The New Face of CRM

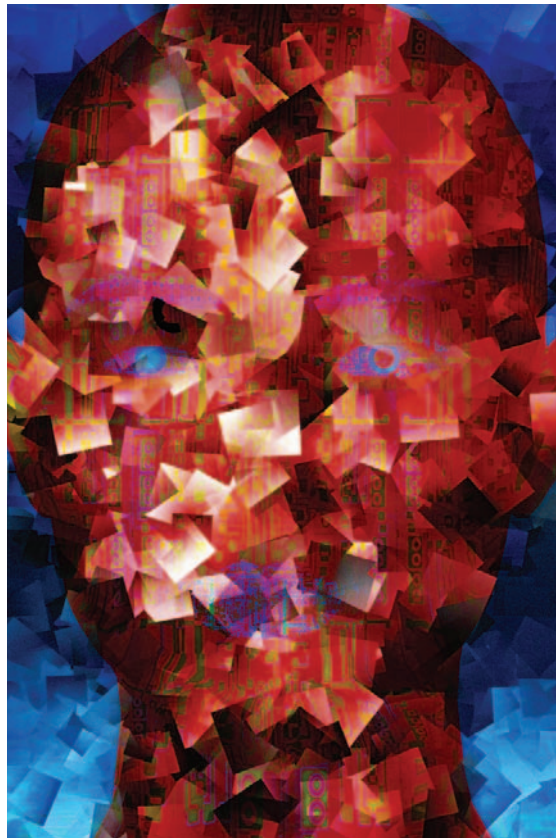**By Therese Rutkowski,
Managing Editor**

Along with "dot-com," another linguistic relic of the late 1990s is "CRM." The acronym is barely uttered anymore in polite business circles—at least not without knowing, sideways glances. That's because the promise of both the Internet and customer relationship management were notoriously inflated during the last few years of the 20th Century, and many companies that bet too much on those promises lost millions.

"From the late 1990s through about 2001, there was this tremendous expectation that CRM in conjunction with the Web was going to solve everybody's problems," says Tom Congoran, vice president of health care at Pegasystems Inc., a Cambridge, Mass.-based business process management (BPM) software firm.

"Obviously that hasn't happened," he says. "In fact, in the health care industry, the percentage of customer service that takes place over the Web is still very low for most large payers in this country."

Likewise, the percentage of CRM projects that failed in early deployments was alarmingly high. When the tech bubble burst, industry sources estimated as many as 70% of CRM projects had flopped. They were over-budget, off-schedule and showed few measurable benefits.

CRM was over-promised and under-delivered, according to Chris Yaldezian, strategy and content director of financial services industry solutions at Pleasanton, Calif.-based PeopleSoft Inc. "That was the fault of the vendors," he says. Equally to blame, however, were the buyers of CRM technology, he adds. "Insurance companies themselves are partially to blame—in the sense that they believed the hype."

Specifically, they believed that technology was the business solution, he says. But "technology is just an enablement tool. It gives you information and content that may not have been available in a manual environment. But in terms of focusing on the customer—and answering questions about what you wanted to do with a customer interaction—that's a business strategy. And insurance companies didn't know what they wanted to do—so they bought technology thinking it was the business solution."

Insurers learn to focus on the "R" in CRM

After several years' experience with customer relationship management (CRM) implementations, insurers are a lot smarter about what the term means and how to achieve it, according to industry experts.

Perhaps one of the most important lessons learned is to pay closer attention to the people who are responsible for the "R" in CRM, according to Darren Peterson, vice president, marketing at E-Z Data Inc., a Pasadena, Calif.-based firm that provides agent CRM systems. "The people I'm talking about are the ones that focus on . . . the relationship with the customer," he says. "And (for insurers) that has to be your field force."

Genworth Financial Inc., Richmond, Va., recently deployed E-Z Data CRM to its career agency force, but the Richmond, Va.-based firm also distributes its products through banks, securities brokerage firms and brokerage general agencies.

The company's multi-channel history has enabled it to understand the nuances of each channel, according to Scott McKay, CIO and senior vice president of operations and quality and Genworth. "We've had the luxury of being exposed to multiple distribution models," he says. "And that has helped us over the years to understand what is common and what is differentiated among them. It has kept us from falling into the trap of assuming that putting in a (generic CRM solution) is going to work. It drove us in the direction of the more tailored solution."

Indeed, insurers have learned to be clearer about who the customer is and the importance of their agents in the CRM equation, according to Kimberly Harris, vice president and research director at Gartner Inc., a Stamford, Conn.-based research and advisory firm. "Insurers began to see the (end) customer is important, but they often have a middleman sitting between the company and that customer," she says. "Therefore, many insurance companies are changing some of their CRM projects to be more tailored (to agents)."

As they do so, however, they're also confronted with technology challenges. The number of career agents who use insurance company systems is shrinking, while the industry is moving toward straight-through processing (STP), notes E-Z Data's Peterson.

This confluence of events is pushing the industry toward standards, according to sources. "Let's say I'm a producer using an E-Z Data CRM system," says Peterson. "How can that producer's primary manufacturer accomplish STP if that producer's system is different than the distributor's system, such as a brokerage general agency, and the third system is the one the home office is using?"

The answer is clearly standards, he says. "If you look to what will alleviate this pain, ACORD will play a role. ACORD is creating a common language that the software providers need to be able to speak in order for STP to happen."

"The insurance industry is looking closely at open standards, so various technologies can communicate with each other," Gartner's Harris concurs. Some companies purchased best-of-breed CRM software for better functionality, while others selected suites to avoid integration hassles, she says. "But even if they took the suite approach, they typically have multiple suites—so they haven't avoided the integration issue at all."

Insurers realize CRM isn't an island unto itself, she says. "There are integration issues that need to be addressed—how CRM fits with policy systems, claims systems, and agent systems, for instance. How all these systems communicate is more of a priority than in the past."

'Fluffy' dollars

The good news is: Insurers are not making that mistake anymore. They've learned valuable lessons from early CRM deployments. And, since 9/11, technology investments overall have been more carefully governed and scrutinized, says Kimberly Harris, vice president and research director at Gartner Inc., a Stamford, Conn.-based research and advisory firm.

Indeed, customer relationship management has value, and insurers that invested in it are salvaging those investments, while newcomers are deploying it with more realistic expectations, more focus on high-value, customer-facing processes, and more attention to end users' needs. This is the new face of CRM.

"A lot of the benefits of CRM were soft benefits—'fluffy' dollars invested in improving customer satisfaction or agent loyalty," Harris says. "But how do you measure that?" As a result, CRM projects were blasted when companies started asking for ROI. "They couldn't find it."

In fact, companies that looked for CRM results didn't find them because they didn't have a good baseline for comparing the before and after picture, according to Denis Pombriant, founder and managing principal of Beagle Research Group, based in Stoughton, Mass.

"There are a lot of situations where the data is inconclusive—because companies didn't have a starting point," he says. In fact, research conducted last year by *Insurance Networking News* and Boston-based Aberdeen Group found only half the companies surveyed had done a thoughtful analysis of their businesses before implementing CRM technology, notes Pombriant, formerly with Aberdeen. "But in virtually all cases, the companies that failed went back and got it right the second time."

In addition, mid-sized and mainstream companies that are just now investing in CRM have learned from the mistakes of early adopters, which were mostly larger firms, says Beagle's Pombriant.

In fact, that's where the real CRM growth is now taking place—in the middle market, sources say.

"From the research I'm doing right now, it appears the mid-sized companies are doing a better job protecting themselves when they go into a CRM deployment—by analyzing their business requirements before they go out to make a purchase, and by sticking to a plan," says Pombriant.

Vertical context

The first deployments of CRM were grandiose and somewhat abstract, attempts to get a 360-degree view of customers, Gartner's Harris concurs. "Companies threw everything into (CRM) that had to do with sales, service and marketing. They didn't put it into a vertical or industry-specific context." Now, however, insurers are looking for solutions tailored to their specific needs.

In fact, many insurance companies aren't even using the term CRM anymore, Harris says. Rather, when insurers invest in customer-facing applications today, they are using words that have relevance to their business processes—such as agent and broker systems, claims systems and customer service or call center solutions.

Few companies will deny there's significant value to viewing their multi-dimensional relationships with customers through a single lens, but they're taking a practical, incremental approach to CRM compared with the past, Pegasystems' Congoran says. And vendors are providing industry-specific solutions.

For example, Pegasystems offers a CRM product designed specifically for the health insurance market, where companies have a lot of interaction with customers through their call centers. "Our focal point with the CRM product we deliver is not sales and marketing; it's really about the call center," Congoran says.

David Zink
—Blue Cross Blue Shield of R.I.

Blue Cross Blue Shield of Rhode Island selected Pegasystems as its vendor because its product is customized to the industry's needs. Because of this, the Providence, R.I.-based health insurer implemented CRM in only five short months.

"Typically, when user departments select a software vendor, the users say, 'This is great, but we want you to make these small changes,'" says David Zink, CIO and senior vice president of administration at Blue Cross Blue Shield of Rhode Island. "Then, those small changes become bigger changes—and the next thing you know, you're into a five- or six-month rewrite of whole sections of the system.

Different approach
"We took a different approach," he says. "We said, 'Our (old) process was built around a mainframe, antiquated software package that forced us to do a lot of things using brute force.' We wanted to work with a company like Pegasystems that had studied the process of customer service (in our industry) and had built a workflow and system to support that process, making it streamlined and logical."

In this way, instead of changing a new system to support its old customer service process, Blue Cross of Rhode Island changed its customer service process to match Pegasystems' customized CRM package.

"We put the system in 'vanilla' with literally miniscule changes," Zink says. "Then, we changed the process to match the vanilla system."

To the user community, Zink made a commitment. "I said, 'If you use this for four or five months, and you still want to change it, we'll change it. But I want you to get some success under your belt first.' So we put it in, it went in on schedule, and to-date we haven't made any changes to it," he says.

That was a year ago, a deadline that was established when senior executives decided to implement a new claims engine that would consume IT and business resources.

"We put this project together within a very specific window

Scott McKay
—Genworth Financial

of time—five and a half months," Zink says. "It was a corporate decision from the top that said, 'We are going to do this, and we're going to do it in a very short period of time.'"

Breaking the project into manageable steps was key to meeting that deadline. "Our first secret (to success) was to make the elephant eatable in bites," Zink says. "Don't try to eat the elephant in one big gulp."

In addition to dividing the elephant into manageable bites, Blue Cross also made sure it was being consumed properly. "We made sure we knew what we were doing," Zink says.

"We had good progress reporting. We had good milestones. We had good deliverables. We had team meetings on a routine basis. You have to know what you're trying to do. It has to be well defined. You have to have valid milestones. And you need to make sure you project-manage correctly."

When potentially time-consuming discrepancies surfaced, Zink himself intervened. "We involved a high-level sponsor. In this case, it was the CIO of the company—me," he says. "I was the objective party. I became the arbitrator—the officer of the company involved on a day-to-day-basis—who could remove roadblocks and set policies immediately on the spot."

The company broke the project into three phases: phase one focused on implementing the system to service the company's 680,000 members; phase two focused on servicing its 3,200 doctors; and phase three involved integrating the system with the company's new claims engine.

"We decided we were going to complete phase one in five months," says Zink. "We wanted to have the biggest impact on those 680,000 people who pay our livelihood." Then, the company moved into phase two, which concluded on schedule in September and at press time, it was implementing phase three.

It's the process, stupid
Pegasystems' CRM package has been so successful in Blue Cross of Rhode Island's 210-person customer service division that the company's grievance and appeals department also has adopted it. "This CRM solution is so good, it's basically becoming the process workflow engine of our company," says Zink.

And process workflow is exactly what was missing in many of the early, disappointing CRM deployments, sources say.

"Many CRM projects were centered on getting all the customer data from legacy applications and bringing them into a single view of the customer," says Gartner's Harris. "But the data was in all different formats—and the data was dirty. So the issue is not only getting the data consolidated, but what do you do with the data once it gets there?"

"We don't even talk about CRM as CRM anymore," says Lynne Courts, insurance industry solutions manager, at Chordiant Software Inc., a Cupertino, Calif.-based business

process management software company. "We talk about orchestrating operational business processes."

The only reason companies cared about having large amounts of customer data in the first place was to service customers better, Courts says. "But CRM provided static information and some sales tools." And people interacting with customers need to know how to guide customers more effectively, how to transfer seamlessly from servicing to selling, and which products to present at what time, she says. "Previous CRM technologies were never able to provide that."

In March, Genworth Financial Inc., formerly GE Financial, implemented a front-office CRM solution for its career agents. The system serves to integrate the company's various agent point solutions—which already existed—onto one distribution platform.

Key to its vendor selection was built-in process workflow. "Having a common view of the customer and the common view of the book of business is interesting, but its not process-enabled," says Scott McKay, CIO and senior vice president of the Richmond, Va.-based company. "So you have to ask: If I put this CRM solution in place, will it in fact support the processes that I'm trying to enable versus just being an interesting database?"

Genworth selected E-Z Data Inc. over more generic CRM vendors because the Pasadena, Calif.-based provider has expertise in insurance agency workflow.

"Many generic solutions give you the common view of the customer and the complete history of contacts, and E-Z Data has that same capability," McKay says. "The difference is if I'm a producer, E-Z Data also has the process built into it for what happens every day in my work life."

Selling the system

When CRM came into being in the 1990s, there was a lot of confusion about what it meant. The whole idea of the customer was a problem, says Gartner's Harris. "Most insurance companies have very little interaction with their customers. It's more an issue of the agent or broker who is sitting between the two."

Furthermore, she says, early adopters of CRM often didn't consider user acceptance of the new solutions.

"If you take people who are using green screens and now you give them a Windows-based point-and-click environment, they may not want to use it. You can't just give a new system to people and expect them to pick it up automatically." Harris says.

In fact, General Electric was an early entrant to the Internet space, so Genworth learned early on that just because you build it doesn't mean they'll come, McKay says. As a result, he says, "we have a lot more sensitivity about what it takes to effectively roll out technology—particularly to a broad external audience."

It requires a combination of marketing to end users to help them to understand the need for the technology, training them to use it, and tailoring the technology so it actually meets users' needs, he says. "It can't be so generic that they

won't see value in it."

To encourage agent adoption of its new CRM platform, Genworth engaged with agents in the field early on to ensure the application supported their actual work processes. Then, when the company rolled out the solution, it launched an internal marketing campaign to "sell" producers on the new system.

"It was a team-based approach using our technology partners as well as our marketing department and training teams," says Terence Mascarenhas, program leader for Rover CRM at Genworth. "We made the CRM application as palatable to the producer as we possibly could. And we actually branded the application: 'Rover, an agent's best friend.'"

So far, approximately 350 of Genworth's 1,400 career agents are using Rover CRM, and the percentage of Genworth's business generated by agents is on the rise, according to Mascarenhas. "I'm positive that Rover is a piece of that."

"We've got a large number of users who are participating in the program and getting value," he says. "We're catalyzing a culture shift toward agent-generated business. We're teaching our agents to become less dependent on company-provided leads and to create business opportunities for themselves." (Genworth Financial also distributes its products through banks, securities brokerage firms and brokerage general agencies.)

Set for life

E-Z Data helps Genworth do that because it provides pre-loaded, compliance-approved marketing letters that address many agent-client scenarios—from a pre-approach letter to an appointment to an annual review.

The system also enables agents to slice and dice to identify cross-selling or up-selling opportunities.

"In the past, many of our producers sold to their clients and never talked to them again," says Mascarenhas. "The fact that we can identify customers within a certain segment to go back and cross-sell other products our company offers is a huge benefit."

Knowing what customers might be interested in a Medicare supplemental policy, for example, gives agents a reason to contact them.

"We train our producers to make themselves referable—so their name gets out there," Mascarenhas adds. "We've heard from many producers that if you get 300 clients, you're set for life—because those 300 clients will be refer you to one, two or three different people and if you sell them one, two or three different products, that's your living right there."

"Genworth really gets it," says Darren Peterson, vice president of marketing at E-Z Data.

"They have a process-oriented, six-sigma culture and you can see that in the way they rolled out our system. They did a really good job of balancing the needs of the home office and the needs of the field. And they understood they needed to create some wins early on at the field level so producers know this application is useful to me. The home office has stepped up and put me first." **INN**

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