Managing customer relationships in the e-business world: How to ...
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Managing customer relationships in the e-business world: how to personalise computer relationships for increased profitability

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Keywords

Customer satisfaction, Internet, Business development

Abstract

Presents extensive research conducted over several years by Ovum researchers posing as customers into customer relationship management (CRM), call centre and e-commerce strategies and the software required to support them. Aims to establish how companies in the UK can address the need to support multiple channels and where they can make improvements to serve their customers better. Concludes that almost all of the companies surveyed performed poorly and presents three essential insights that companies should take into account for improving CRM.

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Introduction

E-commerce and the customer experience

Few companies can afford to ignore the Internet. Ovum forecasts that 59 per cent of UK households will have Internet access by 2006 (compared with 21 per cent at the beginning of 2000), and that the value of consumer transactions over the Internet – fixed and mobile – will top $21 billion by 2005 (compared with under $750 million in 2000).

Taking a substantial share of this revenue opportunity requires much more than making product catalogues on a Web site and being able to accept payment online, however. This approach adds no value to whatever is being sold, and leads to cut-throat price competition, making it very difficult to be profitable.

Instead, companies need to focus on the quality of the customer experience as a whole. The Web presence must engage customers as individuals, to ensure that they return again and again. However, all this effort is wasted if a customer then telephones the call centre and the representative does not have access to the customer's transactions and enquiries on the Web.

Companies have to integrate the Internet with the traditional "front-office" functions of sales, service and marketing to be able to provide a good customer experience in the e-business world. The purpose of the research for this White Paper was to discover what steps major UK businesses have taken to achieve this, and how far they have still to go.

What is CRM?

Providing customers with a good experience however and whenever they choose to contact you is a key part of managing relationships with them. Ovum defines customer relationship management (CRM) as:

> . . . a management approach that enables organisations to identify, attract and increase retention of profitable customers, by managing relationships with them.

This definition deliberately makes no mention of any particular means of communication, or channels, whether "traditional" (mail, telephone, in person) or new (e-mail, Web, wireless devices, interactive television). It also makes no mention of process management

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technology; while implementing CRM is certain to involve the deployment of new technologies, it requires a re-examination of business processes, which should lead technology decisions, and not vice versa.

The principles of CRM apply equally, regardless of the channel to the customer. However, the first wave of CRM, which came to prominence in 1998, centred on "traditional" channels – supporting front-office personnel communicating mainly by telephone, but also by fax and mail, as well as field personnel. Around the same time interest intensified in doing business on the Internet, and many companies approached this as a separate project to their CRM strategy. However, this approach makes for an inconsistent and unsatisfactory customer experience which will not make any business successful, whether a dot com start-up or a company which has been in business for decades.

Background to the research

The aim of the research was to compare what companies are doing to what they should be doing, by discovering how efficiently and consistently companies were serving their customers across the various channels available to them.

To establish this, researchers tested 114 leading UK companies from the travel, banking, stockbroking, insurance and online retail sectors. Of these companies, 44 were formed recently to exploit the Internet (the "dot coms") and the remaining 70 were established companies who have added the Internet to their existing range of communication channels (the "bricks and clicks"). The research was carried out during one week in September 2000.

In each case, the researchers were instructed to pose as potential high-value customers, as follows across the vertical markets:

- travel – looking to book a high-value exotic holiday or flight;
- banking – looking to open a high value account and wishing to check the interest rates or some other details;
- stockbroking – looking to open an account or trying to find out how to trade shares;
- insurance – looking for a high value insurance policy;
- online retail – looking to purchase a large or expensive item that has questions where the purchaser had questions that needed to be answered before deciding to proceed.

A standard process was followed on each company's Web site to find out what communication methods were available, and how well they worked:

(1) *Web chat and Web callback*:
   - Does the company provide Web text chat capabilities?
   - Does the company provide Web callback facilities? If so, will it call you back immediately, or at a specified time?
   - How many mouse clicks are required to find the Web chat and Web callback facilities?

(2) *Telephoning the company*. Can a telephone number be found on the site? If so, how long did it take to find it?

(3) *Contacting the company electronically*:
   - Is there a form allowing customers to submit questions or requests? Is it pre-populated with any detail?
   - Can customers click on a link to launch their own e-mail program (such as Microsoft Outlook) to contact the company?
   - How long did the process of submitting a request take?

(4) *Company response*. Did the company respond at all? If so:
   - How long, in days and hours, did it take?
   - Was the response simply an auto-response?
   - Was it personalised, or just standard?
   - Did it detail a follow up procedure for you to respond if the e-mail did not fully answer the query?
   - If so, which of the follow-up channels were available: telephone, e-mail, Web and/or fax?

After this procedure was completed, the researchers followed up with the companies by telephone:

(1) *Ease of contact*. Was the telephone number available from the Website, or did it have to be found through another source?

(2) *Awareness of the Web enquiry*:
   - Were the representatives aware of your Web enquiry at all?
   - Were they able to reference the enquiry from their desktop environment?
   - Did they know that the context of the enquiry – that it was from a high-value customer?

(3) *Length of wait to be connected to the representative*. Was it under 30 seconds, between 30 seconds and two minutes,

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between two minutes and five minutes, or over five minutes?

(4) *Alternative media if put on hold*:
- Does the company play a message suggesting alternative channels while telephone callers are on hold?
- If so, does it suggest e-mail, or the company's Website?

(5) *IVR – interactive voice response ("press one to order", "press two for service")*:
- When telephoning the company, can customers identify themselves using an IVR system?
- Can callers identify themselves as high-value customers?

(6) *Requesting information by e-mail from the customer service representative*:
- Do the representatives say they can send information by e-mail?
- Do they know whether the customer has been sent information by e-mail in response to the previous Web enquiry?

(7) *Response to the request for e-mail from the customer service representative*:
- Did the company e-mail a response?
- How long after the telephone call did the response arrive?
- Was it personalised or standard?
- Did it detail a follow up procedure for you to respond if the e-mail did not fully answer the query? If so, which of the follow-up channels were available: phone, email, Web and/or fax?

The results across the 114 companies were collected in a database, and analysed to establish the performance of the whole sample, and the relative performance of the dot coms and the "bricks and clicks" companies.

The survey results

Initiating contact

While the first wave of company Internet sites were little more than online brochures, it is now crucial that sites give customers options for interacting with the customer. Internet access gives customers three new ways to get in contact with companies: Web chat, Web callback and e-mail. However, these channels are not universally supported, and the facility is often difficult to find within the structure of the site.

Web chat

Web chat allows a Web site visitor and a company representative to have a text-based "conversation" in near-realtime, by alternately typing sentences in the window provided by a chat program. This allows businesses to offer customers one-to-one contact with a representative without them having to disconnect from the Web – important for domestic customers where most households use the same telephone line for Web access and voice calls. As representatives can often conduct more than one chat session simultaneously, providing chat can also save businesses money in comparison with staffing a conventional call centre.

Of the whole sample 25 companies, or 22 per cent, offered Web chat. It was more popular among the dot coms, with 30 per cent of these companies offering chat, compared with 17 per cent of the "bricks and clicks" companies.

On 11 sites (44 per cent of those offering chat), the chat facility was either immediately accessible, or required one click to find. At the other extreme, eight or more clicks were required to find the chat facility on four sites, including one dot com retailer.

Web callback

A Web callback facility allows customers to enter their telephone numbers and be called by a company representative. Businesses can use the callback form to establish the customer's interests, and ensure that a representative with relevant product knowledge telephones the customer. This contrasts with customers being repeatedly transferred after contacting a conventional call centre until someone who can answer the enquiry is reached.

Web users who access the Internet using their one and only telephone line cannot accept the call until they have disconnected their Web connection. They should therefore be able to specify when they would like to be called. However, it should also be possible for those who have separate connections to be called immediately.

While only 11 per cent of all companies (six dot coms and six "bricks and clicks" companies) had some form of callback, only two companies (2 per cent of the total)) offered customers a choice of specifying a time or being called as soon as an agent was available – in addition, one established travel company gave customers the choice of either "now" or "in 10-30 minutes", so did not allow a precise time to be specified. Most other companies did allow customers to specify a time, but several just invited visitors to leave their details with no indication of when they would be called.

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All but one of the companies initiated Web callbacks from a form on a Web page. The other (a dot com) required customers to e-mail their details in, which suggests there is a manual process for converting these requests into call lists, which will become a bottleneck at busy times.

The accessibility of the callback facility varied. On one site (a dot com in the financial sector), it was available directly from the homepage. Two or three clicks were typically needed, while one site (a dot com in the travel sector) required an unacceptable ten clicks before the facility was found.

Chat and callback together

Only two companies (2 per cent of the total) offered both chat and callback – one each from the dot com and bricks and clicks categories. While the remainder could argue that offering one method of real-time communication directly from the Web site is enough, this ignores the fact that some customers will strongly prefer one to the other. Slow typists are not likely to prefer Web chat, for example.

Direct telephoning

Although they are convenient in many circumstances, callback and chat are not appropriate for every interaction – a customer in a hurry will often prefer to make the call and be connected with an agent immediately. Many companies look to the Web as a means to reduce the number of live agents they need to employ. While this should be achieved by providing a high-quality Web experience which means few customers need to call for more information, some companies adopt the tactic of making it virtually impossible for customers to telephone them – clearly unwise where the customer is just about to order several hundred pounds worth of goods and just has a small query on the delivery arrangements.

Despite this risk of losing orders, our researchers were unable to find a contact number on the sites operated by 21 of the companies (18 per cent). Surprisingly, the "bricks and clicks" were worse offenders than the dot coms: only two of the 21 were dot coms. This means that 95 per cent of the dot coms provided a telephone number, but only 73 per cent of the "bricks and clicks" companies did.

Otherwise, numbers could be found quite easily on either the front page or a "contact us" page, but one site required five clicks to get to the number, and others were criticised for using small fonts or difficult to read colour schemes when providing this information.

Sending e-mail from the site

The case for allowing e-mail to be sent by customers is elementary to make: customers like it because they do not have to wait for an available representative, as is often the case with a call centre, and companies like it because agents can typically turn around more e-mails per hour than they can handle live telephone interactions.

Despite this, on the sites of eight dot coms and nine "bricks and clicks" companies, no invitation to e-mail the company could be found. This means that 15 per cent of our sample of companies claim to be players in the "digital economy", and yet do not even support its standard form of communication.

There are two approaches Web sites can take to inviting written correspondence electronically: a feedback form or a hyperlinked e-mail address which launches the customer's own e-mail client, such as Microsoft Outlook.

A total of 58 companies (51 per cent of the total) used the first method, although in two cases the feature did not work. The forms varied in their complexity and amount of mandatory fields, so that the time taken for the agent to submit the enquiry also varied, from less than one minute, to more than five, with between two and three minutes being typical. While these forms offer companies a tempting opportunity to gather personal data about their customers, making them too long or intrusive will deter some customers, and therefore be counter-productive.

A total of 39 sites (34 per cent of the sample) used the approach of launching the user's own e-mail client. This allows customers to be as brief or detailed as they like, but does not let the company collect specific data, which could be used either to route the current enquiry or for marketing purposes in the future. As with the Web chat and callback facilities, the accessibility of these e-mail addresses, and therefore the time taken to submit the request, was very variable.

Response to e-mail

Although 85 per cent of companies invite written requests, only 32 (just under one-third) of them replied at all to the researchers. No business would expect to be successful by never answering the telephone, or ignoring customers asking for assistance in a shop – but the two-thirds who do not reply to e-mail are doing the digital equivalent of just that, giving the impression they do not want the customers' business.

Response times varied from 40 minutes to four days, with 23 companies or 72 per cent

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of those who did respond (nine of them dot coms) sending their replies within 24 hours. Of the replies, 12 (38 per cent) were standard responses, while the remainder included some degree of personalisation.

Most of the companies who replied to their e-mails recognised that the response might not provide everything the customer needed, and made clear how the customer could follow up the enquiry. However, 11 of the 32 (34 per cent) gave no indication of such a follow-up procedure.

Only a small minority of companies gave customers a choice of contact channel for follow-ups: one (a "bricks and clicks" retailer) supported either Web or telephone, two (both "bricks and clicks" companies) telephone or e-mail, one (a dot com) offered Web, telephone and fax, and one (a "bricks and clicks" financial services provider) offered all four of Web, telephone, fax and e-mail.

Telephone follow-up

The researchers attempted to follow up their Internet enquiries with telephone calls. To avoid customer frustration, it is important that the call centre agent is aware of the Internet enquiry, and does not have to request information which has already been submitted through that channel.

However, at only four dot coms and four "bricks and clicks" companies (together a mere 8 per cent of those inviting Internet enquiries) did the service representative have access to the information that the Internet enquiry had been made. The remainder cannot hope to build relationships with customers if they are treated as if a previous interaction has never happened, just because it happened through another channel.

Within these eight companies who had some visibility across the channels, responsiveness on the telephone was good: all but one had connected the telephone call to a live operator within 30 seconds. At six (75 per cent) of the companies – three of each type – the operators also knew that they were dealing with high-value enquiries.

Among the companies which had failed to make the Internet enquiry available to their telephone agents, 43 per cent made customers wait over half a minute to be connected to a live operator, while three companies, all of them in the "bricks and clicks" category, required a wait of over five minutes.

Only six companies (6 per cent) of those the researchers telephoned – three of each type – played recorded messages to customers on hold to inform them of alternative means of reaching them if they were not able to wait. Three pointed callers to their Web site, one suggested e-mail, and the other two (one dot com and one established company) offered a choice of either.

IVR procedures

Of those the researchers telephoned, 37 companies (39 per cent) used interactive voice response (IVR) systems to direct customer calls. However, this mechanism was used only rarely to determine whether the caller was a high value customer, which would enable the call to be prioritised. Only two of the 15 dot coms, and five of the "bricks and clicks" companies, which had IVR took advantage of this opportunity.

E-mail requested in the telephone call

When they successfully reached live telephone agents, the researchers requested further information to be sent to them by e-mail. The operators at 57 of the companies (52 per cent of the dot coms and 49 per cent of the "bricks and clicks" companies) said that they could do this, but only five of them had the visibility into the customer history required to be sure whether any e-mail had already been sent as a result of the previous Web enquiry.

Despite 57 companies promising to send information by e-mail, only 12 (six dot coms – 26 per cent of those who had promised to do so – and six of the "bricks and clicks" – 18 per cent of those who had promised) were able to keep their word. This means that the vast majority were sabotaging any chance they had to build trust with the customer – an essential component for a long-term, high-value relationship.

Five companies (two of them dot coms) responded within three hours; two took as long as three days, although one of them (a dot com) did apologise for the delay. All but one message was personalised to some extent. One further company sent the information by fax, but the remainder (the vast majority of companies in both categories) let their customers down by not sending any communication.

Where the information was sent by e-mail, almost all the responses included details of the procedure to be followed if the answer was not adequate. Almost all offered a choice of contact media, but two companies (both bricks and clicks) did not include the telephone among the options. Three companies (two of them dot coms) supported telephone, e-mail and Web, while three (only one of them a dot com) supported those three channels and, additionally, fax.

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So what is going wrong?

The survey results show numerous areas in which only a small minority of companies are serving their customers consistently, efficiently and promptly. Customers want to be able to deal with companies as single entities: if they have already provided a piece of information on the Web, why should they be made to waste their time by giving it again when speaking to a call centre agent?

Both dot com and "bricks and clicks" companies performed poorly in almost all areas of the survey. Reasonable assumptions, such as that dot coms would be much better at responding to e-mails or that "bricks and clicks" companies would be better at making sure their call centre staff knew the history of the customer's interactions, proved false. Despite their longer operating histories and existing investments in customer interaction systems, the established companies are missing the opportunity to respond to the dot com threat by providing superior service across multiple channels.

There is little difference between the performance of traditional and dot com companies because many of each share the same flaw: organisations have addressed different customer-facing processes (such as sales, service and marketing) and channels (such as call centre and Web) as separate projects. This is reflected in both organisational structures and information systems which isolate these components, giving little chance of providing the customer with a consistent experience. Companies are managing individual transactions and interactions when they should be managing relationships. While many of them will talk enthusiastically about CRM, they need to start doing it properly.

In the ideal company

What would getting it right look like?
To deal with the challenges of customer relationships in the fast-evolving Internet world, even the most customer-focussed companies have to understand the three essential insights to getting customer relationships right:

(1) That building CRM in the front office is just the start, and that it must involve the back-office functions (like manufacturing, fulfilment and billing) as well as the analytic functions like data warehousing and "pushing" customer insights back up to the front office.

(2) That conducting relationships across multiple media requires the correct technical infrastructure, allowing companies to deal with their customers in a consistent way across multiple media, and even add new media as required without the need to develop every interface separately and from scratch.

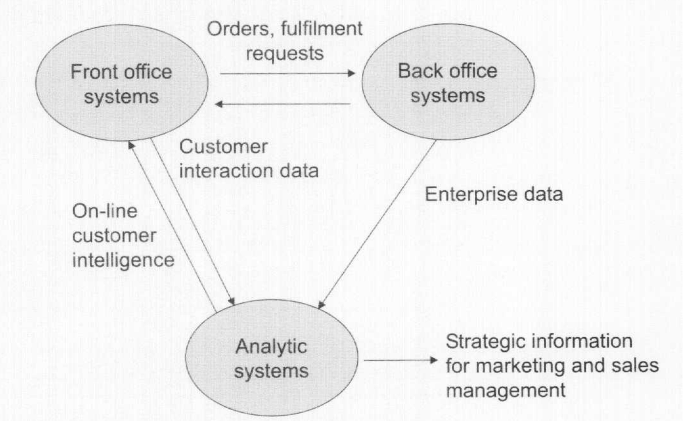
(3) Building the correct strategy for directing customers to different media. For a few companies the strategy "we will deal with customers on whatever medium they prefer" is right; but for the vast majority of companies it is a recipe for disaster. "Consistency" does not mean "uniformity".

Getting it right in CRM across multiple channels means that you can deal with customers in and across multiple media and still have a unified up-to-date view of the customer, with no gaps. Ideals such as "one-to-one marketing" and "the market of one" have been widely written about but rarely realised, except in the occasional corner florist's. Getting CRM right is the closest approach to achieving these ideals that a large organisation can make. Doing this across multiple media is a major achievement that will make the organisation ready to face the future.

In CRM, there is a "virtuous triangle" (see Figure 1). The purpose of this is to ensure that you can know your customer fully, and then act according to their needs and your interest. Important information is generated and used in other areas. Any company that is doing CRM properly must integrate the front office, back office and analytic systems:

- The back office executes the customer requirements. Generally the only customer contact functions in the back office are billing and logistics (for delivery

Figure 1 The "virtuous triangle" of CRM



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of goods, for instance), and in even these functions, the customer contact is moving into the front office environment.

- Analytical software allows you to look for patterns in the customer data you have collected. The outputs from this are strategic and tactical information. The strategic information can be used to determine future strategy, while the tactical information will help to modify existing practice. Increasingly the tactical information is generated and used on the fly in customer interactions.

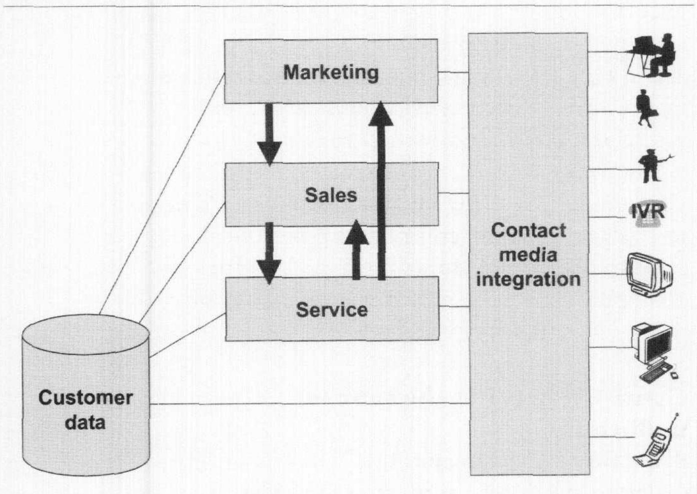
The current focus of CRM tends to be almost entirely on the front office. This is not harmful – almost all organisations could improve their performance in this domain – but it is not optimal in the longer run.

Extending CRM into multiple media means integrating the front office (and aspects of the back office where appropriate) with different communications channels (see Figure 2). This has to be done in a methodical way – integrating every medium in an *ad hoc* way, using "spaghetti code", may work for two media, but it is simply not robust enough to extend from the call centre to site visits, IVR, digital TV, and fixed and mobile Internet. Companies that get this part right will have thought carefully about the technical infrastructure they need.

Standards are rapidly developing in this area. Many vendors are building "media portals" that allow the companies using them to deal consistently with customers across multiple media.

Just because you can deal with customers across multiple media does not mean that you should offer the same facilities on each medium, or the same level of service. Doing so would be a disaster. The media are different and demand being handled

Figure 2 CRM and multiple media



differently. For example, people are generally willing to wait on hold for a reasonable time to speak to a call centre agent (although they may not find it very desirable); however, they are certainly not prepared to wait to do the same transaction with an IVR machine. Indeed an often used way of getting callers to use IVR is to offer it as a "no waiting" option to busy call centre on-hold queues.

Some interactions are far more costly than others, and there is an especially steep differential between interactions involving humans and those that are automated. Business models built on automated transactions cannot sustain large volumes of transactions switching to human-based interactions. For example, Amazon.com will never be profitable if its customers decided *en masse* to place all their orders by telephone.

Organisations must therefore decide two main issues:

(1) which customers and on what occasions they want to use specific media; and
(2) how they are going to direct customers to the companies chosen medium.

The latter point tends to be the most problematic – directing customers to the chosen medium. The most problematic part is directing customers away from the live agents to the automated media. A way of doing this is price – live interactions cost more or discounts are available only via automated media. But this is not the only way. As already pointed out, one way to do this is with level of service – customers have to wait to speak to an agent, but can connect immediately with the IVR. Other choices are the levels of facilities offered over the different media. For example, the Web is very good for conveying large amounts of data and graphics. If a company offers its customers all the data or graphical information they require from the Web, customers who can will use the Web as their chosen medium.

The challenge of the new channels

Multi-channel customer contact: a necessity ...

Very few major organisations can expect to survive while supporting only one channel to the customer. A retailer who chooses not to support online ordering effectively opts out of a sector of its potential market; a sector which is growing all the time. We forecast that UK revenue from consumer Internet commerce in 2001 will be more than double the amount for 2000, for example. If you are not taking online business, plenty of your competitors will be,

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and you will be left fighting over a shrinking proportion of your market.

However, it is not only online selling which is important. Customers increasingly expect to be able to choose which channel they use for after-sales support. People whose work or family commitments make it difficult for them to telephone a call centre during its opening hours value efficient e-mail support very highly, as do people who are infuriated by long on-hold waits for an available call centre representative.

These competitive pressures and customer demands mean that supporting a range of channels is not an option, it is a necessity. Today's customers are used to a wide choice of products, payment methods and service contracts, and also expect to be able to choose how and when they contact the organisation.

. . . but a huge integration challenge

Traditional bricks and mortar companies typically have substantial investments in technology to support the traditional channels, some dating back to well before the commercialisation of the Internet. These represent a significant problem in migrating to a "bricks and clicks" business. The realisation that customers need a choice of online and off-line channels leads to difficult choices for senior executives. There have been a number of well-publicised cases of companies who put up Web catalogues and ordering facilities as quickly as possible, and paid little attention to integration with their call centres and fulfilment systems.

Many dot coms, on the other hand, were founded with the belief that they could service their customers exclusively online. Their problem is that they have paid little attention to telephone and mail support, in the hope that offering low prices will compensate for their restricted customer support facilities.

The effect of this stovepipe approach on the customer experience can be disastrous. If a customer has started a transaction on the Web and telephones the call centre to clarify something, there is nothing more frustrating than having to repeat all the information already entered on the Web to the representative who has no access to details of customer interactions on the Web. Common symptoms of poor integration with fulfilment include delays in shipment and incorrect data in order tracking sections of Web sites.

Consistency is the key

This kind of inconsistency of information and of service is very unlikely to lead to the long-lived, profitable relationships which are the central goal of a CRM strategy. Even a highly experienced and knowledgeable agent in the call centre cannot compensate for incomplete information – just after a dissatisfied customer returns a faulty product is not a good time to make a telemarketing call, but, without a single view of the customer accessible to all, this is exactly what can happen.

Achieving the single view is a substantial and difficult product, as many companies have software for different business functions (salesforce automation, marketing, customer service, self-service ordering, accounts and fulfilment) and different channels from separate vendors (or as the result of separate custom development efforts), each of which has its own data model. However, it is also a very necessary project if a company is to compete in all the markets that the expanding range of channels gives them access to.

Combining the channels creatively

While crucially important, achieving consistency merely lays the foundation for what is possible with multiple channels to the customer, and guards companies from appearing inept before their customers. Doing so addresses the difficulties the new channels present, without taking advantage of what they make possible.

Within the electronic channels, for example, targeted e-mails can be used to drive customers to Web sites, with encoded URLs which both identify the customer to the site, and take the customer to the precise page relevant to the offer publicised by the e-mail.

However, the greatest opportunity for companies to be innovative in engaging with their customers is through combining the new and the old. Companies can send offers to their customers as text messages to mobile telephones, and allow them to be connected to the call centre to complete the transaction. Or, where a "clicks and mortar" company has excess inventory in one of its traditional outlets, it can target its online customers who are in easy travelling distance, and allow them to print out a barcoded coupon which will give them a reduction when they visit.

The second example is technologically challenging, involving integration between Web marketing, retail inventory and point-of-sale systems. However, the advantages in terms of customer convenience and subsequent loyalty can make this effort worthwhile.

Consistency is not the same as uniformity

A common misconception is that customer experience must be uniform regardless of

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channel: this is not case. Rather customer experience must have an actively managed consistency.

For example, it is very practical for an online banking system to provide a large amount of historical account data and synchronisation of account data with personal finance packages. The Web is very good at providing access to large volumes of data like this. However, it is very impractical to provide the same facilities via the call centre, and also expensive to have the length of interaction required. For these reasons, the only time that such an interaction should take place in the call centre is when there is a strong customer service reason for doing so, for example where a customer is querying certain transactions or suspects fraud.

Most organisations have not really grasped the issues around customer management across multiple channels, even those that have recognised the issue. For example, one "virtual" bank offered a reduced administration fee on mortgages if customers applied online; however, there was no restriction on calling the call centre for information prior to applying.

Personalising relationships – the next level

New contact channels enable the same number of customers to be looked after by an ever smaller number of people, usually at centralised facilities. This makes it impossible for call centre staff to get to know the customers personally, as staff often would have in the days of local branches. Self-service channels (such as automatic bank teller machines and Web shops) take this further – there is no person to get to know customers at all.

Companies which work only on consistency across the channels can end up offering a very clinical customer experience which, although it will be praised for its efficiency, is unlikely to develop customer loyalty. The only way this can be reversed is to move to the next step, and provide ways for the organisation collectively to get to know its customers, as its individual employees cannot do so.

What is personalisation?

If an organisation uses what it knows about a customer to define how it treats that customer, it is using personalisation. This is completely natural where the interaction is between two people who know each other: the information the seller knows about the buyer (purchasing habits, leisure interests, children's ages and so on) helps the seller to make more appropriate offers. Where it is between an individual and a centralised organisation with millions of customers, processes and technology need to be put in place to simulate this effect.

Personalisation across business functions

While marketing offers are an obvious area for personalisation, it is equally important in sales and service activities. In sales, this can be as simple as providing existing customers the convenience of not having to re-enter shipping and billing addresses, or as complex as providing "virtual shop assistants" who guide customers through the product selection process in different ways according to their level of knowledge about the product area. In the example of personal computer (PC) retail, people buying their first PC for word processing and Internet access should be treated quite differently from power users with very specific requirements and a detailed knowledge of the technologies supporting them – so personalisation is by user type, rather than individual user.

The customer service function can also be vastly improved by making full use of all the data available on a customer. Advice should be tailored to the exact circumstances. To return to the home computing example, customers who have bought a complete system from one vendor and find a problem with the printer should not have to be asked about the operating system and printer driver versions they have – this information should be stored, and used to customise the interaction.

All of these scenarios are not difficult conceptually, and certainly possible using today's technology. However, our survey shows that only a small number of organisations are able to follow the process all the way through from taking an enquiry to providing a personalised response.

Personalisation across the channels

Unless special measures have been taken, interactions between two people face to face are inherently the most personalised, and those between a person and a piece of software are the least personalised. Between these two extremes are channels with intermediate levels of inherent personalisation, such as telephone, Web chat and e-mail.

The inherently personalised channels are, however, the most expensive to support. Face-to-face selling at the customer site is only feasible on expensive, high-margin goods. However, it is precisely the sellers of low-margin goods, restricted to the cheaper

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channels, who are in especial need of repeat customers to be profitable. This creates the imperative to use software to personalise the channels with a higher degree of automation.

A number of separate analysis technologies, such as collaborative filtering, data mining, and rules engines are being deployed as "personalisation software', often in combination. All of these can help companies offer their customers more of what they are interested in through a better understanding and use of the data held on the customer base.

Conclusion

The Internet has opened up a whole new way for companies to interact with their customers. What those customers want is a consistent, personalised experience which means they are served efficiently, whether via the Internet or via one of the more conventional means of communication, such as the telephone.

However, what companies are actually doing today could hardly be more different. The research conducted for this White Paper includes a catalogue of poor service and broken promises. The fact that less than one-third of the companies who invite customers to make enquiries over the Internet replied to the request at all is just one example of atrocious customer service. The researchers' requests made clear that they were interested in big-ticket products or services, so by not responding these companies are routinely turning business away.

Many companies were also failing their customers in further ways, such as:

- having no telephone number on their Web site, or making it difficult to find;
- having no access for call centre personnel to records of customers' Web interactions; and
- leaving customers on hold without suggesting other ways in which they can contact the company.

All of these symptoms suggest that companies have not really thought through how they need to adjust their business processes to take the Internet into account. Many of them have bolted it on to their business model, and some saw it simply as a way to cut costs – using the fact that information is available online to have a low-staffed call centre, or no call centre at all. To do so is to miss the point entirely: the companies who will make the most of the opportunities of the Internet will succeed by combining it with other communication channels to help make the overall customer experience richer.

Getting it right demands that companies have faced up to the three challenges we have described, and not only faced up to them but followed through with action. Customers who ask questions should be regarded as assets – sales waiting to be made. Those companies that spend vast sums on telemarketing campaigns, yet ignore customers who come to them via their Web site, will pay a heavy toll.

The good news is that the technology does exist to get things right. However, companies must recognise that simply buying software badged as CRM does not mean that they suddenly are "doing CRM" or have become "customer-centric". Most of the companies who performed poorly in the research have nonetheless invested heavily in front office and Internet commerce software. This technology is not the cause of the failure; the lack of understanding of what the Internet means for their business model and customer relationships is.

Companies who neglect the fundamentals of good customer service, online or off-line, do so at their peril – no amount of flashy, multimedia Web content can make up for broken promises. Online businesses are already starting to fold due to mounting losses – only those companies who build customer loyalty through good service, whenever and however customers choose to contact them, will be able to buck this trend and survive.

For more information on Onyx Software, please visit our Web site at http://www.onyx.com or e-mail us at info-eco@onyx.com

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