

# CRM: Who Ya Gonna Call?

David Kopf

## As the business-management strategy *du jour*, CRM expands outsourcing options—and confusion.

**B**usiness communications is replete with “hot” technologies, from Gigabit Ethernet to voice over IP (VOIP), but actually running the business means getting back to basics. As part of this focus, many businesses are trying to redefine how they deal with their most important asset: their customers.

Customer service represents a complex set of business and technology management strategies. As a result, many companies may opt to outsource all or part of these strategies, but finding the right outsourcer may be a needle-and-haystack problem.

### Focusing On The Customer

Tools that let businesses manage, maintain and maximize customer relationships rank high on the list of enterprise priorities. This is especially true now that many businesses seek to conduct more business over the Internet. And the rise of Internet commerce makes this trend toward customer-oriented systems very measurable.

For instance, Datamonitor estimates that Web-based businesses which didn't provide online customer service (live agent chat, Web call-back, etc.) lost \$1.6 billion in potential revenues in the first half of 1998. Moreover, 87 percent of online shoppers who spent more than \$2,000 over the second half of 1999 jumped to competitor sites if they received bad or no customer service.

The effort to serve customers more effectively via the Internet or corporate network has been given the broad label of customer relationship management (CRM). Through CRM, businesses seek to create a strategy that lets them seamlessly integrate back office functions to help sales, service and field personnel more effectively serve customer needs and cultivate customer relationships to drive more revenues.

This school of thought represents a shift in how businesses drive profits. While marketing may have been the key revenue generator in the 1980s and 1990s, businesses are now adopting the customer service industry axiom that it costs 10 times as much to start a new customer relationship as it does to keep an existing one.

### Well, Sort Of...

The only problem with that faith in customer retention is it assumes a company has the tools, skills and expertise to implement a successful CRM strategy. That's taking a lot for granted. For many businesses, especially those placing a particular emphasis on ecommerce, centralized customer service/CRM operations do not come cheap. Costs include:

■ **Staffing**—Many CRM strategies still require a foundation of traditional—and costly—call center operations. Besides integrating key technology pieces—such as automatic call distributors (ACDs), interactive voice response (IVR) and skills-based routing

**Many enterprises look for tools, skills and expertise to implement CRM on their own**

(SBR)—call centers need their most important asset: bodies. And staffing doesn't come cheap. Call centers spend small fortunes on recruiting, training and retaining customer service agents. Fifty to 70 percent of a call center's annual budget is spent on agents, according to Frost & Sullivan. And after all is said and done, an average call center expects to suffer 25 to 200 percent agent churn per year!

■ **Site location**—If a CRM strategy includes a call center or multiple centers, those agents need to sit somewhere. That's why site selection ranks the second highest on call center budgets. Technologies exist to bind geographically dispersed collections of agents or smaller, regional centers together into “virtual” call centers, but a certain amount of site selection is still required. Call centers still depend on having ready access to ripe pools of potential employees, as well as buildings, furniture, equipment, etc. to house and equip the center.

■ **Technology**—Besides all the traditional, call-center-focused technologies typically associated

David Kopf is BCR's West Coast editor/special projects editor

with customer contact, CRM requires a great deal of new technology. For starters, many CRM strategies require brand-new customer interfaces, many of which use new technologies and applications. Examples include Internet telephony for live agent interaction, Web chat and Web callback. Also, CRM requires much back-office systems integration, not to mention the deployment of brand-new systems that serve up the actual CRM applications.

“Most of the integration hang-ups are associated with legacy equipment—queuing issues, workforce management issues—getting them to all work together,” explained Paul Stockford, chief analyst with Saddletree Research. “Unless you’re a greenfield company, the issue becomes integration.”

The resulting systems are often tailored to the businesses using them. And like a hand-tailored suit, custom systems integration does not come cheap.

### Ball Of Confusion

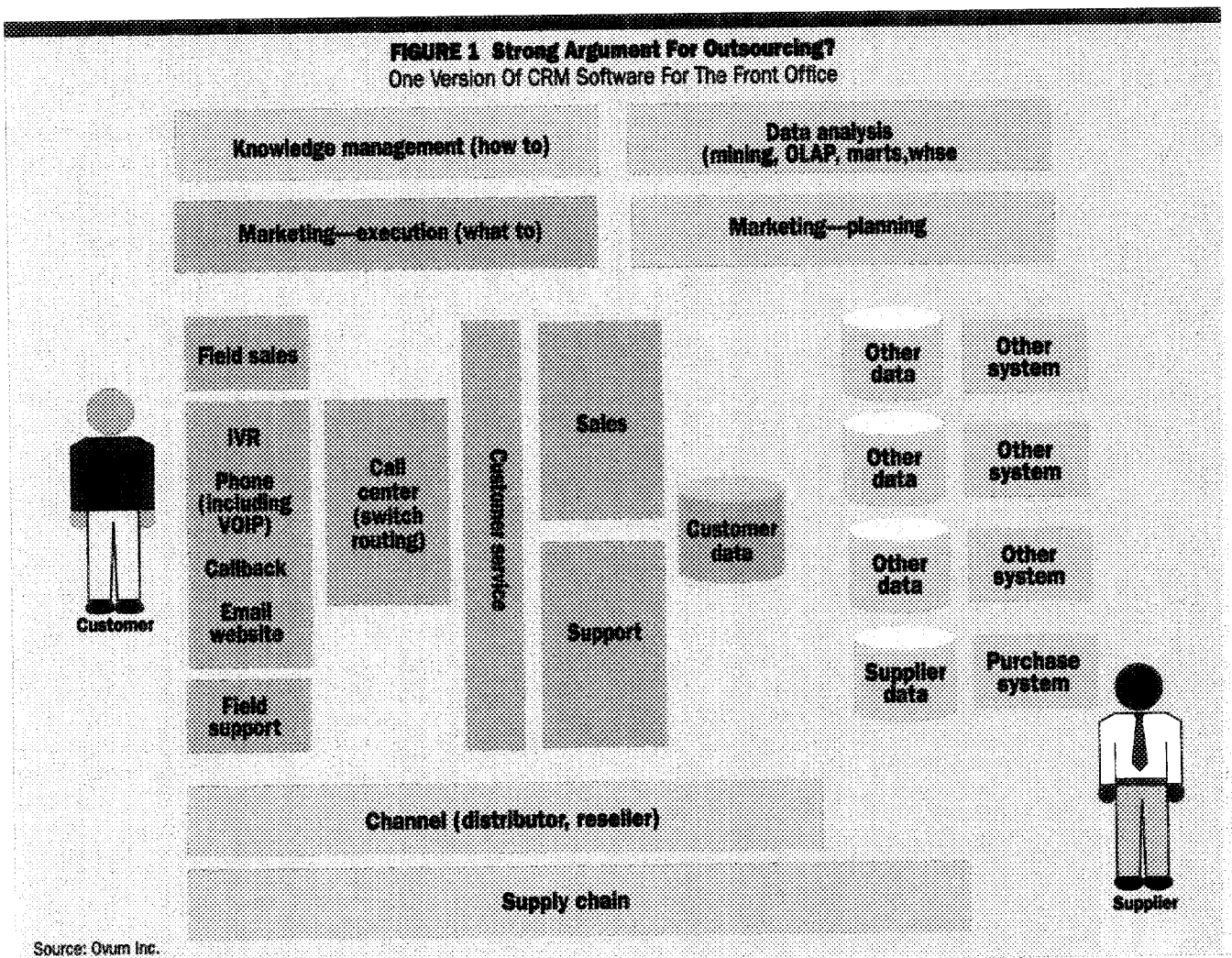
Add to those costs the current confusion surrounding CRM, and it’s not hard to understand

why some businesses are reluctant to take the CRM capital expenditure plunge. Ask 10 so-called CRM experts to define the term, and you are bound to get 10 different definitions. For example, researchers at Ovum Inc. describe CRM as, “a management discipline concerned with how organizations can increase retention of their most profitable customers, while simultaneously reducing cost and increasing value of interactions; thereby maximizing profits. In managing relationships with customers, organizations employ a range of technology and processes.”

A simpler definition would be that CRM lets businesses integrate marketing, sales and service functions to better serve customers on an individual basis (the so-called “market of one”)—but it’s not easy to explain how they go about doing that (Figure 1). Needless to say, the proliferation of nebulous definitions makes CRM a tough bottom-line decision.

But businesses are adopting CRM strategies just the same. Just over a year ago, Meta Group reported that fewer than 10 percent of large companies with CRM deployments could measure a tangible return on investment (ROI). It added that

**Ask 10 experts to define CRM, and you’ll get 10 different answers**



companies would need to spend as much as \$250 million over the next two to three years to realize some kind of ROI. Meta Group now says a 300-company survey indicates that 80 percent of those with CRM projects have experienced some success—however the individual respondent may define “success.”

Even in this improved environment, challenges remain, however. The recent data also show that the 76 percent of the companies surveyed still have not integrated their ecommerce efforts with their CRM strategies.

In short, CRM definitions remain fuzzy and cost considerations are still unsettled, yet businesses are committing themselves to the concepts behind CRM. The question is: How will they implement specific customer-centered initiatives?

### Let Somebody Else Do It

Outsourcing may turn out to be an excellent option. Saddletree's Stockford believes a direct parallel can be drawn between voice messaging adoption in the early 1980s and CRM in the early 2000s. When voice mail first became a necessary business tool, many companies opted to outsource with voice mail service agencies.

“Eventually it became more cost-effective to buy your own equipment,” he explained. “Now you can go to Office Max and buy an off-the-shelf system.”

In the same way, it might be prudent for some businesses to test-drive CRM applications and strategies through outsourcers, and then bring them in-house once they have proven their ROI. But with what company should a business outsource part or all of its CRM infrastructure?

At present there are three options:

■ **Service agencies**—Service agencies are the traditional customer contact outsourcing option. For years, companies such as Convergys Corp., APAC Customer Services and West Teleservices Corp., have provided complete, turnkey customer contact operations for a business. Service agencies have long provided soup-to-nuts customer contact services, from agents to the key technology pieces to training and more. However, Stockford pointed out that while service agencies are bringing on board more modern customer contact tools, such as Web chat and other online tools, they have not aggressively pursued actual CRM application hosting.

■ **Carriers**—Traditional phone companies offer call center services of their own. These range from service agency-like offerings to network offerings for businesses that run in-house centers. Typically, carriers serve larger-scale applications and offer

more traditional services, without delving too much into online customer service and similar applications. Like service agencies, they have not aggressively pursued offering outsourced CRM services.

■ **Application service providers**—The new faces of outsourcing, application service providers (ASPs) focus on serving up key business applications, but not necessarily the staffing and other elements of that application's infrastructure. In the case of CRM, an ASP may house the key applications, databases and related hardware and software, but would most likely leave it to business customers to handle staffing, customer contact centers and other “hard” assets associated with a CRM program.

ASPs “live all along the food chain” of CRM strategies, said Denis Pombriant, a senior analyst with Aberdeen Group. An ASP may focus on a particular element, such as SafeHarbor.com's online customer service outsourcing, or the ASP's

role could even be played by a system vendor that's trying to reach customers who aren't ready to commit to a full purchase. An example of this model is E-Talk Corp.'s launch of an ASP service for VOIP-based customer service. And,

of course, an entire CRM system can be outsourced from a CRM ASP, such as Corio Inc.'s hosting of Siebel Systems' CRM products.

**An entire enterprise  
might not adopt a CRM strategy,  
but individual business units  
may opt to do so**

### Decisions, Decisions...

Every business will have its own reasons for choosing one outsourcing option over the others, according to both Stockford and Pombriant. A business may only need to outsource the staffing element of its CRM strategy, or in the inverse case, it might have an existing center that it wants to integrate into a new CRM program, Stockford says. “It really all depends on the customer need,” Pombriant added. “There are no rules.”

Moreover, Pombriant said that while an entire enterprise might not adopt a CRM strategy, an office or division may opt to outsource all or part of its CRM strategy depending on its budget. Also, the business unit may take this route because it doesn't want to use the systems the enterprise already has in place.

The key to success, as in just about any outsourcing arrangement, is oversight by the enterprise. For instance, when outsourcing with a CRM ASP, Stockford advises that a business should examine the ASP's data security, disaster recovery and overall commitment to protecting the business's crown jewels: its customer data. “Make sure you know how secure your data is,” he said. “Who has access to it, how it is protected and what

**Carriers will have to re-invent themselves, or risk being shut out of this market**

**TABLE 1 The ASP/Service Agency Pendulum Shift**

Yesterday	Today	Tomorrow
Service Agencies: Traditional outsourcers of call center applications and manpower facilities.	Application Service Providers: Primarily outsourcers of CRM and e-service software services.	Blur: As ASPs and service agencies take on each other's service offerings, companies will have full-service CRM outsourcing options.

happens to your data if the business relationship [with the ASP] ends.”

The real key may be to seek an outsourcer—regardless of label or pigeonholing—that can outline how a business should incorporate CRM and e-service in terms of both technology applications and business processes, said Brad Cleveland, president of call center management consultancy Incoming Calls Management Institute. Online customer service (e-service) and CRM are new business tools, and a good outsourcer will outline how they fit into an enterprise's business.

“The real opportunity is for outsourcers that help organizations migrate into this multichannel service, and Web-enabled climate,” Cleveland said. “We've got to get that done. From a call center director's seat, he or she would love to have this laid out in the context of his or her environment. That will move [CRM evolution] faster.”

#### **Pendulum Swing**

At the moment the CRM outsourcing market may be compartmentalized into service agencies, ASPs and carriers, but businesses should expect a rapid evolution in their outsourcing options.

Among ASPs, Pombriant forecasts some fragmentation: “I think large portions [of the market] will be comprised of traditional, full-service ASPs, and we'll see more commodity-based companies that provide software as a service. For companies that can afford full-service customization, training, five-nines reliability and the like, you'll see a market that looks much like how ASPs look today. For companies that don't want a lot of customization, the multi-tenant model will dominate,” he explained.

The multi-tenant model of application hosting lets ASPs that deal in high volumes of similar customer applications host multiple business customers' data and applications on the same servers to save cost. An example of this model is the ASP [salesforce.com](http://salesforce.com), according to Pombriant. By contrast, a single-tenant model, closer to the large-scale, customized service model Pombriant describes, hosts only one or a few business customers on a server or collection of application servers.

As ASPs fragment, both Stockford and Cleveland predict that ASPs and service agencies will increasingly resemble one another, each taking on

the other's services to better reach business customers (Table 1). Stockford said that as service agencies aim to bring on additional ecommerce and e-service capabilities, they will acquire or partner with software-focused ASPs. Likewise, as ASPs hope to round out their service offerings, they will move to acquire or partner with service agencies.

“In three years, there won't be these distinctions [between ASPs and service agencies],” Stockford argued. Cleveland agreed with that assessment: “We'll see a blur,” he said. “Call them what you will—ASPs, outsourcers—we'll see a whole range of slicing and dicing and services that are custom-tailored.”

As for carriers, they may need to partner or acquire both service agencies and ASPs. While ASPs and service agencies both need to do some growing to offer well-rounded CRM services, eventually carriers will need to reinvent their offerings in order to stave off a growing ASP/outsourcer threat.

Carriers are “historically, not the fastest to jump on opportunities,” Stockford says. “Two years from now, [carriers] are going to be looking over their shoulders and see ASPs moving to overtake them. In three years, [the carriers] will wonder how they lost their position and will be in catch-up mode.” □

#### **Companies Mentioned In This Article**

Aberdeen Group Inc. [www.aberdeen.com](http://www.aberdeen.com)  
 APAC Customer Services  
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