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# RECONSTRUCT YOUR BUSINESS AROUND CUSTOMERS

**Your customers reach you  
through numerous channels,  
but all those channels  
should have a single focus.**

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Steve Sheridan**



DESPITE ALL THE POSITIVE CHANGES INTERNET technologies have brought to the business community, companies have had little success in managing customer relationships across their business. They're finding it hard enough to evaluate the progress of individual customer relationship management efforts; managing numerous initiatives across multiple channels and back into the rest of the business seems a Herculean task.

The blame for this lies in the way e-businesses were built. Most companies reacted to the Internet by launching e-business initiatives, and, to give them priority and focus, they established separate e-business organizational

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units. Spun out from their bricks-and-mortar parents (because most executives believed everything moved too quickly on the Internet for traditional business structures to be effective) these separate units were saddled with overblown expectations about the potential revenue growth and cost savings they would achieve.

Now that the dust is settling, many business leaders are evaluating where they should go from here. The dot-com bubble has burst. Clicks-and-mortar strategies have been declared the winners. It is now time to take a more rational view of the impact of the Internet and the related technologies. Savvy companies will turn to developing strategies for integrating their e-business capabilities across the entire business system to better develop customer relationships. Those that seize this opportunity and reconstruct their businesses around customers will create tremendous value.

**Higher Stakes in Customer Relationships**

The Internet has intensified the need for business models to change. There is no question that customer relationships will never be the same. Customers have greater control. They expect easy online access to information about your company's offerings, and they plan to compare that information to what your competitors are offering. This ready access means customers may bypass the salespeople who once pulled solutions together from a sometimes disjointed set of product and service groups, or buffered the customer from the inner workings of your company.

So if your Web site looks like it was constructed by a collection of independent groups pushing their products rather than offering an integrated solution addressing customer needs, you could be losing business without even knowing it. You're almost certain to lose business if you don't keep up with today's faster response times. When a customer has a question, or better yet, wants to buy something, they expect you to get back to them at Internet speeds. These expectations put all sorts of new demands on the offline portions of your business to get aligned with customer value delivery.

At the same time, new opportunities to enhance customer relationships have emerged. The Internet makes it easier and cheaper for you to gain access to new customers in new markets. You have new tools that enable you to customize the information different individuals within a customer organization need as they go through their decision-making process. For example, a buyer might need detailed pricing information, engineering teams are most interested in performance and specifications, while senior management might be more concerned about supplier financial stability. And customers might need different types of information at different times during the buying process. The Internet gives those customers more ways to access your organization, allowing you to have a much richer relationship with them.

If you take advantage of the new opportunities before your competition does, customer relationships can be enhanced, if not, they can rapidly deteriorate.

**Integration Creates Value**

While many companies have done a reasonable job establishing their on-line channel by giving it focus, the real value comes from integrating the e-business capabilities across channels as well as across products and service groups within your company. Companies can do much more to align the customer value delivery system:

- *Across channels:* As customers move across channels (and they will), they expect to have their information follow them. If a customer contacts your sales call center with a service problem, the salesperson should know about the problem and be able to respond to questions about the status. By designing an integrated experience based on anticipated customer needs, you can strengthen the relationships.

- *Across product/service groups:* Customers are often looking to solve a problem, not to buy specific products or services. While bundles from your different divisions do represent solutions, customers need to see them as an integrated offering through all channels.

**If customers have to start over every time they use a different channel, they may not have the patience to buy from you.**

- *Across functions:* The front-end of the organization (e.g., sales, service, and marketing) needs to communicate continuously with the back-end (product management, development, and supply). Because of the Internet, the ability to collaborate has increased dramatically.

- *Across cost centers:* The on-line channel is gener-

**Table 1: Channel Assessment**

|   | <b>STAGE I<br/>Beginner</b>   | <b>STAGE II<br/>Competitive</b>  | <b>STAGE III<br/>Advanced</b>  | <b>STAGE IV<br/>Best in Class</b>  |
|---|---|--|--|--|
| <b>Direct Sales</b>   | Inconsistent processes and methodologies across the organization<br>Little use or formal collection of customer relationship information<br>No common access to information | Processes for sales and information collection consistent within units but not across units<br>Inconsistent use of customer data to support sales efforts<br>Accessibility to information somewhat limited | Sales processes and methodologies consistent throughout the organization<br>Frequent use of customer data to support sales efforts in multiple channels<br>Ability to view customer across some but not all channels | Robust customer history, relationship and profile information tracked and shared across company and across channels<br>Real-time contact history accessible through all channels<br>Real-time, integrated view of lifetime customer relationship across channels |
| <b>Partners<br/>(Distributors, Resellers)</b>                       | Leads are passed between company and business partners with little context  | Some shared lead management processes  | Relationship and customer history information shared consistently<br>Leads managed proactively   | Partners have access to relevant customer relationship information from all channels<br>Two-way funnel sharing   |
| <b>E-Channel</b>  | Online access to information<br>Online transaction support  | Customer can customize buying/selling experience by selecting preferences<br>Limited proactive experience definition based on available customer information   | Customer profile information proactively used to tailor online offers<br>Collaborative capabilities available for customer to interact with the company  | Opportunities and interactions optimized across channels, customers, and partners<br>Lifetime customer relationship information maintained and shared across all channels  |
| <b>Service Channel<br/>(Call Centers, Field Reps, Service Reps)</b> | Information used and captured is specific to interaction<br>No access to or use of customer history and relationship information<br>No service across channels possible     | Some relationship information is used and captured but with no common processes to maximize value<br>Limited service available across channels   | Detailed customer information used and collected<br>Some proactive cross/up-sell activity<br>Some access to cross-channel information<br>Limited integration with sales  | Detailed cross-channel customer relationship history available<br>Information captured usable by all channels<br>Regular proactive cross/up-sell<br>Real-time integrated customer view across channels   |
| <b>Media Channel<br/>(Direct Mail, Broadcast Media)</b>             | Blanket messages not targeted to specific needs or segments   | Some segment-specific mailings   | Targeted use of direct mail and broadcast media by segment   | Targeted direct mail and broadcast media proactively used to reinforce marketing activity in other channels  |

ally held up as a lower cost way of serving customers. This is true only if costs are eliminated, typically in some other part of the organization. Unless you have an integrated plan, costs are unlikely to come out.

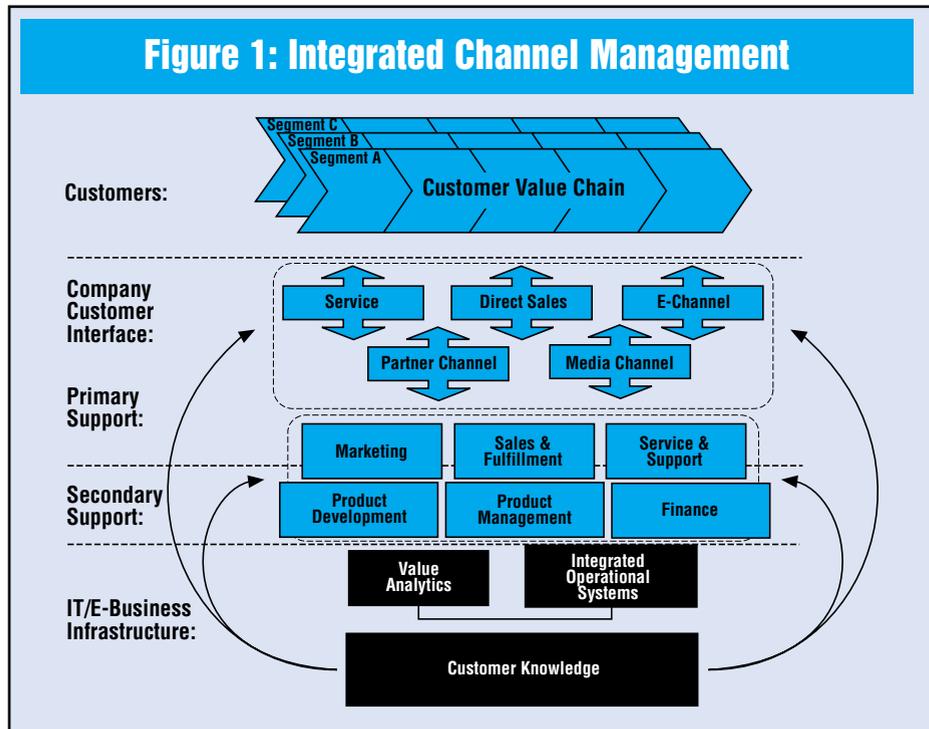
Without integration, the e-channel becomes an added cost with little added value at best, and a detractor of value at worst. Figure 1 on the next page depicts the areas of integration.

Most companies have not gone far enough to integrate e-business initiatives. Many have created e-business councils to cut across multiple divisions and rationalize the initiatives by agreeing on such things as standards, the look and feel of Web sites, and taxonomy of product lines. In some cases, the councils have been able to reduce

duplication of efforts. Clearly this is a valuable set of activities, but for the most part, the value has been in rationalizing across e-business initiatives rather than integrating them back to the rest of the business. What they should be doing instead is reconstructing the business around customers.

**Technology Traps**

Customer relationship management (CRM) is an important tool for integrated channel management, but too many companies expect to install the tool and be done. As a result, these technology-led initiatives often don't pay off. An analysis of these failures reveals several consistent themes:



- The majority of companies planning (or in the middle of) a CRM implementation did not have a means to measure the effectiveness of the solution and its impact on the key performance drivers of the business

- Initial ROI analysis conducted as part of a software selection process tends to be disconnected from any ongoing performance management process

- Because of the range of potential revenue and expense effects associated with justifying an investment in CRM, most companies have difficulty developing a comprehensive cost-benefit analysis

- Most companies fail to focus on process, organization, and systems in a coordinated manner

- Successful companies take a strong performance management approach to CRM

- Companies that coordinate the various customer management initiatives within a single performance management framework are more likely to realize benefits, given the level of interdependency between initiatives

### Critical Things That Are Hard to Get Right

There are five dimensions that are critical to the successful reconstruction of your business around customers. As is often the case, these elements sound simple, but are difficult to implement successfully:

1. The customer experience should be audience-specific, not just segment-specific. This can be particularly challenging for companies that have never collected information on individual needs within customer organizations.

2. For each stage of the decision-making process, channel alignment should be driven by customer needs, customers' propensity to use the channels, and cost to serve. While there is a knee-jerk reaction to want to move customers to the lowest cost channel, other dimensions need to be considered, and customers should have an incentive to use the appropriate channel.

3. Customers should be able to move seamlessly across channels. As your customer moves through the decision-making process, they will access multiple channels. If they have to start over every time they use a different channel, they may not have the patience to buy from you.

4. Management processes and metrics need to work across

the business, but individual parts of an enterprise often feel the need to build their own systems. As a result, costs are often duplicated and information is difficult to share.

5. Technical architectures and plans should focus on content management and customer profiles/metrics. While there are many intricacies involved with information systems, don't get bogged down. There are only a few areas that really matter.

### A Channel Diagnostic

Figure 2 illustrates the typical steps involved in reconstructing your business around customers, along with key considerations for each step. Where do you stand?

**Customers are often looking to solve a problem, not to buy specific products or services.**

Assuming that your strategy and market segmentation are sound, a good place to start is by diagnosing your channels. We have defined four "Stages of Excellence" ranging from beginner at one end of the spectrum to best in class at the other end-see Figure 3.

For each of the major channels to your customers (e.g., direct sales, call center, on-line, partners), you can evaluate your performance. You must consider multiple

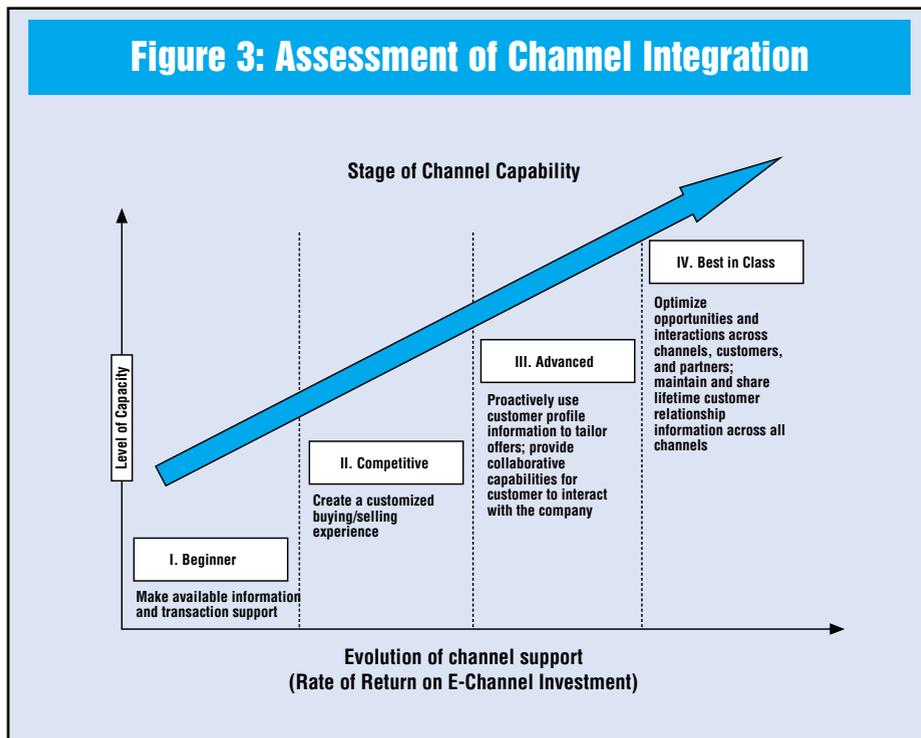
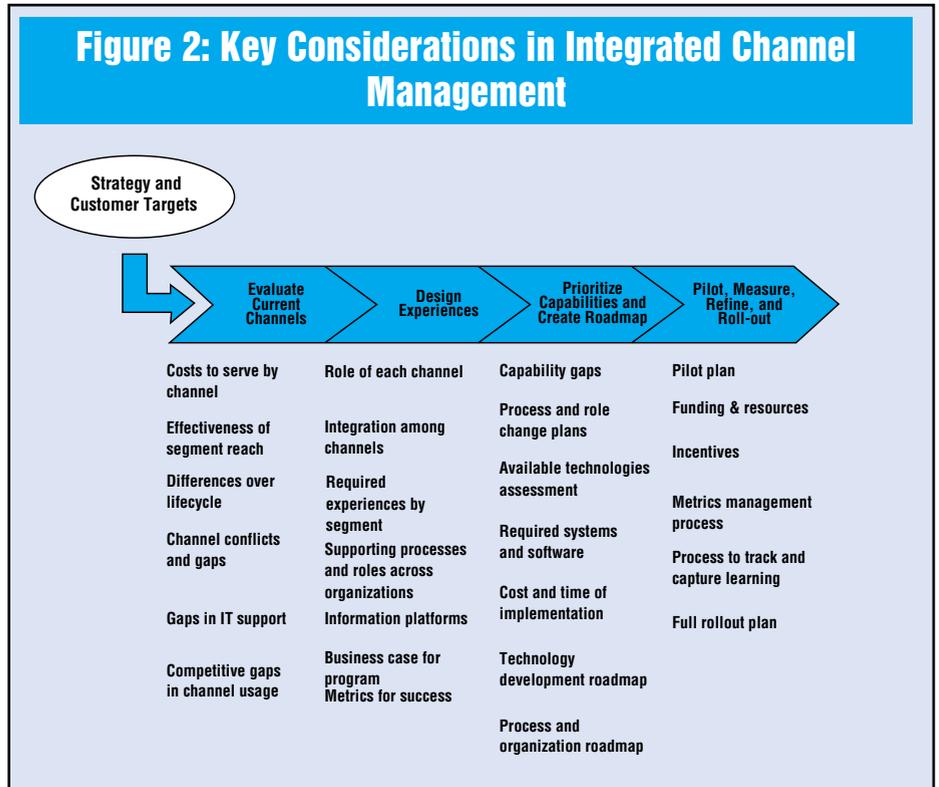
dimensions. Some dimensions are related to collection and use of information, and others deal with broader channel management issues. Table 1 examines one of these dimensions, technology integration, and shows the traits a company would exhibit at each of the stages of excellence.

As you progress toward best in class, there is increasing integration across channels and back into the product/service marketing organizations. For example, a beginner would have disparate and isolated systems and platforms, whereas a best-in-class company would have a single or integrated system and platform across all channels and business units. Perform a quick self-test on your organization. How would you rate your company along the dimensions in Table 1? Are you at the beginning stages or a best-in-class player?

A quick assessment across channels will help establish priorities and develop a plan for change. A number of focused opportunities can be identified in this process:

- Managing channel conflict

- Rationalizing e-business initiatives and spending
- Using e-business to support an off-line channel
- Determining make versus buy for e-business functionality



- Integrating CRM to maximize ROI
- Deploying knowledge management and customer profile/metrics
- Developing solutions-based offerings
- Dealing with organizational and metrics implications of managing across channels

While the changes required could be quite broad, it's important to attack the opportunity in a way that creates rapid evolution and payback along the way in order to maintain the momentum as you reconstruct your business around customers. ♦

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