



What Comes After CXM? Helping Customers Help Other Customers

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Thirty years ago, large global companies began building data warehouses—centralizing the information they gathered from customers in marketing, sales, and service interactions. About 10 years later, these firms began analyzing this data using customer relationship management (CRM) systems. Their aim: to increase revenue by identifying the most profitable, highest-value customers and to provide them with more targeted care and attention. The result would be a better customer experience, greater loyalty, and higher lifetime customer value.

Over the past 10 years, the rise of smartphones and social media has pushed companies to launch customer experience management (CXM) initiatives to improve and synchronize customers' offline and online experiences and optimize touch

points. Where CRM reacts to customer-initiated sales and service interactions, CXM takes a *proactive* approach—for instance, by monitoring and sometimes facilitating interactions on social media, discussion boards, or product review sites.

As CRM and CXM have become must-haves, many companies are now wondering how they can further differentiate and outdo their competition. This is especially important today because those competitors are also leveraging their own CRM systems and CXM touch points. We believe that the next logical step is for companies to provide value to their customers by using the customer data they've already collected, and then helping those customers engage productively with other customers.

We refer to this as inter-customer relationship management, or ICRM to use an acronym. Many companies have done this for years, but in an ad-hoc way. For example, a mortgage banker might provide a list of local contractors to a customer with a home equity line of credit who is building a home addition. Or a home improvement store manager might recommend an electrician to a customer interested in upgrading their home's lighting. Other firms, such as large investment banks and enterprise software companies, hold annual conferences that let customers network with each other. In these events, customers form relationships with other customers, some of which lead to business.

But with ICRM, we propose a deeper, more rigorous and more systematic approach to making these customer-to-customer business transactions happen. We believe that companies which offer ICRM capabilities will see a big rise in customer loyalty and profitability. Customers whose businesses thrive thanks to a supplier's ICRM program will have the resources and the motivation to do more business with that supplier.

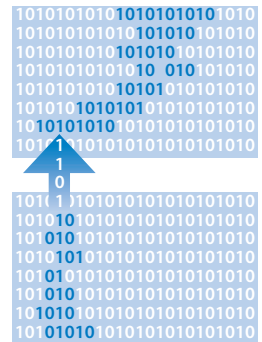
Taking Customer Relationships to the Next Level

To be sure, in pursuing their ICRM opportunities, companies cannot try to be all things to all people. An aircraft manufacturer might learn that a customer is not happy with his legal representation, but that doesn't mean the manufacturer should acquire a law firm to offer legal services. But we do believe many companies have insights from the customer data they collect to identify customer needs that they cannot resolve themselves. What's more, we believe these companies could introduce those customers to other customers of theirs that stand to be rewarded with both future revenue and increased loyalty.

What would ICRM look like in practice? Large companies would take existing customer data and adopt protocols for collecting new data on unfulfilled customer needs—needs that go beyond their ability to satisfy. Then they would use that data to generate insights about potential business synergies among customers.

It's important not to confuse ICRM with similar-sounding models. ICRM is not synonymous with consumer-to-consumer (C2C) commerce. C2C applies to platforms like eBay and Craigslist that let consumers buy and sell products (and occasionally services) from one another. Typically, these 'relationships' are isolated and transactional. Hopefully, each party is satisfied with the transaction, but they are unlikely to form an ongoing commercial relationship. By contrast, part of an ICRM program's goal is to help customers forge ongoing and mutually beneficial business relationships.

There is also a difference in scale. While Craigslist and eBay can be used for large-dollar transactions, as the name C2C suggests, they mostly enable smaller consumer-to-consumer transactions. ICRM *could* be used for this purpose, but its real potential is for larger transactions.



Large companies would take existing customer data and adopt protocols for collecting new data on unfulfilled customer needs—needs that go beyond their ability to satisfy. Then they would use that data to generate insights about potential business synergies among customers.

For example, a consulting firm might discover that the CEO of a private equity client likes Swiss watches, but it would not necessarily use ICRM to connect the CEO with another client looking to sell a Swiss watch. Instead, it might use ICRM to connect the private equity CEO with another client—let’s say a Swiss watch manufacturer—looking for an investor. In other words, the ICRM system would generate insights on the CEO’s interests and search its customer ecosystem to see if they align with identified business opportunities.

While C2C platforms offer some protection and guarantees, C2C is largely a buyer-beware world. C2C platforms provide opportunities for participants to rate one another, yet buyers and sellers take a leap of faith when doing business they don’t know on the other side of the transaction. In contrast, we envision ICRM as a walled garden. Customers would know that when they do business with another party, that party has been vetted and chosen for them by a trusted third-party—the company running the ICRM program.

Some companies have begun to recognize the value of facilitating relationships among customers, and have taken small steps in that direction. For years, large software companies such as Oracle, SAP, and Salesforce, and investment banks such as Allen & Co. have held conferences where customers are encouraged to mingle. Many profitable deals have been struck thanks to connections made at these conferences.

While these events and the connections they spawn provide mutual benefit to most participants, they are not ICRM. At a conference, the onus is on customers to seek each other out; they have no way of knowing which of the dozens and sometimes hundreds of attendees would be the best fit for their business needs.

In contrast, an ICRM operator would make specific suggestions, introducing customers to one or perhaps a few fellow customers that are most likely (in the ICRM operator’s ‘data-informed’ judgment) to result in a beneficial business relationship. Data that supported these matches would also be made available to each party.



From Expense to Revenue Source

By operating an ICRM program, a company would be able to help its customers solve pressing needs, grow their businesses and become more profitable. As a result, customers may start to see the ICRM provider as a revenue generator and business partner. In this way, ICRM makes the relationship between the customer and the company operating the ICRM system stickier. Customers will be less likely to move if they know their fellow customers are potential new business opportunities.

The Internet has made it easy for customers to find alternative vendors. It has also given out-of-market players new opportunities to enter service sectors like banking and insurance, and quickly siphon off customers. Consequently, customer retention has become even more critical to every company's bottom line.

Studies show that acquiring a new customer costs anywhere from five to 25 times more than retaining an existing one.⁸²

To the extent that ICRM can improve customer satisfaction, it has a good chance of also increasing customer retention. A 2016 study found that retailers and publishers which increased spending on customer retention in the last one to three years had an almost 200% higher likelihood of increasing market share than those that increased spending on customer acquisition.⁸³

⁸² Harvard Business Review, The Value of Keeping the Right Customers, October 29, 2014, accessed April 20, 2017, <https://hbr.org/2014/10/the-value-of-keeping-the-right-customers>

⁸³ Forbes Insight, Retentionomics: The Path to Profitable Growth, 2016, accessed May 18, 2017, http://me.sailthru.com/rs/362-ZZF-167/images/Sailthru_Retentionomics_Forbes_Insights_Path_to_Profitable_Growth.pdf?aliid=2844907

How to Build an ICRM Program

So what does it take to implement a robust ICRM?

First, it requires a digital engine for automating the large-scale identification of inter-customer business opportunities. This engine should be able to incorporate social media monitoring and text analysis.

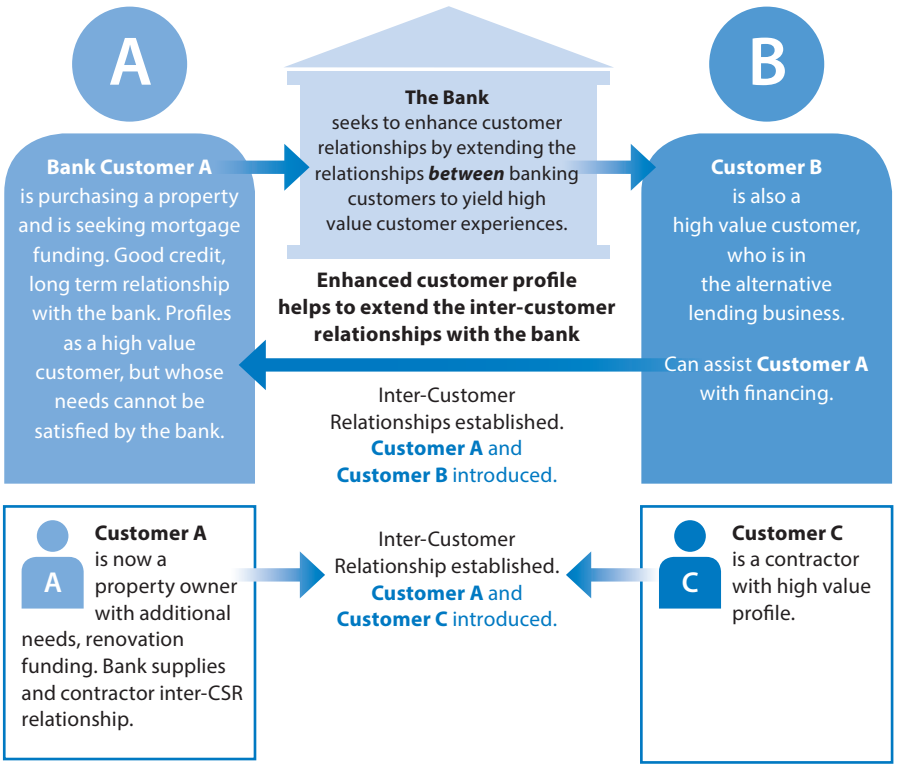
Many companies monitor social media to keep tabs on customer sentiments and respond to nascent PR problems. In an ICRM context, social media allows companies to identify not just customer complaints, but also unmet needs. In some cases, the company itself might be able to fill those needs; in others, it could use its ICRM program to find another customer that can.

For example, a bank monitoring a customer's Facebook feed might learn that its customer is planning an addition to his home. For the bank, this is a dual opportunity: first, to provide a loan, and second, to find building contractors who are also bank customers. The bank, then, could offer to connect suitable contractors to customers who are expanding their homes. Figure 8 shows how ICRM could increase value for a bank customer working as a contractor.

To reach ICRM's full potential, you'll need technology that can gather and analyze unstructured data. You'll also need to enhance your customer profiling to gain better visibility into the products and services (and their quality) that your customers can provide to other customers.

Ideally, your ICRM program should also be able to track these referrals to see whether they have generated the desired business benefits for your customers—a key indicator of program success.

Figure 8: What ICRM Might Look Like at a Bank



Key Concepts:

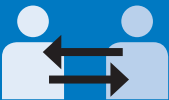
- Enhanced customer profiling
- Inter-customer relationships
- Extended relationship mapping

Benefits:

- Promotes higher success rate of positive CX
- Helps increase each customers value to the bank and financial value to both the bank and to themselves
- Adds to bank revenue/profit by adding to internal customers finance and ultimately the bank

You'll also need to decide how hands-on you want to be with the administration of the program. For example, do you want to automate the ICRM program so your IT systems can compose and distribute messages to customers when data analysis reveals potential matches between unmet needs and qualified providers? Or do you want a human to vet matches before you make them? Perhaps your company wants to play a larger role in these connections, with a senior manager making the final decision on whether to make the connection, and then facilitating introductions with a call or email?

The Path to Inter-Customer Relationship Management for Financial Institutions



Banks are commonly organized around product groups, so the typical question they ask is, "Who can we sell a CD, credit card, or home equity line of credit to?"

This product-centered approach often leads to uncoordinated, inefficient communications with customers. Secondly, there is very little consideration given to individual customer needs or interests. The net result is often a disappointing customer response, with customers more likely to view marketing activities based on this strategy as an unwelcome intrusion.

'Next Best Action' strategy, on the other hand, is structured around what you know about that individual customer. Customers are only offered financial products and services relevant to their needs and the bank develops a deeper, more valuable relationship with the customer. Initiating this level of insight for an ICRM initiative is not very different from current Next Best Action usage. You are providing an offer that, if accepted, will generate ongoing value for each party in the transaction. In the case of ICRM, that would be the respondent, the other customer and the financial institution that initiates the connection.

How To Start

To begin an ICRM program, make sure your CRM and CXM systems are identifying customer needs your company can't fill, but which other customers might be able to. Marketing, sales, and service functions should understand that capturing this data is a business priority.

The banking industry is well-positioned to take the lead in developing and implementing ICRM programs. The reason is that banks already have processes to vet customer trustworthiness and financial stability. Customers trust their banks to safeguard their money. It would not be a great leap for a bank's customers to extend their trust to fellow customers introduced to them by that bank. In addition, bank officers often develop personal relationships with a wide network of clients through retail branch networks.

ICRM pioneers should expect to tackle several challenging questions. For instance:

- Would customers opt-in to an ICRM program, or would they automatically be registered unless they opted out?
- To what extent would the ICRM operator vouch for each customer when making a connection? And how would the ICRM operator respond if a "match" turned out to be unsuccessful and even acrimonious?
- Should the ICRM program pull from external databases (e.g., the Better Business Bureau or Yelp) to help customers assess recommendations?
- How would customers provide feedback on their ICRM experience? What mechanism could be put in place? Would that feedback be available to other ICRM participants (which is the eBay model)? Or would the feedback only be accessible to the ICRM administrator?

As with any new initiative, ICRM trailblazers will need to experiment to find their way.

In a world where at some point CRM and CXM initiatives are no longer providing significant competitive differentiators, companies that gain a first-mover advantage in developing ICRM programs could add significant value for their customers, and help themselves stand out from the crowd.