On April 15, 2004 we have changed our name to Capgemini.

To help you achieve measurably faster, better and more sustainable results we have taken this opportunity to formalize our core strengths into what we call the Collaborative Business Experience.

Our clients tell us that what makes Capgemini different is the unique, collaborative way in which we help them take advantage of opportunities and solve their problems. Collaboration has long been a recognized cornerstone of our approach to business and is part of our DNA. We believe that success and collaboration go hand in hand and we have been a pioneer in developing collaborative practices such as our innovative Accelerated Solutions Environment (ASE), which helps companies create rich strategic and technology solutions in record time.

Why do we place so much emphasis on collaboration?
We believe that collaboration is the business imperative of our time. For a decision to be both relevant and effective in today's complex and unpredictable environment, few companies can succeed alone.

In our work with thousands of the world's best companies we have found that there are four key elements to successful collaboration: Targeting Value, Mitigating Risk, Optimizing Capabilities and Aligning the Organization.
However, Capgemini's Collaborative Business Experience is not a one-size-fits-all approach. The more complex the challenge and the situation, the more collaboration is required. We adapt the level of collaboration based on the nature of your needs and complexity.

Competing in the Relationship Economy:

Realizing a CRM Transformation

Congratulations, Appliances R US. Your application implementation was successful. You redesigned your website with all kinds of bells and whistles and beefed up your call center with Computer Telephony Integration. If only your sales, marketing and service people were coordinating on promotions instead of confusing customers with disconnected promises. If only the call reps could be more helpful by knowing more about the flashy web site.

It's week four of PrimeSatellite TV's big multi-channel promotional offer. Monthly reports show sales are lower than expected. Too bad results-tracking is so delayed and convoluted. Adjustments could have been made sooner and dollars saved. And, with better customer activity information, the offer could have been better targeted in the first place

Safeguard Insurance has done it right; unwavering devotion to customer service. Top management just created the post of Chief Customer Officer and the best and the brightest are on its sales and marketing teams. Unfortunately, the state of its customer data systems is hardly as rosy. Resolving even simple claims takes multiple calls. Customer files must be updated in four different places. Data gaps abound.

The Case for Change

Nowadays, one of the surest tickets to growth is harnessing the full value of the customer. No wonder the competition for the most profitable customer is fierce. To win the battle, companies have to provide customers a consistently high-quality experience - and be able to manage it over time - and across a multitude of touch-points. But, a policy of "customer always comes first" is an expensive venture. You've got to know who your customers are - their habits, their preferences, their experiences with you, and their ultimate value to you - if you want to thrive in today's relationship economy.

At the same time, the contest for customers combined with abundant customer choices has pushed expectations to new heights. Who has the patience for a provider that doesn't deliver on time, with quality - and with a burning desire to satisfy your needs? Who wants to be bombarded with the same promotion after saying "yes" the first time? Adding to the challenge, companies are providing more access points than ever before to reach and interact with customers. Not only do companies have more to manage and integrate, but new channels like the Internet have made it easier for customers to shop for the best service and the best deals, creating even more competition for the same customer base. Customers are demanding that you be accessible and easy to do business with. Otherwise, they're gone.

The good news: companies are beginning to implement Customer Relationship Management strategies, tools and infrastructure. Almost three quarters of the top sales, marketing and customer service executives recently surveyed by Gartner Group for Cap Gemini Ernst & Young (CGEY) view CRM as either a top strategic or operational priority. They are creating segmentation schemes, piloting new customer facing capabilities (24 X 7 support, self- service, loyalty programs) and beefing up their knowledge bases to know and serve customers more efficiently and effectively.

CAP GEMINI ERNST & YOUNG

The Struggle to be Customer Centric

The promise of building a Customer Centric enterprise is alluring: apply a disciplined approach to how you treat customers based on what drives their behavior and their value to you and growth will follow. While the economic premise is irrefutable and opportunities for improved customer relationship management abound, so do the challenges and pitfalls.

The reality is that while we have embraced the rhetoric of CRM and indeed made significant investments to improve the customer experience, there remain a number of hurdles that have stood in the way of completely delivering on the promise. Most notably:

The State of Customer Relationship Management*

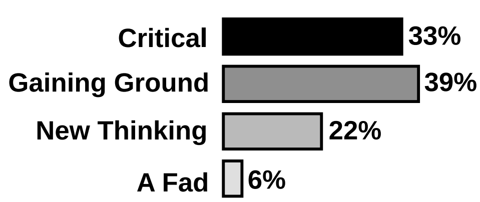
Key Hurdles

- **A lack of discipline in measuring ROI from CRM initiatives**
  - **42% of executives do not know because they did not measure**
- **Product based organizational structure**
  - **Well over half organize around product groups (41%) or geography (29%) vs. customer segments**
- **No complete view of customer history or activity**
- **No one executive "owns" the customer experience**
  - **More than half of executives we interviewed, (54%) said their companies split this responsibility across multiple executives**

* based on quantitative primary research conducted on behalf of CGEY by Gartner Group/Griggs Anderson.

These statistics are not a sign of delinquent management behavior but rather an indication of how difficult and truly transformational the change required in order to successfully compete in the new relationship economy. Efficiency, scale, and product innovation are bedrocks of the industrial model that got us to this point. American business now needs to add to, not supplant, these strengths by building a fresh, complimentary set of competencies in the discipline of customer relationship management. The notion is a simple one: If I invest a dollar in the relationship I expect to receive more than a dollar of value, either in savings or revenue, in return. Simply stated, "I give, I get." The lynchpin to the whole concept, of course, is customer knowledge. What do you need to know about customers at large or on an individual basis to maximize the value exchange? If you invest in getting to know your customers, not just their attitudes but also their behavior, will you see an adequate return? What is the opportunity cost of not being able to recognize and differentiate service to those you do business with? Are you aligning your portfolio or channels or touchpoints (web, call center, sales organization…) against your portfolio of customers to not only make them more satisfied but to make you more efficient and ultimately more profitable as well?

Role of CRM in Corporate Strategy and Operations



These questions are at the heart of being able to operate a Customer Centric business. Importantly, most executives now see the value of CRM to their business with only a few misguided executives characterizing it as a fad. (See Table).

While the financial services and telecom industries are among the most committed to making CRM the basis of their strategy, our survey results show that CRM pacesetters are also emerging from traditionally supply-side businesses such as consumer goods/retail, high tech, and yes, even the most historically staid of industry sectors, utilities.

CRM - Why Bother?

Just as "all customers are not created equal" neither are all business strategies. Not all companies should or can invest enough to apply a full-fledged, portfolio-based CRM model to their business. In some cases the cost of building infrastructure to get to know the customer will be greater than the value returned. The key is to determine if there is the proverbial "burning platform" that provides both sufficient enough motivation and the business case to support such change. If you answer "yes" to any of the following then CRM has a role in improving your business performance.

Is it time to get serious about CRM?
Check if "Yes"

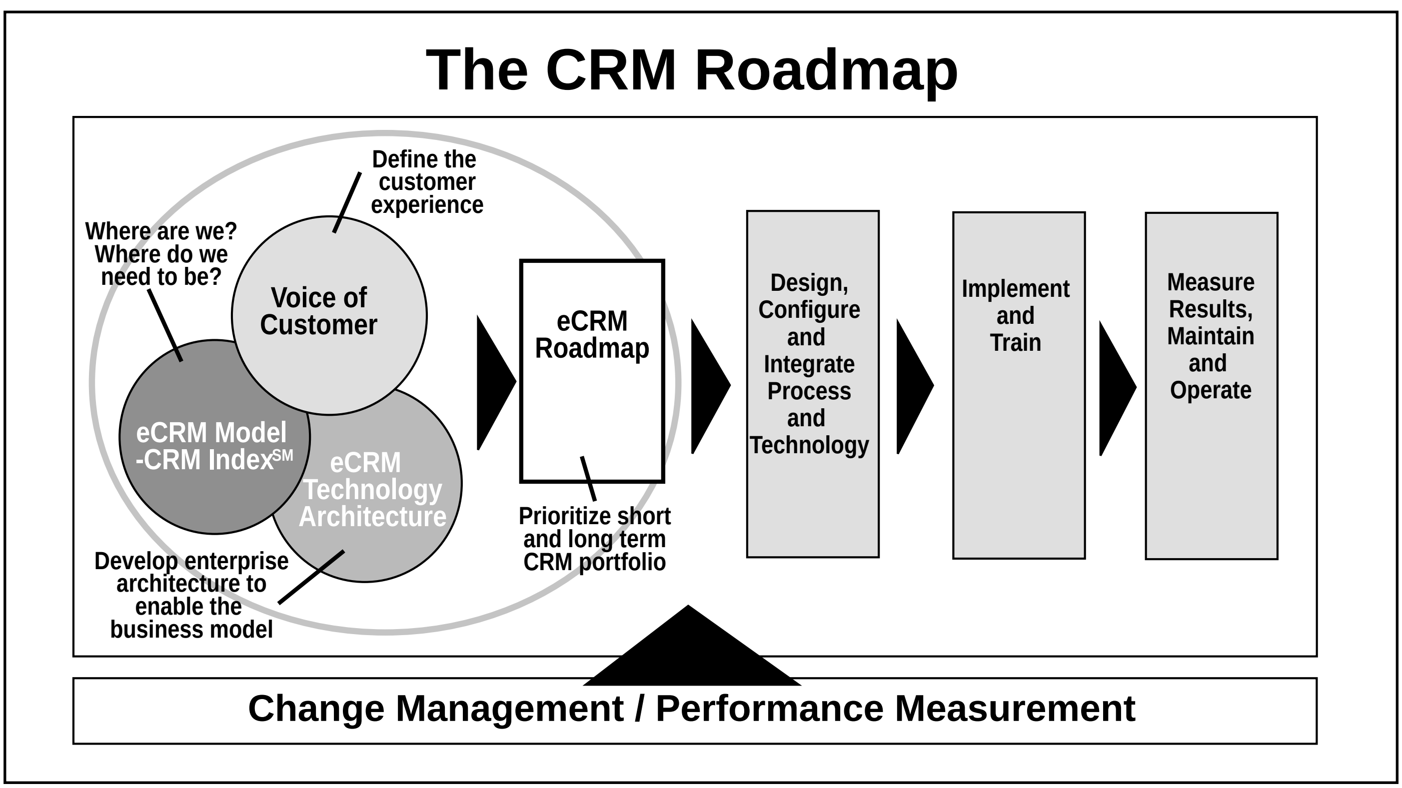
- ☐ Are your core products or services at risk of being commoditized?
- ☐ Are your customers demanding that you provide anytime, anywhere, anyway capabilities?
- ☐ Is there a significant difference in the value of your best customer vs. your average customer?
- ☐ Are you finding the need to customize or personalize products/services?
- ☐ Do you have a premium brand to protect?
- ☐ Are there competitors in your market who are attempting to change the "rules of the game"?

While the paths to winning the "hearts and wallets" of your customers are as varied as customers are themselves, the key is to first define the stages of the customer experience from the customer's point of view. You can then determine how to invest in each stage to generate the greatest customer and business impact. In certain circumstances, a dollar may be more wisely invested in your product or overhauling the order fulfillment system versus a customer data warehouse, because getting it to them faster is more valuable than knowing more about who they are. On the other hand, maybe the shop-to-buy ratio is low and greater investment is needed for a more sophisticated shopping interaction. These examples speak to the tradeoffs, which underlie your customer relationship and investment strategies.

Mindset and Connectivity - CRM - How Fast, How Far, How Much?

The issue of deciding how fast, how far and how much to focus on CRM initiatives vis a vis other corporate priorities can be clarified by understanding where you are today in relation to your peers and customer expectations. CGEY analyzed over 100 variables, which characterize an organization's practices, capabilities and structure relating to marketing, sales, and customer service.

Based on these variables, CGEY has established a CRM Index[SM], a first step in assessing the potential role of CRM in supporting your business model. As shown below, the index is one part of a 3-part approach we use to set a company's overall CRM direction.

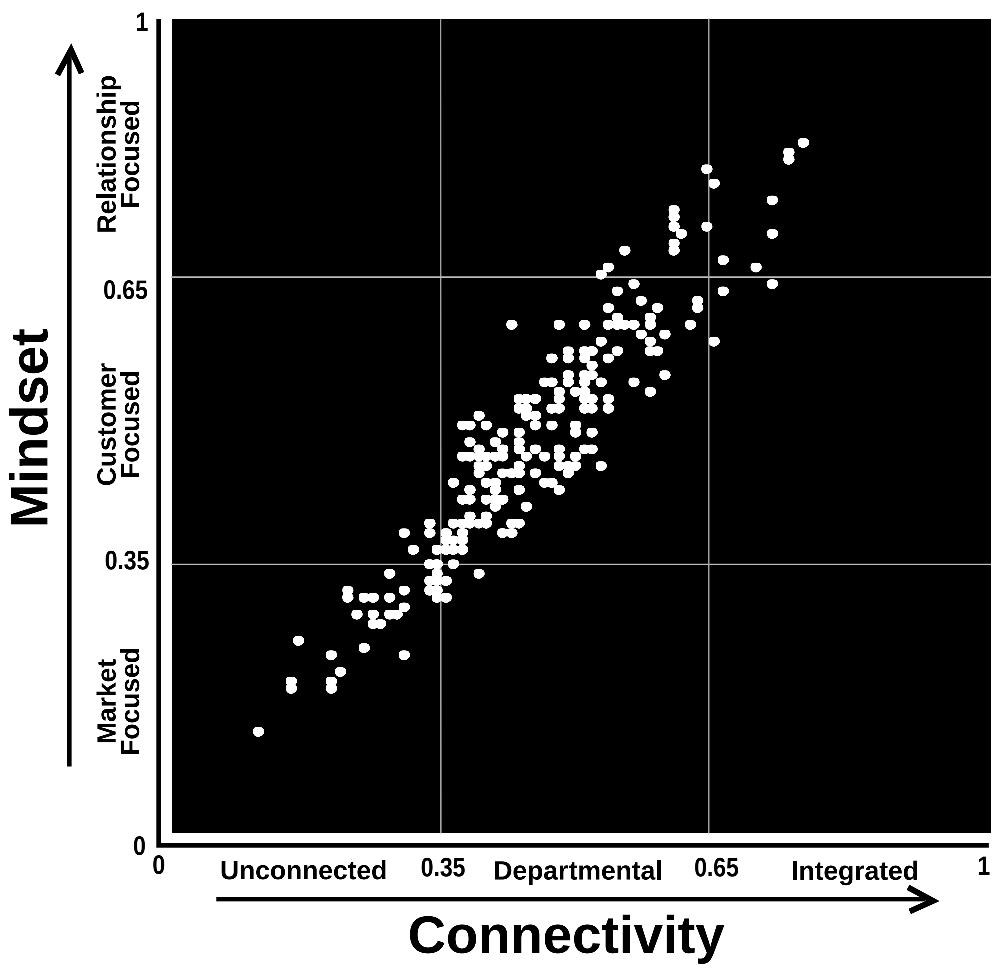


The CGEY study revealed that there are really two key dimensions that define a company's current state business model. We call them *Mindset and Connectivity.*

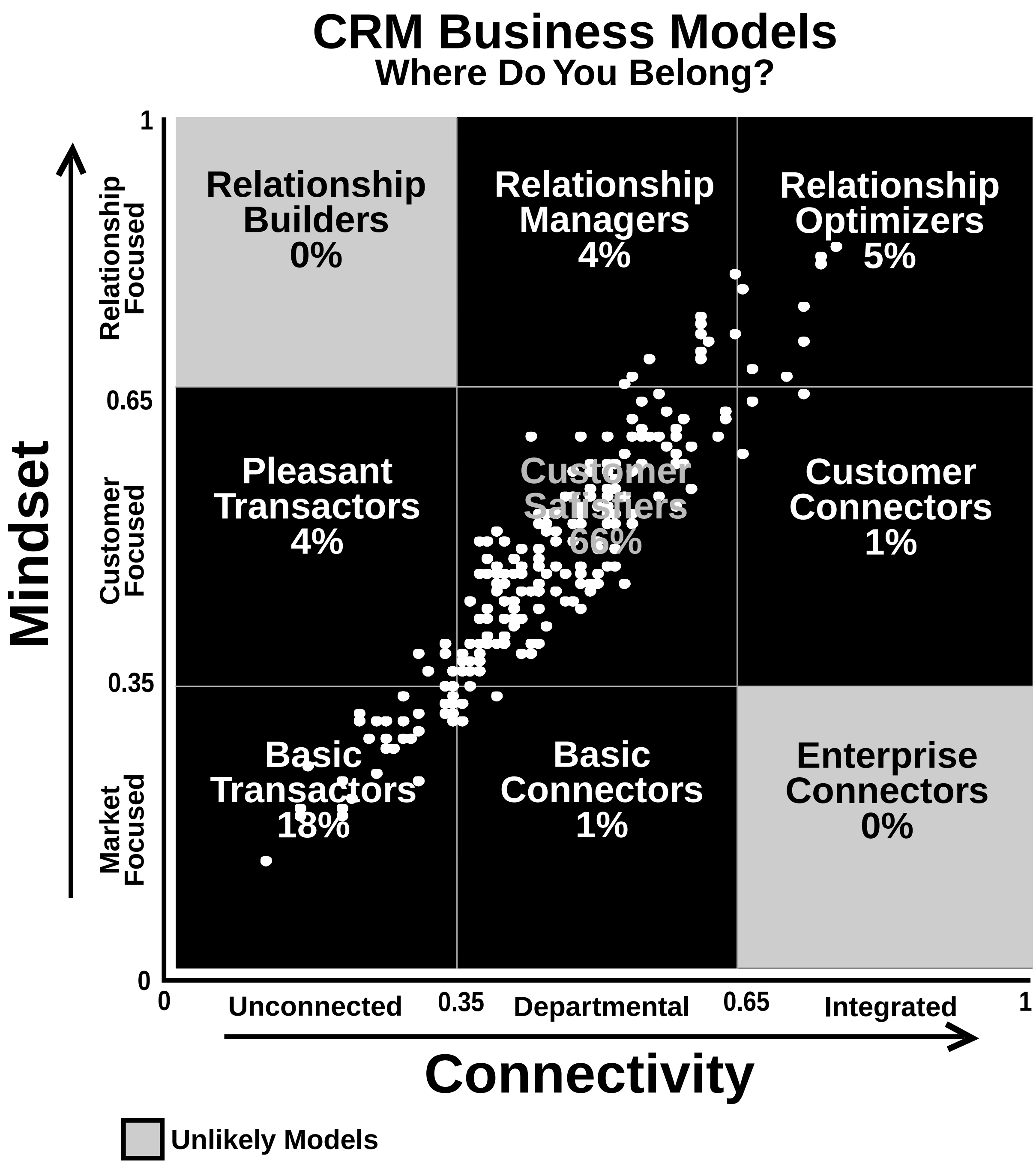
Mindset *Strategy and Customer Philosophy*	**Connectivity** *Process and Infrastructure*
■ **Value assigned customer relationships**	■ **View of the customer**
■ **Organization structure**	■ **Degree of data-based decision making**
■ **Corporate philosophy**	■ **Channel/touchpoint mix**
■ **Performance measurement**	■ **Workflow**
■ **Business intelligence**	■ **Infrastructure**

As one might expect, there is a strong correlation between the mindset or philosophy about how an organization views customer relationship management and the infrastructure and process design that is deployed to support the business. The fact that most companies fall along the diagonal is a positive sign and suggests that on balance executives are aligning their intention with their investments. Those off the diagonal would appear to have a strategy not supported by the infrastructure or vice versa. The strategic question is, where is your company with respect to *Mindset and Connectivity*, and where should you go from there to achieve profitable growth?

Where Do You Belong?



As the graph depicts, the higher up the mindset (x) axis a company operates, the more it is orienting its business toward individual one-on-one relationships. On the connectivity dimension (y) axis, when a company elects to build out its process model and infrastructure it can do so with little to no connectivity to support customer relationship management or with a highly integrated, enterprise-wide approach. The distribution of our study data suggests that the x and y axes can be reasonably subdivided into 3 parts, hence creating a 3 x 3 matrix. It is at the intersection of one's mindset and connectivity where an observation can be made about the nature of one's overall business model. This framework presents a possible 9 model types with approximately 90 percent of companies being classified within the 5 dominant models.



The labels assigned to each cell are meant as descriptors of the central tendencies of an organizations' customer relationship management approach. Several observations should be made about this business model framework:

Framework Observations

- Profitable companies exist in each business model
- There is no implied value hierarchy. However, all else being equal, achieving Relationship Optimizer status represents the most sophisticated CRM model.
- Multiple models could be represented within a single company if business units operate autonomously.
- While representatives of each major industry studied populate multiple cells, some industry generalizations can be made:
  - High tech represents some of the strongest performers but also has high variability
  - Surprisingly, FSI operates at the average (no one breaks out from the pack)
  - Consumer packaged goods and utilities are focused more than other industries on markets rather than customers

Not surprisingly, the dominant model is one we call Customer Satisfiers. This type of organization has recognized that customer satisfaction matters to the success of the business and has put in place a set of measures and procedures to track how well they perform against expectations. Additionally, Customer Satisfiers have invested in automating a number of the customer-facing activities, albeit with a department or business unit focus compared to an enterprise scope.

Listed below are the distinguishing characteristics of each of the 5 CRM Business Models*.

5 Dominant CRM Business Models

Basic Transactors

- Limited recognition of individual customers or preferences
- Emphasize a quality service or product - not a lifetime customer experience
- Use mass marketing techniques to reach relatively undifferentiated audiences

Basic Connectors

- Limited recognition of individual customers or preferences
- Provide undifferentiated service levels to all customers
- Technology and infrastructure in place is departmental or silo-based and focused on efficiency

Pleasant Transactors

- Recognize needs and preferences of individual customers
- Emphasize customer satisfaction
- Lack infrastructure to provide consistent delivery across enterprise

Customer Satisfiers

- Satisfy customers to ensure continued revenue streams
- Limited focus on individual customer profitability or lifetime value across enterprise
- Some real-time recognition of customer status across touchpoints

Relationship Optimizers

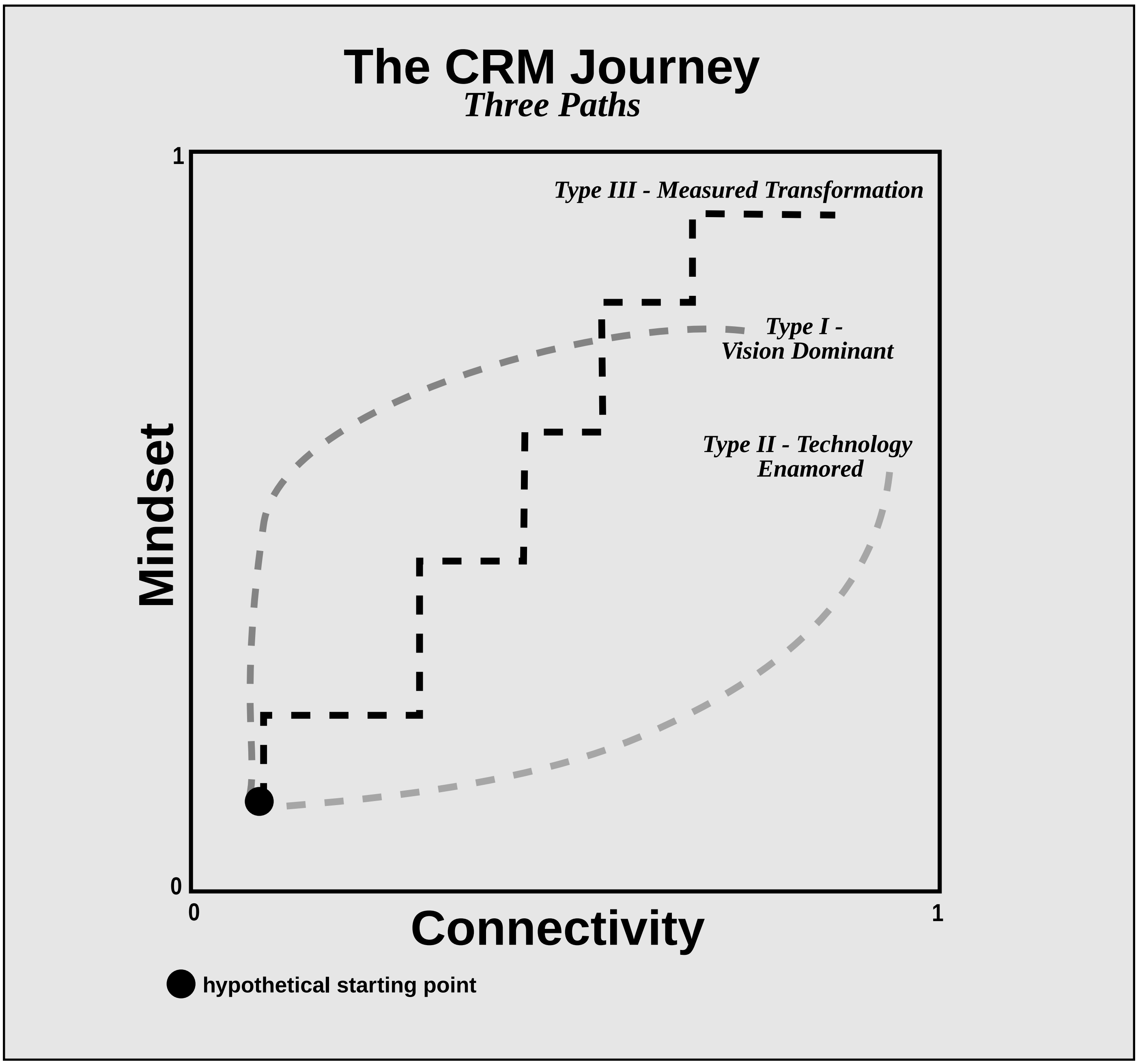
- Vary treatment of each customer, based on lifetime value, across the enterprise
- Capture complete history of customer actively across channels and products
- Collaborate with customers on product design and delivery
- Real-time access to a single customer data repository

*Limited to the most populated cells.

There are several benefits to management in applying this typology to CRM Strategy development. First, understanding which model best represents how you operate today helps to level-set the strategy discussion. All too often various constituencies over-state or misrepresent their internal CRM capabilities. Using a fact-based approach, supplemented by observation and validation, allows your management to focus on the tough question, which is: where do we aspire to be and how do we get there? Second, the index allows you to ask where are our competitors operating and where are we being preempted? Lastly, the framework demands that management take a balanced view on CRM initiatives, considering the consequences of strategic and organizational decisions (Mindset) and the corresponding process and technology requirements (Connectivity).

It is fair to say that while there is a relationship between connectivity and mindset overall, at any given time a company may operate off the diagonal. Organizations evolve in non-linear fashion. As such it is likely that the CRM journey takes a company back and forth across the alternative models as it seeks to make progress.

In aligning one's mindset and connectivity we have observed that there are "routes" that typify how CRM takes shape within a given company. First, there are those companies that declare the "Customer is King" (Type I), and launch visible internal campaigns to rally the organization to improve the customer experience. Often however, these top-down programs take on the complexion of the "program de jour" where there intention is there but the capability to execute is not. We call this a *Vision Dominant* approach. At the other end of the spectrum (Type II) is the company that has bought into the notion that technology can enable the customer facing processes, (marketing, sales and customer service) but the build-out of solutions has been "scattered". At the end of the day these organizations find the whole is less than the sum of the parts. Because the projects were not *led* by a clear CRM vision and strategy, the results are often sub-optimal. The call center may be more efficient but what is the contribution towards improving customer loyalty? The sales force automation package may deliver improved management reporting and support deal/pipeline review but has it been developed to deliver unique measurable value to the customer? These companies are *Technology Enamored*. Type III companies are those that evolve in a methodical manner, pacing their investments and transformation to lead them toward a desired future state while demonstrating short-term results by executing a series of discreet projects within an overall CRM roadmap. We characterize this approach as *Measured Transformation*. This last model seems to carry the greatest probability of sustained success.

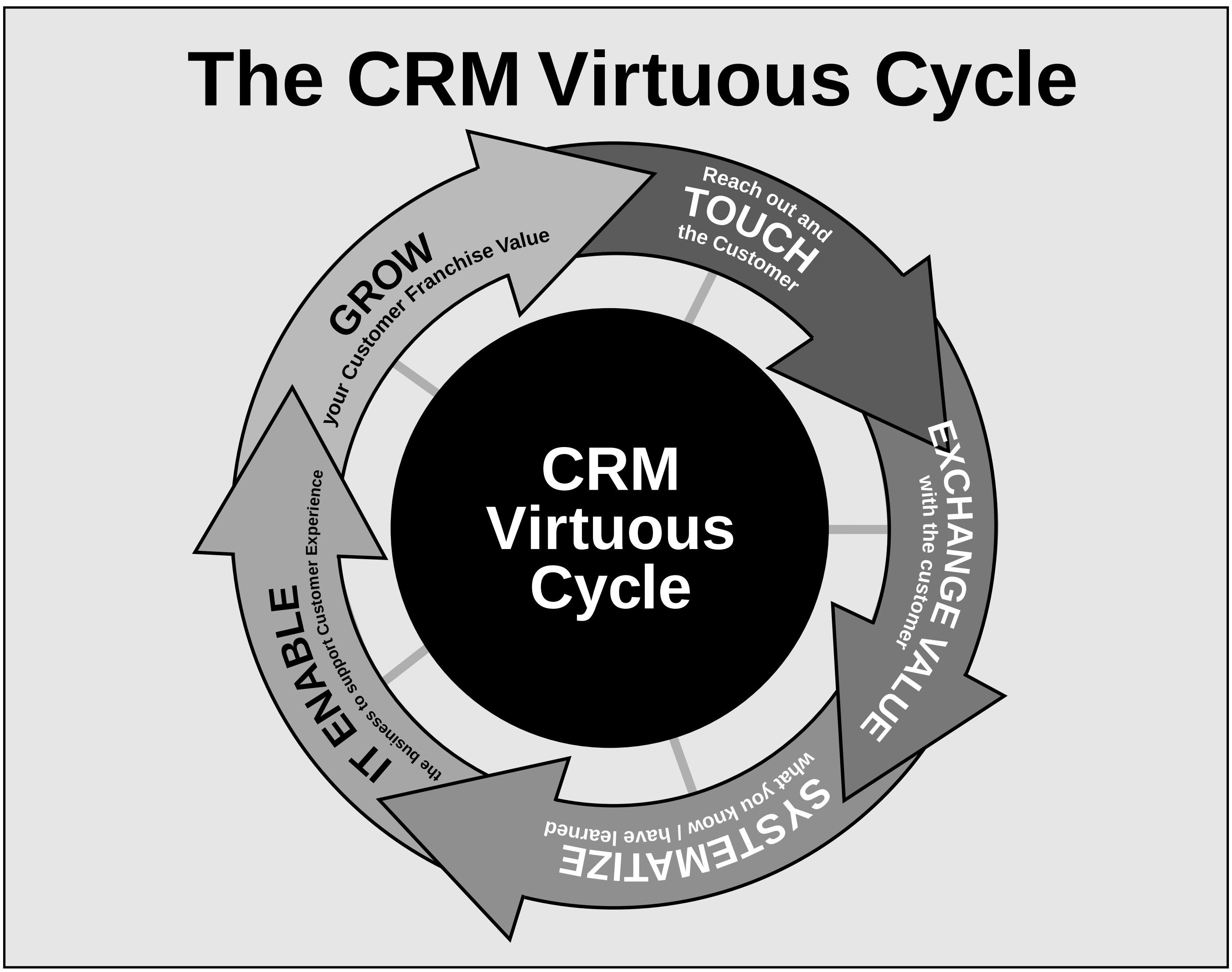


Touch and Grow

As an organization deepens its commitment to managing its customer portfolio as a set of relationships, it brings with it the need to not only know more about customers needs and preferences but also to increase the frequency of interaction. Relationships are difficult to sustain without some degree of dialogue. Obviously, it is critical that this increased dialogue produce a return to the business and not just increase the cost basis of a given customer relationship. Moreover, as a company grows it should endeavor to grow its customer base at a faster rate than its relationship cost basis. This is achieved by determining what is the most appropriate way to "route" a customer through the business - one that is both cost-efficient and customer effective. In today's relationship economy this is accomplished via a multitude of self-service (web, IVR, email) and full-service channels (sales reps, call center agents, etc.). The key is to align your various touchpoints based on <u>who</u> the customer is, the nature of the circumstances or <u>why</u> you are dialoguing with the customer and finally <u>what</u> product or service is behind the interaction - we call this the "customer routing" cube.

The good news about increasing your access to and level of interaction with customers is that if done properly it can pay off handsomely. In fact, our study reveals that those companies that reported the highest revenue growth (exceeding 30%) also tended to "touch" their customers more often. Not incidentally, these same companies also indicated that they have systematized their knowledge of the customer so they can engage in a richer dialogue with them. At the same time, these high growth companies are also increasing their IT spend on CRM at a faster rate than average growth companies. While correlation is not necessarily causation we believe these characteristics are interrelated and that when you "connect the dots" it represents a virtuous cycle; one that can be the basis of sustained profitable growth.

Reflecting on our CRM Business Models, it is clear that the type of behaviors associated with this virtuous cycle are endemic to how relationship focused companies run their business. The message: *Touch, Know and Grow*.



Charting the Course

The purpose of this paper has been to provoke not prescribe. Every organization has a different cadence and appetite for change. Whether you view CRM as the basis of corporate business strategy and the means for transforming the very nature of how you conduct business or simply as a way to improve business performance within functions that impact your customers, the unassailable truth is that you cannot generate sustainable growth without growing the value of the customer portfolio. Whether that growth is achieved through more effective targeting/ acquisition of customers, better cross-selling and development of existing relationships and/or improved customer loyalty, a disciplined CRM program can help you realize untapped relationship value; enabling you to both save money and make money.

While this paper reinforces that there is no “one size fits all" path to follow, the following represents a list of actions to consider in stimulating or accelerating your CRM efforts.

Actions to Consider: CRM Accelerators

Lay the Foundation

- Form a cross-functional/divisional CRM advisory board
- Develop a CRM vision and mission statement
- Perform economic segmentation on your customer base to identify high, average and low value segments
- Create "customer experience" maps to help define customer needs and preferences (even those that are unfulfilled)
- Develop a customer scorecard to highlight data and measurement needs
- Benchmark your capabilities - marketing, sales and customer service to determine current levels of efficiency (speed, cost) and effectiveness (customer satisfaction)

Demonstrate the Power

- Build the business case - where can a CRM initiative save you money or make money - Connectivity and/or Mindset based investments?
- Establish a pilot campaign(s)
  - Pick a customer segment, a stage of the lifecycle (e.g. awareness building, buying, service) and a channel (e.g. web, call center) and test your hypotheses
  - Measure results and communicate success
- Leverage and strengthen customer/ target profiles - Invest in enough knowledge to get the job done
- Identify the key process and technology enablers associated with having full production capability.

Raise the Bar

- Establish an enterprise-wide customer "routing" scheme
  - Treat different customers differently
- Build business rules and workflows that enable real time, point-of-contact (POC) decision-making
- Synchronize and integrate your touchpoints so that customers receive a consistent experience whether sitting across from a rep, surfing on the web or calling your 800#
- Adopt a balanced performance measurement system that links all employees (variable) compensation to customer satisfaction and value targets
- Establish the role of the Chief Customer Officer. Just as the CIO is the steward of the information assets, this individual is responsible for the customer relationship assets and experience across business functions and divisions
- Engage in full customer collaboration - create switching barriers by involving your customers in the design, configuration and delivery of the service(s) they desire or are entitled to
- Ensure learnings from market research and past campaigns are captured and referenced or leveraged in future initiatives

Whether your CRM efforts assume a crawl, walk, or run pace, it’s time to take the steps necessary to grow, nurture and protect your company's most vital assets: its customer relationships. How fast? How far? How much? Only you can decide - But hurry, your customers are only going to wait for so long.

For more information about Cap Gemini Ernst & Young CRM Solutions, please visit our web site at www.cgey.com/crm.