REALISING THE BENEFITS FROM RELATIONSHIP MANAGEMENT

Improving business performance through effective customer relationship management is a realisable goal with significant benefits, says Nigel Webb.

Any process or technology directly linked to the financial health of a business generates strong debate and rightly so. When it includes the, often emotional, management of the customer relationship, it can really overheat.

The critical question for many businesses remains, how do you measure, improve and accelerate business performance using relationship management? Business leaders often attempt to justify their approach based on revenue growth alone.

Addition of the quality of the customer relationship, delivery of the best experience and optimisation of sales and marketing opportunities, creates a strategy based on performance management that will deliver far greater value to the business.

To uncover the justifications, cost savings and overall impact that can be readily realised from performance management we need to examine four key areas.

Executive visibility

A major source of management frustration is poor visibility of critical and accurate business information. The delays and re-work required to identify the correct and current information are time consuming, resource intensive and frequently unobtainable within critical timescales.

Elements of guesswork, or at worst incorrect interpretation of key metrics, are often the only basis for apparently sound decisions. Good visibility from improved business views of information and status has an immediate and positive business impact of 5% to 8% on costs.

Poor visibility impacts	Resolution produces
Performance	Live business metrics
Profitability	Measurement by customer, product, service, salesperson
Revenue	Full tracking with clear analytics and forecasting using dashboards
Customers	View of all their business and opportunities with you at a glance
Confidence	Measurement and management of your changing business with accurate data

The level of adjustment, interpretation and plain massaging of critical business information from the front line to the top of an organisation is often culturally ingrained. The direct cost in terms of time and resource is rarely measured. The indirect costs of lost revenue, profitability and customer attrition is often not attributable and delivered too late for executives to alter the outcome.

A growing body of evidence shows that businesses must attract and retain loyal customers to improve their bottom line and grow the top line[1]. Arguably it is perhaps more important to avoid the creation of disloyal customers whose negative impact to the business will be far greater.

Either way the loyalty issue further endorses the need for directly connected management dashboards. A clear line of sight to the customer, as well as the more conventional metrics of revenue and profit, will bring the greatest value to time-poor executives.

Diageo, the world's leading premium drinks company with the broadest and most recognised collection of brands, planned to spend in excess of £1,000 million annually in business transformation programmes. They ranged from global bottle sourcing, a single supply-chain centre and installing SAP in acquired companies, through to ensuring St Patrick's Day was the annual success for which the Guinness brand was renowned.

With operations in 58 countries, coordinating the business transformation programmes would be a huge challenge. It was also critical for the management teams to understand the status of the programmes relative to business performance.

Diageo executive managers used dashboard systems to provide direct line-of-sight information on each programme, including the projects that comprised the programmes, combined together with business performance information. This enabled the executive board to see the exact status of any programme and determine the value they could deliver to the business. The ability to switch between internal and consulting support to changing business priorities also contributed to saving costs of between 5% and 10% on each transformation programme.

Business processes

Ineffective processes reduce agility, business capability and competitive advantage. This severely limits the ability to sustain any improvement initiatives and prevents successful replication at reduced costs. More effective business processes and customer engagement can reduce costs by 8% to 10%

Ineffective processes impact	Resolution produces
Consistency	Improvement in all your business processes
Metrics	Measurements and analytics customised to your business needs
Work-flow	Full tracking with alerts to highlight bottlenecks and inhibitors
Responsiveness	Easy to make sustainable changes to your processes
Scalability	Ability to support sustained growth

Businesses continue to view technology as the means to help them become more efficient and agile but executives often abandon new business initiatives rather than face the challenge of resolving IT problems.

Often the issues can be so great that changing the existing enterprise applications is just too difficult and too costly. Failure to affect change has led to processes in key areas of the business that are complex, slow and difficult to perform.

Arguably it is perhaps more important to avoid the creation of disloyal customers whose negative impact to the business will be far greater.

A review of the actual requirement and end-to-end objectives from a business perspective is essential. Mixing the business need with technology means both are responsible for designing the process shift, managing change and implementing the solution.

Among the many technologies that Chief Information Officers are investigating, software as a service, on-demand, is emerging as a key priority.[2] The on-demand offerings would appear to provide a way forward - lower costs, ease of use and implementation in weeks not months, leading to greater adoption and alignment across the business.

Software as a service, on-demand, is emerging as a key priority.

Xerox is a global company dedicated to providing office solutions from large-scale copy systems to desk-top print solutions. Their challenge was in different distribution channels. The desk-top solutions were sold by the established independent PC re-sellers, whilst the Xerox account teams focused on direct sales and support of the copy systems.

To support and sell the larger systems to all their customers in 23 key European countries, Xerox had to find an effective and lower cost approach. Co-ordinating the activities of the channels would mean customers could also secure the advantages and benefits of the copy systems to address their business needs.

The revised process triangulated the customer needs and priorities, the Xerox solutions developed by the account teams and the fulfilment through the channel partners. This approach measurably increased customer engagement, and delivered business processes to Xerox that significantly reduced their sales and distribution costs.

People productivity

Lack of productivity from key front and back office staff and management drains business energy. The resulting decrease in effectiveness crucially degrades the time to act and holds back progression and improvement. Enhanced personal productivity and improved time to act can reduce costs by 5% to 10%.

Poor productivity impacts	Resolution produces
Skills	Ability to improve and grow your peoples' business skills
Tools	Availability of proven tools to implement new initiatives immediately
Information	Accessible information and available on a dashboard
Time to act	Dramatic improvements for you, your staff and your business
Improvement	Continuous iterative productivity gains to deliver business growth

The ubiquitous access offered by the web has changed the economics of information which has enabled customers to erode the traditional supplier knowledge advantage. The same customers will pay for a better quality of information if it is timely and relevant. To achieve this suppliers must be quick to respond and provide distinctive and differentiated offerings.

Clearly it should be an overall goal to increase the effectiveness and efficiency of management and staff across the business. Attention is now directed at front office productivity that until recently had been masked by gains in the back and middle office.

Metrics with links to incentives to drive behaviour has been the key to addressing these challenges but objective measurement has always been the problem. The performance management approach identifies who is accountable for which results and motivates behavioural change with a clear pre-determined action plan to win over any resistance.

BOC is a global industrial gases company with customers using gas products for a wide variety of businesses from manufacturing and processing, to purifying water and environmental protection.

Supporting and selling to these customers demanded a deep understanding of the underlying industrial processes combined with the availability of critical business information to help them reduce costs and improve their business results.

BOC created a business-web based solution that enabled the account managers to have full and timely access to the information they needed, to assist their customers and drive better business results. The BOC sales teams could now spend less time in the office and more time with their customers' business teams. Increasing their personal productivity made the sales teams more effective, improved their time to act and enabled BOC's front line costs to be significantly reduced

Business growth produces	Resolution produces
Targeting	Clear focus on best business opportunities
Resources	Allocation based on potential impact
Needs	Identification of dependencies, issues and best practice resolution
Priorities	Ability to prioritise and address more and best opportunities
Capability	Substantial growth of overall business competency and profit

Business Growth

Revenue and profit growth are the evidence of a well run business and enable it to become more responsive to customer and market opportunities. The most successful businesses identify, develop and invest in the most effective business enablers. Better business results and profitability can be used to reduce costs by 10% to15%.

The due diligence that must be determined from the outset is to identify which business levers are most

The ubiquitous access offered by the web has changed the economics of information.

important and how much value each can create. The successful connection to a wider business initiative then starts when executive sponsors can articulate the specific rationale – for example, improve customer satisfaction to boost retention and keep competition from stealing market share.

Priorities should be based on value to the management and staff and the resources then allocated. To sustain these key initiatives however, also requires the adoption of two bigger challenges – organisational motivation and accountability for results. A clear directive, focus and ability to deliver will make the initiatives far easier to achieve

Lexmark was created from the buy-out of four IBM divisions that previously used the IBM channels to reach their market. As a new business, Lexmark had to establish its own sales and support channels to optimise its business potential and performance.

- Improved business views of customer information and status 5–8%
- More effective business processes and customer engagement 8–10%
- Enhanced personal productivity and improved time to act 5–10%
- Better business results and profitability 10–15%

Executive sponsorship and participation is critical to scope, mobilise, implement and execute a performance management strategy successfully. This is not to be considered lightly as the appointment of an executive sponsor to identify goals and objectives and create a cross functional steering committee, is central to its success.

Translation from strategy to execution is often lost between executives, mid-management and staff and is a major source of employee dissatisfaction and resistance

The appointment of an executive sponsor to identify goals and objectives is central to success.

Lexmark began with a programme to determine, rank and prioritise the optimum target customers for their offerings that produced the best short and longer term yields. Scarce qualified sales and support resources were concentrated on these targets to ensure the right relationships and opportunities were established and leveraged to develop business growth.

Profiling the target enterprises identified the business issues, needs and priorities that Lexmark could address. Rapid delivery of solutions was critical to help their customers further develop their business processes and profitability.

The combination of these programmes reduced costs for Lexmark by over 20% and at the same time improved sales performance by over 100% to drive sustained business performance and increased profitability. Lexmark was able to move from private equity ownership to a successful NYSE listing in less than four years.

Overall Impact

A performance management approach brings together the best practices of relationship management, cost reduction and people and process effectiveness. It has four investment return opportunities that can be rapidly realised:

to change. Active participation, visibility to the staff community and specific involvement at key milestones are a pre-requisite. Talk the talk and walk the walk.

For the time-poor executive involvement in additional management programmes may seem a burden. But the benefits to the individual can be surprising. Responsibility for a performance management approach puts the sponsor in direct touch with the company's business community and in particular with the front line. It provides real insights to the challenges on the ground both internally and from the customer perspective.

This approach also enables the key metrics, analysis and reports required by senior management to be decided from the outset. For the ascending executive there are two further benefits - rising talent in the business can be more readily identified and a broad cross-functional view is provided that will be invaluable for further career progression. ☐

Nigel Webb is Sales and Marketing Director at Westbrook.

[1] Accenture: *Seller Beware – The curse of the disloyal customer* (2006)

[2] McKinsey: *Two new tools that CIOs want* (May 2006)