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Gartner CRM Excellence Award Winner: Boise Cascade

With a vision to leverage new technologies into increased customer value, Boise Cascade Office Products capitalized on an opportunity to enhance its competitive position by implementing a comprehensive CRM strategy.

Core Topic
Customer Relationship Management:
Creating Business Value for CRM

Key Issues
During the next five years, how will business strategies, behaviors, processes and technologies evolve to enable enterprises to develop more profitable customer relationships?

What will be the role of senior executives in successful CRM initiatives?

Strategic Planning Assumption
Through 2005, enterprises that use a strategic CRM framework to estimate, plan and promote their CRM implementation while building up their capabilities in small, piloted steps are twice as likely to achieve planned business benefits as enterprises that pursue projects without a framework (0.7 probability).

Note 1
About BCOP
• Worldwide employees: 13,000 (including 1,200 sales representatives, 1,500 customer service representatives, 600 outbound telesales representatives and 800 private fleet delivery drivers).

• FY00 sales: $3.7 billion

• U.S. distribution centers: 45

Boise Cascade Office Products (BCOP) is a multinational distributor of office and technology products, office furniture and paper products headquartered in Itasca, Illinois (see Note 1). With FY00 sales approaching $4 billion and projected FY01 annualized online sales of $800 million, BCOP strives to be a leader in B2B e-commerce by capitalizing on its strengths, including a well-developed, integrated, state-of-the-art office products distribution network.

In the office products industry, there are four major contract stationers competing in an approximately $40 billion to $60 billion market. Tight competition has caused margins to shrink as the products and services are increasingly viewed as commodities. This highly competitive market, where differentiation has not been readily apparent, makes increased market penetration more difficult to achieve. With an eye toward differentiating itself from its competitors, BCOP is pursuing CRM.

Problem:

• Business had grown through acquisition, with a concentration on operations and sales.

• Separate, branded business units were set up to serve different size customers (with overlap).

• The business units (i.e., technology, paper and furniture) operated separately and were not fully integrated into BCOP's core distribution network.

• There was an overall pressure on margins as customers take a commodity view for office products.

Gartner

Objective:

BCOP's goal was to increase value to customers while streamlining internal operations by using CRM strategies, processes and technologies to achieve the following objectives:

- Consolidate operations, business strategies and brand identities of all domestic business units.

- Integrate business units (i.e., furniture, technology and paper) into the core distribution network to provide customers with seamless access to all products and services.

- Accelerate profitable growth by attracting, retaining and growing B2B customers in each office size segment.

- Increase margins by creating greater value for customers and increasing retention, thereby moving away from commodity pricing.

- Reduce operating expenses by improving efficiencies in processes and reducing duplicate efforts across business units.

- Improve customer experience by increasing the frequency of the first contact resolution and using one-to-one marketing techniques to communicate with customers based on their individual needs and preferences.

- Leverage customer service to build stronger, more-lucrative customer relationships by employing processes and technologies that facilitate personalized, proactive service based on a real understanding of each customer's unique preferences and needs.

Approach:

BCOP understood that to achieve CRM in the long term, it was necessary to develop a vision and strategy that involved the whole business. Therefore, it approached CRM at an enterprisewide level, rather than beginning with point solutions or projects. The approach it adopted was similar to Gartner's Eight Characteristics of CRM, which was used to evaluate CRM Excellence Award submissions (see Note 2). Using these characteristics, we describe how BCOP achieved its objectives.

Develop a CRM Vision

For BCOP, becoming customer-centric is about CRM and business transformation coming together, which allows BCOP to conquer complexity while managing cultural change. To accomplish this, BCOP developed an enterprisewide vision

called "One Boise Vision" (see Figure 1), which is to build and maintain long-term relationships with valuable customers by creating personalized experiences across all touchpoints and by anticipating customer needs to provide customized offers. The four tenets of the vision are:

- The customer experience will be based on knowledge of an individual customer's needs, history and preferences.

- Customers will be managed by both size and need.

- BCOP will learn from and enhance customer interactions.

- Products, services, communications and pricing will be bundled to effect mass customization.

Figure 1
Boise Cascade Vision Pyramid
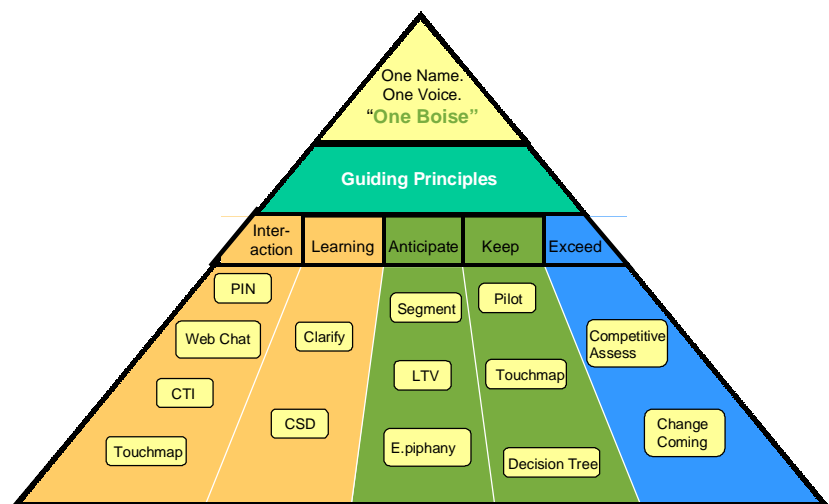
Source: BCOP

Pursue a CRM Strategy

BCOP pursued a three-pronged strategy:

1. Create a distinctive service standard.

2. Consolidate and integrate.

3. Select partners (e.g., hardware, software, systems integration, strategy, change management and communication) with the experience to get the transformation going rapidly.

BCOP describes this as multifaceted, rapid development with customer benefits (MRD). Pursuing this strategy became an enterprisewide effort, which is currently "reshaping the company's business model, organizational structure and culture." It is being executed in bite-sized chunks utilizing a program management framework (see "Implementing CRM: Business
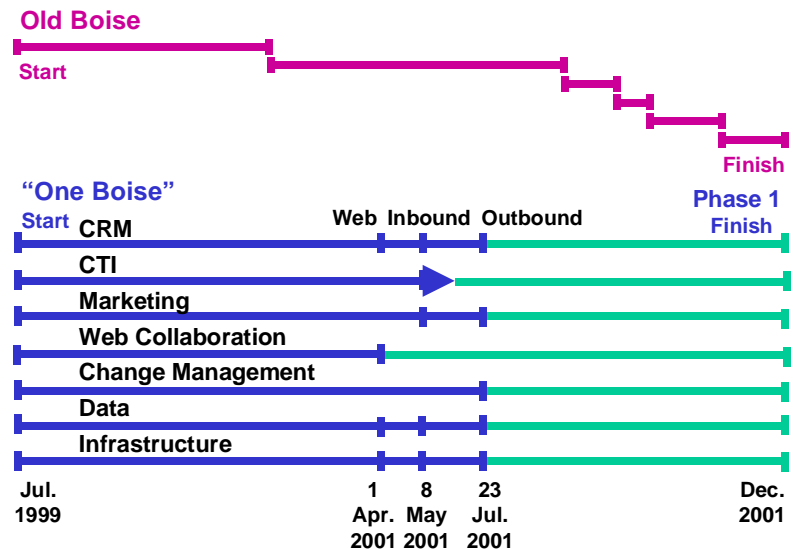
Change Program Not Project," TU-13-1897), from which it can manage the many tactical projects that make up its overall strategy.

The MRD timetable is shown in Figure 2 and Figure 3. Phase 1 consisted of business planning, systems evaluation, strategy development, applications development and testing, and initial implementation. In addition, this phase included instructional design and training. The solution implemented included:

- New systems, processes and customer service skills for all inbound customer service and outbound telesales associates

- An online assistance feature with a pilot for 1,000 customers

- The introduction of PINs for customers with a pilot that utilized proactive communication in two markets

- The CRM solution (including IVR, PIN, CRM, CCM and integration to legacy systems) with a pilot of 14 customers

- The introduction of the CRM solution for outbound telesales with a pilot of one sales team.
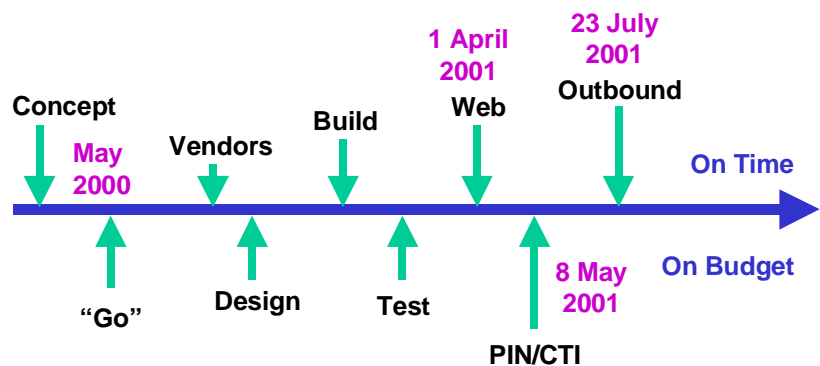
The online assistance and CRM pilots were successively rolled out to appropriate parties.

Figure 2
MRD: Phase 1 Timeline

Source: BCOP

Figure 3
MRD: Overall Timeline

Source: BCOP

Phase 2 will include additional strategy development, applications design and testing, and implementation; it is expected to culminate in April 2002. During this phase, enhancements to initial functionality for three applications will be developed; new customer-specific marketing strategies and metrics will be implemented; additional data elements will be introduced to support the enhanced strategy; information learned and revisions from Phase 1 will be incorporated; and the ROI model to determine return-on-strategy in all customer touchpoints will be completed, in addition to developing business requirements to support enhanced pricing system capabilities. Phased implementation of these added capabilities is expected to begin in 4Q01 and continue through April 2002.

Customer Experience: When pursuing CRM, enterprises tend to focus on the things that they understand, which tend to be internal, such as technology, customer information and processes. Unique among our entries for the CRM Excellence Awards was BCOP, which included customers in its pursuit to become customer-centric. Customers were sent special communications about BCOP's transformation, and they were exposed to the solutions during design, implementation and testing. BCOP brought the customer viewpoint to its initiative from the start and ensured it was heard at the highest levels in the enterprise.

Organizational Collaboration: BCOP's CRM initiative is affecting the entire business. Because it is reshaping the company's business model, organizational structure and culture, all 13,000 BCOP associates, from the CEO to customer service representatives and delivery drivers, are considered key stakeholders and participants in this initiative (see Note 3). BCOP worked to introduce cultural change and business process changes across divisions as well as departments (e.g., sales, marketing and customer service), and integrated these changes with its back-office functions and processes, from finance to its

distribution centers. Also unique about BCOP's approach to CRM was that it recognized that part of its value proposition was dependent on its suppliers and partners. As such, the companies with which it partnered became an integral part of the team, and work was done to achieve a shared vision and thereby increase the value of the partnerships through greater collaboration — all to benefit BCOP's customers.

Processes: The relationship with the customer must be viewed and managed in terms of the customer life cycle. Formalized processes must exist to manage that life cycle. BCOP recognized the value of the customer life cycle by developing and re-engineering processes and systems to deliver a consistent experience across all touchpoints. BPR and segmentation were done to understand and meet requirements based on customer life cycle stages. Processes were developed to enable recording each customer's needs and preferences, no matter which channel the customer chooses to use, and to make this information available throughout the enterprise. It is critical to note this first project was done ahead of the implementation of the technology that would eventually support the new processes. Many enterprises fail to evaluate processes and, as a result, often implement technology against poorly designed processes. BCOP recognized the importance of process and "baked it" into the program from the start.

Information: Information about customers and the processes that impact them is key to CRM. It must be acquired, stored, analyzed, distributed and applied throughout the enterprise, and potentially to the enterprise's business partners in a timely manner. It is the basis of customer knowledge and effective interaction across any channel. BCOP recognized this, and it took great pains to integrate with many different legacy and back-office systems. In total, 34 integration points were designed; BCOP also undertook the design of data structures for a complex hierarchy of customers, and it cleansed and loaded 2.2 million customer records prior to launch of the initiative. From an information perspective, the result was one consistent view of customers across the interaction channels (i.e., inbound, outbound and Web).

Technology: When enterprises pursue CRM, it is crucial to understand that becoming customer-centric cannot be achieved simply by implementing technology. Rather, technology enables the necessary processes to support data capture, and analytic and segmentation capabilities, as well as to leverage derived insights through operational interaction. BCOP evaluated the options of bringing together best-of-breed applications vs. an integrated CRM suite approach, and chose best-of-breed to take advantage of the business benefits that these solutions offered to

enable its vision, strategy and processes, rather than settling on or waiting for a suite that could do it all (see Figure 4).

Figure 4
The Components of BCOP's Technology Solution

	Campaign Management	CTI	CRM (Call Center and Inside Sales)
Software Vendors	E.piphany	Cisco	Nortel/Clarify
Software Version	5.05	ICM 4.1.5.5901; CIS 3.01.755; CTI 4.1.4	10
Software Modules	Campaign mgmt.; analytic platform		Clear Call Center; Clear Sales; Clear Support
Hardware	Sun E4500; Compaq DL580	Compaq ML570; Compaq DL580; Compaq DL380	Sun E4500; Sun E3500
Middleware	Connect Direct	Connect Direct	MQ; Connect Direct
Type of Database	Oracle	Microsoft SQL Server	Oracle
Operating System	Solaris 2.7; NT 4.0	NT 4.0	Solaris 2.7
Testing Software	None	None	Compuware

Source: Gartner Research and BCOP

It also realized that in choosing this path, integration between new and existing systems and the upgrading of technologies would be needed; it planned for such integration from the start (see Note 4). Ultimately, it developed an integrated solution of five new applications and legacy systems, connected by a centralized repository of data from these disparate sources and platforms. Thirty-four points of integration were completed for the five new applications across the first three channels BCOP chose to pursue.

Metrics: It is often said, "If you don't know where you're heading, any road will take you there." For CRM, metrics not only help enterprises secure long-term funding, but also allow them to gauge the level of success by providing a feedback mechanism for continuous refinement of strategy and tactics. BCOP recognized the benefits of measurement to secure funding and ensure all stakeholders would benefit from the endeavor. As such, an initial ROI analysis was completed to determine feasibility and achieve funding. It was also understood that the ROI measurement would be complex, and it would be refined throughout the initiative. A comprehensive, linked Excel model to calculate revenue, savings, IRR, NPV and cash-flow benefits was developed not just for project funding, but also for ongoing measurement. In addition to the financial measures typical of ROI, BCOP's model contains metrics such as increased margins,

Note 4
Technology Planning for Integration
Policies and standards for sourcing applications, performance testing, security and data were developed and followed, so that multiple projects could be simultaneously executed with the desired level of integration. This included multiple methods for moving data between platforms and assigning, supplementing and validating data to create a single, shared view of customers and prospects. In total, 2.2 million customer and contact records were cleansed and loaded without disruption to business operations. Multiple development and test environments were supported concurrently. Additionally, to ensure the new solution would support an average volume of 100,000 transactions per day, BCOP completed implementation of a new stress-testing process and tool.

Not only did BCOP maintain a keen focus on integrating new applications with its infrastructure, it also took pains to ensure that the proper upgrades to that infrastructure were considered part of its CRM effort. Examples of infrastructure upgrades included:

- LAN and WAN networks

- Desktops to support the processing requirements for new applications and patterns of data movement across the United States

- Installation of new applications on 2,000 desktops at 50 U.S. locations

- Complex public network changes for implementation of ICM pre-call routing

- Upgrade of five PBXs

- Implementation of ICM, CIS and CTI in less than four months

improved customer experience, reduced operating expenses, retention and number of new customers, in addition to the soft benefits such as industry leadership and technical efficiency. Assumptions made in the original model are being validated through a series of pilots, including eight against retention, five against growth and five against acquisition, which is a best practice to ensure that the initiatives employed will deliver as promised, or corrections are made prior to production implementations.

Results:

From a customer point of view:

- BCOP provides access to all of its products in virtually a single contact, making it easier and faster to do business.

- Customers are proactively offered solutions based on individual needs and particular ordering patterns.

- Individual requisitioners associated with a procurement manager account are better able to manage their own product and service levels, as well as associated costs.

From a business point of view:

- Operational and marketing efficiencies were created by integrating separate business units into a core CRM competency.

- BCOP provides a single brand with touchpoints that accommodate the different channels from which customers prefer to do business (i.e., contract, inbound, outbound, direct mail or the Web).

- Shared database creates an opportunity to analyze individual business requirements and create efficient and effective marketing and sales programs build the depth of business with each customer.

- BCOP can differentiate itself from other contract stationers, building a value for the customer and moving out of the commodity business

From a cost perspective:

- Initial cost estimate was $20 million; actual costs were within 1 percent of the initial budget.

- Developed and adopted a comprehensive set of ROI metrics to calculate revenue, savings, IRR, NPV and cash-flow benefits.

- Documented improvements in customer retention, growth, share of customer and operational efficiency contribute to improved financial performance.

- Synergies achieved from business integration, technology efficiencies and e-commerce utilization enhance operating margins.

- A distinctive competence relative to its key competitors will positively impact its industry leadership position.

Customer and industry feedback:

Responses from Gartner's CRM Summit conference attendees confirm that BCOP is a great example of CRM excellence.

- "These guys rocked."

- "Boise implemented multichannel CRM with a strong vision for how CRM would affect its brand and all of its people."

- "Boise has a strong business, but small margins. I was impressed with the leadership, focus on processes, training of its people and overall reach of its initiative."

- "Boise had a vision and implementation that crossed all major functions — across multiple channels — Web, sales force and call center (both inbound and outbound)."

Bottom Line: BCOP's pursuit of CRM is a best-practice study in CRM business transformation. The process included not only the system integration and implementation of the necessary applications, but also a thorough, enterprisewide training program that changed its culture. BCOP proved it could leverage exceptional customer service to build stronger, more-lucrative customer relationships. Employing processes, technologies and instituting organizational change, all driven on a common goal, has resulted in personalized, proactive service based on a real understanding of each customer's unique needs.

Critical Success Factors/Lessons Learned:

- Integrate all touchpoints.

- Must build bridges/integrate the systems.

- Rapid development approach was key to meeting aggressive timelines.

- Cross-functional teams are essential to a good design.

- Change management/communication to all employees is essential to buy-in.

- Senior management leadership and support, as well as regular leadership meetings, are key.

Acronym Key

B2B	Business-to-business
BPR	Business process re-engineering
CSD	Central support desk
CIS	Customer information system
CCM	Customer contact management
CRM	Customer relationship management
CTI	Computer-telephony integration
ICM	Intelligent contact management
IRR	Internal rate of return
IVR	Integrated voice response
LTV	Lifetime value
NPV	Net present value
PBX	Private bank exchange
PIN	Personal identification number
ROI	Return on investment