Application Delivery Strategies

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The Great Enterprise Balancing Act: Extended Relationship Management (XRM). Enterprises failing to extend customer relationship management (CRM) successes risk neglecting and damaging relationships with other core business allies. CRM concepts and applications should be adapted to attract, administer, and preserve employees, suppliers, and partners.

META Trend: During 2001/02, increased customer demand for real-time services (e.g., pricing, order status, inventory lookups, capable-to-promise) will drive externalization of transaction and fulfillment systems. Through 2003/04, customer-driven product development and consumption-based forecasting will result in improved CRM/supply chain alignment and service levels. By 2005/06, G2000 firms will collaborate with trading partners by exposing customer life-cycle management for repeatable cross-organizational customer patterns.

CRM initiatives continue to receive application portfolio precedence. However, by 2003, leading enterprises will begin implementing a more balanced approach to managing business relationships with all key business allies — not just customers. Product/service offerings and sales/service/marketing efforts will remain decidedly customer-focused, but enterprises will start leveraging CRM concepts and infrastructure for managing relationships with their employees, partners, and suppliers. By 2005, extended relationship management (XRM) practices, discrete technologies, and inclusive business solutions (e.g., ERP) will surface to offer a more holistic means of administering and measuring all enterprise points of interaction (POIs). Advanced offerings will accommodate interaction with all business allies across all channels, and just as commercial CRM solutions entered the mainstream in the late 1990s, packaged XRM technologies will become viable by 2007 (i.e., tightly integrated with t-business [traditional business] and e-business solutions — see ADS Delta 909, 13 Oct 2000).

Most G3000 enterprises now fully appreciate the almost palpable value of customer equity and relationship capital, and have rushed to implement various strategic initiatives surrounding the customer (often without calculating ROI). However, the appreciation for and attention to other key business relationships risk being lost in this exuberance for customer centricity. Inappropriately crafted customer-centric policies and procedures can cause business partners to grumble about their impact on customer support (e.g., the collection of copious customer data), prompt suppliers to bemoan demands for vastly improved component quality/availability, and pressure employees to do more with less — all in the name of the customer.

Detached, constituent-focused relationship management solutions are evident in most enterprises. However, varietal CRM applications, infrastructure, and information exist independent of other relationship management applications, such as the following:

- Human resource management (HRM) applications (e.g., workforce management, payroll, benefits administration)
- Partner and channel relationship management (PRM/ChRM) applications (e.g., lead management, catalog management, deal configuration, demand planning, transportation)
- Supplier relationship management (SRM) applications (e.g., universal description directories, available-to-promise, product configuration/collaborative design, inventory visibility)

Currently, although vendors like SAP, Siebel, and PeopleSoft are closer than others, the market offers no inclusive commercial platform for operationally,

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Business Impact

> **Promoting, administering, and balancing relationships among all business allies will cause enterprises to thrive more so than if they fixated on only one business ally.**

collaboratively, and analytically managing all relationships with all major business allies (e.g., partners, employees, customers, suppliers [PECS]), across all channels and POIs (e.g., storefront, Web, e-mail, telephone) and throughout the entire life cycle (engage/transact/fulfill/service [ETFS] — see Figures 1-4 in Addendum). Through 2005, those organizations with stovepiped relationship management applications will suffer expensive, ongoing application integration efforts to coordinate them.

Building Firm PECS. Leading enterprises appreciate that they are the PECS-connecting ligament, and that holistically attracting, sustaining, and leveraging these allies is key to achieving enterprise objectives (see ADS Delta 955, 20 Feb 2001). Through enterprise (not stovepipe) analytics, organizations should continually assess how business policies, plans, and processes affect each ally, and strive for a balance of performance-oriented and satisfaction-oriented indicators across them. Operationally, business systems should be designed to accommodate the input from, the workflow among, and the output to each business ally.

By 2004, operational XRM solutions will be formed via the convergence of the CRM technology ecosystem — initially focused on operational CRM — and ERP applications (e.g., leveraging sales automation software to handle supplier contacts/contracts), and collaborative XRM solutions will be formed via the expansion of existing collaborative CRM applications to accommodate non-customers (e.g., leveraging existing call center collaborative applications and infrastructure to handle employee benefits or supplier payment inquiries — see ADS Delta 810, 29 Dec 1999). Advanced XRM solutions will also manage relationships with secondary business allies (e.g., local/federal/international government, community, industry organizations, investors, associative PECS, even competitors).

One-to-One or "One for All and All for One"? Conventional wisdom and many customer relationship gurus spout that CRM nirvana is achieved through custom marketing of one's offerings (at the right time and place) to an individual prospect — a.k.a. "one-to-one marketing." However, we regularly observe higher levels of enterprise CRM self-realization and success by pulling suppliers and partners into the marketing encounter. Of course, this introduces desirable commerce efficiencies (see ADS Delta 964, 14 Mar 2001, and ED Delta 141, 8 Mar 2001) and can augment enterprise value. Customers understand fully that an enterprise's value is derived not solely from its own offerings and employees, but also from the aggregate strength of its partner and supplier relationships. We strongly advise enterprises to become more adept at introducing integrated partner goods/services to prospects, thereby proffering a more complete solution and exposing supplier/prospect capabilities/requirements more readily to improve component-level satisfaction (i.e., real value) and expectation management (i.e., perceived value). Therefore, through 2003, customers/prospects will observe a substantial increase in the presence of partners and suppliers at channels and POIs throughout the customer life cycle.

Peer Pressure to Expose One's Privates. Already, research from our most recent enterprise analytics industry study indicates that making the enterprise's data warehouse (or parts thereof) available to suppliers and partners breeds higher levels of success. Through 2003, XRM solutions will further incite the outward expansion of information supply chains (ISCs), so that operational, collaborative, and analytical information can be made available to PECS. As a result, enterprises must conceive and implement policies and processes to safeguard all private PECS information. By 2005, information will frequently be privacy-tagged, and interchange standards will evolve (e.g., from CPExchange and P3P) to limit the exposure of personally identifiable information. By 2006, mechanisms based on these interchange standards will be embedded within XRM solutions and offered as application services. By 2007, most G3000 enterprises will employ policies and deploy procedures to limit their liability by *rejecting* external information that lacks certifiable privacy (and quality-related) metadata tags.

Bottom Line

Enterprises should not forgo or belay CRM efforts, but must ensure they are not executed at the expense of a harmonious relationship with other business allies (i.e., partners, suppliers, and employees). Prior to the emergence and viability of commercial extended relationship management (XRM) applications, enterprises should also consider how their CRM concepts, applications, infrastructure, and information might be repurposed, extended, or scaled to accommodate points of interaction with these other groups.

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Figure 1 — Adopting the ETFS Life-Cycle Model for XRM (Examples)

Engage

Partner:	Joint marketing agreement (such as predecessor to reseller agreement)
Employee:	Recruiting, interview process
Customer:	Marketing, sales process
Supplier:	Testing supplier offerings/abilities

Transact

Partner:	Lead/deal management arrangement, contract terms
Employee:	Job offer/acceptance
Customer:	Credit card authorization
Supplier:	Volume/service-level agreement

Fulfill

Partner:	Provisioning marketing materials, samples
Employee:	Orientation/training, supplies, work environment, work product, payroll
Customer:	Delivery of finished goods or services
Supplier:	Delivery of raw materials or components

Service

Partner:	Marketing/RFP support, product planning
Employee:	Evaluations, benefits
Customer:	Product support, returns
Supplier:	Demand forecast, service-level reporting

Source: META Group

Figure 2 — Extending CRM

Sphere of Business Allies

- **"E" drastically increases the need for adaptive collaborative relationships among partners, employees, customers, and suppliers (PECS)**

- **Extended relationship management (XRM) emerges to build firm PECS alliances**

- **Standardized point-to-point (P2P) data interchange and external application integration enable cooperation**

PARTNERS — HR — EMPLOYEES
Customer Service — Financials
Inventory — **XRM** — Product
Process — Sales
CUSTOMERS — Marketing — SUPPLIERS

Highly successful enterprises are pragmatic about extending their "infostructure" beyond merely customers

Source: META Group

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Figure 3 — Reaching for XRM

- **OBJECTIVES**
  - **Improved interactions and good-will with partners, employees, customers, and suppliers**
  - **Optimized business performance (sell-side, buy-side, and in-side)**
  - **Minimized churn + turnover + flight**
- **ACTIONS**
  - **Reapply customer-centric philosophies and behaviors to all relationships**
  - **Implement visible XRM strategies to engage, transact, fulfill, and service all PECS allies**
  - **Repurpose information and infrastructure to enable XRM programs**
- **CHALLENGES**
  - **“We haven’t even got CRM right yet!”**
  - **Maintaining a balanced approach**

Build out CRM concepts and components for command and control of e-commerce complexity

Source: META Group

Figure 4 — XRM Dimensions

Managing all varieties of business process …

Operational, collaborative, analytical

… for all points of interaction …

Storefront, Web, e-mail, telephone, etc.

… among all major business allies …

Partners, employees, customers, suppliers (PECS)

… across their entire life cycle.

Engagement, transaction, fulfillment, and service (ETFS)

Source: META Group

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