CustomerThink Guide to Real CRM

Putting Customers at The Heart of Your Business. Profitably.

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Welcome to the CRMGuru Community!

Thanks for becoming a member of CRMGuru.com, the world's largest online community for Customer Relationship Management (CRM). Your fellow members are business managers and professionals who place "customers at the heart of business."

Our goal is to offer you exceptional content and advice on "Real CRM"—what we call **CustomerThink**—so that you can guide your CRM program on the road to success. We want to make you think and encourage you to challenge our thinking too! It allows us all to learn and grow as we take the customer-centric journey together.

This *CustomerThink Guide to Real CRM* showcases a few articles to help you get started. But there's much more. If you're serious about CRM, invest some time exploring CRMGuru's knowledgebase—known as the *Gurubase*[1]—which contains hundreds of archived articles, newsletters, discussions, and white papers. All designed to help you practice *Real CRM*.

After you've finished this document, dig deeper by reading GuruBase articles covering:

- Fundamentals of CRM, written by our expert panel[2]
- Independent reviews of major CRM solutions[3]

Again, welcome. We'll do our best to make your CRMGuru experience enjoyable and educational. Let me know how we can help you on your *Real CRM* journey.

Sincerely,

Carol Parenzan Smalley
Managing Editor, CRMGuru.com
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[1] Go to www.crmguru.com/gurubase.
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Table of Contents

What is CRM? 1

Why Climb The CRM Mountain? 4

Build Value For Customers To Create Lasting Relationships 7

Great CRM Hinges on Great Business Processes 10

The Human Dimension: The Key to Success or Failure 13

A Guide to Evaluating CRM Software 14

Glossary of Commonly-Used CRM Terms 19

What is CRM?

By Bob Thompson

The ideas behind customer relationship management are not new. Today it's widely acknowledged that how you treat your customers goes a long way to determining your future profitability, and companies are making bigger and bigger investments to do just that. Customers are savvier about the service they should be getting and are voting with their wallets based on the experience they receive.

The concepts of Customer Relationship Management have been in the air ever since one caveman had a choice of buying an arrowhead from either Og or Thag, but CRM as a term gained currency in the mid-1990s. Market analysts squabble over the exact figure, but all agree that in the next few years companies will pour billions of dollars into CRM solutions—software and services designed to help businesses more effectively manage customer relationships through any direct or indirect channel a customer opts to use.

But there's a problem with CRM today. Too many people think it means large enterprises buying expensive technology such as a call center, sales automation software, or even Internet-based customer service. Yes, a lot of money is being spent. In 2002, Aberdeen Research says over $13 billion was spent worldwide on CRM-related technology and services.

Perhaps you will be surprised to learn that CRM is not something you can buy, and technology is not necessarily required. Rather, CRM is a business strategy that applies to every organization. It means working with customers such that they receive great service and are motivated to return again and again to do more business with your company. Management consultant Peter Drucker once said: "The true business of every company is to make and keep customers."

How exactly does a company create a "customer-centric business philosophy and culture?" Hint: Not with a software package.

The key question is: How competitive is your CRM strategy? Do you know which customers are the most profitable? Which customers are satisfied, or not? How your customer processes compare in speed, cost, and value to your competitors? If not, your CRM strategy needs to be upgraded. Yes, technology can provide helpful tools, but our research at CRMGuru.com finds that the real secret to successful CRM is executive leadership and a customer-oriented culture.

What, then, is CRM? Putting this question to our panel of CRM experts, we developed this definition:

> ***Customer relationship management (CRM) is a business strategy to acquire and retain the most valuable customer relationships. CRM requires a customer-centric business philosophy and culture to support effective marketing, sales, and service processes. CRM applications can enable effective customer relationship management, provided that an enterprise has the right leadership, strategy, and culture.***

There you go. Simple question, simple answer, right? Ah, what is simple is not always easy. As many business executives and CRM project managers can attest, effective CRM is about as simple as the answer to how to lose weight—eat less and exercise more—and just as easy to do.

Becoming Customer-Centric: The Starting Point

Let's spread that definition of CRM out on the table here. How exactly does a company create a "customer-centric business philosophy and culture?" Hint: Not with a software package.

CRM—at least the successful, useful and profitable kind—always starts with a business strategy, which then drives changes in the organization and work processes. Work processes can be enabled or supported by Information technology. The reverse never works. We'll send you a case of champagne for every company you can find that automated their way to a new business strategy. Projects that focus on technology first, rather than business objectives, are destined for failure, according to our recent best practices study which was recently published in The Blueprint to CRM Success. A customer-centric business, however, is perfectly poised to reap significant benefits using CRM technology.

Now, the strategy part of CRM isn't new. Savvy business executives have always understood the importance of focusing on customers with the best profit potential and providing good service so they'll come back again and again. Notice that you need techno-toys for none of this. Consider a successful small business: the business owner and the staff work hard to provide personal, high-quality service, building a loyal customer base over time. Computers optional.

Successful CRM initiatives start with a business philosophy that aligns company activities around customer needs.

So why has CRM bulled its way to a billion-dollar industry? Bottom line: Power has shifted to customers, who stand astride three powerful currents:

- The failure of enterprise resource (ERP) planning systems to bestow a lasting competitive advantage for companies. Your back office is fully automated? Nice. So?
- The cycle of innovation-to-production-to-obsolescence has accelerated, leading to an abundance of options for customers and a shrinking market window for vendors.
- Internet-surfing customers have a far easier time collecting information about competing suppliers, and can switch to another vendor at the click of a mouse.

With product advantages reduced or neutralized in many industries due to increased "commoditization," the customer relationship itself is the focus of competitive advantage. For more complex businesses, the neighborhood boutique approach is impractical. CRM technology enables a systematic way of managing customer relationships on a larger scale.

THE CUSTOMER RELATIONSHIP LIFECYCLE

Traditionally—defined as "before you realized what the Internet was all about"—enterprise employees were the primary users of applications designated "CRM." Then e-business or—a buzzword flavor of the month—"eCRM" applications were introduced to allow enterprises to interact directly with customers via corporate Websites, e-commerce storefronts, and self-service applications. Starting in 1999 Partner Relationship Management (PRM) applications hit the market, designed to support channel partners and other intermediaries between an enterprise and its end customers.

These applications support the following business processes involved in the customer relationship lifecycle:

- *Marketing*. Targeting prospects and acquiring new customers through data mining, campaign management, and lead distribution. Remember, the emphasis here is on long-term relationship value, not quick hit.
- *Sales*. Closing business with effective selling processes using proposal generators, configurators, knowledge management tools, contact managers, and forecasting aids—all without uttering The Eight Words That Kill A Sale: "Let me get back to you on that."

- *E-commerce*. In the Internet Age, selling processes should transfer seamlessly into purchasing transactions, done quickly, conveniently, and at the lowest cost. All customers should have one face with your company, no matter which touchpoint they choose to use.
- *Service*. Handling post-sales service and support issues with call center applications or Web-based customer self-service options. We said "handling," not "sloughing off to an inadequate FAQ page."

CRM is a business strategy to create and sustain long-term, profitable customer relationships. Successful CRM initiatives start with a business philosophy that aligns company activities around customer needs. Only then can CRM technology be used as it should be used—as a critical enabling tool of the processes required to turn strategy into business results.

ABOUT THE AUTHOR

Bob Thompson is founder and CEO of CustomerThink Corporation, an independent CRM research and publishing firm. He is a leading authority on the role of CRM in the extended enterprise, specializing in emerging CRM-related strategies and technologies for *Partner Relationship Management* and *Collaborative eBusiness*. Bob is the founder of CRMGuru.com, the world's largest CRM portal. He is also a popular keynote speaker at executive conferences worldwide. Contact Bob at bob@crmguru.com.

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WHY CLIMB THE CRM MOUNTAIN?

By Dick Lee

Lose the idea that CRM is a walk in the park. You don't buy CRM from a vendor. Lose the idea that it's a glorious undertaking. It's a slog up a mountain. It's dirty, hard work and absolutely necessary, unless you like having a bazooka pointed at your company head by an itchy-fingered customer. Or put it another way: Life on the other side's great.

We've all heard about how hard implementing *real* CRM is. It starts with new customer-centric business strategies, which require redesigned departmental roles and responsibilities, which require re-engineered work processes, which require boatloads of CRM technology. Friends, this is a high mountain for a company that's been sitting around eating doughnuts for nine years to climb. So why do it?

Companies implementing CRM will spout a slew of self-serving reasons why they're doing it. The evil fun is then watching them self-destruct in short order. Be still, listen to them, and learn:

"WHY WE'RE DOING CRM. HONEST."

Companies implementing CRM will spout a slew of self-serving reasons why they're doing it. The evil fun is then watching them self-destruct in short order.

"Automate inefficient and expensive work processes." Sounds good, no? Get the same work for less cost, goose the bottom line, cut staff, fatten up the financial stakeholders. No quibble here, unless…

- *You reduce human contact with customers to levels they don't appreciate*. Ask around any San Jose soup kitchen for a show of hands of e-tailers who sank with this strategy.
- *You value efficiency over customer satisfaction*. Automating and hurrying up customer service calls and providing financial incentives for service representatives to maximize call turns is a sure-fire way to maximize customer turns.

"Use the Internet." There's our answer. Customers are dying to flock to our Website, where we can shunt off all low-margin customers and low-margin transactions. Great, except…

- *Today's buyers use the Internet more selectively than today's sellers like*. While you're in that soup kitchen you're meeting guys from dot.bomb companies whose companies performed spectacular half-gainers on NASDAQ—"But it was the Internet, man, how could we fail… "
- *Low-margin customers are often high-potential customers*…and low-margin transactions often come from high-margin customers. One of our super, super-regional banks just wound up on its knees looking for a buyer because it didn't get this.

"'Fix' sales and marketing." CRM will keep those lazy sales reps away from those 2:30 tee times. Load GPS in their laptops. Get those marketing prima donnas pounding numbers instead of sipping daiquiris while "creating" ads. Justice prevails, except…

- *Sales is your lifeline to customers*. Break it at your peril. Why isn't half the corporate staff in heavy breathing just waiting to get their crack at field sales jobs, where they get big bucks to work on their handicaps? The word "courage" keeps swirling around in my head.
- *Pounding sand may be fun, but it's kind of pointless*. Yes, marketing deserves a hiding for buying into the "brand" malarkey ad agencies use to demand higher and higher budgets—I'll confess, I'm from the agency world myself. But go ahead, try to genetically re-engineer today's creative

marketers into tomorrow's analysts and process managers. We'll make popcorn and enjoy the show.

Climbing Molehills, Not Mountains. Much Easier, But…

Are these good reasons enough to climb the CRM mountain? Hell no, they're a handful of dust. But you know, pilgrim, those companies aren't doing CRM. They don't believe in CRM—or they're scared of heights—so they automate workflow and dink around online to look busy. That's climbing molehills, not mountains.

So why *should* we be climbing the mountain—becoming truly customer-centric rather than just automating work processes and fiddling with the Internet? Simple.

We're climbing the CRM mountain because
our customers are holding bazookas to our heads.

Feel free to frame that.

Fundamental economic changes that started in the 1980s and are still picking up steam have put customers in charge of buyer-seller relationships. Companies trying to hang on to their beloved "command and control" approach to customers watch loyalty rates sink and find less margin for error. They're headed for the toilet—and even in there the good seats are already taken.

There's your choice: Mountain or toilet?

We're climbing CRM Mountain because we have to, given that bazooka and all. Either we do business their way or they go their own way. Anybody can copy your product or service, and if they also provide more customer-informed and customer sensitive sales and service—along with such add-ons as shorter order turn times, direct lines of communication and more accurate invoicing—you're toast.

Kill the mental movie of Sir Edmund Hillaryesque bravery and endurance as you conquer CRM Mountain, swatting away challenges to end up holding hands in a circle with customers singing "Kumbaya" as the credits roll…Think instead of a forced march. Sweaty step follows sweaty step, up and down the big hill with the roar of cannons in your ears. Your diversion will be the yo-yos who ignore customer orders, thinking their heads are thicker than tank armor. One or two may be right. But the rest…

CRM Mountain: It's Big, Folks, Really Big

Friends, this CRM Mountain customers are herding us over is pretty damn big. Lots of companies try to step over something smaller—and wind up stepping in something smelly.

Even though there's no real choice of whether to climb CRM Mountain or not, there is a pot of gold on the other side.

Now here's where the fun comes in. It's not all blood, sweat and tears. If you've read this far sit back and smile. See, even though there's no real choice of whether to climb CRM Mountain or not, there is a pot of gold on the other side:

- *Competitive advantage*. Those who make it to the other side first find their competition's customers waiting to greet them. Does wonders for the aches and pains mountain climbing brings.
- *Simplified internal organization*. Organizing your business to satisfy customer demands simplifies your infrastructure. When we get over the mountain we discover that we had been complicating our businesses by creating functional silos and sending work from one silo to another, another and another. Organizing around customers shrinks workflow, shortens cycle times and eliminates non-productive information flow. Goodbye silo walls.

- *Bigger bottom line*. Having more customers and a more compact company will position you to make more money and please more customers—and look at your poor competitors, still avoiding CRM Mountain, or playing around on molehills. Now that you're here, it was downhill all the way, right?

About the Author

Dick Lee, one of the founders of the relationship marketing movement, is Vice President of Minneapolis-based consulting firm Caribou Lake and heads its Customer-1 practice, which specializes in helping clients achieve customer-centricity. Dick is the author Strategic CRM: The Complete Implementation Manual and co-author of The Blueprint to CRM Success. He also speaks internationally on CRM topics. For more information visit www.cariboulake.com or email Dick at dlee@cariboulake.com.

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BUILD VALUE FOR CUSTOMERS TO CREATE LASTING RELATIONSHIPS

By James G. Barnes

Everyone talks about value, how to create customer value and how to add it, yet few companies really understand value from the customer's perspective. They often have an internal view of value, one that is focused on optimizing short-term value for the company and its shareholders, or that stresses the creation of more valuable customers, often leaving the less valuable to fend for themselves or to pay their own way. The word "value" rarely addresses the creation of value that will lead to genuine long-lasting customer relationships.

Real customer relationships, those that result in the customer feeling a genuine sense of loyalty to the firm, are predicated on a series of satisfying experiences with the company. Relationships are not developed overnight. Until the customer senses some attachment to the company, then no relationship can be said to exist. At best it is a satisfying encounter, which, if it reoccurs often enough, could become a relationship. Thus, relationships are born of successive experiences of customer satisfaction.

What, then, drives customer satisfaction? Surely it is the ongoing creation of value in the mind of the customer. Customers will not be satisfied unless some form of value is created.

THE CUSTOMER'S VALUE MUST COME FIRST

The creation of value for the customer must lie at the heart of any customer relationship strategy. Yet, I encounter companies that talk about creating customer value, but what they are really addressing is the creation of increased value of the customer. That is, they are trying to make customers more valuable to the firm by selling them more products and services, by increasing their frequency of purchase or their share of wallet. While there is nothing inherently wrong with creating more valuable customers, this may have little to do with the creation of lasting customer relationships. Some customers who buy a great deal from a firm do not have anything approaching a genuine relationship.

Peter Drucker has observed that the new definition of the function of business enterprise is the creation of value and wealth. In many companies today, particularly those that are publicly traded, this has come to mean a focus on the creation of what has come to be known as shareholder value. This is, of course, a laudable objective and one toward which companies should strive. But what is the connection between shareholder value and customer value? I would suggest that it is impossible to create sustained value for a firm's shareholders unless value is being created for its customers. Yet, today in many firms shareholder value strategies are focused on the reduction of costs though the closing of physical facilities, the laying off of employees, and the wholesale embracing of technology. The goal is to operate more efficiently, to deliver customer service at a lower cost, thereby increasing short-term profits and (supposedly) shareholder value.

…it is impossible to create sustained value for a firm's shareholders unless value is being created for its customers.

But this is a decidedly short-term view and again has little to do with the creation of customer relationships. In fact, such a short-term strategy is generally antithetical to the establishment of customer relationships. Thus the creation of shareholder value in this view often leads to a diminution of customer value as service levels deteriorate, leading to a threatening of relationships as service and customer satisfaction decline.

FUNCTIONAL VERSUS EMOTIONAL VALUE

Some firms that have gone down this route in the interest of enhancing shareholder value will argue that customer service has not been diminished. In fact, they will suggest, service has been enhanced because, through the use of technology, the customer can now deal with the firm in a much more convenient way. Access is available through several channels and is guaranteed 24 hours a day, seven days a week. Now, let's think about what kind of customer value has been created. Let's think about the difference between functional and emotional value.

There is no doubt that value can be created for customers in many different ways, some of which I would suggest (supported by much research evidence) are much more important in the creation of lasting customer relationships. Sadly, the view of value creation or value addition — "value added" has become one of the most popular marketing claims of recent times — is often limited to the creation of value for money. Companies add new features to their products while maintaining price. Or, they retain all of the essential product features and find ways to reduce price. Or, in a recent twist on the creation of value for money, they "bundle" together a number of products and services and offer them to the customer at a price that is lower than the sum of their individual prices. What, you ask, is wrong with that? Absolutely nothing. In fact, it is commendable, but it generally does not lead to the creation of lasting customer relationships, because a price advantage and the customer patronage or "loyalty" that results generally last only as long as it takes for the competition to respond. Value for money represents, therefore, the simplest and most easily copied form of functional value.

Functional value, pertaining to the customer's acquisition and use of the product, is generated by price, convenience, access or technology. Unfortunately, competitors can most easily duplicate functional value.

Functional value, pertaining to the customer's acquisition and use of the product, is generated by price, convenience, access or technology. Unfortunately, competitors can most easily duplicate functional value. They can certainly drop their price to match yours; they can stay open just as long as you can; and they can install the same technology. Thus, creating functional value offers a fleeting competitive advantage.

THE PERSONAL TOUCH PAYS LASTING DIVIDENDS

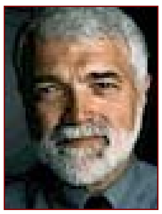
The much more lasting form of value will elicit an emotional response from customers. It is less easily duplicated by the competition and generally contributes to less emphasis on price. Consider, for example, the value that is created for customers when a firm employs qualified, friendly, helpful employees. Value is created every time a customer is made to feel welcome, important and valued. Some work I have done in the retail grocery sector recently suggests that a supermarket adds value when it places benches at a couple of locations in its stores so that seniors can stop and "take a breather" while shopping. The supermarket also adds value when its stock clerks will lead customers to the items they cannot find, rather that simply sending them to find the items for themselves. Such initiatives on the part of companies create an emotional response from customers. They are pleased that the company has thought of them and that employees go out of their way to be helpful.

As we implement CRM programs and activities we must ask ourselves whether we are really creating value for our customers. What kind of value is it—functional or emotional? The emotional is the more lasting, yet the more difficult to create.

The creation of such emotional value for customers is fundamentally different from the creation of functional value through price reductions, increased convenience and technology. Both forms of value are important! However, genuine customer relationships cannot be formed on the basis of functional value alone. Customer relationships require an emotional connection with the firm if they are to thrive.

As we implement CRM programs and activities we must ask ourselves whether we are really creating value for our customers. What kind of value is it—functional or emotional? The emotional is the more lasting, yet the more difficult to create. A reliance on technology alone will not do it. We must have an eye on the "softer" side of value creation; that which is based on the emotional connection between the company and its customers. How we make them feel is at least as important as how easy we make it for them to deal with us.

ABOUT THE AUTHOR



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Great CRM Hinges on Great Business Processes

By Jim Dickie

With hundreds of CRM systems available today, it's often difficult to decide which solutions will work best for your organization. This article provides a template for determining which components of CRM you can successfully implement based on the maturity level of your current customer-related business processes.

Based on our (Insight Technology Group's) latest round of CRM project reviews, the "one-third factor" is holding fast: One third of CRM projects generate great results, one third create minor improvements, and the final third produce no improvements at all.

You're probably wondering: "How can I tell where I'll end up?

To get a good feel for how ambitious your CRM plans should be, first take a serious look at your existing CRM processes—the way in which you market to, sell to, and service customers. The better defined your processes are, the greater your chances of success in leveraging CRM technology.

Over the past ten years, ITG has reviewed over 2,700 CRM initiatives, and I have seen a trend emerge regarding the relationship between the maturity level of a company's CRM processes and the types of CRM systems that company is able to implement. I now classify companies into one of four levels of CRM process development. A company's maturity level often dictates the level of CRM technology it can successfully absorb.

Level One: Ad Hoc

Anarchy prevails in an organization at the level one stage of CRM process development. Account managers tend to view themselves as CEOs of their own territory, unbound by a structured methodology for working with customers. There may be a suggested sell cycle, but it is used haphazardly at best, based on the whims of the individual salesperson.

Being a level one organization does not mean you are a failure, it simply means that results are unpredictable. In this type of company, leads get generated, sales get made and accounts are serviced. However, sometimes lead conversion rates are 20 percent, sometimes they are 1 percent. Sometimes deals close in three days, sometimes in one year. Sometimes customer satisfaction ratings are near 100 percent, sometimes they are in the pits. The problem is nobody can explain why these things happen.

Being a level one organization does not mean you are a failure, it simply means that results are unpredictable.

The success of a level one firm is not dependent on CRM processes—because there aren't any! Instead, it is based solely on the skill levels of individual marketing, sales, and support personnel.

If there are no CRM processes in place it is impossible to implement a sophisticated CRM system, as there is nothing to automate. A firm at this level of maturity would be best served by providing its people with CRM tools that focus on increasing individual efficiency (contact managers, word processors, presentation systems and e-mail) versus organizational effectiveness. Such companies need to do a lot of work on process definition before they try to expand their CRM technology plans.

Level Two: Replicable

A level two organization has things pretty much under control. Slespeople hit their numbers regularly, future business is forecasted with a fair degree of confidence, customer satisfaction is within an acceptable range. The key attribute of a level two organization is that it achieves its success not through sophisticated CRM process methodologies, but rather through solid management.

Level two companies are driven by "tribal folklore"—the belief that, "If we keep doing the best practices of the past, we will keep hitting our numbers in the future." These types of companies tend to be successful, but only as long as there are no major changes in the way business is done in their marketplace.

This type of company can successfully implement a more advanced CRM system than a level one firm. Since there is a recognized way of doing business, such tools as opportunity managers, forecasting systems, configurators and help desk systems can be implemented to help improve operations.

Level Three: Focused

A level three organization is one where CRM processes have become a way of life for the company. Every employee in marketing, sales and support has the "bible" for how things need to be done—not just the accepted way of doing things, but the *only* way to do them.

Because these processes are so ingrained into daily operations, they can be analyzed and improved. This type of company is rarely caught off guard by changes in its marketplace. It can detect very early when product requirements begin to shift, when competitive strategies are becoming more effective, or when customer satisfaction is just starting to decline.

A level three organization is one where CRM processes have become a way of life for the company.

This type of company is an optimal candidate for a more sophisticated CRM system. Processes are so well disseminated throughout the enterprise that these companies can successfully absorb technological innovations such as marketing automation systems, sales coaching systems, interactive selling systems and systems for marketing, sales and support performance analysis. These companies will probably also have no trouble implementing e-business extensions to their CRM systems to allow channel partners access to the tools.

Level Four: Dominant

Level four is where we all want to be. A firm at this level has solid CRM processes that are optimized by the most sophisticated CRM systems. These companies also are strong believers in gathering and continually analyzing metrics about their performance. They have a solid understanding of how they sell, how their customers buy and how they need to service clients to create long-term loyalty.

Level four firms are constantly questioning the status quo.

Level four firms are constantly questioning the status quo. They ask themselves such things as: Why do 30 percent of the people who visit our Web site abandon their shopping carts? Why do 15 percent of our "A" leads never get followed up? Why do 23 percent of the orders we process have errors? For these types of companies, CRM systems are not an option—they are a necessity. Implementing CRM is the only way level four companies can get the information they need to analyze and improve their performance.

A level four company is in a position to implement, not just great CRM systems, but great e-business systems as well. These companies' knowledge of how they, their channel partners and their customers do business gives them the insights they need to determine how to best leverage technology to optimize their operations going forward.

WHAT'S YOUR LEVEL?

To get a feeling for how successful your CRM systems will be, first do a realistic "gut-check" on what type of organization you have. If you find yours is a level one firm, and you are currently planning to implement a very sophisticated eCRM system, chances are you will fall flat on your face. You are talking about running a four-minute mile when you can barely walk around the block.

Pick the level of CRM technology your organization can successfully absorb today. If you don't like the level of maturity of your CRM processes, then work to improve it. Once the changes have occurred, then upgrade your CRM systems to match your new level of process performance. Make "Crawl, Walk, Run, Sprint" the mantra for your CRM technology evolution and you will find your success rates improve significantly.

ABOUT THE AUTHOR

Since 1992, Jim Dickie has focused on analyzing how companies are leveraging people, process and technology to optimize customer relationships. Insight Technology Group's survey of over 2,700 sales reengineering initiatives has become the benchmark for tracking the evolution of the CRM marketplace. In addition to consulting on sales excellence, Jim is also a contributing editor for CRM Magazine and the author of several books on sales optimization. Contact Jim at jimdickie@aol.com.

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THE HUMAN DIMENSION: THE KEY TO SUCCESS OR FAILURE

By William F. Brendler, Ph.D

Most of today's methodology for implementing CRM has to do with managing the external and technical aspects of change. No shortage of ideas for how to redesign roles, re-engineer processes, or install software, is there? However, not all change is technical.

The most important change is never technical. The changes in what goes on inside of people, the ones who use all that technology—their perceptions, feelings, and ability to adapt and accept external changes that are occurring—is of great importance. No matter how crackerjack the technical changes are, you won't get the results you want from CRM without understanding and managing its impact upon the people who live with it and make it work on a daily basis. That's why your people, not au courant processes and expensive systems will determine how customer-centric you become.

There are dire consequences for fixating on the technical and ignoring the human side of implementing CRM—if your implementation even ever amounts to anything. Such an approach is, in my experience, responsible for most of the CRM failures I constantly run into. Some companies, most with singe marks on their eyebrows, are addressing the human dimension of CRM with the attention it deserves.

The key to successfully dealing with the people aspects of change is to welcome it and confront it head on. If management ignores the uncomfortable aspects, or runs from them, the project will fail. Management must be willing to prioritize human issues. Only by addressing the people concerns will CRM succeed the way it can succeed, and the way you want it to succeed.

RESISTANCE IS NORMAL AND USEFUL

People resist change. This is not because they are petty, negative, and selfish—or because they happen to be your employees. If another company tells you they had no problems getting their people on board with their CRM, no difficult adjustments to make, you can set the stopwatch to see how long before it all crashes down. No, people resist change because they do not see that it is in their self-interest. When they understand how it is in their self-interest they not only embrace change but also cooperate to make it happen. Thus the central challenge of the CEO and executive management is to convince employees that CRM-induced changes are for the(ir) better.

When you properly recognize resistance as energy and passion, the goal – your goal – becomes to channel that energy into positive commitment and behavior.

Resistance is not bad. It's a natural energy people experience when confronted with change. It is their way of saying, "Not so fast. Don't forget about us. Help us understand what is going on here. Help us understand the why of the change and how it is in our (individual and collective) self-interest."

There are two ways to frame resistance that make it an ally. First, think of it as *energy*. The worst response to change would be total apathy. An aloof "I don't care" message wafting out from the crack under management's door saps people of the passion for their company or the jobs they do. Resistance means that what goes on in the workplace matters to them. When you properly recognize resistance as energy and passion, the goal becomes to channel that energy into positive commitment and behavior.

Second, resistance is *information* that tells management what is working and not working in the change process. By paying attention to resistance and even encouraging it, management harnesses the energy of change and learns about the next steps they need to take to make the change succeed.

I address "people concerns" to implementing CRM. I help management learn how to implement the change process with their staff. This often begins with a mindset change, which can be done by diagramming what management needs to do to make the change happen. It's based upon the premise—which I've found to be basic to human nature—that people don't want to let go of the status quo until they know that they will get something better.

Embrace the Changes Required by CRM

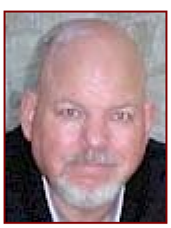
There are guidelines companies can follow to overcome resistance and help people embrace CRM as a business strategy. They include:

- Thinking through the impact of changes on people, individually and collectively;
- Focusing attention on benefit for changing and consequences of not changing;
- Holding regular communication meetings;
- Managing the stages of confusion by providing lots of information about what's happening;
- Listening and encouraging people to talk about the changes that are occurring;
- Allowing people to make the change and to "grieve";
- Supporting managers who become champions of the change; and
- Understanding there are no quick fixes for this cultural and psychological challenge.

Nobody and nothing can take management and supervision's role in allowing employees to embrace the changes CRM will bring. Not only do they need to be on board themselves—imagine a football coach trying to motivate players to go out and win a game he's convinced they'll lose, a mother arranging a wedding for a future son-in-law she detests, or a sergeant sending a platoon out on a sure suicide mission—but they also need to help their people talk about their concerns. The skills to do so aren't hard to learn, almost anyone can benefit from knowing them, and they make a world of difference.

If you are about to implement CRM, have the leaders brainstorm and list what they perceive to be the changes that implementing CRM will force on your people. Their answers will give you a clear direction to take to help your people make this change happen.

About the Author



Bill Brendler has consulted over 100 companies and written numerous articles on ERP and CRM implementation. He helps top executives and user teams reinvent the way they work with their customers. Bill knows how to effect organizational change that integrates teams and technology with the customer. For more information visit www.brendler.com.

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A GUIDE TO EVALUATING CRM SOFTWARE

Jay Chang

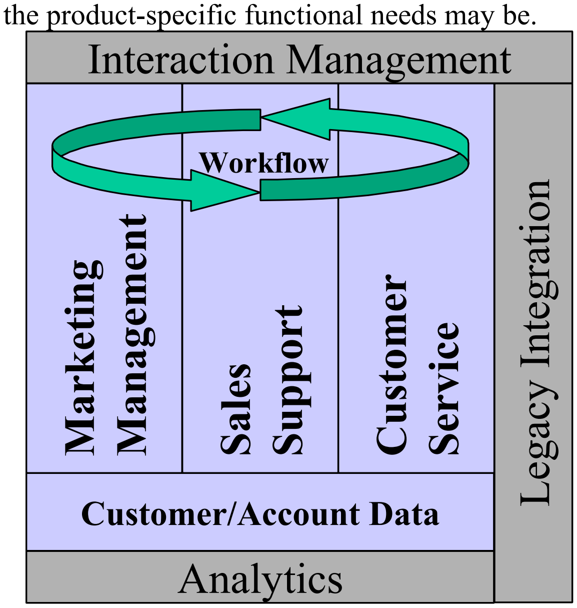
Just how big is your CRM toolbox? While CRM is not all about technology, software and its supporting components may play an important role in your CRM program. Take a technology tour to learn more about this important tool and offers guidelines for your selection process. For specific stops along vendor alley, please visit the complete solutions guide at the end of this article for select vendor reviews.

One of the most popular questions I receive is some variation on "How do I evaluate CRM software?" Many seek a detailed checklist of functional specifications against which every package can be measured and weighed, and the winner easily quantified and defended. This is a typically IT-oriented viewpoint. The easy part of a CRM evaluation is boiling down a wish list of functional capability into a series of yes/no responses. The *hard* part is trying to figure out that list in the first place.

CRM projects are highly complex. With CRM, you are attempting a sea change in the way you relate to your customer, much like ERP was a sea change in how you organize and operate your business. However, unlike ERP, which dealt with primarily back-office functions that required customization of a set of fairly structured systems, CRM deals with a series of processes and functions that every company considers unique. But how a company markets, sells, and manages its most important asset – its customers – is highly variable. This can be seen in the wide variety of vendors in the space, and the variation between similar products in the same market niche.

THE EVALUATION PROCESS

The most important evaluation criteria have nothing to do with server platform, processor requirements, or any of the other usual "techie" criteria. Instead, CRM requirements definition starts with business need. More importantly, it requires an envisioning of "to-be" processes rather than "as-is" processes. Once the envisioning process is stable, you can begin to decide what the product-specific functional needs may be. Product selection is almost ancillary compared to the process change that a large scale CRM implementation will bring to multiple organizations within your company. Once those are resolved, it becomes a matter of wading through the CRM product marketplace in search of appropriate vendors.



This figure represents CRM functionality as it applies to a prototypical enterprise. While simplistic, it allows you to focus on either specific aspects of CRM or look at overall functionality. It also shows how the various organizations fit with each other and illustrates why CRM projects are so complex. Thus, for example, I can examine a marketing package in terms of its interaction management capabilities, its marketing-specific workflow functions, and its data repository. I can also look at that package's ability to do marketing-specific analysis and integrate with legacy sales, CSS, and back-end applications. However, it is the merging of these definitions and functions into one common repository that brings CRM's true power to light. The areas in blue are what are typically viewed as being CRM functions; the gray areas are expansions of CRM that some vendors are using to sell their packages.

At the heart of the CRM solution is data, which represents an organization's customers and it is vital to the success of a CRM effort. Everyone should have a common understanding and definition of "customer." A simple concept, but long hours and many dollars have been spent defining this to the satisfaction of the various data silos that comprise most companies. Supported by the customer data are the functions that are specific to Marketing, Sales, and Customer Service/Support (CSS). Each has a stake in what comprises a customer. Each views customers through different lenses. And each has specific requirements around what it takes to properly manage and support customer business processes.

MARKETING, SALES, AND CUSTOMER SERVICE

Marketing tends to look at customers through macro lenses. Despite all the talk about one-to-one marketing, marketing campaigns are targeted at relatively large classes of people. The granularity of these classes can vary, but they are still aggregated groups of demographic characteristics. While personalization is an aspect of marketing, it is not marketing in the true sense – crafting a specific, individualized pitch to woo the prospect. Personalization is more like targeted browsing. From a marketing perspective, it allows the marketer to simulate a closer bond between the company and the prospect.

Sales functions tend to be much more individually focused. To the sales rep, it's all one-to-one interaction and a good rep is a master of personalization as well as targeted pitches. Sales reps only care about tools that help them sell. The biggest bane of SFA projects has been that the tools don't aid in the selling per-se – rather, it assists in the management of the sale, an important but different concept.

CSS agents look at how to maximize their time. Since call centers are typically monitored by throughput (number of calls per hour and the like), agents want to be able to close calls as efficiently as possible. Thus, for CSS organizations, the critical components are those that present relevant contextual information quickly and efficiently, requiring minimal training. This is due to the high levels of turnover associated with many CSS organizations. To the agent, a customer can exist in a total vacuum – with no prior knowledge, the good CSS agent establishes a connection with the customer, resolves their issue and cements a solid relationship association to the corporate entity.

WORKFLOW AUTOMATION AND INTERACTION MANAGEMENT

Workflow is the linkage both within each set of organizational functions as well as the linkage between organizations. Old-line companies tend to use paper processes (whether the papershuffling is done online or off doesn't matter). More advanced companies use intelligent routing of information to make informed decisions. Using workflow allows business rules to be encapsulated into a centralized repository, rather than distributing it out to the individual organizations. Properly implemented, workflow can allow organizational knowledge to live within the company, rather than within the heads of individuals. It also allows for a centralized point from which to make changes to those processes. Workflow can serve as an integration function as well.

The last component of a CRM solution is interaction management. As organizations have grown and technologies have advanced, the numbers of potential customer touchpoints have grown as well. Before 1990, I would suggest that 75% of all interactions consisted of phone calls, with the remainder being split between letters and FAX transmissions. Today, customers can call, email, FAX, chat, page…the list is rather extensive. To be truly service-oriented all of these touchpoints should connect into the customer repository, recording each interaction and its intent.

Interaction management involves recording the details of each contact no matter what the medium into a centralized or non-centralized database. Each email, phone call, FAX, chat, etc. is recorded in a logical thread so that the history of that customer can be recreated at any point.

DATA ANALYSIS AND LEGACY INTEGRATION

As ancillary/supporting functions, Data Analysis and Legacy Integration can play large or small roles in the context of a CRM implementation. Analytics is becoming more and more critical to the understanding of customer behavior. As the granularity of data collection and monitoring increases, the ability to detect trends and patterns within that data becomes more and more important but more and more difficult. Highly complex CRM implementations require highly complex analytics capabilities. The more advanced CRM packages either contain this functionality or partner with companies that provide such functionality.

Likewise, CRM packages are starting to extend tendrils to other parts of the organization outside of the traditional front office functions. CRM/ERP implementations are not uncommon and indeed any company that has made a large investment in ERP should closely link CRM activities to that investment. This function is typically filled by Enterprise Application Integration (EAI) packages, but some of the more advanced CRM software vendors are including hooks into specific external applications such as SAP, Peoplesoft, or Oracle. This function also serves to tie new functionality into existing infrastructure architectures, primarily around PBX/ACD systems and email systems.

EVALUATION METHODOLOGY

Finally, when I get to the actual evaluation process, I use a general two-parameter matrix to evaluate functional requirements against product capability. The list of functional requirements provides a baseline. The project team creates the first parameter. Each functional requirement is weighted as “must-have’, “nice-to-have,” and “optional.” The project team evaluates the weighting associated with each requirement.

Product Evaluation

VALUE OF REQUIREMENT = Requirement Priority
X Vendor Capability to Deliver Requirement

WHERE Requirement Priority is:
- HIGH (3 points)
- MEDIUM (2 points)
- LOW/NICE TO HAVE (1 point)

and Vendor Capability is:
- DELIVERED WITH PRODUCT (4 points)
- REQUIRES SLIGHT MODIFICATION (3 points)
- REQUIRES HEAVY CUSTOMIZATION (1 point)
- NOT AVAILABLE/POSSIBLE (0 points)

Allowing for a range of 0 to 12 points per function.

The functional requirements also serve as the basis for the RFI/RFP process. The vendors create the second parameter. Each vendor is asked to indicate whether their product incorporates the function, requires slight customization to incorporate the function, requires extensive customization or third-party products to support the function, or does not support the function. In the evaluation process, the weight of the function is applied to the vendor’s ability to support that function to give a weighted value for each functional requirement. The sum total of each vendor’s weighted scores provides a way to evaluate the overall functionality of the product against the team’s specific needs. In addition, the functional requirements can be grouped into function sets, and the function sets given weights of their own. Thus, if interaction management functionality is more important than marketing program management, the functions associated with interaction management can be super-weighted accordingly.

The advantage of this approach is that it’s general enough to be used for just about any product but can be made specific enough to drill down to very low levels of detail. Good luck in your selection!

About the Author

Jay Chang has over ten years of information technology experience focusing on the pharmaceuticals industry. He has worked for consulting organizations and Fortune 500 companies, serving a variety of roles from developer to architect. He currently works as an independent consultant focusing on project management, technology assessment, and business process analysis. Jay can be reached at jay@jaychang or www.jaychang.com.

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Glossary of Commonly-Used CRM Terms

ASP. Application service provider. A company that will rent out applications you don't feel like buying just now, but would like to use. The application lives on the ASP's servers and you get to access it.

Back office solution. Any application that helps with such "back office" dirty work as financial accounting, human resources, and manufacturing.

Business process management. The concept of shepherding work items through a multi-step process. The items are identified and tracked as they move through each step, with either specified people or applications processing the information.

Callback. This feature allows a user to dial in to a computer, type a log-on ID and password, whereupon the computer breaks the connection and automatically calls the user back.

Client/server. This is a setup that splits the processing of an application between two distinct components, a "front-end" client and a "back-end" server. The client and server machines work together to accomplish the processing of the application. All the heavy stuff lives on the server, and the client uses only what it needs from it.

Data analysis. A Really Big Deal in CRM. Data analysis, also called business intelligence, is using software for ad hoc query, reporting and analysis, and supporting strategic decision-making processes with a data warehouse or data mart. Basically it means slicing and dicing your data to figure out how to keep customers and find new ones. Isn't that why you were collecting all that data in the first place?

Data mining. The process of thumbing around in your data warehouse to find correlations and trends that you can use to sell more customers more stuff.

E-sales. This refers to the customer-facing technologies and applications that allow consumers and businesses to "sell themselves" and conduct transactions without the assistance of a salesperson.

Electronic business. E-business means any Internet- or network-enabled business activity. Amazon.com is an e-business. This is as opposed to…

Electronic commerce. E-commerce is just using the Internet to transmit business information and transact business—J.C. Penney taking an order online, say.

EDI. Electronic Data Interchange. A set of standards for controlling the transfer of business documents, such as purchase orders and invoices, between computers. Archaic, unwieldy, and about to be made obsolete by XML.

Enterprise application integration. This technology allows applications from different vendors or based on different platforms to communicate with each other.

Enterprise resource planning. This is a business strategy that—theoretically—improves the integration of manufacturing, financial and distribution functions.

Front office solution. An application designed to help with the management of such customer-facing stuff as sales, marketing, and customer support.

Marketing automation. Software tools that help marketing. They include lead management, campaign management, and data mining.

Middleware. Okay, here's one just so impressed techies will take you seriously: Software that facilitates the communication between two applications. It lets applications invoke services and it controls the transmission of the data exchange over the network. There are three basic types: communications middleware, database middleware, and systems middleware.

OLAP database. Short for “online analytical processing database.” A relational database system capable of handling queries more complex than those handled by standard relational databases, through multidimensional access to data (viewing the data by several different criteria), intensive calculation capability, and specialized indexing techniques.

Partner relationship management (PRM). This is the practice of providing sales, marketing, customer service, and other enterprise business functions to partners to foster more collaborative channel partner relationships.

Personalization: This means determining a user’s interest based on his or her preferences or behavior, constructing business rules to decide how to deal with such a person, and dealing with that person according to those preferences.

POTS. Plain Old Telephone Service without any added features or functions. Not to be confused with POTUS, the Secret Service term for President Of the United States.

Relationship marketing. The ongoing process of identifying and creating new value with individual customers over the lifetime of the relationship.

SFA. Acronym for Sales Force Automation, which refers to all software stuff foisted off onto the sales force—contact managers, etc.

Supply chain management. This is the process of optimizing the delivery of goods, services, and information from the supplier to the customer.

Workflow. A set of programs that aids in the tracking and management of all the activities in a project from start to finish. The software automatically routes events or work-items from one user or program to another. Also called process flow, but “workflow” sounds more proactive, like you’re actually working.