



## Customer Relationship Management: Tool or Philosophy?

*“A system cannot understand itself.  
The transformation requires a view from outside.” - W. Edward Deming*

### **CRM... a general perspective:**

A successful CRM solution provides:

The right information,  
To the right person,  
At the right time...

For marketing to have an impact in today’s highly competitive business environment, companies must plan and execute interactions that provide the customer with the best possible experience. Organizations must understand the needs and preferences of individual customers, provide insight about them to every decision maker at the time it is needed, and be able to leverage that insight at the point of customer contact in real time. Companies need a single integrated solution that incorporates scalable database management, powerful analytics, best-of-breed campaign management and real-time interaction optimization. Companies need the ability to analyze customers, plan multi-step campaigns and customer conversations and efficiently execute coordinated outbound and inbound campaigns across multiple touchpoints in real time.

### **CRM tools should offer:**

- The means to develop insight into customers and take action in real time based on that information.
- Tools to optimize target lists, enable campaign velocity, and support for collaborative campaign development.
- Support for coordinated customer interactions across all channels and for the most sophisticated e-mail marketing campaigns.
- Web based technology that deploys easily and scales to meet the largest enterprise.
- Marketing data which gives marketers deep insight into the customer and enables them to optimize every customer interaction.

The objective is to obtain a full view of the customer at every stage of the customer life cycle and enable marketers to develop more effective interactions leading to higher response rates and increased sales. By improving the effectiveness of their interactions with customers, organizations are able to increase the profitability and intimacy of those relationships. Organizations are moving from a “one-size-fits-all” customer model to an approach that promotes increased customer loyalty by focusing on the individual customer’s needs and preferences. Organizations require multi-channel capability so they are able to give customers highly relevant and consistent messages regardless of whether they interact via direct mail, the web, telephone or another touchpoint.

Winning in today’s business environment requires constant focus on closing deals and generating revenue. To succeed in today’s competitive marketplace, you need to maximize the productivity and efficiency of your entire sales team. Identifying trends in your sales organization’s performance, profiling leads, forecasting opportunities, measuring product profitability, and acting on that information quickly and decisively separates the market leaders from the market laggards. Some meaningful statistics from the Harvard Business Review supports the importance of a powerful CRM focus: (1) A 5% decrease in customer defections can increase profits up to 25%. (2) U.S. companies lose 1/2 of their customers every five years.

Sales leadership requires valuable business-level insight from sales data sources to provide a single, comprehensive view of enterprise-wide performance. Managers have a need to identify best and worst sales performers and track personal performance metrics, giving your organization the insight necessary to take action and motivate individuals in the sales organization. On a strategic level, instant analysis of opportunities, closure patterns, and the entire sales cycle must be identified and managed to boost your organization’s revenues.

An effective sales force is critical to success in today’s competitive economy. Businesses must be able to take advantage of all sales opportunities, target the most likely prospects, and to have the most accurate insight into the sales pipeline. To work effectively, sales professionals need tools that allow them to manage, understand, and accelerate the purchasing decisions of prospects and customers.

### **CRM...a definition:**

If you research Customer Relationship Management (CRM) you will find two definitions; one is a noun, and technology focused, whereas the other is a verb and based on strategy.

- Enterprise-wide *software* applications that allow companies to manage every aspect of their relationship with a customer.
  - Dictionary of Computing dated 8/1999
  
- A *strategy* to develop stronger relationships with customers by learning more about their needs and behaviors.
  - EDS whitepaper dated 7/2004

**In truth CRM is indeed both a product and a strategy. Remember however that the strategy MUST precede the technology.**

If everyone is implementing CRM, how can it be a competitive advantage? The answer lies in two words: INTEGRATION and ADOPTION. Companies that turn their information assets from a tactical project into a strategic advantage will benefit. The primary reason so many CRM implementations fail is fourfold:

- lack of TOTAL management commitment
- PORK BELLY agendas
- Lack of buy in at the user level
- Misunderstanding that CRM is a VERB, not a NOUN

For CRM to work there must be unanimous support and buy in from every level of management, not just lip service or half-hearted commitment. In addition there must be a realization of the limits of CRM. Every corporate division is seeking the data mining capabilities of CRM so they all pile on tons of requests, each requiring an additional completed field, which independently is not a burden but collectively renders the sales force ineffective as they populate field after field of superfluous data. In addition, individuals across the sales enterprise must realize the value that CRM provides to them. CRM MUST be sold to your team to create ownership and foster adoption of the tool. Finally, companies think of CRM as a software solution when in fact it must be a culturally accepted way of doing business.

**The benefits of CRM** have been discussed for more than a decade:

- Segment and prioritize the customer base to maximize resource allocation
- Create more effective marketing messages
- Innovate and improve existing services
- Engender customer loyalty
- Improve success in cross-selling
- Promoting a higher level of interaction between employees and customers

Many of the critical questions that **CRM should serve to answer** are:

- How many prospecting telephone calls do our sales reps make each day?
- Does everyone who communicates with a customer know what their coworkers said to them or did for them?
- Is all customer information kept in one area or program for easy customer service reference?
- Do we have several databases of information that we need access to benefit sales?
- Are we able to identify and manage the top 20% of accounts that give us 80% of our revenue?
- Do we know how many customer service issues each customer has had and why?
- Do we know which customers consume most of our rep's time?
- Are we able to access all the programs we need to from one PC screen (i.e. old green screen systems, inventory programs, sales order systems, etc)?
- What is our revenue per sales representative?
- What are our win, loss, and no-decision rates?
- What's our lead turnaround time?
- How many in person sales calls are completed per rep?
- What's the average amount of time required to complete each selling step?
- How many calls are required to close an opportunity?
- What are the numbers of existing customer contacts and repeat business orders?
- What's the average order size and order frequency?
- How do we rate your marketing or lead generation program effectiveness?
- What are the "win rate" comparisons for different prospect types?
- What's the sales representative's conversion rate for each sell cycle step?
- What are the success rates and profitability comparisons for individual products?
- What are the profitability comparisons for orders from different channels?
- Can we do Mail Merge or email broadcasts to our customer base?
- Do we have critical customer data on PC's that could be lost or taken and should be on one database?

Answers to the above can propel a company to the forefront of its industry and impact top line and bottom line results. The answers however come hard, if at all, and if they do evolve it is not without considerable pain.

At a 30,000 foot view, **CRM needs to do four things:**

- **Identify**
  - Basic contact information is not enough
  - You must identify each customer **INDIVIDUALLY**
  - Link their information across the organization
  - Each interaction represents a new opportunity to learn more about their habits, preferences and value to the company.
- **Differentiate**
  - Customers represent different levels of value to the company
  - Customers have varied needs
  - You must be able to prioritize sales and service efforts around Most Valuable Customers (MVC's)
  - Tailor your efforts based on knowledge of individual customer needs
- **Interact**
  - With a clear understanding of your customers and their value you can:
    - Improve cost efficiency and effectiveness of your dealings with them
  - Customers have varied needs
  - MVC's may be recognized in specific ways
- **Customize**
  - Ultimate goal of CRM: Deal with each customer on a one-to-one basis
  - Achieve that which was routine at the “mom-and-pop” grocery store. Customers were immediately recognized, addressed and serviced on the basis of their last interaction and potential value to the company.

Statistics indicate that fewer than 10 percent of CRM programs have achieved a high level of enterprise-wide integration and only 60 percent of companies have taken any steps toward integration. The majority of CRM implementations fail for a combination of several reasons:

#### **The perils of CRM:**

- Understand that strategy precedes tactics; culture enables strategy; strategy follows culture; which is a byproduct of vision which is enabled by leaders.
- Don't treat technology as the primary driver of your customer strategy.
- Don't rely on vague aspirations instead of customer strategy.
- Don't fail to align organizational resources to the customer strategy when one exists.
- Don't implement CRM technology before creating a customer strategy.
- Don't assume that more CRM is better.

### **What you can do to avoid these missteps:**

- CRM is first and foremost a philosophy, the tool is secondary.
- Obtain Executive buy-in and support (“C” level support is MANDATORY)
- Obtain grass roots support and buy in
- Plan strategically but implement tactically
- Employ a business perspective rather than a technology perspective
- Identify process and technical system gaps
- Hard code the sales process
- Agree on action plans to close those gaps
- Develop data-migration and legacy-system decommissioning strategies
- Establish key metrics and manage to them
- Conduct training early and often
- Gain momentum early by implementing valuable components first
- Leverage and reward early adoption
- Did I say, conduct training early and often
- Focus on CRM Goals:
  - Improve Customer Satisfaction
  - Shorten Sales Cycles
  - Increase Revenue
- Inform customers about the company’s vision for a customer-centric organization. Ask for customer feedback and then use that information to improve customer interactions.

### **Why we REALLY need CRM:**

- You can’t manage what you can’t measure.
- If you can’t see it, you can’t measure it.
- If you can’t measure it, you can’t understand it.
- If you can’t understand it, you can’t improve it.

### **In conclusion:**

- CRM is all about vision, strategy, and implementation.
- Changing behaviors and processes are key to implementing strategy.
- Focus first on developing a vision and customer strategy related to long-term business goals.
- Fund CRM projects only after you have a process in place to manage strategic implementation.