Adaptive Customer Enterprise Transformation
“CRM Initiative” success rates are still too low

Today, only about half of CRM initiatives* have some degree of success, with the other half bearing little to no success.

Improvements since 2004 are not enough to celebrate.

*Your organization’s MOST significant initiative from the past 36 months where the goal was to better identify, engage, sell to serve, and/or retain customers based upon their value.
In first half of 2013, Merkle launched a comprehensive survey of more than 350 leaders within large US enterprises to discover what makes change succeed or fail.

Two segments: High-growth and low-growth
In addition to asking them tough questions, we further segmented the respondents by their financials to identify high-growth vs. low-growth organizations as a likely indicator for winners and laggards.

Proximity to ideal CRM
We asked them to self-identify as to how close they were to the ideal of CRM, in other words, whether or not they were doing a good job implementing a customer-centric business strategy, in their own opinion.

Both of these cuts gave us a window into what drove successful change.
Survey Firmographics

352 responses
Completed and analyzed in first half of 2013

Cross-industry sample
Spanning banking, insurance, travel, media, entertainment, communications, retail and high tech

US $1 billion
In revenue and higher with about a quarter > $50B

>50% are C-level
Or above; all are AVP

Broad representation
across Sales, Operations, Marketing, Finance and IT

Evenly split
Between b-to-b and b-to-c (25%+ are both)

Respondents include
- Fortune 50 Bank (multiple)
- Fortune 25 Automotive Company
- Fortune 50 Auto, Home and Life Insurers (multiple)
- Fortune 75 Healthcare Company
Low growth organizations don’t see strategic value of CRM

Senior Management Attitude toward CRM

- **Critical, way of life**
  - Lower Growth Organizations: 25%
  - Higher Growth Organizations: 36%
  - 1/3 less strategic

- **Important management tool**
  - Lower Growth Organizations: 32%
  - Higher Growth Organizations: 22%
  - 50% more tactical
High growth organizations have better CRM capabilities

My organization is routinely able to …

Information
Manage a comprehensive view of customers

Insights
Understand, identify, segment, and manage customers based upon their value

Optimization
Allocate resources to optimize long-term customer value

Targeting
Customize and personalize customer interactions

Measurement
Understand the incremental impact of each marketing activity

Agility
Respond to changes in customer, competitor, or marketplace conditions faster than competitors

Organization and Process Change
Emergence of the Customer Experience Marketing Organization

Increase the coordination of direct engagements across media and channels to create informed, deliberate interactions that anticipate and address the needs of customers and maximize value.

1. Integrate *strategy planning and budgeting* at the product/segment level across media and channel.

2. **Leverage data** for targeting, personalization and measurement within and across media/channel to improve customer experience and financial outcomes.

3. *Integrate execution* for innovation, efficiency and speed to market.
Redefining Planning for Integrated Experiences

### Program Planning

A comprehensive Program Plan defines overarching business objectives and strategies, the test and learn approach, and individual media tactics to be employed.

### Targeting: Audience/Offer Selection

A consistent and holistic targeting approach is taken for all media involved in the program. Targeting may be applied differently, and there may be media-specific metrics, but there is one over-arching approach.

### Media Planning and Campaign Execution

Media-specific executions leverage best practices and optimize program outcomes.
Key Considerations:

1. Special Invitation
   Sent 30 days before card launch, this EXCLUSIVE focused communication emphasizes the customer recognition in the form of first-to-hear-about opportunity.

2. At Launch Reminder
   This important DM kit is sent to this whole audience repeating the EXCLUSIVITY of this card launch. Includes a special message for those that registered. EM is also sent echoing the content of the DM.

3. Direct Match

4. Search Marketing

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3rd Party Site Display Targeting

Direct Match List of Bank Customers

Reward Card Page Visit

Pre-launch invitation EM

Registration landing

Registration response EM

Bank.com, Customer Channel Messaging

Hard Launch DM

Application Start

Incomplete Application

Completed Application

EM Follow-up

Welcome Com Stream

EM Triggered through Identifiable Data Platform

Search Remarketing

Paid Search

Organic Search

Search Marketing

Executing Integrated Experience Delivery (Credit Card Example)
The CMO and CIO roles are intersecting more than in the past and need to be redefined

Marketing technology has been…
- A secondary function of IT
- A downstream subset of operational systems
- Fairly static environments
CMO’s must be technology enabled and adaptive

Technology enabled Marketing…
- A primary function of IT
- Directed by a technology savvy marketing organization
- A superset of operational systems and data
- Highly adaptive environments
Adaptive Customer Enterprise Evolution
Connected Customer Relationship Marketing Maturity Model

- **Customer focused**
  - **Level 1**: Single campaign, Infrastructure focused, basic targeting capabilities
  - **Level 2**: Basic multi-channel, simple models, little offer and customer customization
  - **Level 3**: Multi-touch campaigns, model integration, and campaign automation
  - **Level 4**: Enterprise segmentation, contact optimization, integrated measurement platform
  - **Level 5**: Customer Value Optimization fully integrated programs (both media & channel)

- **Campaign focused**
  - **Level 1**: Low value
  - **Level 2**: Business unit / media engagement
  - **Level 3**: Moving from Level 3 to Level 4 is hard.
  - **Level 4**: High value

Moving from Level 3 to Level 4 is hard.
Connected CRM (cCRM) Framework

Customer Strategy
- Portfolio Strategy
- Segment Strategy
- Program Strategy

Experience Delivery
- Media Planning
- Channel Planning
- Targeting & Personalization

Financial Management
- Measurement & Attribution
- Budget Allocation

Infrastructure & Business Process

Leadership & Organization
Evolving Capability *and* Operating Model

**Operating Model**

- **Level 1**: Infrastructure focus, basic capabilities
- **Level 2**: Single campaign, simple data, little offer and customer customization
- **Level 3**: Basic multi-channel, model integration, and campaign automation
- **Level 4**: Contact Optimization, multi-touch campaigns, integrated measurement platform
- **Level 5**: Customer Value Optimization, fully integrated programs & campaigns

**Bottom-up path** builds infrastructure and seeks to leverage incremental gains to expand effort and drive organizational change (requires permission).

**Top-down path** compels organizational change and rapidly enables infrastructure for efficiency and effectiveness (requires sponsorship).

- Over-invested (poor return on capital)
- Under-invested (poor return on management bandwidth)

**Capability Maturity**

- Ideal investment zone

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Most significant CRM initiatives are driven from the top

Key decision makers
- CEO mandate: 34%
- Two or more senior executives: 57%
- Single senior executive: 8%
- Other: 0%

Decision making executive team
- Marketing: 51%
- Sales: 41%
- Operations: 39%
- Customer service: 30%
- Finance: 27%
- IT: 23%
- Product: 22%
- Channels: 19%
- Other: 10%

Source: Customer Centric Transformation 2013 Research study.
© 2013 Merkle..
The CEO is getting more involved

Source: McKinsey Global Survey Results August 2013
(850 C-level executives)
Evolving Capability **and** Operating Model

<table>
<thead>
<tr>
<th>Capability Maturity</th>
<th>Operating Model</th>
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<tbody>
<tr>
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<td>[CEO]</td>
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Ideal investment zone

[Key decision maker]
Leadership and Alignment Drive Success

- Lack of ownership and leadership were key challenges to effective CRM
- Challenges could easily be addressed by a committed and aligned leadership team


Challenges to CRM based upon overall maturity

- Lack clear organizational ownership of customer insight: 53%
- Management bandwidth and priorities: 43%
- Lack executive sponsorship: 38%
- Lack the right technology skills internally or not an IT priority: 38%
- Lack understanding on how to use customer insight to improve the business: 36%
- Lack or can't get to good integrated customer data: 36%
- Too hard to align customer strategies across the organization: 32%
- Lack the right analytical skills internally: 28%
- Business value is unclear or insufficient: 25%

Source: McKinsey Global Survey Results August 2013 (850 C-level executives)

Factors that contribute most to success, or the absence of which contributes most to failure, of companies' past digital initiatives

- Top 3 factors: Senior management interest or desire to change practices related to initiative, Internal leadership, Alignment between organizational structure and initiative’s goals

Factors of success

Factors of failure

- Good management and sufficient organizational support for initiative: 21 vs. 11
- Ability to adapt experimentation mindset that allows for certain practices (e.g., rapid test-and-learn cycles to quickly refine approaches used in initiative): 18 vs. 15
- Available technical talent (e.g., IT or technology staff): 18 vs. 17
- Quality data: 16 vs. 21
- Business processes reworked to take advantage of initiative’s potential value opportunity: 16 vs. 20
- Available functional talent (e.g., data scientists, digital-marketing experts): 15 vs. 18
- Technology infrastructure and IT systems: 14 vs. 22
- Ability to influence or follow shifting customer expectations related to initiative: 11 vs. 11
- Ability to keep pace with rapid changes in activities required to meet initiative’s goals: 10 vs. 14

Source: McKinsey&Company
**cCRM Evolution Examples**

**Sponsor**
- Head of Corporate Marketing

**Alignment**
- Channel interaction group
- Data & Insights (partial)

**Plan?**
- Strong plan within sponsor scope

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**Bottoms Up – sponsored & planned**

- **Level 1**: Infrastructure focus, basic capabilities
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**Operating Model**

- One leader over 1-2-1 marketing
- Integrated, data driven outbound marketing
- Coordinated inbound channel prompts
- Product driven and measured
- Actionable segmentation but not adopted across enterprise

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**Key decision maker**: [CEO]
**CMO**: [C-suite]
**Director**: [Director]
**Vice President**: [Vice President]
**Sponsor**: [Head of Corporate Marketing]
**Alignment**: Channel interaction group, Data & Insights (partial)
**Plan?**: Strong plan within sponsor scope

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Ideal investment zone
cCRM Evolution Examples

Operating Model

Sponsor
- No active executive sponsor

Alignment
- General alignment across many functions, but many competing objectives
- CMO directionally aligned but not actively sponsoring

Plan?
- Absence of defined plan

Capability Maturity

Level 1
- Infrastructure focus, basic capabilities
- [Director]

Level 2
- Single campaign, simple data, little offer and customer customization
- [Vice President]

Level 3
- Basic multi-channel, model integration, and campaign automation
- [CMO]

Level 4
- Contact optimization, multi-touch campaigns, integrated measurement platform
- [CEO]

Level 5
- Customer value optimization, fully integrated programs & campaigns
- [Key decision maker]

Bottoms up – lacking sponsor & plan

- Strong, but separate online and offline 1-2-1 marketing teams
- Technology enablement aligned to outbound one way communication. Some development happening in digital
- Select integrated programs across media.
- Product driven and measured (with periodic value focus)
- Segment organization, however budgets and optimization reside with LOB’s
- Attitudinal enterprise segmentation, disconnected from targeting and optimization

Ideal investment zone
cCRM Evolution Examples

Sponsor
• Head of Consumer Bank

Alignment
• Active governance board across key stake holder executives

Plan?
• Multi-generation plan across capability and operating model

Capability Maturity

Level 1
Infrastructure focus, basic capabilities
[Director]

Level 2
Single campaign, simple data, little offer and customer customization
[Vice President]

Level 3
Basic multi-channel, model integration and campaign automation
[CMO]

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Contact Optimization, multi-touch campaign, integrated measurement platform
[C-suite]

Level 5
Customer Value Optimization fully integrated programs & campaigns
[CEO]

Top down – Exec Sponsor & Plan

- Well developed off line direct and emerging online direct
- Executive sponsorship for operating model change.
- Active governance committee
- Aligned definition of end state
- Started with operating model development
- Following with capability model development
- Bottoms up capability development

Ideal investment zone
Effectively Driving cCRM Evolution
Be clear on where you are and your scope of sponsorship

1. Create an integrated plan within your current scope limitations
2. Find a path to executive dialogue around the adaptive enterprise requirement

- Where are you today?
- Are you in or out of the ideal investment zone?
- Are you leading with capability or operating model?
- What scope of sponsorship do you have?
- How can you educate and align the necessary stakeholders?
Organizing Around Change

Executive sponsorship and governance team

*Change champions – CRM vision stewards – Organizational integrators*

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<th>Program governance, value pro forma and business results</th>
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New and revised initiatives

- Organizational Realignment
- Decision Process Change
- Culture and People Change Management
- Data and Applications

Existing initiatives for change

Time
Executive sponsorship and governance is a key ingredient for driving lasting change within organizations

Objectives

- Be champions for lasting change
- Align enterprise to common vision
- Apply value-lens in prioritizing alternatives
- Integrate initiatives across groups
- Ultimately, track business results and impact

Example Retail Bank Team

- President
- Product and/or Segment
- Corporate Marketing
- Database Marketing
- Digital Marketing
- Insight and Analytics
- Sales & Distribution
  - Branch sales and support
  - e-Business
  - Contact Center
- Technology
- Finance
Organizing Around Change

Executive sponsorship and governance team

*Change champions – CRM vision stewards – Organizational integrators*

| 1 | Customer engagement vision |
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| 4 | CRM blueprint and roadmap |

Program governance, value pro forma and business results

New and revised initiatives

- Organizational Realignment
- Decision Process Change
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Existing initiatives for change

Time
It Starts with the Customer Journey

1. **Customer Engagement Vision**

   - **Evaluate**
     - Need Triggered by Life Event
     - Receive Acquisition Offer
     - Visit Branch
     - Learn about Products
     - Compare to Competitors

   - **Embark**
     - Review Application
     - Initiate Application
     - Provide Required Information
     - Fund Account
     - Receive Account Materials
     - Create Online Account

   - **Engage**
     - Make Deposit/Withdrawal
     - Use Credit/Debit Card
     - Make Payment from Account
     - Receive Statement
     - Resolve Account Issue

   - **Expand**
     - Add/Change Product
     - Request Service
     - Resolve Issue
     - Receive Cross-Sell Offer
     - Receive Acknowledgment for Business/Loyalty
     - Refer Friend/Family

   - **Exit**
     - Close Account
     - Complete Loan Term
End State Customer Vision

Customer Interaction Opportunity Workshop

Customer Interaction Visioning Workshop

Customer Interaction Mapping
Organizing Around Change

Executive sponsorship and governance team

*Change champions – CRM vision stewards – Organizational integrators*

1. Customer engagement vision
2. CRM capability and gap assessment
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5. Program governance, value pro forma and business results

Time

Existing initiatives for change

New and revised initiatives

Organizational Realignment
Decision Process Change
Culture and People Change Management
Data and Applications
2. CRM capability and gap assessment

3. Technology assessment

Summary of findings

Solution Governance
- Lack of a marketing data governance strategy and overall solution support challenges will impact regions' ability to meet its stated vision.

Data and Information Assets: Current State assessment

- Data governance
  - Information architecture
  - Data governance
  - Data quality
  - Assets

- Solution integration
  - Data and information assets
  - Data and information assets
  - Analytics and decisioning
  - User interface

- Business intelligence and analytics
  - Data and information assets
  - Analytics and decisioning
  - User interface

Technical infrastructure
- Business intelligence and analytics
- User interface
- Data and information assets
- Analytics and decisioning
- Data governance
Organizing Around Change

Executive sponsorship and governance team

*Change champions – CRM vision stewards – Organizational integrators*

5 Program governance, value pro forma and business results

1 Customer engagement vision

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Organizational Realignment

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Time
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