

Case Study: Scenario and Business Problem

1 Introduction

This document sets up the scenario of the case. It explains the business context and states the business problem.

2 Scenario Setup: Project Enterprise

The scenario is set within the context of **JK Enterprise's** Business Process Optimization (BPO) effort.

JK Enterprises has launched the Business Process Optimization (BPO) effort with the goals of improving cost and latency called Project Enterprise. In the course of early BPO Analysis it became clear that Account Application and Account Verification were strategic reusable services whose improvement would greatly benefit the business.

2.1 Business Context

JK Enterprises is under increasing pressure to reduce costs through simplification--while improving their ability to serve their customers. Cost cutting depends on automation, while the need to take greater care to manage risk escalates. Best practice risk management depends upon a detailed and dependable knowledge of overall customer relationships and associated business processes. Regulations require that JKE has a comprehensive view of the entities it does business with, and JKE takes great care to protect and maintain that view over time.

JK Enterprises competes in a number of market segments and therefore must offer a variety of service delivery channels. They began with the personal attention of a traditional brick and mortar business, but have added call center and self-service facilities. JK Enterprises has a remote sales force and outbound telemarketing, so that they can grow their business while satisfying a variety of customer types with different needs. While some of their customers prefer a single way of interacting, the largest or most sophisticated of their customers use more than one channel. These customers expect consistency of process and treatment across the channels.

Both existing and prospective customers are demanding highly personalized -- yet automated -- services regardless of how they submit their request. Their customers expect them to process their requests in the least time possible. When a customer orders a new product or service, it expects immediate notification of the results despite the fact that risk management practice dictates often-complex validations of the customer's viability. Customers might submit a request over the Web, and then phone the call center or their Salesperson or Account Manager to inquire on the status. As a result, it is important that all the channels have access to the same information for a given account.

Like many, JK Enterprises has implemented a number of technologies over the last several years. They do their best to maximize return on investment by replacing systems infrequently, but this must be balanced with the benefits of leveraging new technology. They have evolved their current portfolio over time and have bought many applications rather than built them from scratch. Like most enterprises, they have applications with overlapping function. The result of this is that several core business functions and processes are duplicated. While this redundancy can be tolerated in some areas, it is highly problematic in the customer domain, especially given the increased and escalating emphasis on Customer Relationship Management. At present 7 different systems must be manually maintained when a new account is setup, with any errors or exceptions adding significant cost while disrupting ability to satisfy customers quickly.

Another key to reducing cost and maximizing efficiency over time is the ability to focus human and financial capital on the business functions in which JK Enterprises truly excels. JK Enterprises expects to migrate functions where they cannot add competitive value to strategic business partners, but they are finding it difficult to accomplish this at the same time they automate and streamline their core processes.

The business caters to both retail and corporate customer sets. Most retail customers prefer the Web site, store fronts, or call center channels. Corporate customers use the Web site as well, but they are supported by Salespeople and Account Managers who negotiate their more complex requirements.

JK Enterprises wants to improve its Account Setup and Application Verification process to accept requests for a new account from the Web, call centers, storefronts, sales laptops, or the back office. A request launches a set of steps that must be carefully executed. Despite the fact that the underlying systems are complex and several manual steps are necessary, the business requires that the process appears seamless to the customer. Requirements also dictate that while these steps are executing we must support inquiries on the status of the new account.

Opening an account is one of the key business processes requiring improvement and automation. It consists of account sales, application, verification, and activation.

There are multiple systems that include customer and account information at the company. The primary system is an operational CRM, which is considered to be the system of record for basic customer name, address and relationship information. Customer setup usually begins here, with a search to see if a customer has already established a relationship. Once this has been done, the setup process moves on with a determination whether or not the customer has the ability to pay for services. This requires a credit check.

At present, credit check activities are handled manually by a team of account coordinators in each region who are notified via a paper form to phone or fax the appropriate credit reporting agency to retrieve the customer's credit score. The account coordinators then score the customer using regionally determined policy to decide whether or not to support the new account. The fees vary greatly by region and agency even when multiple regions use the same agency. Since the scoring policies differ by region, there is little consistency - the same customer might be accepted or denied depending upon what region he or she is in when the application is made.

JK Enterprises wishes to improve their ability to process requests for new accounts quickly; today they are limited by the number of credit checks these teams can handle. They are receiving 10,000 applications per year. As hard as the Coordinators are working, credit checks remain in the in-basket for an average of 2 days. During this time Salespeople, Account Managers and Call Center representatives have a very difficult time handling customer questions regarding the status of the application.

The majority of applicants are both credit worthy and pass the credit check. Once they do the account setup proceeds with pricing process. After a pricing plan is assigned to the account it must be created on the core business applications. Individual updates must occur to a Billing System, a General Ledger, an Accounts Receivable system, and a Data Warehouse which is in reality three separate analytics applications all on different data management technologies.

3 Case Study: Business Problem

JK Enterprises will address its account management process to improve efficiency, reduce costs and latency, and increase customer satisfaction. The specific business goals and objectives are to optimize account setup to:

- Improve sales by increasing its account base by 10% per year
- Improve customer service by reducing account setup to 1 day
- Increase application outcome consistency by executing common business rules across regions
- Control the total cost of ownership (TCO) by limiting the development and operational costs of the new system to \$2 million in the initial year and \$500 thousand for the next 3 following years