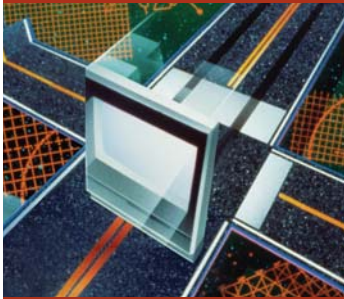


The Customer-Centric SMB

Increasing Profitability
by Focusing on Customers





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Increasing Profitability by Focusing on Customers

Introduction: SMBs Emerge

Innovative small-to-medium-sized businesses (SMBs) are setting their sights on a clear objective: To increase profitability by focusing their entire business on customers. While SMBs have long been known for friendly customer service and support, SMB leaders are taking their customer focus to a new level by capitalizing on the convergence of Internet Protocol (IP) telephony and Customer Relationship Management (CRM) technologies. This integration of voice and data is enabling SMBs to build 360-degree customer views and deliver the right customer information to the right employee, all at the right time. The result: a superior customer experience that drives up profits.

Not long ago, goals such as building 360-degree customer views or managing the entire customer experience were better left to large enterprises with lofty budgets. Today, however, many of these barriers to entry are crumbling, and the convergence of voice and data is the key. SMBs are integrating IP telephony and CRM solutions to become customer-centric organizations capable of delivering a seamless customer experience that locks in customer loyalty and keeps competitors at bay.

This white paper explores this rapidly growing trend. Drawing on the insight of Peppers & Rogers Group, it explains why customers and the experiences they receive from a business hold the keys to profitability. It discusses old and new challenges to becoming a customer-centric company and how one leading firm is using converged voice and data to overcome these challenges to drive a hard, quantifiable Return on Investment (ROI). The paper concludes with a prescriptive roadmap on how companies—and SMBs in particular—can use converged IP telephony and CRM to build a more profitable, customer-centric business.

In Brief

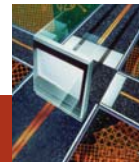
When employees have access to 360-degree customer views, the entire company can work together to deliver a superior customer experience and higher profits.

This white paper:

- Explains why customers, not products, hold the keys to profitability.
- Documents how converged IP-telephony and CRM solutions enable SMBs to deliver a superior customer experience and higher profits.
- Outlines best practices for overcoming information, integration, cost and adoption hurdles.
- Details how one SMB is refining the customer experience to capture a 100% ROI in 8 months.

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The Customer Centric Opportunity

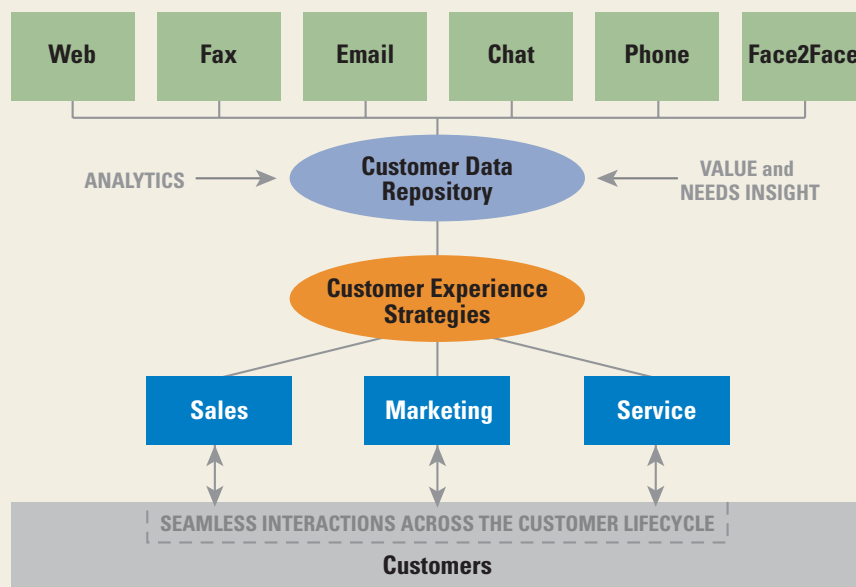
“To remain competitive, you must figure out how to keep your customers longer, grow them into bigger customers, make them more profitable, and serve them more efficiently. And you want more of them,” state Don Peppers and Martha Rogers, Ph.D., in their most recent book, *Return on Customer: Creating Maximum Value from Your Scarcest Resource*.¹ The fact is, customers, and not products, are the cornerstone of competitive advantage and growth. In a marketplace where too many products are chasing too little demand, customers are the scarcest, most valuable resource.

To understand why, consider the current market conditions. “Every household in the industrialized world already has one or two or more cars, a washing machine, television sets in different rooms, and a cell phone (or several),” state Peppers & Rogers. Product commoditization is tightening its grip as innovation cycles are trimmed. Competitors are creating product

knockoffs seemingly overnight and are taking advantage of cheap, global distribution networks to bring their offerings to market fast. Price cuts only fuel the commoditization fire, compressing margins and lowering profits further. Even last year’s “temporary” cost reductions have become permanent in an effort to compete.

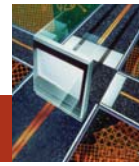
These conditions create a strong opportunity for companies able to center their business on customers. “Companies focused on acquiring, retaining and growing customers are in a much stronger position to boost sales, increase profitability and grow,” explains Becky Carroll, senior consultant, Peppers & Rogers Group. “They’re able to reduce their costs by diverting resources away from low-value customers and generate more revenue by concentrating on high-value and high-growth customers. It’s a win-win, but it all depends on enabling a strong customer focus across the organization.”

Customer Experience Strategy



A single customer knowledge base and 360-degree customer views are essential to delivering a superior customer experience across channels and the entire customer lifecycle.

Source: Peppers & Rogers Group



The Customer-Centric SMB: Increasing Profitability by Focusing on Customers

The customer experience is critical

How are companies capitalizing on the customer-centric opportunity? By managing the customer experience. According to Peppers & Rogers Group, the customer experience represents all of an individual customer's interactions with a company and its brand over time. Customers view a company as a single entity, not as a collection of departments or offices. Regardless of where (channel), when (across the entire customer lifecycle) or with whom (sales, marketing, service, billing, management, etc.) an interaction occurs, the customer expects that interaction to pick up exactly where the last one left off. (Refer to chart on page 3) "It has to be a seamless experience, which requires employees to have access to customer information up front," says Carroll. "They

"To remain competitive, you must figure out how to keep your customers longer, grow them into bigger customers, make them more profitable, and serve them more efficiently."

**Don Peppers and Martha Rogers, Ph.D.,
Founding Partners,
Peppers & Rogers Group**

must be able to identify the value and needs of a customer and deliver the best response, whether it's fast resolution of a service issue, follow-up to a marketing campaign, cross-sell, up-sell, etc."

Managing customer experiences to build profitable relationships is the path to differentiation and growth. The payoffs are well documented. For instance, a recent, multi-industry study by The Wharton School found that reducing customer attrition by 5 to 10% could increase annual profits by as much as 75%. A 2005 Accenture study on the impact of customer relationships on company performance

found that 38% of the difference in shareholder value between high- and low-performing companies is directly linked to the ability to enhance customer loyalty.

The Challenges Facing SMBs

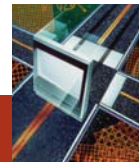
Can SMBs expect similar rewards? SMB decision makers certainly think so. According to Gartner, the CRM market for SMBs will grow 28% per year through 2008.² Research indicates that the objectives of these investments focus on customers. Aberdeen Group reported that boosting customer satisfaction and revenue is the number one issue on the minds of SMBs. Recent research by Cisco, Microsoft and GCR (formerly Gartner Customer Research) found similar trends. According to the study, SMBs' top business priorities are to increase customer satisfaction and to lift sales and top-line growth by expanding their share of wallet with current customers and acquiring new, high-profit customers. The key to achieving these goals is to deliver companywide access to 360-degree customer views. This enables frontline employees and management to work together to acquire, grow and retain customers and increase profitability.³

Organization-wide customer focus... 360-degree customer views... Objectives like these represent new ground for many SMBs. Historically, several challenges kept SMB's CRM plans in check. The first is limited resources. Only enterprise-sized companies with deep pockets, more staff and ample time could

take on broad, customer-focused initiatives. In other cases, data silos, poor integration or low adoption were to blame. All combined, these challenges blocked SMBs from becoming customer centric. Visibility into customer information was limited, employees were unable to collaborate around customers, and managers could not get the insight needed to make customer centricity a reality.

A matter of survival

This must change if SMBs are to survive, much less grow. Traditionally, SMBs compete by taking advantage of their size to meet customers' needs quickly and with a personal touch. It's allowed them to stay one step ahead of lumbering, impersonal enterprises. It has also helped them to retain a core set of long-standing, high-value customers. But these advantages are fading, and fast. "Enterprises are finally getting CRM right, making customer centricity mission critical for SMBs," says Carroll. "They must build 360-degree customer views and deliver a superior customer experience. Otherwise, they run the risk of losing customers to large enterprises able to back up their wide array of products and services with personalized support."



The Customer-Centric SMB: Increasing Profitability by Focusing on Customers

Unified Voice and Data: The Customer-Centric SMB

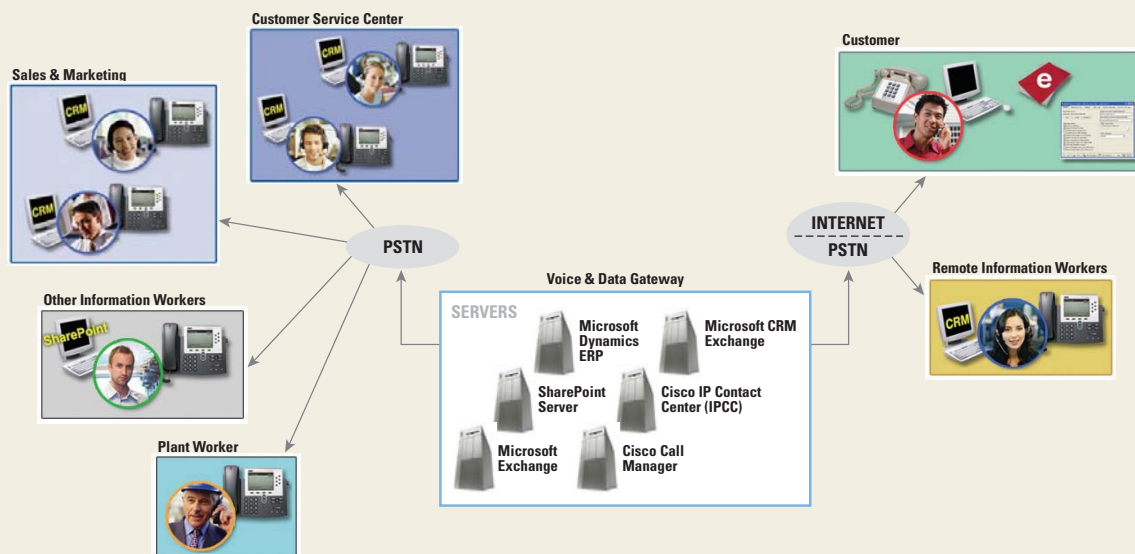
The convergence of IP telephony (voice) with CRM solutions (data) erases many of the obstacles to achieving a customer-centric SMB. "IP telephony tied to CRM opens up opportunities to SMBs that were formerly out of reach," says Peter Alexander, vice president of Commercial Marketing, Cisco Systems. "Voice and data infrastructures can be combined on a single, converged IP network, which is more efficient and more cost-effective than maintaining two separate networks." Research studies indicate that many SMBs agree. A 2005 study by InfoTech found that the IP-telephony market among U.S. SMBs is growing at a compound annual growth rate of 42%.⁴

With cost and complexity down, SMBs are entering territory traditionally reserved for enterprises. "The only way to survive is to win and retain customers," says Matt Pease, Regional Vice President, US SMSPP, Microsoft. "SMBs are being forced to compete with enterprises for valuable customers. Technology offers SMBs the ability to take on enterprises without taking on

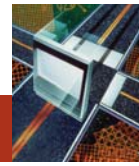
significant costs." There's a revenue component as well. "Seventy percent of all customer interactions take place over the phone," says Alexander. "By using Cisco IP telephony and Microsoft CRM to access a customer's information on the fly, employee productivity and customer satisfaction go up."

When a customer calls, the Cisco IP phone patches into the Microsoft CRM system and up pops the customer's profile on the LCD or a directly on a CRM User Interface (UI). Since phones are on every desk, any employee can view a complete communications history between the customer and the SMB. The same information also is accessible remotely, so sales and service personnel in the field also can tap in fast. "No more losing revenue because data is locked away," says Pease. "Rather than shuffling through files, employees can focus on meeting customers' needs." Any new information is uploaded back into the system, so the *next* interaction picks up where the last one left off, creating a superior customer experience.

Converged Voice and Data at Work



By connecting formerly disparate systems and data, IP telephony and CRM gives employees the information they need, when they need it. This enables employees to collaborate around customers, deliver a superior customer experience and drive higher profit.



CASE STUDY

GreenStone FCS Turns Customer Experiences into ROI

It's a classic SMB dilemma: How do you scale the business and raise profits without jeopardizing the close customer relationships at the very heart of your success?

A few years back, East Lansing, Michigan-based GreenStone Farm Credit Services (GreenStone FCS) faced this very challenge. GreenStone FCS is the result of mergers of several Michigan and Wisconsin-based Farm Credit Associations. The company grew to include 400 employees at 36 branch offices dedicated to providing over 17,000 customers with agricultural loans, insurance and financial services. GreenStone FCS executives quickly recognized the task before them: to operate as an efficient, profitable business while preserving the small-town intimacy of its customer relationships.

New systems needed

At the time, the GreenStone FCS systems weren't up to the task. Customer information was scattered across a number of branch offices and various, disconnected databases. "Many of our business applications and financial systems were completely separate," says Dominic Roberts, Director of Information Services, GreenStone FCS. "Service representatives had to open multiple applications to get a complete picture of a customer. That was how the process worked when our financial services officers had fewer customers, but it doesn't cut it with the number and complexity of relationships that they now manage."

The phone system was in similar shape. "Effectively, we had 37 disparate, disconnected telecom systems," says Travis Vivian, GreenStone FCS Infrastructure Manager. "We had different technologies, different capabilities, different design methodologies, and different maintenance contracts for each system." Maintenance costs from the disparate systems ran high, and TCO was pushed up even further because site-to-site calls were long distance.

"By the time representatives say, 'Thank you for calling GreenStone,' they have a complete, 360-degree view of that customer."

**Dominic Roberts, Director,
Information Services, GreenStone FCS**

Convergence takes hold

To support its growing business and preserve the small-town relationships customers expect, GreenStone FCS decided to connect all branch offices via a single, converged voice and data network. GreenStone FCS rolled out Microsoft CRM to provide 360-degree views of individual customers that include the financial products they use and their specific business needs.

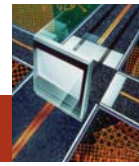
The company also uses the customer views to target marketing campaigns and to run reports that tie customer activities back to the campaigns.

Voice is the second half of the equation. GreenStone FCS turned to Cisco to connect its CRM solution and capabilities with an IP-phone system. Every service-related call, inbound or outbound, is matched with an up-to-date customer profile. "By the time representatives say, 'Thank you for calling GreenStone,' they have a complete, 360-degree view of that customer," says Roberts.

Customer experience connections

It adds up to a more consistent and satisfying customer experience. "We offer many specialists to better serve our customers," says Vivian, "but we don't staff them at every branch. With this solution, we can virtualize those delivery teams and transparently connect customers to the specialist they need, no matter where they're located."

Roberts anticipates GreenStone FCS will collect a 100% ROI within 8 months on its IP communications investment alone. It is also benefiting from its investment in CRM. The SMB has reduced loan application processing times by 50%, increased the speed of common queries by over 70% and cut IT management costs. As results turn into growth, GreenStone FCS isn't losing sight of its customers. "Our entire business is based on relationships," says Roberts. By using converged data and voice to deliver a superior customer experience, GreenStone FCS is making sure that doesn't change.



The Customer-Centric Company Roadmap

Converged voice and data open the door for SMBs to increase sales and profitability by delivering a superior customer experience. But technology isn't a silver bullet. SMBs must tackle some long-standing obstacles in order to reap the rewards of the customer centric business. Below are four best practices for using converged voice and data to help SMBs overcome information, integration, cost and adoption hurdles.

1. Know your customer

Unlike their enterprise counterparts, SMB employees wear multiple hats. Within an SMB, *everyone* must be ready to face the customer, whether it's a company president leading sales calls, IT-savvy marketers helping to solve a technology miscue, or field sales reps doubling as service technicians.

This requires up-to-date, 360-degree views of individual customers that can be accessed by employees up and down the organization chart and across all departments (marketing, sales, service, finance, management, IT, etc.). These customer views include unified email, telephone (including voice mail) and database records so that each employee can "pick up" the relationship where a fellow employee "left off."

Insight equals customer value and needs

Three-hundred sixty-degree views are even more critical when dealing with most valuable customers and high growth potential customers (those able to become most valuable customers over time). To "know customers" goes beyond a purchase history or what happened on the last service call. SMBs also must match this information with insight into the value and needs of different customers. This combination is the cornerstone of customer profitability. For example, the marketing department won't frustrate a most valuable customer with irrelevant offers because campaign managers can see that this customer already has a range of products from the company.

As SMBs increase their customer knowledge and centralize it into single profiles, they can use converged voice and data to

bring that insight to employees. One advantage of an IP Telephony (IPT)-CRM tie is that it can be "information selective," i.e. it calls up the information most relevant to the user making the request. For instance, a billing rep and a sales rep may access the same customer profile, but they each require different information to meet the customer's needs and deliver a satisfying experience. A single, IPT-CRM system relies on screen pops, click-to-dial, call routing, case management and other function-

alities to place the right customer information in front of the right employee at the right time. This customer insight helps SMBs to identify revenue opportunities quickly and increase profit, such as through a cross-sell or up-sell offer during a service call.

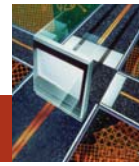
2. Converge to reduce TCO

Integration is a major cost point for SMBs and enterprises alike. But SMBs have had fewer options for tackling integration, especially when it comes to PBX-based phone and CRM systems. Traditionally, PBX and CRM had to be maintained on separate networks. Total Cost of Ownership (TCO) was high because two separate networks required two separate support staffs, separate training and multiple service contractors. As a result, it didn't make financial sense to tie PBX and CRM together because systems integrators and custom code were needed. It also left many companies unable to get information out of silos and in front of customer-facing employees at the right time.

SMBs can reduce TCO by migrating voice and data infrastructures to a converged IP network. With a converged, integrated network, there is only one network to manage and one system to train technical employees and end users to use. Customer information and insight are more centralized, and TCO drops as SMBs do more with less. Resource costs in terms of dollars, people and time go down, which falls right to the bottom line. More importantly, an efficient organization is a more effective one. A range of functionalities help customer-facing personnel to meet the customers needs quickly, including Click to Dial, CRM computer screen pops at the time of the call, call duration, customer relationship tracking, new customer record creation, and IP phone displays.

"IP telephony tied to CRM opens up opportunities to SMBs that were formerly out of reach."

**Peter Alexander, Vice President,
Commercial Marketing,
Cisco Systems**



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3. Keep it intuitive to ensure internal acceptance and adoption

Whether a company is deploying a new solution to 5,000 users or 5, it has to be adopted to realize any business value. Solving the adoption problem often boils down to one question: Is the technology intuitive? That is, does it easily fold into existing processes and “work the way you do?,” asks Pease.

Technology is intuitive if it doesn’t require users to take extra work steps to include it in everyday processes. If a new solution interrupts workflow, it’s a safe bet that it will not be adopted. Integration with the tools already in use by employees also makes a technology more intuitive. Smooth information flow also raises the intuitive bar. Adoption goes up when a technology is able to give employees the information they need, when they need it. For example, can shipping confidently tell a most valuable customer when a package will arrive? Can marketers use past customer behavior to spot an unprofitable campaign *before* launch? Can sales reps access a customer’s purchase history while on the road?

Converged voice and data helps SMBs spark adoption in several ways. The telephone is already in widespread use across the organization, so it’s intuitive to existing processes and employees. “The telephone also is intuitive for customers, who still choose it as their preferred interaction medium” says Cisco’s Alexander. But IP is only half the equation. The CRM solution has to be intuitive and able to melt into existing workflows. “Microsoft Dynamics CRM 3.0 is designed specifically to ‘work the way you do’ and to ‘work the way your business does.’ This means being quick to deploy, easy to manage and enabling consistent processes. Having the look and feel of Outlook is a key component to getting these done,” says Microsoft’s Pease.

4. Track performance

To acquire, retain and grow customers profitably, SMBs must get smarter over time. At each interaction, a customer

provides the company with more insight into her needs and preferences. This insight has to travel from the front lines to a single, customer profile accessible to all customer-facing employees. But any company, regardless of size, must also track the performance of people, processes and workflows to determine how well they are meeting customers’ needs and delivering a satisfying customer experience.

Customer interactions happen across multiple channels and departments. Performance tracking must also span the entire SMB. Since a converged voice and data network ties directly to both the telephone and a CRM solution, SMBs can track performance across the organization. This includes business activity and employee performance for an inside sales team, call duration and first-call resolution in a contact center, or accurate invoice tracking in billing. It also rolls up to the management in the form of reports and executive dashboards. This level of “informed management” provides decision makers with timely and relevant information to act fast on opportunities for improving efficiency or capturing higher revenue from customers.

Conclusion: Turning Point

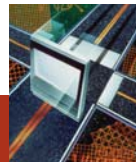
The arrival of converged voice and data could not have come at a better time for SMBs. It is the customer’s world, and products alone are not enough to stay competitive or fend off CRM-savvy enterprises threatening to poach an SMB’s valuable customers. It’s time to up the ante by building the customer-centric SMB over an IP-based network that ties the telephone and customer information together. By combining these formerly disparate systems, SMBs can build 360-degree customer views and deliver a superior customer experience that sends profits higher. ■

¹ Don Peppers and Martha Rogers, Ph.D., *Return on Customer: Creating Maximum Value from Your Scarcest Resource*, Currency/DoubleDay, 2005. Return on Customersm and ROCsm are registered service marks of Peppers & Rogers Group, a division of Carlson Marketing Group.

² Accenture, March 2005. For more information on the study, go to www.accenture.com, 2005 News Releases, “Five Marketing and Customer Management Capabilities Deemed Critical to Enhancing Performance and Customer Loyalty.”

³ Gartner Group

⁴ InfoTech, “CompTIA/IDC Convergent Technologies Research Study 2005.”



The Customer-Centric SMB: Increasing Profitability by Focusing on Customers

Microsoft Dynamics

Microsoft Dynamics is a line of financial, customer relationship and supply chain management solutions that helps businesses work more effectively. Delivered through a network of channel partners providing specialized services, these integrated, adaptable business management solutions work like and with familiar Microsoft software to streamline processes across an entire business.

Microsoft

Founded in 1975, Microsoft (Nasdaq "MSFT") is the worldwide leader in software, services and solutions that help people and businesses realize their full potential.

Cisco Systems

Cisco Systems, Inc. (NASDAQ: CSCO), the worldwide leader in networking for the Internet, this year celebrates 20 years of commitment to technology innovation, industry leadership and corporate social responsibility. Information on Cisco can be found at <http://www.cisco.com>. For ongoing news, please go to <http://newsroom.cisco.com>.

For more information about this solution, please visit www.ciscomicrosoftsmb.com

Peppers & Rogers Group

Peppers & Rogers Group is a management consulting firm, recognized as the world's leading authority on customer-based business strategy. Founded in 1993 by Don Peppers and Martha Rogers Ph.D., the firm is dedicated to helping companies gain competitive advantage by identifying differences within their customer bases and using that insight to maximize the value of each customer relationship.

In 2003 Peppers & Rogers Group was acquired by Carlson Marketing Worldwide, the leader in relationship marketing. Peppers & Rogers Group's customer strategy expertise combined with Carlson Marketing Worldwide's implementation capabilities offers an end-to-end solution for clients that are working toward the development and deployment of best-in-class, customer-based business strategies.

More information about the company can be found at www.1to1.com