

Customer Marketing Organization

The Key to Turbocharging Customer Marketing Performance

Stronger customer relationships have grown increasingly vital to the strategy of companies vying for competitive advantage in today's complex multi-channel marketplace. Many proactive players, acknowledging the need for a greater focus on strengthening customer relationships, have invested millions of dollars in the databases and technology required to support a customer-centric approach. And they have been quick to launch pilot programs in many product areas. In spite of their efforts, many of these marketers have failed to elevate CRM performance to their targeted level.

Organization is a critical and often overlooked factor in driving CRM initiatives to better performance

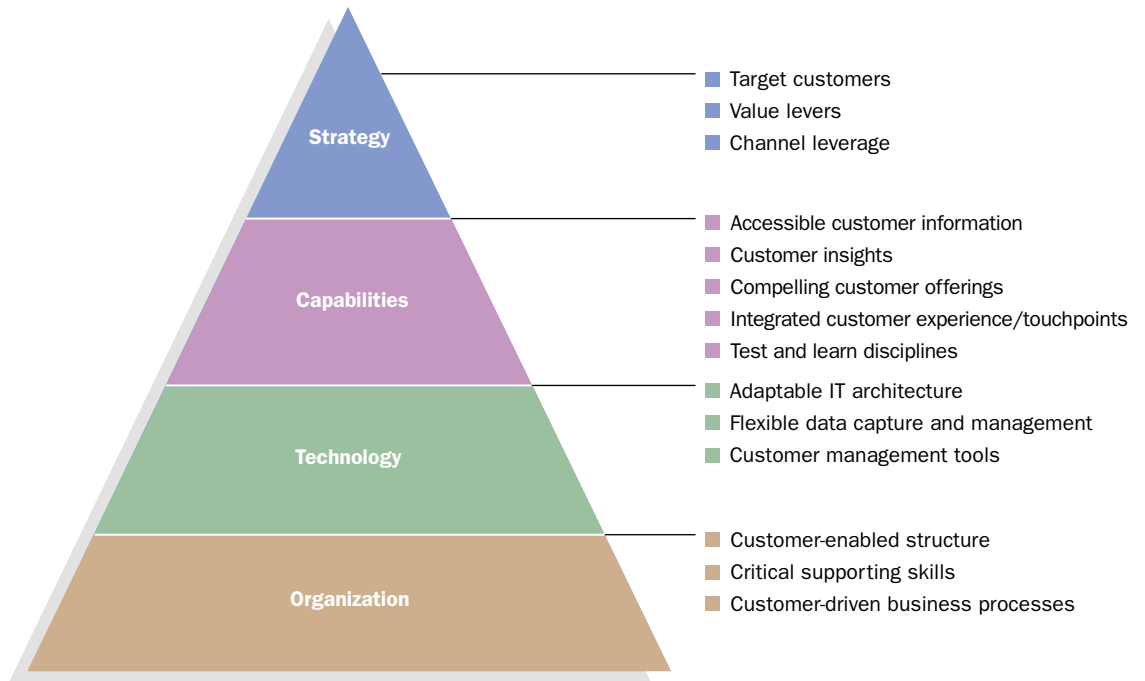
Clearly, the challenges are daunting. Many of these marketers – lacking the customer-centered talent and skills to bring about significant change – have struggled to get their programs off the ground. They have found it challenging to work beyond their traditional business silos and to inspire managers to “embed the customer” in the fundamentals of how they run their businesses. Even after successful pilots in several product areas, they become deadlocked over how to pursue cross-business opportunities that might offer even greater potential.

What then, is the missing piece of the puzzle needed to support companies in establishing more powerful CRM programs?

CRM programs that create substantial value require four integrated elements: 1) a strategy for managing customer relationships that is tied to business economics; 2) compelling, well-executed programs that can drive customer value levers; 3) technology to support key activities, both data management and customer experience; and 4) the organization that underpins the ability to deliver and sustain the first three elements over time. (See Table 1.)

Our research¹ has shown that *organization* is a critical and often overlooked factor in driving CRM initiatives to better performance. We talked to marketers at four distinct performance levels (see Table 2) and identified 10 specific organizational characteristics of marketers who are achieving their performance goals. All of our interviewees placed organization among their top three critical challenges and over 60 percent cited organization as one of their top two challenges. One marketing executive was particularly emphatic. “Building the organization to develop and execute ideas,” he said, “is the real showstopper.”

Table 1 **Integrated Elements of CRM Programs**



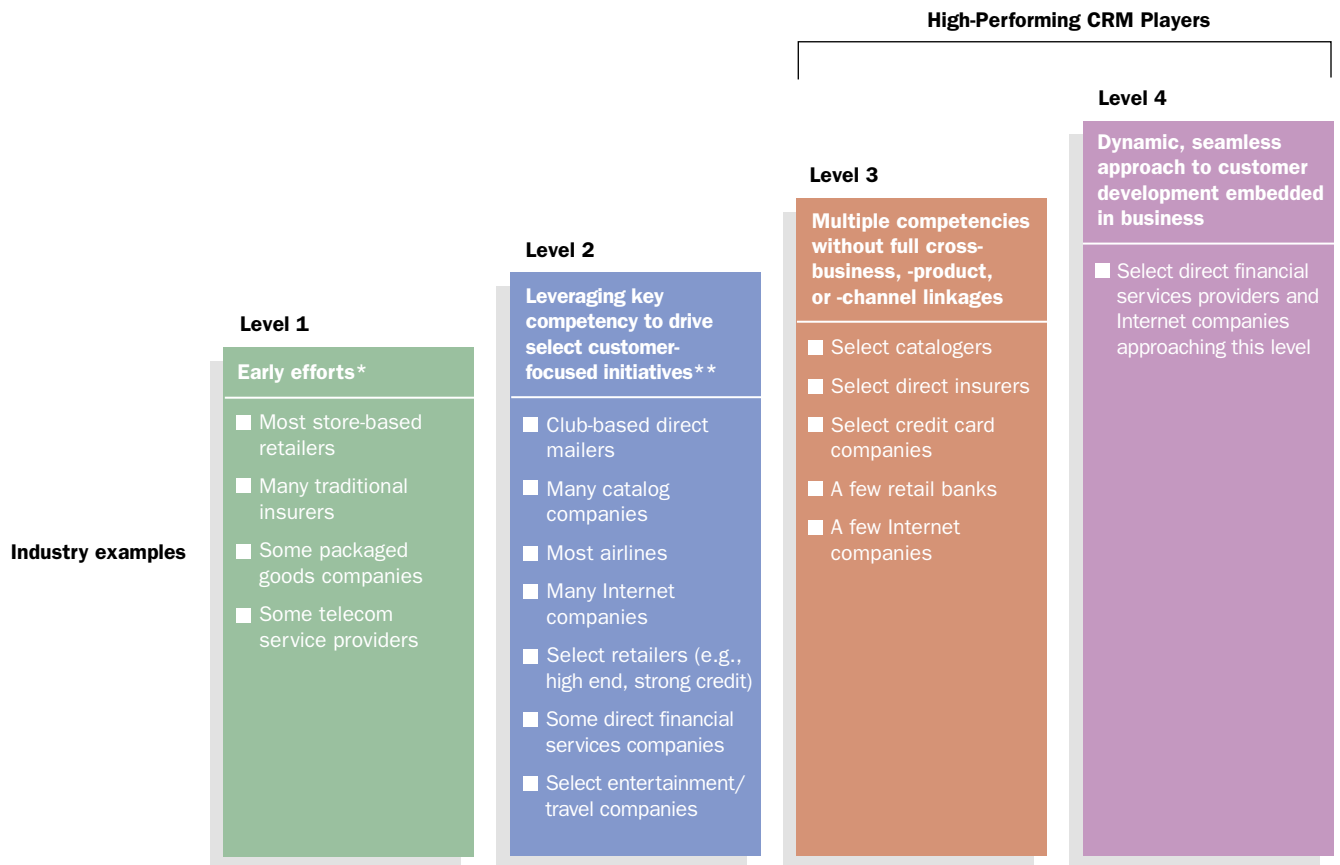
These 10 organizational characteristics fall into three distinct categories – *structure*, *skills*, and *processes*. And high performers have the structure, skills, and processes that enable them to leverage existing assets like customer data and successful pilots, mitigate conflict over customer “ownership,” and create the insights and programs to serve customers more effectively within and across products and channels.

The 10 Distinctive Characteristics That Drive Successful Customer Marketing

Structure

Most companies think of *structure* as the lines and boxes that make up an organization chart, and that simply shifting job responsibilities or adding customer-segment managers will create a customer-focused organization. However, winners redefine critical roles and responsibilities among and outside the boxes, integrate work across functions, and build cross-functional teams to capture opportunities.

Table 2 **Four Levels of CRM Performance**



* Examples include best customer programs, mass loyalty programs with some tiering, early use of basic customer segments to tailor offers/messages

** Examples include favorable access to data and/or high-frequency/low-cost customer interactions; strong analytic skills and data-driven culture; strong mass loyalty program with significant customer/segment differentiation

Winners redefine critical roles and responsibilities, integrate work across functions and build cross-functional teams to capture opportunities

1. The senior leadership team proactively manages trade-offs around critical roles and resource access for building customer relationships.

Senior teams at high performers make critical choices to focus strategic decision making around the customer. They avoid internal deadlocks by carefully managing the respective roles of corporate, individual channels, and frontline staff in creating stronger customer relationships. The senior team integrates CRM initiatives across businesses and geographies, realigns budget control to assure adequate funding, defines the role of each channel in building the customer relationship, and determines the degree of freedom frontline groups have in interacting with customers.

For Example...

At a major retail bank the branches had traditionally “owned” the customer. Also, the various product groups (credit card, mortgage, retail banking) competed for customer attention with uncoordinated, and thus inefficient, mass mailings. Based on an integrated understanding of customer profitability across products and branches, the senior team created a new set of models for managing customer contacts at a corporate level and empowered a strong central team to drive customer opportunities. Corporate analytic experts then worked with the product groups and channels to ensure the new approach penetrated the company. Within 12 months, one-third of all the bank’s branches received new leads from the corporate group and 50 percent of each product group’s marketing spend was driven by customer modeling generated by the corporate group, with three to four times greater returns in response rates and profits.

2. Centrally located analytic experts drive both strategic customer insights and tactical business rules.

At the highest-performing organizations two critical analytic groups are in place. The first is focused on developing strategic insights and is often centrally located to facilitate development of cross-business/product perspectives; the second is focused on tactical execution and often resides in the business units or product groups. Each group requires its own task-specific skills and resources.

Strategic analytic experts facilitate insights across businesses and products

The strategic group integrates high-level statistics capabilities with a deep understanding of business economics. The group leverages insights into customer lifetime value, segmentation, and migration to define and prioritize changes in customer behavioral levers that drive superior business returns. The group also proactively identifies new opportunities to increase the value derived from the customer across products, channels, and businesses. These opportunities can include life stage or life cycle management, event-triggered cross-selling, or the bundling of products and services to increase value to the customer. For multi-channel players, the group will identify opportunities to sell to priority segments across channels, and provide insights into customer acquisition and retention costs in each channel, along with developing the tools required by the tactical group to implement those ideas.

The tactical group focuses on providing strong analysis to support efficient execution of day-to-day business marketing decisions. The group has a rigorous understanding of how to project and measure the ROI of each customer program. It also analyzes and identifies the customer behavior or program design/cost drivers of unprofitable programs and recommends changes to subsequent initiatives. The group’s efforts typically focus on activities such as:

- Taking an active role in shaping customer program design to ensure an attractive ROI. This involves recommending the best list of target customers, and defining the timing, type of offer, and best sequence of contacts for each customer segment in order to maximize response levels – all with the goal of optimizing profits;
- Defining control groups, and designing champion/challenger tests to understand potential changes that would improve program impact (e.g., alternative pricing, product bundles, delivery vehicles, timing); and
- Tracking Web site customer click-through patterns (e.g., home page drop-off rates, use of information before purchase, key site-exit destinations). (See Table 3.)

Table 3 **Centralized Strategic and Tactical Analytic Groups**

	Organization design	Key leadership areas
Strategic analytics	<ul style="list-style-type: none"> ■ Centralized ■ Requires strong corporate support ■ Highest analytic skill levels (e.g., Ph.D. statisticians) ■ Requires fundamental understanding of business economics and key leverage points 	<ul style="list-style-type: none"> ■ Analyses that drive strategic decisions within and across businesses, products, or channels: <ul style="list-style-type: none"> – Customer lifetime value – Cross-business customer segmentation – Customer migration patterns (over time, across channels) – Cross-selling propensities – Strategic business rules (e.g., contact management, segment priorities, customer scorecards) – Deal parameters for Internet site partners (e.g., customer acquisition and retention requirements)
Tactical analytics	<ul style="list-style-type: none"> ■ Leverages definitions and rules created centrally ■ Execution can be located either centrally or in business groups ■ Leaders of groups have advanced technical degrees or MBAs with a statistics concentration 	<ul style="list-style-type: none"> ■ Analyses that support efficient execution of day-to-day marketing activities: <ul style="list-style-type: none"> – Customer selection for programs/offers (list generation) – Test design requirements – Champion/challenger priorities – Response-modeling methods – Campaign/effort results analysis and exception reporting – Click-through rates

For Example...

One travel and leisure company demonstrated marked improvement in performance by complementing business unit analysts with a central, business-driven analytic group. Marketing directors of independent operating units, who had previously operated autonomously with their own analytic groups, are now linked to the central strategic group. The operating units are now more closely focused on using their deep knowledge of local customer factors to execute customer initiatives. Based on the strategic group's analyses, the tactical group redesigned and executed marketing actions to improve return on the company's loyalty program. The company eliminated redundant staffing and unproductive marketing spend, and saved \$15 million with no reduction in revenue.

3. Pivotal integrators work across functions and deliver day-to-day customer impact.

The integrators draw on the insights of the central analytic group to create customer programs

Skilled integrators can drive the execution of customer initiatives. The integrators draw on the insights of the central analytic group to create customer programs, speeding and energizing implementation by linking customer marketing to product management, customer service, IT, and other groups. The integrators may belong to a range of functions, from the analytic group to business unit marketing. They act as champions in ensuring the broad participation and communication that is required for the success of a program.

For Example...

A diversified financial services provider designated specific champions for priority initiatives that its central analytic group had identified as high value. A vice president from central marketing, for example, served as an integrator in developing a consumer segment that crossed product lines. Heading up a cross-functional team that included representatives of key business units, IT and other functions, the VP ensured that pilot programs were successfully rolled out to the targeted segment.

4. Cross-functional teams are quickly and fluidly mobilized to capture next-generation customer opportunities.

At high-performing organizations, cross-functional teams comprising the best internal and external CRM resources are adept at leveraging customer data to quickly pursue multiple opportunities. These teams have the freedom, resources, and authority to define target customers, design and launch offerings, and track and refine initiatives to maximize their performance.

For Example...

To accelerate the development and capture of customer opportunities, one financial services provider determines who will lead and make up the team based on the nature of the opportunity. On initiatives to increase customer retention, for example, the team includes: 1) the central analytic group, to assess the potential and construct models to identify attrition risks; 2) analysts from the key product group, to develop offers to retain customers; 3) operations staff, to identify the requirements to execute the initiative; and 4) frontline managers, to create plans for required front-line training. After the pilots are validated, the team disbands and a key business unit takes over the program.

Skills

Building and managing critical customer *skills* requires more than adding technical specialists or repurposing existing talent – mistakes many companies make. Winners break away by cultivating a broad-based approach that leverages customer insights and data to make key business decisions. At the same time, they also build and maintain the deep targeted skills needed to support customer marketing efforts.

Table 4 **Key Decision Makers Intensify Focus on Analytics-Based Customer Insights**



5. Obsession with customer analytics and insights across key business decision makers.

High-performing CRM organizations have a deep-rooted sense of the importance of the customer. They relentlessly draw on customer data in decision making; they embed the customer-focused mind-set in recruiting and training programs; and they link compensation to customer-specific metrics and the identification of new CRM opportunities. Business unit leaders, business unit marketing managers, and product managers all share a focus on deep customer insights. (See Table 4.)

For Example...

A leading service provider leverages a rigorous, shared view of customer lifetime value to shape decisions in critical areas such as new product development, investments, and acquisitions. This view is then used to prioritize all investments in new and existing marketing programs. Business unit heads use customer metrics – together with traditional sales and profit metrics – to assess monthly, quarterly, and annual business performance. These metrics are also embedded in performance reviews with product managers who are given explicit customer targets. Also, segmentation-based attitudinal research is used to support the design of specific customer programs to improve relevance and impact.

6. Carefully balanced core CRM skill sets.

Many companies generate robust customer insights but struggle to design compelling customer programs. Or they create innovative programs, but these programs are either too complex or the front line lacks the skills to execute them. Also, they generate programs consumers seem to love, but they lack the ability to track and measure results to sustain funding over time. These imbalances are key drivers of underperformance for many customer initiatives. To avoid these traps, the high performers cultivate a balanced set of skills to deliver and sustain high-impact customer initiatives. They actively seek balanced skills across four areas: 1) database and tool development capabilities; 2) the ability to tailor analytic approaches and interpret results; 3) skills in structuring offers, including understanding of new channels; and 4) the ability to effectively deliver the program and to track results. To maintain balanced skills, high performers develop – and continually update – coordinated, stepwise capability development plans that target key customer objectives. They evaluate ongoing investments area by area based on their ability to leverage complementary areas, and they conduct ongoing skill assessments and develop action plans to address gaps.

High performers cultivate a balanced set of skills to deliver and sustain high impact customer initiatives

For Example...

To seize a growth opportunity in a more profitable, lower-risk customer segment, a leading direct insurer needed to segment and target customers based on both behavior and risk parameters. To do so, the company strengthened its direct marketing skills, augmenting its expertise in risk management with the necessary capabilities to create pricing for the new customer segments it wanted to reach. The skills drove impressive results. Over a decade, the company reduced its dependence on the high-risk segment from 90 percent to 20 percent by building its market share among the more profitable lower-risk segment.

Table 5 **Filling Skill Gaps to Drive Customer View into the Business**

		Potential skill-acquisition approaches			Examples
		Internal development	External hiring	Outsourcing	
Analytics	Ability to tailor analytic approaches and interpret results in business context	✓			Rotation of analysts into business-dedicated subgroups Recruit Internet-experienced analyst or group leader
	Experience with Internet-based customer analyses		✓		
Integration	Working-level understanding of how to deliver tailored customer contacts down to the front line	✓			Careful internal recruitment for positions Clear accountability for linkages across and to the touchpoints
Channel	Managing contacts with customers across multiple channels – establishing and implementing business rules	✓	✓	✓	Identify candidates' breadth of experience for key applicable roles Outsource one-time system fixes Recruit Internet-experienced hires who have direct Web site strategy responsibility Outsource select Web site support
	Broad understanding of channels (e.g., Internet)		✓	✓	
IT Support	Knowledge of evolving tools and vendors to support customer-centered initiatives	✓		✓	Strongly link IT support to business end users Bring in new IT skill sets Leverage external training and conferences to broaden exposure of existing resources to new technology

7. Skill gaps are identified and filled at market pace with a combination of internal development, external hiring, and outsourcing.

Organizations performing at a superior level are continuously and proactively assessing where new skills are required to drive the customer view into the business. They recognize that repurposing existing talent may not always be effective, and they have built a creative set of approaches to develop needed customer-centric skills through training, hiring, and outsourcing. In these organizations, business units overcome internal resistance to skills acquisition and structure changes, and work together to enhance customer focus by systematically rounding out the skill levels in analytics, integration, channel management, and IT support. (See Table 5.)

For example...

A consumer goods direct marketer known for the quality of its analytic talent stresses recruitment and development to fill skill gaps. It focuses on hiring high-caliber candidates with advanced degrees and putting them through intensive skill-building programs including in-house and external training programs, an annual self-development program, and idea-exchange luncheons. The approach nurtures analysts who know the company and broad industry trends and have specific expertise to support customer initiatives.

Processes

For high performers, driving greater customer value is not a part-time or ad hoc initiative. It becomes an integral part of core business *processes* ranging from performance measurements and incentives to day-to-day customer service decision making. These actions also include reshaping IT/business partnerships to ensure timely, cost effective, user-friendly design of customer information tools to support business decisions.

Driving greater customer value becomes an integral part of core business processes

8. Customer-specific metrics and scorecards are embedded into performance evaluations, incentives, and financial plans.

Common metrics and scorecards that incorporate customer-specific perspectives (e.g., not just growth, but growth by priority segment) are essential to enhancing CRM performance. A uniform approach to performance assessment for all parts of an organization can eliminate subjective judgments about the impact and ROI of CRM investments. Customer metrics also add value when they are incorporated into incentive plans and budgeting to create a virtuous cycle of CRM success, rewards, and funding. Moreover, these metrics swiftly reveal customer-segment performance gaps within specific initiatives or entire product lines. Shared reports and scorecards is a critical first step. High performers follow up by linking customer metrics to performance evaluations across businesses, products, and channels. (See Table 6.) It is particularly critical to ensure that incentives are aligned at all levels to ensure success.

Table 6 **Linking Customer Metrics to Performance Evaluations, Incentives, and Financial Plans**

Example metrics – Direct Marketer

Bold = Customer-centric measure



For Example...

One financial services company uses shared customer metrics to identify cross-business opportunities with the greatest potential. A common set of reports for analysis and decision making is used to evaluate all potential customer initiatives. Standardized customer metrics supplement traditional business performance reporting, and segment lifetime value is used to determine allowable marketing spending by business/product and level/sequence for customer contact. Cross-business groups meet quarterly to share priorities based on performance tracking and comparative opportunity analysis.

9. Day-to-day customer decision support is automated wherever possible to drive efficient execution and to increase focus on rapid performance improvement.

Automated decision support – in areas such as data capture, customer targeting, customer content, customer delivery, and impact analysis – streamlines day-to-day execution and underpins a more efficient deployment of management resources. Shared decision rules about required profit potential to select customers for initiatives, for example, is a hallmark of high-performing CRM organizations. They also standardize “exception reporting” to facilitate rapid identification of ways to improve each customer contact or program. In addition, with more tactical decisions automated, managers can focus greater attention on designing innovative programs or new approaches to capturing underserved segments.

With tactical decisions automated, managers focus on creating new programs and approaches to capture underserved segments

For Example...

At a high-performing multi-channel retailer, customer service representatives have access to all information relevant to a customer who calls. This includes detailed status of any current orders, information from the last several orders, and overall customer value rating. The automated system also provides suggestions for up-selling and cross-selling based on predicted customer segment preferences. Specialists in the call center, rather than handling simpler requests that are supported online, concentrate on high-value customers or high-touch customer service issues. Managers are freed from monitoring customer service agent activities and trying to fight customer service fires resulting from unsatisfactory service levels for high-value customers. Instead, they spend their time identifying the best opportunities to increase customer returns from each contact by continuously testing and evaluating multiple up-sell and cross-sell options through the automated system.

10. IT/business partnership has been reshaped to ensure responsiveness to customer marketing requirements.

High-performing CRM organizations benefit greatly from close working partnerships between IT and business areas, and they move quickly to fuel customer initiatives with required technology and people. IT and business professionals work side by side to define customer marketing requirements, drive the implementation of major projects, and resolve key issues and tradeoffs. Within high performers, this can often involve jointly “beta testing” potential data access or reporting tools during the test phase of a program and creatively using outsourcing to more rapidly build new capabilities. It may also involve designing modular technology development plans – instead of a more traditional “big bang” approach – to allow faster business payback, and flexibility to “test and learn” as business user needs evolve.

For Example...

The leader of one retailer’s CRM initiative worked with IT from the outset to create an integrated organization. Together, they created matrixed reporting and joint incentives for key technology managers to ensure focus on business results as well as IT project goals. Systems priorities were shaped with strong end-user input into each stage of the development process. Technology managers proactively provided options for systems design to help business users make explicit decisions around tradeoffs in system functionality, time/complexity of implementation, and cost. This close collaboration enabled the retailer to design, test, and roll out its first enterprise-wide customer database on time and on budget. This enabled them to capture several important early wins to accelerate system payback.

Ratcheting Up Your CRM Performance

Moving into the upper echelons of CRM performance should rank high among strategic objectives for companies hoping to vie successfully in today’s competitive, increasingly customer-oriented marketplace. Strengthening CRM organization goes hand-in-hand with better performance. Marketers need to articulate a clear strategy for building customer relationships, create a compelling program of customer initiatives to capture value, and invest pragmatically in new technology. However, to fully realize their customer aspirations and ensure payback on key investments, high performers will also systematically strengthen their organization – broadly defined across structure, skills, and processes – to execute and sustain their new customer vision. Effective CRM organization is the key to success for many customer marketers who want to turn aspiration into achievement.

So where does the effort to strengthen organization begin?

Organization improvement is a step-by-step process. As our research indicates, companies migrate to higher levels of performance as they overcome organizational obstacles and demonstrate more of the 10 essential characteristics discussed earlier.

Companies should begin by assessing how existing organization helps or hinders performance. Often, marketers will find that their first steps should involve establishing the right leadership to drive the customer view and building a meaningful set of customer metrics. Others choose to establish an integrated program to drive capabilities, allowing them to skip steps and aggressively target potential organizational bottlenecks.

The following questions provide a good starting point for your self-assessment. If you answer *no* to three or more of the following questions, you have a significant opportunity to strengthen your CRM organization. The questions should also help you determine what characteristics of high performers you should target first:

1. Does the head of your customer efforts have tangible backing from his/her boss and the broader senior leadership team?

- Have you defined the roles for each channel and product/business in building customer relationships?
- Is resource access (e.g., customer ownership, IT) to support customer initiatives clearly defined? Are there guidelines for resolving conflicts?

2. Do you have explicit managers leading day-to-day capture of customer opportunities?

- Is someone responsible for translating your customer insights into pragmatic business action plans?
- Is someone making sure channels are linked to allow seamless delivery of customer initiatives?
- Is someone communicating and making sure your frontline staff understand and support customer initiatives?

3. Do you know who your best “whole house” customers are and how much they’ve grown in the last year?

4. Is someone actively developing your next three ideas to strengthen your relationships with best customers?

5. Do your business unit leaders incorporate changes in customer performance by segment (e.g., sales and profit growth, attrition, migration) into next year's business plans?

6. Are you getting value from all the data in your database? Have your channels been able to deliver the last five proposed customer initiatives?

7. Do you know your key talent gaps today and going forward? Do you have a clear plan to fill them?

8. Is performance evaluation based at least in part on customer or segment metrics? Does everyone share the same definitions of these metrics?

9. Are results from customer initiatives routinely analyzed? Are underperforming efforts automatically eliminated or replaced with more attractive challengers?

10. Do marketing and related IT support have a shared vision and plan for how to evolve current technology platforms to support ongoing customer-centric efforts? Are current development efforts on schedule?

Your answers have helped you to identify specific gap areas. Now create a roadmap, focusing on the characteristics that can be most useful to you. And above all, remember that this is a journey. Take it one step at a time.

¹ Over 25 CRM client studies with in-depth organization design issues; 20 in-depth CRM case studies on leading companies across industries and CRM performance levels; and 10 external interviews with leading CRM executives from high performers and emerging high performers.

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