/WHITEPAPER: CUSTOMER RELATIONSHIP MANAGEMENT

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/CRM: WHAT IS IT AND WHY DO IT?

Overview

Customer relationship management (CRM), a concept that has been around since the mid 90s, has its roots in the technology of sales automation and call center operations. At that time, it was thought that merging the customer data from the field (sales) with the call center interactions would result in more informed interactions with the customer. The concept resonated with user organisations and soon mergers and acquisitions created a host of software vendors all claiming to have an integrated set of capabilities that became known as CRM.

On a parallel track, Internet-based tools such as e-commerce, Internet marketing, personalisation, and self-help were evolving. These products competed outside of the CRM sphere due to the newness of the technology, and they were referred to as e-business. When the concepts of CRM and e-business melded together there was a short period of e-madness where vendors talked about eCRM and e-everything. There are still vestiges of this transition in the industry such as essentially using e-business to add value to vendors and referring to it as partner relationship management (PRM) or providing tools for employees and referring to it as employee relationship management (ERM).

Similarly, enterprise resource planning (ERP) vendors realised that the 360-degree view of the customer has to include transaction data, so they have likewise developed an integrated package with CRM capabilities.

Thus from a technology perspective CRM consists of a set of applications that address the needs of customer-facing functions that in turn feed a common database that is supported by business analytics. Each vendor has variations on this theme.

A User Organisation Perspective

Due to the silo (functional) structure of most user organisations, the most common CRM situation involves individual customer-facing functions that are seeking solutions to meet their respective needs. What they are confronted with is an array of very sophisticated, integrated tools. Even when someone in the organisation approaches the definition of needs from a corporate perspective, the result is a collection of functional needs with minimal cohesion. Thus the firepower of the technology often finds itself in juxtaposition to the sophistication of the user organisation. Will it get the job done but with what collateral damage? In today's market, it is common to observe user organisations seeking out less complex products as opposed to looking for greater sophistication.

Many consultants, vendors, and analysts today define CRM in terms of being a customer-centric business strategy that is enabled by a set of applications that support customer-facing functions and management decision making. That may capture the essence of what CRM is, but it does not begin to capture why an end user organisation should invest significant resources to pursue such an initiative.

End user organisations can become further confused by industry messages that use vague terminology like being customer centric and increasing customer loyalty, giving rise to the idea that CRM is about intangibles. User organisations that buy into this notion find that they are quickly overwhelmed with schedule slippage and budget overruns. Without any firm sense of economic value, senior management has few options other than pulling the plug on the project. So what message does that send to the organisation? The customer is not central in importance? The organisation cannot afford to be customer centric?

Making CRM Tangible

Deploying CRM technology does not make an organisation customer centric or its customers more loyal. Without changing processes and attitude, deploying CRM is analogous to "paving the cow paths" or more accurately "gilding the cow paths". Likewise, user organisations need to reject the notion that CRM is all about intangibles, and that benefits cannot be measured. Although it is true that the marketplace is a dynamic environment where clear definitions of cause and effect are difficult to establish, these limitations do not preclude the creation of credible measures of improvement. There are a number of CRM applications that provide a fairly unambiguous definition of benefit.

Sales

From a productivity standpoint, sales performance can be described on the basis of gross profit generated per sales function dollar expended. CRM offers a number of capabilities that directly impact this ratio.

Lead Management. Getting qualified leads to the field in the shortest possible cycle time adds credibility to the organisation and enhances the receptiveness of the prospect. Improvements generate a higher ratio of new business to leads.

Opportunity Management. Helps sales people to focus on moving sales opportunities to completion. This application is also essential to the development of effective forecasting techniques. Typical metrics include time and sales effort (cost) to close deals, etc. From a forecasting perspective, variation from forecast is fairly common.

E-Commerce and Fulfilment. These applications often reduce the demands on sales people to handle the administrative aspects of ordering product and support materials while providing better service to the customer. The result is more time for selling and more satisfied customers.

Proposal Generators. These applications typically reduce the time to assemble proposals, RFPs, RFIs, etc., but more importantly they enhance the quality and consistency of the response. The result is a higher quality document generated in less time that leverages the ratio of deals closed to the proposals generated.

Team Selling. These capabilities facilitate a coordinated and collaborative sales effort that improves win and loss ratios. However, the tools are only effective if the organisational culture supports this type of effort.

Partners

Partner performance is typically evaluated on the basis of revenue growth, new customer acquisition, and the breadth of products or services sold. CRM applications are designed to help the partner to be more profitable while streamlining interactions to reduce the cost of supporting that same partner. It is a win-win strategy that improves the profit contribution of the partner segment of the business.

- **E-commerce and Self Help**. These applications facilitate ordering, cross references (part number translation), and provide access to expertise on a 24x7 basis. These tools improve productivity for the partner and the supplier organisation.

Marketing

- **Campaign Management**. This application helps the marketing organisation to improve the targeting and design of campaigns to enhance the ratio of response rate to the marketing dollars required to generate that response. The response rate should be correlated to revenue generation or profit contribution factors that allow the organisation to relate cost to incremental profit generated.

Call Center and Help Desk

- **Inbound and Outbound Tools**. There are a myriad of tools that improve training, routing, utilisation, cross-selling, and service level characteristics of the call center and help desk. Due to the nature of these operations, performance metrics are typically integrated into the applications and trends can be used to validate assumptions.
- **Self Help**. These applications expand the availability of service, provide a resource for those users who prefer this format, and generally reduce costs.

Field Service

- **Wireless**. Similar to the comments regarding the call center, CRM offers a rich mix of tools to improve field service productivity. However, wireless capabilities offer significant leverage to improve dispatch effectiveness, enhance linkage to support resources, and speed invoicing (cash flow). These improvements are all readily measurable and translate to reduced cost or enhanced profit contribution.

CRM - Why Do It?

CRM is not mysterious or magical. As the examples demonstrate, the tools of CRM can be associated with the fundamental financial metrics of the organisation. The key learning from this discussion includes:

- CRM offers effective tools that address real organisational issues.
- Benefits are derived by understanding the opportunities and re-designing processes to leverage improvement.
- Improvement is measurable and discernable. It is not hidden in vague notions and concepts.

A sure recipe for disaster is to deploy CRM without a clear sense of process change and undefined expectations.