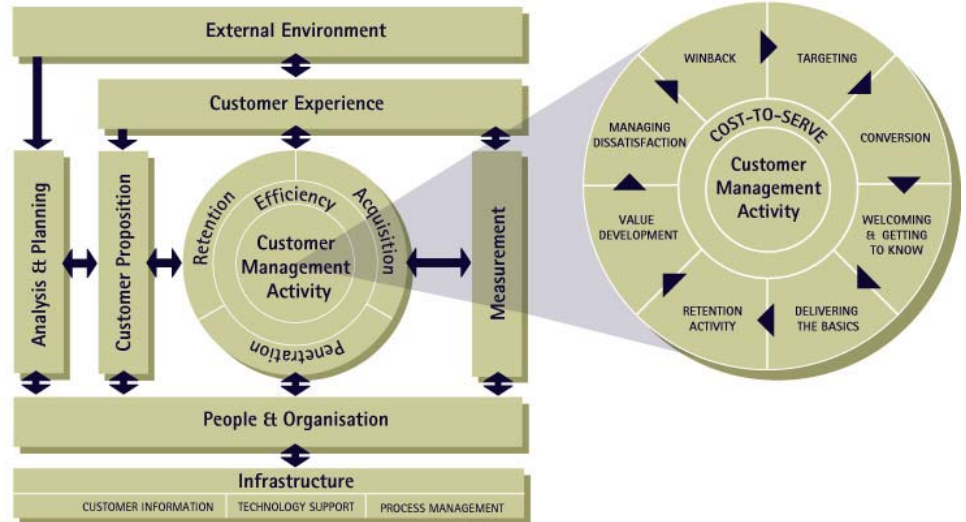# CMAT™ MODEL EXPLAINED

Analysis and Planning

This section covers the organisation's Customer Management strategy development, customer analytics and planning capabilities. Excellence in Customer Management begins with a deep understanding of the nature and value (actual and potential) of existing customers. This needs to be supported by a robust strategy for managing them and clear plans of the type of management activity to be implemented for different types of customers. Planning is most effectively carried out through a good understanding of:

- Acquisition (e.g. generating new revenue from new customers)
- Retention (e.g. protecting repeat revenue from existing customers)
- Penetration (e.g. extending the revenue of individual customers)
- Efficiency (e.g. the efficiency and effectiveness of selling to and managing customers).

We have re-ordered these headings and given them the acronym, REAP. This involves the RETENTION of those customers which the organisation wants to keep; increasing the EFFICIENCY of managing them; ACQUISITION of the right type of new customers and the PENETRATION of those customers who are likely to be of higher value to the organisation. REAP as a concept is very important in customer management, and is often used to drive business plans, business cases, measurement systems and sales and marketing activities, as well as forming the basis for corporate, functional and individual objectives. Specifically, the Analysis and Planning section covers:

- Customer Management strategy and business case development
- Customer value analysis
- Customer and prospect segmentation
- REAP analysis planning activity

Proposition

An organisation cannot focus purely on the features and functions of its products and services in communicating them to staff, prospects and customers. It needs to construct a clear value proposition that appeals to target customers, sets it apart from its competitors and ties its offerings to the real needs and motivations of its current and potential customers.

This section covers the organisation's depth of understanding of how it needs to manage in its Customers. It involves the identification of the most important interactions that it has with its Customers, what customers' needs are during these interactions and how the organisation needs to address these needs. There may be one core proposition and several segmented propositions for different groups of customers (e.g. based on value or need). A proposition normally begins with a set of brand values, and cascades those values down to a level of detail which defines the way the organisation should behave to customers. Propositions impact on people, processes, policies, data and IT. Because propositions need to be defined at a detailed level that drives the experience the customer can expect in dealing with the organisation, its products and its partners or channels, it is critical that the proposition(s) are communicated effectively to both customers and the people who deliver it. Specifically the section covers:

- Customer needs research and analysis
- Moment-of-truth identification
- Proposition development
- Emotional commitment
- Brand stretch
- Proposition communication

Infrastructure

The infrastructure a company develops to manage customers divides into three sections:

Customer Information

Customer Information, in one shape or form, is at the centre of all Customer Management, helping organisations plan, drive and monitor their activities. This section covers the way that the organisation builds and then manages its customer information resources. This will often include a mix of information in areas such as customer transactions (e.g. orders, payments), interactions (e.g.

enquiries, complaints, visits), profile data (e.g. age, job title, spend in category, satisfaction), derived data (e.g. potential value) and externally sourced information (e.g. research data, socio-geodemographic profiling). The section not only looks at the way the information is acquired, managed and used but also at the provisions in place to ensure that it is kept secure and only used within the limitations of privacy regulation that applies to the organisation. The section also looks at the organisation's ability to extend its information management activity into tacit data, the less structured customer information that every organisation deals with everyday but does not always manage well. Specifically, the section covers:

- Data feed management
- List management
- Information planning
- Data quality standards
- Privacy regulation compliance
- Data security
- Tacit knowledge management

Technology support

It is of course true that technology must be seen as a support mechanism in managing customers rather than a management strategy in its own right. However, very few organisations of any scale can afford to implement customer management technology without a well thought through 3-5 year strategy (and customer information plan which looks at how customer data will be acquired, stored, maintained and used in the Organisation).

Technology will be important as a means of supporting staff and channels in managing customers even if the customers themselves never interact with the technology directly. The importance of data and technology increases if there is some aspect of self-management by customers. This section covers the ability of the organisation's customer management technology to deploy customer information in a way that enables the data to be used

effectively. It also covers the constant review processes that are necessary to ensure that the technology deployed is meeting the needs and expectations of customers. Specifically, this section covers:

- Access to the customer database
- Exploitation of new technology
- Integration of new technology
- Technical architecture
- New technology planning

Process management

Process management takes place in every organisation; sometimes this is very structured, with everyone managing the same process (e.g. handling a sales enquiry) in a planned and consistent way, sometimes it is completely unplanned, with individuals managing processes in a seemingly random and inconsistent way. A CMAT™ assessor looks for whether Customer Management processes and practices are in place within the organisation throughout the model, but this specific Process section is effectively about the process of managing all these processes in a coordinated way, ensuring that processes are consistent, comprehensive, not too stifling and continually improving. Specifically, the section covers:

- Process documentation
- Process checking
- Continuous improvement
- Radical change

People and Organisation

People, and the organisational environment within which they work, are critically important elements of customer management. Our research work shows that it is impossible to maximize the return on Customer Management infrastructure and processes without an explicit focus on the staff and channels who deliver the organisations proposition - to a large extent they ARE the proposition! This section covers the organisational and

leadership framework within which Customer Management sits. An organisation's customer management staff need to be recruited, managed, targeted, measured, developed and motivated within this supporting structure.

The section also covers the clarity of strategy and quality of management processes that the organisation has around its outsourcing of Customer Management functions. Specifically, the section covers:

- Leadership and culture
- Organisational structure for Customer Management
- Competency frameworks
- Training plans and activity
- Measures frameworks
- Staff recognition and reward
- Outsourcing strategy
- Supplier management

Customer Management Activity

or how customers are managed day to day

This covers the day-to-day customer management activities and is divided into how customers are acquired, retained and developed, and how efficiently this is done (i.e. REAP). The sections on Analysis and Planning and Proposition should set the context for which customers are to be managed, and how. In the model diagram in Figure 1, this section has been "blown out" to show the constituent parts from Targeting through to Winback.

Customer Acquisition

Without the planning and management of Acquisition activity, 'acquisition at any cost' may result, especially in a sales-led organisation or one that rewards the 'acquirer' of any type of new customers (even potentially loss making ones!). This section covers the targeting of good quality new or previous customers

and the managing of the relationship with them from their first expression of interest right through to their conversion to a customer. It covers the management of enquiries and sales leads as well as looking for measures to prevent low value or high-risk prospects being converted into customers. Specifically, the section covers:

Targeting

- Influencer and Prospect targeting
- Integration of sales targeting and campaign targeting
- Over-targeting policies
- Targeting agreements with channels

Conversion

- Enquiry capture and qualification
- Sales lead distribution and reporting

Sales conversion Winback

- Last minute loss prevention activity
- Customer exit management
- Winback timing and programmes

Customer Retention

The retention of good customers is one of the most cost-efficient ways of driving profit in an organisation but simply retaining all customers at any cost also represents one of the largest areas of wasted investment in business. This section covers the earliest retention activity in the form of welcoming right through to the last attempts to retain customers just before an organisation loses them. It includes the delivery of core basic service as a means of retaining customers as well as the use of specifically developed customer retention programmes. It also covers the management of dissatisfaction in order to reduce customer attrition in this area. Specifically, the section covers:

Welcoming and Getting to Know

- Identification of a new customer
- Customer welcoming process
- Information capture and sharing

Retention Activity

- Building customer understanding
- Customer ownership
- Encouragement of customer involvement
- Rewarding of loyalty
- Risk of loss monitoring

Managing Problems

- Problem definition
- Culture of complaint management
- Complaints process
- Root cause analysis

Efficiency

The acquisition, retention and value development of customers cannot be carried out at any price. If the cost of the activity exceeds the value delivered back to the organisation then profitability will suffer. The management of Efficiency, particularly in terms of the cost of serving customers, is critical to making a profit, even from customers of minimal apparent value. This section covers the active management of the cost-to-serve of customers throughout their lifecycle. Specifically, this section covers:

- Control of proposition creep (e.g. giving high value / high cost propositions to low value customers)
- Customer activity-based costing
- Cost to serve targets
- Cost of poor quality

Penetration

The ability to develop more value from existing customers through cross-sell and upsell activities is critical in an organisation's return on its customer investment. The same

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investment in extending the value of current customers can deliver much more value than the same investment in winning new customers. This section covers cross-selling and up-selling to large numbers of customers where this is relevant, and also covers individual value development of major (key) customers. Specifically, this section covers:

- Use of lead products
- Customer development strategies
- Cross-selling to inbound contacts
- Key account management

Measuring the Effect

Measurement in customer management needs to start with the highest level performance indicators reviewed at board level and to then cascade into tactical measures that drive the everyday activity of the organisation. Measurement of all elements of Customer Management activity enables stakeholders, individuals and channels to understand how well they are performing against objectives and how much they are contributing towards the overall Customer Management success of the organisation. It also forms the feedback into the planning process that ensures continual improvement.

This section covers the measurement of customer management at the most strategic level and also the measurement of individual campaigns, media and channels. Specifically, this section covers:

- Customer management KPI's
- Measures cascade
- Campaign effectiveness measurement
- Channel effectiveness

Customer Experience

Internal measurement activity needs to be supplemented with an understanding of the experience a customer has in dealing with the organisation, and how this might impact on his or her future purchase behaviour. The relationship between what customers say they feel, what they actually feel and what they 'do' need to be clearly understood to encourage customer to buy from you again and again. Without this understanding the organisation becomes very inwardly focussed and the experience cannot be actively managed. This section covers the mechanisms in place to manage the customer experience as well as the organisation's understanding of customer satisfaction and loyalty. Specifically, this section covers:

- Customer experience blueprints
- Channel consistency
- Measuring customer satisfaction and commitment
- Event driven customer research
- Mystery shopping
- Experiencing the organisation

External environment

A clear understanding of the competitive environment and the capabilities of 'best-in-class' organisations help to both plan and execute customer management activity. This section covers the organisation's collection, analysis and communication of competitor information. It also covers the organisation's ability and willingness to share learning with non-competing organisations in all areas of customer management. Specifically, this section covers:

- Competitor information collection
- Competitor analysis
- Customer management benchmarking

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