

CHAPTER 5: DISCUSSION

5.1 Three Types of CRM Use in the Financial Holding Companies

Based on the analysis of the five financial holding companies, three types of CRM use were noted: facility, analytical and infrastructure. These three types of CRM use, as summarized in table 5-1, are not three distinctive states but rather interrelated stages. Depicted in figure 5-1 an evolving path of the transition of market-orientation can be found among these three types of CRM use.

Table 5-1 Three types of CRM use

Type	Facility	Analytical	Infrastructure
CRM focus	Serve customer	Retain customer	Invent customer
Companies	A, B	C, D	E
CRM use	A channel of customer service	Analytical use of the integrated tank for customized services	A fundamental base for enterprises to work together on customer
Indicators of CRM performance	Productivity and efficiency	Customer retention	Customer invention

Figure 5-1 Cultural and process change of the three types of CRM use

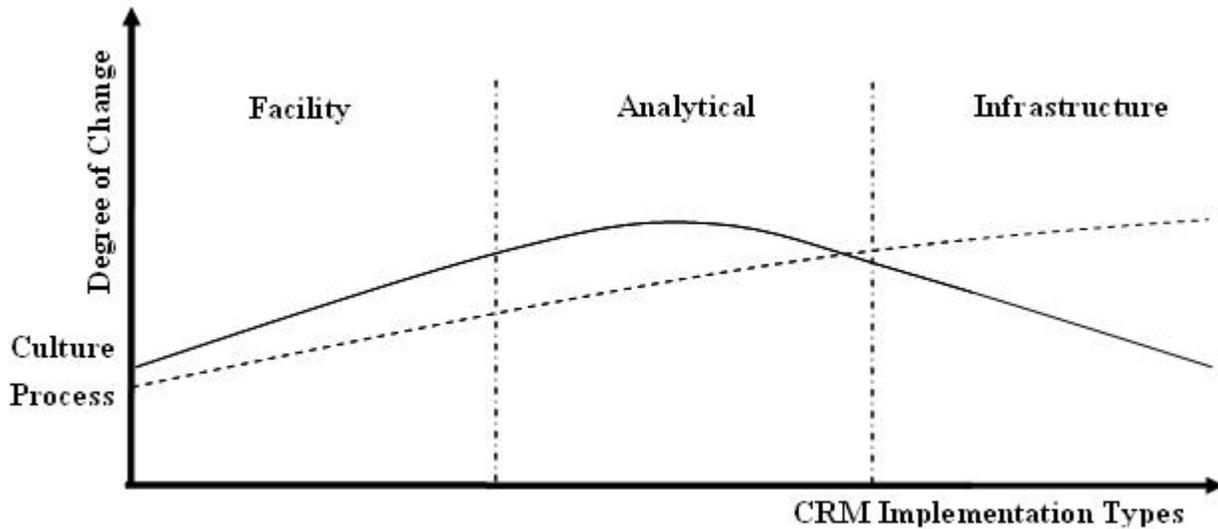
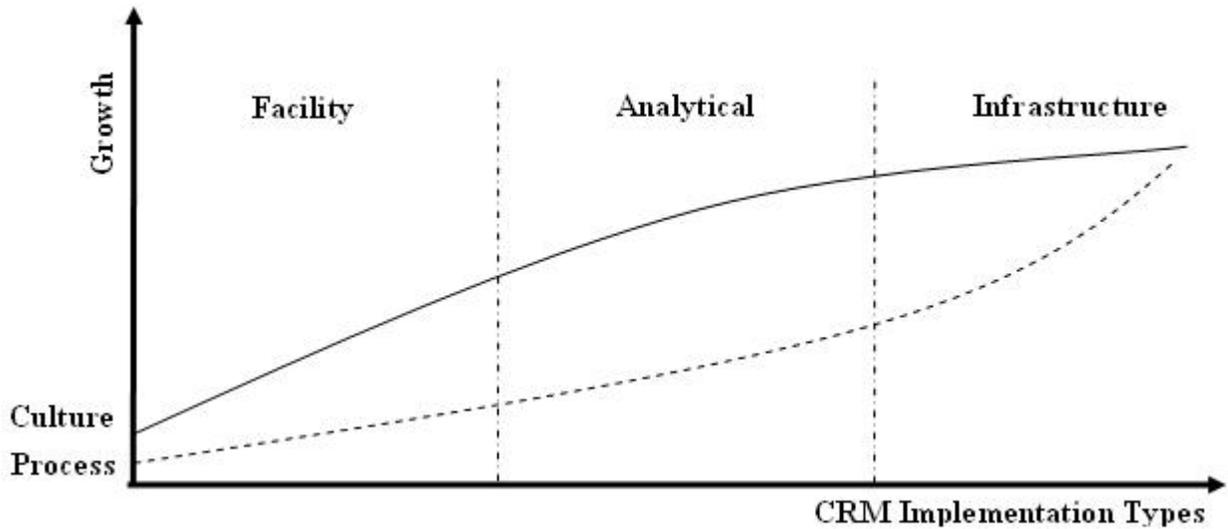


Figure 5-2 Cultural and process growth pattern of the three types of CRM use



5.2 The Impact of CRM Use on Organizational Behaviors and Processes

We then try to summarize the impact of CRM use on organizational behaviors and processes in table 5-2.

Table 5-2 The impact of CRM use on organizational behaviors

Type	Facility	Analytical	Infrastructure
CRM on departmental behavior	Some impact on intelligence generation, dissemination and quick response to customer requests	Strong impact on intelligence generation, dissemination. And quick response to customer and market changes	Little impact on departmental behavior
CRM on individual	Mainly in the customer service area	More innovative, creative employee in serving customers and developing products	Little impact on individual – since the culture and processes are already in place
CRM on process	Impact mainly on areas of customer service	Process changes in most customer related areas	Flexibility built in the end-to-end customer service process

Learning from financial holding company A and B a service type of CRM use is noted. This type of companies installed call center, or contact center, as an additional channel for serving customers. It handles customer requests and provides information on customer complaints to production functions. Some outbound campaigns can be conducted as well. The CRM applications are applied by the call center to consolidate basic customer and product information. Due to the limited scope of information on customers, organizational and individual behavioral changes are not highly visible. However, organizations have started to learn the use of the new channel and developed processes of generating and

disseminating customer information. The response to customer request is inevitably improved. At this stage the departments that receive the information tend to react passively to the revealed information.

Companies of service use of CRM tend to observe process changes in the customer service area. Increased productivity and customer satisfaction for more efficient service are the common indicators of CRM achievement. Process changes are mainly noted in the customer service department with some appreciations from the product planning departments for the consolidated customer requirements. Further benefits are reported in a few market promotion projects when the production, marketing and the call center operation work together in planning products and conducting campaigns. As commented by the business manager of Company A “Companies start to learn to manage customer relationship in an organized way”. The journey of CRM learning has started.

Learning from company C and D companies an analytical use of CRM is noted. Using the analytical data companies try different ways of retaining customers. This kind of companies tends to invest in customer information integration. Data warehousing techniques are applied to integrate customer information of different business units and data mining techniques are applied to build models of customer behaviors. In order to use the information effectively companies learn to build cross departmental committee to share information, discuss customer trends and evaluate product plans. Increased interaction and cross-departmental team work enforce the generation and dissemination of business intelligence across the enterprise. Firm’s capability of responding to customers and markets has increased knowledge of customer needs and wants. Departments are more aware of market and customer movements and react in team work. Due to the complete and descriptive information on customers employees are more empowered to attract customers in creative ways. Changes in the move to market orientation are highly recognized.

Benefits realized in the analytical use of CRM are mainly from the improvements of different value generation processes such as: flexible product development, increased market targeting, fast production and satisfied customer. Increased customer loyalty, higher retention rate and better channel management are reflected in the market performance. Information can be drilled down to different channels has enabled the shifted focus on channel and customization services.

The last type of CRM use is demonstrated in company E that uses CRM as an infrastructure in all customer related processes. The utmost goal of CRM use is to be able to invent customer. Company E has accumulated experience of using CRM for both service and analysis in most customer related areas. The market-orientation behavior has already implanted in the daily process, for example: across product and segment teams, end-to-end service design, customer information traffic control have been practiced long in the organization. Besides, individual measurements are tightly linked with customer value. Well-trained users with skills of drilling down the ready-assessed customer information can easily work with one another in developing new products for new segments. CRM influence of this stage is invisible.

Regarding benefits, companies of infrastructural use of CRM tend to gain benefits of all trades. Since customer focus is embedded in the end-to-end process from data collection, data analysis, data interpretation, to decision-making and implementation. The focus has shifted from product and channel management into segment management. Measurement is on the effectiveness of developing, maintaining and satisfying customers of the selected segments. Precision and flexibility are keys for taking the best advantage of CRM infrastructure. Enhanced CRM processes require external information on competitors and qualitative information on customers. It is a continuous journey of CRM extension.

5.3 The Process Impact, Benefits and Management Initiatives

Summarized in table 5-3, companies of different types of CRM use have different management structure and focus.

Companies that use CRM for service purpose mainly satisfy customers with the efficient service channel. Customer information is owned by different business units with different formats and production processes. Multiple levels of reports have kept the head office a distance from customers.

Table 5-3 CRM management and top management initiatives

Type	Facility	Analytical	Infrastructure
CRM knowledge	Owned by business units	Centralized customer information in headquarter	Integrated information shared by business units and individuals
Org. processes	Functional processes within business units	Integrated processes controlled and coordinated by head office	Integrated service from end to end focused on customers' needs
Org. structure	Bureaucratic structure Long distance between head office and customer	Centralized decision-making coordinated by cross-department committee	Distributed decision-making along the value generation processes
Top management focus	<ul style="list-style-type: none"> Encourage the learning of the use of the new channel. Enforce close link between CRM operator and product development Structured plan on learning the use of the new channel and information. 	<ul style="list-style-type: none"> Direct involvement in the CRM team. Design proper structure for decision making. Cultivate cross-departmental practice. Build a mechanism on managing conflicts among multiple customer owners. Enhance users' analytical skill 	<ul style="list-style-type: none"> Leverage the infrastructure on competition in precision Allocate proper resource on segment development Institutionalize the management of CRM cycle

Top managers in this type of company tend to delegate the CRM use to the service department. Both interviewees of company A and B emphasized the importance of a clear vision of the use of the new channel with enforcement on cross departmental information sharing. It seems that the more the employees learn the use of the CRM information the more benefits can be gained with the use of CRM. In the beginning of the CRM implementation companies learned the use of CRM mainly from their consultants. Later on, some tricks of using CRM are learned from competitors and business partners. Employees of company A and B believe that a structured learning plan on CRM use can increase the

return of the CRM investment. Instead of passively respond to customer complaints company A shared a successful product campaign project. The project was lead by managers in the product development department who plan a product campaign on an old life insurance product which has been left on the shelf for months. With careful plan and strong self-motivation, companies have to win the teamwork closely with call centers around the nation to promote the product. In the end of the three months campaign sales have been boosted up 60%. Accountable manager as the cheerleader and active implementer can be another important way of enhancing the beneficial use to CRM.

Companies that use CRM for analytical planning learn to retain customers through effective management of products as well channels. At this stage top management and planning team are closer to customers. Customer data were centralized and owned by the head office; processes were controlled and coordinated by head office as well. Decision-making were lead by head office with committed business units and operational departments.

Top managers of analytical type of CRM use tend to, or probably are required to, involve directly in organizing the structure, managing conflicts and designing products. A cross-department committee including: product development, front-line sales, production, customer services is formed. Regular meeting are conducted. One of the major challenges is to consolidate customer contact channels and provide consistent services. In order to achieve this goal, customer ownership, customer data assess policies, and channel profitability analyses are all important tasks. Companies are learning the integrated customer database as well as techniques of modeling the data. Cross-departmental projects enable customer-focused changes in marketing and product development integration. More discussion is on strengthening sales and distribution channels and promoting channel sales and services. During this period of CRM use many conflicts among multiple channels and products arose. Top managers are required to mediate among different product lines for overlapped customers and channels. In addition, developing skillful users with the capability of drilling down to the knowledge tank for proper customer analysis is another critical task for business managers to plan on.

Moving on to the infrastructure stage, processes are well connected with complete information of customer profile and contacts. The organizations are structured around projects with resources well distributed. Taking company E as an example, it installed the customer call center 15 years ago and conducted business process reengineering (BPR) project 5 years later. There were three major changes in the BPR project: customer data integration, customer-focused process redesign, and the structure reorganization. By that time, there was no such term as customer relationship management yet. However, the whole project was to transform the organization from product centric into customer centric with a goal of flexible customer relationship management. Customer information files that spread over different product records were integrated and consolidated by a single customer account. Business processes were redesigned around the customer contact points. Functional processes were broken into modular customer service processes and realigned with different customer projects. The organizational structure was flattened with minimum levels of communication. The reengineering project took more than five years which gradually transformed the organization into a market-oriented organization. Of the reengineering project an infrastructure was built with standardized and modularized processes, mature mechanism on managing conflicts, capable users who speak common language on customers, and proper measurement focusing on customers.

Top management of this stage did not spend as much time as it is in the previous stage. The main goal is to leverage the existing infrastructure on building competitive edge in precision. Continuous improvement is institutionalized with permanent personnel overlooking the rules of managing CRM and improving CRM processes. Individualized relationships are gradually built with the aim of improving

customer satisfaction and maximizing profits. Major challenge for business managers is to identify the most profitable customer segments, allocate proper resources and maintain differentiation in the selected segments.