

# Customer Relationship Management (CRM)

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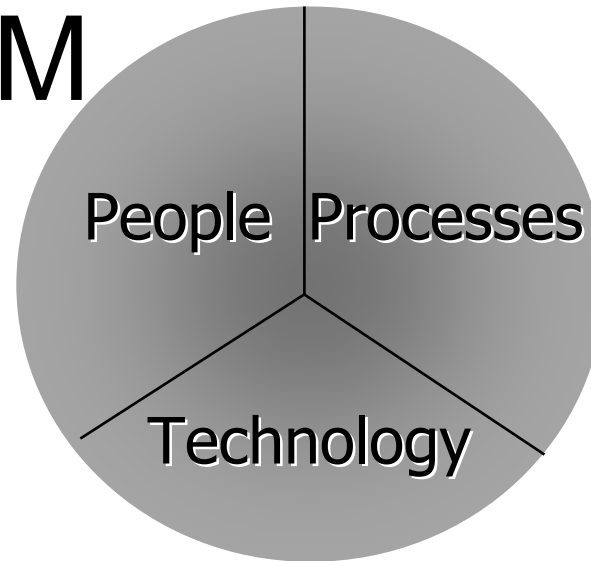
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[WWW.albadvi.net](http://WWW.albadvi.net)

# Session#4: Agenda

- BPR for CRM
- Principles & Tactics
  - Streamline
  - Restructure & Reconfigure them
  - Informatize them
  - Mind them

# BPR for CRM



**BPR for CRM** involves  
rethinking and redesigning  
business processes to  
create value to Customers.

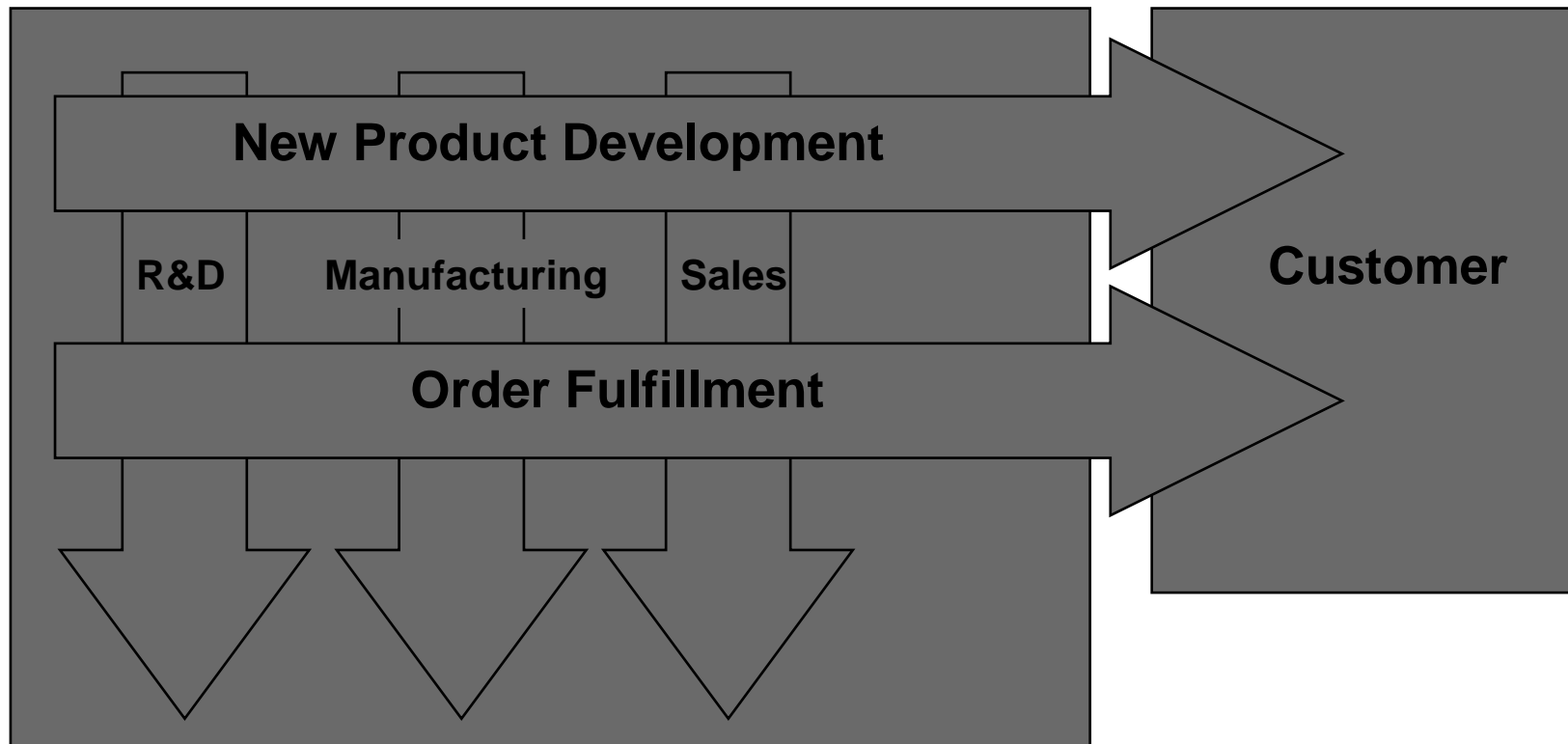
## Problems With Current Work Organization

- Cross-functional, cross-departmental, cross-hierarchical problems
- Too many non-value-adding steps (e.g. check, monitor, control, authorize, reconcile, transfer)
- Too many wait stages
- Sequential instead of parallel tasks
- Complex procedures with many exceptions
- Too much rework (due to errors)
- Not properly supported by IT:
  - . timely, accurate information
  - . input once, available to all
  - . processing capability where you need it.

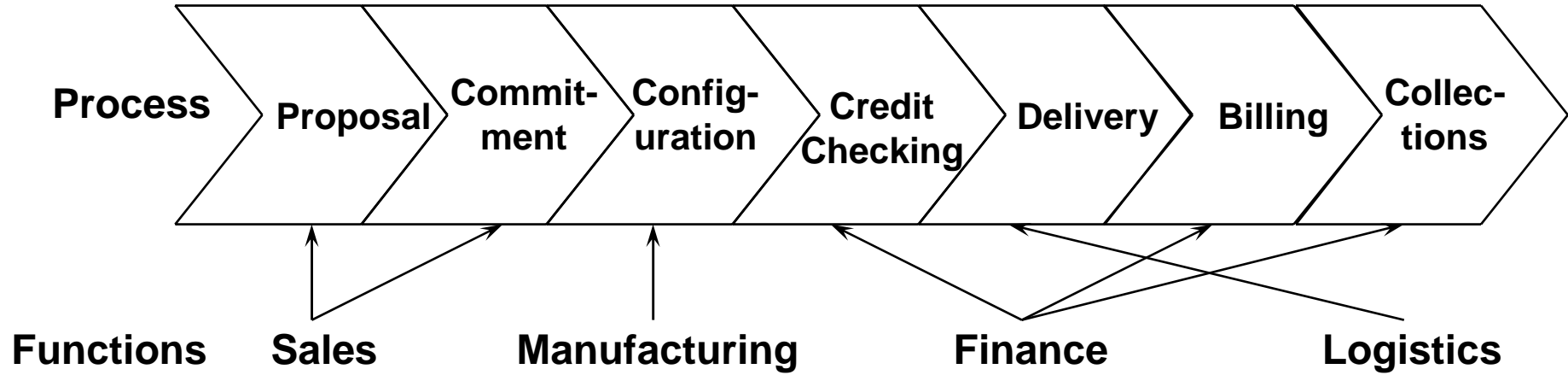
“Many of our current processes result from a series of ad-hoc decisions made by functional units, with little attention to effectiveness across the entire process. Many processes have never even been measured.”

T. Davenport and J. Short  
Sloan Management Review  
Summer 1990

## Function Versus Process-based Organization



# The Customer Order Fulfillment Process



## **BPR definition**

**BPR** is the fundamental rethinking and radical redesign of business processes to achieve drastic improvements in critical measurements of performance (such as time, cost, and quality).

**A business process** is a collection of tasks that together create value for a customer.

Hammer and Champy, 1993



## **BPR for CRM: Hostile Assumptions**

We are smarter than our customers; we know what they need.

If it isn't broken, don't fix it.

# What do we need REDESIGN PRINCIPLES and TACTICS for?

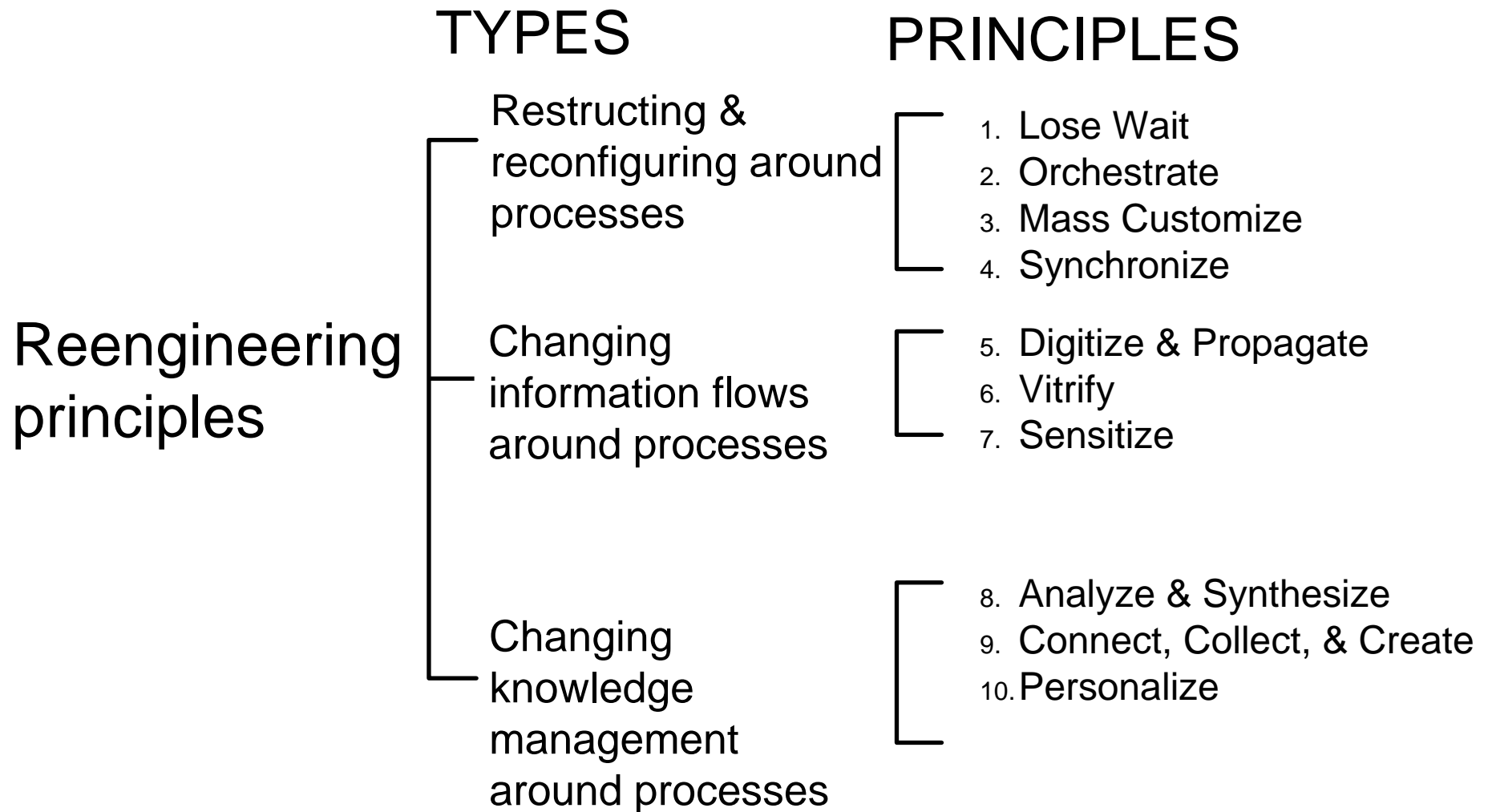
- **Principles** can be used as a checklist to suggest ways of redesigning the process for better CRM/eCRM
- **Tactics** can be used to trigger ideas about how to implement changes to create value to customers

# Principle # 0: STREAMLINE

- 
- Remove waste
  - Simplify
  - Consolidate similar activities

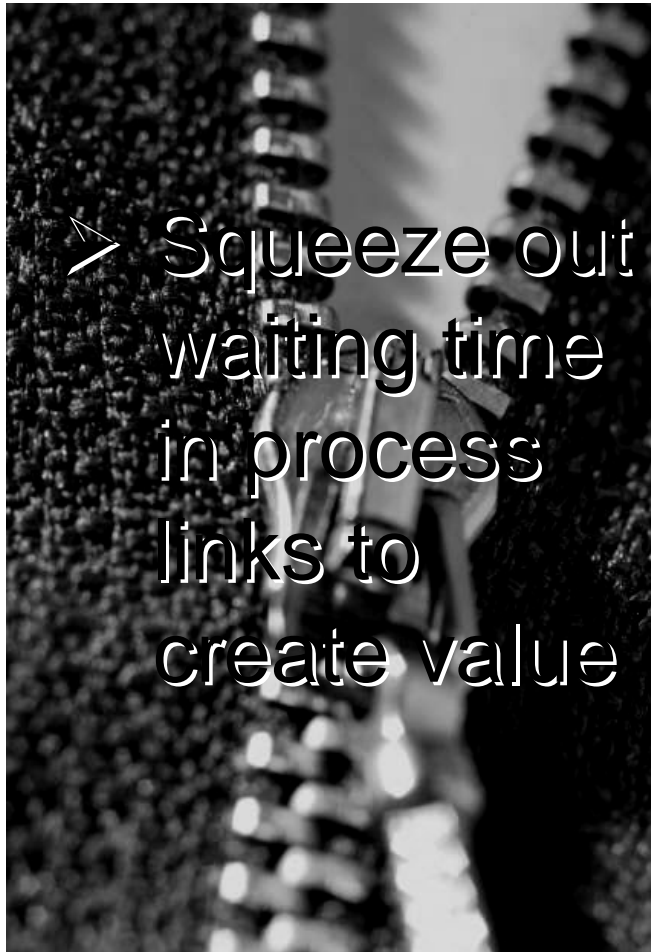
- Ground zero common sense principle!

# 3 Types of Redesign Principles



# Restructure & Reconfigure them!

## Principle #1: LOSE WAIT



### ● Common Tactics:

- Redesign time-sequential activities to be executed concurrently  
<https://www.flagstar.com/inside/news.jsp>
- Create closed-loop teams for quicker flexible interaction
- Do NOT allow a support activity to gate a core value-adding process
- Design for continuous flow rather than stop-start batches
- Modify upstream practice to relieve downstream bottlenecks.

### ● Examples:

- Flagstar Bank (MI, USA)

# Restructure & Reconfigure them!

## Principle #2: ORCHESTRATE



### ● Common Tactics:

- Partner a process with another enterprise  
[www.dw.com](http://www.dw.com)
- Outsource a process to another enterprise
- Insource a process back into the enterprise  
[www.ups.com](http://www.ups.com)
- Route the process through an infomediary  
[www.chemdex.com](http://www.chemdex.com)

### ● Examples:

- UPS
- Chemdex

# Restructure & Reconfigure them!

## Principle #3: MASS-CUSTOMIZE



### ● Common Tactics:

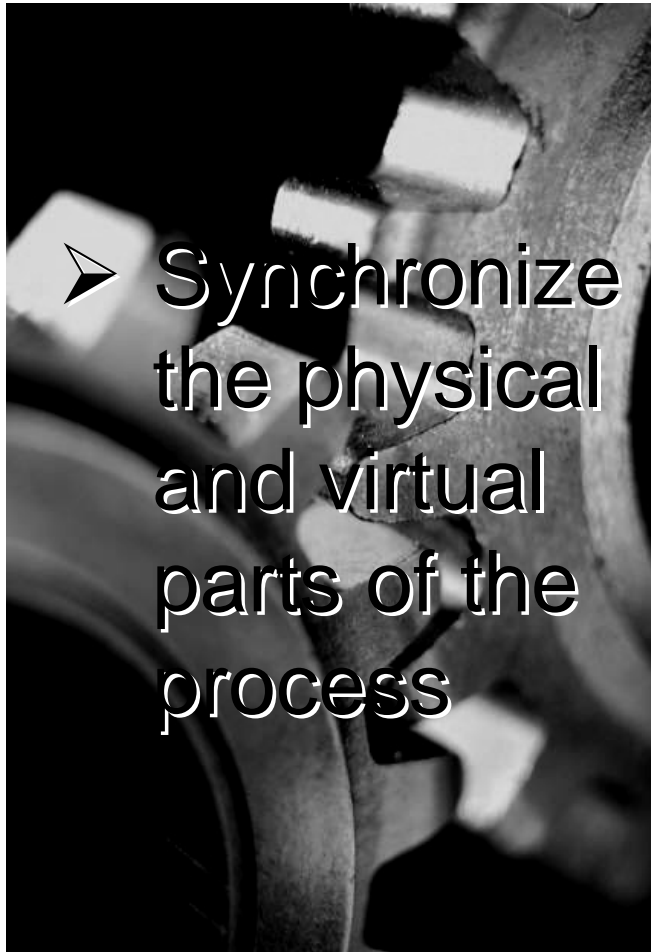
- Flex access by expanding the time window for the process
- Flex access by migrating the physical space in which the process happens  
[www.sunglasshut.com](http://www.sunglasshut.com)
- Create modular process platforms
- Push customization to occur closest to the customer
- Enable dynamic customization of product offerings  
[www.dell.com](http://www.dell.com)

### ● Examples:

- DELL
- 2003 A. Albadvi

# Restructure & Reconfigure them!

## Principle #4: Synchronize



### ● Common Tactics:

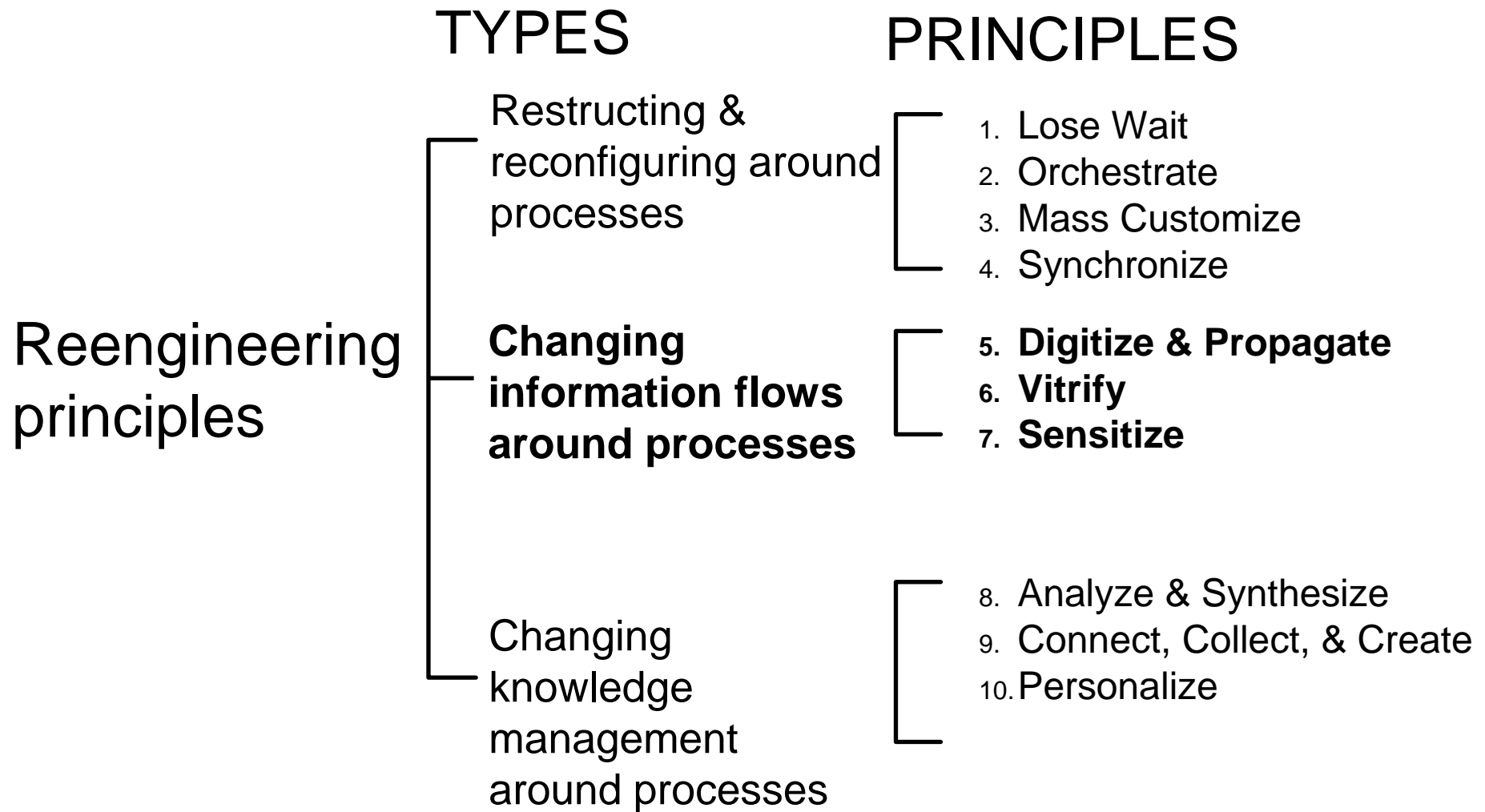
- Match the offerings on the physical and virtual parts of the process  
[www.go.borders.com/about.cvx](http://www.go.borders.com/about.cvx)
- Create common process platforms for physical and electronic processes  
[www.cvs.com](http://www.cvs.com)
- Track the movement of physical products electronically

### ● Examples:

- Borders Books
- CVS Corporation

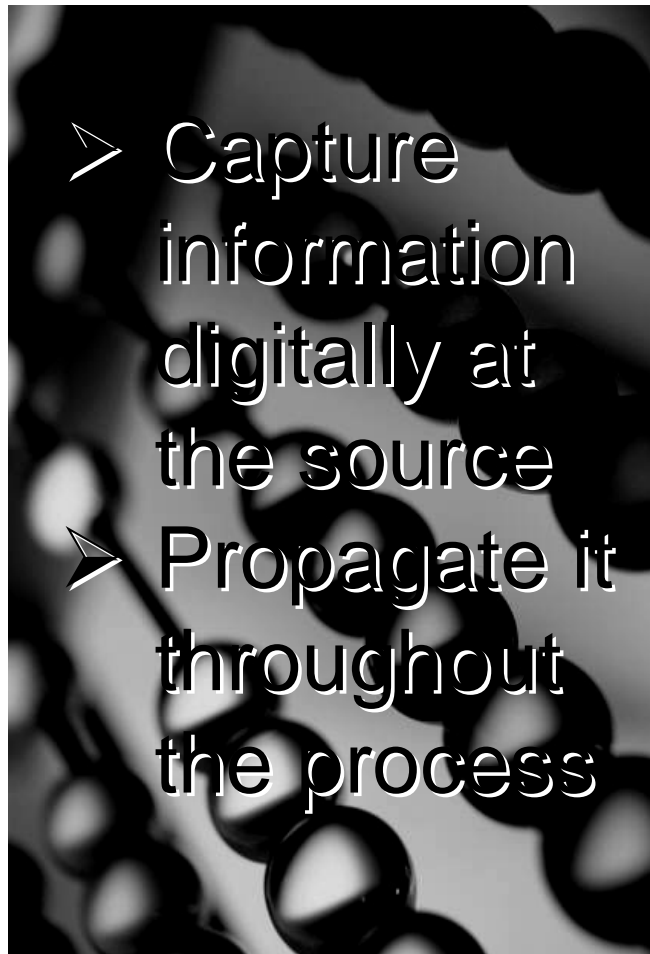


# Informate Them!



# Informate them!

## Principle #5: DIGITIZE and PROPAGATE



### ● Common Tactics:

- Shift data entry to customers and digitize it
- Make the process as paperless as possible as early as you can  
[www.microsoft.com](http://www.microsoft.com)
- Make information more easily accessible upstream and downstream to those who need it  
[www.walmartstores.com](http://www.walmartstores.com)
- Shrink the distance between the information and the decision

### ● Examples:

- E-wallets
- Microsoft: job application process
- Swedish police: issuance of passports

# Informate them!

## Principle #6: Vitrify



### ● Common Tactics:

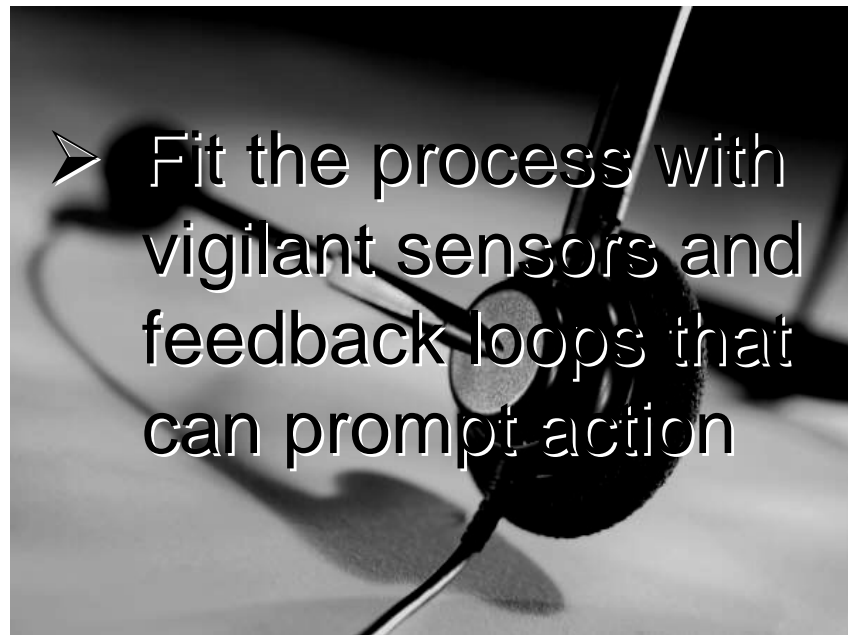
- Provide on-demand tracking information for customers of the process
- Provide reporting capabilities that provide on-the-fly analysis
- Design standard partner interface processes for seamless exchange of information

### ● Examples:

- FEDEX: shipping process
- MISQ: review process

# Informate them!

## Principle #7: SENSITIZE



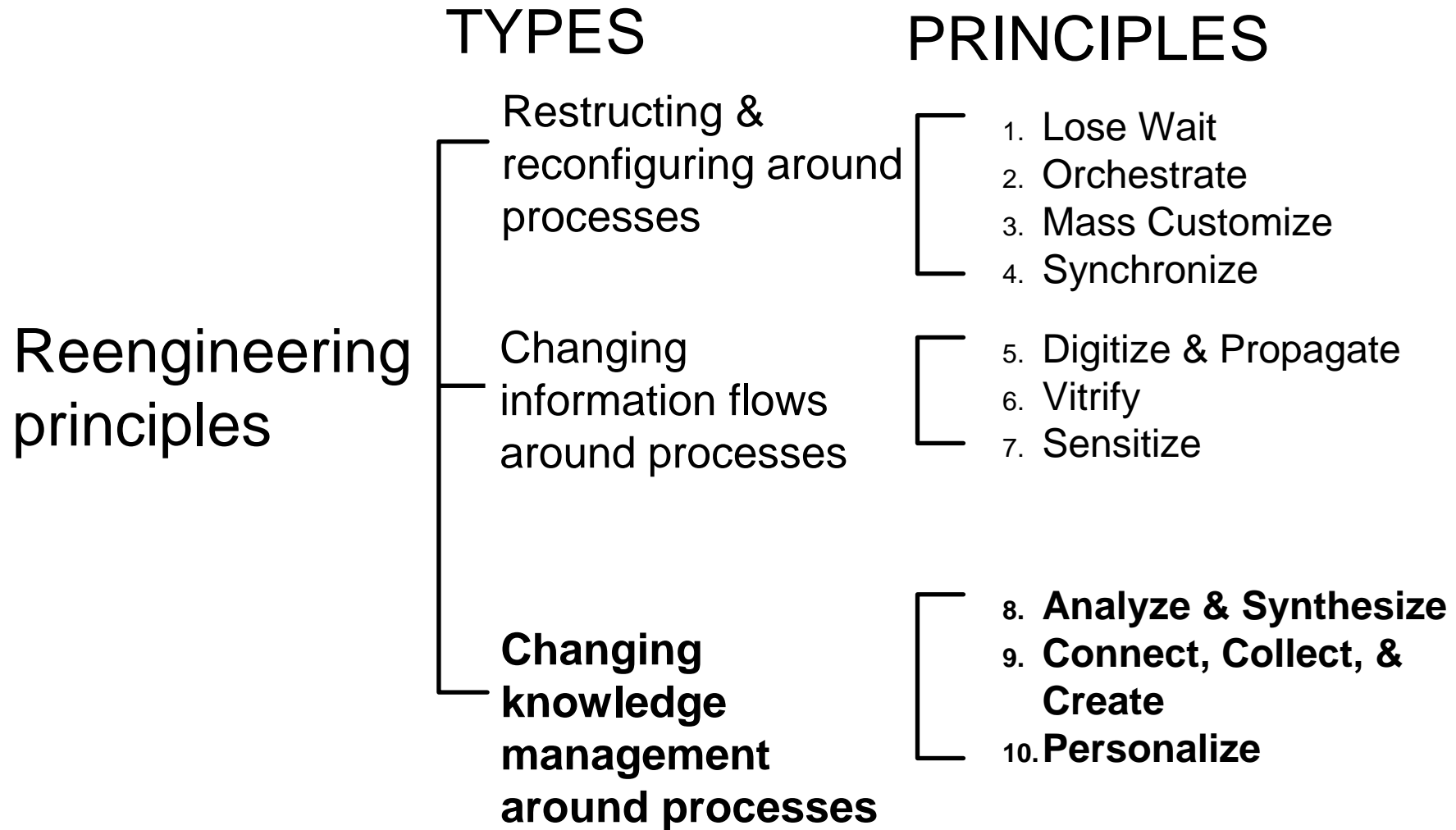
### ● Common Tactics:

- Build in customer feedback loops to detect process dysfunction
- Enable software smarts to trigger quick business reflexes
- Attach environmental probes to the process to monitor change

### ● Examples:

- HERTZ: Pricing process  
[www.hertz.com](http://www.hertz.com)

# Mind Them!



# Mind them!

## Principle #8: ANALYZE and SYNTHESIZE

➤ Augment the interactive analysis and synthesis capabilities around a process to generate value added

### ● Common Tactics:

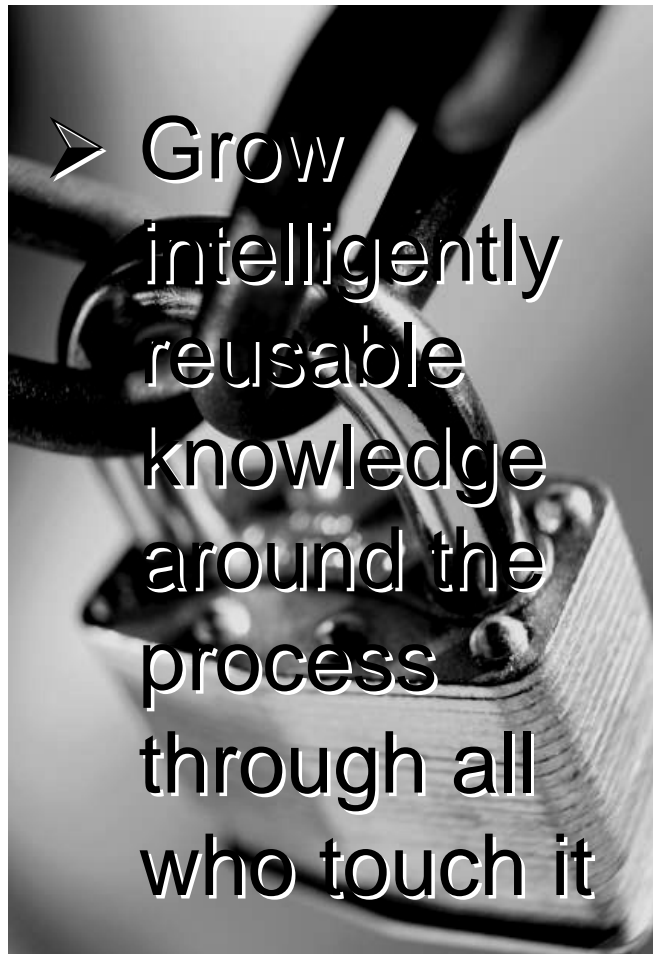
- Provide “what-if” capabilities to analyze decision options
- Provide “slice and dice” data analysis capabilities that detect patterns
- Provide intelligent integration capabilities across multiple information sources

### ● Examples:

- Merrill Lynch [www.ml.com](http://www.ml.com)

# Mind them!

## Principle # 9: CONNECT, COLLECT, & CREATE



### ● Common Tactics:

- Create a community of practice around the process
- Create expertise maps and “yellow pages” related to the process
- Build knowledge repositories that can be reused to enhance the performance of the process
- Develop a FAQ database through the doers of the process
- Embed knowledge-sharing spaces for interactive dialogues around the process

### ● Examples:

- DaimlerChrysler  
[www.daimlerchrysler.com](http://www.daimlerchrysler.com)

# Mind them!

## Principle # 10: PERSONALIZE

➤ Make the process intimate with the preferences and habits of participants

### ● Common Tactics:

- Learn preferences of customers and doers of the process through profiling
- Insert business rules in process that are triggered based on dynamic personal profile
- Use automatic collaborative filtering techniques
- Keep track of personal process execution habits

### ● Examples:

- Ritz-Carlton Hotels  
[www.ritzcarlton.com](http://www.ritzcarlton.com)
- American Airlines  
[www.aa.com](http://www.aa.com)
- Amazon.com; Barnes & Noble  
[www.barnesandnoble.com](http://www.barnesandnoble.com)



## The Most Important BPR Principles

- Organize around outcomes, not around tasks.
- Have those who use the output of the process perform the process.
- Subsume information-processing work into the real work that produces the information.
- Treat geographically-dispersed resources as though they were centralized.
- Link parallel activities instead of integrating their results.
- Put the decision point where the work is performed and build control into the process.
- Capture information once and at the source.

# Case Study: Royal Bank



## ● Royal Bank (of Canada)

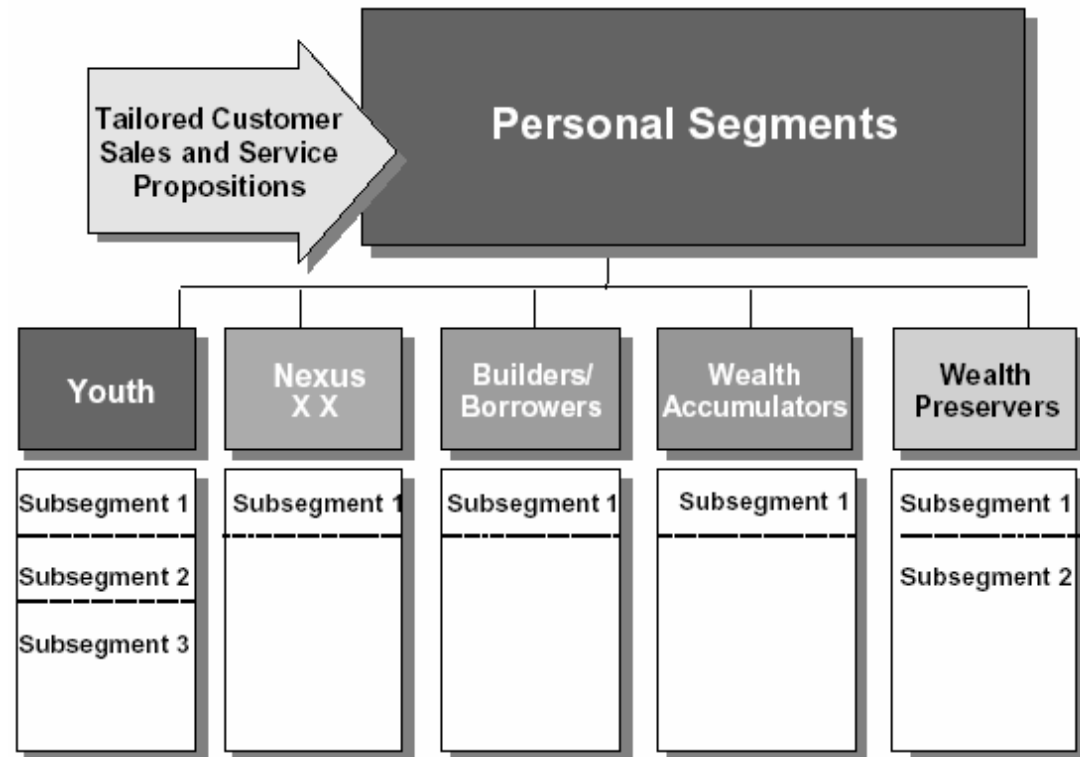
- founded in 1864
- the largest bank in Canada
  - CAN\$381B assets
  - 10M customers
- 5 customer platforms: Personal and Commercial Banking; Wealth Management; Corporate & Investment Bank; Insurance; and Specialized Transaction Services
  - customers' accounts are spread over these platforms
- conducted a gap analysis in 1997 to identify which areas of its CRM strategy required greater focus

# CRM in Royal Bank

- CRM business strategy
  - **Objective:** “to capture the full potential of our customer base through the use of customer information to deliver the right solutions in a consistent, professional manner at every point of contact.”
  - **Mission:** gathering and mining customer data to better understand and serve customers
  - **Actions:**
    - Addressing Cultural Issues
      - Sales Culture; Service Culture; Training
    - Aligning Business Processes for CRM
      - Centralizing Operations; Organizing Around Customers
    - Implementing CRM-related Technologies

# Analytical CRM

- Clients are coded by strategic basis (e.g. profitable Vs potential) and by tactical basis (e.g. channel use, propensity to buy)



**Royal Bank's 5 Major Consumer Customer Segments**

# Results & Lessons Learnt



## ● Results

- 61% improvement in marketing cycle time
- 40% rise in direct response rates

## ● CSFs

- Cross Business Unit Support
- Committed Bank Sponsor
- Clear Project Definition
- Great Teamwork

## **Case Study: Processing Life Insurance Applications at Mutual Benefit Life**

### **Function-based approach:**

- Long, sequential process involving credit checking, quoting, rating, underwriting, ...
- Work spanned 5 departments and involved 19 people
- Turnaround time: ranged from 5 to 25 days.

# **Case Study: Processing Life Insurance Applications at Mutual Benefit Life**

## **Process-based approach:**

- Creation of “Case Managers”: Total responsibility for an application, from receipt to policy issuing
- Use of expert systems as a support technology
- When needed, assistance from a senior underwriter or physician
- Turnaround time: average 2 to 5 days (for some cases: < 4 hours)
- More enriching jobs, increased productivity and better customer service.

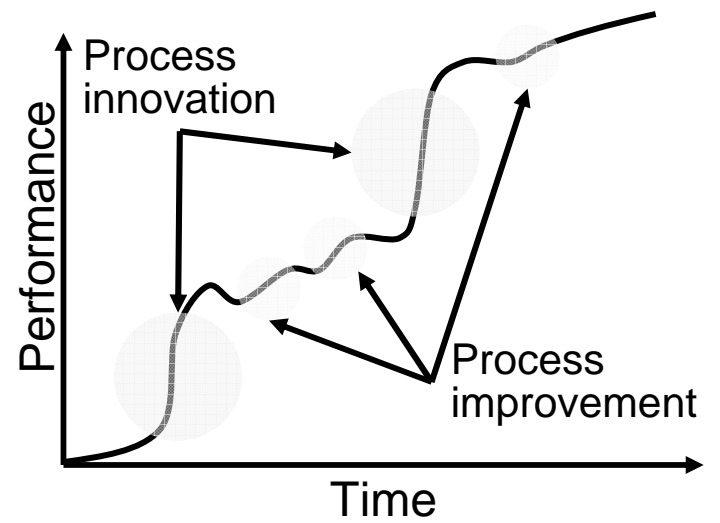
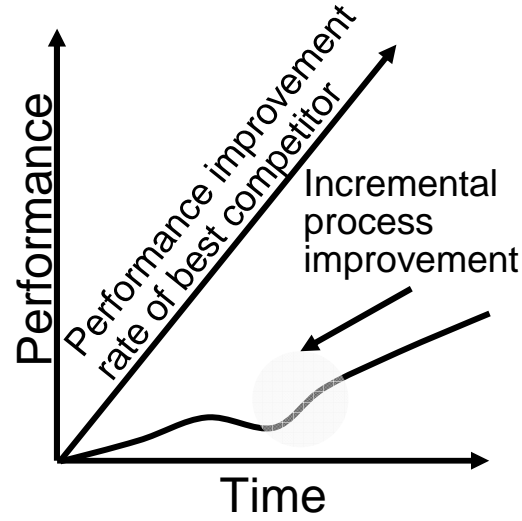
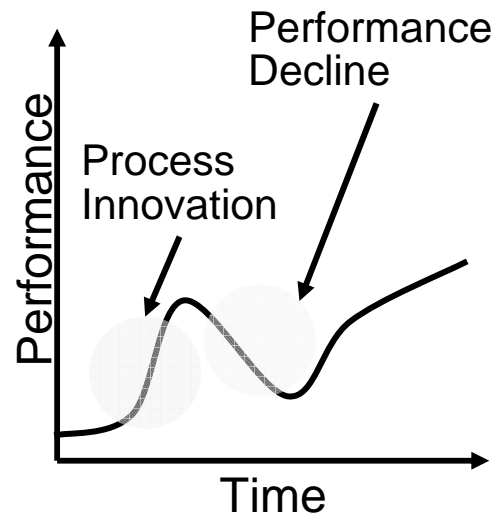
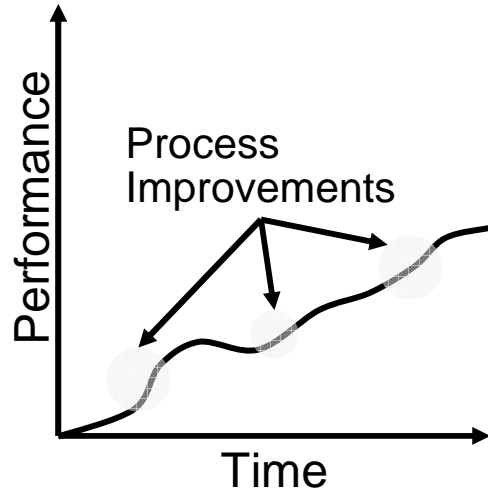
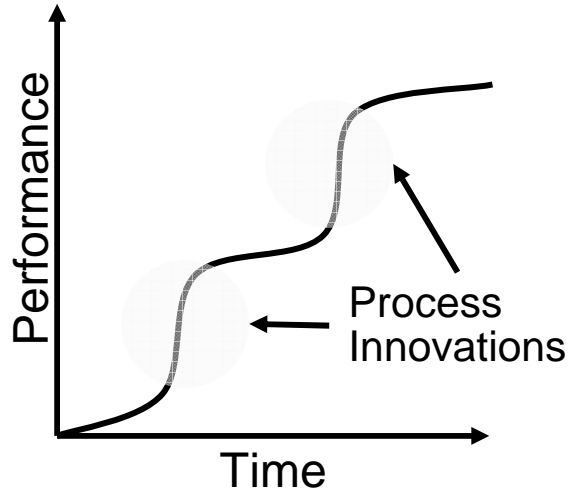
## What BPR Is Not

- BPR is not automation as is
- BPR is not managing complexity but reducing it
- BPR is not down-sizing; it is doing more with less means, effort and people (right-sizing?)
- BPR is not TQM (the former seeks change of the process, while the latter seeks incremental improvement using existing processes).



## Process Redesign

	<u>T.Q.M.</u>	<u>B.P.R.</u>
Magnitude	Incremental	Radical
Improvement sought	30% - 50%	10X - 100X
Starting base	Existing process	« Blank sheet »
Top management commitment	Relatively low	High
Role of Technology	Low	High
Risk	Low	High



*Combining Process improvement and process innovation*

## Embarking on BPR

- . Guiding question: «If I were re-creating this company today, given what I know and given current technology, what would it look like?»
  
- . Persuade people to embrace the prospect of change through
  1. A case for action: « Here is where we are as a company and this is why we can't stay here ».
  
  2. A vision statement: «This is what we as a company need to become».

## How do can companies identify their business processes?

- . One way is to give them names that express their beginning and end state, e.g.:
  - *Manufacturing* as the procurement-to-shipment process.
  - *Product development* as the concept-to-prototype process
  - *Sales* as the prospect-to-order process
  - *Order fulfilment* as the order-to-payment process
  - *Service* as the inquiry-to-resolution process.

## How do can companies identify the processes to reengineer?

First, no company can reengineer all its processes simultaneously.

Second, companies typically use three criteria to help them make their choice:

1. *Dysfunction*: Which processes are in the deepest trouble?
2. *Importance*: Which processes have the greatest impact on customers?
3. *Feasibility*: Which processes are the most susceptible to redesign?

## **Primary Concepts that Make Up B.P.R.**

- A clean slate approach to organizational design and change
- An orientation to broad, cross-functional business processes, or how work is done
- The need for, and possibility of, radical change in process performance
- I.T. as an enabler for change in how work is done
- Changes in organizational and human arrangements that accompany change in technology.