

The Government Executive Series

CRM in Government: Bridging the Gaps

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Table of contents

Foreword.....	2
Introduction.....	3
What is CRM?	3
How the CRM landscape has changed.....	4
Five key findings	6
Implications for executives	18
The way forward	20
Key points to consider	20
Conclusion.....	23
Appendix: research methodology	24

Foreword

In late 2001, Accenture began studying how the concepts collectively known as customer relationship management (CRM) were being applied in government. Although CRM had become a top priority in business circles, little had been written about how the public sector might use its principles to improve service.

We believed (and still believe) in the great potential of CRM to help government achieve its goals of developing models of service that are more responsive, more citizen-centric and more efficient. Yet while we discovered a great willingness to put CRM principles to work for government, we also found a large disparity between the positive attitudes toward implementing CRM capabilities and the actions governments were taking to develop those capabilities.

In 2003, we have built on our initial study to determine the extent to which governments have taken steps to close this gap between attitude and action to make CRM a reality in the public sector. We reviewed agencies' visions, strategies and implementation programs to determine whether attitudes had changed, to understand current and future priorities for CRM initiatives and to identify areas of best practice relating to CRM in government.

In this study, we found much greater willingness to embrace the language and principles of CRM. We found that governments were taking decided steps to improve their CRM capabilities—investing significantly in initiatives to improve service. However, while we found a strong positive attitude and some positive action, we also found that governments are struggling to realize the benefits expected from developing modern CRM capabilities. Many still have not been able to bridge the gap between the envisioned impact of CRM and their current experience.

We set out our key findings in this report, *CRM in Government: Bridging the Gaps*. We also suggest certain actions to help government executives implement CRM initiatives that will better fulfill their expectations.

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Introduction

What is CRM?

For several years, Accenture has been surveying trends in government service delivery as part of our desire to stay closely connected with current government thinking and to share examples of innovative practices among our public-sector clients.¹ We have identified a growing tendency among government agencies to treat citizens and businesses as customers. More and more, governments are actively seeking to promote citizen-centric government as well as more-effective relationships with business. We have found that, increasingly, they are focusing on the quality of service delivery more than on cost reduction through the use of such lower-cost channels as call centers and the Internet (their earlier emphasis). They are also looking to the principles of customer relationship management (CRM), as developed and applied by private enterprise, to achieve their goals.

This reflects a growing acceptance that CRM is an approach that allows governments to dramatically improve their relationships with their customers

through reorganizing service delivery capabilities around customer intentions.

The key concepts that constitute an integrated approach to CRM enable agencies to create an informed, integrated view of their customers and use this information to design and coordinate the delivery of services across multiple channels. CRM can thus be described as providing governments with a set of tools and techniques that enable intelligent interactions.

CRM therefore must include:

- Using all available information to develop insights about the characteristics, needs and preferences of customers.
- Using these insights to configure services that reflect the needs and preferences of clearly identifiable groups of customers.
- Designing an integrated suite of channels that provides easy access and effective processes for interaction—to deliver services to the right customers in the most efficient way.

¹ For additional information on trends and innovative practices in government service, see Accenture's other 2003 Government Executive Series reports, *eGovernment Leadership: Engaging the Customer* and *Outsourcing in Government: Pathways to Value*. Both are available through Accenture's Government homepage, www.accenture.com/government.

Introduction

- Organizing teams of employees as well as the processes and technology support to develop customer insights; and configuring and delivering services across all channels so as to maintain a comprehensive history of interactions with each customer and effectively encourage customers to use the most appropriate channels.
- Creating links to other organizations to share relevant customer data, aggregate or align services where appropriate, share channels and source the resources to operate these capabilities responsively and consistently within the economic constraints of the agency.

Figure 1 illustrates this integrated, methodical approach in a simple conceptual model, including the interdependence of these components. Repeated experience suggests that adopting such an approach to modernizing service delivery produces significantly greater benefits when compared with traditional, separate, ad hoc initiatives.

How the CRM landscape has changed

Interest in CRM in government is relatively new. When we did our first study, we found great reluctance to embrace some of the private-sector terminology of CRM, even though executives overwhelmingly cited improving customer service as a key driver of their agencies' future plans. The term *customer*, for example, was much less likely to be favored than *citizen* or *constituent* when executives were describing whom their agencies served. Governments were hesitant to embrace some funda-

mental tenets of CRM, most notably, the idea of customer segmentation. Ideas such as these were viewed as purely business concepts and not relevant to government executives, given their obligation to provide equal service for all.

At the same time, some aspects of commercial CRM, such as opening new channels for customer interaction, were viewed as holding great potential for improving service. However, technology barriers, human capital issues and cost pressures were impeding progress. Overall, governments were not embracing CRM as a whole-of-business approach and, consequently, were not reaping all the possible benefits.

A year and a half after publishing our first study, we find that governments have made substantial strides in some areas and relatively little progress in others.

Our five key findings in 2003 are:

1. Government agencies are becoming more comfortable thinking of the people and organizations they serve as their customers and are placing a very strong emphasis on customer service delivery as a major priority for their organization.
2. Agencies have embraced the fundamental principles of CRM, but are struggling to get the building blocks—customer insights, customer offerings, customer interactions, organization performance and networks—solidly in place.
3. The majority of agencies are focusing largely on the technological aspects of CRM and are struggling to reap the expected benefits.

Figure 1. The five building blocks of a holistic approach to CRM.



4. While agencies have visions for the service models they would like to adopt, they lack the management and operational skills and experience to be able to do so alone.
5. Many agencies now recognize the value of marketing to drive take-up of channels and services; however, the majority of current marketing efforts are neither targeted nor value driven and, as a result, have little impact.

Figure 2 shows a comparison of findings in 2001 and 2003, illustrating how major trends have evolved.

The next section of this report, "Five Key Findings," discusses each of the 2003 findings in greater detail.

Figure 2. Comparison showing how trends in CRM in government have evolved from 2001 to 2003.

2001	2003
Commercial messages surrounding CRM may not all apply to government, although the principles are generally found to be quite relevant once agencies overcome the barriers of terminology. There may be limits, however, to how much governments will embrace what they perceive as purely business concepts.	Government agencies are becoming more comfortable thinking of the people they serve as their customers and are placing a very strong emphasis on customer service delivery as a key strategic imperative for their organizations.
Improving customer service is a driver across all government agencies; however, current business processes and infrastructure act as barriers.	Improving customer service is still the top driver. The customer, rather than cost reductions gained through increased efficiencies, is the catalyst for service improvements.
Opening new government channels for customer interaction is critical to enhancing customer service; however, such key factors as inadequate information systems integration are impeding the ability of agencies to tailor and deliver services through diverse channels.	Inadequate information systems integration remains a challenge. For example, government agencies are introducing new channels but not capturing and aggregating data to provide customer insights. Although they made the introduction of Web-based services a priority, they are struggling to realize the benefits of more traditional voice interactions through their call centers. However, many government agencies have focused so much attention on the technological challenges of CRM that they are failing to integrate technology, people and processes in a whole-of-business approach. As a result, they are struggling to reap the expected benefits of CRM.
Government agencies are focusing on technology to address their service access priorities but they have yet to embrace CRM as a whole-of-business approach.	
Agencies are receptive to the possibilities of partnering with each other and with private-sector organizations to facilitate information sharing and relieve human capital and cost pressures. However, they lack the capabilities to make it happen.	While agencies have visions for the service models they would like to adopt, they lack the management and operational skills and experience to be able to do so alone. Many are using outsourcing, but mainly on the IT side rather than in implementing service delivery initiatives.
Agencies are not investing in educating customers and building awareness of offerings and channels.	Many agencies now recognize the value of marketing to drive take-up of channels and services; however, the majority of current marketing efforts are neither targeted nor value driven and, as a result, have little impact.

Five key findings

1. Government agencies are becoming more comfortable thinking of the people and organizations they serve as their customers and are placing a very strong emphasis on customer service delivery as a major priority for their organization.

When we undertook our first research study into CRM in government, we noticed respondents' discomfort with some of the terminology surrounding CRM. *Customer* relationship management was off-putting in itself as a term. In fact, several respondents felt ill qualified to participate, as they "had no customers." The majority of respondents favored alternative terminology, such as *citizens* or *constituents*. This discomfort with terminology indicated some broader issues for some participants, who saw CRM as a private-sector concept and not particularly relevant to them.

That attitude has changed dramatically over recent months. Government executives are becoming more comfortable with the use of the term *customer* and the implied willingness to apply the principles of CRM to their own organizations. The majority of respondents talked freely about CRM principles, customer orientation and the plans they have in place to improve in this area. Ninety-one percent of the respondents now use the term *customer* when talking about those they serve, while 28 percent use *citizen* and only 6 percent use *constituent*.

Although our 2001 study prompted much debate about citizens' duties toward government, the emphasis this year has shifted in favor of customers and their *right* to receive good levels of service. In the words of one executive, "Gradually, through the '90s, we have been adapting from regarding people as 'taxpayers' to 'customers.'" The major priorities for government agencies reflect a new focus on thinking from a more customer-centric point of view—and have moved away from customer service delivery models based on an internally focused perspective of what is most convenient for the government to provide. These changes in attitude are a strong foundation for delivering effective CRM.

Government agencies increasingly see superior service delivery as a key strategic imperative. Superior service is the top strategic imperative for 92 percent of the executives surveyed, who rated it as either very important or extremely important when compared to other business imperatives. In fact, as Figure 3 shows, superior service ranks above cost reduction as an imperative driving the development of agencies' service delivery initiatives.

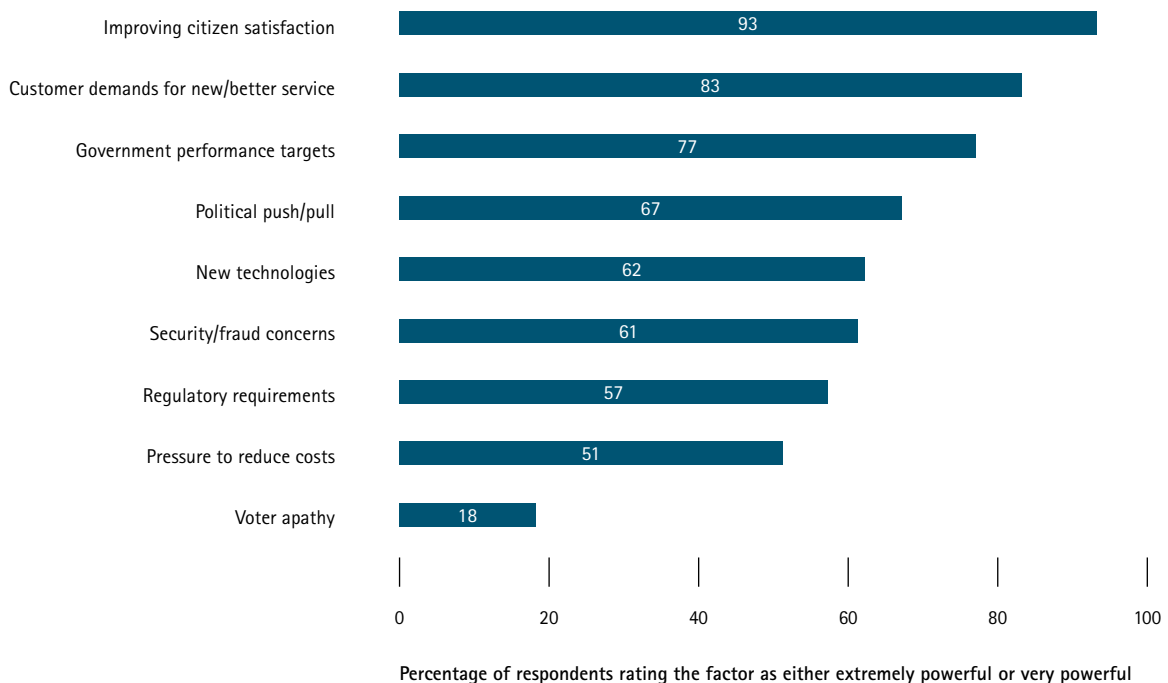
Similarly, when it comes to implementing new initiatives, governments' highest-priority objectives relate to building a better customer experience. The top objective for implementing new initiatives was improving/maintaining service quality, which was listed as very high or high priority by 95 percent of the respondents. In contrast, the objective of cost reduction ranked sixth, having been rated as very high or high priority by 69 percent. This point indicates agencies' new willingness to invest to win the

benefits associated with satisfied customers—albeit within the usual budgetary constraints.

The reason many government executives cite for this greater focus on improved customer service is that customers are now accustomed to much higher standards of service from the private sector and are increasingly intolerant of poor service from government agencies. This is particularly true in the areas of ease of access, more consistent information and convenient, less complex and confusing procedures.

As a result, government performance targets are being shaped to provide additional pressure to improve service delivery. As the public pays more attention to the efficiency and effectiveness of government departments, more public efforts are being made to mandate action that will lead to an improved service experience.

Figure 3. Factors driving the development of service delivery initiatives.

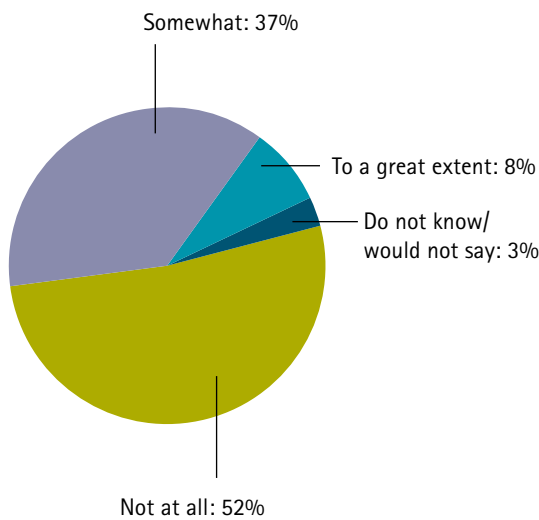


Five key findings

We found that more than half of the respondents did not envision their objectives changing at all over the next three years (see Figure 4). Coincidentally, we also found that very few executives believe they have been effective to date in meeting their current service-oriented objectives.

Interestingly, although few executives expected their objectives to change to a great extent, more than a third thought there would be some change in response to evolving customer needs and developments in technology that would create new opportunities for improved customer interaction.

Figure 4. Extent to which agencies expect objectives to change in the next one to three years.



More than half of the respondents expect no change to their objectives in the short-term, while only 8 percent expect their objectives to change to a great extent.

2. Agencies have embraced the fundamental principles of CRM but are struggling to get the building blocks—customer insights, customer offerings, customer interactions, organization performance and networks—in place.

While many agencies are now comfortable with CRM concepts, willingly refer to *customers* and are making significant investments in developing their CRM capabilities, they still report that they have much progress to make. We found that although their customer-centric orientation and investment priorities are consistent with improving CRM, their implementation efforts currently fall short.

For example, although one of the most important objectives identified by government agencies is to provide multichannel access for customers, traditional channels—particularly the telephone (via call centers)—still dominate customer interactions (see Figure 5). Although agencies frequently stated their intention to extend the range of channels, today only 50 percent of agencies use more than two channels extensively and only 9 percent use more than three extensively.

We found that the majority of agencies already operate call centers to manage customer interaction, but only one-third have a contact center facility that manages interactions over multiple channels, including telephone, fax, the Web and e-mail.

In discussing how effectively they manage transactions via these channels, many executives admitted that they have significant room for improvement in handling customer requests and inquiries. As shown in Figure 6, only a minority of respondents believe that they are efficient in the areas of resolving requests (40 percent), call routing and assignment (33 percent) and tracking requests (26 percent). Only a small proportion said that they follow up to ensure that customers are satisfied (22 percent).

Figure 5. Channels customers use to get in touch with or interact with agencies.

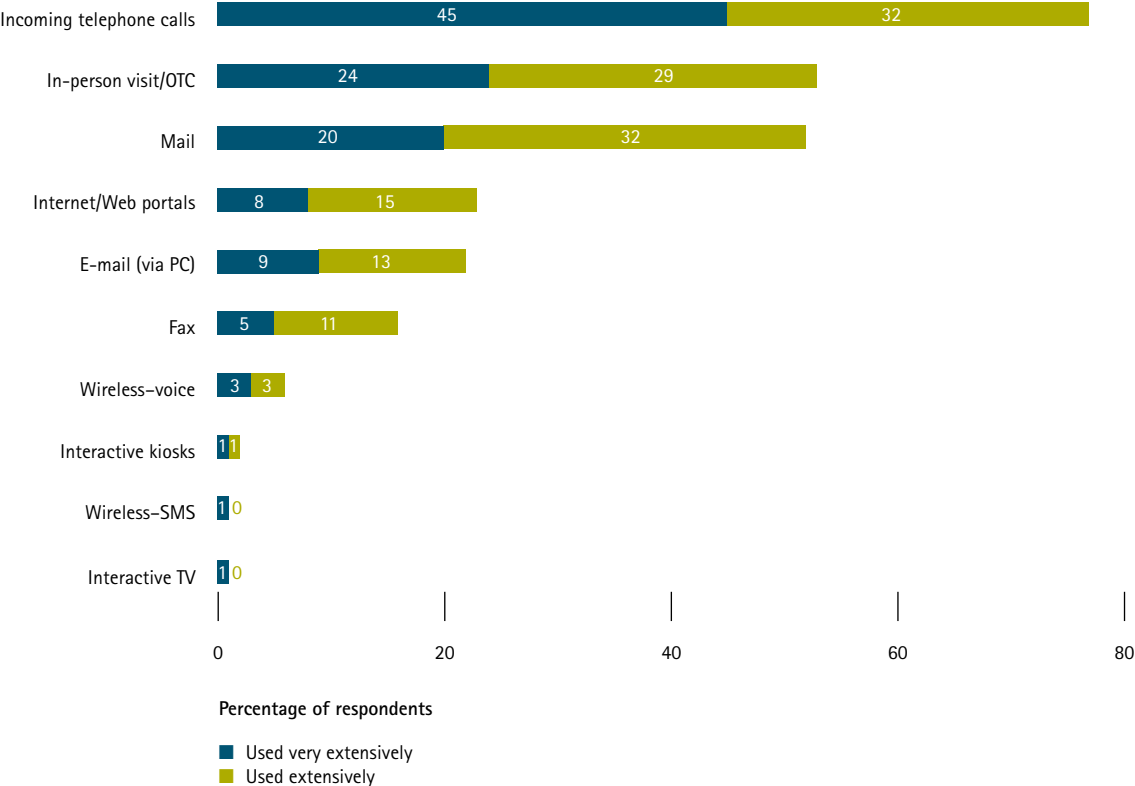
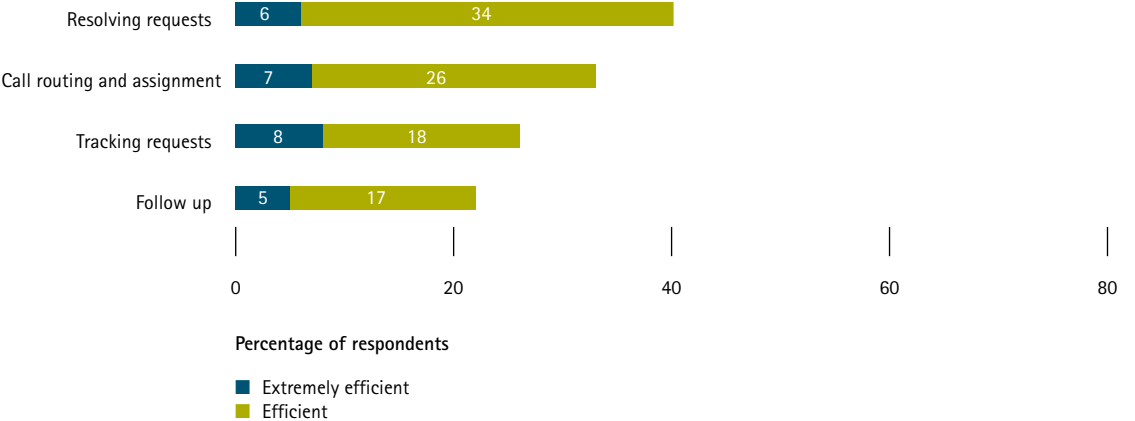


Figure 6. Agencies' room for improvement in managing customer requests and inquiries.



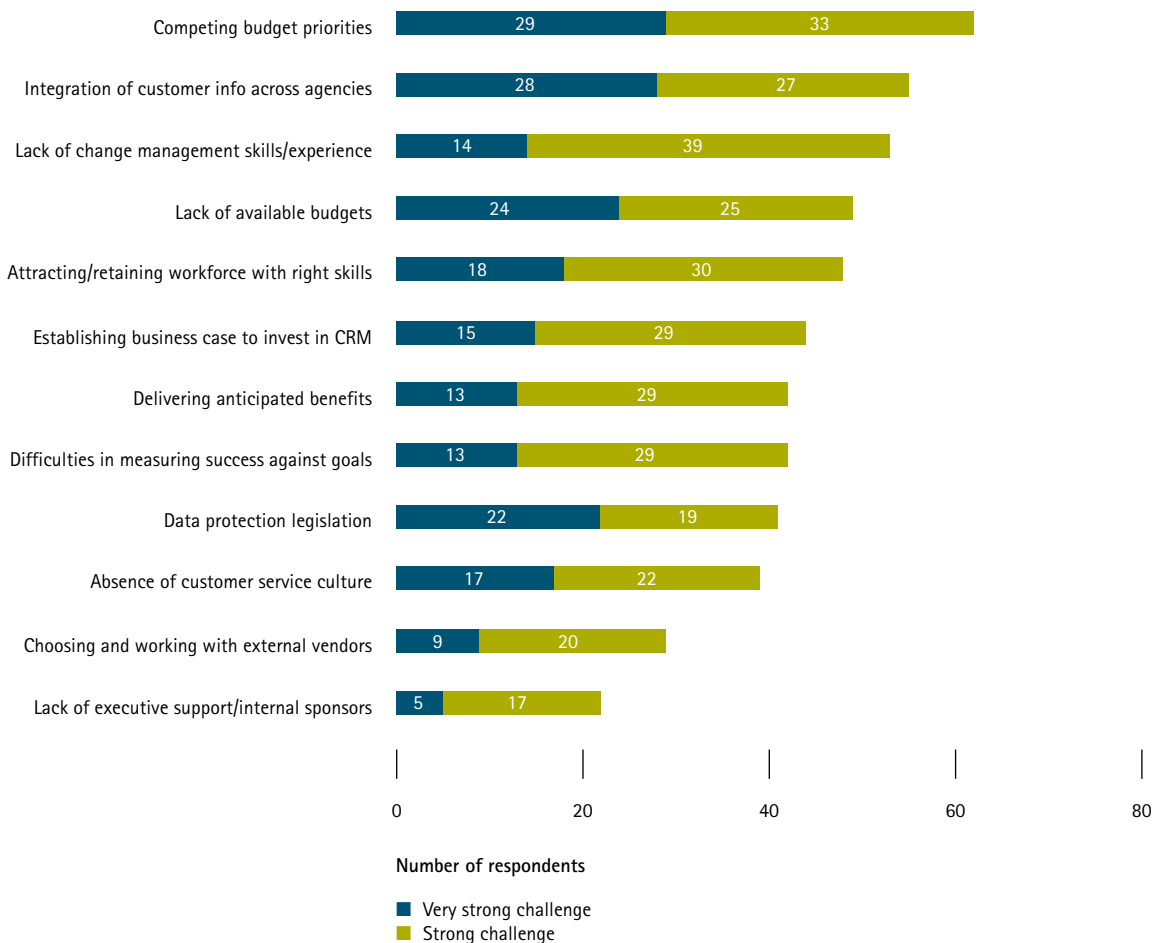
Five key findings

In the 2001 survey, senior government executives included among their critical challenges the difficulty they experienced in formulating a compelling business case to invest in CRM and the need to create the appetite for change necessary to drive the corresponding change in culture and processes that would lead to a customer-centric organization. This year, these challenges were less evident, suggesting greater awareness of and buy-in to the need to transform customer service capabilities.

This year, executives referred more readily to such internal factors as competing budget priorities, information integration difficulties and lack of experience in implementing change programs as the main challenges most likely to impede their progress in developing comprehensive CRM capabilities (see Figure 7).

In a very positive development, government executives demonstrated a fuller understanding of the fundamental concepts of CRM. They openly recognized the importance of developing a deeper understanding of customer needs and are taking

Figure 7. Key challenges in creating and implementing a customer service program.

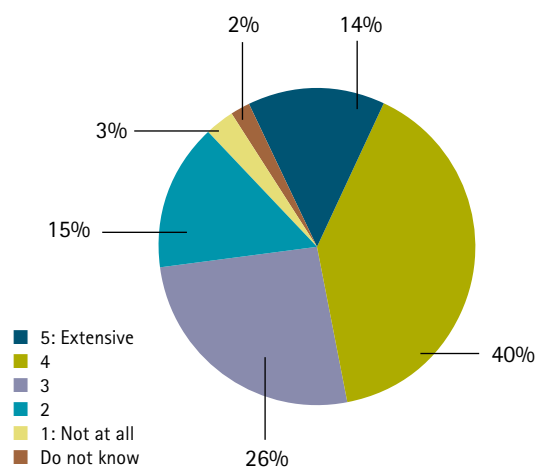


In a change from the 2001 report, tangible factors, such as lack of budget and change management skills, are now a greater challenge in implementing CRM than are intangible factors, such as gaining buy-in and building a customer service culture.

action accordingly. In contrast to the 2001 findings, agencies are consulting their customers more extensively and in more sophisticated ways to help create and develop their customer service initiatives and processes (see Figure 8). A number asserted that they proactively seek customer input through surveys, focus groups, workshops, committees, user groups and similar panels. This consultation covered not just the services that are offered, but also the processes and channels required to deliver them. Some went even further to seek input, actively consulting their employees (who, as citizens, are therefore customers, too) to help redesign their processes.

This represents a significant change for agencies, many of which had sought feedback only after implementing a customer service program. This change in approach over the past year to address major attitudinal and cultural challenges indicates a more optimistic outlook for CRM in government.

Figure 8. Involvement of customers in developing policies and initiatives.



Fifty-four percent of the respondents claimed their agencies involve customers extensively in creating and developing customer service policies and initiatives.



The change in approach over the past year to address major attitudinal and cultural challenges indicates a more optimistic outlook for CRM in government.

Five key findings

3. The majority of agencies are focusing largely on the technological aspects of CRM and are struggling to reap the expected benefits.

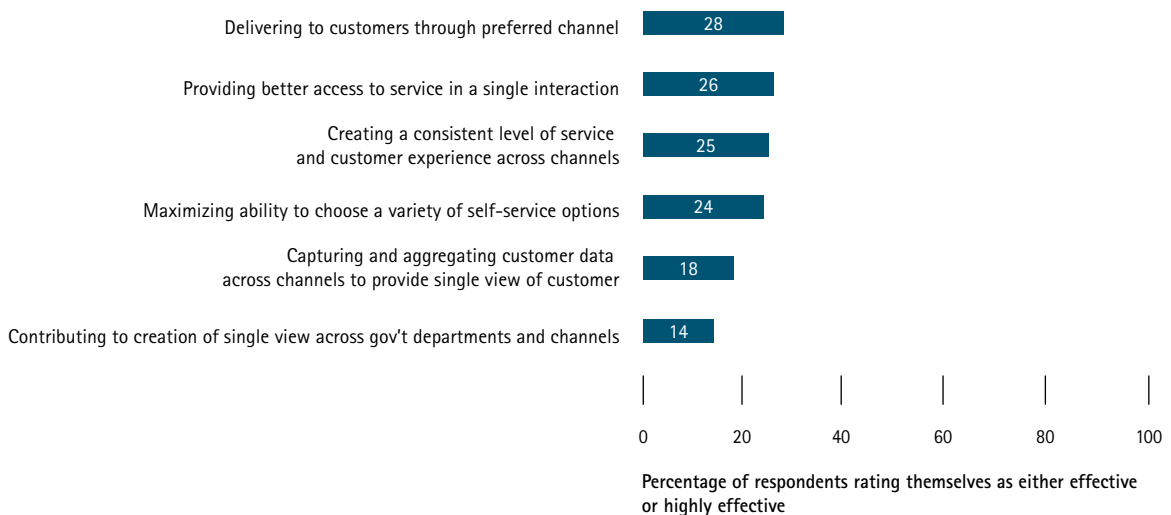
Many government agencies today focus mainly on the technological aspects of developing CRM programs. They are prioritizing making more services available online, seeing the future as mostly Web-driven. For example, 82 percent of respondents expect that their customers will use Internet and Web portals by 2006, and 68 percent expect customers will use e-mail extensively to interact with their agencies. As a consequence, the most common top priority initiative among agencies is to develop online transactions via portals, and the dominant theme among executives when asked about their implementation priorities is to optimize eGovernment tools. They express the common view that these will contribute to better customer service and employee satisfaction.

Our experience is that the key to improving accessibility is not simply replacing traditional channels. Rather, based on a clear understanding of individual customer preferences, the key is serving customers effectively across a range of channels that includes the telephone, e-mail, fax, Web, mail and face-to-face interaction.

Currently, however, agencies rate themselves poor in their ability to integrate channels to improve service delivery. As shown in Figure 9, only 26 percent of the respondents rate their agencies as effective at leveraging multiple channels to provide better access; only 28 percent rate themselves as effective at delivering services through their customers' preferred channel; and only 25 percent rate themselves as effective at creating a consistent level of service and customer experience across various channels.

Similarly, most of the agencies consider themselves poor at optimizing the use of data to improve service delivery. As Figure 10 shows, agencies see themselves as most effective at grouping broad sets

Figure 9. Effectiveness of agencies in using channels to improve customer service.



Agencies are not effectively leveraging different channels to deliver an improved customer service experience.

of customers together. Even then, however, only 34 percent rated their agencies as effective at the most basic level of delivering a more tailored experience.

These agencies rate themselves as much less effective as the segmentation process becomes more sophisticated (for example, "analyzing data to develop customer understanding/insight"). Only 22 percent rate themselves as effective at using insights from groupings to tailor services to individual needs, and 17 percent as effective at offering services through preferred channels.

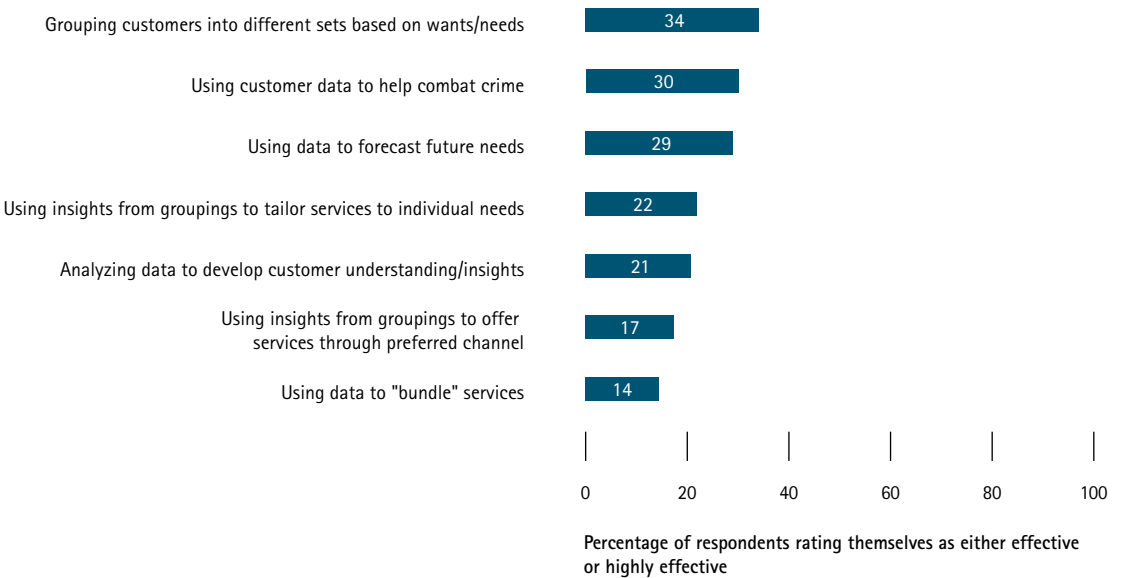
Encouragingly, the more progressive agencies recognize that to truly improve service delivery they must develop a more refined understanding of how various groups are likely to access services. They are therefore planning a combination of agency-provided and self-service options that are of consistent high quality.

4. While agencies have visions for the service models they would like to adopt, they lack the management and operational skills and experience to be able to do so alone.

Many executives we surveyed spoke of ambitious plans to improve their effectiveness in dealing with their customers. The majority are focusing on both front- and back-office initiatives. In the customer-facing front end, they describe implementing call/contact centers and delivering services over the Web. In the back end, they discuss reengineering processes and introducing computerized workflow management, electronic document management and data warehousing technologies.

Our experience suggests that their success in achieving their overall CRM vision will depend significantly on how well they can integrate these front- and back-office initiatives. We have seen

Figure 10. Effectiveness of agencies in using data to improve customer service.



Agencies are not effectively using data to improve their service delivery.

Five key findings

many organizations open wider the "window" of their front office onto their less than effective back-office capabilities and suffer a significant degradation in customer confidence. As Figure 7 on page 10 illustrates, these integration difficulties are the second most cited challenge in implementing service programs (with 55 percent rating it as a very strong or strong challenge). One executive described another integration challenge in this way: "We need to be better integrated. We need to do this with all the data that is currently in stovepipes using data mining techniques. We are very interested in mining data for future trends, but how do you get the right data to base a value judgment on?"

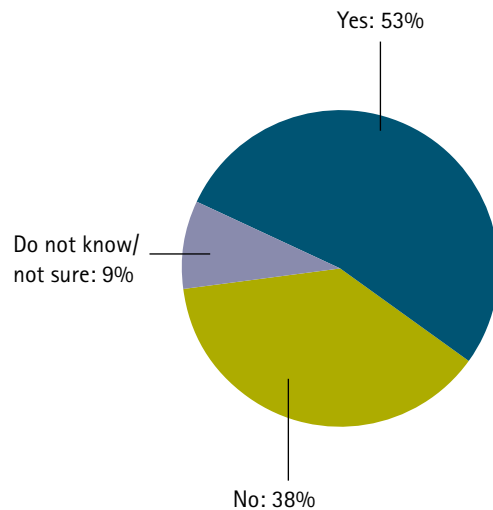
Over half our respondents (53 percent) believe their agencies lack the change management skills and experience necessary to achieve the integrated capability referred to above. Few were clear about how they will build this expertise. Some are considering outsourcing (69 percent use outsourcing in some form; the majority for IT infrastructure and support systems alone). Few outsource components of their customer service capabilities. When they did, it was primarily in the area of call center or contact center management. Of those who currently do not outsource any aspect of their service delivery, 53 percent said they are considering or might consider doing so in the future whereas 38 percent stated that they would not consider outsourcing for customer services (see Figure 11).

5. Many agencies now recognize the value of marketing to drive take-up of channels and services; however, the majority of current marketing efforts are neither targeted nor value driven and, as a result, have little impact.

As agencies make more significant investments in their CRM programs, they face the challenge of encouraging the take-up of more efficient channels and services that will justify their investments.

Figure 11. Inclination of agencies to use outsourcing in delivering services.

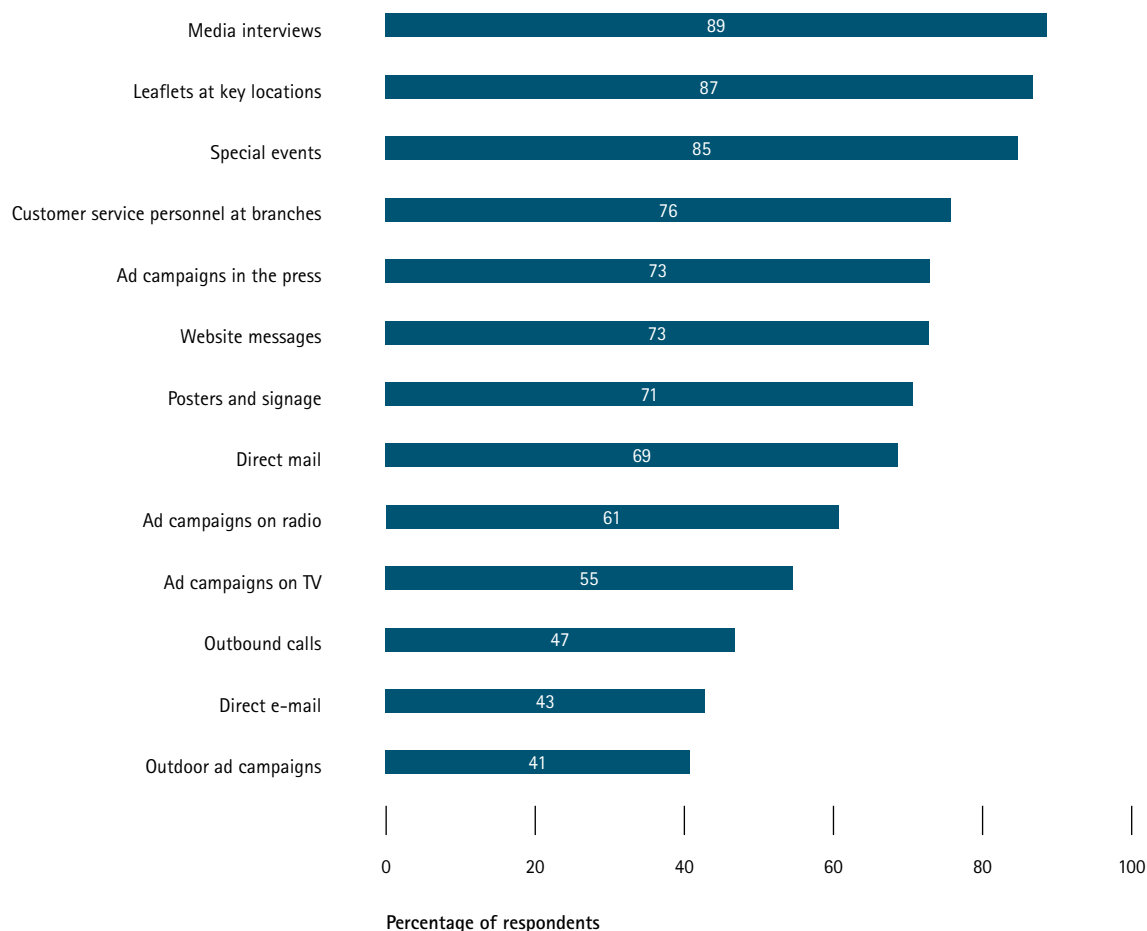
Would you consider outsourcing some aspect of customer service delivery to a third party?



Base: 45 respondents

Fifty-three percent of respondents not currently using outsourcing for customer service delivery are currently considering or might consider it in the future.

Figure 12. Tools/techniques currently used in encouraging take-up of services and new channels.



It is self-evident that building public awareness of new services is key to increasing take-up, particularly when customers do not use those provided services on a regular basis. When asked to name the main challenges to encouraging take-up, executives most frequently listed communications and marketing, agency image or customer perception, and public awareness.

To meet these challenges, agencies are using a broad range of marketing tools. As shown in Figure 12, the most frequently used techniques are fairly traditional ones, such as media interviews, special events (booths, etc.) and leaflets at key locations.


When asked to list the most effective techniques for encouraging take-up, however, they identified techniques few agencies are actually using. For most of the techniques they use, fewer than half the respondents rated them as effective or highly effective. For example, media interviews are used by 89 percent of respondents, but only 40 percent regard them as effective. Similarly, leaflets and special events, also used widely, are regarded as effective by only 36 percent and 41 percent, respectively.

Five key findings

Interestingly, techniques more commonly used by the private sector, such as direct e-mail, outbound calls, advertising campaigns on the radio and website advertisements, are less prevalent among government agencies yet are among the ones executives rank as most effective (see Figure 13).

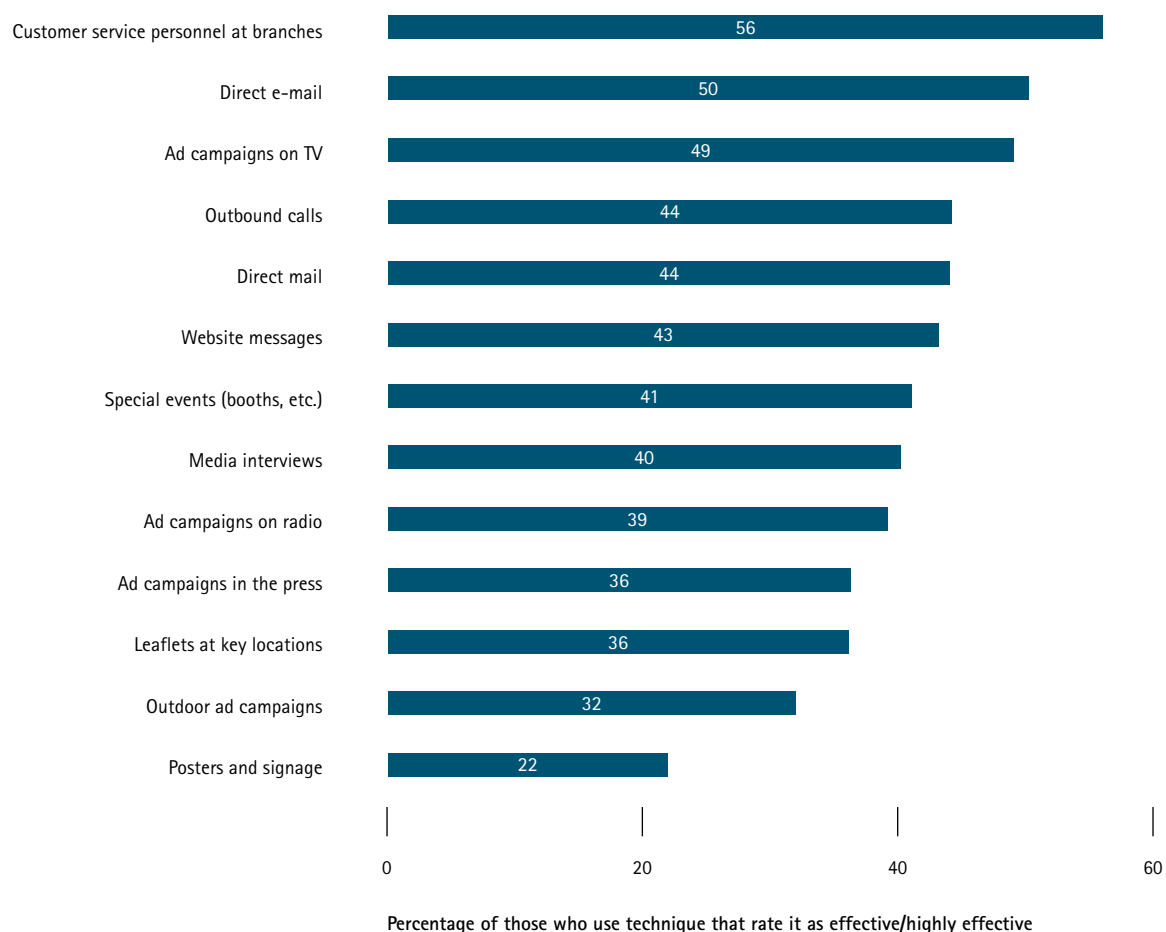
This is exacerbated by agencies' limited use of effective segmentation to target their efforts and monitor their impact to ensure they are value driven. Thus, while executives understand the need to communicate with citizens, their lack of using customer data to create effective segmentation means they are unable to target the right message to various customer groups using the most effective communication and marketing techniques.

In many agencies contacted, marketing is seen as very difficult as it has never been part of the organizational mind-set. Many agencies are skeptical about the value of marketing. In fact, close to 20 percent stated that the entire question was irrelevant to their agencies, as their customers had no choice but to use their services. As one executive stated, "We have a monopoly. We do not need to promote our services." Most, however, now admit that there needs to be a change of mind-set. They want to embrace the principles of modern marketing and "sell" new services to drive their take-up, thus realizing the benefits of more convenient, more cost-effective methods of interaction.



While executives understand the need to communicate with citizens, their lack of using customer data to create effective segmentation means they are unable to target the right message to various customer groups.

Figure 13. Effectiveness of tools/techniques currently used in encouraging take-up of services and new channels.



The five findings discussed here provide interesting insight into evolving trends in government service. They provide a base of understanding on which to create a definitive action plan for building efficient, effective customer service programs. In the next section, we will draw on these findings and our extensive experience implementing CRM initiatives for clients around the world to offer some suggestions on how government agencies can improve their chances of success.

Implications for executives

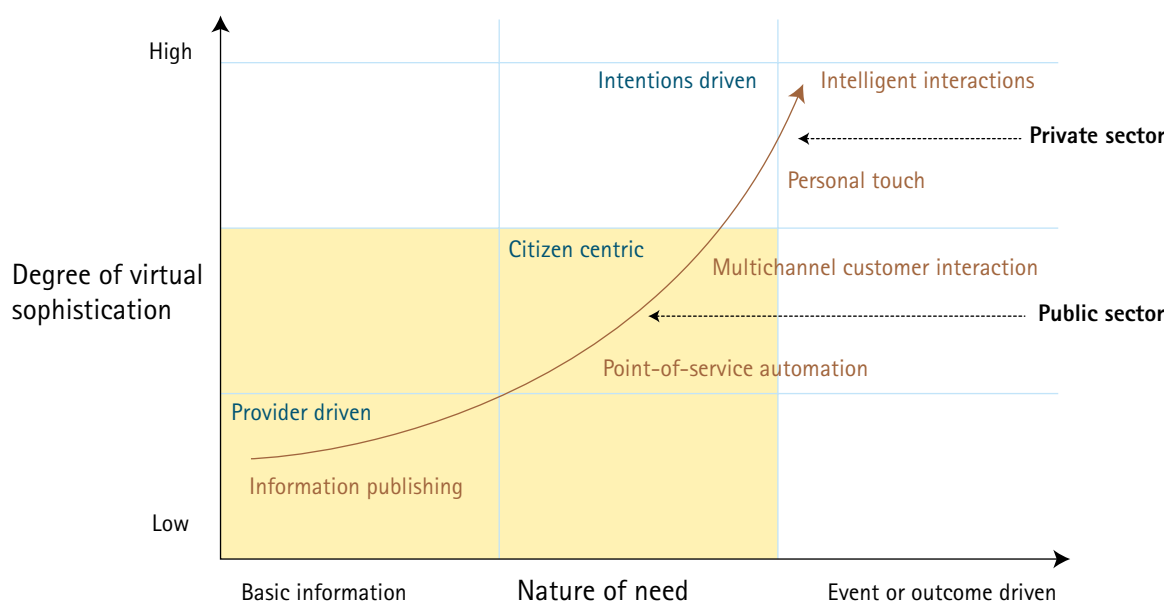
Implementing a fully functional CRM capability will allow governments to build customer-oriented relationships that ensure customers receive consistent and appropriately personalized services, efficiently and effectively. Summarizing our findings, we find that agencies' progress toward this vision has been mixed to date. Figure 14 illustrates the extent to which we consider government agencies to be lagging behind the private sector in developing intelligent customer interactions driven by customer intentions. Some have progressed to deliver multi-channel interaction. Many have implemented little or no service automation.

Agencies can point to specific reasons for their continuing struggle to match customers' growing expectations. Overall, we see the major challenge being the failure to put the five basic building blocks of CRM solidly in place when implementing customer service delivery initiatives.

Figure 15 offers a brief summary of the "state of play" when comparing "ideal" practices and the current practices we found for each of the five building blocks of CRM: customer insights, customer offerings, customer interactions, organization performance and networks.

Figure 14. Interaction capabilities of the public sector and the private sector.

Evolving interaction capabilities



The public sector continues to trail the private sector in the evolution of their interaction capabilities.

Figure 15. Gaps between government agencies' current experience with the five building blocks of CRM and ideal CRM practices.

	Ideal CRM practice	Current experience
Customer insights	Establish a single view of the customer; generate insights into behaviors/needs to deliver a personalized experience.	Provision of new/better service is a key driver for agencies, but their ability to optimize the use of data to deliver better services remains limited. While some agencies are doing some segmentation, few are using it effectively to tailor services or deliver through preferred channels.
Customer offerings	Configure services and delivery into differentiated solutions that meet specific customer needs/intentions. Promote the benefits of these services.	Agencies are not yet developing or bundling offerings that meet customers' specific needs and intentions. While agencies are beginning to appreciate the need to communicate with customers, they are struggling to target their messages effectively to different user groups.
Customer interactions	Maximize the ease with which your customers can access your services; offer multiple access points/channels to accommodate individual needs and preferences of those you serve to deliver a unique customer experience.	Offering multiple channels to access services is one of agencies' key objectives. There is a strong, though possibly misplaced, emphasis on Internet access and the need to drive more online transactions. However, true multichannel access is not yet a reality for the majority of agencies, and those that are offering it are struggling with integration issues.
Organization performance	Build a customer service culture and equip employees with the skills, processes, organization and tools to deliver superior human performance.	A few agencies are showing signs of adopting more of a long-term culture change or enterprise-wide approach to CRM, involving people and processes as well as technology. Many recognize that good HR practice, including staff motivation and skill development, will form the foundation for successful CRM.
Networks/partnerships	Form linkages within the organization and with other outside organizations; promote partnerships and information sharing within and outside the agency to enhance quality of service offered.	Government agencies are aware that they cannot develop required capabilities on their own and are responding by entering into outsourcing relationships (for strategic advice, IT and, in some cases, call center management). The integration of customer data across agencies continues to be a key challenge.

Implications for executives

The way forward

Looking back to our 2001 survey, it is clear that government agencies have made significant progress in thinking, planning and initiating significant investment in CRM initiatives. Yet, a significant gap still exists between customer expectations and what has been achieved. Many executives admit that they struggle to achieve the progress their admittedly ambitious plans target. In Figure 16 we offer an illustration of what actions we consider will help government agencies accelerate their progress.

Key points to consider

We recommend that today's governments build their CRM capabilities by balancing near-term impact with long-term strategy. To achieve this we suggest they:

Optimize the value delivered from existing CRM assets and operational capabilities.

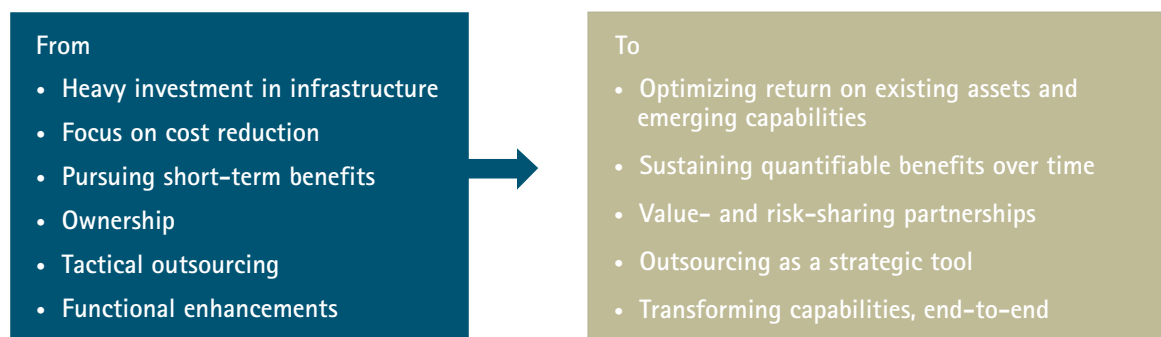
Governments have been making significant investments in their technological capabilities in recent years. We recommend focusing on the most promising existing investments before moving on to new ones, but always with a clearly defined "end state" that incorporates the five building blocks. For example, they should focus on implementing customer segmentation, possibly leveraging past investments in data warehouses, to develop customer insights, rather than getting as many services available online as possible. Then they should put those customer insights to use, developing and promoting the online

services specific customer groups are most likely to use. This will stimulate adoption of the new service, thus realizing a higher rate of return for that customer group, which will in turn justify the investment and provide a center of gravity to expand to new customer groups or incorporate additional services.

Broaden the focus of CRM initiatives to include marketing as well as services. Emphasize the "marketing sciences" of analytics and measurement, which will deliver the customer insights necessary for developing and deepening productive relationships.

The potential benefits of improved service for governments' customers, and the resulting efficiencies and cost savings that can accrue to agencies if citizens choose more self-service channels, will not be realized if take-up of a government's CRM offerings remains low. Given the significant investments governments are making to improve service, insufficient marketing skill risks not delivering the operational benefits targeted for the new services, and thus attracting unwelcome scrutiny of return on investment. Marketing is therefore a critical skill for agencies to acquire to drive take-up. It requires experienced marketers who are trained in gathering and analyzing customer data to develop insights into their wants and needs. These insights will dictate how services are designed, so that they can be delivered via the most popular and efficient channels. Given the depth and sophistication of current thinking about marketing, ideally agencies should be equipped with the most up-to-date tools, methodologies and channels to be effective.

Figure 16. Suggestions to accelerate the success of governments' CRM initiatives.



Our research suggests that measurement is a particular area in which governments have room to grow. Currently, 84 percent of the respondents stated that they had service delivery targets, and of those, 63 percent stated that they had been extremely or very successful in meeting their targets. At the same time, only 43 percent of the respondents thought their organizations had been very effective in meeting any of their service delivery objectives. Clearly, the targets originally set are no longer meaningful measures of success for these organizations. Additionally, a number of agencies reported that they had no specific methods in place for measuring success, even though many recognized this point as a failing.

Effective marketing capabilities deliver the insights organizations need to establish measures of success and the associated monitoring mechanisms that will more accurately reflect what drives customer satisfaction.

This in turn provides government agencies with a way to more closely balance satisfaction against cost, thus maximizing return on investment on new services and channels. Maximized return on investment is ultimately what will deliver the most significant service-improvement and cost-saving benefits.

Take advantage of new investment and operating models that offer more flexible sourcing and financing options to minimize risk and reduce the requirement for capital investment.

The top three challenges executives face as they try to implement their CRM programs are competing budget priorities, information integration challenges and a lack of change management skills and expertise. While formidable, these obstacles to CRM can be overcome without agencies having to commit to a budget-breaking expense.



Effective marketing capabilities deliver the insights organizations need to establish measures of success and the associated monitoring mechanisms that will more accurately reflect what drives customer satisfaction.

Implications for executives

Solution leasing, transaction models and value-based agreements are three examples of innovative funding and operating models that can be used to answer these challenges. Given CRM's importance to the private sector (where differentiation is visceral in its impact), many private-sector enterprises exist that offer key CRM components at highly competitive prices.

In solution leasing, a contractor builds the needed solution for an agency, but the agency leases rather than buys it. By doing so, they turn the ongoing costs into an annual operating expense item rather than a large capital expense, which may be far more difficult to budget. Solution leasing can be an attractive way to fund the acquisition of contact center capacity in a market that is now experiencing sustained growth as many enterprises seek to integrate their call center and Web-based channels.

With a transaction model, agencies pay fees based on the number of transactions processed. Transaction-based systems are reusable assets that can apply to multiple agencies; thus, multiple agencies can partner on the system and lower the amount any one agency pays for transactions. A number of agencies contacted acquire the support they need to implement their outbound calling campaigns in this way.

Value-based agreements align the costs of an initiative to the value for the agency in terms of such outcomes as increased revenue, reduced operating costs or improved service levels. These agreements frequently involve outsourcing a function for a specific goal. The arrangements are becoming increasingly common for providing customer services in the private sector. Although government agencies do not seek to grow revenue, except for taxation and business promotion activities, they can take advantage of similar arrangements when targeting improved service levels or take-up of new services.

Models such as these give agencies the flexibility to push forward their CRM plans using capacity that can be brought in until they develop their own skills and capacity to transition to a more CRM-centric mode of operation.

Conclusion

Getting results from CRM initiatives requires the “smart” use of technology, but it also requires much more. We recommend an enterprise-wide approach founded on a fact-based perspective of customers’ wants, needs and preferred channels. This approach requires developing customer strategies that produce measurable results and are supported by effective data management and analytical capabilities. Effective data management and analysis, in turn, will enable agencies to design and deploy customer-optimized processes that are supported by sophisticated metrics for measuring and managing performance. This approach will have an impact on back-office process efficiency, too; as the front office becomes more responsive, the internal processes that must be improved first become clear.

We also recommend a marketing-driven approach to communicating with customers, which will have the additional immediate impact of increasing the intensity and responsiveness of the dialogue with citizens in particular. By combining effective marketing with effective service delivery, governments will be able to create an unprecedented connection to each and every one of their customers.

Appendix: research methodology

Our 2003 CRM research consisted of a series of in-depth telephone interviews with senior executives at a selection of target government agencies across 15 central governments: Australia, Belgium, Canada, France, Germany, Hong Kong-SAR (China), Ireland, Italy, Japan, Norway, Singapore, South Africa, Spain, the United Kingdom and the United States.

The research focused on customer-facing agencies in areas such as welfare, immigration, revenue, licensing and employment. Interviews were conducted with senior executives from government departments—either with an overarching responsibility for the strategic objectives of the organization (such as the CEO, CIO, COO or c-level equivalent) or with specific responsibility for customer service initiatives within the organization, such as customer service directors or program managers.

A total of 143 interviews were conducted from December 2002 to March 2003 by Kadence UK Ltd., under management of the Accenture Research Group. Figure 17 provides a breakdown of interviews by country and agency type.

Figure 17. A breakdown of our 143 CRM interviews by country and agency type.

Country	Number of Interviews	Agency Type	Number of Interviews
Australia	8	Customs and Immigration	8
Belgium	13	Employment	12
Canada	8	Government-wide Agencies	38
France	8	Licensing and Registration	9
Germany	7	Postal	4
Hong Kong	9	Revenue	31
Ireland	8	Welfare	18
Italy	5	Other	23
Japan	7	Total	143
Norway	5		
Singapore	8		
South Africa	10		
Spain	4		
UK	13		
USA	30		
Total	143		

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