Management Update: The Real-Time Enterprise at the Customer Front Line

Walter Janowski

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ANALYSIS

Many leading enterprises are embarking on a major transformation as they seek to become real-time enterprises. Enterprises that pursue customer relationship management initiatives will find that real-time transformation yields key benefits.

What's a Real-Time Enterprise?

Gartner's definition of the real-time enterprise (RTE) concept is:

- An RTE achieves competitive advantage by using up-to-date information to progressively remove delays in the management and execution of its critical business processes.

Note that no explicit reference to technology is in the definition. Although the only way to leverage real-time principles is to use technology as the enabler, the focus of RTE is on the business purpose and value returned. The RTE is not a technology in search of a problem — it is a business improvement concept.

Why Is Becoming an RTE Important?

A legitimate business surprise should never occur. Before any business mishap, disaster or opportunity, sufficient warning always exists to enable corrective, preventative or exploitative actions. RTEs that capture, analyze, report and act on materially important matters will dominate their sectors during the coming decade.

How Does Real-Time Transformation Relate to CRM?

Enterprises pursuing customer relationship management (CRM) initiatives will find that achieving RTE goals — that is, removing delays in the management and execution of critical business processes — can yield key benefits. Faster access to customer information can enhance the likelihood of sales or improve service levels. More rapid execution of product or service delivery processes can dramatically improve customer satisfaction. Through the use of real-time techniques, enterprises can provide greater relevance to the customer in their offers and interactions. Therefore, RTE principles will become increasingly critical to the success of enterprises’ CRM strategies.

Gartner Provides Transformation Guidance

To reduce or eliminate delays, enterprises must transform their processes and upgrade their IT systems to operate seamlessly. In a large enterprise, that undertaking will be slow and expensive. It requires a program of projects, planned and driven according to the business priorities for process change.

Gartner provides guidance on how enterprises can achieve such a transformation, and on how they can apply RTE principles to improve their CRM strategies and enhance their competitiveness. The analysis is framed by the following Key Issues:

- What is the RTE, and what is its role within an enterprise strategy?
- How will RTE techniques benefit the enterprise and its customers?
- What are the relevant components in CRM that will benefit from real-time techniques?

RTE and the Enterprise Strategy
Key Issue: What is the RTE, and what is its role within an enterprise strategy?

Tactical Guidelines:

- Enterprises must evaluate their business processes to assess the relevance and value of real-time techniques.
- RTE is not a business strategy. Rather, enterprises should evaluate their strategies, such as CRM, to determine where real-time techniques can offer value.

From the customer’s perspective, enterprises must determine not only the key areas where real-time techniques can add value, but also how much they must reduce latency to deliver value. In other words, to be successful, what degree of “real time” does the enterprise need? At some point, the enterprise’s investment in quicker response will reach the point of diminishing returns, because customers are willing to accept varying degrees of delay in the enterprise’s response, depending on the circumstances.

In most cases, the channel the customer uses is the primary factor in determining the acceptable amount of latency. In a live interaction, such as speaking to a call center operator, a customer is likely to tolerate only a few seconds of delay in getting an answer. On the other hand, a delay of 15 to 30 seconds might be acceptable during a Web site interaction. Waiting as much as a day or two for an e-mail response might be a problem, but a turnaround time of several days is an acceptable norm with postal mail.

In addition, enterprises must be sensitive to the appropriate time to reach out to a customer, from a marketing perspective. Also worth considering are analytics and other techniques to anticipate customers’ needs before contacting them.

The RTE Cyclone Model

Gartner’s RTE Cyclone model (see Figure 1) is a common framework for identifying the major end-to-end and event-to-response cycles in a typical enterprise. Ten cycles are identified in the model:
In reality, of course, there is no such thing as a “typical” enterprise — the variation of business models, structures and activities across all industries is vast. This model is simply a starting point based on Gartner’s observations of the key end-to-end cycle times that can be significantly reduced through disciplined exploitation of Internet-era technologies.

The word “cyclone” is used to keep a single idea in view at all times as enterprises tackle real-time enterprise change. The goal of RTE endeavors is radically reducing end-to-end cycle times repeatedly over the medium and long terms. Incremental improvement is not transformational. A 3 percent, one-time reduction in the time of one major cycle may not yield sufficient payback.
Annual or biannual cycle time reduction targets are more likely to be in the 30 percent to 90 percent range.

Cycle type reduction in many of the processes identified in the RTE Cyclone model will contribute to CRM goals (see Figure 2).
**Figure 2. Cycle Time Reductions Benefit the Eight Building Blocks of CRM**

<table>
<thead>
<tr>
<th>Cyclone Process</th>
<th>CRM Vision</th>
<th>CRM Strategy</th>
<th>Valued Customer Experience</th>
<th>Organizational Collaboration</th>
<th>CRM Processes</th>
<th>CRM Information</th>
<th>CRM Technology</th>
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Source: Gartner Research
RTE Benefits for Enterprises and Customers

Key Issue: What will be the benefits of RTE to the enterprise and to the customer?

- What experience will customers have with your enterprise?
- Will your enterprise be easy to reach?
- Will it make them wait?
- Will it know their background and understand them quickly?
- Can it connect them to the right person right away, and give them relevant information?

Those are the issues that RTE techniques address.

Strategic RTE benefits include:

- Reduced waste and inefficiency. The majority of processes in most enterprises could be run more quickly and efficiently if they were re-engineered to take full advantage of Internet technologies. Radical exercises in reducing elapsed time often produce significant savings.

- Competitive customer service. This is the age of the “time-tortured” consumer who will trade price for speed and convenience. Enterprises that can quickly deliver products to customers — and quickly introduce new products and improvements into the market — will likely win customer attention and competitive advantage.

- Better management decisions. Managers who have up-to-date information can make better judgments that reduce risks and improve outcomes. The more quickly management can obtain accurate and complete information, the more time it will have to meet deadlines and make sound decisions.

- More transparent management decision making. Managers given low-grade, late information must work on based on assumptions and make uncomfortable decisions. Occasionally, the temptation will be to “post-rationalize” — that is, to revise tardy information to make the “facts fit the decision.”

- Increased customer satisfaction. Faster execution of product or service delivery processes makes for more satisfied customers. In addition, real-time techniques can be used to provide greater relevance to the customer in the enterprise’s offers and interactions.

Action Item: Map customer service and support processes by communication channel to uncover delays and inconsistencies in the customer’s experience with the enterprise.

CRM Benefits of Real-Time Techniques

Key Issue: What are the relevant components of CRM that will benefit from real-time techniques?

Strategic Planning Assumption: Through 2004, 60 percent of customer intimacy initiatives will fail to meet objectives because integrated, multichannel customer data cannot be accessed (0.8 probability).
Real-time identification and recognition of the customer is critical to intimacy in an interaction. Examples include verbal confirmation on the phone or in person, or electronic confirmation through the Web site log-in process.

Historical information about the customer should be accessible during the interaction, so that, for example, a call center operator can review the customer’s contact history or a Web site can display account history and order information. If the customer cannot be identified, a separate course of action would be dictated. This functionality is a prerequisite for real-time capabilities during a customer interaction.

A greater challenge is reacting appropriately to the information gathered after the customer has been identified (see Figure 3). This includes both analysis (“Now that I know about this customer, what should I do next?”) and execution (“Now that I know what needs to be done, how do I go about doing it?”). Although real-time analysis is often considered to be the most challenging step, such analysis is of little value unless it is acted on in real time as well. Enterprises must develop the ability to execute in addition to their ability to analyze.

Figure 3. Recognizing and Reacting to the Customer

Source: Gartner Research

The Road to Real-Time, Personalized Customer Interactions

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).

Tactical Guideline: As customers become more technically sophisticated, they will expect more real-time information and superior service.

Businesses expect that they will be able to achieve an integrated view of customer interactions across multiple channels. That expectation includes consistent processes for customer service and clean, accurate and dynamic data. Unfortunately, the more touchpoints are involved, the greater is the potential for inconsistent interactions. Enterprises will risk dissatisfied customers if they ask customers for the same information several times, or cannot keep track of the customer’s interactions with different touchpoints and various people in the organization.

Enterprises are strongly advised to minimize the number of customer databases, and make customer information available to the right channels in real time. However, in most cases, data must be integrated pragmatically from multiple applications — each of which manages a portion
of the overall "federated customer database" — to create the perception of a multichannel, customer-facing view.

Establishing a cross-channel customer data repository (see Figure 4) poses many of the same issues as those encountered in any data warehouse project. However, most consolidated databases are updated in batch mode, often integrating channel data nightly or even weekly. While that is adequate for personalization efforts such as direct mail or other outbound marketing campaigns, it does not provide timely enough information for real-time interactions with the call center or on the Web. In addition, it does not work for real-time service offerings, such as financial transactions or last-minute changes to travel arrangements.

Figure 4. Real-Time Personalization Across Customer Channels

Source: Gartner Research

Updating a data warehouse in real time is beyond the capabilities of most enterprises. While large financial institutions have had early successes, the technology to maintain a data warehouse in real time is not mature enough for widespread use, particularly when used to collect data from multiple channels.

Action Item: Focus first on basic personalization techniques, such as delivering personalized content or optimizing delivery at the channel level. From there, focus on integrating these personalization efforts across channels, before finally attempting to enable them to function in real time.

Using Real-Time Analytics

Tactical Guideline: Because the requirements and capabilities for delivering real-time decisions will vary depending on the type of interactions that are evaluated, enterprises will require a combination of real-time analytic approaches.

The need for guidance at the point of customer interaction is driving an interest in real-time analytics. Arguably, there is no such thing as truly "real-time" analytics in today's market, but the term serves as useful shorthand for a collection of techniques that provide guidance on how to treat and respond to customers. In increasing order of sophistication, these techniques are:
• Real-time offerings. This technique takes a predefined offer (which may be defined in a channel-independent format), and applies it in real time to the customer interaction.

• Real-time decisions. This involves the use pre-calculated values to determine, in real time, the best offer to make to a customer.

• Real-time scoring. In this technique, established data is used to generate a score that feeds a real-time recommendation.

• Dynamic scoring. This technique combines established data with real-time sources to generate scores, which are used as data input into the recommendation process.

• Real-time business prioritization. This involves redefining the business logic of an activity to represent changing strategic priorities (for example, loyalty over cross-selling).

• Real-time modeling. This technique allows for automatic adjustment of the models used to estimate customer behavior.

Action Item: Identify the level of real-time analysis that makes sense based on the rate of data decay.

RTE Best and Worst Practices

The RTE concept is not a stand-alone business strategy. It can be considered to be part of, or an enabler of, a strategy, but being faster is not an end in itself. However, the ability to drive continuous improvements in cycle times can be considered to be a prized management capability, as it is in leading-edge proponents of RTE techniques, such as Dell Computer and Cisco Systems.

The RTE is still an emerging concept. But even at this early stage, although the substantial benefits that can be gained from process acceleration are apparent, obvious risks loom as well. These risks will be exacerbated if the concept becomes misappropriated by technology and business services vendors eager to create a new market. In so doing, they may encourage enterprises to engage in RTE “worst practices.”

In a sense, many of today’s best practices in pursuing a real-time approach really amount to avoiding such “worst practices.” RTE missteps to avoid include:

• Acceleration for its own sake, without an appreciation of its purpose and value — that is, moving faster than the “speed of enlightenment”

• Accelerating some of the elements of a process without assessing the impact on others

• Taking speed to extremes, where the costs of delivering such performance outweight the advantages — or where stability, reliability or risk control are dangerously undermined

• Believing the misconception that accelerating a single business process — or that reducing latency within technology alone — will provide a transformational level of business change

Many technologically advanced enterprises have achieved a sophisticated level of Internet expertise and activity, but have yet to see benefit levels that will transform their businesses. Those enterprises should explore radical business performance improvements focusing on the RTE through year-end 2003. Other enterprises should wait and watch the progress of the early adopters until late 2003 and subsequent years.

Bottom Line
Enterprises pursuing CRM initiatives will find that real-time transformation yields key benefits. RTE principles will become increasingly critical to CRM success.

To improve their prospects for success in their RTE transformation efforts, enterprises should do the following:

- Ensure that business strategy drives RTE adoption, which in turn should drive the supporting technology and organization.
- Use an integrative, strategy-aligned change management methodology to support the transformation effort.
- Design processes before designing technology infrastructure.
- Use customer-perceived value as the guide, and ensure stakeholder involvement.
- Prioritize business processes for RTE transformation.
- Don’t myopically focus only on operational and transactional efficiencies — look to higher levels in the RTE cyclone model for additional business impact and sustainable competitive advantage.

Written by Edward Younker, Research Products

Analytical source: Walter Janowski, Gartner Research

This article is an excerpt of a chapter from a new report, “Building Business Benefits From CRM: How to Design the Strategy, Processes and Architecture to Succeed.” The 354-page report is the first offering of the Gartner Executive Report Series, a new business venture of Gartner Press that provides buyers with comprehensive guides to today’s hottest IT topics. The CRM report features 26 fact- and advice-filled chapters, an appendix describing six CRM case studies, a glossary of terms and 128 figures. For information about buying the CRM report or others in the Executive Report Series, go to www.gartnerpress.com/crm.

For related Inside Gartner articles, see:

- “Management Update: Realizing the CRM Vision, From Strategy to Execution,” (IGG-05212003-01)
- “Management Update: Large-Enterprise CRM Suites, Technology Outlook, Key Vendors,” (IGG-04302003-01)

This research is part of a set of related research pieces. See "Inside Gartner Top View" for an overview.
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