

Report of: Head of Oxford City Homes

To: Executive Board

Date: 21 April 2008 **Item No:**

Title of Report: Purchase of Customer Relationship Management (CRM) System for Oxford City Homes that will act as a pilot implementation for OCC as a whole

Summary and Recommendations

Purpose of report: To request project approval and authority to award a contract for the supply and annual maintenance of a CRM system for Oxford City Homes.

Key decision: Yes

Portfolio Holder: Councillor Patrick Murray

Scrutiny Responsibility: Housing Scrutiny

Ward(s) affected: All

Report Approved by:

Portfolio Holder: Councillor Patrick Murray

Director, City Services: Tim Sadler

Legal Services: Lindsay Cane

Financial Services: David Higgins

Policy Framework: Transforming the City Council by improving value for money and service performance.

Recommendations: That the Executive Board agrees to:

a) Grant project approval for the supply and annual maintenance of a CRM system for Oxford City Homes.

b) Authorise the Director of City Services to award a contract to the supplier that offers the most economically advantageous tender submission following an EU restricted tender process.

The proposed contract will be for 5 years starting in June 2008.

What is CRM?

1. Customer Relationship Management (CRM) is a business philosophy which involves:

- identifying and responding to customers' needs
- building a relationship with each customer to improve the quality of the service and customer satisfaction
- maximising value for money.

2. Customer Relationship Management (CRM) systems are information technology systems which turn this philosophy into practical reality. They do this through:

- setting up an I.T. infrastructure for an integrated set of services
- reviewing and re-engineering processes. This leads to operational efficiencies which are enabled by IT.

3. A typical CRM system will enable staff to:

- ensure that customers receive the same information whether they access our services using the web, the telephone, or face to face
- collect relevant information about customers
- build up a history of all previous interactions between the customer and the council which customer services staff will be able to view electronically. This makes for:
 - a more efficient interaction in that staff will need to use less time asking questions - e.g. what is your address? - as this information can be automatically provided based on the caller's phone number.
 - more focused questions
 - a more proactive service in that other issues – e.g. progress on a service repair or a rent enquiry – can also be dealt with.
- monitor progress on customer requests and feed back to customers
- monitor our performance against service standards

4. Overall, this means that our services are available to customers in ways that best suit them and in a way that is efficient for us. See figure 1

5. The pilot CRM project is taking place in Oxford City Homes and will bring significant benefits to Council tenants. The end result of a corporate CRM system would be that our customers should never again be told that they have come through to the wrong department. Issues - whether paying rent, reporting a dead dog or asking when the ice rink opens - will be dealt with accurately and efficiently.

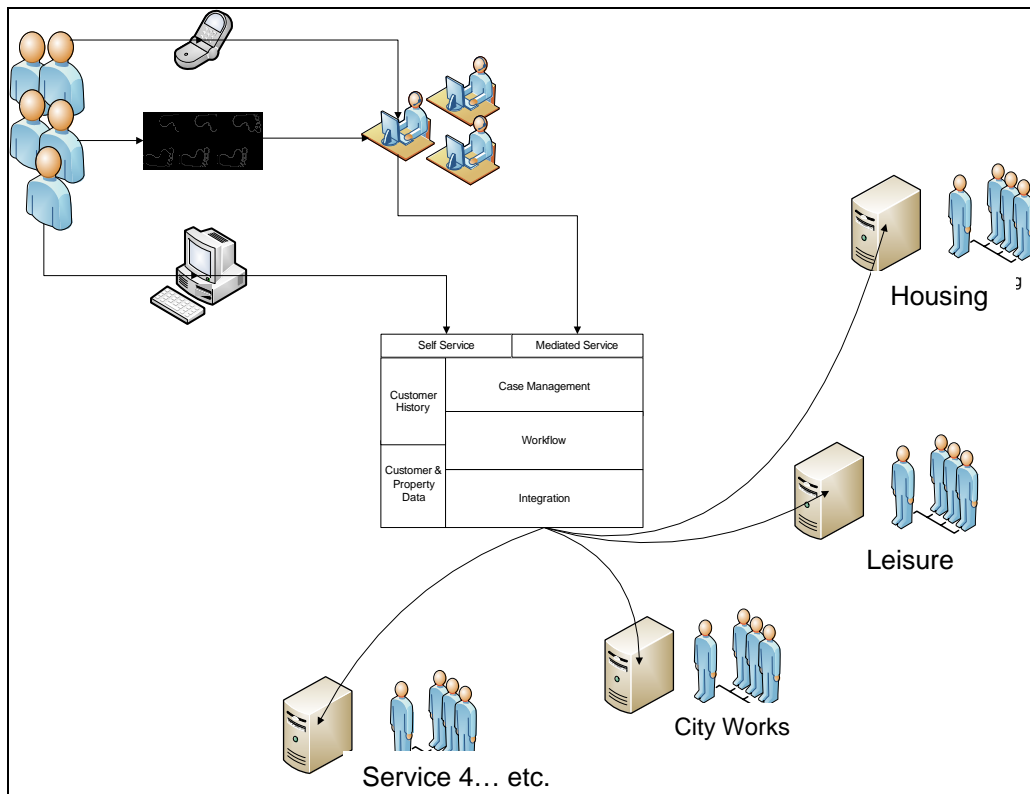


Figure 1 – Integrated Multi Channel CRM Deployment

Context

6. Currently over 200 Local Authorities have invested in some form of CRM solution with varying degrees of success. The Local Government marketplace was originally targeted by some of the more traditional high-end CRM providers such as Oracle, Onyx and Siebel. However, over time these suppliers have gradually withdrawn and been replaced by suppliers offering more cost-effective and flexible solutions.

7. In the Housing sector, the take-up has been slower with the most successful solutions concentrating more on housing-specific processes using workflow products.

8. All of our current ERP (enterprise requirements planning) systems suppliers have a strong CRM offering incorporating the major elements of Computer Telephony Integration (CTI) customer contact management, workflow, document management and measurement. IT systems integration issues remain one of the major challenges for a CRM implementation so current ERP suppliers have a strategic advantage. However, as the Oxford City Homes system will, in effect, be a pilot for any future Council wide system a rigorous tender process is being carried out.

9. IT enabled change via implementation of a CRM system is the only practical solution to accelerate the improvements in value for money, customer satisfaction and diversity already delivered by landlord services. It also supports the performance levels necessary to enable the strategic objective of a Two Star Audit Commission inspection.

10. The timing of the tendering process would allow for contract placement in June 2008 and commissioning of a system before the end of calendar year 2008.

Background

11. In Spring 2005, the Council began a process to identify and procure a corporate CRM system that would interface with our existing core systems and applications. Following the tendering process, Capita were awarded the contract and an order of considerable value was placed with them to implement their CRM system. Initially, a pilot scheme was set up at City Works that began on 13th September 2005.
12. From the pilot, several major issues around interfacing, user friendliness and efficiency were identified but despite repeated attempts to get Capita to address these issues, they remained unresolved. The system was adding no value to the process and this coupled with both Capita's poor response and their inability to manage the project in a satisfactory way, led the Council to conclude that they had failed to deliver a comprehensive, robust system. The Council's contract with them was terminated and we then pursued Capita for a reimbursement of the payments already made.
13. The pilot at City Works has remained in place but has had some in house work done on it, with workarounds and spreadsheet "bolt-ons" being developed. It is still not user friendly and officers using it feel that it adds little value and is time consuming rather than time saving. As an example, it's still not possible to see task history detail via address.
14. Despite this unfortunate history in the Council, Oxford City Homes remain a strong advocate of CRM not least because: -
 - It is one of the most powerful drivers of change to support gaining 2 star Audit Commission accreditation
 - Tenant representatives have approved such a system
 - Budget provision has previously been made
15. Council in the 2005/06 budget authorised £95k to fund a CRM system specifically to improve customer contact for Oxford City Homes. This was not carried out during 2005/06 and the budget was carried forward to 2006/07. During 2006/07 the HRA was brought together under one business unit with an expanded contact centre from September 2006. As the expanded contact centre needed time to settle in and it was considered that a wider view needed to be taken of requirements and market availability, the budget was carried forward and extended in 2007/08 to £145k. The implementation of CRM is now being considered across the whole Council with Oxford City Homes acting as a pilot and will necessitate carrying forward this budget into 2008/09.

Reasons

16. In Oxford City Homes terms, a CRM system is an enabler to deliver dual elements of our strategy to assist gaining a Two Star Audit Commission inspection result. Specifically these are improving the resident contact experience and continuing to improve "Value for Money". In particular we see a CRM system delivering: -
17. Cost reductions and Efficiency Gains (Value for Money)

- Driver for process re-engineering and continual improvement
- Reduced process costs
- Back office efficiencies
- Fewer but higher quality Resident interactions
- Task performance measurement
- Right first time and single call resolutions

18. Diversity elements

- Understanding our customer base
- Supporting the six strands of diversity

19. Enabler for change

- Extend the range of services we are able to offer
- Data analysis capability (Performance and service targeting)
- Staff enabled to provide a greater range of services
- Let professional staff focus on value adding tasks (reduce the rework costs)
- Management time spent on complaints reduced

20. An enabler for: -

- One stop shop (housing initially but scalable)

Proposal

21. The proposed CRM solution will address all of the issues above for Oxford City Homes and in addition effectively act as a pilot solution for the wider Council should funding be approved. The solution at Oxford City Homes will initially be at a level to deliver the necessary benefits, but still be implementable in the required time frame. To achieve this a “base level” of the most used business processes (say 20-30) will be initially considered for re-engineering, scripting and workflow purposes. Other business processes will be developed and incorporated in the system at a later time by an in house team.
22. The initial implementation will be supported by the software vendor staff and incorporate the necessary training and level of skills transfer to enable future developments in house.
23. The probable main functional elements of the software will be: -
- CTI (computer telephony integration)
 - Scripting and alerts
 - Contact Histories
 - Automated document production (e.g. emails, letters etc.)
 - Workflow (processing of multifunctional tasks)
 - Knowledge management and FAQ (frequently asked questions)
 - EDM (electronic document management) at a very basic level but capability to integrate with a full EDM system
 - Progress tracking and reporting and data analysis

24. Apart from the specific benefits to Oxford City Homes detailed above, the generic benefits if rolled out to the wider Council beyond cost reductions would be; -
- Improved responsiveness and speed of response to customer queries
 - Higher levels of consistency and first time resolution to customer queries
 - Increased customer satisfaction
 - Improved service delivery performance
 - Improved management information of demand profiles and resources required to meet demand

Tender Process and Evaluation

25. An advertisement was placed in the local press, on our website and other national websites, in a professional journal and the Official Journal of the European Union in January 2008. We expect this contract to attract a good deal of interest. The tender process is being carried out following the EU restricted tender process.
26. The evaluation criteria will be based on both price and quality and a detailed specification has been drafted that will enable the project team to evaluate the tenders against both Oxford City Homes and the wider Council requirements for a CRM system. It is emphasised that a complete knowledge of the costs for a Council wide system together with the capability requirements to meet the broader integration and functional needs will be built into the tender documents. This means that following a successful pilot at Oxford City Homes other call centres would be able to migrate quickly onto a common CRM system. There would be no requirement for further tendering as licence costs and maintenance costs would have already been agreed.
27. The timetable for this should enable the Council to be able to award a contract by June 2008.

Options

28. The Constitution and Procurement Strategy advises that the Executive Board considers what other options are available before giving major project approval and awarding a contract over 100K. These are detailed below.

a) Continue as we are

This is not an option as: -

Service level expectations continue to increase both from customers and inspectors and hence; -

- In the short-term these could only be met via unacceptable staff increases.
- In the medium term only a systems enabled solution could offer the diversity requirements in terms of range and quality of services necessary.
- Continuing efficiency pressures mean that process costs need to be reduced significantly and it's difficult to see how else these savings could be made.

- Customer satisfaction will become a primary Audit Commission measure for Housing Services and CRM is critical to driving this.

There is an expectation from Tenant representatives, Officers and Members that the budget be deployed in support of the service as previously agreed.

A Council wide CRM is shown as a line item in the draft corporate plan and the Oxford City Homes implementation effectively acts as a pilot for this.

- b) Join with another government agency currently using a CRM system

This is not considered a commercial or technical reality given the constraints of time and detailed integration requirements; however, the County Council are providing technical support to the project and have indicated a potential interest in joining any contract we eventually set up.

Risks

29. The main risks lie in: -

- The capability of the system to deliver the functionality promised
- The proposed implementation time scale being too aggressive
- Consultancy costs being higher than projected
- A lack of integration capability with ERP or telephony systems
- Specification of a Housing specific system not easily translatable into the more diverse corporate requirements
- Suppliers attempting to use entry into Oxford City Homes as a loss leader to the wider Council

30. With the exception of the implementation time, these risks are reduced to acceptable levels by rigorous procurement and project management processes together with a corporate central team. The timeline remains an issue which we will mitigate by carrying out process re-engineering activity in parallel with the tender process, but it needs to be kept under review as the project proceeds.

Financial Implications

31. Funding

This information is commercially sensitive and is shown in confidential Appendix 1.

Return on Investment*

32. The level of variables are such that it would be naive to project a hard ROI (return on investment), however, the opportunity cost is such that if the projected investment were spent on human resource then its unlikely we would be able to achieve the service levels a two star offering requires.

However, anecdotal evidence is that even ignoring the value of service level Improvements ROI is in the region of 2 to 3 years. In further support of this the analysis below is offered: -

It is not intended to produce a full economic evaluation or to produce detailed calculations based on the likely number of seconds saved per call etc. as these would at best be a good guess that depend on local circumstances. For indicative purposes a minimum range of savings necessary to support the investment is considered: -

Projected procurement implementation and licensing costs (3 years)	£150K
Simple bankable savings necessary per year (at current service levels) for 3 year ROI	£ 50K / year
Number of FTE posts necessary to redeploy for break even (Approx cost £28k / FTE)	2

Estimated minimum deliverable efficiencies: -

- | | |
|---|--------------|
| 33. 5% – 10 % reduction in number of calls releases
(due to right first time responses)
5% - 10% reduction in call times due to Computer Telephony Integration
(Call centre 15 FTEs) | 1.5 – 3 FTEs |
| 5% - 10% reduction in process costs releases
(Primarily back office staff, Estate Managers – Rents Team 30 FTEs) | 1.5 – 3 FTEs |

Benefits not cost evaluated: -

34. Cost savings to back office staff of interruptions.
Staff and management costs of complaints
Reduced training costs

*Data Source Q2 Consulting, actual County Council CRM project data / Indicative minimum savings Golden Gates Housing Association / Indicative minimum savings Canterbury City Council / Typical ROI projection data Northgate plc / National CRM project (benefits areas only).

35. An alternative ROI comparison model based on actual experience: -

Steve Jackson, the Chief Executive of the Equity Housing Group presented the results below following the implementation of CRM from one of our potential suppliers

- 94% of all calls dealt with on first point of contact;
- 90% of direct applications for Housing now taken by phone;
- Cost per Transaction falls dramatically: -
 - Repair processing £5.33 to £1.35;
 - Application Processing £8.40 to £2.27;
 - Allocation of a Property £7.80 to £1.56;
- Void re-let times have halved and still falling;
- Waiting list review per application £15.60 to £1.95;
- Customer satisfaction ratings improved – to 90-99%.

Please note there are benefits to the wider housing area beyond Landlord Services.

By way of illustration, Oxford City Homes process in the region of 2500 repairs calls per month so a saving in the repairs processing alone of £2.00 per repair, half that claimed above, would yield a simple breakeven in two and a half years.

Cost / Benefit Variables

36. For illustrative purposes the above indicates a clear return on investment at very conservative assumptions of productivity gains. For completeness, however, it should be noted that experience suggests that the culture change achieved via the process re-engineering necessary to support a full workflow implementation is likely to deliver large benefits that are notoriously difficult to measure, what price a “can do” attitude?
37. Other complications are that bankable benefits are a function of the focus given to the development of different elements of a CRM system. The *contact management* module for example will quickly deliver higher levels of customer satisfaction and more single contact issue resolutions than *workflow*, but will deliver comparatively little by way of bankable benefits. A home working capability for instance might provide an excellent ROI but only to a mature installation and could be positively dangerous in new implementations.
38. Other complexity stems from the fact that in successful implementations the total number of frontline contact centre staff is likely to increase which is generally counter intuitive. However, this is at the expense of back office staff numbers facilitated by the reduction in double handling, progress chasing and complaint generated activity. Ironically the initial resistance from back office staff becomes support when it becomes apparent that the elements of work left in the back office are the most interesting and value adding.
39. External factors can also distort projected ROI dramatically, for instance any consolidation of contact centres across the Council (that would only be possible in a CRM environment), or indeed with other Councils would provide immediate and bankable economies of scale.
40. Finally the phasing of costs and benefits is a function of so many unknown contract and implementation variables as to render detail projections liable to scale factor errors.
 - Will the final vendor risk share on benefits realisation? If so at what level.
 - Will the final contract be part variable part fixed cost. If so what number of base workflow processes?
 - Given the developing understanding of Iworld and Servitor (ERP) integration needs are the original indicative costs still valid?
 - Will we need to back fill posts for the implementation team?
 - Can we negotiate a two stage enterprise level licensing agreement?
 - Will the County Council wish to participate in the contract? If so when?

Conclusion

41. In summary there is a strong economic case for investment given a range of reasonable assumptions that are supported by real world experience. Due to the number of successful systems now in place with councils, the risk of an unsatisfactory outcome is much lower than it was three years ago. There are, however, many variables which need to be managed by the procurement and implementation teams to make a fully functioning CRM system reality. Thus whereas we can have confidence in the economics and approximate payback on the investment of a basic implementation, it would be disingenuous to project detailed savings at any specific point in time.

If funds become available to roll-out the CRM to other call centres in the Council this could be done quickly following an Oxford City Homes pilot. The potential economies of scale and single point of contact capability this would deliver would accelerate the return on investment beyond that available to Oxford City Homes alone. It would not be necessary to re-tender to achieve this as the system technical capability and contact requirements necessary will be built into the original tender.

For any future additions of modules to the base system to increase functionality a much more detailed ROI projection would, however, be possible.

Benefits of this contract

42. In addition to enabling Oxford City Homes Strategic Objective, the benefits include: -

		Financial	Non - Financial
Measurable		<ul style="list-style-type: none"> Reduced costs of call handling Cost avoidance of increased demand Reduced training costs Increased capacity (front - office) Reduced waste (front office) Reduced staff turnover 	<ul style="list-style-type: none"> Increased customer satisfaction Greater consistency of service Increased first time resolution Improved staff satisfaction Ability to manage peak demands and emergencies Improve performance against Best Value & other measures
	Non Measurable	<ul style="list-style-type: none"> Increased capacity (back office) Reduced waste (back office) Media/outreach effectiveness Scalability and spreading of costs (without need for risky Council wide project) Improved ability for efficient and effective consultation 	<ul style="list-style-type: none"> Future flexibility (routing, locations, skill groups) Improved brand recognition of Council Visibility of poor service to members and managers Implementation of customer focused performance measures Potential for home working Enhanced staff career path Active promotion of services, driven by customer data

43. Factors affecting customer satisfaction that are enhanced with CRM systems are: -

- Access to service – time / hours / speed of response
- Actual call experience when dealing with Council staff
- Right outcome first time to resolve query
- End to end time taken to resolve query

Legal Implications

44. There are no legal implications as this contract will be tendered in accordance with the EU procurement regime and the Council's Constitution.

Staffing Implications

45. Staff will be freed up to focus on their core responsibilities, have greater job satisfaction and, in some cases, the potential later for home working. It will also be possible to free some staff to focus on other work.

Recommendations

36. That the Executive Board agrees to:-
- a) Grant project approval for the supply and annual maintenance of a CRM system for Oxford City Homes
 - b) Authorise the Director of City Services to award a contract to the supplier that offers the most economically advantageous tender submission following an EU restricted tender process.

The proposed contract will be for 5 years starting in June 2008.

Appendices

37. Appendix 1 – Funding (exempt from publication)
38. Appendix 2 – Oxford City Homes Implementation Timeline

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Background pages:

Not applicable.

