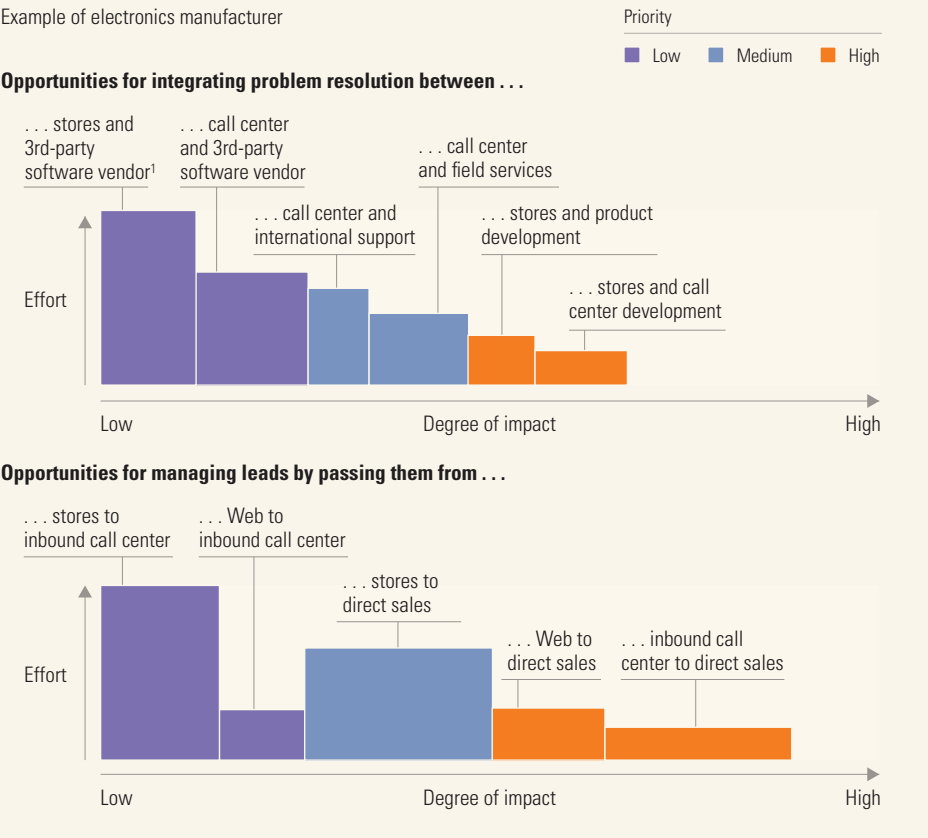
strengthen its case-management capabilities. As in other industries the group that spots a lead is frequently not the one that will follow it up, so there's little incentive to share. Indeed, the receiver often fails to recognize the opportunity at hand or may see the potential but lack the corporate leverage to fix the process. Service situations differ slightly but raise similar issues in choosing a leader for the effort to improve CRM. Generally, a good choice to drive a cross-silo program would be a senior leader, such as the head of sales or customer service, who can assess the opportunity for the whole company and has the standing to bring the parties together. Ideally, the effort should be a cooperative one among all related groups.

To build these capabilities, companies start by examining the current process to identify missed opportunities. In sales, such companies should determine how many additional leads can be generated, their average value, and their expected conversion rate. In services, value is trickier to determine, as it includes multiple elements. First are the cost savings (which can be relatively easy to quantify) from greater efficiency, such as resolving a complaint with only one call. Value also includes improvements in customer satisfaction, which could lower attrition rates and stimulate additional purchases—changes that are more difficult to assess. In both cases, an effective way of determining which investments to make first is to map

Exhibit 2
Identifying opportunities

Companies must weigh the potential impact of linking departments through their CRM systems against the effort necessary to make these connections.

Example of electronics manufacturer

Opportunities for integrating problem resolution between . . .

Priority: Low (purple), Medium (blue), High (orange)

- . . . stores and 3rd-party software vendor[1]
- . . . call center and 3rd-party software vendor
- . . . call center and international support
- . . . call center and field services
- . . . stores and product development
- . . . stores and call center development

Effort (y-axis) / Degree of impact: Low → High

Opportunities for managing leads by passing them from . . .

- . . . stores to inbound call center
- . . . Web to inbound call center
- . . . stores to direct sales
- . . . Web to direct sales
- . . . inbound call center to direct sales

Effort (y-axis) / Degree of impact: Low → High

[1] For example, PC maker passing information to developer of software installed on its computers.

the potential value of each opportunity against the effort required to capture it (Exhibit 2). This diagnostic process may take a month or more.

Next, the organization can get started in the areas offering the greatest potential by launching pilot projects with limited scope. Passing leads from the Web to the call center for outbound follow-up calls, for example, is a good way to test the concept and can help strengthen connections across organizational boundaries and build traction for implementing a broader case-management program. Improvements to the IT system are necessary, but the real work lies in changing mind-sets about working across silos and in creating incentives that encourage frontline staff to embrace the new program.

These pilot projects usually demonstrate the potential savings and revenue gains—benefits that encourage investment in a broader capability-building program. A high-tech equipment manufacturer developed a pilot program that scanned customer interactions at the end of each day and passed leads to telephone sales agents. These leads had conversion rates that were 50 percent higher than those of average leads generated by outbound marketing and thus made a strong case for further investment.

The leadership team can use what it learns from the pilots and the priority map to decide where to invest next. A cross-functional team assesses the company's existing customer interaction processes and looks for areas where service opportunities, sales opportunities, or both should be captured and passed along but are not, resulting in unhappy customers and lost sales. The team redesigns the processes, often working with IT to translate actions into process and technology modifications—for example, by identifying which components (say, account management, opportunity management, and service orders) will need to be modified. Companies, we find, typically have more than 80 percent of the IT capabilities (infrastructure as well as applications) required for the redesign and therefore have to make only marginal new investments. Also during the redesign, the team should decide how to evaluate the program's success on an ongoing basis by identifying the most important metrics (for instance, the number of leads generated from inbound call centers and their conversion rates or customer retention rates). Finally, the team should set up a dashboard, typically a statistical report, to help managers track progress and continue improving the program.

Neither technology nor money represents the main obstacle to building a cross-silo case-management program that can boost sales, reduce customer service costs, and improve customer loyalty. The real barrier to success is the failure to recognize the value of the opportunity and to act on it. Once companies see the potential, they can usually overcome the organizational boundaries and, with modest and focused investments, develop better processes that allow them to make more out of their relationships with customers. **MoIT**

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