

CRM: What is it – Why do it?

White Paper at a Glance:

Since its inception CRM has defied a viable definition. The industry has often used terms such as being “customer centric;” this sounds like apple pie but what does that really mean to anyone in the organization? The irony is that CRM offers now and will in the future a broad spectrum of applications that address fundamental issues across the functional spectrum. However, the organization must establish an operational perspective for CRM to reap the inherent benefits of improved productivity and competitive advantage.

Historical Background

Customer Relationship Management (CRM) is a concept that has been around since the mid 90s. The concept has its roots in the technology of sales automation and call center operations. The original thought, at that time, pertained to 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 organizations 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, personalization, and self-help were evolving. Due to the newness of the technology, these products competed outside of the CRM sphere and 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 realized 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 Organization Perspective

Due to the silo (functional) structure of most user organizations, the most common CRM situation involves individual customer facing functions that are

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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 organization approaches the definition of needs from a *corporate* perspective, the result is a collection of functional needs with minimal cohesion. Thus the fire power of the technology often finds itself in juxtaposition to the sophistication of the user organization. It is analogous to using a howitzer to kill a mosquito; it will get the job done but with what collateral damage? In today's market, it is common to observe user organizations seeking out less complex products as opposed to looking for greater sophistication.

End user organizations can become further confused by industry messages that use vague terminology like being customer centricity and increasing customer loyalty which gives rise to the idea that CRM is about intangibles. User organizations that buy into this notion find that they are quickly overwhelmed with schedule slippage and budget over-runs. 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 organization? The customer is not central in importance? The organization cannot afford to be customer centric?

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 organization should invest significant resources to pursue such an initiative.

Making CRM Tangible

Deploying CRM technology does not make an organization 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. Betting on a pure technology miracle has been well documented as a long shot at best. Likewise, user organizations 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 dynamic and difficult to establish clear definitions of cause and effect; these limitations do not preclude the creation of credible measures of improvement. The next section provides 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.

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- Lead Management: getting qualified leads to the field in the shortest possible cycle time adds credibility to the organization and enhances the receptiveness of the prospect. Improvements lead to 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 to close deals, sales effort (cost) to close deals, etc. From a forecasting perspective, variation from forecast is fairly common.
- e-Commerce and Fulfillment: 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 and 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 versus the proposals generated.
- Team Selling: these capabilities facilitate a coordinated and collaborative sales effort that improves win/loss ratios. However, the tools are only effective if the organizational culture supports this type of effort.
- Configurators: these applications are often very sophisticated and are used in situations where the product/service has many configuration options that impact design, performance, and cost. Configurators reduce the time required to generate quotes, add value to end user organizations by optimizing performance, and typically increase win/loss ratios.

Partners

Partner performance is typically evaluated on the basis of revenue growth, new customer acquisition, and the breadth of products/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 24/7 basis. These tools improve productivity for the partner and the supplier organization.
- Configurators: these applications help the partner sales force to be knowledgeable about your product line and specify the right product at the right price. Similar to its impact on the sales force, this tool should increase win/loss ratios.

Marketing

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

Call Center/Help Desk

- In-bound/Out-bound Tools: there are a myriad of tools that improve, training, routing, utilization, cross-selling, and service level characteristics of the call center/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.

These applications are but a smattering of the opportunities associated with CRM. All of these opportunities can be associated with meaningful metrics that directly impact profitability. This is not to say that that the tools do not impact intangibles, such as brand awareness and image; but the tangible benefits should be capable of justifying the investment.

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 organization. The key learning from this discussion include:

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

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A sure recipe for disaster is to deploy CRM without a clear sense of process change and undefined expectations. The next article in this series addresses the issue of how to create a credible business case for CRM.



About The Author

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Mr. Petersen is the author of seven books:

- *High-Impact Sales Force Automation: A Strategic Perspective*
- *CRMS: ROI & Results Measurement*
- *CRM Leadership and Alignment in a Customer Centric World*
- *ROI: Building the CRM Business Case*
- *CRM Best Practices: Self Assessment*
- *Making CRM An Operational Reality*
- *The Profit Maximization Paradox: Cracking the Marketing/Sales Alignment Code*

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