

# Customer Architecture

## Why Visibility Strengthens Execution

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# Introduction



"If you are not directly serving the customer, serve someone who does".

If your Architecture models do not reflect the customer or provide some reference points back to the customer, then the discussion rarely addresses the specific customer segments and your agility and ability to respond to changes in customer needs.

Even if your customers for deployment are front line staff, your role is to ensure that customer focus is top of mind and models ensure customers and employees are represented and key relationships are identified.

In today's ever changing digital world, organizations need to be dynamic, close to the customer, and able to respond in an agile fashion to the changes in customer needs. The importance of a rigorous focus on the customer represents a concept beyond question. Customers are the source of cash flows for any company. Their perceptions, intentions and ultimately behaviors largely determine the fate of the firm.

Yet, in architecture practice, the deliberate consideration of the customer in business decision making and architectural models cannot be taken for granted. Competing with other corporate priorities, customer focus often goes underappreciated by functions beyond marketing and may be discounted entirely by some organizations.

For example, often credit or transactional decisions are made that do not reflect the significant investments or track record of a customer to your business. The impact of this oversight can be significant. Across industries, the benefits are enjoyed by organizations who routinely execute on a solid understanding of the customer journey and priorities. These commonly stand in stark contrast to the problems faced by organizations who fail to do so.

# A Host of Challenges

While organizations may be quick to conceive and undertake customer initiatives, institutionalizing customer focus represents a far more daunting task.

Many organizations face challenges in convincing other functional heads (e.g. finance, technology, operations) to support long term customer investments or in aligning the organization's activities around customers. Frontline employees may pose real challenges, given the impact of turnover, difficulties in employee engagement and limitations in skill sets.

The execution of a customer-focused strategy continues to be a major challenge for many organizations and one that Architects can play a critical role. The path from implementing one-off customer initiatives to embedding customer focus in all organizational processes presents a number of potential pitfalls:

## Listening to the Wrong Customers

Organization focusing its listening activities on the "right" customers i.e. those selected by criteria such as volume vs profitability, strategic "fit," or growth opportunities. Failure to do so may result in incorrectly skewed resources, or in faulty decision making.

## Incorrectly Identifying Customer Priorities

Surfacing customer needs and preferences is clearly important, but organizations also need to develop an understanding of how customers prioritize the fulfilment of these needs.

## Failing to Align the Organization Around Execution

Beyond determining the "right" set of efforts to undertake on behalf of the customer, organizations must secure adequate resources, buy-in, and organizational alignment.

## Failing to Consider Other Strategic Objectives

While it's important to be customer informed, organizations need to be cautious not to become "customer compelled". That is, flexing to meet every customer whim at the expense of the brand or of economic prudence.

## Losing Momentum

Beyond determining the "right" set of efforts to undertake on behalf of the customer, organizations must secure adequate resources, buy-in, and organizational alignment.

Some organizations are still grappling with what it means to be customer centric. There are a wide range of opportunities to be addressed by the Executive team and the Architects are in a strong position to guide and advise Executives on the range of options and priorities to be considered.

# Multi-channel voice of customer and multi-channel servicing of customer

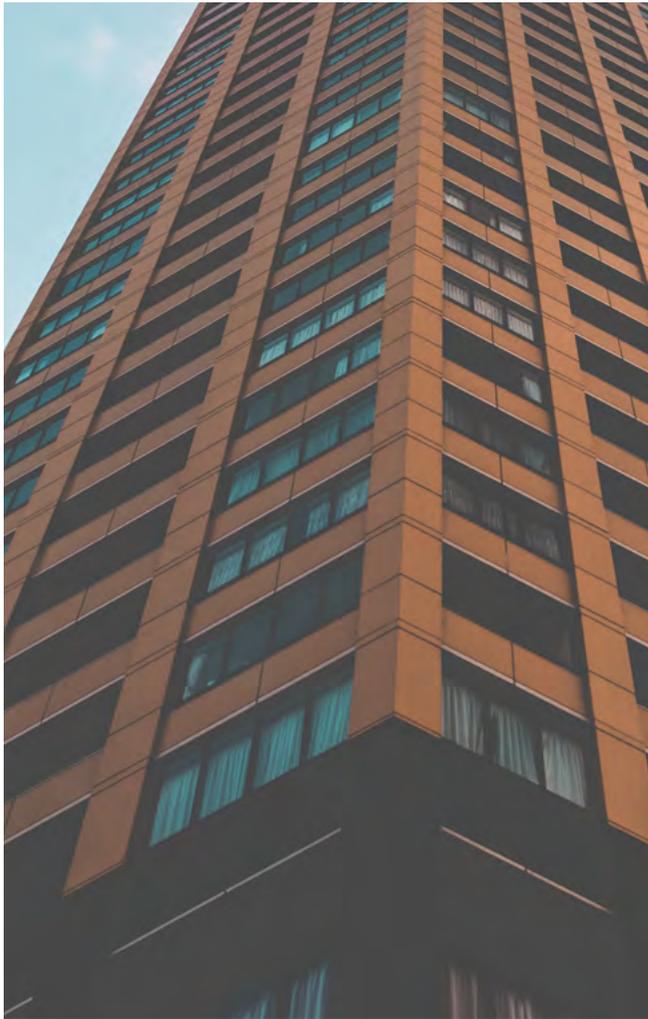


As your firm develops new business services and presents them to customers, you need a single and completely current view of the segmented and profiled customer.

Such a consolidated view of the relationship improves the focus on customer experience and your firm's profitability by helping Executives to position new products and services across multiple channels. Ideally these products and services are suited to each customer at the precise times when the customer is open to considering changes or new offerings. The result is improved value per customer through the increased sales of appropriate products and services.

Your technology capabilities need to provide the integration necessary to support this real time view, and that you have an IT management system and Architecture that can support the infrastructure and applications. However, for the majority of major organizations today, the burden of a legacy, siloed, line of business-centric IT architecture continues to pose a significant challenge.

# The Architecture Opportunity



The Architect is faced with a number of opportunities to connect the customer to the enterprise as follows:

Connecting information to the management team

Connecting strategy to daily execution

Connecting all the parts of the enterprise to the adopted strategy

Connecting departmental goals to corporate goals

Connecting technologies to the functions and business outcomes

A critical question for the Architecture and Executive team is "How can we simplify and coordinate these inputs"?

# Business Services and Business Process view

Executive champions need to prioritize application functionality investments based on the organizational capabilities available to support corporate strategy. Often the decision around Services or Capabilities can be complex depending on the appetite and long term value to the organization. The model to the right is an example of the significant range of business inputs required to enable the customer experience and provides levers for Executives to refine and modify services.



Zoom in for detailed look

# The need for strategic and architectural alignment

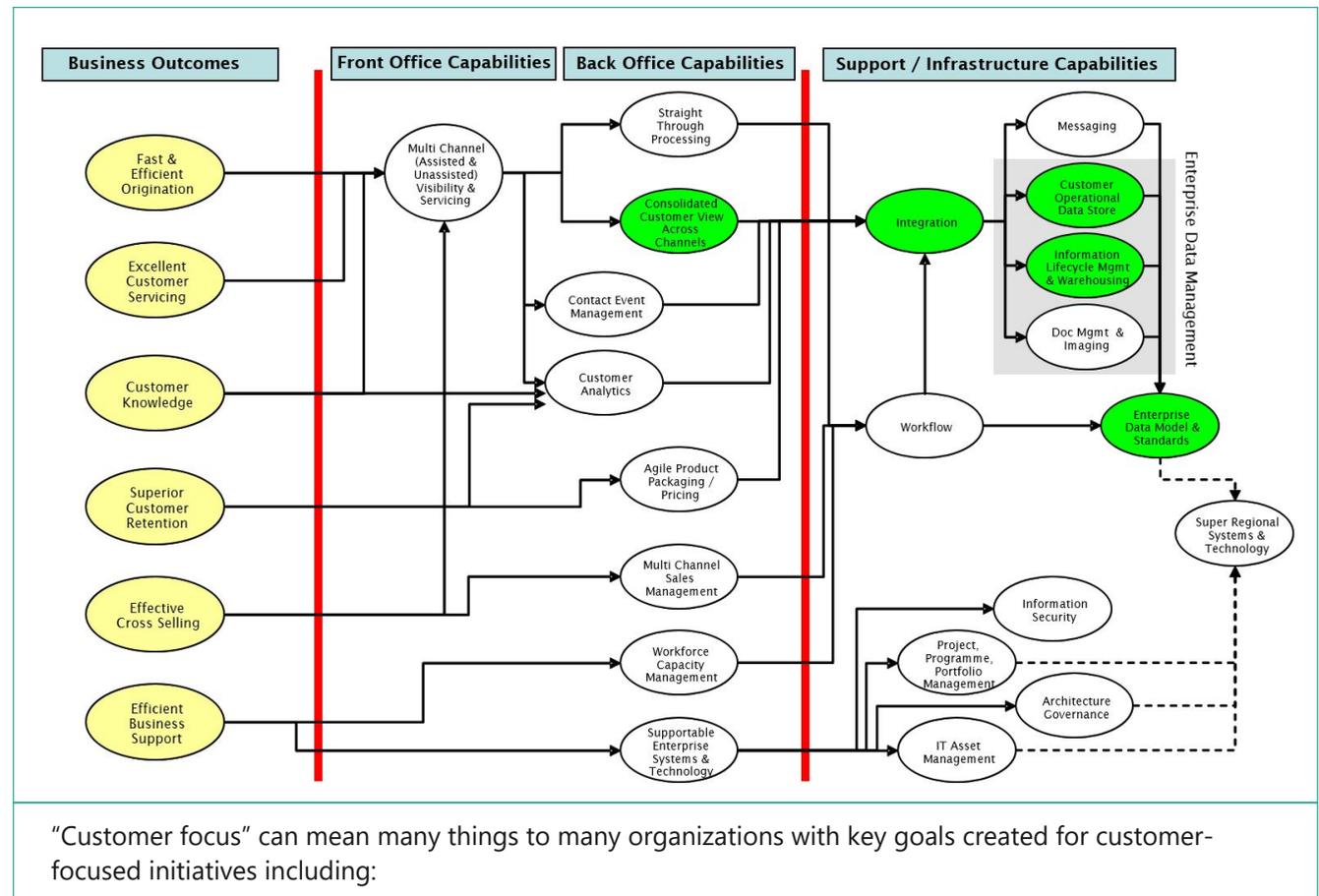
The value of Architects who understand the important role technology plays in transforming business processes are able to articulate the end to end representation from business outcomes to capabilities to technologies, functions, services, products, channels and customer segments.

Below is an example of the alignment between business outcomes and business and technology capabilities required to deliver on the business strategy.

Alignment between enterprise strategy, business processes and technology is often missing in the planning and scoping of initiatives.

Although Senior Executives can espouse corporate strategies, the Executives making process transforming technology decisions are often unable to articulate which software applications will best support the enterprise's goals.

Another reason enterprises end up with less-than-optimal results is that the technologies support a departmentally focused view.





Organizations pursue these efforts to different degrees, largely depending on their business models or industries. While many organizations care about all three, those in consumer goods or manufacturing industries will likely place emphasis on the first, service industry organizations on the second, and business-to-business organizations on the third, as examples.

Despite these differences, organizations across industries are trying to achieve very similar customer outcomes through their efforts. Boosting retention and repurchase, share of wallet, and cross-sales, as examples, all figure highly for any organization and should be a key part of your architecture models.

#### Creating Better or More Innovative Products or Services

Organizations who consistently develop and model a complete understanding of customers' needs and preferences can help build a portfolio of products and services superior to those of their competitors.

#### Offering a More Compelling Customer Experience

By embedding customer focus across the organization, particularly in staff and processes at key customer touchpoints, organizations can seek to provide a truly differentiated experience for the customer.

#### Building Deeper Customer Relationships

Building on ongoing collaboration with customers to identify new opportunities for value creation, organizations are continually looking to forge longer-term, more profitable relationships with their customers.

# Proactively managing your architecture and customer data inputs is critical



In creating the critical architecture models to support Executive decision making and customer focus, key data management tasks are to be addressed;

1

**Data Collection:**  
Developing your architecture models is all about the data. Without a strong base of accurate data, models will add to the confusion or at worst provide inaccurate insights for action.

2

**Data Sharing:** Customer data is a critical source of organizational DNA and should be shared across the organization.

3

**Data Analysis:** Customer ignorance is bliss — they want to know that you understand them by what they do, not by what they tell you about themselves. Draw on your analysis and insights for specific recommendations.

4

**Customer Interactions:** Always know more than your customers think you do. Customers want the convenience that a deep understanding of their needs can offer, but not the loss of privacy that this analysis requires. Successful enterprises disguise the level of analysis and targeting that they perform.

Organizations now proactively notify customers of highly important and time sensitive information such as flight delays, service outages and product recalls and deploying data management disciplines are critical to support these outcomes.

Planning for and providing such information in a proactive fashion will assuage customer anger, prevent the inevitable bombardment of customer complaints and may lead to an increase in customer satisfaction over the long term.

# Next Frontier for Business Process Management (BPM)



Because high-volume, labour-intensive business lines present some of the more significant opportunities for operational efficiencies, many organizations have readily embraced BPM for functions such as mortgage origination and insurance claims processing.

Organizations have used six sigma and BPM disciplines to generate substantial customer benefits when projected over millions of loans or insurance claims. Marketing generates an abundance of customer insight through analytics. Incorporating this insight and modeling your sales and service delivery is critical to successfully executing on a customer vision.

Marketing, Sales and Operations teams must use segmentation, customer profitability, predictive modeling and lifetime value analysis to learn more about customers and develop the appropriate customer-facing strategies. Then content must be created to deliver appropriate messages to customers and customer segments, based on those clearly defined opportunities.

The Architecture function can play a critical role in consolidating this information, bringing these functions together to create a number of architecture outputs reflecting work flows as follows:

Include all major processes and connections

Identify customer, business partners, and all participants in the value chain

Represent the current state of operations – the existing capabilities of the enterprise

Connects customers with the work streams that deliver value to them

Serves as the starting point for all planning

The highest level view of your organizations operations should reflect:



Begin with the customer

Provide an end-to-end view of the enterprise

Delineates the flow of work as it passes throughout the enterprise

Identifies the primary business partners impacting the value proposition of the enterprise

Delivers a simple and clear foundational view of the overall enterprise

Internal organizational alignment with external customer environments is even more critical to manage the customer experience and Architects should knit the critical customer experience technologies and strategies together to drive deeper enterprise integration.

# Case study – Major Bank

## Problem / Opportunity Statement

Major Bank restructured into a Regional Model with the combination of the wealth, banking and insurance arms to focus on the customer. Range of issues was experienced across the business and opportunity was taken to realign the retail and relationship platforms to better service the customer and simultaneously improve efficiencies.

Key issues needed  
to be addressed:

Mismatch between  
customer expectations  
and the distribution model.

A skill mismatch in branches  
is limiting sales and service  
capability for key customers.

Sales staff located in  
specialized centres which  
in some cases, not easy  
for customers to find.

Customer expectations  
have changed and moved  
from transactional to sales  
and service.

Lack of service consistency  
and stability of relationship in  
premium platforms.

Business Model Complexity  
and high cost of distribution.

## Impact - Reduced competitiveness



Key business metrics were moving south i.e. revenue growth slowing, loss of market share, competitors investing heavily in promoting outlets, growing customer dissatisfaction and increased customer churn / defection.

## Approach

Develop a compelling and shared vision for the banking business to specifically address the source of differentiation in the marketplace, the future vision and the work plan to achieve this vision. A specific team of business and technology architects including business analysts were used to develop architecture models and complete analysis to identify and prioritize strategic response.

The strategy comprised a number of elements:

- 1 Simplify the service proposition
- 2 Regain competitiveness (Primary focus in the short term)
- 3 Drive revenue opportunities while maintaining cost base
- 4 Establish clear roles accountability- site based P&L
- 5 Optimize the distribution platform (Secondary focus in the short term)
- 6 Reduce cost base
- 7 Identify efficiency opportunities (People, process, technology, channel integration)
- 8 Drive sustainable revenue opportunities (full network deployment)
- 9 Differentiate from competitors based on service proposition

## Business and Architecture Outcomes

The models and analysis was able to re-define and clarify the physical and digital distribution strategy to ensure that a sustainable economic approach was taken to acquiring, servicing and retaining specific customer segments. Key benefits were realised and supported by the Architecture team as follows:

Provide a digital architecture and platform of improved profitability through both cost to serve reduction where applicable, and the reallocation of capacity for growth, in particular to facilitate the cross sell of insurance for mortgages and to leverage debt for investment strategies.

Re-align the current distribution platforms to better service the customer through a carefully phased implementation approach.

# Last word on Architecture and Program Management



Customers have certain basic expectations regarding the manner in which they are serviced and the products they leverage and the architecture function provides a significant support function for Executive teams to map this experience with the key functions, channels, products and technology capabilities available.

A lot of things need to go right to ensure your customer journey is smooth and optimises your investments in Application Platform capabilities. In the above, I have endeavoured to outline the range of Customer Architecture inputs you should have and need to manage to support the customer experience.

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The stronger the base of Architecture design inputs to support your customer journey the greater the chance of Program, Project and Operational delivery success.



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