

Deloitte.

Digital



Digital CRM 2.0

Building customer relationships
in the digital landscape

Introduction	04
A Challenging Environment for CRM	05
Study Results	10
Digital CRM Definition	12
Strategy	17
Analytics	30
Organization	36
Technology	42
Legal	50
Performance Measurement	54
Digital CRM Study Takeaways	66
Contacts	68

Introduction

Dear reader,

Since our first Digital CRM Study was published in 2015, this topic has gained even more traction. New trends and technological advancements have prompted us to reopen a discussion about the transformation of customer management with internal and external topic leaders.

Our 2015 study showed that not all companies and industries had the same level of maturity in customer relationship management. As customer needs changed and new technological solutions emerged, companies had to shift their priorities to create efficient relationship-building capabilities, with a strong focus on integrating social channels.

A lot has changed since then. Cloud solutions have become the norm, new GDPR regulations are affecting key business processes and companies are trying to harness legacy CRM capabilities to drive superior customer experience.

The objective of this study is to shed some light on what is driving today's CRM efforts.

- **What trends are leading organizations pursuing?**
- **What are the challenges they face?**
- **How can Digital CRM play a role in achieving business objectives?**

To give our observations a broader foundation, we conducted in-depth interviews and discussed critical topics with various topic leaders across industries.

As a complement to our findings, we provide understandable real-life best practices and key considerations for each selected topic based on the experience we have gained in multiple Digital CRM projects and current research in the field.

Enjoy the newest insights in our Digital CRM Study 2019!

Steffen Legler

Partner and Practice Leader Deloitte Digital

With this study, we will shed some light on the factors that are driving CRM efforts today.

A Challenging Environment for CRM

In today's world, digital transformation forces companies of all sizes and industries to constantly re-evaluate their ongoing operations and adapt to new market realities. "The customer is king" has long been a popular mantra in marketing and sales departments, and industry leaders as well as academic experts are constantly preaching customer centricity.

But the focus is shifting; expectations from internal and external stakeholders alike are moving from shiny TV adverts towards true excellence in customer relationship building and customer experience.

Why is it so important to focus on customer relationship management? Four major forces are dramatically changing the business environment:

1

Customer demographics and behaviors

It is no longer a well-kept secret that customer demographics and behaviors have radically changed within the last decade. Companies have to adapt their marketing and sales strategy to meet these evolving customer needs. On the one hand, the customers' time is scarce and they want goods on demand, making them prime targets for a well-crafted relationship strategy. On the other hand, as their technological skills and product knowledge continue to increase, customers gain more leverage over companies. Millennials in particular (Generation Y, born in between the early 1980s and late 1990s) and Generation Z (born after 1996) are tech-savvy, fully engaged in social media, and more likely to churn, if their expectations are not met for any reason. Spending several hours each day looking at their mobile

screens, consumers are bombarded with content all day long, and they only pay attention to content they see as targeted, relevant and authentic. In the battle for eyeballs, companies need to understand and know their (prospective) customers to create a memorable, personalized experience across all possible online and offline channels. Contemporary customers demand more than just goods and services: they expect companies to be authentic and sustainable, while still offering the best deal. They demand convenience and want to spend more time on the things that matter. We see a strong desire for self-service, e.g. they want the convenience to access relevant information without a customer service representative, but also expert consulting once they need it.

The contemporary customer...



**Well-informed/
self-educated**

is well-informed thanks to technological advances (e.g. online comparison sites, peer validation, smart recommenders, etc.).



Self-directed

does not trust most businesses, media or governments, wants self-service and, as a result, is difficult to influence.



Fast-paced

is convinced that "time is money". The goal is to get things done quickly and easily so they can spend more time on things that matter.



Picky

reads product and service reviews, compares different offerings and carefully weighs all options before making a purchasing decision.



Contradictory

is often contradictory in his/her behavior and does not exhibit any clear behavioral patterns.



**Always
connected**

uses smartphones, wearables and corresponding technology at all times, blurring the distinction between the online and offline world.



Volatile

has a high willingness to change brands, especially when customers do not feel as if they are receiving special treatment.



Tech-innate

is both tech-savvy and impacted by tech, open to early adoption of new technology, uses tech to make the world more predictable and tends to see technology as reliable and people as unreliable.



2

New business models

As customer behaviors and expectations change, companies experiment with new business models to create new revenue streams. Well-known examples are various Freemium business models (e.g. Spotify), pay-per-use models with costs occurring only if the service is used or revenue models through relatively low monthly subscriptions (e.g. Netflix). In each of these models, continuous customer engagement is key to generating sustainable revenue streams, reaching

profitability and turning recent adopters into loyal long-term customers. If a company's approach does not live up to the consumer's expectations, they are very likely to abandon the company ecosystem entirely – without generating enough revenue for the company to be lucrative or break even on acquisition costs. Building long-lasting relationships with customers is therefore a crucial success factor for these new business models.

3

Technology

Technology is at the heart of Digital CRM. Once a company has defined its CRM strategy, modern technology is the enabler of that strategy and absolutely crucial to meeting contemporary customers' expectations. Today's CMOs need to collaborate closely with CIOs to create an outstanding customer experience that is grounded in data and incorporates technological advances. Technology enables them to gain transparency about marketing spending, customer engagement and satisfaction. State-of-the-art CRM tools make the process of relationship building internally transparent, allocate

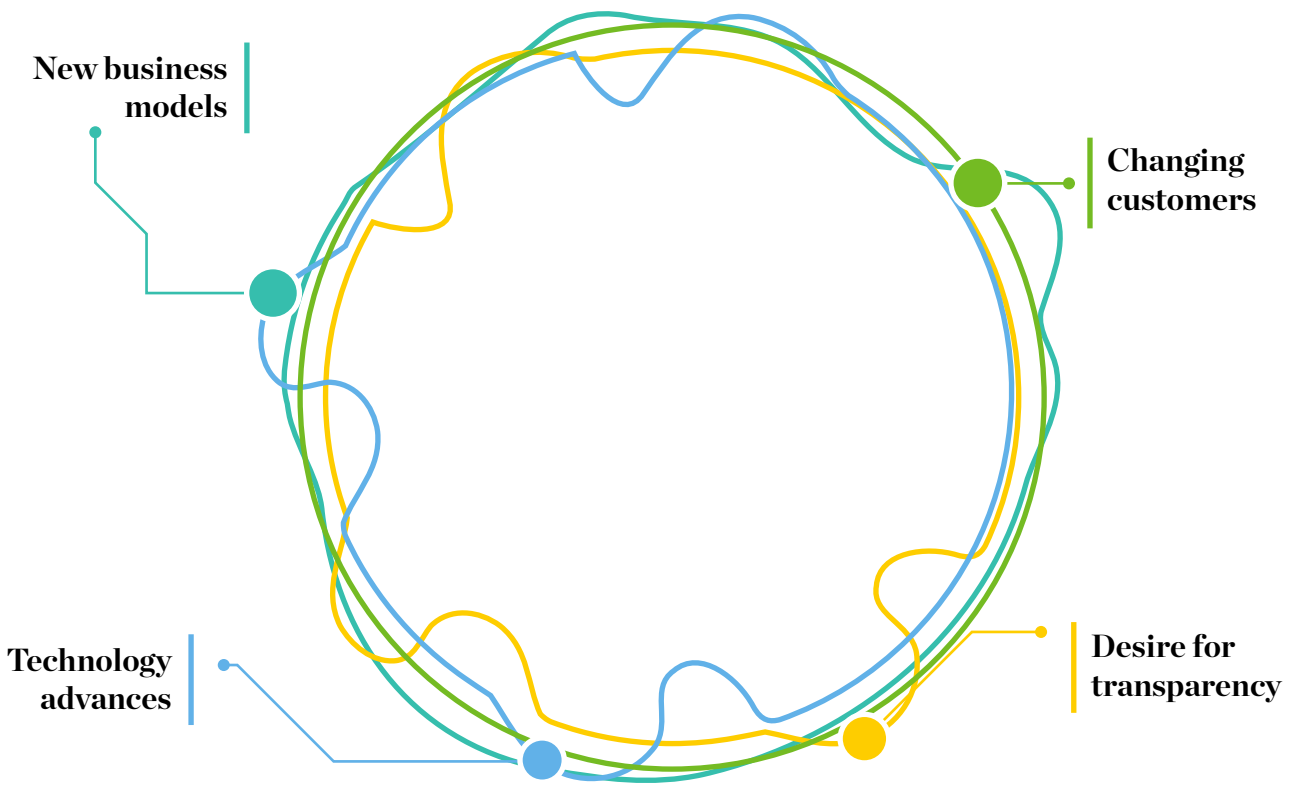
resources based on data insights and track progress of initiatives using traditional and customer-based KPIs. Digital touch points along the customer journey enable companies to bring their customer identity management to life and gather insights about the anonymous as well as the known customer, taking the company's customer strategy and latest data protection regulations into account. In addition to digital touch points, companies need to integrate traditional touch points along the customer journey as seamlessly as possible.

4

Transparency

Marketers have seen their budgets grow over the past years and further growth is expected. While priority of traditional media decreases, more than 50 percent of marketing budgets are expected to be spent on digital marketing by 2023. This increase in marketing spending puts greater pressure on CMOs, who are increasingly also in charge of the overall customer experience, to justify

their growing investments and provide transparency about the ROI. CRM leaders have to rely on digital communication channels that generate reliable, valuable customer data and establish advanced analytics capabilities to demonstrate performance and effectiveness of CRM measures.



Digital CRM enables companies to get their core ready to satisfy expectations with meaningful and value-adding relationships.



Study Results



Customer relationship management continues to play an important role. 92 percent of the topic leaders in our survey cited CRM as a key priority for enabling their business strategy and, as a result, discussed it at board level. However, CRM still seems to be treated as a technology-focused topic, ignoring the impact of other perspectives on success. We herewith provide guidance by sharing our point of view on what Digital CRM is and how it impacts an organization.



Profitable relationships are created by focusing on value-adding customers at every touch point and through various channels. At the same time, our research shows that the often cited “omni-channel experience” has yet to become reality in most cases and companies are still building relationships without insights on customer profitability. In the following pages, we elaborate on how companies can achieve consistent touch points, while also considering their brand, and putting customer value at the core of relationship building measures.



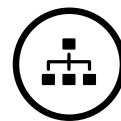
Fortunately, the days of managing customers with Excel files are over. Today’s technology enables personalized customer relationship management at scale. Although the opportunities are huge, many companies struggle to make use of them. Our examples show how developing the right systems can enable the business strategy and explain what factors need to be considered when integrating a system into the enterprise architecture and how to ensure a solid data quality.



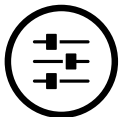
Customer relationship management is heavily affected by increasing legal regulations. Although 57 percent of topic leaders revealed that the impact of GDPR was not as strong as they expected, compliance with the regulations has become a key topic on corporate agendas. That said, 71 percent of CRM leaders still feel that the operating model with legal departments needs to evolve to enable closer collaboration.



Meaningful insights are key in developing meaningful relationships. We see more and more companies trying to use their analytical capabilities at scale to provide personalized and context-based touch points. Still, we found that a lot of industry players never go beyond a personalized email subject. We offer a set of key building blocks to make companies more data driven and explain why customer analytics is essential in personalization activities.



A company's structure relies on the people who plan and execute the initiatives that make or break customer relationships. By contrast, our interviews showed that organizational structure is still a key challenge on the way to achieving digital CRM maturity. Although there was often a fluency in agile project execution at the operational level, leadership teams were stuck in their old structures and struggled to adapt to new roles within an agile way of working. That is why we included best practices for CRM operating models and organizational ways of working.



In the past, companies spent a significant amount of money on their customer relationship management capabilities. Our research shows that, because of the huge importance of the topic, this is unlikely to change in the future. Our discussions and project insights reveal that transparency about the success of those spendings is becoming increasingly important. But: How do we define success in CRM? And how can it be measured? You can find the answer at the end of our study when we summarize the topic of CRM measurement.

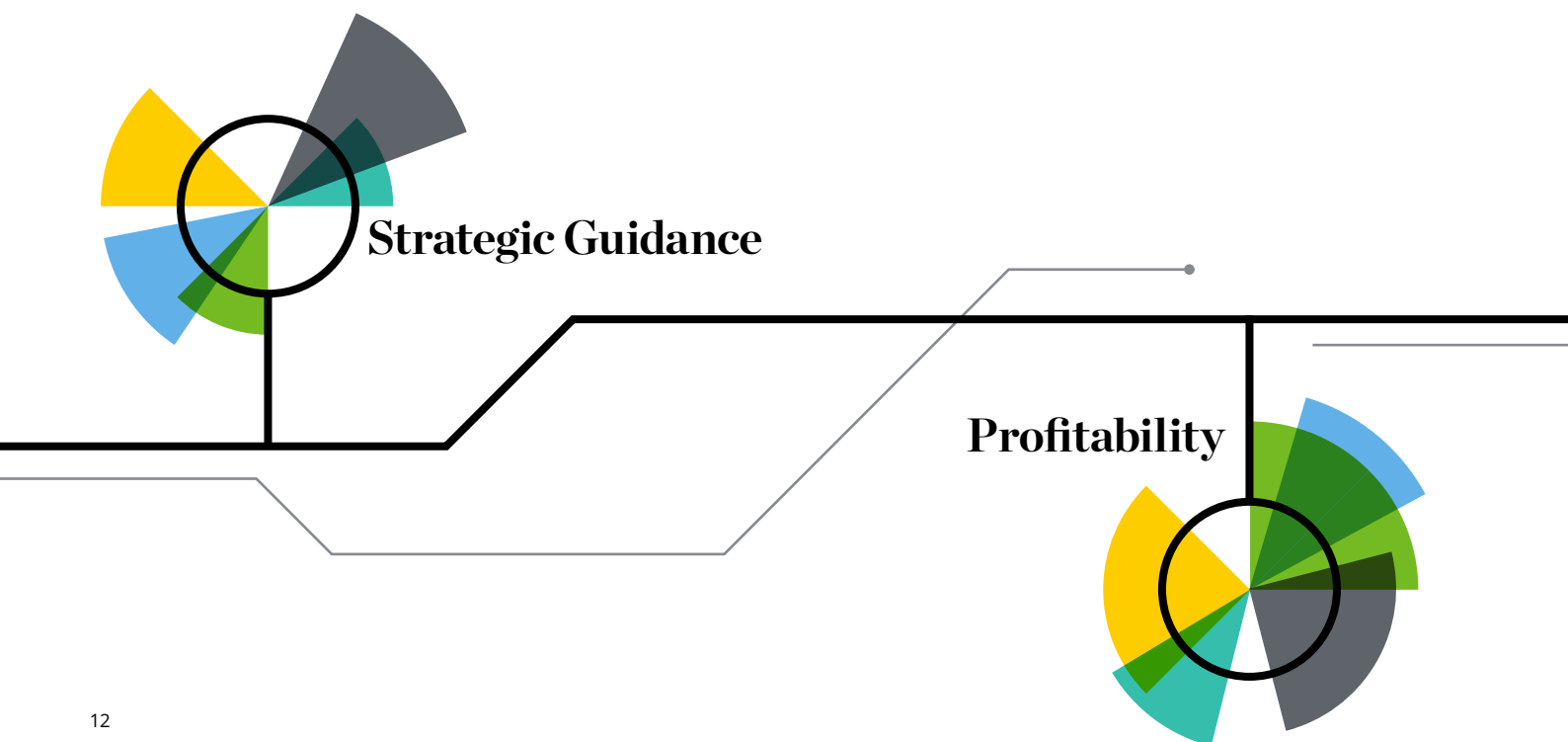
CRM still seems to be treated as a technology-focused topic, ignoring the impact of other perspectives on the success.

Digital CRM Definition

With today's changing customers, new business models, emerging technologies and greater need for transparency about spendings, companies are obliged to further develop their CRM capabilities. But what does it mean to go one step further? Organizations already pursuing digital customer relationship management do not see CRM as just another tool. They see it as a **strategic guidance** for building **lasting** and **profitable** relationships with their customer base by providing **personalized** and **context-based interactions** throughout the customer journey. They put the customer in the spotlight and identify the mindset and capabilities needed to enhance the experience of each individual's interaction with this organization. Furthermore, they make the process of relationship building internally **transparent**, allocate resources based

on data insights and use traditional and customer-based KPIs to track the progress of their initiatives towards the defined and communicated target.

Digital CRM provides the structural foundation for building and managing the capabilities and processes required for interactions from strategy to operations. It is driven from an inside out (company) orientation and therefore different from the concept of customer experience management, which focuses on the outside, i.e. human/company interactions. There is, however, some overlap and the distinction between the two concepts is still fairly fuzzy. Companies need to be aware of both the customer and the company perspective and combine them to meet the customer's expectations.



In order to meet customer expectations, organizations will have to

Understand...

... CRM value drivers and hurdles from various perspectives. Management needs to strategically address functional, technological and regulatory factors to ensure a proper fit in terms of the direction and operationalization of the customer journeys they design.

Develop...

... a consistent method of measurement for individual customer value and allocate resources for relationship building accordingly to focus on high value customers or potentials. This goes hand-in-hand with adequate analytical capabilities to gather insights and personalize the customer journey.

Align...

... their operating model with the customer journey. CRM requires a cross-functional and flexible way of working from top management to the operational level. Top management in particular needs to understand its new roles & responsibilities in an agile setup.

Leverage...

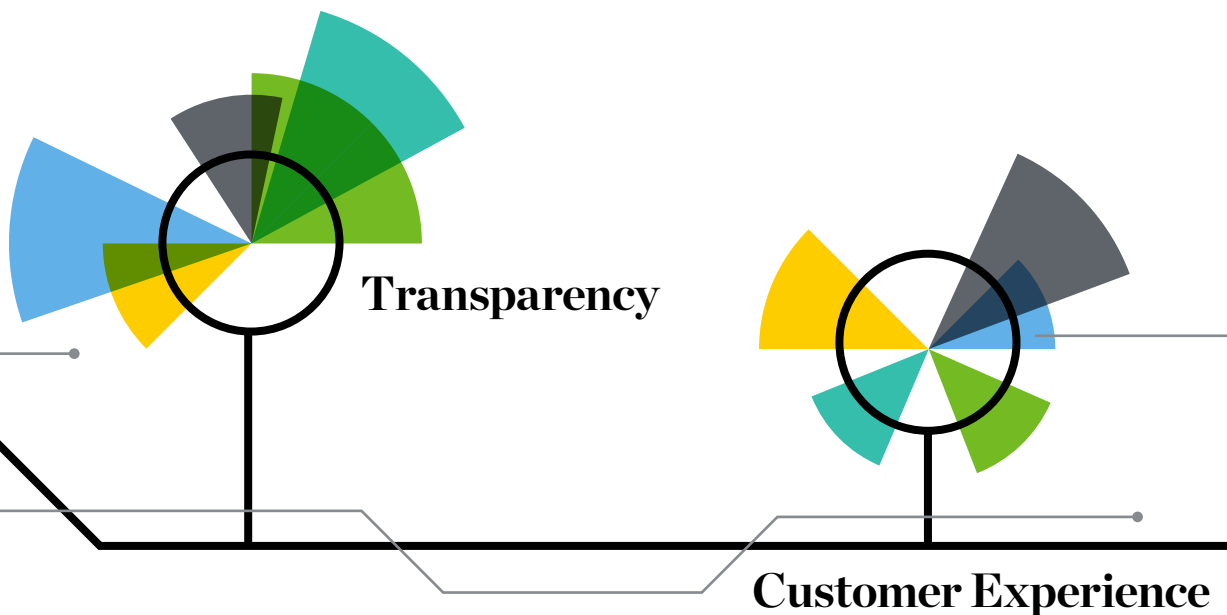
... its CRM technology to the fullest extent. Tools and analytics act as a foundation for automated channel orchestration, insight generation & personalization. In order to function as expected, companies need to establish a data governance model to ensure data gathering, quality, and availability for each business use case. Transparency about journey performance requires consistent measurements at each touch point.

Integrate...

... legal knowledge into day-to-day operations to leverage the potential of CRM to the fullest degree, while ensuring compliance with authorities and regulations.

Ensure...

... proper measurement of CRM performance. Companies need to continuously prioritize agile project teams for effective resource allocation and communicate their results with full transparency to justify high CRM spending.



Digital CRM provides the structural foundation to create the required capabilities and processes to build lasting and profitable customer relationships.

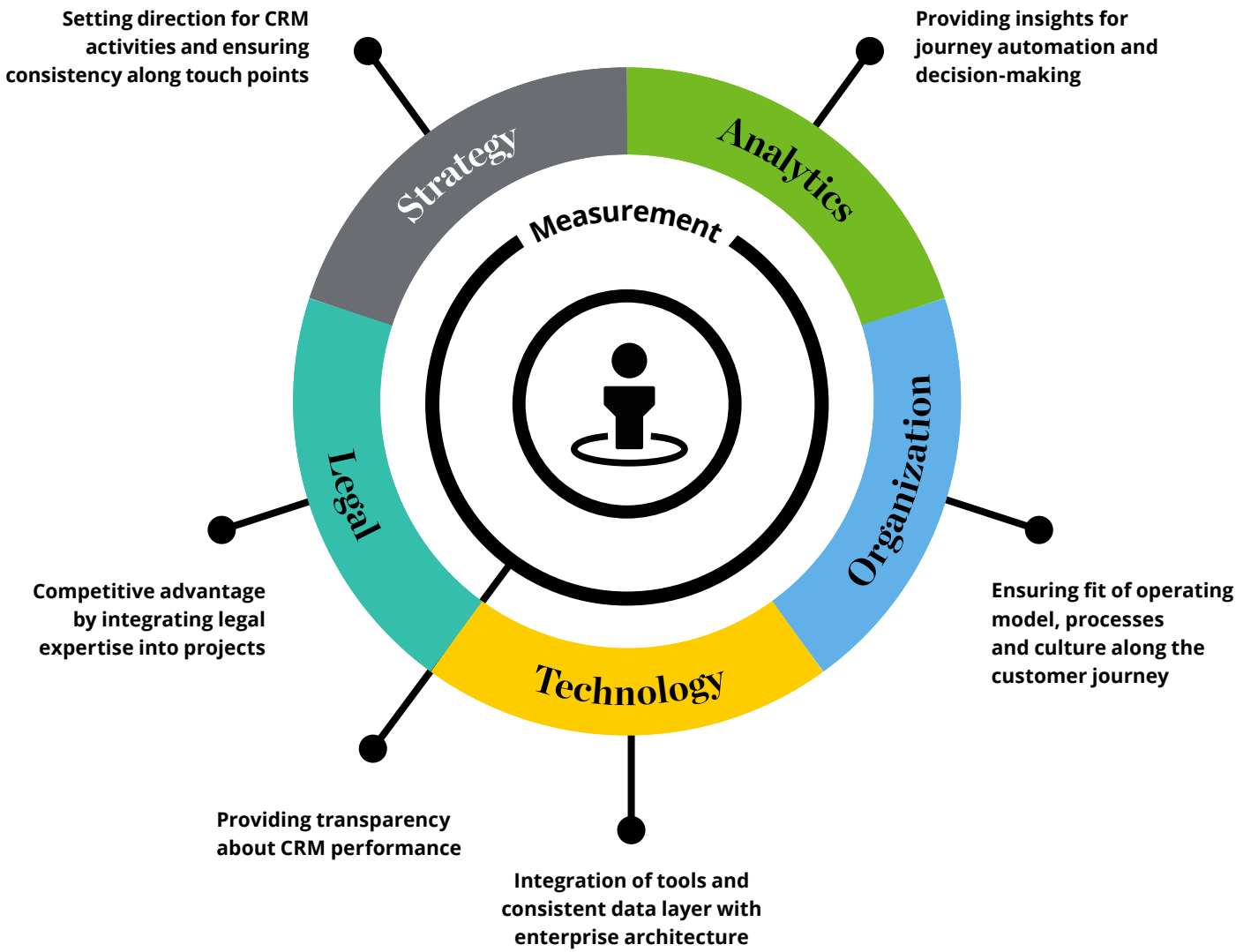
Adapting CRM for the digital landscape goes beyond technology. Companies need generalists capable of considering various CRM perspectives and understanding the different underlying value contributors, especially at management level.

In reality, subjective priorities often vary depending on the organizational or functional unit. Distribution managers cannot overcome their dependency on an underlying tech platform and marketing leaders struggle to understand the legal regulations affecting their campaigns.

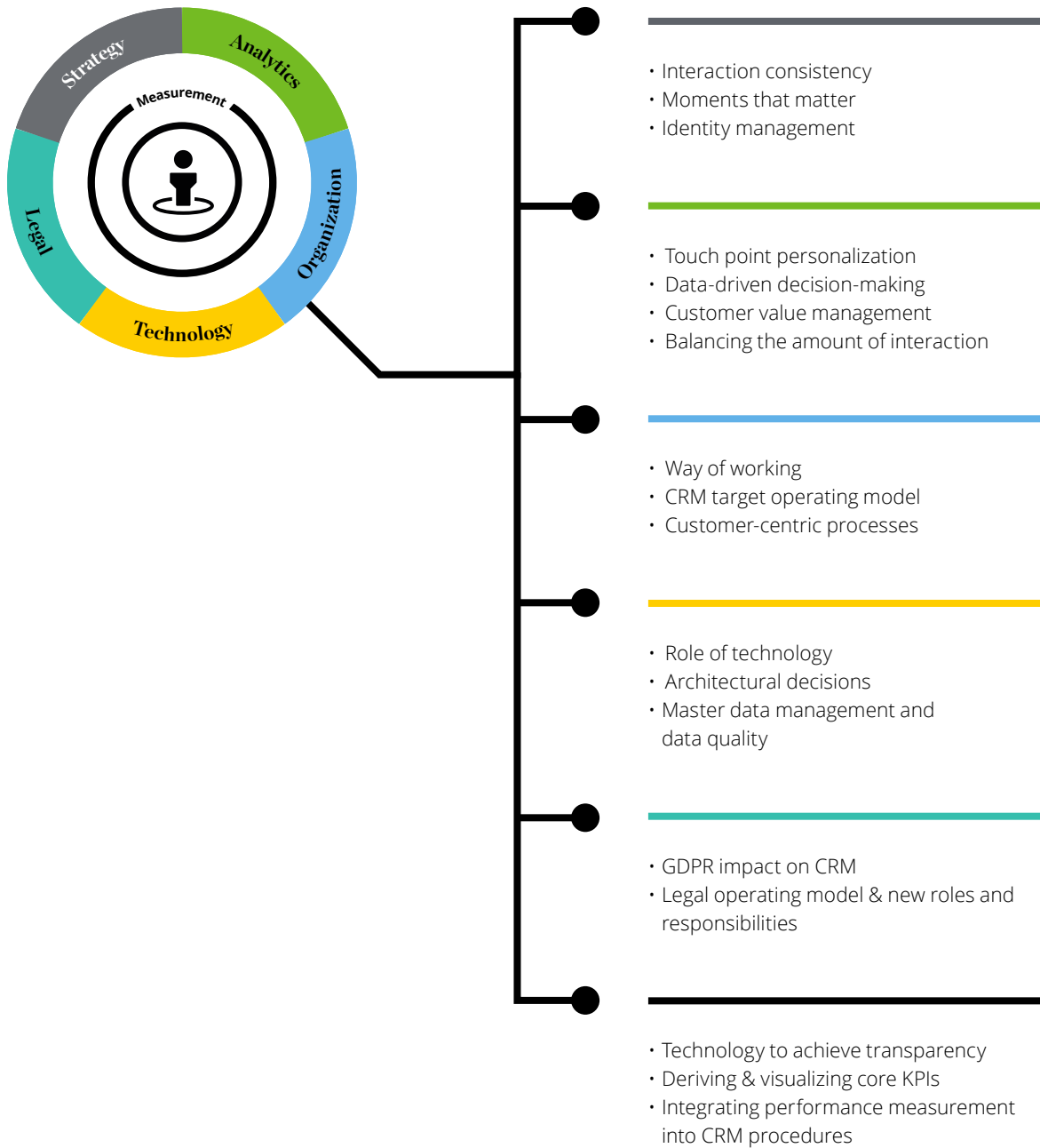
The level of maturity in and integration of all six perspectives are key to overall Digital CRM success, because otherwise, one

perspective might become a bottleneck for overall success. For this reason, it is essential to drive CRM initiatives jointly and ensure consistency in the level of maturity of an organization's CRM capabilities.

On the following pages, we will describe our observations and pair them with the best practices we have seen according to those six perspectives. Each modular section can be read individually and is distinct from each of the other ones. However, we recommend that you take a holistic view of the key challenges and potential approaches in each perspective.



Key topics in a nutshell – what you will read in the next chapters



Strategy



Based on our project experience and various discussions with topic leaders, a well-crafted CRM strategy is crucial for CRM success. Matching business goals with customer expectations, a strategy must determine to what extent CRM can contribute to the organization's business objectives and prioritize accordingly. By incorporating a strong vision and mission, a CRM strategy also clearly communicates the purpose of pending investments and unites the parties impacted in their shared objectives.

Success depends on avoiding disparities between the strategy and the execution. By creating prioritized journeys with sufficient detail, it becomes feasible to actually operationalize them. Organizations should also grow awareness on who is currently experiencing the journey by focusing on customer identity factors in the journey design. This enables effective personalization and leads to a more superior customer experience in every interaction.

Interaction consistency

According to our interviews, companies know that in order to build superior relationships with customers, they need to evolve their conversations from unidirectional to bidirectional. They understood that the foundation for the relationship between their brand and the people with whom it interacts is an interactive dialogue at each touch point along the customer journey. However, our research shows that there are three key challenges impeding success.

1. Lack of overview & responsibilities

In our observations, we found that functional groups are often unable to take a step back and consider the bigger picture of the journey they are a part of. They neglect how codependent the different touch points are and focus instead on optimizing each touch point individually. By contrast, customers focus on the cumulative product/service and brand experience across multiple touch points and channels. This becomes particularly important when looking at the various new interaction points available — new channels, devices, applications, and more. And when new ecosystem partners are included, it takes the complexity of the game to the next level. That is why it is so important to manage the journey as a whole instead of individual touch points.

2. Lack of guidance

On the other hand, companies struggle to align each interaction with the brand experience they hope to offer. Every brand has a specific scope of needs it can credibly cover, based on a company's strengths, weaknesses or history. Every interaction needs to reflect this to meet customer expectations towards the brand and the company. Additionally, companies need to understand what is driving their customers' needs and what their priorities are. That said, this knowledge must be applied consistently across the organization to ensure consistency along the journey.

3. Lack of feedback gathering and sharing

Companies often stop the interaction design process after the first implementation. It is unrealistic, however, to assume that a first iteration is the perfect fit. And as customer expectations and the brand perception changes, it is very likely that the design will be outdated in only a couple of months. That is why organizations need to incorporate processes to continuously test and iterate with real customers to integrate feedback.

We observed three main success factors for consistent customer interactions:



Prioritized Journeys

A stack of prioritized journeys, potentially each owned by a dedicated team member, helps to align the organization towards a common target picture and breaks up silos. Experience maps help to give guidance to each department involved about their roles & responsibilities.



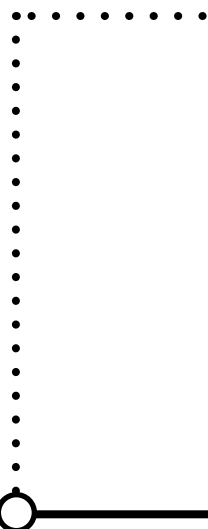
CRM Principles

A common understanding of customer needs and their respective priority act as a foundation for journey design and maintenance. Clearly communicated brand attributes and easy-to-access content management ensure brand consistency.



Trial-and-error Mentality

Testing interaction designs with a small group of customers helps an organization to develop best practices and align them closer to their target group. For this to work effectively, however, companies need the courage to adopt a trial-and-error mentality and effective processes designed to share the insights gathered.





We see four major steps organizations can take to ensure consistency along the journey

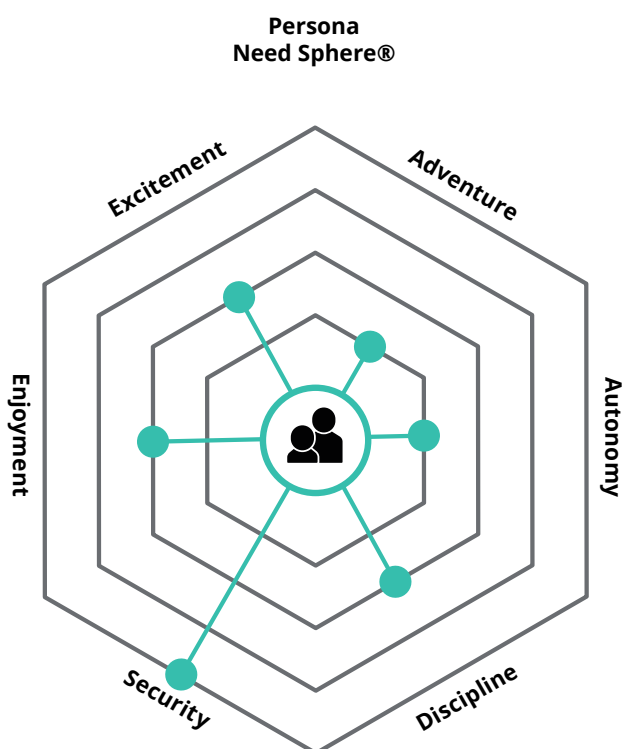
1. Define your territory of customer needs

Beliefs and values steer our behavior and perception as customers and have a strong impact on each individual's core needs. Those interactions with a company that reflect the way we see ourselves resonate with our personal values and meet our underlying core needs to make us feel satisfied. Understanding the landscape that underlies a person's subconscious reactions allows companies to systematically address motivational goals when designing relevant customer interactions. The sum of all interactions highly influences the way in which humans value a relationship. This is the point where branding meets interaction design and CRM.

For companies, it is important to step back and see the whole person in a broader context of their daily lives and their core needs. Afterwards, companies can align interaction activities by identifying the territory of customer needs it wants to address. Those are derived from the implicit and explicit needs of humans, the competition, and the brand itself. Adherence to this territory in every customer interaction helps address relevant customer needs while remaining unique and true.

1

Achieve transparency about the **territory of customer needs** that you want to address when building a relationship with them. Make sure to understand the broader context.

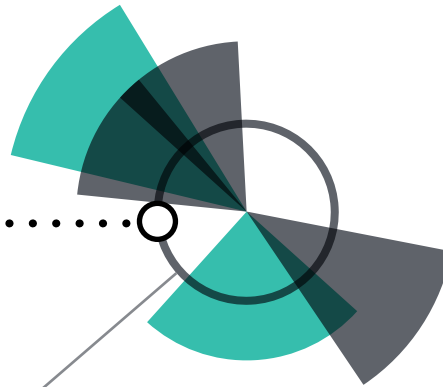


2. Design the experience to contribute to those needs

We observe quite often that the interplay of touch points and channels does not reflect a company's territory of customer needs or lacks logical consistency with other interaction points. Customer journey maps can help set the stage to tackle this very common issue. They display the aggregation of interactions and the related experience of a human. Based on extensive customer research and cross-functional knowledge, they can be used as a target picture for all of an organization's contributing departments. They provide a common understanding of how the actual customer relationship is built and they also help to identify the "Moments that Matter" in the journey of a human, which highly influence a relationship.

On the other hand, experience blueprints visualize the relevant actions, processes and departments affected by an interaction with the customer. They are derived from customer journey maps and provide an excellent overview about what needs to be done by whom in each specific situation. Both concepts together provide a holistic overview about what and who is necessary to make a certain interaction happen and what it should look like in order to build strong relationships with customers.

In practice, we see a lot of companies successfully making use of this concept to better manage each interaction.



• **What is happening?** – Interaction design

• **Who is responsible?** – Capabilities

• **How to execute?** – Processes

• **Which systems are involved?** – Tech stack

• **What data do we need?** – Data layer

2

Build an **interaction framework** that aligns relevant interactions for each persona with every phase of the customer journey and visualizes which processes and supporting capabilities are necessary to enable the interaction. Focus on "moments that matter".



3. Enable individual interactions matching context, channel and customer segment

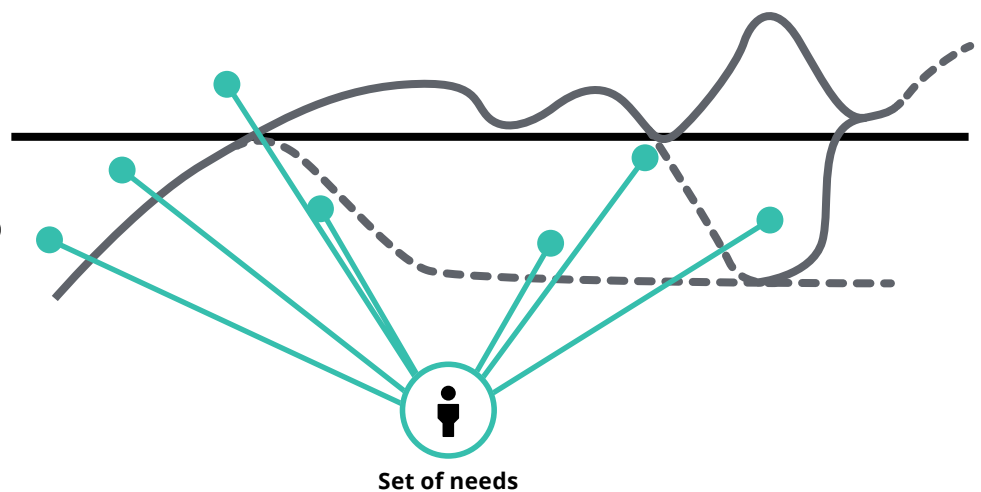
Once a company understands customer needs and visualizes potential touch points, it can start designing detailed interactions. An interaction plan can help to structure the relevant factors – e.g. target group, occasion, channel. It is important at this juncture to differentiate between two kinds of interactions: planned and unplanned interactions.

Planned interactions can be derived and designed based on customer needs and predicted touch points. Using high quality customer insights and accurate context data, they can be personalized and context-based to guide the customer along his journey and build relationships specifically.

Unplanned interactions are difficult to foresee and are characterized by a very individual context, in which the customer initiates the interaction. Although these interactions are complex to manage and difficult to integrate into an interaction plan, they often have a very high impact on the relationship between a company and its customers. Therefore companies might find it useful to define principles that ensure consistency in unplanned customer interactions.

The channel selection is important for both kinds of interactions. Every channel has its own characteristics, benefits and disadvantages which need to be considered. Being cautious in channel selection can strongly impact how

effective an interaction is and therefore the experience the customer has. Not every channel is the right fit for every situation. A complex complaint might be better managed by calling the customer directly, rather than writing an email. Companies need to factor in these considerations for each interaction in their interaction plan and ensure that their technology platform can facilitate them.



3

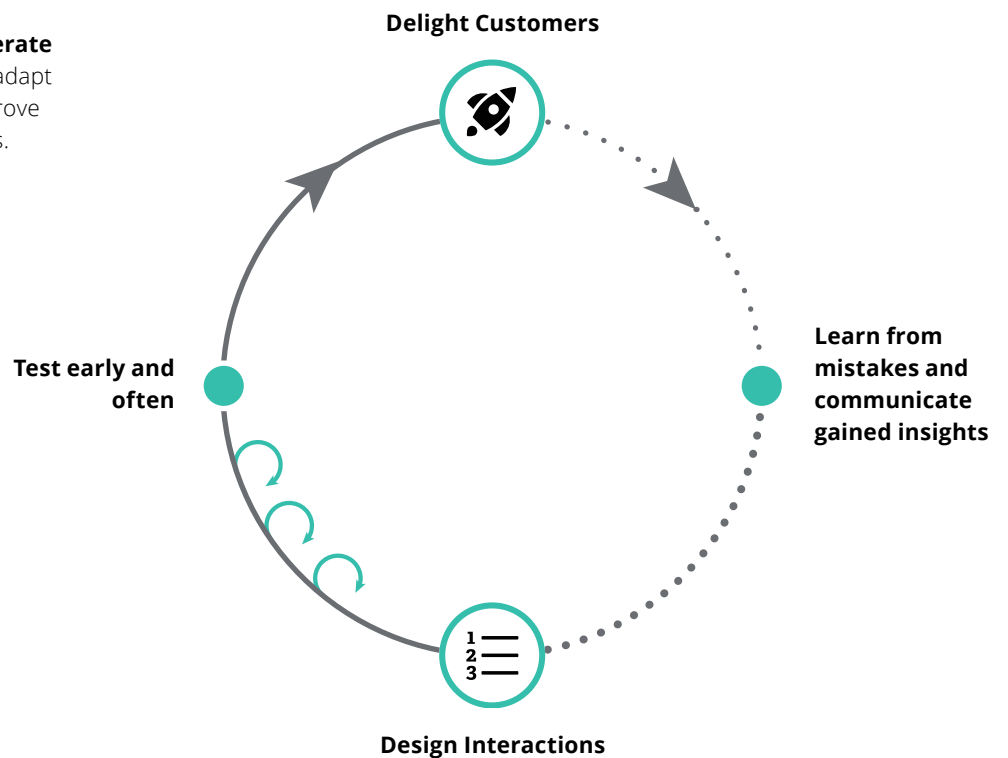
Create an **interaction plan** which translates needs into value-adding interactions across channels. Carefully consider the different contexts of an interaction, the channels required and the segment you serve to enable the interaction.

4. Test and iterate to improve

Optimizing a company's ability to perform value-adding interactions is an ongoing and extremely important process, which involves continuous testing and innovation. A changing brand perception, evolving customer needs or new technological advances enabling new channels can be factors that require changes and improvements at all levels of an organization in terms of customer interaction. Concepts working exceptionally well today might be obsolete tomorrow. A flexible organization with an agile mindset must therefore continuously tailor its interaction strategy to the customer to enhance customer relationships.

4

Continuously **test and iterate** customer interactions to adapt to changing needs or improve by using new technologies.





Deep Dive – Moments that matter

Companies, and especially marketers in those companies, are often obsessed with understanding the demographics, feelings, behaviors or interests of their targeted (potential) customers to design personalized ads or interactions and drive sales. Although personalization based on the characteristics of an individual matters, the extent to which a customer benefits from an interaction will depend more on the context.

The context of a situation comprises its specific characteristics and is experienced as an individual moment. The key to success is identifying those moments which have the highest impact on a human – the “moments that matter”.

When companies recognize those moments, and make the right moves, they create strong, lasting relationships with their customers, because they are supporting them in emotional situations.

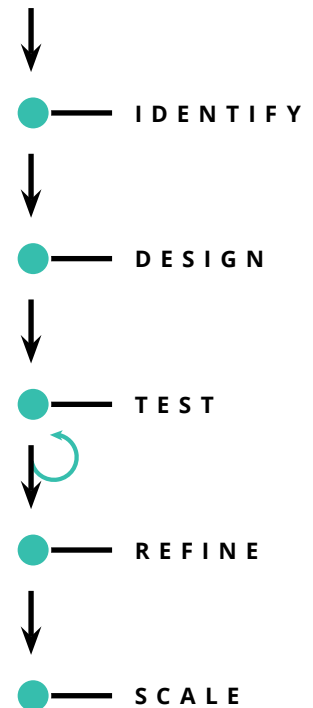
This is the reason why companies need to identify those moments and learn how to design them in the most human-centric way.

Focusing on those moments along the journey not only benefits customers. It also helps companies prioritize their interaction design and focus on the capabilities that enable really important interactions. Technology trends like the Internet of Things (IoT) pave the way by collecting the relevant data.

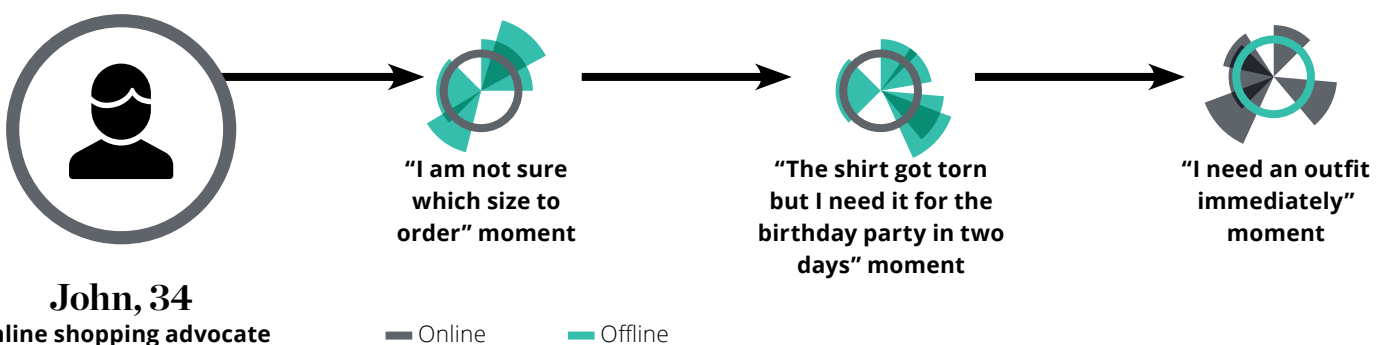
How to win?

- Focus on people’s subconscious feelings and needs by using ethnographic and observational approaches instead of surveys
- Always consider a customer’s broader context. Excellent opportunities to delight a (potential) customer can often be found before he even knows that he needs a certain product
- There will be many potential micro moments. Assign them to specific groups, e.g. to the customer lifecycle phases, to maintain an overview
- Moments that matter come as fast as they go. Try to focus your content on the intent of the specific moment to really make an impact. A good landing page, which takes 30 seconds to open, is not a good landing page
- The moments with the strongest emotional attachment and potential impact on the relationships occur when something goes wrong. How a company handles customer issues or complaints can actually create huge value and trust, or completely destroy a relationship

Steps



Retail Journey



Customer identity management

A consistent, personalized journey with a firm focus on moments that matter provides a strong foundation for all CRM efforts. It is just as important, however, to know which specific customer is at a certain touch point. Why? Because interactions depend on the person involved and the immediate context. How can an airline offer superior customer service to a customer without knowing that he just entered the airport? It cannot, unless he somehow exposes his identity. That is why identity management is so essential for companies, especially for their relationship with the customer. Customer identity management is not, first and foremost, a technology issue. It is the decision where and how a company facilitates and incentivizes customers to disclose their digital identities. This is an often overlooked prerequisite to providing a personalized customer journey while also ensuring that the customer can handle his data with the expected sovereignty.

The purpose of identity management is to

1. consciously handle a customer's identity spectrum depending on the context of a touch point and the customer's preferences
2. make personal data reliably available for each interaction by identifying customers in a fast, precise and convenient manner

Although identity plays an integral part in successful journey management, most touch points today still offer an unsatisfying user experience.

Today's customers are also ambivalent when it comes to their digital identities. On the one hand, they expect highly personalized and context-based interactions both online and offline. On the other hand, they often want to restrict the access to their data depending on the situation and are suspicious when it comes to disclosing their (digital) identities due to security or data protection issues.

The topic becomes even more challenging when it comes to offline touch points, where customers cannot be easily identified via cookies or SSO logins. Also identification across ecosystem partners makes the situation more complex.



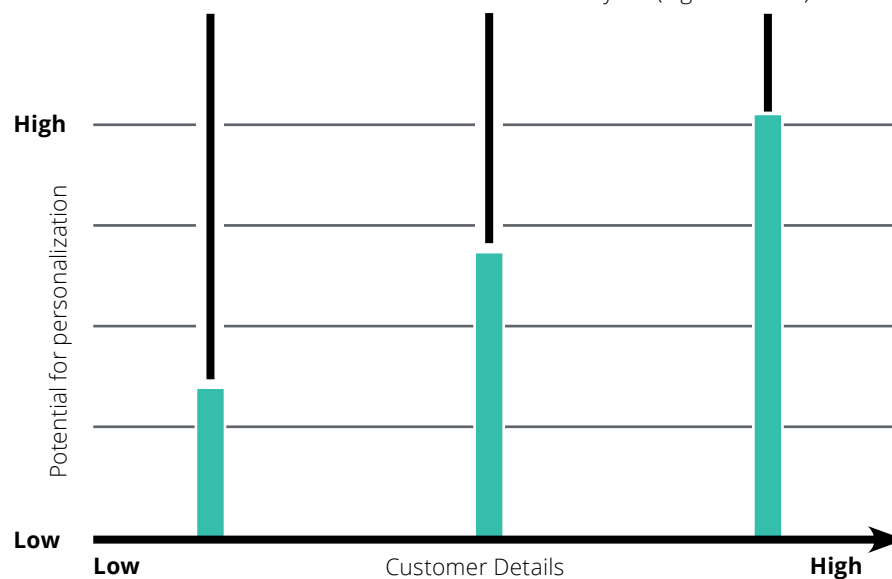
Personalization opportunities



Unknown – A human for which there is no additional information besides his IP address.

Anonymous – Set of data available based on IP and cookies. Reference to data based on anonymous ID. No reference to real identity.

Registered – Set of data available based on IP and cookies. Further information based on user-generated data. If necessary, the human can be verified (e.g. PostIdent).



Customers benefit from an enhanced experience and the chance to take back control over their data. Companies can leverage the potential for better sales performance along the customer journey.

Increasing customer expectations force companies to find a way to leverage personal interactions even as the customer remains anonymous – a perfect paradox. What is a company to do?

Provide and communicate benefits

Organizations need to clearly communicate what the benefits are for customers when they disclose their identity. And sometimes they even need to incentivize it. This does not automatically include monetary benefits or complimentary services. It is often enough to communicate clearly how the customer experience will improve.

Depending on the situation and the expected net value of a customer, a company might find it more or less advantageous to take it one step further and develop more sophisticated or persuasive incentives. Ask yourself: do I see any benefits for me that give me a reason to identify myself?

Put a focus on data sovereignty

Customers often feel like they have lost control of their data. The simple solution is to give back control by providing transparency. Explain why you need a certain set of data along the journey and let them manage the data set afterwards. Also let them configure to what extent they want their data to be used for the purposes of personalization or advertisement. Customers will be willing to share more information when they feel that they can take back control later.

Integrate identification in your touch point design – on- and offline

Depending on the context and the channel, the ease of identification procedures varies. Make sure to provide identification procedures that fit the touch point design. Unless absolutely necessary, do not force identification to avoid losing a customer in the process.

97 percent of the visitors to an average website, however, are anonymous, i.e. not part of a company's CRM. That is why companies need to collect and analyze customer data to turn unknown customers into known customers. To nurture a rich customer profile, companies can track micro actions from three areas:

1. Self-reported data from web forms and online questionnaires
2. Digitally collected data through browsing activity tracking, reverse IP identification and geo-locations
3. Profiled data from third-party data sources, data onboarding, cookie-matching technologies, and contextual targeting

Based on different tracking results, companies can create profiles for anonymous potential customers and link them to a generated ID. If they can successfully track the data over time and analyze emerging patterns, companies can find the right moment to interact with users and collect the final pieces of information – their personal contact details.

Making identity management and identification processes transparent is a win-win situation. Customers benefit from the improved experience with personalized and context-based interactions and the ability to take back control of their data. Companies, on the other hand, can leverage the potential for better sales performance along the customer journey.



Case Study – Identity Management as a core enabler for omni-channel

One of our automotive clients recognized that their customers were increasingly demanding a consistent experience across all digital marketing touch points. Their communication with actual and potential customers, however, was organized in silos structured by channel, which produced inconsistent messages, an inefficient marketing spend and missed sales opportunities. One key challenge we identified early on was how to manage partially unknown or anonymous identities across the various onsite (own website) and offsite (third-party website) touch points and to potentially link them to existing records of known customers. As a result, the company was unable to offer a high degree of personalization and relevant content to the touch point visitor.

In order to connect the dots, Deloitte supported the challenging project by **identifying and prioritizing** organizational, **legal** and IT prerequisites necessary to deliver on the client’s customers expectations.

In the next step, we developed a use case-driven target picture and collaboration model between **business units** to align and orchestrate customer communication on digital marketing touch points onsite, offsite and for registered customers. From a technology perspective, we provided a status quo target system and data architecture **with AI-based analytics** and implemented an end-to-end **Data Management Platform (DMP)**.

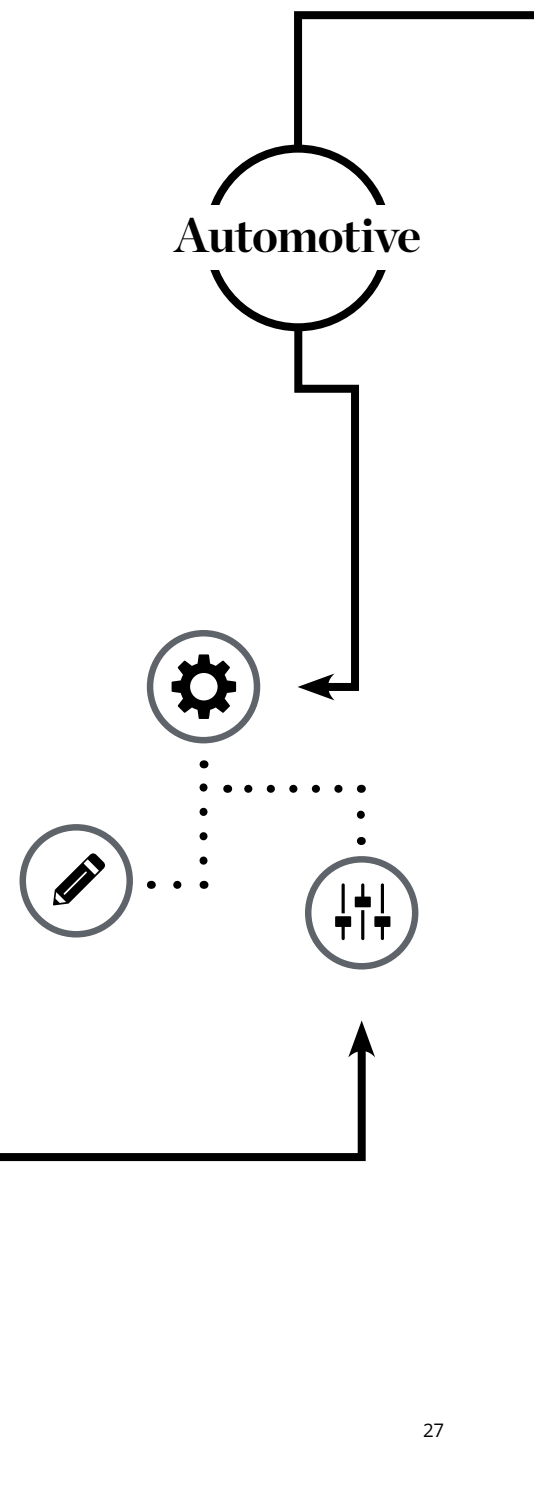
We also established a business case tool to plan, but also to **measure** project results, allowing the client to create momentum for softening silos by communicating early project success throughout the organization. GDPR compliance of relevant tools and procedures across markets was ensured from the start of the project by including legal skills in the core project team.

The integrated DMP now allows for consistent customer data management across the different channels for unknown and anonymous visitors and links the data with the company’s known customers in its already established CRM system.

As a result, our client could measurably increase customer satisfaction by providing more personalized and relevant content, leading to a top line improvement through increased conversion. From a bottom line perspective, our client was able to decrease his online media spending by increasing efficiency in targeted initiatives.

Identity Management

Automotive



Sidebar – Disclosing identity requires trust and blockchain can help

As mentioned before, there are several ways to improve identity management for customers across touch points. One of them is to leverage blockchain technology. Why? It can be used to harmonize identity management within an ecosystem and support customer data sovereignty by giving them control over how, when, and with whom, their data is shared. This is difficult to achieve with current technologies that require companies to enter into individual partnerships to enable this kind of service, usability and data sovereignty.

Working with the Deloitte Blockchain Institute, we defined an identification procedure that provides solutions for the common challenges organizations face. In our case study, the identity management service is tailored towards telco operators, because they already have a big customer base, relevant customer data and the necessary infrastructure to provide identity services. As soon as an ID generated by the company is verified by an endorser, customers can use their digital identity to seamlessly authenticate services. This could, for example, be renting a car through a shared mobility provider or unlocking a hotel room without prior authentication at reception. The blockchain layer uses a customer's digital identity to automate know your customer (KYC) checks and can also handle payment transactions quickly and economically.

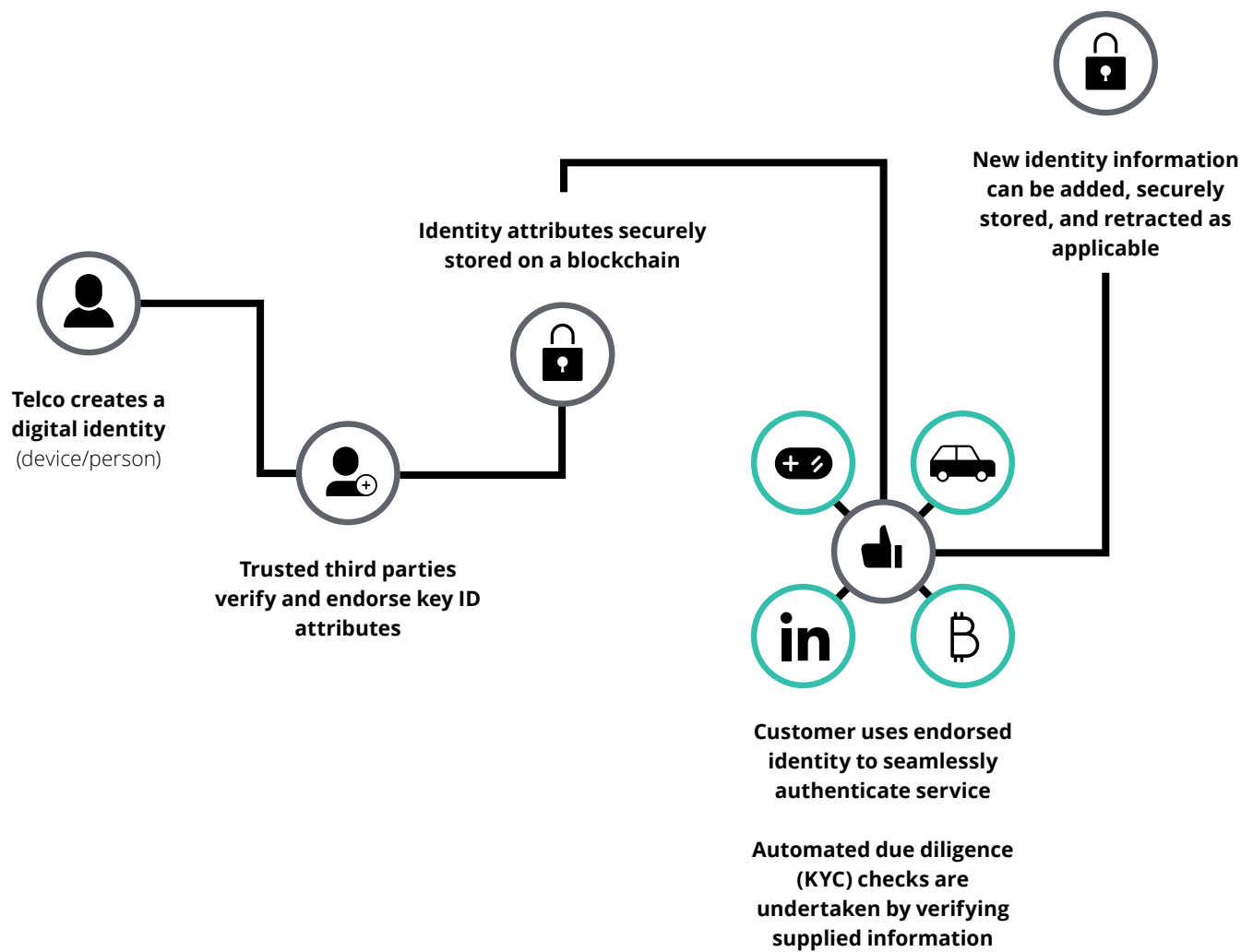
Thanks to this identity verification service, participating companies in the ecosystem can provide services to customers without having to go through separate registration and verification processes. This will not only streamline and harmonize customer identification across the ecosystem, companies can also provide personalized services without the burden of handling sensitive customer data on their own.

Customers, on the other hand, benefit from increased data sovereignty, security and overall privacy, as none of the detailed identity information is shared between participants of the ecosystem.

By setting up a network with other businesses, organizations can create an ecosystem, in which customers profit from a seamless user experience across all participating vendors. This also opens up new business opportunities for companies participating in the network, such as the opportunity to broaden the customer base through strategic partnerships or new revenue streams and loyalty benefits from providing IDaaS (ID as a Service) to partners and customers. To learn more about the Deloitte Blockchain Institute and the identity management as a service case, please click here¹.



An interoperable, secure identity layer could allow frictionless communication across providers and technologies as well as contract handling



Analytics

Applications for analytics range from strategic decision-making to operational journey enhancement and automation. This becomes particularly true for CRM leaders. The dependence on customer insights and the responsibility for (at least) interactions with the customer make analytical know-how a top priority, even beyond the current CRM structure. Making analytics the core of an organization requires a lot of effort, but also pays off in enhanced decision-making and an improved customer experience.

In addition to becoming an insight driven organization (IDO), it is crucial to develop a deeper understanding of customer value and a more precise planning of interaction frequencies on an individual level in order to prioritize customers and contact them in the best possible way.

Personalizing touch points

Since the paradigm shift to digital communication, many companies aspire to addressing customers in a personalized manner yet they also want to convey their standardized digital personality.

Engage in real-time as well as predictive analytics

When creating personalized touch points, companies should offer their customers opportunities to communicate with them on their own terms. For example, always-on support functionalities such as conversational commerce offer meaningful, instantaneous customer interaction and systematically record real-time customer data. To truly become data-driven and customer-centric, businesses are also looking at predictive analytics. Organizations can use patterns and forecasting to identify next steps in their customer's journey with predictive models.

Embrace interpersonal touch points

Traditional human interaction, however, can be the deciding factor when it comes to personalized customer experiences. Individual touch points with a motivated workforce can lead to positive real-time experiences. At the same time, this means sales staff in stores or call center agents are exposed to varying customer expectations, for which support from analytics tools could be beneficial. These enabling services allow them to make communication between people more personalized while still complying to the organization's set guidelines at the commercial (personalized offers) or brand level (brand consistency) – even when speaking to numerous different customers each day.

Think forward about ethics and compliance

New analytical capabilities and ways to engage with customers present ethical challenges that lead to laws like the General Data Protection Regulation (GDPR). Companies should therefore proactively address regulatory requirements, define their own standards and position themselves as best practice examples. We will dig deeper into this topic in the chapter "Legal".



Importance

62 percent of CMOs believe they will increase their budget for marketing and customer analytics in 2019²

Targeted Differentiation

Companies often offer the same level and quality of service to all customers, leading to customer dissatisfaction as well as missed opportunities for targeted cross-selling and up-selling

Expected by customers

88 percent of managers state that their customers and prospects expect a personalized experience³

CX Focus

72 percent of managers see opportunities of personalization in improving the overall customer experience⁴

² "CMO Spend Survey 2018 - 2019", Gartner, 2018.

³ "2018 Trends in Personalization", Researchscape International, 2018.

⁴ "Evolve Now To Personalization 2.0: Individualization", Forrester Research, 2017.

Data-driven decision-making

Although personalization is already often used to tailor a customer journey to an individual, it is only one example of how analytics insights can be used. In order to fully leverage the potential of data analytics in CRM, organizations need to consider the broader context. Insight based decisions must arrive at the core of today's organizations.

We call organizations that have succeeded in embedding analytics, data and reasoning into its decision-making processes Insight Driven Organizations (IDO). Their capability goes far beyond data generation and interpretation, taking into account technological resources, strategic alignment, talent, leadership, business processes and the entire information lifecycle to elevate the effective generation and application of insights from data in all areas of the enterprise. An IDO sees the use of data-driven insights as a core capability across its organization rather than a project with a start or end date.

In contrast to other, less data-savvy organizations, an IDO ...

... understands the value of analytics in decision-making and journey automation.

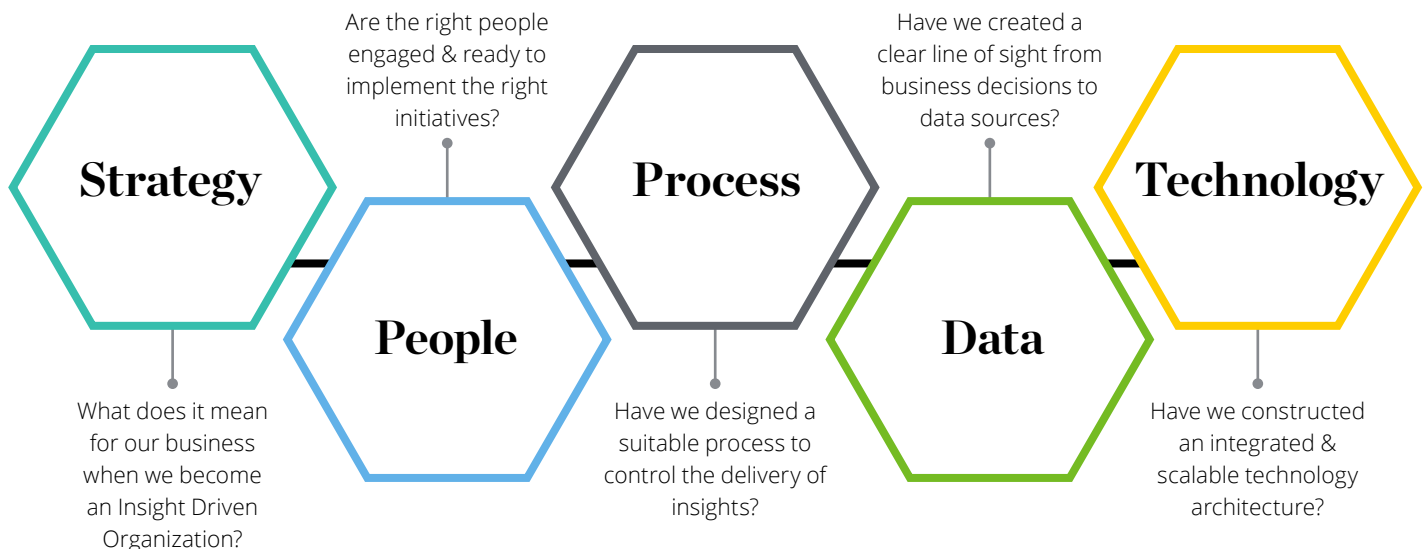
... ensures that the analytics vision aligns with and supports corporate objectives.

... constructs scalable technical capabilities.

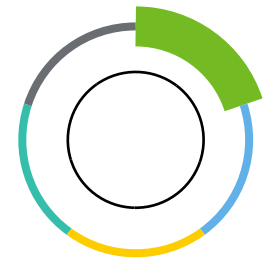
By leveraging those analytics capabilities, the generated insights can also benefit a company's CRM by increasing customer understanding and improving strategic and tactical decision-making. Employees need to decide on a regular basis which content should be communicated via which channel at what time, always taking the specific customer value of an individual into account.

That said, our observations show that analytical insight gathering is still not a core value in most organizations. Although the reasons for the status quo differ across the organization, the symptoms are painfully obvious in a company's CRM due to inaccurate prioritization and customer understanding. That is why CRM leaders need to drive efforts to enable a more insight-driven structure along five building blocks: strategy, people, process, data and technology. The Deloitte IDO approach facilitates this process. More information on this topic can be found by following this link⁵.

The five building blocks of an Insight Driven Organization



⁵ "Analytics & Information Management", Deloitte, <https://www2.deloitte.com/de/de/pages/technology/solutions/information-management-and-analytics.html>.



Customer value management

In most cases, investing in customer relations generally pays off for a company. To allocate these investments efficiently, however, it is crucial for companies to have knowledge about the value composition of its (potential) customer base. On average, 20 percent of customers generate over 100 percent of profits for a company⁶. Understanding which ones actually contribute towards a company's bottom line is a challenge that many companies feel overwhelmed by.

Our interviews showed that few companies have the capability in house to transparently measure the value they can derive from a customer relative to the costs incurred in serving them. As a result, they overspend on customers that will, in fact, never generate a positive ROI (return on investment) over their lifetime and underestimate the non-financial value a customer can generate. Moreover, the framework underlying CLV (Customer Lifetime Value) calculations is often based on several different KPI definitions and measurements due to structural silos. This makes an organization-wide calculation of CLV impossible or at least misleading.

On top of that, it is important not to measure the value derived from a customer in terms of bank notes. Companies need to include other perspectives on customer value to adequately measure indirectly generated value. Although a single customer might be unprofitable from a purely financial perspective, he or she could indirectly generate exponential value by influencing friends or social media contacts and therefore growing brand authenticity and sales.

Companies need to start allocating resources for relationship building based on the value they can potentially derive from a customer. This becomes particularly important considering that more and more companies are transforming their business models. With subscription or pay-per-use models and increased flexibility for customers, companies need to invest continuously in CRM efforts to retain customers. That said, investing in low-value customers can result in a lack of resources to retain the high-value ones. Companies may, however, implement measures to transform low-value customers to high-value customers while measuring the success – always based on individual customer value insights.

Once a company understands the value composition of its customer base, it can focus on individualizing its relationship building initiatives based on those insights. Companies that understand and can accurately predict the value generated by each customer are in a stronger position to make informed judgements about how to allocate resources and how to best develop their customer portfolio.

Different perspectives of customer value



Customer lifetime value

Present value of future profits generated from a customer over his or her life of the business with the firm



Customer referral value

Value derived from extrinsically motivated customers referring a company to potential customers



Customer influencer value

Value derived from intrinsically motivated customers interacting with actual and potential customers



Customer knowledge value

Value of information a customer provides towards the company (e.g. ideas for improvements)

⁶ Converting Customer Value from Retention to Profit (John Wiley & Sons Ltd, 2006).

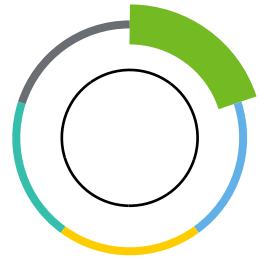
Balancing the right amount of interaction

Strong customer relationships promise loyalty and retention but their strength is influenced by various parameters such as contact frequency, relationship duration and customer preferences among others. Today, analytics provides an array of tools to help organizations engage with their customers at the right moment with the right content. For example, customer behavior analysis gives insights not only by collecting customer data but also by clustering customers into segments in order to approach them in a standardized yet personalized manner. Furthermore, natural language processing allows you to review past conversations to gather insights into customers' levels of satisfaction. These can be used in the future to address them with their preferred content and style.

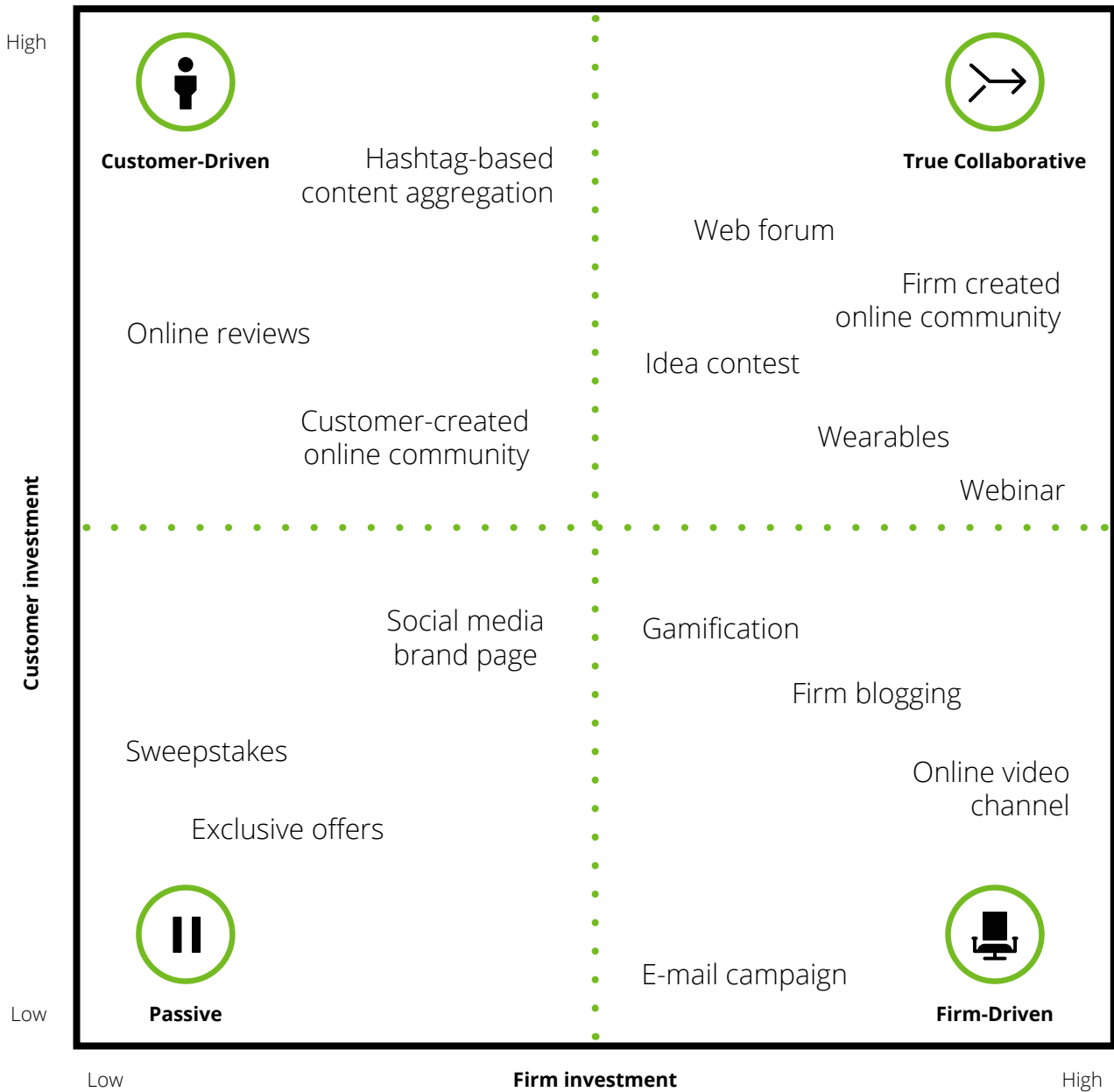
Besides utilizing analytical tools, firms can engage in various value-generating activities with their customers. These activities can be customer-driven or company-driven depending on each party's level of engagement. The illustrated activities should inspire firms to interact

with customers through activities which are customized to their interaction preferences. For example, if both the firm and customer are willing to invest resources (e.g. time, money, efforts, passion and manpower) in their relationship, an idea contest or a company's own online community would be suitable venues for both partners to derive value from each other.

To create meaningful customer interactions, companies should focus on the value they can deliver to their customers through interactions instead of fixating on the financial value they might extract from a customer relationship through mere contact. If customers cannot see the value in engaging with a firm, the firm might lose their share of engagement. Also, if the contact is too frequent, CRM resources will not be used efficiently and customers may become dissatisfied and annoyed.



Typology of interaction



Organization

The basis of successful CRM is an organization that enables the customer experience. It must be fully aligned towards the customer journey to ensure a seamless and personalized experience. Our interviews show that most topic leaders highlight how important it is for companies to have the right structure and operating model to achieve CRM success.

Companies understand that they need their organizations to become more agile, quicker to react and more insight-driven to meet the customers' changing needs. This requires an interdependent operating model derived from the customer journey that brings people, processes, technology and data together to serve the customer in the best possible way.

The way the various contributing functions work together becomes a key success factor in this construct. Organizations must use the right incentives and establish the right culture to delegate clear end-to-end responsibility for each journey and ensure that all relevant departments make an effective contribution to the overall experience.

By working in small, agile teams that have the right skill set, organizations can stay flexible and thus better cope with changing business environments. To continuously improve CRM efforts, companies also need to start incorporating feedback and lessons learned into the project teams at an early stage.

The legacy process landscapes of traditional organizations should be re-designed to serve the goal of customer satisfaction, taking the established operating model into account. Combined with a sufficient degree of process automation, companies can achieve a lean, effective process design that benefits the bottom line by reducing costs and improving customer experience.

Operating model

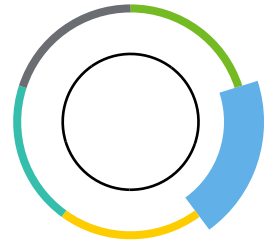
Today's CRM organizations must be able to quickly adapt to changing customer needs and serve them consistently along the journey. This requires a move from functional silos to flexible cross-functional teams responsible for the customer's end-to-end journey.

Depending on the journey and its potential touch points, these teams include various skill sets from UX design to analytics and incorporate deputies of the different CRM-related disciplines such as marketing or customer service. Companies must establish a common direction and continuously orchestrate the journey to deliver a consistent brand and customer experience. CRM strategy teams have to give guidance by providing principles and governance to each journey responsible. Many of our clients have adopted this model and successfully aligned their workforce towards the customer journey, resulting in improved customer experience and less friction between the departments involved.

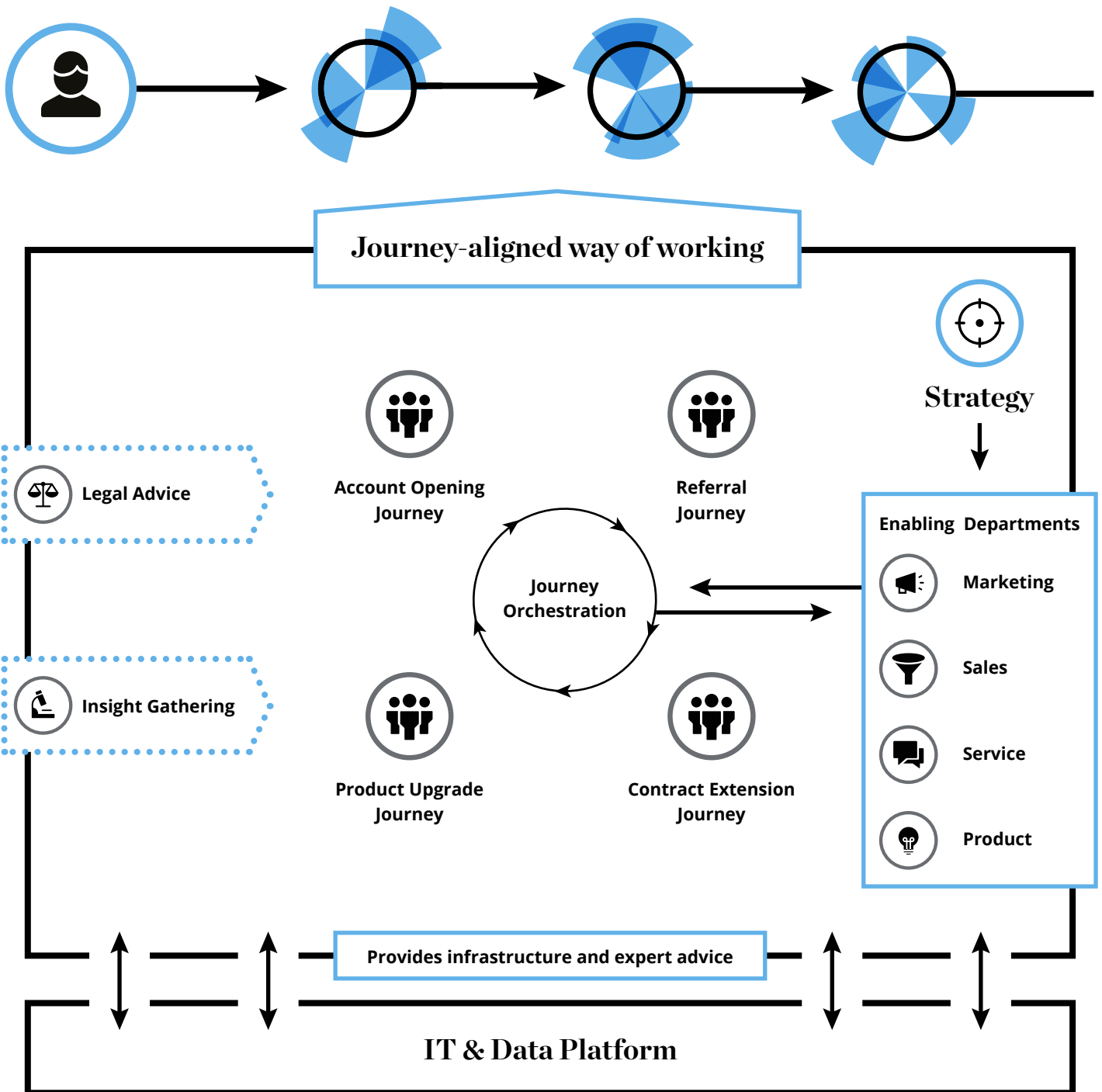
To strengthen each cross-functional team's skill set, companies can build centers of expertise (CoE) for insight gathering and legal advice. Although each team should already have a basic set of skills for both,

CoEs can provide advice tailored to the specific situation to make the decision-making process more effective. For this setup to succeed, close collaboration is particularly important along with subsequent knowledge sharing for other journey teams. Co-location of functional teams and CoEs in combination with regular knowledge-sharing events will help to ensure close collaboration.

And yet, even the best way of working cannot succeed without the right culture. Culture is defined as the "way we do things around here", a system of values that shapes the behavior of leaders and employees across the organization. By trying to make an organization more customer-centric, CRM leaders must change that system of values. This will require their full attention and persistence to communicating the purpose of the change. When people have a clear ambition, they have a target picture to work towards. Finally, a clear incentive scheme based on a mixture of traditional and customer-centric KPIs helps to align each employee's actions with the overall strategy.



Way of working as part of the overall CRM Operating Model



Functional end-to-end journey responsibility in cross-functional teams, incl. IT, Business, UX, Analytics, Legal



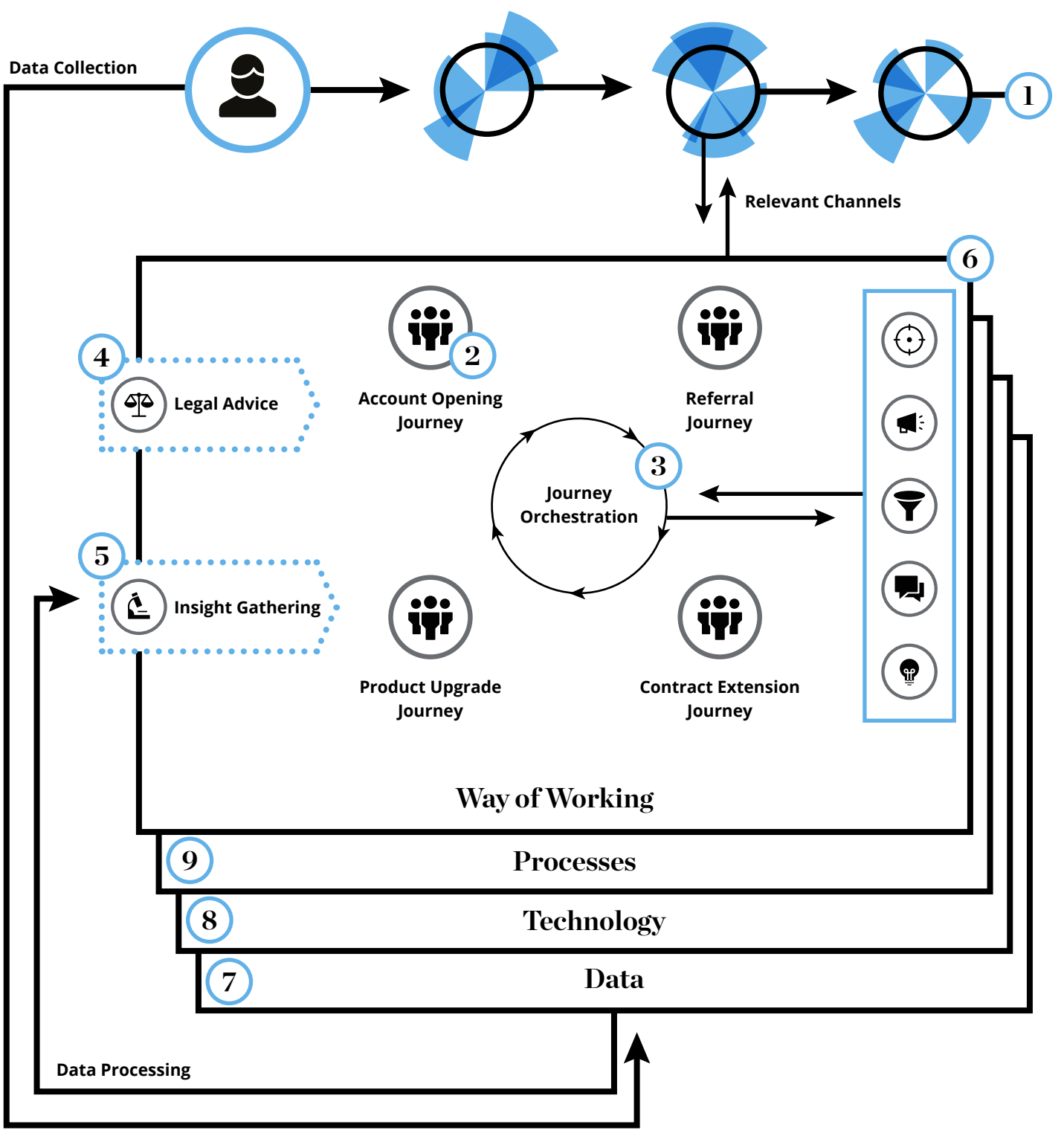
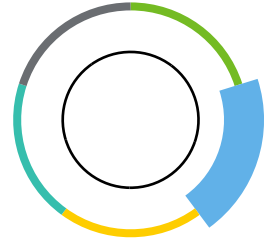
Center of Expertise for legal and insight gathering supporting operational and strategic considerations

Companies understand that they need their organizations to become more agile, quicker to react and more insight-driven to meet the customers' changing needs. This requires an interdependent operating model derived from the customer journey.

In order to succeed, the new way of working combined with a customer-centric culture will build the foundation for collaboration. Companies need to ensure that this foundation is well integrated into the overall target operating model in order to provide sufficient backup with data, technology and customer-centric processes. Based on our experience and in summary of the topics discussed before, we have identified nine key characteristics that support a tailored operating model aligned with the customer journey:

1. Focus on prioritized journeys and moments that matter with the highest impact on customer satisfaction and relationship-building opportunities.
2. Cross-functional groups with a diverse skill set that assume end-to-end responsibility for specific journeys. Additionally, new management roles & responsibilities like vision & mission design, impediment disposal and feedback provision become key to success.
3. A governance body ensuring cross-journey orchestration, strategic direction, brand consistency and flexible skill allocation.
4. Center of excellence unit responsible for guidance on legal issues. A key success factor is a healthy trade off between "staying safe" and trying new ideas. Legal must broaden its scope from being only the organization's safeguard to assuming a clear-cut guidance role advising the teams on what is possible from a legal perspective.
5. A dedicated team providing customer insights based on customer and journey data either on a request or on a self-service basis. This ensures a common understanding about the customer and reduces the amount of "gut feeling" decisions.
6. Further enabling functions will ensure that the relevant customer-centric processes and journey overarching tasks are executed.
7. A common data layer providing the necessary raw data for insight generation incorporating customer and journey data.
8. A tech stack integrated with the underlying data layer capable of covering the capabilities needed to facilitate the customer journey in terms of technology.
9. Customer-centric processes with a focus on automation and journey orientation. Although most companies try to improve processes, we have seen that it often makes more sense to reimagine processes by deriving them from the customer journey. This naturally cuts traditional silos and reveals opportunities for process simplification and streamlining.

CRM leaders need a long breath to drive this organizational change. A good starting point is the use of pilots with a small amount of key journeys which are backed up with small and agile project organizations and the minimal amount of tech infrastructure behind. By communicating early success, the benefits of this change process become visible and create momentum which can be used to drive the organization in the right direction.



Customer-centric processes

While competing in the new arena of CX, companies need to derive their processes from the customer journey and link them to their operations to deliver superior value.

Today's customers expect integrated processes from a company across products, subsidiaries or communication channels. In reality, misalignment of products, services,

policies and processes with customer priorities cause negative buzz in many situations. Developing processes starting with the customer interactions will help to avoid this unpleasant situation. This will not only benefit the customer, but will also help to identify and fix inefficiencies, directly affecting a company's bottom line.

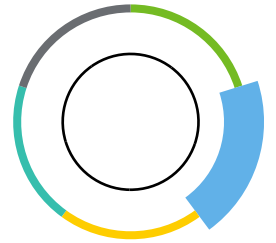
We identified two major success factors for achieving organizational goals.

Journey-based process design

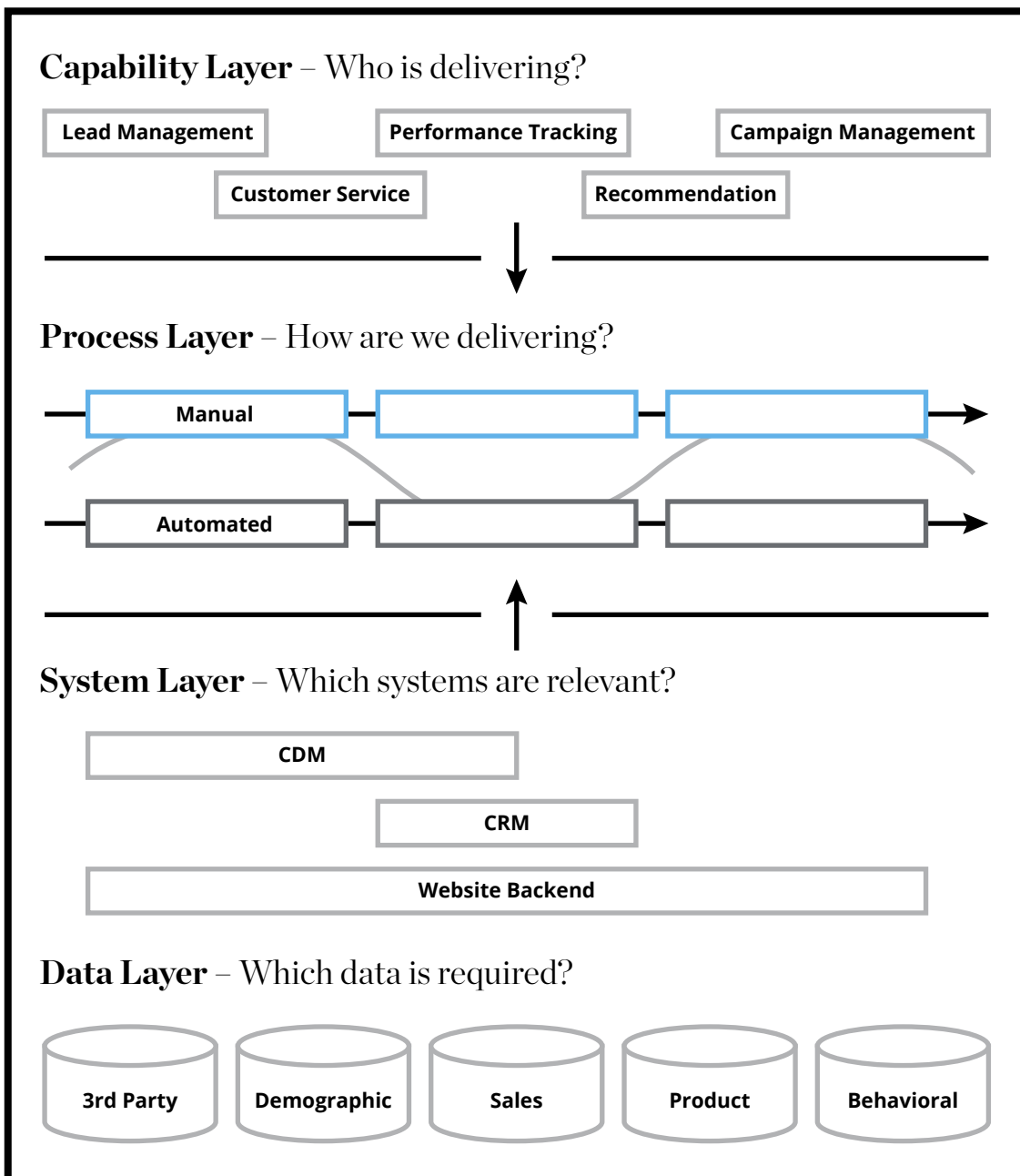
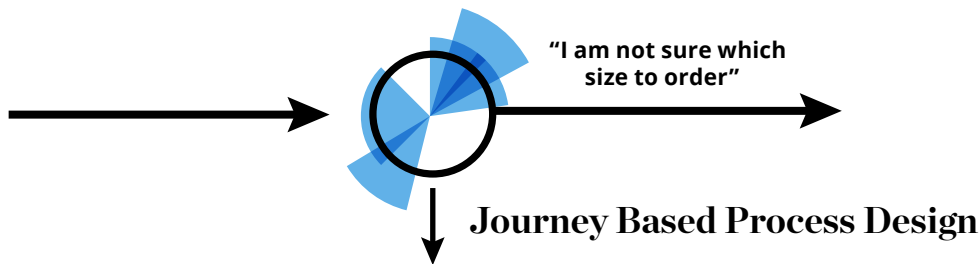
Service experience blueprints clarify roles & responsibilities at every touch point and can be used as a starting point for a customer-centric process landscape. By designing processes from a customer point of view, organizations can streamline processes and eliminate the waste that is currently impeding efficiency. One important factor to consider here is that companies often have inefficiencies in their operating model that need to be solved first before you can bring the new customer-centric process landscape to life.

Process automation

Today's technology enables companies to facilitate or even automate a significant amount of their processes. Adapting process automation for CRM purposes is beneficial from two perspectives, as it decreases process cost (manual handling) while improving process performance (cycle time, faster process output). Although primarily adapted for trivial, highly repetitive tasks, some companies already started to automate more sophisticated processes using the current opportunities of AI in a mix with defined business rules. Common applications are "next best offer" processes or excluding currently unsatisfied customers from cross-selling and up-selling initiatives.



Exemplary service experience blueprint for process design



Technology

Technology enables effective CRM at scale by building the foundation of today's operational CRM efforts. Using this potential to the fullest extent can give companies a competitive advantage. In order to make this a reality, companies need to ensure the systems are properly integrated into the overall enterprise architecture. This is the only way it can really act as an enabler along the journey by providing the right data and the right functionalities. Architectural considerations therefore become more and more crucial for companies willing to lead in the area of CRM.

We see further potential in the area of data quality management. Although data is the basis for a lot of CRM use cases, the availability and quality of data is still a key area for further improvement. A clearly defined master data management and governance approach across the organization can ensure that the data used is actually reliable and available. However, this will require companies to focus on this topic and ensure inter-organizational alignment of data owners and users.

Role of technology

Today's companies want to treat each customer as an individual by understanding his/her preferences and behaviors. Analytical and cognitive capabilities highlight the context of customer needs and desires, identifying the optimal way to engage with them. An organization's tech stack builds the foundation to achieve this at scale.

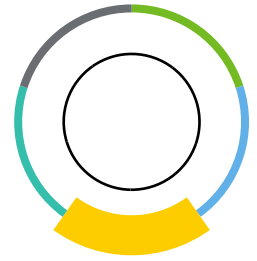
The ability to gather and process data is key for understanding customers and making sophisticated decisions regarding CRM at the strategic (e.g., journey design, product development) or the operational level (e.g., next best offer). At an operational level in particular, companies can facilitate and automate processes, resulting in lower costs and less time to enable the experience of a customer.

Technology is the enabler of a company's customer strategy and absolutely crucial to satisfy today's customer requirements. CRM leaders need to work in tandem with their company's tech leaders to enable

a superb human experience grounded in data. This ensures a seamless orchestration of channels and therefore an enhanced experience at every touch point.

We have seen, however, that many organizations tend to develop a "tech only" perspective when it comes to CRM. Although technology is the final enabler of the organization, it must go hand-in-hand with other perspectives like strategy, analytics or legal to ensure a proper fit.

This is also the reason why re-engineering a company's current tech stack does not mean ripping out all of the legacy technology and replacing it with shiny new tools. Rather, the goal should be to integrate the technologies and processes that can make the existing systems smarter with the clear goal of providing real-time and seamless interactions with customers, closely aligned with the CRM strategy and the business goals of a company.



Architectural decisions

Clients often tell us that they have issues with the quality and integration of data between new internal and external/ third-party systems and legacy systems, which is key for realizing their CRM vision of superior customer experience across all touch points. As a result, the technological platform that enables CRM processes needs to be thoroughly defined and suitable vendors need to be selected.

Each architecture must be tailored to the given situation. However, the generic architecture blueprint we provide can be used as a starting point. Eventually, companies need to define and comprehend which exact requirements they have across the following **assessment dimensions**:

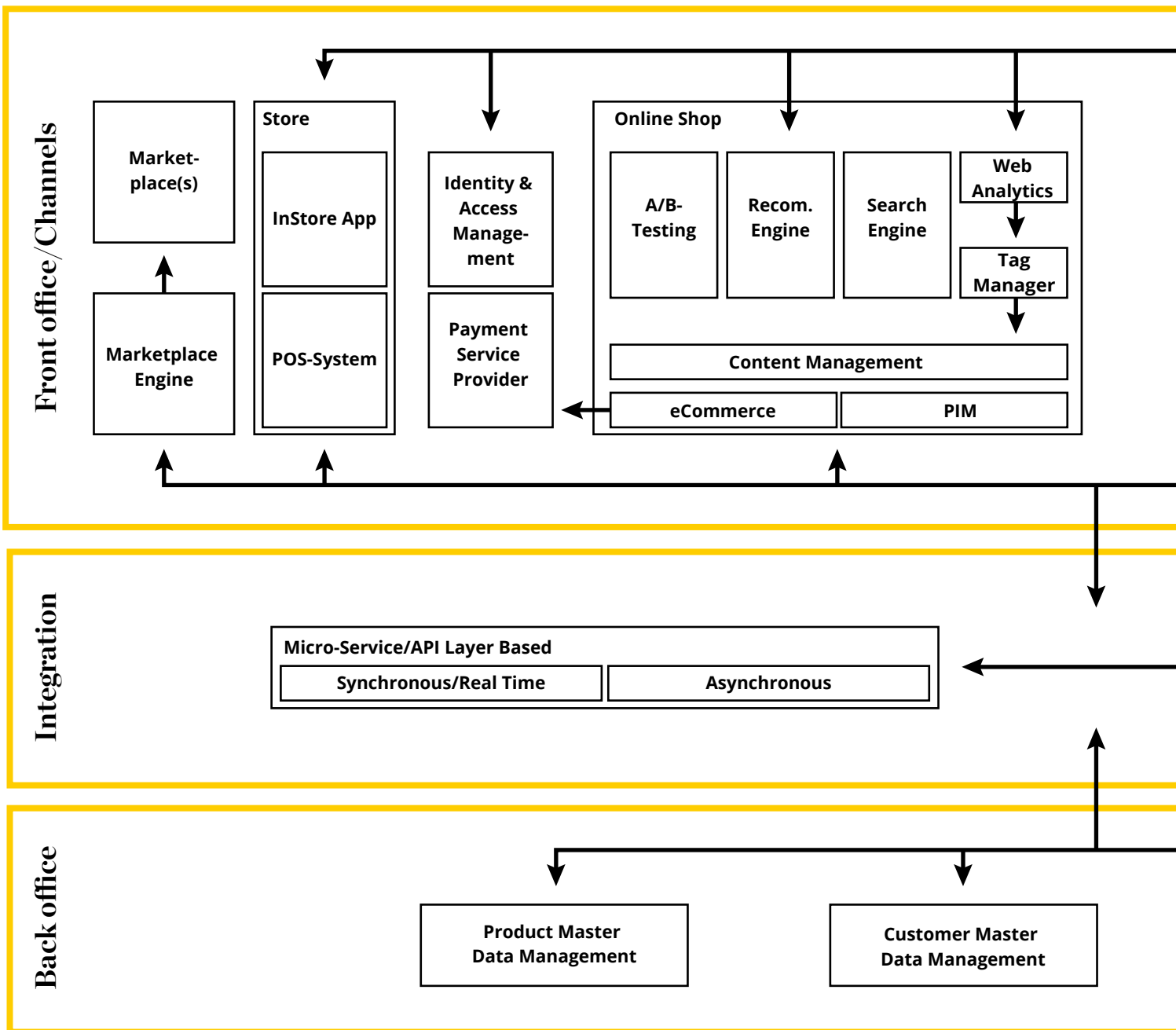
- Functional requirements:
 - Processes & roles:
Which CRM processes and roles does the system need to enable employees and customers?
 - Analytical aspirations:
To what extent is it necessary to track and analyze customer behavior?
- Non-Functional Requirements:
 - Costs:
Monetary costs of implementation
 - Implementation time:
Duration of implementation
 - Agility & extensibility:
Flexibility to react to change and new or additional requirements
 - Data availability & consistency:
Consistency of data across all systems, synchronization speed and clarity of integration concept
 - GDPR compliance:
Ease of finding, writing and deleting customer data across all systems
 - Political landscape:
Political and/or organizational aspects that impact the platform

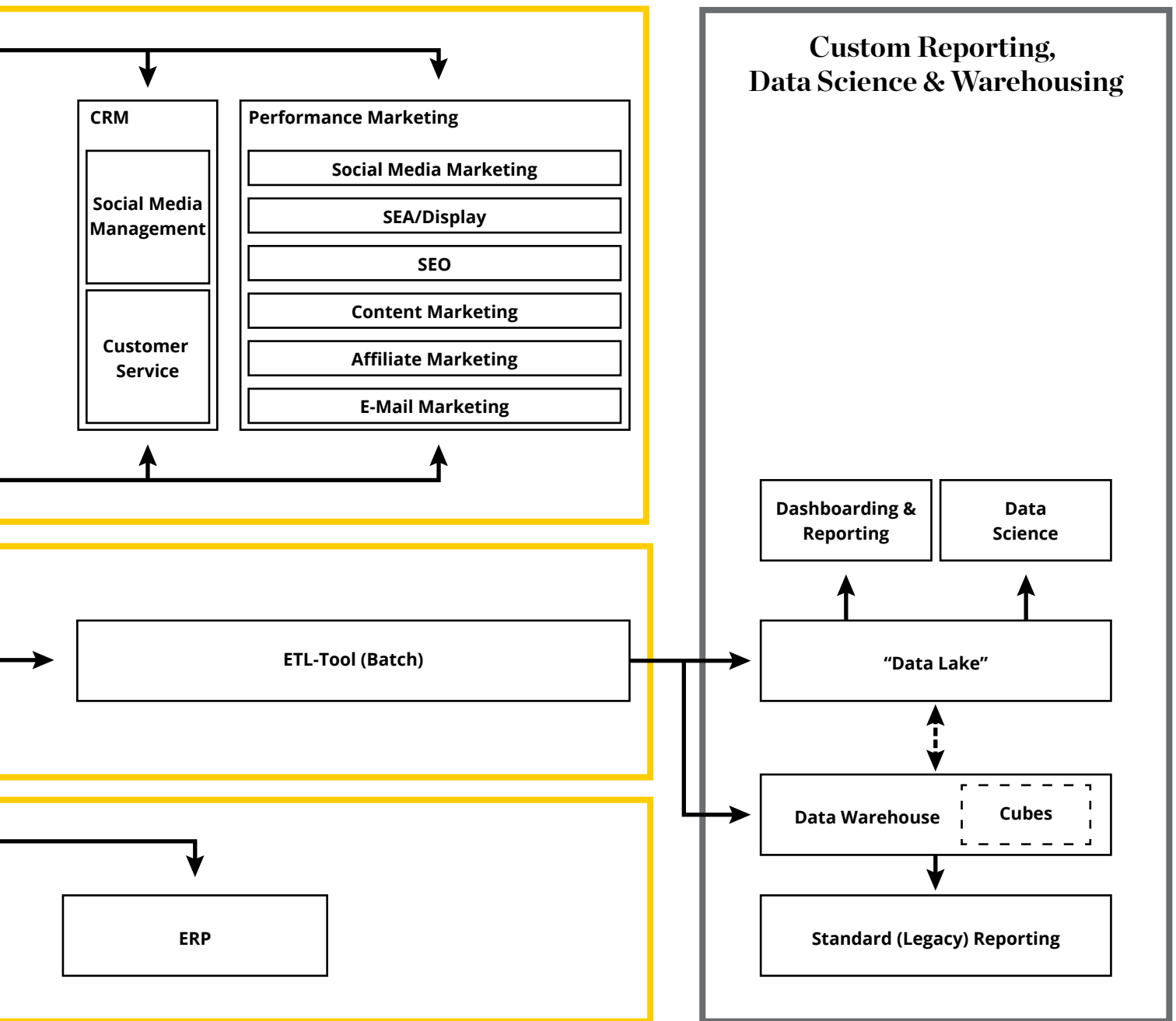
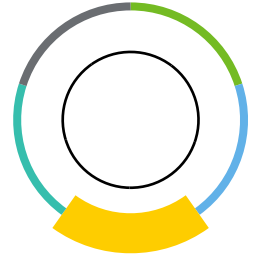
The availability and quality of customer data plays a particularly important role in realizing the CRM vision.

The availability and quality of consumer data plays a particularly important role in realizing a CRM vision. Solutions available on the market range from all-in-one to dedicated Customer Master Data Management or Customer Data Platform solutions.

Omni-Channel Retail Platform Blueprint

The technology required to implement a digital CRM strategy uses a set of different solutions that need to be integrated effectively. The front-office solutions represent those solutions that are in direct or indirect contact with the customer and are therefore particularly important for a successful customer experience.





Core Platform



Custom Analytics

Master data management & governance

We see many organizations facing the same issues in terms of customer data. They have problems building a holistic understanding of their customers and adequately synchronizing the relevant customer data between all customer facing systems. A well defined master data management concept brings structure in the often confusing situation. At its core, master data is data that does not change frequently and is relevant to many or all systems to run the business. As such, master data represents the core of data relevant for CRM. As depicted in the illustration, master data can have different levels of relevance. While M1 is relevant for all systems, M2 is only relevant for at least two systems and M3 is not relevant to any other system except the producing system.

Master Data Entities

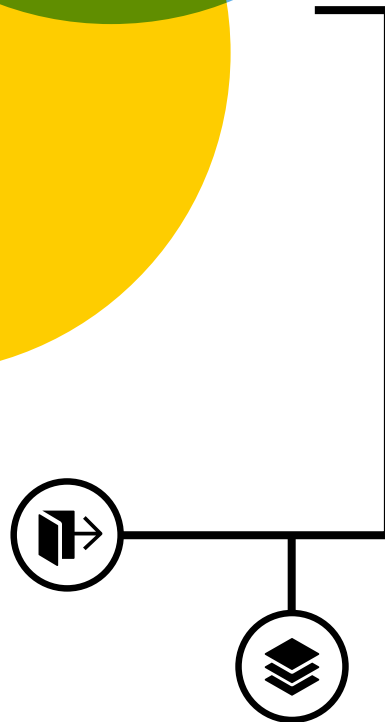
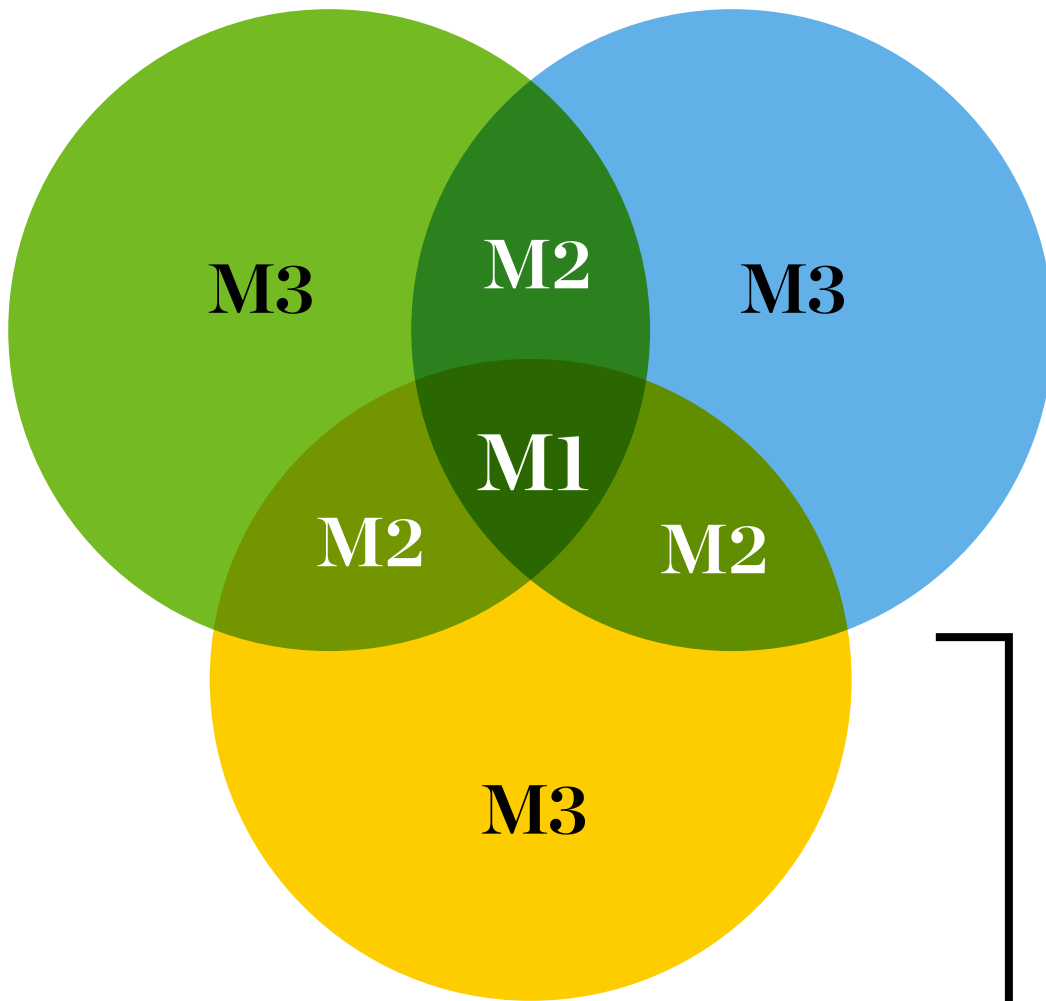
Master data can come in various forms, which are called entities. Taking a retailer, the most important ones are customer and product entities. If those entities are not properly maintained and synchronized across all producing and consuming systems, companies cannot achieve their omni-channel strategies. Imagine the situation that customer permissions are not available in all systems and a customer has no chance of changing them via the call center. That is why master data management must be at the core of every implementation.

Exemplary Customer Master Data




Referring to the different relevance levels of master data, core master data could be a customer's name, address, phone, email and permissions. This data set is particularly relevant for all or most customer-facing systems, because otherwise customer processes would not work and requests from customers would not be answered.

Master Data Governance

Data quality is a never-ending story. Once it has been built, a master data management system is always undergoing constant change. After all, companies and their customers constantly change, as do their systems and data requirements. To stay successful in data quality, companies need to set up a dedicated data quality committee consisting of one representative of each relevant system and sufficient management support. The committee meets regularly to discuss a dedicated data quality report based on defined measures and to take action if the quality of the data becomes unacceptable.



M1 = Golden Record⁷, shared across many/all systems
M2 = Data shared by at least two systems
M3 = Data only relevant to one system

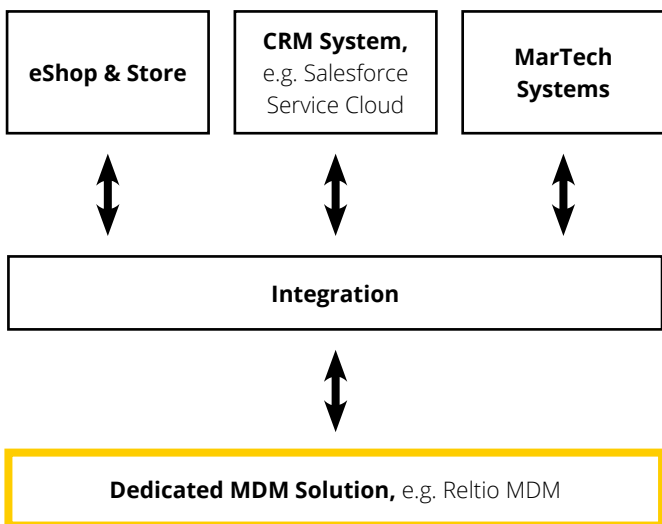
   Systems generating & consuming data

⁷ Golden Record = True data.

Customer MDM Implementation Option

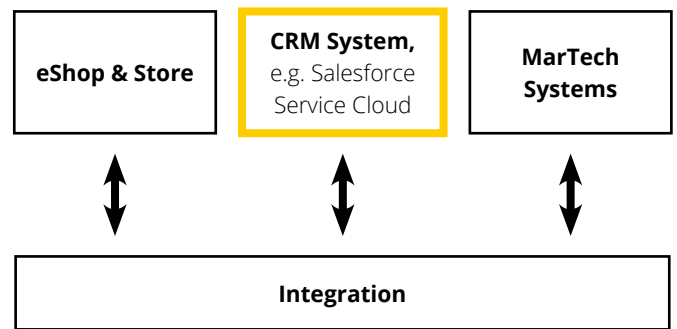
While a dedicated MDM solution guarantees the highest data quality and stability, a full MDM implementation can be expensive and time-consuming. It is therefore worthwhile investigating options like the use of a central CRM system to build the golden customer record. Four options are the most common ones and their advantages and disadvantages are briefly discussed below.

Dedicated MDM Solution

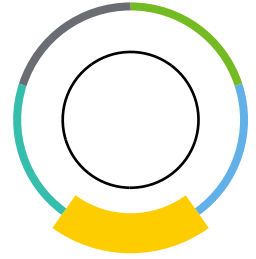


- + Stable and tested approach to create the golden record
- + Dedicated data quality workflows and dashboards
- Complex integration project
- High costs of marketing leading vendors

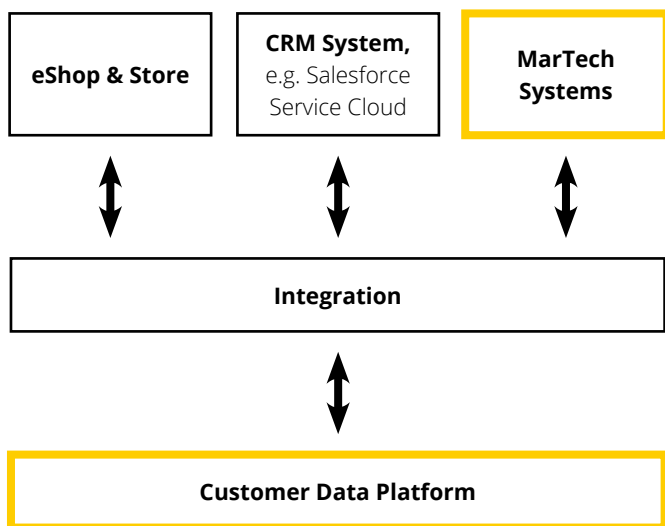
CRM based MDM Solution



- + Cheaper, as no additional system has to be bought
- + Data is directly available in the CRM system
- A CRM system is not made for MDM and needs to be customized
- Is often lacking true MDM capabilities like complex matching & merging as well as workflows
- Data requests will increase heavily and need to be factored into the CRM license plan

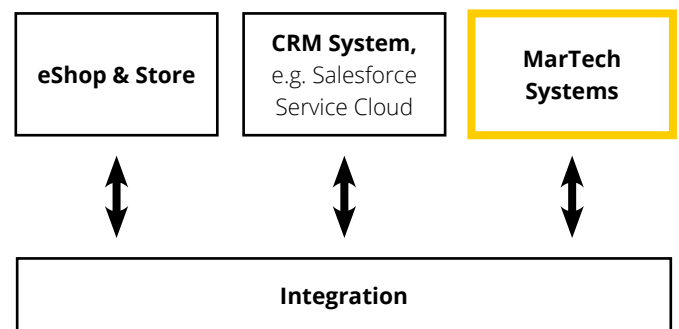


Customer Data Platform



- ⊕ Combines capabilities of a data lake, MarTech solution and MDM
- ⊕ Generation of insights and full 360° customer profile
- ⊖ Often overlaps with existing MarTech solutions
- ⊖ Creates duplicated functionality and increased implementation complexity
- ⊖ Is often lacking true MDM capabilities like complex matching & merging as well as workflows

MarTech Solution



- ⊕ Data is directly available for marketing activities
- ⊕ Depending on MarTech stack integration complexity can be reduced
- ⊖ Is often lacking true MDM capabilities like complex matching & merging as well as workflows
- ⊖ Depending on the provider, the integration back to the source system can be complex

Legal

Although traditionally not a CRM capability per se, companies have started to consider their legal capabilities more seriously and invest more in them since the announcement of the new European General Data Protection Regulation (GDPR). CRM is heavily dependent on data gathering and processing, so deep knowledge on how to leverage customer data in the existing guidelines and regulations will make or break its success.

Companies who want to succeed with their CRM activities need to acknowledge how important legal skills are to their teams and establish workflows that ensure business support but also compliance with new regulations. This will require a new degree of legal expertise in traditional business functions with occasional advice of legal experts.

Although skilled resources are scarce and moving towards a close collaboration between legal and traditional CRM functions will take time and effort, it definitely pays off. Companies integrating legal knowledge into their teams and ensuring expert advice for critical or unclear decisions can make their legal capability a USP and stay ahead of the competition by offering the experience and transparency customers expect.

The GDPR dilemma

New stricter data privacy regulations clash with increased customer interaction and data processing

The processing of personal data falls under the EU General Data Protection Regulation (GDPR)⁸, which has been in force since May 25, 2018. Entities from all sectors are affected by the changes – not only EU companies but also foreign companies offering products or services in the EU. The goal of the GDPR is to provide a unique regulation framework that gives customers more rights, increases commitment to compliance and simplifies the exchange of personal data within the EU, but also establishes rules and procedures for damage control and recovery situations. Although GDPR is valid for all companies operating in the EU, there may be local laws in the respective countries that go beyond the legislation and companies must take account of them.

Companies have increasingly become subject to varying industry, country and corporate privacy regulations in order to protect their customer data from unauthorized sharing, data breaches and misuse. Simultaneously, customers have become wary about how their data is used thanks to heightened media attention

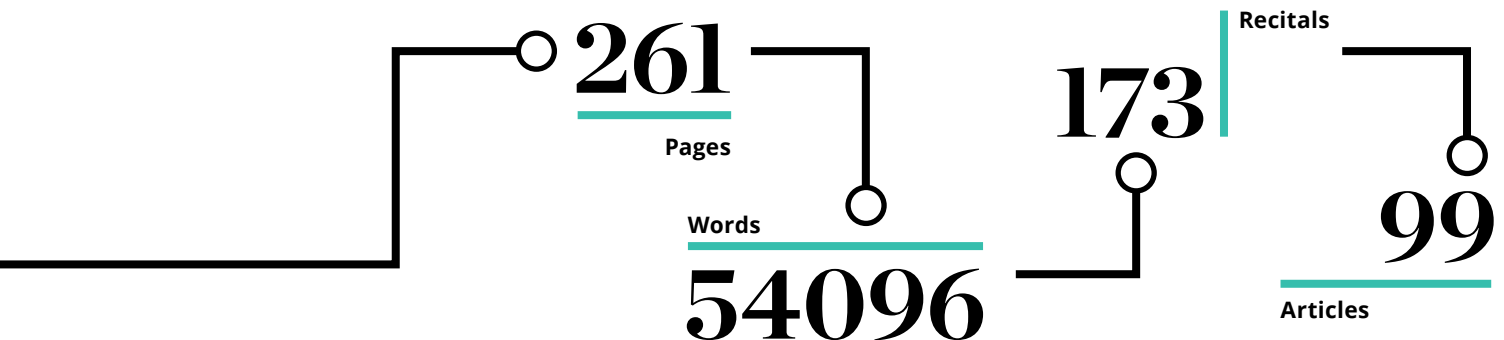
in the wake of prominent data violations such as the Cambridge Analytica Scandal or the NSA surveillance disclosure.

Due to the risk of high penalties, companies have focused on compliance in recent months, especially through appropriate documentation. This was also confirmed in our interviews with CRM leaders. Although the internal documentation efforts were very time-consuming, there was very little interest and inquiries from customers.

In terms of these stricter data privacy regulations, digital transformation leads companies to focus more on increasing customer engagement to stay competitive and offer a more personalized customer experience. New technologies enable us to collect, store and process huge amounts of personal data for a variety of purposes. Forward-looking digital technologies such as big data, AI and Industry 4.0. make data available in completely new qualities and quantities, and offer diverse ways to use it, which is directly related to the new data privacy rules.

For more information on the GDPR and its implication, visit our website⁸.

GDPR – What is it about?



⁸ "EU General Data Protection Regulation - What remains? What changes?", Deloitte Legal, <https://www2.deloitte.com/dl/en/pages/legal/articles/eu-datenschutzgrundverordnung.html>.



Outsized management expectations and complex regulations can lead to high employee dissatisfaction and even jeopardize competitiveness

As the law has only been valid a short while, there are only a few additions and best practices and a lot of uncertainty. This poses a challenge for data protection officers deciding how to handle data use cases, as there is often no right or wrong answer. Most of our interviewees claim that their companies interpret the law more defensively and therefore reject a lot of data use cases. Of course, this has an impact on customer experience (e.g. transactional emails without visuals to reduce commercial character) and thus on the companies' competitiveness.

The stricter data protection regulations complicate the contextualization of customer data. This poses a challenge especially in the digital world, where customers can be identified and tracked at almost every touch point. More and more data processing use cases require the explicit consent of the customer. However, since this ratio is very low, a lot of CRM use cases are not profitable. This consent is therefore a top priority for our interviewees, but most do not yet agree on how to differentiate consent across channels or business units. Due to misinterpretation of the GDPR, there is a heavy reliance on consent for which another legal basis for a business use case might be likewise applicable.⁹

The operating model established by most companies, with data privacy and legal departments as separate advisors to business departments, leads to high inefficiencies, excessive demands, lack of consultation and time lags due to the lack of respective know-how in business departments and to the lack of capacity in the data privacy and legal departments. As our interviewees agreed, this longstanding problem is being made worse by stricter legislation, growing digital customer interactions and stronger dependencies between systems and channels.



GDPR puts large companies more on the defensive when it comes to handling data use cases, which can lead to competitive disadvantages in the worst case



Getting the full view of a customer is increasingly becoming an ambition rather than a reality



Companies need to revise existing legal operating models with data privacy and legal departments as advisors



Leading state-of-the-art CRM tools are not fully GDPR compliant and therefore need to be adapted

⁹ "The GDPR: Six Months after Implementation", Deloitte Legal, 2018, <https://www2.deloitte.com/bg/en/pages/legal/articles/gdpr-six-months-after-implementation-2018.html>.

Legal & data privacy engineering

Companies need to rethink their legal operating model and make transparent data processing a USP

First of all, companies need to rethink and evaluate their legal operating model. Based on our project experience, we recommend better integrating the legal and data privacy departments into business projects. They have to see themselves as a business enabler and switch to a solution-oriented mode when advising business departments. A best practice of one of our interview partners is to co-locate data privacy and legal responsible teams with the project organization in an open space environment. Another best practice is to integrate legal and data privacy experts already in the design phase, in order to identify feasibility of use cases right from the start (pre-assessment).

Building on those quick wins, companies can further ensure efficient business success in compliance with regulations by defining new roles & responsibilities. For example, a legal and data privacy coach could be responsible for ongoing training of employees impacted by legal decisions in close alignment with a company's legal department. Another important role could be a legal and data privacy mediator working in cross-functional project teams and mediating between business goals and legal restrictions. We often observe that a lot of the friction in decision-making comes from a simple misunderstanding of one and the same use case. Furthermore, a legal and data privacy coordinator could be responsible for the orchestration,

prioritization and documentation of overall efforts with a link to legal questions to avoid duplicated work and ensure consistency, for example when it comes to changes in legal texts.

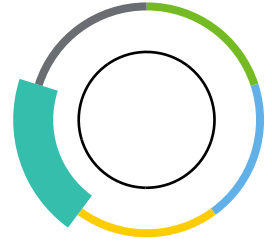
In order to streamline processes, companies can adapt agile procedures. Rather than building on full assessments, agile quality gates with reality checks, pre-assessments and assessments often lead to better results.

Another opportunity that has not yet been fully leveraged is the implementation of support systems. These are the status quo in the collaboration between other functional departments like marketing and sales, but not many companies have adopted systems that digitalize workflows and manage assets in a legal context.

Finally, we see huge potential for companies using transparency as a unique selling point to convince customers to give their consent in order to receive more personalized service. This can be achieved in the form of transparency campaigns, information websites and understandable legal texts. Moreover, the introduction of a modular consent opt-out option minimizes complexity for the customer and gives customers the ability to only have the interactions they want.

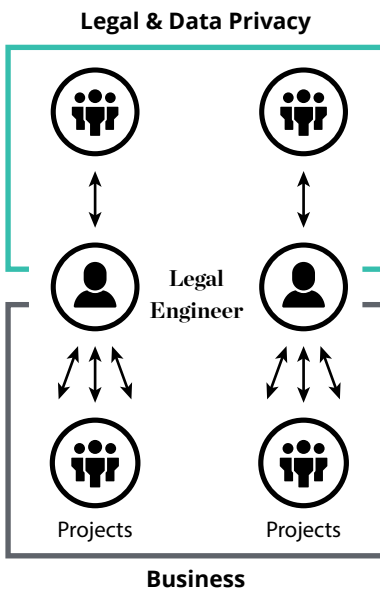
Further best practices can be found in the Deloitte study "The GDPR: Six Months after Implementation"¹⁰.

¹⁰ "The GDPR: Six Months after Implementation", Deloitte Legal, 2018, <https://www2.deloitte.com/bg/en/pages/legal/articles/gdpr-six-months-after-implementation-2018.html>.

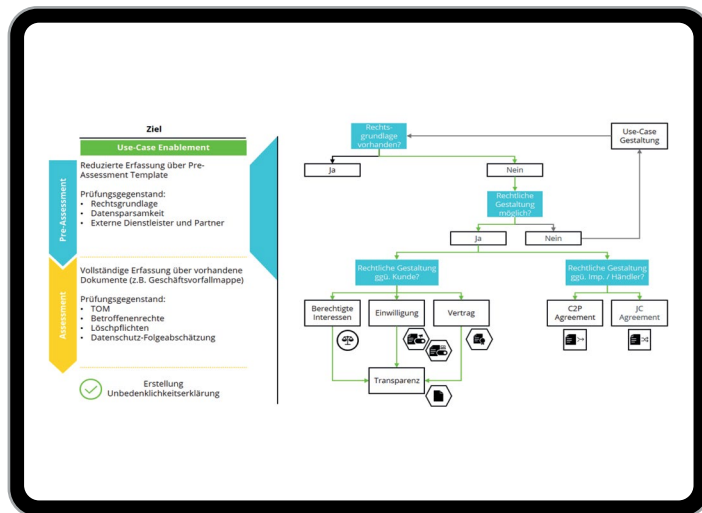


Legal Operating Model

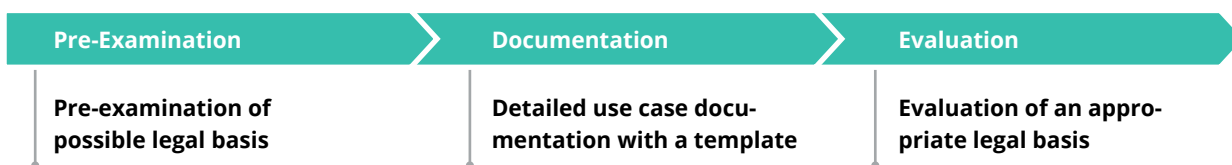
Organization



Tools



Processes



Performance Measurement

Today's technology paired with the increasing amount of available data is able to shed light on CRM performance measurement. Our research shows that upper management is demanding transparency about the ROI of increasing CRM spendings. At the same time, CRM leaders need to prioritize efforts due to the sheer quantity of potential investment areas. Both call for transparency along the journey. Therefore, companies need to revise their performance tracking and reporting processes to achieve a more granular picture of what is actually happening along the journey – end-to-end.

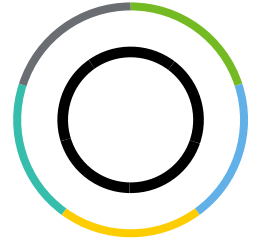
Using technology to achieve transparency

In the past, CRM and marketing outcomes were often impossible to measure and “success” was hard to define. As marketing budgets grow, company leadership is under more pressure to justify their spending and make their achievements visible and measurable. An increase in the number of data sources, objective metrics and advanced analytics make it possible to quantify the impact of CRM initiatives and achieve transparency.

A shift towards more advanced analytics, i.e. predictive and prescriptive statistics, has a strong impact on how CRM data is used to measure the success and failure of a company's CRM activities.

In the past, companies gathered and analyzed data mainly to condense raw data, enable marketers to interpret it and describe how successful their initiatives have been. It did not matter when the campaign took place – whether it was one minute or two years ago – as long as the event happened in the past. Descriptive methods allow marketers to learn from past customer behaviors and experiences and use this knowledge for future predictions.

Using more complex algorithms, marketers have transformed from reactive to proactive planners. Advanced AI solutions enable AI algorithms not only to help understand and harmonize vast arrays of data that are generated at various digital touch points, but also to automate analytical tasks – with greater speed and complexity than any human could ever manage. Predictive and prescriptive statistics enable companies to use existing data to fill in missing information about customers, to predict future actions like next-most-likely purchase or churn rate and to determine the customer's next steps. This allows companies to target customers more effectively and place next best offers or next best action measures. This ultimately produces better marketing data and better customer knowledge, which leads to more successful CRM tactics and an improved customer experience.



Early 1950s

Back in the days when sales reps collect business cards and the number of sales is the most important indicator for success.



1980s

With the evolution of computer science and a shift to database marketing, new metrics such as customer lifetime value gain popularity.



1990s

Vendors like Oracle, SAP enter into the CRM market and provide a broader range of services including mobile CRM. Performance tracking becomes automated and accessible 24/7.



2000s

The era of a cloud-based CRM begins and with it the rise of social media. New KPIs like sentiment ratio move into the focus of marketers.



2010s

Cloud-based and SaaS CRM solutions continue to gain popularity. Almost all vendors offer CRM analytics modules to analyze the gathered data, track KPIs over time and gain in-depth insights.



From now on ...

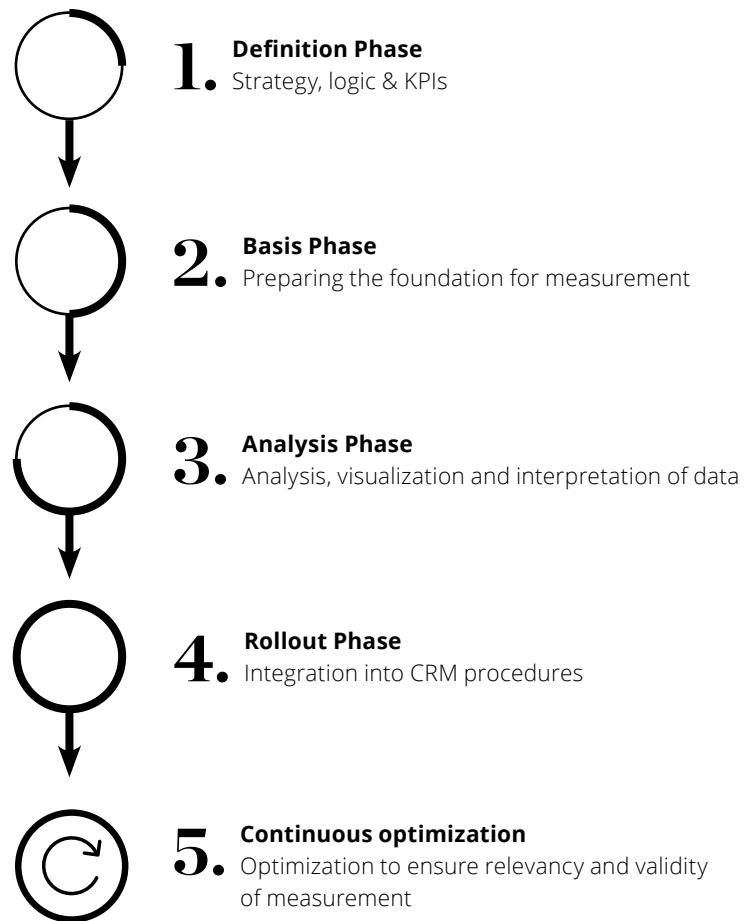
Whereas in the past, performance tracking has been about analyzing past data, new technologies allow to predict what might happen in the future and advise on future outcomes.

Determination of a successful CRM measurement

Changing customers, new business models, evolving technology and an increasing need for transparency about marketing spending require companies to further develop their CRM approach. To achieve the desired transparency in terms of customer relationship management performance, companies need consistent measurements at each touch point. Our interviews reveal the importance of, but also the challenges posed by achieving a holistic CRM measurement that reflects actual performance and uses insights to adapt efforts accordingly.

This chapter explains how to establish a CRM performance measurement framework along four project phases and one optimization phase based on the result of various Digital CRM projects.

Project phases for building a holistic CRM Measurement¹¹



¹¹ "Holistic Marketing Measurement", Deloitte Digital, 2018, <https://www2.deloitte.com/de/de/pages/technology/articles/ganzheitliches-marketing-measurement.html>.

A close-up, macro photograph of a mechanical watch movement. The image shows several interlocking gears of various sizes, some with teeth and others with smooth surfaces. A prominent gear in the foreground has a central hub with a circular opening. The gears are set against a dark, metallic background. In the upper right, a lens or window is visible, showing a blurred reflection. The overall lighting is dramatic, highlighting the metallic textures and the precision of the mechanical parts.

To achieve the desired transparency in terms of customer relationship management performance, **companies need consistent measurements** at each touch point.

1

Definition Phase

Derive primary KPIs from business strategy

Literature and practice provide marketers with a never-ending list of potential KPIs. The key to success is selecting KPIs that accurately back up and realistically reflect their strategic goals. Organizations are therefore better off starting their measurement plans top-down by assessing their strategic goals (what do I want to measure?) and then assessing which KPIs accurately reflect them.

In order to better understand what really drives a company's primary "outcome" KPIs, which would represent the strategic goals (e.g. increase market share by 30 percent), they should back them up by secondary goals (e.g. increase new customers by 50 percent) as an enabler to reach the primary target.

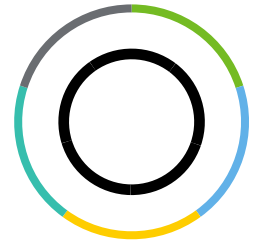
As a result, companies can design a tree-like KPI structure that allows them to understand outcomes (primary KPIs) and the respective drivers (secondary KPIs) of their CRM efforts. The question remains, however, which KPIs are relevant.

User and customer journey simulations help to choose the right secondary KPIs






Companies can use the customer journeys they designed to facilitate this process. Along the whole journey, every touch point must be equipped with the KPIs reflecting consumer behavior (e.g. reaction to a newsletter), feelings (e.g. net promoter score), or buying decisions (conversion rate). Consistent coverage with relevant KPIs is key to track the success of a company's end-to-end delivery to a customer. The key in this process is to ensure causality towards the more strategic KPIs. The spread KPIs along the journey should always refer to or explain a primary KPI and reflect the major goals of the business.

A simulation of the customer journey should therefore be performed in advance. There are various approaches from classic marketing theory that can be used here. The consumer cycle (Attraction, Consideration, Conversion, Loyalty, Advocacy) is one suitable example for an initial basic discussion.

However, difficult to measure channels (e.g. offline) or technical hurdles often prevent CRM practitioners from actually measuring the KPIs they have defined. That is why a continuous plausibility check to see if relevant data is available and accessible is already relevant at an early stage of performance measurement to avoid problems at a later point. For KPIs that are not directly measurable, companies can apply assumptions to employ proxy KPIs. Although that may make sense, companies are cautioned to avoid making decisions on the basis of wrong assumptions.



Customer-centric KPI approach
(Exemplary measurement questions and KPIs along the customer journey)¹²

	Attraction	Measurement Question	KPIs
	Awareness	Does the campaign yield sufficient awareness by prospects?	<ul style="list-style-type: none"> • Reach • Brand awareness • Campaign awareness
	Interest		<ul style="list-style-type: none"> • Number of clicks • CTR (click through rate) • Number of new visitors
	Information	Is the campaign motivating the prospects to inform themselves?	<ul style="list-style-type: none"> • Time spent • Bounce rate • On-site events
	Buy Decision		<ul style="list-style-type: none"> • Number of soft conversions
	Purchase	Are sales targets met?	<ul style="list-style-type: none"> • Number of conversions • Conversion rate • New customer quota
	Customer Loyalty	Are customers satisfied with the product/service?	<ul style="list-style-type: none"> • Retention rate • Number of visits per customer
	Customer Satisfaction		<ul style="list-style-type: none"> • Share of voice • Number of positive reviews • NPS (net promoter score)
	Recommendation	Do customers actively advocate for the product/service?	<ul style="list-style-type: none"> • Number of referrals • Number of positive comments • Number of fans, followers

¹² "Holistic Marketing Measurement", Deloitte Digital, 2018, <https://www2.deloitte.com/de/de/pages/technology/articles/ganzheitliches-marketing-measurement.html>.



2

Basis Phase

Raw data is provided from various internal and external data sources and systems. Knowing where the “truth” lies is important, because variations between measurement systems are to be expected up to a certain percentage and can lead to time-consuming discussions later. Therefore, the measurement differences between systems should already be examined during the setup and roll-out of

the systems and measurement errors and possible redundancies should be detected and removed at an early stage.

Sufficient preparation and aggregation of data facilitates an accurate measurement along the journey. Through harmonization, for example, codes and synonyms are standardized in data records in order to strengthen the consistency of the data.

3

Analysis Phase

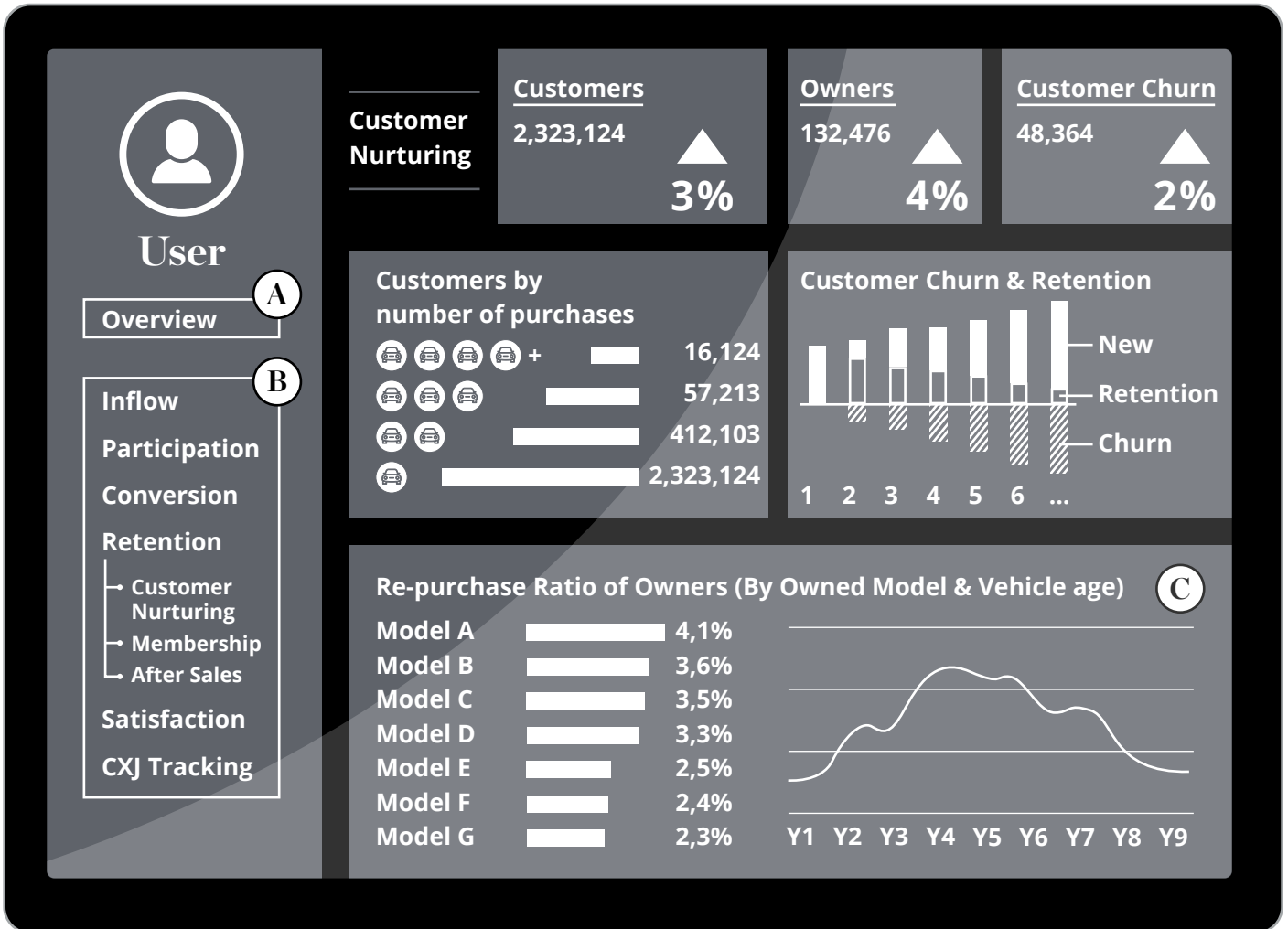
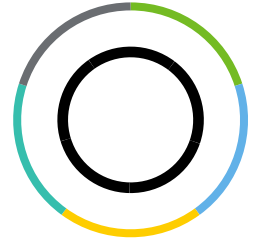
Visualize, analyze and interpret data

Dashboards provide the user with a quick overview of the results of the aforementioned micro and main conversions and enables a more in-depth analysis if required. Therefore each organizational level requires its own metrics to provide an appropriate understanding of how well their objectives are being achieved. Therefore, KPIs should also be mapped against their possible organizational use cases.

Companies also need to plan **target values**. The planning can, for example, be generated manually using an excel-based

planning file based on historic data and findings, or derived or calculated using algorithms and statistical models from business intelligence and data science. If no historical data is available, target values can be generated from test phases, e.g. within a Test & Learn Center.

By comparing target and actual values, it is **possible to classify the current status** of the CRM campaign or **analyze weak points** in the performance and to generate recommendations for actions that might increase the success of the campaign, for example.



From overview ...

Make use of high level dashboards for a full overview of CRM performance.



... to focus topics ...

Drill down on the drivers of overall performance by looking at more specific dashboards.



... to in-depth understanding.

Learn which KPIs might jeopardize reaching the overall target value and identify corrective measures. E.g., identify why audience behavior is stagnating on specific channels by looking at more specific KPIs such as audience behavior by product and demographic segments.

4

Roll-out Phase

Embed insight-based decisions in the organization's DNA

The design and implementation of a measurement logic is not sufficient to successfully implement a CRM measurement. An essential aspect is the **integration into the daily business** of the different stakeholders.

For this, companies must plan target values, analyze KPIs and derive optimization measures to be integrated into the existing CRM processes. A dashboard is the appropriate tool to **establish optimization routines**, but the challenge is to create its greatest possible understanding and buy-in within an organization.

This can be reached through employee involvement from an early stage of the implementation, e.g. through KPI definition workshops with the respective

stakeholders at the beginning. This will only work if later users understand the measurement logic, the KPIs have been defined in a collaborative and target-oriented manner and the optimization routines are practicable. Users will be prepared to adapt it to their usual day-to-day work.

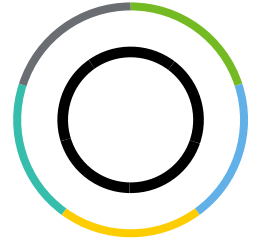
To further ensure the adoption of the new CRM processes and usage of the dashboard, managers can make them part of employee target agreements.

A holistic change management approach will aim to adjust the employees' mindset following four paths and will help to achieve sustainable acceptance of the new CRM approach.

5

Continuous Optimization

The CRM environment changes – so will the requirements for keeping transparency along the journey. Continuous revision of core KPIs and reporting procedures, especially after an adjustment of business or CRM strategy, helps to ensure validity and relevance of the measured results. Although often neglected in the daily routine, continuous optimization of performance measurement is key for management and CRM professionals.



Required change management dimensions¹³

Change the Mindset



Communicate

Build a compelling picture of the future that motivates people to follow



Advocate

Develop a cohort of leaders across the business who are advocates for the changes



Engage

Identify key figures across the business to establish ownership of the changes



Mobilize





Initiate the right team to design the solution, plan the activities and support the changes

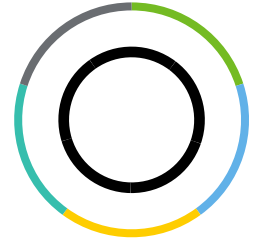
¹³ Deloitte internal.

Overview of important KPIs

Want inspiration? Here are some core KPIs.

Traditional disciplines

Discipline	 Marketing	 Sales	 E-Commerce	 Customer service
Goal	<ul style="list-style-type: none"> • Acquire more customers • Improve campaign response rates 	<ul style="list-style-type: none"> • Improve profit margins • Grow revenue • Improve efficiency 	<ul style="list-style-type: none"> • Increase cross-selling/up-selling • Improve conversion 	<ul style="list-style-type: none"> • Increase customer satisfaction • Lower customer service costs
Metrics	<ul style="list-style-type: none"> • Campaign response rate • No. of responses by campaign • No. of purchases by campaign • Revenue generated by campaign • No. of new customers acquired by campaign • Customer retention rate • CLTV 	<ul style="list-style-type: none"> • Number of new customers • Number of retained customers • Amount of new revenue • Amount of recurring revenue • Time-to-close by channel • Margin • Sales stage duration • Sales cycle duration • Purchase frequency 	<ul style="list-style-type: none"> • Wallet share • Basket abandonment • User goal completion rate (web) • Page visits • Top landing pages • Unique visitors • Traffic sources • Conversion rate • Churn rate • Cost per lead • No. of views of branded content on social site 	<ul style="list-style-type: none"> • Net promoter score • Voice of customer scores • Average number of service requests by type • Average time-to-resolution • Complaint time-to-resolution • Propensity for customer defection • Average service cost per service interaction



Customer centricity

Discipline	<p>CX</p>	<p>Customer social listening metrics</p>
Goal	<ul style="list-style-type: none"> • Create a unified view of the customer • Customer retention • Improve revenue 	<ul style="list-style-type: none"> • Measure social engagement
Metrics	<ul style="list-style-type: none"> • Customer satisfaction scores • Customer service interactions • Likelihood to switch to a competitor • Churn rate • Likelihood to recommend referrals • Ratings • Customer experience index score • Brand preference 	<ul style="list-style-type: none"> • Social media engagement • Social sentiment • Conversation buzz • Conversation value • Conversation volume • Demographics • Influencers • Reach • Share of voice • Topic frequency • Virality

Literature and practice provide marketers with a never-ending list of potential KPIs. The key to success is selecting KPIs that accurately back up and realistically reflect their strategic goals.

Digital CRM Study Takeaways

It is important to maintain an overview of the different perspectives (strategy, technology, organization, etc.) that affect CRM success. Companies should therefore always start with their customers, design their journeys and derive the relevant capabilities necessary to enable meaningful relationships.

Keep focus and structure

Companies must ensure that their CRM strategies enable the overarching business strategies by giving a clear vision and a coherent prioritization of efforts towards a shared target picture. In order to align those towards the customer, they should start with prioritized journeys and break them down towards an actionable granularity, always ensuring consistency between touch points, customer experience and brand coherence.

Go for insight-based decisions

Although data is considered as “the new oil”, deriving relevant insights and applying them in decision-making and journey operations should be the ultimate goal of leaders driving CRM efforts. By putting analytics at the core of an organization and making insights easily accessible, companies can improve their customers’ experiences while reducing costs incurred by irrelevant procedures.

Enable the right culture and operating model

Culture is a key factor to consider when striving for superior CRM. Otherwise, every customer-centric initiative will be impeded by the legacy organization. Engaging each and every employee, no matter whether front or back office, is crucial to successfully changing the way the humans think and behave in an organization. In addition, the entire operating model, comprising the various functional departments that contribute to CRM, must be aligned with the customer journey. It becomes crucial to success that responsible team members take end-to-end responsibility for the journey.

“Although we do not have the fanciest tech stack, it is well integrated into the organization and therefore sufficient to meet our needs along the customer journey”

CRM leader in the telecommunications industry

Align your tech stack along the journey

A company’s technology stack enables customer experience at scale and is the backbone for data processing and CRM operations. However, it is not always the fanciest tools and functions that provide the most value towards employees and customers. It is far more important to ensure that the most relevant functionalities are working properly and relevant data is available.

Having an adequate amount and quality of relevant data is what drives the value companies can derive from the technology. As in reality, a car without enough fuel, or low quality fuel, will get you nowhere. That is why data governance is a key consideration for effectively implementing technology to meet business goals.

Integrate legal advice in CRM business decisions

Companies are not operating their CRM operations in a legal vacuum. Especially after the introduction of GDPR in 2018, the effective use of legal skills can help maximize the opportunities of CRM, while preventing the potential damage caused by non-compliance. The CRM departments must therefore have a basic set of legal skills, seeking additional legal advice from experts when needed. Just as basic technological skills became essential for various departments in the past, the same is true today when it comes to legal skills.

Track performance and derive actions

Today’s CRM leaders are forced to be transparent about their performance. In order to effectively allocate budgets and resources, and to adjust the direction, if necessary, they are dependent on a well-crafted set of KPIs that display realistic quantitative and qualitative metrics.

Deloitte. Digital

Digital technology has changed the face of business. Deloitte Digital combines Deloitte's globally recognized strength in business transformation and technology implementation with the capabilities of a world-class digital agency to support our clients in achieving their business strategy. Its digital capabilities connect strategic experience, agile delivery methods, and innovative thinking, with digital enabling technologies.

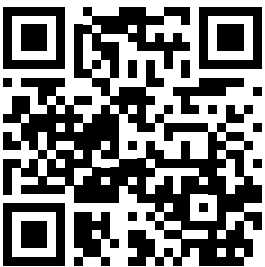
In cooperation with...

Monitor **Deloitte.**

To navigate the future with confidence, organizations need to make the right choices: clear, timely and inspirational choices that deliver growth in a dynamic, disrupted world. Monitor Deloitte's strategy practitioners combine deep industry insights with cutting-edge methods to help leaders resolve their most critical decisions, drive value and achieve transformational success.

blockchain INSTITUTE

The Deloitte Blockchain Institute is Germany's center of competency for blockchain technology. We are focused on the creation of solutions based on blockchain technology. The institute covers all industries and is tightly connected on a global level with specialists groups across Deloitte. We combine our firm's technological, industrial and strategic expertise with our ecosystem of external cooperation partnerships.



Find more about our services on
<https://www.deloittdigital.de>

We would especially like to thank our interview partners for sharing their opinions about current CRM developments with us and the whole Deloitte Digital team for creating this study.

www.deloittedigital.de

Deloitte.

Digital

This communication contains general information only not suitable for addressing the particular circumstances of any individual case and is not intended to be used as a basis for commercial decisions or decisions of any other kind. None of Deloitte Consulting GmbH or Deloitte Touche Tohmatsu Limited, its member firms, or their related entities (collectively, the "Deloitte network") is, by means of this communication, rendering professional advice or services. No entity in the Deloitte network shall be responsible for any loss whatsoever sustained by any person who relies on this communication.

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee ("DTTL"), its network of member firms, and their related entities. DTTL and each of its member firms are legally separate and independent entities. DTTL (also referred to as "Deloitte Global") does not provide services to clients. Please see www.deloitte.com/de/UeberUns for a more detailed description of DTTL and its member firms.

Deloitte provides audit, risk advisory, tax, financial advisory and consulting services to public and private clients spanning multiple industries; legal advisory services in Germany are provided by Deloitte Legal. With a globally connected network of member firms in more than 150 countries, Deloitte brings world-class capabilities and high-quality service to clients, delivering the insights they need to address their most complex business challenges. Deloitte's approximately 286,000 professionals are committed to making an impact that matters.