Digital CRM

From traditional to individual, context-aware, real-time customer interaction

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Executive summary

Recent technical and social shifts have led to drastic changes to the way customers and companies interact. Specifically, the rise of social media and digital channels has provided companies with the opportunity to learn more about their customers and to contact them more quickly and directly. At the same time, customers’ expectations of companies with regard to customer management, customer service, and marketing have evolved.

This study analyzes how companies adapt their customer relationship management to deal with the challenges and opportunities that have come with this change. It provides evidence that companies are transitioning their customer relationship management to focus more on individual customer interactions and real-time engagement but that there are differences in maturity levels, both between and within industries.

Key findings include:

- Relevant real-time customer interaction is gaining in importance
- In future, the client chooses the channel of communication
- Proactive 1:1 customer service based on customer insights will become a factor of differentiation
- While the use of social media for CRM is met with mixed feelings by some interview partners, other digital channels are adopted rapidly
- The efficient use of existing data is more important than the collection of all available data
- Silos need to be broken down, both in terms of organization and processes
- Companies face regulatory barriers when it comes to data collection and usage; a cyber security governance framework is advisable to mitigate risks

On the basis of this study, Deloitte has developed a Digital CRM maturity framework for quick evaluation and a holistic offering that helps clients future-proof their CRM and deal with the challenges they meet.
Trends driving change in customer interaction

**Growing customer power**
There have been many examples of growing customer power in recent years. Today, glitches in customer interaction can lead to serious monetary and reputational losses. Especially context-aware customer interaction is crucial in this respect.

**Integration of fast changing channels**
While companies have hardly had time to integrate new channels like Facebook or Twitter into their mix, new platforms are already on the rise. Omni-channel communication management will become far more complex and fast-paced in the future as consumers adopt new channels.

**Internet of Things**
The Internet of Things is still forming, but even today more and more devices are online. This adds a lot of potential data and interaction channels to the CRM equation, which need to be analyzed and considered carefully in order to make effective and efficient use of them.

**Growing data complexity**
Not only the quantity of data is growing but also its variety. To gain the best possible picture of the customer, CRM systems need to be able to handle both aspects.

**Declining importance of classic mass media**
In the past, generic messaging was at the very core of corporate communication in mass markets. Today interactive channels are gaining in importance, allowing CRM to publish customized content to individual customers, making mass mailings a notion of the past.

**Unconventional competitors**
Traditional service providers face increasing competition from very lean companies such as uber or airbnb, which integrate communication channels, thus offering best in class customer experience and service.
The changing face of CRM

Traditionally, CRM activities focused on automating and supporting internal business processes. Campaign management activities, for instance, were developed from the organization’s point of view and inward-oriented. They were adapted and optimized to support customer interactions and transactions. In this static framework, companies built long-term individual customer relationships with a mostly one-way communication approach. Broad customer segments were used to semi-customize messages but without validating the relevance of the content. More importantly, however, different channels were seldom interconnected and individual customer touch points such as a shop or call center did not know which offers the customer had received at another touch point. The growth in the number of available channels and customers’ power represent an almost seismic shift that companies need to take seriously as they rethink their customer management.

Today, the center of the CRM universe is the customer, not the company. This means that customer service and campaigning processes are developed from the customer’s standpoint with a focus on a seamless user experience across all channels. Communication needs to be streamlined so that customers are spoken to with one voice and consistent content. In an age, in which customers have seemingly unrestricted access to information through the internet, companies need to do more than spread generic information. They have to provide tailored 1:1 campaign communication and service based on analytics and trigger events – for instance offering upgrades on mobile plans when a customer consistently exceeds the data limit. In this new age, customer events are captured, automatically processed and the right action is taken based on the current customer context and point on their individual customer journey. Welcome to Digital CRM.
What is Digital CRM

Digital CRM puts the customer in the spotlight. It essentially integrates digital channels such as social media or apps into the traditional CRM system, thus enabling companies to generate new customer data through methods such as social listening. This delivers several advantages:

- CRM and campaign management processes are created from the customers’ point of view, enabling a focus on seamless user experience across all channels.
- Collecting and storing all customer data in one system (event data lake) enables companies to communicate with customers with one voice across all channels.
- Digital CRM enables companies to better understand the specific context customers are in, and to efficiently launch CRM activities in real-time.

Before implementing Digital CRM it is important to understand the impact this will have on your organization as a whole. This means an overall strategy and vision need to be created, which identify the objectives and how these are to be obtained. This includes the identification and prioritization of use cases by means of business cases, translated into a roadmap.

With Digital CRM ideally all data is stored in a unified data warehouse to which all departments have access. IT plays an integral part in the successful deployment and serves an important enabling function. It needs to coordinate the collaboration and alignment of all customer-facing entities so that all relevant data is collected correctly and use cases are connected across all customer interactions. Implementing dynamic rule and offer engines permits an automatic response to issues. This enables companies to react to customer issues quickly and proactively and makes real-time and contextual customer interactions possible.
Introduction

“CRM, today, is too strongly associated with systems and technology. This is, by and large, a self-inflicted problem...”

“...as the focus of projects has been on system implementations, without highlighting the benefits to the business side of things.”

CRM manager at a leading tourism company
Digital CRM in practice

Our analysis of companies across the TMT*, automotive, energy, retail and consumer business industries has shown that companies recognize the shift from traditional towards Digital CRM. Over 90% of our respondents, for instance, agree that doing omni-channel communication right is important or very important.

The customer chooses the channel of communication

Going forward, respondents state that companies need to increasingly pay attention to individual customer journeys because they foresee that in the future the customer chooses the channel of communication. As new channels arise they are adopted differently. In the energy industry, for example, more senior customers are less likely to be online and prefer to be addressed via traditional channels. This becomes evident as a significant proportion of customer interactions are still carried out via phone or mail. One company stated that only 35% of their customers were online and that the other 65% still preferred to receive their bills in the mail. This leaves the industry with huge savings potentials in terms of postage and printing costs by digitizing written communication.

Companies actively encourage customers to use more efficient channels

Companies are tackling this issue by using automation software – especially in combination with unstructured data. One practice which is common among interviewed companies, is the use of text mining software with regard to written communication. Digital communication, such as emails, is scanned for keywords, categorized, and – in some cases – even replied to with automated responses. Letters are dealt with in a similar fashion after they have been digitized. This has increased the speed of customer interaction tremendously, as one respondent stated, which is why companies actively encourage customers to use more efficient channels like emails. Respondents, however, also pointed out that one should be wary of going too far. Outsourcing processes, such as printing forms, to the customer instead of providing forms via mail may upset them and lead to lower satisfaction.

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Relevance of content is key and in future it will be the customer who chooses the channel of communication. Social media are useful for identifying individual customer events, but need to be used carefully.

“The real challenge with data is not to gather more but to use the existing data treasure efficiently. There is a lack of appropriate regulations and internal strategic alignment”

CRM manager at a leading telecommunications company

Customers choose the time of interaction
Companies have realized that customers not only choose the channel through which they want to interact but also when. The key is relevance of content. This is increasingly so as the use of real-time data becomes more important and the number of use cases for contextual interaction with customers increases. One company, for instance, uses geo-fencing in combination with their mobile app to push offers to their customers when they approach a competitor’s counter. Others use real-time data for predictive analytics to approach customers proactively – for instance energy service providers reassuring customers of resuming service in case of a blackout. The real challenge, as several companies mentioned, is therefore not to collect as much data as possible, but to use the already existing data efficiently in order to react to customer issues quickly. Companies have identified response time as a point of differentiation and see the potential of becoming a benchmark in their industry by offering outstanding, quick and relevant customer service.

Social media need to be used responsibly to meet privacy concerns & data protection laws
The use of social media data in customer relationship management for identifying customer events proactively, analyzing customer sentiment or reacting to issues when they occur is perceived with mixed feelings. Some respondents view it as “the holy grail”, because it allows companies to attract younger audiences and build closer relationships. But it has to be taken with a pinch of salt. There is a fine line between identifying relevant information and exceeding customers’ level of understanding and comfort when it comes to data collection. This may, in part, be attributed to geographical differences. In China, for instance, the use of social media is said to be decades ahead of Europe and customer interaction via mobile apps such as Weixin (WeChat) is commonplace. One obstacle to integrating social media into legacy data systems is data protection. As one respondent pointed out, liking a Facebook page does not constitute permission to use a customer’s information for marketing purposes.
Our findings reveal that customers and companies alike are very conscious when it comes to using individual data. This limits the extent to which real-time, customized marketing actions can be taken. While use cases are abundant – using data sent by smart meters in the energy sector or car testing facilities in the automotive industry – social acceptance is still limited. This can be improved by giving customers tangible benefits like energy consumption improvement advice through smart meter data analysis.

New dynamic channels make omni-channel more complex
Social media only represent one of several new channels like smart phones or the connected car, that have arisen in recent years. Doing omni-channel right becomes more complex as the number of channels increases and their nature becomes more dynamic. Often traditional CRM systems are too static and too large to allow for agile adjustment, as companies point out. While technology has come a long way in recent years, Digital CRM calls for more flexible solutions in order to keep up with the speed of change in the customer-company relationship.

Silo thinking hampers seamless customer experience
New channels also mean more data that need to be stored and integrated to be able to address customers uniformly across all channels. More often than not, companies struggle with this integration because legacy CRM system architectures have grown over time and data are mostly kept in silos. Exchanging data among different departments is thus hampered, making the implementation of new initiatives difficult. Interviewed companies identified silos as a problem, not only in terms of data warehousing but also in terms of organization. Different channels are run by different people or even departments and the area of responsibility is strictly defined. Omni-channel communication, however, requires new sets of processes that foster collaboration and knowledge exchange so that, ideally, marketing, sales, CRM, and customer service share customer insights and can pick up at the last customer interaction.

New dynamic channels are on the rise. Data needs to be integrated and silos need to be broken down – also in terms of organization and processes – for omni-channel to work and for the customer to have a seamless experience.

“CRM managers have been dreaming about the digitalization and customization of CRM for years but only now does technology allow for their implementation”

CRM manager at a global automotive company
Maturity assessment of holistic CRM approaches

Not all companies have achieved complete transparency of customer insights across departments. In order to assess the maturity level across industries, Deloitte has developed a Digital CRM maturity assessment as a starting point. The method, which has been used successfully across various industries and client engagements, assesses the maturity of companies’ holistic CRM approaches. The framework evaluates and analyzes companies’ current CRM capabilities along eight dimensions with a total of 29 capabilities. It further determines the desired state of the CRM capabilities and identifies near-term and long-term CRM improvement opportunities. Industries are subsequently grouped into four different categories, depending on how its companies score on the evaluation criteria.

The eight previously mentioned dimensions are:

- **Customer Relationship Management Vision** – The extent to which the CRM vision and/or strategy supports the corporate strategy
- **Customer-Centric Organization** – The way customer facing functions are organized towards the different customer segments and channels
- **Customer Interaction Processes (Effective and Efficient)** – Business processes related to the management of the customer/stakeholder relation throughout the organization
- **Effective Tools** – The extent to which tools provide a complete functional coverage of all customer-related processes
- **Customer Knowledge and Understanding** – The ability to consolidate all customer information across business lines and channels in a single repository
- **Customer-Centric Innovation of Services** – The capability to involve the customer throughout the development (e.g. testing) of new services
- **Customer-First Culture and Skills** – The extent to which a real customer-first culture is created and evangelized throughout the organization
- **Performance Management** – The use of customer metrics for corporate decision-making, product development, performance management and operations improvement
Variation of Digital CRM maturity across industries

- **Behind the Game**
  - Limited focus on customer relationship aspects
  - Structure does not reflect customer-centricity (e.g. no department is responsible for managing customer relations)
  - There is no customer or customer segment planning and companies display no ‘proactivity’ towards the customer
  - Internal and external communication is not centralized and happens randomly by different departments

- **Follower**
  - Corporate leadership starts becoming more and more customer-focused
  - Customer-centricity reflected to a minor extent in the structure; some customer-facing departments are centralized and given adequate importance
  - More proactive attitude towards key customers
  - First differential commercial approaches per customer segment
  - Marketing department does not have a central/driving position within the organization

- **Mature**
  - CRM-related functions have C-level representation
  - Structure is set up so that customer is served in an optimal way (marketing, sales, servicing)
  - Wide-spread use of customer planning methodologies
  - Proactive approach towards the customer (e.g. product potential, etc.)
  - All internal and external communication is centralized

- **Best in Class**
  - CRM governance strategy supports corporate mission
  - Organizational structure and processes are set up so that customers have a seamless experience across all customer-facing functions
  - Proactive approach towards the customer, e.g. product potential
  - Clear differentiation of commercial approach per segment, e.g. prioritization by value
  - Communication plans are set up for the different customer segments
  - Customers can express communication preferences
Digital CRM case study – An example from the telecommunications industry

Our assessment shows that the TMT industry is among the leading industries with regard to Digital CRM, which is also manifested in the illustrated example derived from a previous Deloitte project. Implementing a Digital CRM platform helped to improve customer experience, respond to customer concerns more efficiently according to customer preferences and thus increased overall customer satisfaction along the customer journey.

In this illustrative customer journey, the customer reached the data limit several times. In the first two instances, the offer engine automatically sent the customer text messages, offering the purchase of more data volume through the booking of speed-on options. When the customer reached the data limit a third time, the digital CRM rule engine identified a pattern in the customer’s habits – high data usage – and proactively offered the customer a new contract with a higher standard data volume. Directly catering to the customer’s needs increased overall satisfaction levels and led to an increase in customer value, ultimately resulting in higher revenues.

**Issue**
- The client needed support in transitioning from process-oriented CRM to a more customer-centered approach
- Customer data was scattered across various systems without coherent access across departments

**Solution**
- Development of a Digital CRM vision & strategy
- Identification of use cases and translation into a roadmap
- Capturing of customer events in event data lake (data warehouse)
- Implementation of analytical dynamic rule engine
- Selection of appropriate outbound channels

**Impact**
- Enhanced customer insights and improved customer experience
- Increased customer value and higher revenue out of existing customer base
- Higher efficiency levels and reduced cost due to higher degree of automation and shift to less expensive channels

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**Customer journey view**
Close to real-time omni-channel view of customer journeys

**Pattern recognition**
Identify patterns across each customer journey

**Action**
Launch the right actions to target individual customer needs
Where to start

After assessing your CRM landscape and identifying opportunities for improvement, what should you look out for when digitalizing your CRM? The following is a summary of our five key success factors for growing your Digital CRM:

Develop a Digital CRM vision & strategy
Successfully implementing Digital CRM requires the development of an overall vision and strategy that identifies the objectives and how these are to be obtained. This includes the identification and prioritization of use cases (including business case calculations) translated into a roadmap.

Integrate data across channels and departments
If your Digital CRM activities are to have any chance of keeping up with the speed of change in consumer behavior and the growing number of platforms, it is paramount that you store your collected data in a unified data warehouse that is accessible to all business units and departments. Only then will you be able to address your customers consistently across channels and engage in relevant customer interactions.

Break down organizational silos and develop a process from a customer standpoint
Aligning your data is one thing – aligning your people is another. A unified data source is great but as long as organizational silos exist, consistent communication with customers with one voice will remain an illusion. Developing processes from the customer’s point of view and across departments (e.g. in a matrix structure) ensures that your customers get their desired results quickly, making sure customer experience is done right on the go.

Implement dynamic rule engines
Due to the large volume and variety of customer events, successful real-time interaction with customers depends heavily on automation. A dynamic rule engine reduces the required manual effort and increases efficiency. Linking the rule engine to an offer engine allows you to deal with events automatically as it prepares you for all possible contingencies.

Build relevant skills and capabilities gradually
As channels are integrated and information is readily available, Digital CRM requires staff in marketing, sales, CRM and service that know how to work across channels instead of focusing on their own niche. These skills need to be carefully developed.
Cyber security – An excursus

Since Digital CRM presupposes the collective storage of data, including sensitive customer data, in one data lake, it is not without risks. While traditionally a leakage was confined to only one data source, now a security breach would mean all data is at risk. There are generally three kinds of risks that need to be considered, all of which can have financial as well as reputational implications:

- **Risks to customer data** such as unauthorized access to consumer data by cyber criminals or malicious insiders or unintentional disclosure of customer data
- **Risks of cyber attacks** such as attacks on the company’s social media tools or lock-out of the company’s social media accounts
- **Compliance risks** such as violation of data privacy regulations, which may lead to financial penalties

Deloitte has developed a framework for keeping such risks at bay. It essentially consists of five steps – four core steps that need to be taken in every context and an optional one.

1. Create a risk profile
2. Identify components in scope
3. Perform a security assessment
4. Draft a security roadmap
5. Develop a detailed project plan that can later be implemented

The table below outlines the framework in more detail, breaking down the key activities and results for every step.

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<th>Key activities</th>
<th>Create risk profile</th>
<th>Identify components in scope</th>
<th>Perform security assessment</th>
<th>Draft security roadmap</th>
<th>Develop detailed project plan</th>
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<tbody>
<tr>
<td>Create risk profile</td>
<td>Basis: corporate objectives, Digital CRM strategy, CRM processes, and technologies used</td>
<td>Reveal relevant Digital CRM processes and technologies affected by the identified risks</td>
<td>Assess how relevant Digital CRM components address identified risks</td>
<td>Show “status quo” of how the risks are addressed</td>
<td>Break down short/mid/long-term actions into projects and work packages</td>
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<tr>
<td>Identify components in scope</td>
<td>Identify and evaluate potential Digital CRM risk</td>
<td>Determine responsible business and IT owners</td>
<td>Rate the maturity of security controls</td>
<td>Derive short/mid/long-term actions and describe vision for adequate risk treatment and immediate reaction in case of cyber incidents</td>
<td>Estimate effort for internal and external staff per project/work package</td>
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<tr>
<th>Key results</th>
<th>Company-specific risk profile</th>
<th>Assessment of processes and list of systems at risk</th>
<th>Gap analysis</th>
<th>Summary of maturity ratings</th>
<th>Detailed, prioritized and structured project plan including effort and time estimation</th>
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Further reading

If you are interested in gaining further insight into how your company can enhance its data analytics and CRM to better understand customers and into how to protect the generated data, Deloitte offers a range of other publications we would like to recommend.

**Datenland Deutschland – Die Transparenzlücke**

This study is part of a series of publications describing the challenges that arise due to the increasing digitalization of the business world and, through empirical analysis, offering new ways of dealing with these.

The first part of the series, this study is about the use of personal data and analyzes German customers’ attitudes and expectations regarding the use thereof. Furthermore, it analyzes the degree to which large German corporations already use personal data for business purposes.

**Cyber Security – Empfehlungen zum IT-Sicherheitsgesetz**

This report offers an initial overview of answers to key questions such as:

- What does the new IT security law entail?
- What are the goals of the new legislation?
- Whom does the legislation affect?
- What are the potential risks for your organization and what are possible actions you can take?

**Building your digital DNA – Lessons from digital leaders**

This paper is the culmination of interviews and discussion groups with clients and insights from Deloitte Digital and Deloitte People and Programmes, across multiple industries to understand which tools and techniques are being adopted in thriving digital businesses today.

Three core factors are explored that organizations should consider when looking to improve their digital maturity levels – leadership, talent management and organizational design.

**Navigating the new digital divide: capitalizing on digital influence in retail**

For the third year, Deloitte Digital conducted surveys with thousands of consumers to understand how they engage with digital when shopping, and to quantify how these interactions influence their in-store purchase behavior. This year, and over two million data points later, the continuing growth of digital influence is resulting in a widening divide between consumers’ digital expectations and retailers’ ability to deliver on them.
Deloitte Digital at a glance

Deloitte Digital is an innovative leader in strategizing, planning and implementing solutions for the challenges of the digital age. We run more than 20 digital studios and offices on five continents which we leverage to form international teams to exceed our clients’ expectations. We bring together the creative and technological capabilities of one of the largest consulting companies in the world. Our teams offer a wide range of expertise, so we are able to deliver solutions that grow influence across the entire digital journey. Our six offerings (described on the right) are how we go to market externally – our clients care about our skills, but not as much as they care about the solutions we offer.

To find out more about what we do, and about our previous work, visit our website or get in touch with us: www.deloittedigital.com/de

Deloitte Digital Offerings

- **Digital Strategy & Analytics** helps clients define a bold vision for their entire digital journey backed with state of the art business intelligence and analytics tools.
- **Digital Marketing & Social** turns strategy into measurable results by offering full-spectrum services, from platform implementations, campaign and content management to social media monitoring.
- **Customer Engagement Solutions** helps clients understand and engage with their customers by putting in place the technology and practices needed to drive loyalty.
- **Digital Enterprise** helps to enable employees, partners, and suppliers to collaborate better, work more efficiently, and ultimately make better business decisions through powerful, user-driven enterprise tools.
- **Digital Agency** provides clients with full-spectrum brand and digital services ensuring to best find markets, reach customers, improve relevance, resonate, and deliver measurable results.
- **Digital Ventures** assists in building new digital businesses with speed and precision according to our clients’ requirements to drive economic benefit for our clients – always acting as their entrepreneurial partner.
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