

**Handshake** STAYING IN TOUCH WITH THE CUSTOMER

## Are Your IT Priorities Upside Down?

*If you're not concentrating your IT dollars at the front lines—where the company meets the customer—you may very well end up at the back of the pack.*

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**Y**OU'VE FINALLY DONE IT. After 30 grueling months of implementing an enterprise resource planning system, your managers now have access to data that's integrated companywide. But while you were busy getting your financial data in sync with your manufacturing data, an upstart competitor invested its resources in cutting-edge technology for its frontline staff. Your competitor now has happier employees and more satisfied customers, and has managed to increase market share and profits. Your profit margin hasn't budged and customer churn is as high as ever. Are your IT priorities upside down?

In traditional top-down organizations, most IT investments focus on executive information systems (EIS) and back-office systems (such as manufacturing information systems, marketing information systems and HR information systems) with the front lines getting only low-level, mature transaction support systems (such as automated cash registers or sales contact management systems). These companies typically graft on separate data collection systems to drive their EIS and back-office systems, sampling a random subset of customers or conducting periodic surveys. Frontline functions (including sales, installation, customer service, technical support) are each managed separately and optimized locally, and are therefore disjointed and not integrated. Even in companies that have implemented enterprise resource planning (ERP) systems, frontline customer-contact employees continue to occupy the lowest tier in terms of status, responsibility and compensation levels, and consequently they tend to have low morale and high turnover. Their impact on customer satisfaction, however, is arguably greater than that of any other group. Not surprising, such companies are beset by high

levels of customer discontent and churn, and weak financial performance.

Forward-looking companies, however, focus on deploying cutting-edge IT directly at the front lines for use by customer-facing employees as well as for direct access by customers. Information needed for monitoring and control is captured at the source and fed directly to back-office systems and EIS; it is detailed (every transaction is captured, making it possible to drill down to the level of individual customers) and timely so that it represents a rich source for analysis and enables the development of personalized offers for specific customers. In these companies, frontline employees are highly professional and competent.

Such technology deployments can provide companies with sustainable competitive advantage because empowering frontline employees with powerful information tools has a large and demonstrable impact on customer satisfaction and retention. Evidence marshaled by Frederick F. Reichheld in *The Loyalty Effect: The Hidden Force Behind Growth, Profits, and Lasting Value* (Harvard Business School Press, 1996) clearly demonstrates that retaining the right frontline employees contributes significantly to customer loyalty, which in turn leads to greater profitability. Process redesign, automation and the use of sophisticated frontline information systems can greatly raise frontline employee productivity while increasing customer satisfaction and thus retention.

### **Frontline Systems in Action**

High-performance companies such as General Electric, Dell, Wal-Mart, Cisco, Ingram Micro and USAA have all invested heavily in frontline information systems (FIS). Examples of aggressive—and successful—adopters of cutting-edge FIS include Federal Express (with its early use of wireless scanning devices and current leveraging of the Internet to provide customers with automated package tracking), Hertz (which automatically creates customized maps and uses wireless technology to process car returns) and Fidelity (which equips its best customers with specialized pagers that can be used to initiate trades and can let them know when stock prices rise or fall by a given amount).

Many frontline systems were designed primarily for processing customers efficiently. But progressive companies are starting to recognize the potential of FIS to serve as a powerful marketing tool. For example,

A good FIS lets companies respond in real-time to customer needs and makes available the expertise of the entire company to the individual employees who serve the customers.

customer-service employees with access to customer buying histories can be empowered to be more responsive to customers and to recommend complementary products to customers who call in for service.

A good FIS not only provides front-line employees with industrial strength tools to respond in real-time to customer needs, it also makes available the expertise of the entire company to the individual employees who serve customers. For instance, Andersen Consulting equips its consultants with a CD-ROM called the "Global Best Practices Knowledge Base," which contains best practice information on 170 business processes. Armed with this proprietary resource, Andersen consultants can quickly show potential clients how to improve many basic business processes.

Companies that leverage laptop computers, wireless communications and the Internet for their sales forces have improved their performance and productivity in the areas of account management, lead management, literature fulfillment, reporting, proposal generation, responding to customer inquiries, quote status, inventory checking and so on. Those salespeople spend less time on sales administration and paperwork; there is no need for a salesperson to contact marketing for literature or manufacturing for inventory availability. Since salespeople are not available 24 hours a day, technology can be used to answer customer questions and fulfill their needs around the clock.

### **Extraordinary ROIs**

Successful FIS projects tend to generate exceptional ROIs, with investment payback periods often measured in months or even weeks. Back-office systems and EIS projects, on the other hand, rarely exhibit ROIs greater than 20 percent. This is because the use of sophisticated FIS leads organizations to achieve quantum improvements in both the effectiveness and efficiency of their marketing activities. The unit costs of most frontline technologies drop steeply with volume, making their deployment across the entire front line quite economical.

In general, FIS projects carry a higher risk but a much greater potential return; deploying them successfully requires close partnerships with IT suppliers as well as a deep understanding of customer behavior. Many vendors are eager to add greater value to their products by turning them into frontline systems. But beware:

Systems designed to meet generic needs of the average customer may not meet the specific requirements of a company seeking to provide top-notch customer service.

In an increasingly high-tech environment, technology alone cannot offer sustainable competitive advantage. Companies must develop very strong interactive marketing capabilities; companies with the strongest, most personalized customer relationships will prevail. Technologies that enable and strengthen such relationships—such as frontline information systems—will be an absolute necessity for companies that want to remain competitive.

Spending your money where it shows is far better than spending it on arcane management information systems. That visible frontier is the front lines, where the rubber meets the road, where the company meets the customer and where futures are assured or decimated.

For too long, IT investments—and the attentions of IT executives—have focused on the back office; it is time for IT to move aggressively to the front lines. It is time to turn your IT priorities upside down. ☒☒

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## Three Steps to a Successful FIS Implementation

*There's more to FIS than cutting-edge technology*

### **1. Choose competent frontline employees and empower them to make decisions.**

Companies that invest in FIS (frontline information systems) cannot succeed unless they believe in true empowerment and the democratization of power and prestige. However, it makes little sense to empower incompetent people. Historically, the caste system in U.S. business has relegated frontline workers to the lowest rungs with little opportunity for advancement. Most such employees are poorly educated (high school or less), and most companies invest little in their training. Their skills sets are limited to begin with and become further obsolete over time.

The flip side is that inadequate frontline systems can render the most competent employees helpless. Too often, customer contact employees are forced to apologize to customers for the poor performance or incompleteness of their systems. The combination of a high quality FIS with competent and motivated frontline employees is hard to beat; the opposite

combination represents a waste of human resources.

For most corporations, adopting FIS requires a major cultural shift. In addition to believing in empowerment, they must hire high-quality workers for frontline positions and measure and pay for superior performance. They must also invest in the ongoing education and skill enhancement of frontline employees.

## **2. Redesign processes to reflect customer needs.**

Process is important, especially in a company that lives or dies by its FIS. Dell, for example, has more than 200 process-related patents. Successfully implementing FIS requires a front-to-back redesign of all internal processes to serve external imperatives—profitable customer satisfaction and loyalty—rather than internal goals. Having redesigned the frontline processes, companies must then integrate their back offices and supply chains to enable the new customer-centric frontline processes.

The primary imperative at the front line is full integration around the customer; marketing (pre-sale), sales and customer service (post-sale) must all come together seamlessly. This requires significant organizational change, as most companies are still characterized by vertical silos separating these and other functions. In fact, companies must be willing, if appropriate, to bypass human interfaces altogether, giving customers direct access to the technology.

Few CIOs have an adequate understanding of their companies' customers, and most thus do not understand the need for a customer-centric rearrangement of workflow. The back-office systems and EIS must serve the FIS, and not vice versa. If not, implementing an FIS will accelerate failure rather than success.

## **3. Exploit the Internet.**

The Internet is an ideal platform for taking FIS to a higher level, both in terms of effectiveness and efficiency. Before the Internet gained a critical mass of corporate acceptance, many companies found it cost-prohibitive to deploy front-line systems for the mass market. Airlines were perhaps furthest along in deploying FIS, using shared customer reservation platforms for travel agents. However, they did not find it feasible to extend that capability to individual customers.

The importance of the Internet, a highly versatile shared infrastructure, cannot be overstated; rare is the business that can shoulder the costs of infrastructure on its own. Transactions burdened with the costs of a dedicated infrastructure are almost always priced out of the reach of potential customers.

With the Internet, infrastructure costs are low and equitably distributed across companies. A small investment allows companies to leverage the extraordinary reach and exploding capabilities of the whole system.

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