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CRM 101 – Building a Great Customer Relationship Management Strategy

Long-term success requires a great Customer Relationship Management strategy. Business as usual is out. Competitive companies are undertaking the introspective soul-searching necessary to let customers – not marketing or research and development – direct the future. Companies are putting CRM strategies into place and are already seeing the benefits; they're attracting and harvesting customers and generating profit. But the strategies have wide-reaching effects, changing the roles of those who deal with customers daily and those who seldom, if ever, speak to customers. CRM-focused enterprises mobilize the entire company to better serve customers, locking in long-term relationships that benefit both buyer and seller.

A CRM strategy means that operations revolve around the customer and involve much more than installing any one application, embracing a new technology, or even committing to one vendor's CRM suite. It sparks new ways of doing business and provides better insight into customer behavior. Superior implementations merge the so-called front-office and back-office operations, giving employees a complete view of the organization's relationship with its customers, and open up internal systems to customers so they can service and sell themselves. CRM strategies require a cultural shift that aligns a company, its employees, and its systems toward customers and away from traditional product- or process-centric models. Companies that are unresponsive to the shift will soon find themselves scrambling for scraps left behind by those that are. CRM applications and technologies form a base that enables and propels the CRM strategies that companies build to gain competitive advantage.

CRM Is a Strategy – Not an Application, Technology, or Suite of Products
CRM is a strategy used in competitive environments that combines the information, systems, policies, processes, and employees of an enterprise in an effort to attract and retain profitable customers. CRM applications and technologies are tools used to implement such a strategy and must be woven into the fabric of a company's business strategy, not bolted on to it.

CRM Is Not a Grassroots Initiative
CRM must come from the top. CRM is an all-encompassing strategy, and no one department, call center, or Information Technology (IT) manager can drive the cross-functional process changes required. Bottom-up implementations may optimize local needs, but optimizing efforts to benefit customers means that some parts of the business will not be as efficient as they were while others do better. Such choices are made in the boardroom. A recent study showed CEOs were directly involved in successful CRM initiatives more than 40% of the time.

CRM Strategy Is for Business-to-Business and Business-to-Consumer Situations
Most of us initially think business-to-consumer when

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we think of CRM, probably because we have first-hand experience. Telemarketers call when statistics say we are likely to be home, such as during the dinner hour, and offer products based upon profiles gleaned from vast marketing databases. We can check savings account and mortgage balances by telephone, fax pizza orders, and find a dream vacation on the Internet.

But CRM strategies also apply to business-to-business situations. With the Internet, sales partners participate as full members of the sales team, and product buyers can place orders, check shipping schedules, and pay bills. When customers use a seller's internal processes as their own, relationships deepen.

No Single Vendor Provides All the Applications a CRM Strategy Requires

Given the importance of making the right CRM technology choices, sorting through the myriad applications on the market today can be intimidating and frustrating. Applications can be sorted by the breadth of functionality included, communication channels involved, and size of company they fit the best. No single vendor provides all the required applications, so users must patch together the systems to fit their strategies.

Great CRM strategies include specific elements, which can be put into a practical checklist. Make sure your strategy addresses five concepts:

- Realign and reinvent business processes to implement strategic choices. Since relationships are strongest when they result in mutual advantage, an effective CRM strategy embraces customers and channel partners, weaving them into the

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Checklist for an Enterprise Mobilized to Service Customers Better

A Great CRM Strategy:

Realigns and reinvents business processes
- Requires policy decisions that effect the online organization
- Opens the enterprise for customer self-sale and self-service

Is based upon the full range of technology
- Enables new business strategies
- Streamlines processes and speeds communication
- Adapts quickly to support business changes

Provides a complete view of each customer

Uses technology to make the most of each customer contact
- Each contact becomes an opportunity to sell
- Customers can use seller's processes instead of building their own

Puts current applications to strategic use
- Data warehouse stores used to strategic advantages
- Back-office system integrated for customer support

Drives ROI for both users and customers

Source: AMR Research, 1999

FIGURE 1.0 | Checklist for an enterprise mobilized to better service customers

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fabric of daily operations. Customer-centric operation means letting go of traditional standards in favor of new ones, measuring how often each customer visits and how much is purchased each trip rather than the total same-store sales.

- Use the full range of technology. Rapidly advancing technology means rethinking how business is conducted. New communications technology connects remote employees with the rest of the enterprise; the Internet deepens self-service options, and telephone advances make virtual call-center operations possible. An effective CRM strategy makes technology a base to be used in an iterative process that considers what technology can do and what the organization can do with the technology.

- Sell the company as well your wares. A principal CRM tenet is that users see all aspects of their relationships with customers, the so-called 360-degree view. Customers know they buy a supplier as well as product, and now sellers are awakening to find that they sell products, services, and their enterprise. Integrating front-office applications is a step forward,

but information held in such systems as accounting, human resource, purchasing, material management, production, and distribution is also important. Customers expect to speak immediately to the right person, who already knows all about them. They want the Web site or telephone system to have easy-to-reach, complete information that meets their objectives.

- Use technology to make the most of each customer contact. The relationship is everything in Services, and so the industry was an early adopter of CRM technology. Although its models may not fit other industries perfectly, it provides good benchmarks. Service industry leaders are always available and let customers choose which channel they want to use at any particular time. They make each call center or Web site contact a selling opportunity by marketing the products a database analysis forecast says that the customer is likely to buy. Web sites serve as customer resource centers, with entry pages formatted for each customer, presenting information the customer is likely to want. Web site and telephone self-service saves customers time and reduces costs for the customer and seller.

- Put current applications to strategic use. Existing systems can further customer relationships. For example, most companies use data warehouses as repositories of transactional data for tactical reporting. CRM applications unlock data warehouses and use them for marketing campaigns. When sifted, the data can be used to develop marketing strategies individualized for each targeted customer. Back-office information is critical to a fully developed CRM strategy, and the boundaries between the front and back offices are blurring. Pop-up screens with information such as a customer's credit standing and long-term financial value to the company, on-time product delivery status, product as-built and as-shipped configuration, and warranty status give call-center agents – often the primary representative of the company – much broader knowledge.

ROI Comes From Multiple Sources

The benefits of a well-developed CRM strategy far exceed the cost savings often used to support application purchases. CRM strategies result in increased sales, new ways to differentiate in the marketplace, the ability to absorb new business methods such as the Internet, and other benefits.

Recommendations for Users

- Develop a CRM strategy. Technology-assisted relationship management is a must. A well articulated strategy provides unequivocal direction to employees selecting and deploying CRM applications.

- Use technologies available today creatively to strengthen your customer relationships. Use an iterative process and think about how to apply applications and technologies to make processes better. Then springboard to entirely new ways of working with customers and see how available technology supports the redesigned processes.

- Make information from all parts of the

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enterprise available to employees who deal with customers. Use information to acquire and sell more to your customers.

- Open your enterprise, making it easy for customers to use your systems. Once they rely on your processes, customers aren't likely to switch to a competitor.

- Evaluate current systems for fit in your overall CRM strategy. Identify critical areas that require immediate attention and plan to replace any systems that don't fit.

- Learn your Enterprise Resource Planning (ERP) provider's CRM direction and the strategies of CRM vendors selling the front-office applications you need. Depending upon the industry, a full system may require multiple vendors.

- Develop new metrics to speed adoption and increase Return On Investment (ROI).

Recommendations for Vendors

ERP Vendors

- Acquire, build, or partner for CRM functionality. Top vendors SAP AG (Walldorf, Germany) and Oracle Corporation (Redwood Shores, CA) lead in such endeavors.

- If partnering, integrate extensively enough to free up all the information employees need and let customers sell to and serve themselves. Integration must allow automated workflows to trigger events in complementary systems.

- Target your vertical markets first and avoid trying to be all things to all people. Leading CRM vendors are already providing vertical applications.

- Develop, partner, or acquire the sales, marketing, and customer service consulting skills needed to implement CRM.

CRM Vendors

- Make integration to ERP applications and legacy systems easy. Integration should be deeper than the data level and initiate automated workflows.

- Target verticals in which customer service is the end product and supply chain integration is less important.

- Push the benchmarks higher, adding functionality of such importance it outweighs the cost of integration and subsequent maintenance.