E-CRM: Driving Customer Value Through the E-Channel

Customer relationships are now a mix of online and offline interactions — the Web, wireless phones, call centers, faxes, face-to-face sales and brick-and-mortar locations. Enterprises must acknowledge and cater to customers’ multichannel buying process.

Management Summary

To succeed in an increasingly complicated business environment, enterprises must acknowledge — and cater to — the multichannel buying process of their customers and prospects. Customer relationships have become a blend of online and offline interactions, involving any or all of the following — the Web, wireless phones, call centers, faxes, face-to-face sales calls, kiosks and brick-and-mortar locations.

Such a menu of customer touchpoints stirs confusion and poses challenges for enterprises. As customers and prospects pass in and out of the contact process, enterprises must continually identify and distinguish the buyers from the lookers, understand what the customer perceives as valuable, and apply the best tools and processes to let them win customers while locking in their loyalty.

Of the many channels available to the customer, the Web becomes key to an overall customer relationship management (CRM) approach that integrates offline and online activities into a successful, multichannel CRM implementation.

This Strategic Analysis Report focuses on how the Web can enable CRM goals, and examines the following Key Issues:

- As customers reach businesses through an ever-increasing number of electronic channels (e-channels), how will enterprises manage the increasing complexities of customer interactions to drive value?
- How will enterprises manage their e-channel initiatives as an integrated part of a coherent CRM strategy?
- What technologies and vendors are available to enable a CRM initiative to support the e-channel component?

The Strategic Planning Assumptions contained in this report include:

- Through 2004, 85 percent of enterprises that view their Web sites as entities separate from other channels will fail to achieve a measurable return on their investments (0.8 probability).
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- By 2004, among the Global 1,000, 85 percent of business-to-business (B2B) relationships and 75 percent of business-to-consumer (B2C) relationships will involve three or more channels (0.8 probability).

- Through 2004, less than 30 percent of enterprises will be able to consolidate multichannel data in real-time data warehouses (0.8 probability).

- Through 2004, the evolution of e-sales, e-service and e-marketing applications will move toward enhancing the multichannel approach of CRM suite applications; a single-channel, e-channel CRM solution that bridges all three disciplines will not emerge (0.8 probability).

- By 2003, vendors that focus on e-channel marketing (including e-mail and wireless technology) will be forced to expand their offerings across channels or be acquired by broader CRM suite solution providers (0.8 probability).

- Through 2003, selling enterprises will be able to attain more than an 18-month lead-time advantage over their competitors by being the first to deploy an interactive selling system (ISS) in their industry or geography (0.7 probability).

- E-service suites purchased today will be outdated and in need of replacement by 2H04 (0.9 probability).
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1.0 Introduction

As the Web has become an essential business channel, enterprises have had to learn what will — and will not — make them a success online. Since the dot-com meltdown, many enterprises are loath to invest in their Web sites, concerned that results won't generate the return on investment (ROI) necessary to justify the spending. However, such trepidation is unwarranted if enterprises learn from the lessons of companies that have failed online. Here's what not to do:

• View the Web as a medium distinct from all other operational areas. If enterprises see the Web that way, they often make decisions and mistakes that they never would have considered in traditional media.

• Treat the Web operation as a separate entity. Enterprises that see the Web as a stand-alone vehicle usually fail to integrate their Web operations with their other channel activities.

Therefore, rather than focus on a single channel as the solution to the overall buying process, enterprises must evaluate each step of the buying process against all available channels, and maximize the effectiveness of each step at every channel level. With each channel, online and offline, playing a symbiotic role in the customer’s buying process, enterprises must develop and exploit efficiencies of customer-enterprise interaction, and the gathering and sharing of customer information.

2.0 The Components of E-Channel CRM

Gartner defines e-channel CRM (e-CRM) as comprising the business strategies and technologies that leverage customer-facing applications through electronic channels, to develop more profitable customer relationships.

New technologies spur an ever-increasing roster of customer contact channels. To cope with the growing number and variety of channels, enterprises must develop strategies to sift from among all customer-facing media to identify those channels most suitable for attaining their CRM goals. Then enterprises must develop steps and processes to exploit each channel to derive the maximum benefit for the customer and the enterprise.

E-CRM is an elusive term. Vendor hype has contributed to confusion and misuse of the label. Specifically, Gartner defines e-CRM as a subset of CRM that focuses on enabling customer interactions through e-channels (most commonly the Web).

The main disciplines of CRM — such as customer service and support (CSS), sales, and marketing — are all represented within e-CRM (see Figure 1). Each discipline uniquely leverages the e-channels to:

• Empower the customer through self-service and interaction efficiencies

• Enable the enterprise to collect and use detailed customer information

To realize true value — for example, to enable a satisfying customer buying environment — enterprises must integrate these efforts to drive consistent interactions between sales, marketing and service across all customer channels.
3.0 Managing Customer Interactions Through E-Channels

**Key Issue:** As customers reach businesses through a growing number of electronic channels, how will enterprises manage the increasing complexities of customer interactions to drive value?

**Strategic Planning Assumption:** Through 2004, 85 percent of enterprises that view their Web sites as entities separate from other channels will fail to achieve a measurable return on their investments (0.8 probability).

The Web is a key enabler of CRM. E-channels have also become a powerful way to provide service to (and gather knowledge about) customers and prospects.

To cope with a sluggish economy, many enterprises have trimmed their operational budgets. Doing more with less makes it crucial for enterprises to mine the vein of customer data to find the most profitable customers and prospects. Tight budgets also motivate enterprises to exploit the cost-efficiency of e-channels for delivering customer service and building customer loyalty and satisfaction. As a result, enterprises are now in position to focus on e-channel initiatives to bolster their offline channels and enhance their CRM strategies.

Although many enterprises adopted the transactional aspects of e-commerce during the 1990s, the greatest opportunity to leverage e-channel interactions lies in developing and sustaining customer relationships beyond the online purchase (see Figure 2). The transaction stage is simply pressing a button. The real work for enterprises is to guide customers through all their decision-making stages, before and after the transaction.
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The e-channel drives relational value to any enterprise through customer interaction and data acquisition.

E-commerce offers value in efficiencies to enterprises on the transactional level only.

E-Channels

- Self-Service
- Collaboration
- Interactive Selling
- Personalized Interactions
- Customer Feedback
- E-Mail Marketing
- Customer Profile Information

Source: Gartner Research

**Figure 2. The Value of E-CRM Channels**

3.1 Customers Rule the Interaction Process

E-channels engender varying types of contact between customers and enterprises (see Figure 3). These customer/enterprise contacts can be grouped into two broad categories:

- **Initiation** — Customer/enterprise Web interactions are typically initiated in these ways:
  - *Directly by the enterprise* — through, for example, an e-mail campaign.
  - *Indirectly by the enterprise* — through, for example, an event-driven application such as an e-mail offer triggered by an anniversary or purchase event.
  - *Directly by the customer* — through, for example, a customer's use of a search engine to find the enterprise Web site.

- **Interaction** — The degree of customer/enterprise Web interaction varies in the following ways:
  - *Self-service* — The customer uses a self-service application, such as an automated system that doesn't involve live, human interaction.
  - *Online community* — A customer interacts with other customers through, for example, a message board or list server.
  - *Collaboration* — The customer engages a live enterprise representative through, for example, Internet chat or assisted cobrowsing (when the service agent and customer view Web pages together).
3.2 E-Privacy Issues

Customers are increasingly demanding a say in whether their personal customer information — such as which Web sites they visit, their e-mail or home address, and their home phone number — can be shared with third parties. Legislation has been enacted in some jurisdictions (such as Minnesota) that requires Internet service providers (ISPs) to obtain the prior consent of customers (the so-called opt-in approach) before ISPs can share personal customer data with marketers or other third parties. Bills with a similar purpose have been proposed in the U.S. Congress and in some jurisdictions in the European Union.

Gartner believes that safeguarding the privacy of customer records will reach critical mass, to the extent that enterprises adopting an e-CRM strategy should begin to develop (if they don't already have them) privacy policies that address customers' privacy preferences. However, online interactions between a customer and an enterprise vary considerably, and may require enterprises to craft different levels for their privacy practices (see Figure 4).

Enterprises should adopt a customer privacy management strategy that intersects policy with technology. Such a strategy should include the different types of relationships and degrees of intimacy that the enterprise has with its customers. Therefore, an enterprise that offers online services, goods or forums for its customers should determine the most appropriate role of privacy in a given stage of its relationship with the customer — for example, browsing, chatting or buying. By doing this, the enterprise weighs privacy policy alternatives in relation to technology.
The following questions typically arise from such an examination:

- Will I allow browsers to browse anonymously on my site? If so, what technological measures are necessary to enable such a policy?
- What partnerships should I form with third parties? An opt-in information-sharing policy may preclude the enterprise from establishing alliances with third parties that choose not to be burdened by customer consent compliance requirements.
- When a customer is involved at a deeper level — for example, a recurring customer who has set up a profile and supplied credit card and shipping information — how will I authenticate and monitor security while maintaining customer information privacy? Customized privacy contracts, privacy intermediary technology, Web application design and third-party Web authorization tools will be particularly important in this context.

4.0 Managing E-Channel Initiatives Within a CRM Strategy

Key Issue: How will enterprises manage their e-channel initiatives as an integrated part of a coherent CRM strategy?

In a challenging economy, many enterprises focus on cost-cutting initiatives — eliminating jobs, product lines, operations or facilities — to achieve their financial objectives. Such an approach, no matter how necessary, nevertheless can undermine the purpose of being in business — to profitably satisfy customers.

Enterprises that evolve from being customer-aware to customer-centric must look to CRM for ways to improve the quality of their relationships with their customers. For example, they will need to develop new ways to interact better, gather information from customers, learn from those interactions and use that knowledge to improve future interactions. Accelerating this evolution to customer-centric attitudes and
behavior puts pressure on business leaders to establish collaborative, real-time relationships with individual customers.

E-CRM lets enterprises leverage the varying efficiencies of electronic customer interaction against the data collection capabilities of the e-channels to build richer, more-effective customer interactions across all channels.

However, along with the benefits, e-channel interactions also pose some unique challenges. In maintaining customer focus, an enterprise must identify the needs and wants of its customers, and tailor its e-channel activities to address those desires (see Figure 5). A savvy enterprise will be able to meet “high-touch” customer needs without squandering the ability of e-channels to drive efficiency throughout customer interactions.

![Figure 5. Customer Personalization vs. Enterprise Efficiency](image)

4.1 The Linear Nature of Customer Relationships

Strategic Planning Assumption: By 2004, among the Global 1,000, 85 percent of B2B relationships and 75 percent of B2C relationships will involve three or more channels (0.8 probability).

Enterprises and customers differ greatly in how they each view the buying process. Enterprises map the process as a zigzag path among channels (see Figure 6). From the enterprise perspective, the customer flits from channel to channel — perceiving the need for a product (or service) in one channel, researching information in another, selecting among models in still another, weighing price differences in yet another and placing the order in a final channel. However, when evaluating the effectiveness of customer interactions, enterprises traditionally focus on the point where the purchase transaction occurs.

That's not the way customers view their buying process. Research shows that, as a customer weighs a transaction, he or she will actually pass through many steps of a process before and after the transaction itself. Only in the context of these steps will a purchase be made. And where the transaction is finalized is merely a matter of convenience.

For example, a woman may be reminded, via a mailing from a favorite retailer, that she needs to buy a dress to wear to a colleague's approaching wedding. She leafs through the retailer's four-color catalog to gather information about various dress styles, lengths, cuts and colors. That weekend, when she's
shopping at her nearby mall, she stops into the retailer’s store to touch the fabric of a couple of dresses to which she’s narrowed her choice.

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Then she weighs which retailer channel will give her the best price. For example, some retailers don’t charge sales tax on goods bought via catalog, and others (such as Coldwater Creek) encourage Web purchases by offering discounts over the purchase price of catalog products. The woman buys the dress she wants through the retailer’s Web site during her lunch hour at work, to take advantage of a high-speed Internet connection. Finally, she arranges for the dress to be delivered to her local store, which she calls for an appointment for final alterations.

Rather than the enterprise's perceived zigzag path, our customer felt engaged in an ongoing "conversation" with the retailer. This conversation, characterized by give and take, is linear — it proceeds from start to finish.
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So as our customer weaves back and forth among the different channels, she sculpts an overall impression of the retailer that will be most strongly influenced by the weakest link in the channel interaction. That puts pressure on enterprises to do the following:

- Offer a consistent level of service across all channels
- Make available historical data on the customer at every potential channel touchpoint so that the customer won't be treated as a stranger at the next interaction.

4.2 Maintaining the Freshness of Customer Data

Strategic Planning Assumption: Through 2004, less than 30 percent of enterprises will be able to consolidate multichannel data in real-time data warehouses (0.8 probability).

Providing up-to-date customer data to an enterprise's many customer touchpoints is a complicated task. Establishing a cross-channel customer data repository involves many of the same issues surrounding any data-warehousing project — for example, identifying all the data sources, and ensuring data quality and data-cleansing requirements.

However, the highest hurdle to achieving an e-CRM consolidated database is the difficulty in making the data updates available on a real-time basis. Most consolidated databases are maintained in a batch mode, where channel data is input and integrated nightly (or weekly). Although such a schedule may be adequate for such personalization efforts as direct mail or other outbound marketing campaigns, it doesn't address the requirements of real-time interactions such as the call center or the Web. Nor does the batch update approach enable real-time product and service offerings, such as financial transactions or last-minute changes to travel arrangements.

Updating a data warehouse in real time, unfortunately, is beyond the reach of most enterprises today. Although initial efforts by some large financial institutions appear promising, the technology for maintaining a data warehouse in real time isn't mature enough yet for widespread adoption, especially for capturing multichannel data.

Enterprises should develop a get-ready plan for real-time data warehousing by focusing today on basic personalization techniques — such as delivering personalized content or optimizing offer delivery — at the channel level. Then, enterprises should begin to integrate those efforts across channels. That will prepare them eventually to enable more personalization efforts in real time.

4.3 Measuring E-Channel Performance

Different channels require different strategies, tactics and metrics to accurately gauge the channel's effectiveness as a customer contact medium. For example, an office supplies retailer scores its customer acquisition and retention efforts with different metrics that match each channel's unique attributes (see Figure 7).

Since this retailer is heavily sales-oriented, revenue growth across the board is essential to achieve economies of scale and, therefore, profits. Financial metrics — such as recency, frequency and monetary value — are a common output of measurement. However, attributes that measure customer interest, channel management process steps and innovations address each channel's differing capabilities and limitations — such as the number of direct-marketing campaigns, the percent of time the Web site is up and running, or stock turnover at the store level. Each of those processes is meaningless if it is mapped to the wrong channel, but each provides compelling data on its channel's ability to attract and retain customers.
Office Supplies Retail Chain  
Objective: Attract customers and then repeat sales

<table>
<thead>
<tr>
<th>Direct mail</th>
<th>Web Site</th>
<th>Branch</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Financial</strong></td>
<td><strong>Customer</strong></td>
<td><strong>Process</strong></td>
</tr>
<tr>
<td>• Revenue</td>
<td>• Number, % Prospects</td>
<td>• Number of Campaigns</td>
</tr>
<tr>
<td>• Profitability</td>
<td>• RFM</td>
<td>• Average Campaign Size</td>
</tr>
<tr>
<td></td>
<td>• Customer Satisfaction</td>
<td>• % Conversion, Cross-Sell</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• RFM</td>
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<tr>
<td>• Revenue</td>
<td>• % Conversion, Cross-Sell</td>
<td>• No. of Loyal Card Holders</td>
</tr>
<tr>
<td>• Profitability</td>
<td>• RFM</td>
<td>• % Visitors Buy Promotion</td>
</tr>
<tr>
<td></td>
<td>• Customer Satisfaction</td>
<td>• Customer Satisfaction</td>
</tr>
</tbody>
</table>

(Sample metrics only)

RFM  Recency, frequency and monetary value

Source: Gartner Research

**Figure 7. E-CRM Measurements**

### 5.0 E-Channel Technologies and Vendors

**Key Issue:** What technologies and vendors are available to enable a CRM initiative to support the e-channel component?

**Strategic Planning Assumption:** Through 2004, the evolution of e-sales, e-service and e-marketing applications will move toward enhancing the multichannel approach of CRM suite applications; a single-channel e-CRM solution that bridges all three disciplines will not emerge (0.8 probability).

As enterprises have exploited technology to facilitate sales, customer service and strategic marketing initiatives, they have spurred a market for packaged applications that integrate such capabilities. Initially, vendors responded by providing point solutions that addressed specific needs — such as e-mail management, interactive chat or Web personalization (see Figure 8).

These types of applications tended to evolve to provide consolidated functionality within the sales, service and marketing disciplines to become mini-suites of e-sales, e-service and e-marketing solutions. In most cases, the suites don’t offer total functionality across the discipline; therefore, point solutions fill the gaps.

Rather than integrating CRM disciplines, the trend now is for vendors to begin focusing on consolidating and synchronizing multichannel functionality with a CRM solution. That will tend to drive the evolution of e-channel applications vertically across channels rather than horizontally across the sales, service and marketing disciplines. The future of e-sales, e-service and e-marketing applications will therefore be to enable the e-channel capabilities of multichannel CRM applications. A single-channel e-CRM solution that offers combined functionality in sales, service and marketing will not emerge.
5.1 E-CRM Vendors

Strategic Planning Assumption: By 2003, vendors that focus on e-channel marketing (including e-mail and wireless technology) will be forced to expand their offerings across channels or be acquired by broader CRM suite solution providers (0.8 probability).

Gartner has updated its e-marketing Magic Quadrant (see "E-Marketing Magic Quadrant, 1H02: Raising the Bar," M-15-4147) to reflect that CRM suite vendors are integrating the e-channel into their overall marketing functionality.

As the Internet has become a key channel to direct online marketing activities, enterprises are looking beyond initial capabilities that unify such initiatives. Now they're seeking functionality that integrates online marketing into a multichannel CRM strategy. By year-end 2003, e-marketing will cease to exist as a market to be considered separately (0.7 probability). E-marketing functionality will instead be integrated vertically into an enterprise's overall marketing activity, rather than horizontally.

Vendors with a background in e-commerce have taken the lead in developing applications that focus on e-channel marketing activities (see Figure 9).

Vendors such as ATG (Art Technology Group), BroadVision and Blue Martini Software show strength, but they're only beginning to address the need to integrate customer data and analytics across channels. Conversely, vendors that offer CRM suites — such as Siebel Systems, PeopleSoft and SAP — are beginning to include the e-channel component in their CRM applications. E.piphany, reflecting its strong roots in the marketing arena, as well as strengths in analytics and personalization, is the only vendor considered a leader, although several vendors are beginning to challenge its exclusivity in this ranking.
Since the Web is the customer touchpoint in which all customer activity can be monitored and recorded, it is becoming the key enabler to analytical CRM. Web CRM data will be used to drive creation of customer profiles across all channels.

Gartner will continue to track the CRM vendors for their growing functionality in e-marketing. In the short term, the following functionalities (see "E-Marketing Magic Quadrant: Functionality Requirements," SPA-14-4042) are the foundation of an e-marketing strategy for an effective, long-term CRM capability:

- Web analytics — the means to analyze Web site performance and visitor experiences.
- Customer analytics — the ability to capture and analyze data from multiple customer touchpoints to create a customer profile.
- Personalization — the tools needed to use customer profiles to help target and increase customers' loyalty and improve relationships with profitable customers.

As customer demand grows for consistent multichannel relationships with enterprises, those that deploy e-marketing strategies from a single-channel perspective will be at a competitive disadvantage. Through 2004, enterprises that buy or build e-marketing functionality without a strategic path to CRM integration can expect to deploy a new solution within three years (0.7 probability).

5.1.1 E-CRM Case Study: QVC.com

QVC, founded in 1986, is a large retailer that sells goods 24 hours a day via cable TV to more than 82 million viewers in the United States. An additional 40 million viewers access QVC via TV in the United Kingdom, Germany and Japan. In 2001, QVC generated $3.9 billion in revenue.
QVC continually monitors customer demand and readiness for new channels, which led the company to establish an Internet unit, QVC.com, for the purchase of products over the Web. QVC.com also enables customers to check order status and perform order tracking and account management.

**Approach**

In establishing its Web unit, QVC determined that it had to ensure its Web operation created a loyal community of shoppers that was based on trust and accessibility. QVC.com took the following steps to build that community feeling:

- Adopted the role of personal buying advisor.
- Refined a consistent brand identity across all QVC channels.
- Promised total buying reliability.

In conjunction with establishing the online channel, QVC also revamped its call centers and integrated them with the Web to provide answers to frequently asked questions, live chat (more than 1,400 exchanges a day), browser navigation assistance and the ability to connect to one of six call centers.

**Results**

In 2001, QVC.com accounted for approximately $200 million in revenue, with an average purchase price of $60 per order — twice the average of QVC's broadcast business. Gartner believes that QVC is winning customer loyalty and repeat shoppers by delivering community, trust and accessibility, which successfully differentiates QVC from its competition.

### 5.2 Interactive Selling Systems

**Strategic Planning Assumption:** Through 2003, selling enterprises will be able to attain more than an 18-month lead-time advantage over their competitors by being the first to deploy an ISS in their industry or geography (0.7 probability).

An ISS integrates a sales content management system, a sales configuration system, a proposal generator and an order management system under one common user interface. Attractive and appealing in its presentation to users, the ISS draws customers into its system (see Figure 10), permits them to present "what-if" scenarios, and enables users to produce custom output based on their needs to paper or electronic format (such as Web pages).

Gartner believes that enterprises that deploy an ISS will gain several advantages over their competitors:

- **Strategic-selling edge** — Sales representatives will be able to easily access, customize and present enterprise data to customers through a forum that enables assisted selling.
- **Multiple-user environments** — For example, an ISS would allow field sales and centralized sales support staff to simultaneously use ISS-based functionality.

Enterprises should consider how vendors will support their established sales channels through 2007, and also consider which sales channels they might be adding.
5.2.1 Interactive Selling Systems Case Study: Cisco Systems

To attain significant revenue growth, Cisco determined it needed to change its Web-based architecture to a more scalable technology. Such a change would enable salespeople and customers to configure networked solutions, and not just components. Cisco's sales configuration deployment raised concerns about implementation, scalability and functionality.

The implementation challenge centered on two separate configuration engines that required customer orders, for example, to be invoked in multiple configuration applications. Such duplication boosted the total cost of ownership of Cisco's Web site. Other challenges that Cisco faced included limited buying advice for online customers and lack of support for solution selling by Cisco's sales representatives.

**Approach**

First, Cisco's project team, which was composed of representatives from customer advocacy, IT, sales and manufacturing, defined the metrics to measure deployment success — customer satisfaction, speed, response rates, navigation, ease of configuring a product, error messages and business value (see "Cisco Upgrades Sales Configurator to Increase Revenue," CS-13-8664).

Then the team developed a request for quotation (RFQ) that contained 300 questions. Cisco considered vendor viability, costs, implementation track record (heavily weighted toward business functionality requirements) and technology architecture. The RFQ was distributed to nine vendors. After evaluation, Cisco chose Selectica for a five-week pilot and later awarded Selectica a contract to help consolidate Cisco's disparate configuration systems into a common application to improve customer experience, reduce response times and streamline time to market for bundled solutions.

During implementation, Cisco decided to use its own configuration modelers with advisor support services from Selectica. The decision was made because Cisco wanted to reduce knowledge transfer issues associated with using a third-party external service provider.
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Results

Once the project was completed, overall end-user satisfaction with Cisco's Web site increased from 3.1 to 4.0 (on a scale of 1 to 5, with 1 being poor and 5 being excellent). Customers also applauded the increased ease of configuring a product (with ratings that rose from 2.8 to 4.1). Users experienced an average 20-percent improvement in performance.

The Cisco case demonstrates three fundamental principles for deploying sales configurators:

- Evaluate vendors' detailed capability to model the configuration problem.
- Focus on functionality that will help salespeople sell and customers buy.
- Do not deploy multiple-configuration solutions unless you're willing to suffer the consequences.

5.3 The E-Service Market

Strategic Planning Assumption: E-service suites purchased today will be outdated and in need of replacement by 2H04 (0.9 probability).

Enabling efficient and cost-effective customer service in electronic channels is fast becoming an enterprise requirement. Consequently, the e-service market is growing and changing rapidly.

Gartner sees three trends that are shaping this market:

- Rapid market growth — revenue will likely grow fivefold by 2004.
- A shift toward integrating e-service capabilities into CSS offerings.
- A drive to incorporate new technologies to aid the automation of responses.

All these trends funnel into one key vision — to make e-service offerings a part of customer service solutions (and no longer stand-alone products), and to use them to automate as many interactions as possible. By 2005, 35 percent of e-service solutions will be implemented within customer service solutions (0.7 probability).

More than 60 vendors are now in the e-service field, including providers of point solutions (such as e-mail response management systems, Web self-service or interactive chat) and companies that offer packaged suites (see Figure 11).

In evaluating these vendors, Gartner first looks at self-service capability and then escalation ability in the event of the self-service channel's inadequacy. In addition to fulfilling the e-service model, vendors must also be financially stable and have the appropriate level of partnerships to complement their suite for other channels and applications. Finally, vendors must adhere to enterprise-level architectural standards and provide an open application programming interface for integration with other components.

The market is fragmented. Gartner believes that consolidation will occur through 2004, with the number of vendors reduced by 80 percent through mergers, acquisitions or business failures (0.8 probability). With the e-service market in transition, enterprises should proceed cautiously in evaluating vendors and the viability of their products (see "E-Service Magic Quadrant Evaluation Criteria," M-14-6642).
**Inclusion Criteria**
- Must have ERMS, chat and self-service natively
- Must have integration with two of the following: telephony, front office and CRM
- Must have minimum of three references for product
- Must have growing revenue for past two quarters

**Evaluation Criteria**
- Architecture: J2EE
- Financials: stable and profitable
- Technology: centralized model
- Vision: linguistics, automation
- Deployment: ESP relationships
- Target market: clear value proposition and adoption rate
- Vertical expertise
- Strategic partnerships

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Source: Gartner Research

**Figure 11. E-Service Vendor Magic Quadrant (North America)**

### 5.3.1 E-Service Case Study: Charles Schwab

The brokerage firm Charles Schwab has increased the number of clients dramatically each year, fueled by the U.S. stock market boom of the 1990s. Calls into its call center have doubled every 18 months.

In regularly examining call volumes and content queries, Schwab identified that most calls were from people new to investing, who were requesting basic research and comparison information to better understand the investments they were considering. Schwab sought a method to redirect basic research queries to its Web site. Its goals were the following:

- Use the Web to provide excellent customer service.
- Reduce call center costs.
- Refocus call center operations on client trading.

**Approach**

Schwab called on iPhrase Technologies, provider of Internet search and navigation software, to develop the means to achieve its objectives. After studying options, Schwab asked iPhrase to do the following:

- Create a dictionary of financial terms and jargon.
- Leverage the dictionary to allow users to ask for research in nontechnical financial terms to avoid the need to understand technical terms (such as call risk or return on equity). To enable that, iPhrase...
provided a natural-language-processing search engine that allowed neophyte customers to interact with Schwab's Web site without knowing exactly what they were looking for.

- Enable more knowledgeable customers to use the same search engine to quickly seek out more advanced information.

Results

Schwab realized substantial savings from migrating basic inquiries from the more costly call center operation to the more cost-effective Web site. In fact, the savings were so substantial and quick in developing that Schwab achieved a positive ROI within six months. In addition, customers rated the system as "very good" or "excellent" as a substitute for contact with a customer service agent.

6.0 Conclusion and Recommendations

Enterprises should incorporate the Web, along with their other electronic channels, as essential components in realizing their CRM strategy. E-channels must be integrated with other customer contact media to enable customer value and build customer loyalty and repeat business.

Gartner offers the following recommendations:

- Consider e-CRM to be a subset of CRM.
- Exploit e-channel efficiencies and data collection capabilities to improve the interaction and learning cycle with customers.
- Establish an e-CRM strategy that enables customers to interact with your enterprise in the way they prefer, not the way you dictate.
- Adopt basic personalization techniques, such as delivering personalized content or optimizing offer delivery, at the channel level first. Then expand these efforts to integrate them across channels and eventually realize personalization capability in real time.
- Ensure that interactions through e-channels are consistent with those of other channels to deliver relationships that are linear from the customer perspective.
- Partner with an experienced, visionary e-service vendor that has demonstrated financial and technical stability.
Appendix A: Acronym Key

B2B    Business-to-business
B2C    Business-to-consumer
CRM    Customer relationship management
CSS    Customer service and support
E-CRM  E-channel customer relationship management
ERMS   E-mail response management system
ESP    External service provider
ISP    Internet service provider
ISS    Interactive selling system
J2EE   Java 2 Enterprise Edition
RFM    Recency, frequency and monetary value
RFQ    Request for quotation
ROI    Return on investment