# *ACT GLOBALLY, SERVE LOCALLY*[1]
### Companies try to balance centralized CRM and local needs

By Drew Robb

To localize or not to localize: That is the question surrounding customer-relationship management. It's a dilemma made worse by global business relationships.

On one hand, only centrally managed CRM systems can coordinate and serve a worldwide customer base and provide efficient database management and economies of scale. Yet Internet users demand personalized local service consistent with cultures, languages, time zones, laws, currencies, and business practices. The trouble is that multinational companies that want to cater to local needs may have to face massive translation projects, soaring marketing and customer-support costs, and the prospect of handing over the reins to regional managers.

What to do? Companies have to find a balance between highly centralized CRM systems and niche products designed to deal with specific pieces of the customer-relationship puzzle—it's usually not an either–or decision.

In some cases, customization of CRM applications may provide the best of both worlds. According to Steve Wood, an analyst at research and consulting company Ovum, the difficulties inherent in localizing traditional CRM tools aren't insurmountable. Since "CRM systems are essentially databases with a user interface on top, you can usually find a way to customize the interfaces to override cultural and language challenges," he says.

A hybrid approach was taken at Osram GmbH, one of the world's largest manufacturers of lighting products, with a presence in 78 countries and annual

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revenue of $3.5 billion. The Munich, Germany, company's U.S. operation, Osram Sylvania in Danvers, Mass., is piloting mySAP.com in North America during the next few months before it's rolled out globally. MySAP.com manages relationships among Osram business partners, resellers, distributors, and end users. The pilot is designed to better integrate Osram units around the world while giving them a platform to accommodate regional needs. It's the latest stage in the company's E-business strategy, designed to provide online collaboration with business partners.

"This system can deal with a wide variety of business processes, languages, and cultures," says Mehrdad Laghaeian, CIO of Osram Sylvania. "At a corporate level, we've coordinated our activities and laid out a map that will fit the majority of our international operations. But at the same time, enough local autonomy exists to permit localization." In Mexico, for instance, local management can adapt content to align with currency, language, and business practices.

Osram's model permits different technological sophistication among its partners. Those with Extensible Markup Language capabilities reap the greatest benefits from SAP's CRM. They can check account statements, enter and track orders, and verify product availability. Additional features such as return authorization and payment submission will be added soon. The company can also communicate with partners and customers via E-mail, electronic data interchange, or fax. However, Osram eventually plans to phase out fax so its Microsoft BizTalk middleware can process every transaction automatically, removing data re-entry and consolidating all customer transactions on SAP.

Compaq has also opted for a largely centralized CRM system for its worldwide operations. After Compaq acquired Digital Equipment and Tandem, its traditional customer-support expertise in indirect warranties had to be expanded to encompass high-volume, direct customer calls. Compaq turned to Nortel Networks Corp.'s Clarify eFrontOffice CRM suite to provide partners and

customers with integrated E-mail and online CRM. Clarify eFrontOffice consolidates and routes information from every customer interaction, whether online, via E-mail, over the phone, or face to face. The resulting database lets sales, marketing, and customer service establish more personalized relationships with customers. The system cost the company more than $10 million over a three-year period.

However, Compaq officials are quick to point out that the company hasn't installed one wholly centralized system that the rest of the world plugs into. Instead, Compaq has evolved a localization model based on profitability and customer satisfaction. For 60 to 70 low-volume sales countries in Europe, Latin America, Asia, and the Middle East, Clarify is deployed largely out of the box. For large markets such as the United Kingdom and United States, though, a more-robust CRM functionality is required, and a significant amount of customization is engineered centrally before the CRM systems are delivered to these areas. Regional executives then have the freedom to conduct more detailed customization locally. This might involve adjusting the Web site to suit local demographics more closely.

Achieving complete centralization is too time-consuming, says Mike Whitney, VP of information management at Compaq Global Services, especially when agreement is needed on items such as code and business processes. "It's better to agree on standards and allow customization around that," he says. Compaq wants to achieve economies of scale through global and regional CRM consolidation, but not at the expense of speed and service quality. For instance, instead of call centers for every European language, the company has combined all its call centers into one unit in Ireland—reducing costs for IT and personnel. "I don't see further consolidation into one worldwide call center as you reach a diminishing point of return," Whitney says. He expects to realize millions of dollars in savings by not having to replicate call-center infrastructure and personnel in as many as 20 countries.

With major companies gravitating toward comprehensive CRM packages, it's no wonder sales are booming. "CRM is by far the fastest-growing area of business application software," says Ovum's Wood. According to Ovum's research, more than half of the $2.5 billion annual CRM market is dominated by large, traditional vendors such as Baan, Clarify, Oracle, SAP, Siebel Systems, and Vantive selling to big U.S. and multinational operations.

However, there's some backlash to large-scale, centralized implementations that can take years to implement and offer no guarantee of success. Gerhard Waterkamp, an executive consultant at IBM's Siebel practice, gives two reasons CRM projects fail: first, the misconception that technology alone solves all of a business's service-related problems; second, because the company fails to understand that CRM is a process, not just an application. He suggests that before a CRM project begins, management should assess its customers and learn how they like to do business, what types of information they require, and where the company falls short.

Taking this more deliberate, customer-centric approach, some businesses are marrying centralized CRM and E-business suites with offerings from niche vendors. GE Capital Fleet Services, for example, is using MicroStrategy Inc.'s Intelligent E-Business Platform to supplement its Siebel ERP-CRM suite. As the world's largest vehicle fleet-management company, GE Capital Fleet Services has assets of more than $9 billion, a fleet of more than 1 million cars and trucks, and service management worldwide, including the United States, Canada, Mexico, Brazil, Europe, Japan, and Australia.

"The Siebel side helps us become better at selling and delivering goods and services in volume," says Ken Schneider, GE Capital Fleet Services' E-commerce project manager. "MicroStrategy, on the other hand, helps us help our customers run their own businesses more efficiently."

Unlike most CRM applications, which provide detailed information about customers to management, sales, and marketing, MicroStrategy's application takes the mountain of data and makes it digestible by customers via a secure Web site, then distributes summarized data via E-mail.

Previously, this information was available only on huge paper printouts that GE Capital Fleet Services mailed to its clients at vast expense. "An average customer runs a fleet of around 500 vehicles," Schneider says. "Their bills don't come in envelopes, they come in boxes." These reports include details about every vehicle, including mileage, maintenance and accident information, fuel usage, and licensing and titling issues. If a car is due for service, an E-mail message rather than a postcard is sent automatically, reminding the driver.

With such a massive international operation, "you have to balance the benefits of tying everything together vs. cost and time," Schneider says. For example, the company can give detailed, summarized reports from multiple sites within the United States or Europe, but the data can't be combined easily because of multiple currencies. To change this would mean knowing an exact exchange rate for every transaction and having a currency-conversion table in every record. GE concluded that adding this extra piece of record consolidation isn't worth the time and expense.

GE Capital Fleet Services decided to adopt one basic international structure that consists of Siebel ERP-CRM and MicroStrategy's Intelligent E-Business Platform. Within that, however, different regions have their own databases, are allowed some autonomy, and solicit local input.

Despite the abundance of localization tools, many are slow to grasp the importance of customer-friendly content and support that spans a variety of languages, cultures, currencies, and business practices. According to Jupiter Communications, 63% of leading U.S. dot-coms have no Web-site localization to

attract overseas customers. Of the remaining 37%, few address the issue comprehensively.

"American companies tend to lack awareness of the urgent need for localization," says Don DePalma, VP of corporate strategy at Idiom Inc., a Cambridge, Mass., company that specializes in E-business localization. "If they look at the numbers today, they may see only 10% of the Web-site hits coming from outside the United States, but that gives a distorted and shortsighted view that's about to change markedly."

Language is central to any localization strategy, but translation isn't a one-time issue. Most sites are continually evolving, requiring a steady stream of revisions and additions. Each change to the English version must be tracked and duplicated or localized in all the languages the company offers online. Xilinx Inc.—a manufacturer of programmable logic semiconductors whose customers include Cisco Systems, Ericsson, and Lucent—has a customer base and plants and offices throughout Europe and Asia. The San Jose, Calif., company wrestles daily with the efficiencies of centralization vs. the need for localization.

Until recently, Xilinx's Web sites were largely static, with everything designed and produced in North America for the rest of the world. "That only prolonged the process of content publishing and made us far more centralized than we had to be," says Dave Stieg, Xilinx's director of corporate communications, who is responsible for overseeing the company's Web site.

The company adopted BroadVision Inc.'s Web-publishing system to provide an overall feel and image, while catering to different languages, cultures, and needs. Using this technology, site design is handled centrally. BroadVision templates let Xilinx achieve a common look that advances the goal of global branding while allowing for localization. "We keep in tight communication with regional PR and marketing groups and allow them the latitude to tailor the site to their own specifications," Stieg says.

With ads, the head office comes up with the structure and general content. But regional partners in Korea, Japan, Hong Kong, or Europe can change elements to make them work better in a local setting. Even with an emphasis on localized content, Xilinx is investigating how to add CRM functionality to strengthen its customer-service capabilities.

The reason companies such as Xilinx are rushing toward localized customer service is simple: People are more likely to buy when addressed in their own language, when local business practices are observed, and when legal requirements are followed. But there are differing degrees of localization. Some make translation concessions only for the most lucrative markets. Others adapt online retail or supply-chain efforts to reflect local laws, commercial practices, and business policies. The most successful seek to offer the same quality of Web experience to all visitors, regardless of geography.

Go2Call Corp., an Evanston, Ill., company that offers free calls over the Internet to the United Kingdom, Ireland, and Germany, plans to roll out its service throughout the Americas and Europe. To do this, the company is implementing Idiom's WorldServer, an online system for managing global translations and localizations.

Go2Call wants its regional Web site to be as comprehensive as possible, cutting down the demands normally placed on call centers. "You have to make your products easy to use so the user-inquiry ratio is kept as low as possible," says Go2Call co-founder Larry Spear. In Spear's experience, most Americans have grown accustomed to keeping up with the latest hardware and wrongly assume the rest of the world is up-to-date as well. He recommends adopting software that can cope with a wide range of hardware and applications.

At Go2Call, which has more than 100,000 registered users, an efficient E-mail response system is an important aspect of its customer-service strategy. Online customers seeking assistance are directed to send an E-mail message, with the

promise of rapid response. Go2Call uses Talisma Email, a component of Talisma Corp.'s CRM suite, to handle 80% of inquiries via canned responses. By spending $20,000 on the system, the company has greatly reduced the call-center load and cut costs dramatically.

San Francisco action sports E-retailer Fusion.com has taken a different approach. Rather than minimizing routine calls via interactive voice response and auto-response E-mail systems, Fusion.com uses the frequently asked questions portion of its site to form a close bond with its public—surf, skate, and snow sports enthusiasts in 45 countries.

"Our activities are lifestyle choices, and the people involved are passionate about them," says Ed Schultz, VP of business development at Fusion.com. "If we were to use a sophisticated outsourced call center or some canned auto-response setup, our customers would see through it and we'd lose our legitimacy."

The company's FAQ section is hosted by Broad Daylight Inc. Using a suite of hosted apps, it builds, manages, and distributes customer-driven question-and-answer content. Answers contain HTML-enabled pictures of the products discussed: One click and the customer can order the item. All FAQs are posted, and customers can browse an extensive list of questions, search for answers, or ask new questions.

While the hosting is free, Fusion.com pays a nominal fee to Broad Daylight for every answer served. The company considers this a small price for improved customer loyalty and sales. Sales have doubled in the past year, and Schultz says the FAQ played a significant role in this expansion.

In response to the growing popularity of specialized products, some big CRM companies are either adding niche functionality into their own generic wares or forming partnerships with other vendors. Siebel, for instance, has teamed with Talisma to fill some gaps in its CRM portfolio. "While Siebel does a great job with

personal and phone interaction, their customers consistently tell us that they need features such as advanced routing capabilities, superior customer-service productivity tools, real-time chat, and outbound E-mail marketing," Talisma VP Tom Ryan says.

Until CRM applications mature further, many companies venturing into the global service arena will have to mix and match their E-business platforms with a variety of tools. But at the same time, too much delegation of authority can dilute brand image and lead to escalating costs.

The sensible approach seems to be a balanced strategy built upon a customer-centric foundation. "Corporations must work out a CRM business strategy based squarely on the perspective of the customer," says Liz Shahnam, VP of Meta Group's CRM infusion program. "But even then, an iterative approach is recommended, implemented by trial and error, until customer-support systems are functioning smoothly."

### Web-Site Adaptation For Global Markets

Translating Web sites for overseas markets is no simple matter. Not only must the words be addressed, but graphics, logos, photos, prices, payment methods, and even compliance with regional laws must be taken into account. When companies expand operations across multiple borders, effective management of Web content can create considerable challenges that typically are beyond the capabilities of standard CRM applications.

While there are many companies that offer straight translation services, only a handful take a step further and either tailor content to local needs or manage Web-site content in multiple languages. These include Aradco VSI, eTranslate, Idiom, iLanguage, International Software Localization Group, Lionbridge Technologies, and WorldPoint.

Idiom's WorldServer, for example, uses workflow-management and translation-memory technology to keep international sites synchronized. Each textual, logo, image, or script element is assigned a rule that describes whether it is to remain as is, be omitted in certain regions, be translated exactly, or be adapted to local cultures and countries. Users can choose between local and international management of each component.

Once something is changed, the software instructs the relevant editors, translators, legal staff, and developers about what actions are needed centrally or regionally.

Without workflow management of global translation efforts, chaos can ensue. For example, imagine key areas of a site translated into German. Over time, the English text evolves as products are released, versions are modified, and policies are altered. Eventually, the original German version falls out of sync with the English site. Multiply that by dozens of languages and you see some of the problems inherent in offering services to customers worldwide.

—Drew Robb

**CRM Localization Tips**

- **Assess your needs:** Before embarking on a customer-relationship management project, conduct a strategic assessment of customers' needs to discover how they like to do business, what information they require, and where the company falls short. Align CRM implementation to these findings.

- **Tailor your content:** People are more likely to buy when addressed in their own language, when vendors observe local business practices, and when legal requirements are followed. Figure out a workable method of tailoring online content to these regional variations.

- **Get help:** Localization doesn't have to mean increasing the internal workload. An abundance of localization and translation products and services exist that let companies focus on core competencies.

- **Talk the talk:** Site translation is not a one-time activity. Foreign-language content has to be updated regularly to keep it aligned with new products and services, as well as changes in company policy.

- **Target markets:** The next three years will see an explosion in Internet usage overseas. Without localization, many of these potential customers will be out of reach.

- **Let go:** Localization won't work well without some degree of regional autonomy. Try to achieve a balance between the economies of scale afforded by centralization and the improved customer penetration provided by localization.

- **Be realistic:** Don't assume the rest of the world has a 500+ MHz processor or the latest browsers and applications. If you make that assumption, you risk alienating potential customers who might otherwise buy from you.