



Nolan Norton Institute  
A Research Organisation of KPMG

## *It's time for clarity*

You've seen them somewhere before. They look vaguely familiar. Guess what? They're your customers.

Please place in your 1999 copyright line for advertising.

You probably have tons of data that tell you all you need to know about them. You just don't know how to get at it. We'll show you how.

  
It's time for clarity.

# Customer Management Research report

Nolan Norton Institute  
Navigators in Innovation

# Contents

<b>Foreword</b>	<b>1</b>
<b>1 Summary of findings</b>	<b>4</b>
<b>2 Walking the talk?</b>	<b>7</b>
2.1 Ride the technological wave	8
2.2 Know them to keep them	9
2.3 Share of wallet	10
<b>3 The customer is in charge</b>	<b>11</b>
3.1 Make lifetime value your mantra	11
3.2 Deep and meaningful segmentation	11
3.3 Higher satisfaction yields higher profits	12
3.3.1 Complaints are good for business	12
3.3.2 If they're curious, don't let them down	13
3.3.3 Ready, fire, aim	13
3.3.4 Defectors are dangerous	14
<b>4 Freedom of information!</b>	<b>15</b>
4.1 Accounts/Billings/Finance	17
4.2 Sales	17
4.3 Marketing	18
4.4 Product Development	18
4.5 Customer Service	19
4.6 Call Centre	19
<b>5 The way forward</b>	<b>21</b>
5.1 Breaking down the silos	21
5.2 Why do it the hard way?	22
5.3 Employee satisfaction: driving the service-profit chain	22
5.4 Reconnecting strategy and implementation	23

# Foreword

In an era of economic turbulence, hyper-competition and globalising markets, Customer Management has become a critical business issue. Companies that do not manage their customer base effectively now will find themselves seriously exposed in the new millennium.

A company's profitable customers are the key to its future success. Knowledge about the lifetime value of these customers is ideally sourced from a comprehensive Customer Management system. With the shift from mass marketing to one-to-one marketing, companies are now moving towards Customer Management to help them build life-long profitable relationships with their customers.

Technology plays a major role in the selection, acquisition, retention and expansion of 'share of wallet' with these customers. Powerful new Electronic Commerce and Knowledge Management capabilities have created exciting opportunities for cost effectively capturing real-time information and analysing customer behaviour. These capabilities enable companies to offer a two-way value proposition that accurately matches the firm's offerings with both the customer's needs and value to the organisation.

At this stage in the evolution of KPMG's global Customer Management practice, we felt it important to find out to what degree companies in Australia and New Zealand are exploiting available Customer Management systems and strategies. This research is similar to a KPMG Customer Management survey undertaken in the United Kingdom<sup>1</sup>, which showed striking areas of comparability with our results even though the Australasian survey was conducted across a far wider spectrum of industries. The reasons for this correspondence may be the result of cultural similarities between the two countries and the effect of globalisation confronting firms everywhere with the same issues in roughly simultaneous timeframes.

---

<sup>1</sup> United Kingdom KPMG website: [www.kpmg.co.uk](http://www.kpmg.co.uk)

# Objectives and methodology

This Australasian survey was conducted by KPMG's research arm, The Nolan Norton Institute. The survey was undertaken in conjunction with an Executive Round Table on Customer Management issues facing Australian firms.<sup>2</sup>

## **Objectives**

The objectives of the survey were to:

- explore the awareness and sources of customer information in top Australasian organisations;
- understand how this information is disseminated and used by companies, by function; and
- reveal decision-makers' attitudes and strategies towards Customer Management.

## **Methodology**

The fieldwork was conducted between May and June, 1999. Survey questionnaires were sent to the top 2,000 Australian and the top 1,000 New Zealand organisations. A total of 440 completed questionnaires, 226 from Australian organisations (51.4% of total sample), and 214 from New Zealand (48.6% of total sample) were returned and analysed. Results are discussed here as grouped data as no significant differences in response patterns were apparent between participating Australian and New Zealand organisations.

## **Terminology**

A mix of fixed and open-ended questions was used throughout the survey instrument. Multichotomous and dichotomous responses categories were used as well as scale responses. The scales used (as appropriate ) were:

- Extremely Important, Moderately Important, Slightly Important and Not At All Important;
- Extremely Effective, Moderately Effective, Slightly Effective and Not At All Effective;
- Strongly Agree, Agree, Neither Agree or Disagree, Disagree, Strongly Disagree; and
- Fully, Mostly, Partially, Not At All.

---

<sup>2</sup> *The next phase of business evolution: Customer Management White Paper*, Nolan Norton Institute (Melbourne, 1999).

*The charts below illustrate the main characteristics of the respondents.*

<b>Main business activity</b>	<b>Total %</b>
Manufacturing	15.5
Financial services	11.4
Retail distribution	6.8
Wholesale distribution	6.8
Utilities	4.8
Telecommunications	1.8
Information technology	4.5
Health	4.3
Education	2.5
Transport	5.2
Government	10.5
Other	25.0

<b>Annual turnover</b>	<b>Total %</b>
Less than \$10 million	4.0
\$10 million to \$49.99 million	21.0
\$50 million to \$99.99 million	23.0
\$100 million to \$249.99 million	22.0
\$250 million to \$499.99 million	11.0
\$500 million to \$749.99 million	0.6
\$750 million to \$999.99 million	0.4
More than one billion dollars	0.9

## Summary of findings

Organisations in both Australia and New Zealand have major opportunities to profit from better management and use of customer information. While they recognise that customer information is key to business success, organisations are generally poor at using the technology at their disposal to capture and deploy customer information.

### ***Customer information is the key...***

80% of respondents reported that customer information is extremely important to business success, while 16% believe that it is only moderately important.

### ***but companies are failing to unlock its value...***

Only 5% of respondents are fully exploiting the potential of customer information, while the majority (59%) are only partially using it. This may be due in part to the low uptake of technology, with only 40% of organisations having Data Warehousing and 41% with Electronic Commerce capability – foundation technologies for effective Customer Management.<sup>3</sup>

### ***even when they have the technology.***

About half of all respondents indicated they use some form of Customer Management enabling technology to capture customer information: 37% use Sales Force Automation, 40% Data Warehousing, 41% Electronic Commerce and 52% Call Centres. Most (72%) also use 'other' means of collecting information, primarily customer surveys.

### ***Respondents underestimate the value of customer share...***

Less than half (48%) of respondents recognised that it is more important to maximise customer share (the share of potential business with one customer) than market share, while 41% reversed the relative importance of these marketing goals.

### ***yet they believe identifying and retaining the most profitable customers is the top priority.***

66% of respondents rated identifying and retaining the most profitable customers as their most important marketing objective. This was closely followed (at 53% each) by 'improve brand loyalty' and 'create direct point of contact for customers'.

While brand loyalty is still important, it is shifting from being a differentiator to a hygiene factor assuring quality and reliability. The focus is therefore shifting from building brand loyalty to building customer loyalty.

---

<sup>3</sup> *Electronic Commerce – the future is here!*, Nolan Norton Institute (Melbourne, 1999); *Facilitating corporate knowledge – building the Data Warehouse*, Nolan Norton Institute (Melbourne, 1997).

### ***Integration of information provides an holistic view of customers...***

To identify, acquire, retain and expand profitable customer segments is the ultimate objective of an integrated Customer Management system. To achieve this, organisations require a total view of customers that, in turn, demands the integration of separate repositories of customer information. However, results indicate that the level of information sharing and access across functional areas is generally inadequate to meet this objective.

### ***that would enable companies to manage them more effectively.***

Most departments within organisations are only moderately effective or less at using customer information to achieve objectives. Most organisations' Sales Departments indicated that they are only moderately effective at cross-selling. Similarly, most Marketing Departments are only moderately effective at customer retention and identifying actual and potential defectors.

In addition, most respondents' Product Development Departments are only moderately effective at using customer information to design and develop new products. These results indicate a clear disparity with responses regarding the importance of retaining customers and improving brand loyalty. Finally, most respondents are only moderately effective at using customer information captured by their Customer Service Departments.

### ***Few organisations can identify customers at risk of defection...***

72% of respondents cannot identify customers at risk of defection; those who can rely on traditional methods such as satisfaction surveys. These methods may be less effective than newer techniques and their prevalence may explain why only 10% of respondents report that they are extremely effective at measuring customer satisfaction levels. The largest number (53%) are moderately effective, while 4.2% report that they are not at all effective. A further 6% simply do not measure customer satisfaction.

### ***or forecast churn rate...***

70% of respondents are unable to forecast annual customer churn and therefore cannot manage it. This suggests they may not be able to stop defections because they don't know why (45%) or when customers are deserting them.

With increased choice, reduced switching costs, and heightened perceptions and expectations of both value and service levels, customers are becoming increasingly promiscuous. Only 30% of respondents could identify annual churn rate, and of those, 10% lose over 20% of their customers every year. This represents a significant negative impact on profits if these organisations are not managing churn to retain profitable customers.

Research has shown that it costs an organisation up to ten times more to acquire a new customer than to retain an existing one.<sup>5</sup> Organisations with a high annual churn rate (assuming this is not managed churn) can therefore increase profitability by reducing customer acquisition costs and expanding existing relationships through provision of enhanced value.

---

<sup>5</sup> Bain & Co., *Marketing News*, 23 May 1994.

***and they are not managing customer churn through value.***

In explaining customer churn, respondents believe pricing and ease of switching are the most important causes. While these are valid factors, the most effective strategy for combating churn is to offer a stronger two-way value proposition that better matches price, quality and service levels.

Ultimately, the firm's most profitable customers are not the ones who quibble over price, but those who enjoy staying with one supplier as long as their needs are met and expectations exceeded.

***Effective Customer Management strategies must integrate people, process and technology.***

Companies need to make better use of existing and emerging technologies to identify, acquire, retain and expand share of wallet with their profitable or potentially profitable customers. While solutions must be underpinned by technology, they rely principally on cultural factors. Silo thinking, for example, prevents the sharing of information, and legacy systems can perpetuate ideas more applicable to the days of mass marketing.

First, organisations need to change functional mindsets in order to cross-utilise customer information. Silo structures must give way to process-based operations with a common focus on customer satisfaction and service delivery. Similarly, to move to one-to-one marketing, companies must change the perception that price is the most important factor in causing churn (46%).

Second, companies need systems integration capability to allow them to mine their existing data and collect and analyse information on a real-time basis. The disparate systems and lack of coordination in customer databases reflect the gaps still to be bridged before true relationship marketing can occur.

***Opportunities abound – for example, in Call Centres***

The generally low level of commitment to Customer Management principles among Australasian organisations suggests that tremendous opportunities are available to those firms that make a rapid, wholehearted switch to a customer-centric focus. Further advantages are likely to accrue to early movers because they have the opportunity to win and retain the most profitable customer segments.

Call Centres offer a salient example. While just under half of respondents (41%) have a Call Centre, only 52% use it to collect customer information. In addition, Call Centres appear to have the lowest access among functional units to customer databases in other parts of the organisation.

This low level of information integration inhibits the creation of an holistic view of customers that, in turn, is critical to one-to-one marketing, up-selling and cross-selling. These functions are vital to maximising customer share and improving customer satisfaction. Organisations are thus missing the Call Centre's potential as a multi-functional Customer Contact Centre that can implement relationship marketing to enhance customer satisfaction.

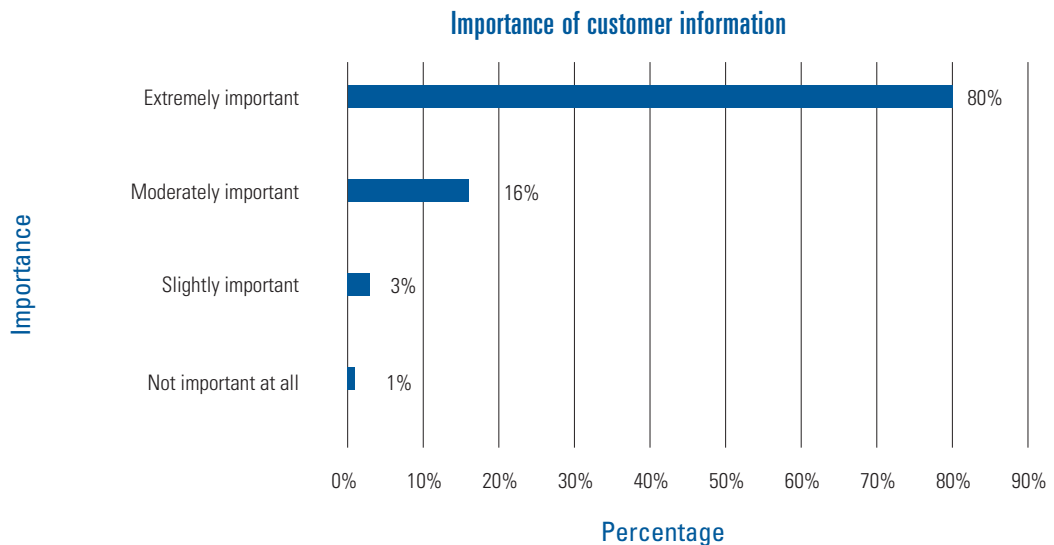


# 2

## Walking the talk?

Because customer information is crucial to business performance, its quality and effective use provide vital indicators of the health of an organisation. Only by having complete information that is integrated and accessible by all functions, especially customer-interface areas such as Call Centres and Customer Service Departments, can a business make effective decisions about customer segments, product, price, channels, and sales and promotional activities.

Somewhat paradoxically, survey respondents, while recognising these imperatives, are not acting accordingly. We asked respondents how important they consider customer information to the success of their businesses. Approximately 80% indicated that customer information is extremely important in this regard, demonstrating a strong recognition that effective Customer Management is the only true competitive differentiator.

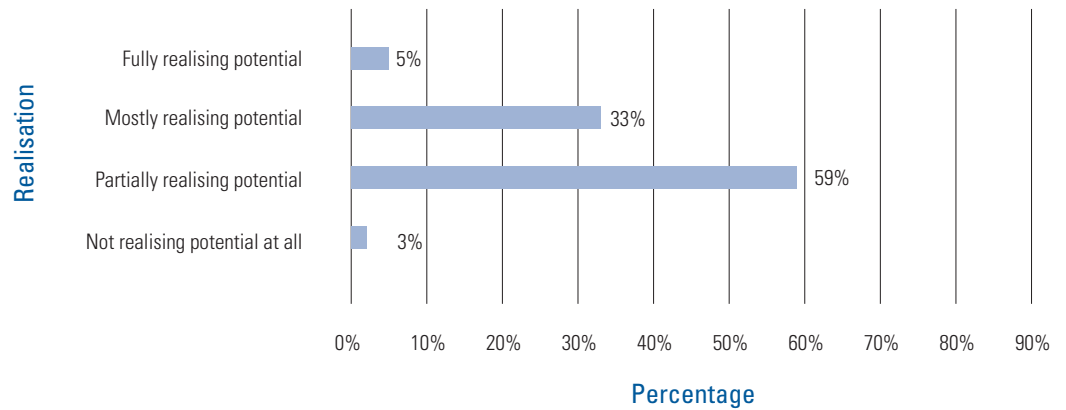


In contrast, only 5% said they are ‘fully’ realising the potential of their existing customer information. 59% of respondents said they are gaining some value from customer information, while only 33% are realising most of this potential. There is considerable disparity between the level of importance placed on customer information and the ability to maximise use of the information.

These figures are also reflected in KPMG’s United Kingdom research.<sup>6</sup> A comparative analysis indicates that in the UK sample 60% of companies are gaining some value from customer information, but only 16% are fully capitalising on it.

<sup>6</sup> www.kpmg.co.uk

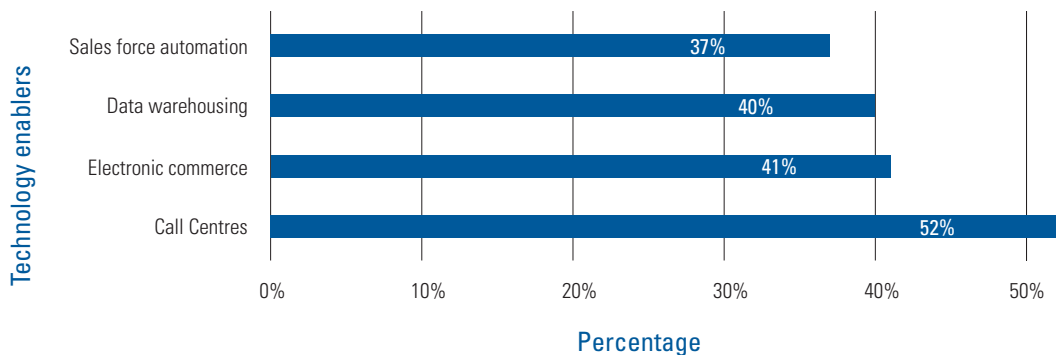
### Utilisation of existing customer information



## 2.1 Ride the technological wave

Questioned about how they collect customer data, over a third of the respondents said they employ some form of enabling technology including Sales Force Automation, Data Warehousing, Electronic Commerce and Call Centres. However, most organisations (72%) are still using traditional means such as customer surveys to capture customer information.

### Technologies used to capture customer information



These results indicate major opportunities for organisations to employ Customer Management technologies to achieve better information collection, integration and analysis. 60% of organisations surveyed lack Electronic Commerce and Data Warehousing capabilities. Data Warehousing integrates data across an organisation while Electronic Commerce allows real-time, low-cost capture of customer information. These technologies form part of the foundation of an integrated Customer Management system, providing the single view of customers that enables one-to-one marketing.

The low uptake of these technologies may also explain why a high percentage of respondents cannot maximise use of customer information (95%).

## 2.2

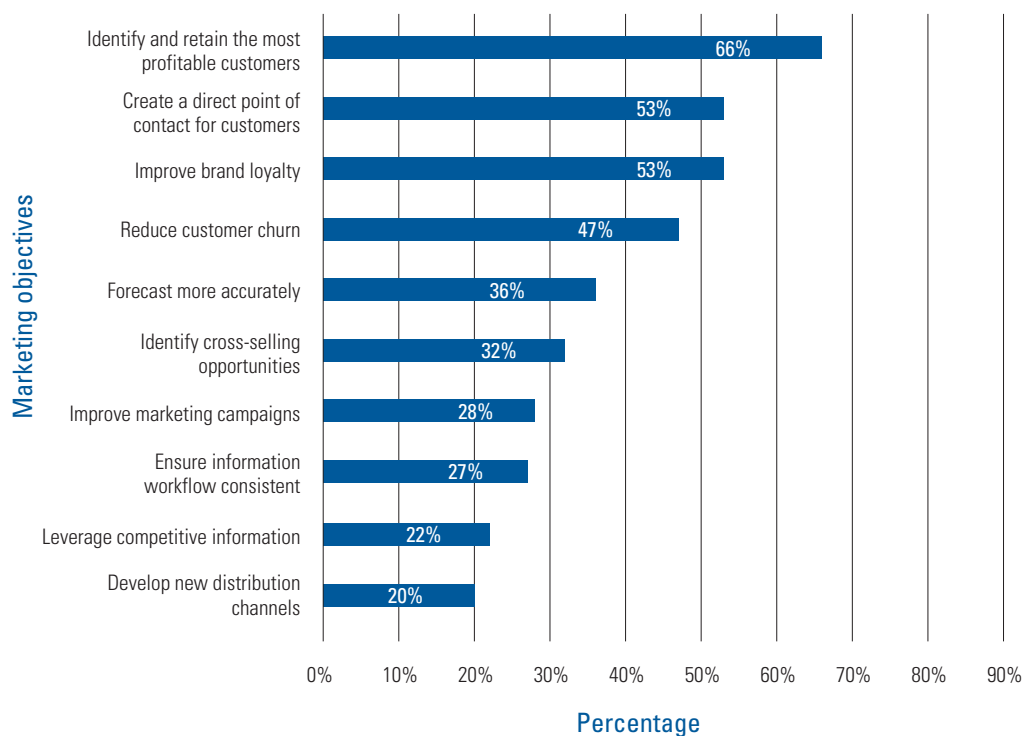
### Know them to keep them

To ascertain how organisations benefit from customer information, we asked them to rate the importance of various factors in reaching marketing objectives. These factors directly affect customer satisfaction and retention of profitable customers.

The three most important variables reported by respondents were ‘identify and retain the most profitable customers’ (66%), ‘improve brand loyalty’ (53%) and ‘create a direct point of contact for customers’ (53%). Brand loyalty is shifting from being a differentiator to serving as a hygiene factor assuring quality and reliability. This has resulted in a shift in focus from building brand loyalty, to building customer loyalty. While 65% of customers prefer to remain loyal to familiar brands<sup>4</sup>, they will not remain loyal because of brand alone. Loyalty now demands a genuine value proposition and a committed service relationship.

The least important variable was ‘develop new distribution channels’ (20%). This result indicates that organisations need to pay greater attention to emerging channels such as Electronic Commerce and kiosks that are changing how customers buy. In this age of interactivity and increased complexity of channel choice, channel strategy must be a key consideration in business strategy.

Importance in reaching market objectives



<sup>4</sup> KPMG Centre for Consumer Behaviour *Monitor*, May 1999.

## 2.3

### Share of wallet

Market share is defined as the percentage of the total market acquired by a given organisation, while customer share is the share of potential business with an individual customer. About half of all respondents (48%) recognise that customer share is the performance indicator most highly correlated with profitability, but 40% still cling to emphasis on market share.

In the future, companies will need to rely on their ability to implement one-to-one marketing that allows them to focus resources on expanding relationships with existing customers – that is, increasing customer share.

Residual mass-marketing mentality is further evidenced by approximately 80% of all participants having responded that they are limited in their ability to identify the depth of customer relationships or the number of products and services that individual customers purchase. Nearly half (42%) were only 'moderately effective', indicating they are only somewhat able to identify their most profitable customers, even though respondents identified this as the most important marketing objective. This problem almost certainly affects their ability to maximise customer share.

At issue here is the difference in effectiveness between mass-marketing and one-to-one marketing. A mass marketing approach would suggest, for example, that organisations put a promotional flyer on every seat in a 50,000-capacity stadium. In one-to-one marketing, organisations would identify the 2,000 attendees most likely to buy and personalise an approach that increases sales effectiveness. This leads to profitability at the expense of competitors who are thus left with lower-value, higher-cost potential customers.

# 3

## The customer is in charge

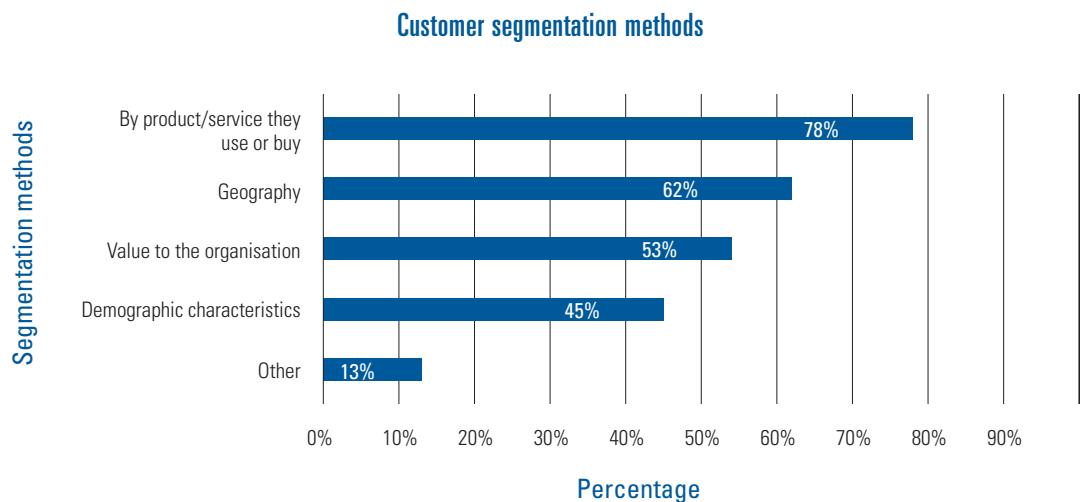
The ability to identify the most valuable customers and those at risk of defection is critical to retention. Such information also helps companies tailor sales and marketing efforts to genuine customer requirements. 38% of respondents could not identify the lifetime value of their customers and 45% do not know why they are defecting. This finding is inconsistent with their views on the importance of customer information and customer retention.

### 3.1 Make lifetime value your mantra

More than one third (38%) of surveyed organisations were unable to identify the lifetime value of a customer. Of those who can, 41% were able to do so in some instances, while only 15% could do so all of the time. The ability to forecast the lifetime value of customers is key to meeting respondents' top-ranked marketing objective of 'identifying and retaining the most profitable customers'. Again, this finding indicates a major opportunity for organisations to maximise customer information by using the improved analysis tools now available through Customer Management technologies.

### 3.2 Deep and meaningful segmentation

When asked if they could identify distinct segments in their customer databases, 46% of respondents indicated that they were always able to do this, 41% did so sometimes and 13% were unable to do so.



Only 53% of respondents are using customer value as a segmentation criteria even though retaining the most profitable customers is the top marketing priority.

Additional analysis revealed that organisations that could identify distinct customer segments are significantly more likely to be maximising their existing customer information. This demonstrates the correlation between ability to use customer information effectively and the ability to identify customer segments accurately.

Data mining techniques and Electronic Commerce now provide richer methods of capturing and disseminating customer information and more accurately targeting segmentation.

### 3.3 Higher satisfaction yields higher profits

Customer satisfaction information allows identification and management of churn. However, only 10% of respondents felt they were 'extremely effective' in measuring customer satisfaction; more than half (53%) were only 'moderately effective'.

The most common forms of measurement are quarterly and annual surveys conducted by phone, mail or face-to-face interviews. Such measurements do not always monitor real-time customer satisfaction that can be captured more effectively and individually by new Customer Management technologies and Electronic Commerce tools.

*Nearly a decade ago, leading firms had already identified the direct linkage between customer satisfaction and profit, discovering that incremental improvements in customer satisfaction yielded significant increases in the likelihood of repurchase. Xerox, for example, found that 'very satisfied' customers were six times more likely to repurchase than 'satisfied' customers.<sup>7</sup>*

#### 3.3.1 Complaints are good for business

While the majority (59%) of organisations record information collected in their Complaints Departments, the level of access to this data by other departments is considerably lower. This lack of information integration prohibits other areas from acting on valuable feedback gained from the Complaints Department at the next customer interaction.

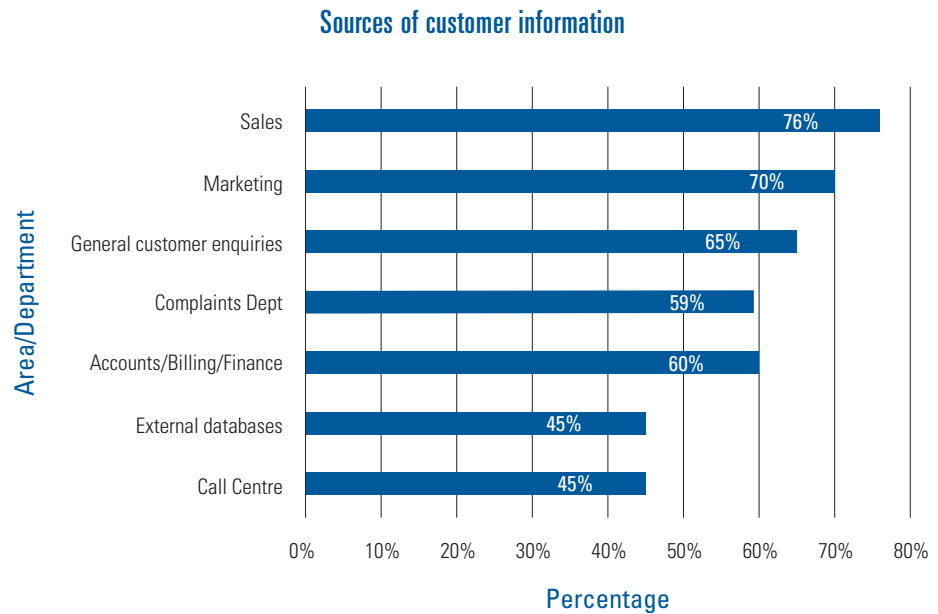
Research shows that only 4% of dissatisfied customers complain, yet 65%-90% never buy from the same vendor again.<sup>8</sup> Still, 83% of customers whose problems are solved do buy again.<sup>9</sup> It is therefore crucial for organisations to value complaints as feedback and strive to resolve them. Complaints also offer an opportunity to learn more about the customer and fix problems at source, eliminating both the immediate issue and its potential to create further dissatisfaction that might encourage defection. To accomplish problem resolution on the spot, organisations must empower front-line staff with the information, tools, skills and authority to act in the customer's best interests.

---

<sup>7</sup> James L. Heskett, Thomas O. Johns, Gary W. Loveman, W. Earl Sasser, Jr. and Leonard A. Schlesinger, Putting the Service-Profit Chain to Work, *Harvard Business Review*, March-April, 1994.

<sup>8</sup> *Consumer Complaint handling in America: An Update Study*, Technical Assistance Research Program (TARP) Institute, Washington, 1996.

<sup>9</sup> *American Express Study of Complaint Behaviour in Australia, Report 1: Consumer Behaviour in Australia*, Society of Consumer Affairs Professionals in Australia (SOCAP), Geelong, Victoria, Australia, 1995.



### ***3.3.2 If they're curious, don't let them down***

35% of surveyed organisations do not use general customer enquiries as a source of customer information. These organisations are missing valuable, low-cost opportunities to learn about their customers and, consequently, acquire information that would facilitate cross-selling, product improvement and competitor intelligence.

### ***3.3.3 Ready, fire, aim***

We asked respondents how they use customer satisfaction information.

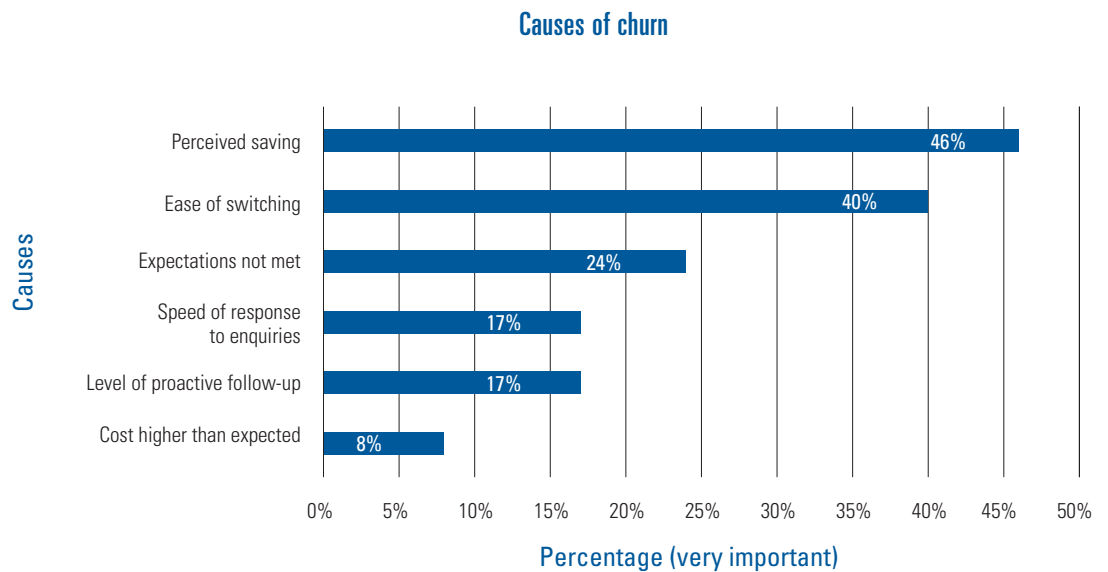
Most (70%) reported that they use this information to develop marketing and public relations campaigns. 61% use it for new product development, 48% for determining pricing and 42% for determining channels. They placed the least importance on channel strategy; in fact, 60% of respondents do not use customer satisfaction feedback to inform their channel strategies.

Organisations need to re-evaluate channel strategy to sell to customers in the way that they actually want to buy. Electronic Commerce, for example, now enables companies to track customer satisfaction levels and purchasing preferences in real time.

### 3.3.4 Defectors are dangerous

Nearly three-quarters (70%) of organisations cannot determine their annual customer churn rates. Of those who can, price and switching were indicated as the main reasons for churn, far higher percentages than those who attribute churn to customer service criteria such as meeting expectations and responding to enquiries quickly. In addition, 72% of respondents cannot identify individual customers at risk of defection.

The ability to identify potential customer defection is crucial to a company's bottom line, especially if those at risk are the most profitable segments. Web-based and Data Warehousing technologies can help track potential defection of valuable segments of customers more cost effectively than traditional methods, allowing organisations to implement intervention strategies immediately.





# 4

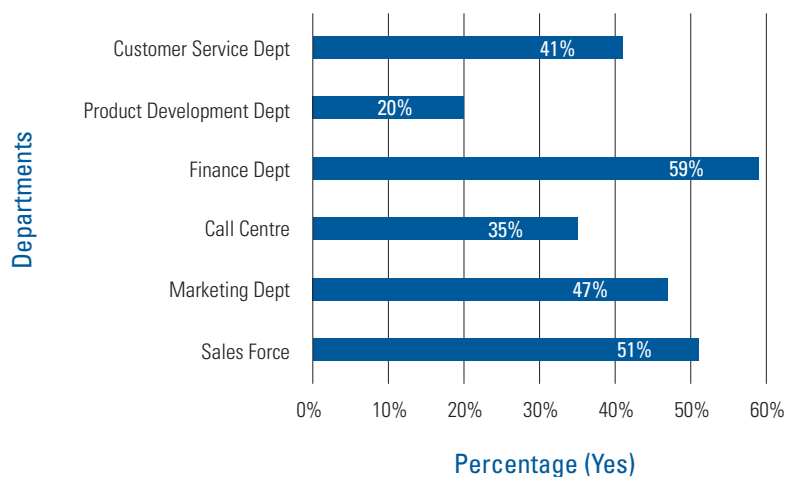
## Freedom of information!

We asked respondents where they collect their customer information, if it is accessible by other departments and how effective they are at using it to achieve objectives. The results reinforce other responses indicating that organisations do not have the integrated systems necessary to maximise use of customer information in subsequent interactions.

They are missing the benefit of access to the full history of their relationships with customers. This lack of accurate, available information leads in turn to lost opportunities to identify potential churn and to target up-selling and cross-selling initiatives.

Inability – and possibly unwillingness – to share information between departments are as detrimental to organisational performance as ineffective use of information within single departments. The reasons for the impediment are both technological and cultural.

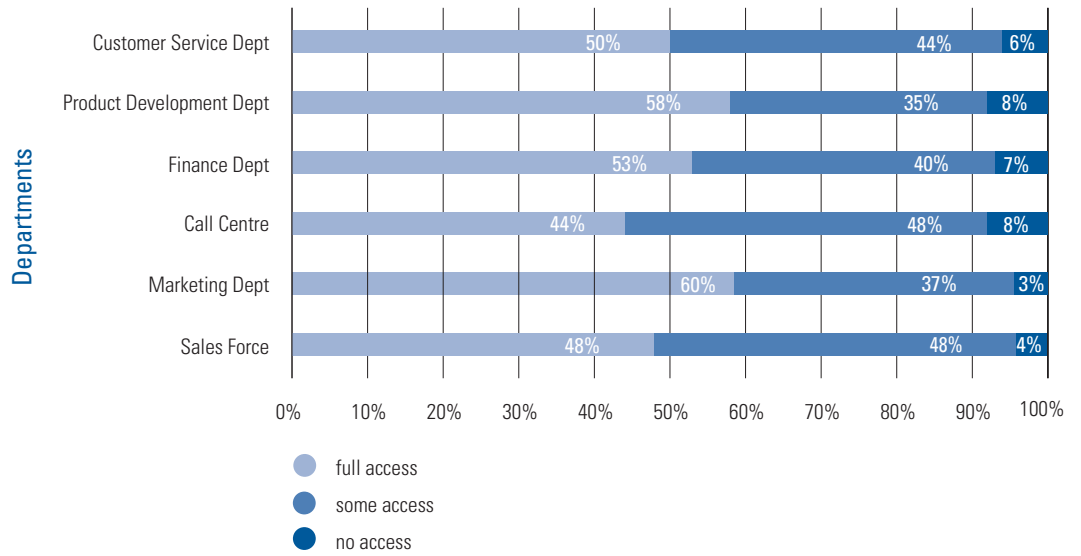
**Separately managed database**



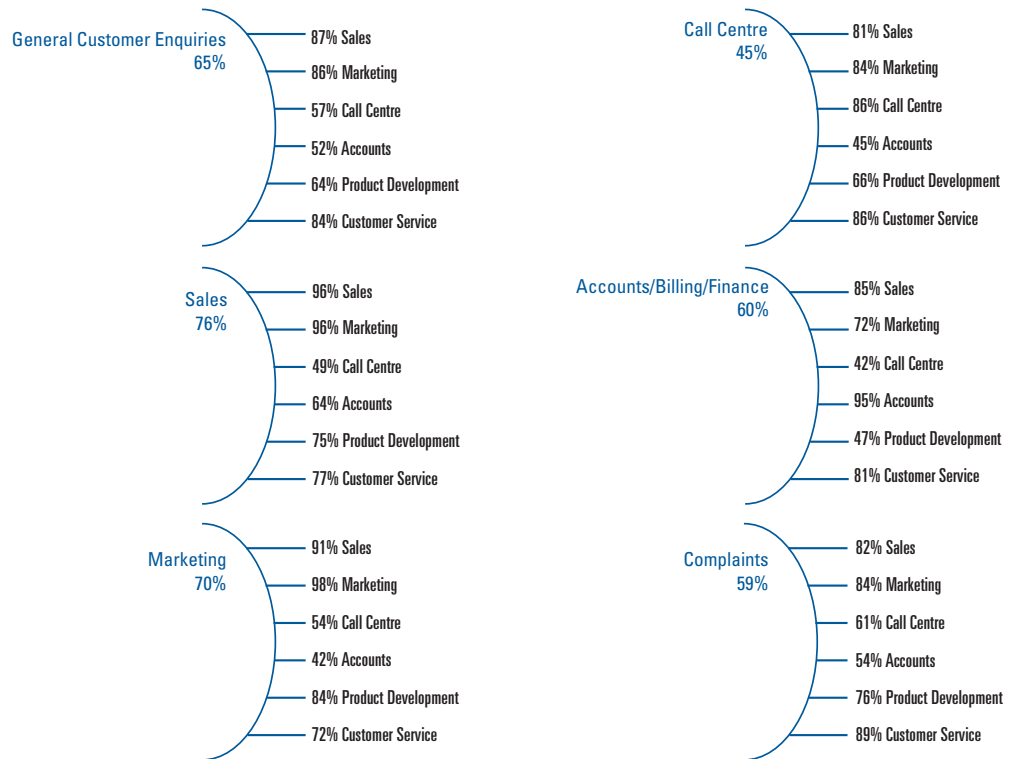
The above diagram shows the percentage of respondents who has separately managed databases. It shows only 41% of Customer Service Departments and 35% of Call Centres have separately managed databases even though these areas have the most opportunities to capture first-hand customer information.

Approximately half of all respondents reported that their own departments have full access to other databases in the organisation, with Marketing having the greatest access (60% full access). Call Centres have the least access to other departments' databases (44% full access).

### Access to databases



### Areas that manage a database separately and percentage of its use by other departments



4.1

### Accounts/Billings/Finance

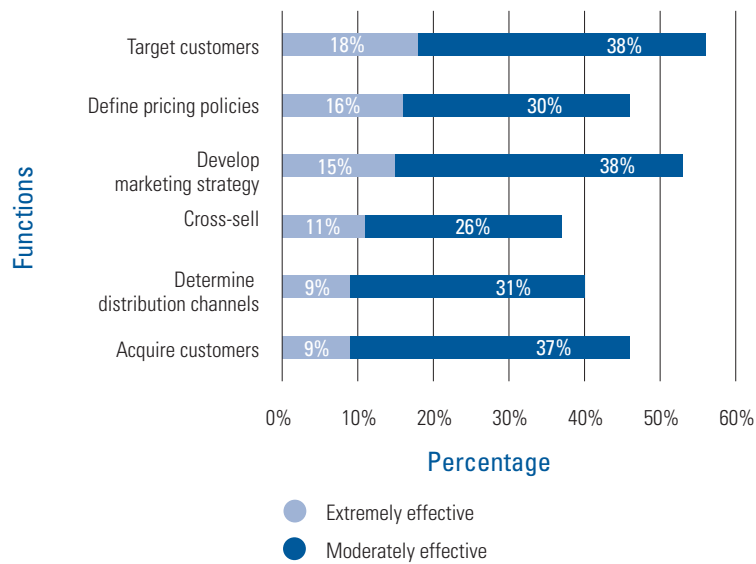
Information collected by the accounts/billing or finance areas of organisations is valuable in showing expenditure trends, customer preferences and likely future buying behaviour. However, less than half (47%) of surveyed organisations use this information in product development, and only 42% use it in Call Centres. Again, this indicates lost opportunities to learn more about customers to enhance service and satisfaction.

4.2

### Sales

Despite typically providing direct feedback to marketing functions, the Sales Departments of most respondents are only moderately effective in meeting their objectives. Notably, the majority of organisations are not performing well on most variables, with only 9%-18% of respondents rating 'extremely effectively' on all variables. This indicates that over half of Sales Departments are limited in their effective use of customer information to meet objectives.

Sales Department – effective use of customer information



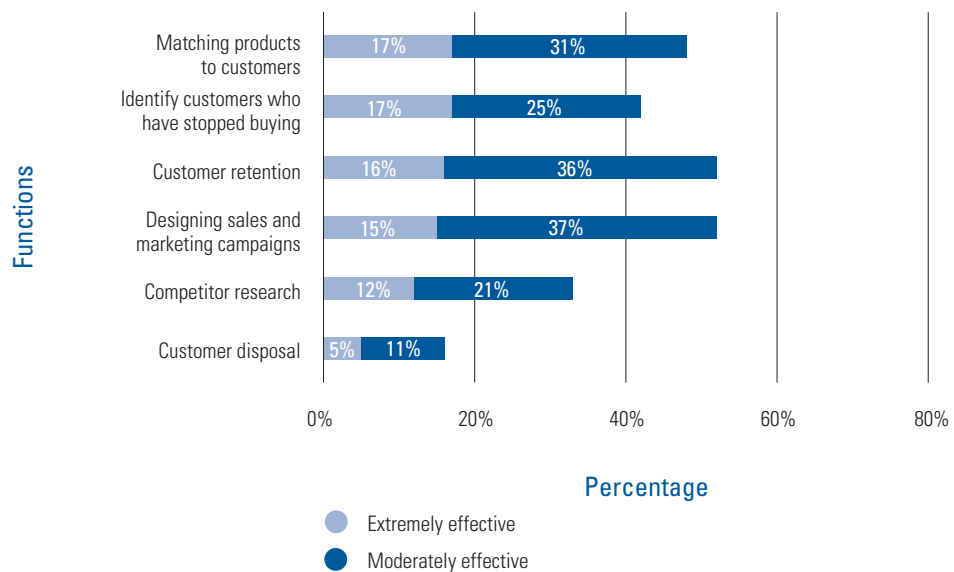
In addition, it appears that information collected by Sales is not used by half of the Call Centres, again implying a missed opportunity to see customers holistically. Over half of all Accounts Departments do not use customer data collected by Sales, suggesting further lost potential for forecasting, credit risk analysis and exemptions for 'special customer' arrangements.

### 4.3 Marketing

Marketing Departments also appear to be only moderately effective in achieving their objectives. Marketing information, for example, is not used by 46% of Call Centres, 58% of Accounts Departments and about 30% of Customer Service Departments. This is a recurring theme across all functional areas.

Clearly, at least half of all surveyed organisations are not optimising their use of available customer information effectively. There are ample opportunities for organisations to achieve this improvement by exploiting available systems integration technology. The functional barriers within organisations impede their ability to get to know their customers with more than a one-dimensional view.

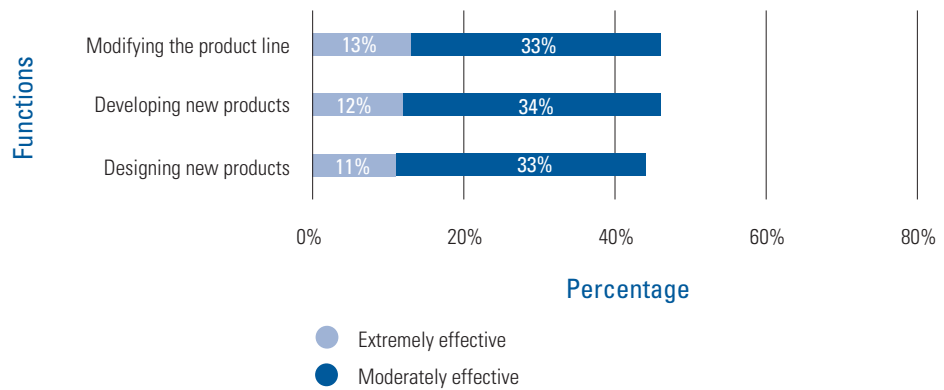
Marketing Department – effective use of customer information



### 4.4 Product Development

Less than half of the surveyed organisations were ‘extremely or moderately’ effective at using customer information to modify, develop and design new products. Nearly 20% have no customer information input into product development decisions.

### Product Development Department – effective use of customer information



## 4.5 Customer Service

We also asked organisations how effectively their Customer Service Departments use information to improve and maintain service quality. The results indicate marked failure to use customer information effectively in this regard. Less than half of responding organisations indicated moderate effectiveness (45%) and only 13% reported they were highly effective.

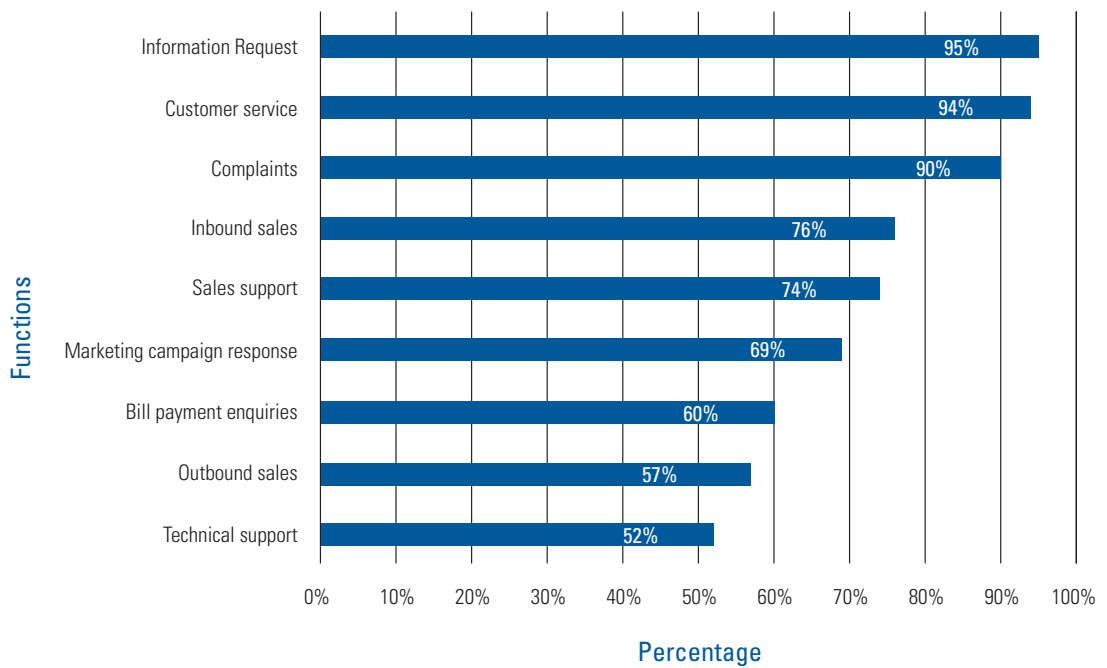
59% of organisations indicated that they update their customer information with every new transaction. For those organisations that do not, concerns are raised about the accuracy and reliability of their current customer information.

## 4.6 Call Centre

Call Centres are now emerging as active outbound sales centres. 41% of all respondents have a Call Centre operation, and of those without, 19% intend to implement one and more than one third will do so in the next six months. Many Call Centres are also multi-functional, performing customer service, billing enquiries and complaints functions. 76% of respondents say their Call Centres now perform inbound sales, and 57% perform outbound sales.

However, when asked if the Call Centre collects customer information, only 45% responded affirmatively. In addition, the Call Centre has the lowest access of any department (44% full access) to the databases of others. This implies that Call Centre personnel are missing valuable customer information including billing history, product purchase patterns and complaints, inhibiting their ability to cross-sell and up-sell. The Call Centre is also most often the repository of complaints, but less than half the surveyed organisations use it as a source of customer information.

### Call Centre functions performed



We identified a general pattern of Call Centres operating in isolation, with only about half of them being able to consistently source information from their Sales (49%), Marketing (54%), Accounts (42%) or Customer Service areas (57%). Again, this lack of access to information from other departments means that companies are unable to maximise customer share.

Despite the importance of Call Centres in this age of interactivity, research demonstrates that Australasian Call Centres are still largely reactive. A large percentage of Australasian

Call Centres deals primarily with inbound calls – customer service, sales, complaints, information requests and marketing campaign responses. Surprisingly, outbound sales ranks second-lowest (57%) in the functions performed by Call Centres.

Globally, Call Centres are becoming total Customer Contact Centres, equipped with multi-functional, web-based capabilities to enhance interaction with customers. They capture direct customer experiences and feedback, enabling one-to-one marketing. In genuine relationship marketing, Call Centres play a critical role in maintaining and improving customer satisfaction and loyalty.



# 5

## The way forward

Today's business imperatives have led to a shift in focus from doing the same things faster or cheaper (mass marketing) to better meeting customer needs through deeper understanding of customer motivations (one-to-one marketing). This survey shows that while Australasian organisations claim to understand the implications of one-to-one marketing and have adopted some Customer Management technologies, they still have several major opportunities to steal a march on their competitors and lock in valuable customers. The secret of achieving the bottom-line benefits of effective Customer Management lies beyond technology and systems integration. Cultural factors and processes are also key success drivers. The good news is that Australasian organisations are not far behind overseas counterparts in their practices, as evidenced by our United Kingdom survey.<sup>10</sup>

*The old rules of market share, of scale, no longer are sufficient. New rules must be applied. Customer focus has become a mantra across today's business landscape. Too many organisations call themselves customer-oriented without making any commitments or investments to live up to that ideal.*

Adrian Slywotzky and David Morrison, *The Profit Zone* (St Leonards, NSW, 1998).

### 5.1

#### Breaking down the silos

Management gurus have long preached that a customer-centric organisation is the key to successful business performance. Unfortunately, many organisations are still impeded by functional silos that maintain disparate customer information systems that limit internal sharing of valuable customer information. While Customer Management is enabled by technology, organisational culture determines the success of the tools adopted.

Organisations need to rethink their entire customer information management strategy and move towards a process-based structure, with the ultimate aim of satisfying customer needs. For example, many have the opportunity to transform their Call Centres into total Contact Management Centres. Integrating Call Centres with other departments allows Call Centres to provide premium customer service because they are empowered by customer knowledge. In addition, this change will enhance the ability of Call Centres to maximise cross-selling and up-selling opportunities, retaining customers and expanding customer relationships.

---

<sup>10</sup> [www.kpmg.co.uk](http://www.kpmg.co.uk)

## 5.2

### Why do it the hard way?

A range of enabling technologies is now available to help organisations implement Customer Management strategies easily and cost effectively. These technologies empower staff with accurate, up-to-date customer information that allows them to reach, satisfy and delight customers.

For example, new-generation Sales Force Automation initiatives are using emerging package software to re-engineer sales and marketing processes. The result is sharpened customer focus and shorter sales cycles leading to increased market share and revenue.

With further developments such as the Internet, intranets, electronic data interchange (EDI) and electronic malls, technology is now being harnessed to create an 'inter-enterprise' culture. This step-change focuses on team-selling with trading partners up and down the supply chain, vendor-managed inventories and just-in-time replenishment. At this stage in its evolution, an organisation will have transformed itself into an integrated customer interface, blurring the distinction between customer service and sales staff, and using technology to help sell and satisfy customers rather than merely recording data.

## 5.3

### Employee satisfaction: driving the service-profit chain

Employee satisfaction drives customer satisfaction, indirectly creating profit for an organisation. Research on the service-profit chain<sup>11</sup> demonstrates that satisfied employees are far better than unsatisfied ones at delivering excellent customer service and hence enhancing customer satisfaction with the firm's products and services.

Employee satisfaction is a prerequisite of staff retention. Organisations with higher staff retention rates are naturally better at retaining knowledge, which leads to better customer service, customer retention and profit for the firm.

13% of respondents indicated they were 'extremely effective' at measuring employee satisfaction, with 44% 'moderately effective'. 8% of respondents indicated they did not measure employee satisfaction at all. Clearly, these results suggest that many organisations have not created a culture that provides front-line staff with the processes, tools, knowledge and authority to deliver superlative customer service. Without satisfied staff, the organisation cannot reach its customers effectively and will therefore miss opportunities for enhanced profits.

---

<sup>11</sup> Heskett et. al., *ibid.*



## 5.4

### Reconnecting strategy and implementation

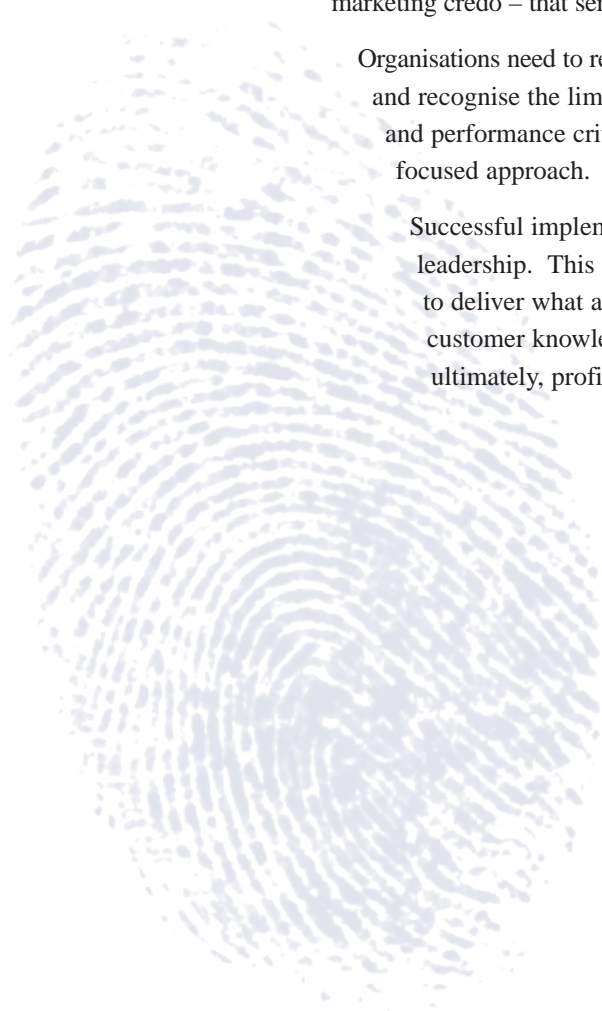
This study reveals a major discontinuity between organisations' Customer Management objectives and current practices. While the respondents espouse the value of customer information, few currently exploit it. Even technologically enabled firms are not taking full advantage of the potential of fully integrating systems to share critical customer information.

Perceptions of what Customer Management entails are likewise inconsistent.

Although about half of the respondents said it is more important to maximise customer share than market share, price and ease of switching remain the perceived primary causes of churn. This contradicts the one-to-one marketing credo – that service and value are critical to retaining customers.

Organisations need to realign their objectives with emerging technologies and recognise the limitations of legacy systems. Internal structures and performance criteria must give way to an holistic, customer-focused approach.

Successful implementation depends upon strong, visionary leadership. This will help align people, process and technology to deliver what all organisations actually want – integrated customer knowledge, enhanced customer satisfaction and, ultimately, profitability.



# KPMG contacts

## Customer Management Australia

### Melbourne

Kathryn Murray (03) 9288 5461 kmurray@kpmg.com.au

### Sydney

Dino Gelmetti (02) 9335 7578 dinogelmetti@kpmg.com.au

### Brisbane

Mark Roworth (07) 3233 9420 mroworth@kpmg.com.au

### Perth

Val Collins (08) 9263 7216 vjcollins@kpmg.com.au

### Adelaide

Edge Zarrella (08) 8236 3321 ezarrella@kpmg.com.au

## Customer Management New Zealand

### Wellington

Jack Carroll +04 8021760 jcarroll@kpmg.co.nz

### Auckland

Toni Laming +09 3675800 tlaming@kpmg.co.nz

## Nolan Norton Institute

Ray Dundon (03) 9288 6662 rdundon@kpmg.com.au

Marishka Cross (03) 9288 6878 mcross@kpmg.com.au

---



**Nolan Norton Institute**  
A Research Organisation of KPMG

**In Australia:**

Level 1, 161 Collins Street  
Melbourne, VIC 3000

Internet: <http://www.nolannorton.com>

Telephone: +61 3 9288 5712

Fax: +61 3 9288 6016

**Offices in:**

The Netherlands

U.S.A.