Chapter 7
Planning Your CRM Program

Planning a CRM program can be as simple as building consensus over a series of meetings with key stakeholders who all have a vested interest in keeping customers. Or it can be as complex as launching a multi-month project to gather requirements from across the company, interview stakeholders, and draft a game plan, working with staff members might not have ever heard of CRM. Whatever its scope, planning a CRM program is rarely as straightforward as it first seems.

The fact is, CRM begets change, and change isn't just a by-product of CRM—it's one of the goals. Trouble is, many managers consider change to be a simple signature on a statement of work or a simple "yes." But change is just more than a point-in-time approval or edict, it's an ongoing sales job. There's a lot more to CRM planning than simply drafting a project plan.

A CRM program requires a clear understanding of and commitment to the company's customer-focus, vigilant adherence to detailed goals, commitment from both executives and line workers, and a constant awareness of the customer's viewpoint. It usually all hinges on a really clear business case. Unfortunately, many managers in charge of CRM zero in on the solution before they really get the problem:

You're a consultant at one of those ubiquitous Web design and consulting firms. Your company's stock price has plummeted in inverse proportion to staff attrition. Management is frantically trying to re-brand the firm from a Web design boutique into a bona-fide management consulting company. A high-profile e-commerce client has recently decided to take on CRM and has come to you for help.

Chet, your company's retail partner calls a meeting of the newly formed project team. A debate ensues about what the client means by "CRM."

"They obviously mean personalization," says Thad, a programmer with thick black glasses that label him a hip techno-geek.

"Personalization?" says Chet. "The site's not even tracking its visitors yet. "We'll have to assess their e-business technology infrastructure."

"What kind of customer data do they have now?" asks a project manager munching on a muffin.

"I think they have a marketing data mart," says another programmer.

"They have to capture clickstreams, we know that much," comments a database expert hovering near the door.

You're new and reluctant to weigh in, but your time management ethic overrules your shyness and you ask, "What does the client want do with CRM?"

All heads turn in your direction. Nobody speaks. The retail partner looks at you like you've just fallen off a charm bracelet. You sink down in your chair.

It's going to be a long project.

Can your company or department answer the question: *What business value do we expect from CRM*? And if so, is the answer one that will generate to quantifiable improvements in customer retention and satisfaction? Will it generate profitability?

As we've seen in Part 1 of the handbook, CRM isn't a single product or technology. It's not exclusive to marketing or customer care. And it ideally involves a cross-section of customer touchpoints. Indeed, CRM's inherent complexity renders it a risky endeavor, even for the most mature companies.

Defining CRM Success

One of the most difficult parts of launching a CRM program is defining success metrics. After all, a lot has been written about enterprise CRM (aka, ECRM) and the ability to understand customers across their various interactions with the company, meaning that the organizational boundaries of CRM should be understood up-front. Indeed, the entire company from executives to programmers should agree on a unified CRM vision. The pressure is on for those forward-thinking managers who can articulate that vision but lack the organizational buy-in to enact a truly corporate-wide program.

The pay-off of such foresight could be revolutionary: Employees from across the company accessing common data about customers through a single enterprise-portal, and making better decisions based on that single view. Imagine: No more contradictory customer counts, interdepartmental sales revenue battles, or returned sales brochures stamped with the "RECIPIENT HAS MOVED" imprimatur. The IT department has an acknowledged customer system of record, and is no longer taking months to reconcile customer data and delivering outdated information. Your entire company will have finally realized a "single version of the customer truth" and use it to increase customer profitability.

Trouble is, proselytizing this ambitious objective could span an entire career. Do you really want to spend time bringing managers—many of whom have a vested interest in the status quo—around to this ideal when you could instead launch a

CRM pilot project for a single department to actually prove CRM's benefits in a couple of months?

And therein lies the dilemma for most CRM proponents: Does a company try to socialize an enterprise-wide vision, despite the inevitable politics and lofty training necessary, or should it try implementing a quick, functional prototype and run the risk of lack of acceptance and wasted money?

Many vendors and consultants eager to catch the brass ring and land huge CRM implementation projects continue to advocate the "just add water" approach to out-of-the-box enterprise CRM, with the accompanying elevated budgets and executive-level exposure. It's certainly a laudable goal.

Not so the CRM initiative driven by the company's IT department. Technology organizations spearheading CRM don't usually have measurable business improvements in mind. At best, they foresee implementation and process improvements that accompany centralized data and Web access. At worst, wily IT staffers envision the payoff of having the CRM acronym on their resumes. Whatever the case, far too many companies begin their CRM initiatives in IT in the hopes that eventually the rest of the company will catch on. Many of the pervasive statistics citing CRM failure rates in the sixty to seventy percent range reflect such IT-initiated projects.

The majority of successful CRM projects I've come across have started out as "stovepipe" projects in business units. They start in a single organization like marketing, where a visionary manager recognizes the benefits early and enlists the IT organization in developing a discrete CRM system. Once deployed, the system generates efficiencies while delivering value. People in other departments gradually take notice, either because the CRM users tout their success or because of personal relationships. Other organizations eventually request access to the CRM system, which gradually grows horizontally with additional functionality, data, and users.

Indeed, there are good ways and better ways to implement a CRM program. Just because there are political or infrastructure CRM roadblocks—and every company has 'em—doesn't mean you shouldn't start putting the pieces in place. The following table illustrates some of the inevitable factors to evaluate before you start socializing a new CRM initiative:

Table 7-1: Gauging the Factors of CRM Success

Factor	Ideal	Desirable	Undesirable
Initial Trigger	An executive or board member reads about CRM and understands how its benefits can	A customer support exec returns from an industry conference where a case study depicted uplift in	A product manager sees a vendor demo and returns to the office touting functions and

	result in competitive advantage.	existing sales via CRM.	features.
Sponsorship	A cross-functional executive team agrees that CRM is a competitive necessity.	A business visionary sees quantifiable benefits for her organization in the short-term, and for the company at-large soon after.	The IT organization decides to implement CRM because an existing vendor has just substantially discounted its CRM software.
Objective Definition	Increased customer loyalty, better customer service, additional sales revenues, and an overall enhancement of external perception.	To provide an organization with a greater degree of customer knowledge and improved customer interactions.	To automate existing processes—especially if they aren't costly to begin with. Or to add CRM technology to the IT portfolio "so that we can say we're doing it."
Solution Selection	Allowing corporate strategy and business drivers to dictate CRM functionality, and for required functionality to dictate tool selection. (See chapter 8.)	Tool delivers process efficiencies (e.g., marketing list creation) while applying additional customer intelligence via integrated data.	De-facto selection of CRM market leader or existing software vendor with minimal research.
Operating Environment	Integration of CRM product into existing IT infrastructure, including ERP and data warehouse systems.	Introduction of dedicated CRM environment linked to corporate network and key data sources.	Standalone CRM system.
User Community	Employees across the corporation at all levels, using CRM for different purposes but basing their decisions on the same customer information.	Business people from one or two departments leveraging operational and analytical CRM.	Operational CRM available to a select group of users who disperse findings from time to time to selected executives—on paper.
Efficiencies	Process efficiencies and integrated data combine to deliver strategic decisions, in turn leading to higher customer profitability, sales uplift, and customer satisfaction.	Automation leads to process efficiencies and new information that advance departmental goals and result in improved customer satisfaction.	Automation leads to process efficiencies resulting in timesavings, nevertheless failing to cover CRM program expenses.
Measurement	Clear sales uplift or decreased complaints and measurable improvement in customer response rates across touchpoints.	Improved perception among existing customer base and suspected improvements in marketing campaigns, closed sales, product quality, etc.	IT has successfully linked the CRM system to operational systems and has deployed CRM to one hundred desktops.

Table 7-1 can assist you in gauging the relative expectations for CRM from within your company. Is there a collection of line-of-business squeaky-wheels who want CRM but can't explain its value? Is your IT department driving CRM for reasons unrelated to better customer relationships? Are there clear metrics with which to measure CRM success? Take the test included at the conclusion of this chapter to determine your CRM readiness.

The bottom line here is that, while you should be working toward eventual enterprise CRM, such a vision doesn't happen overnight and trying to force it to happen could take a lifetime. The better your view of how a finite and clearly-described CRM solution can help deliver long-term benefits to the company, the more likely you are to get the support you need.

A 1999 research study conducted by Yancy Oshita and Dr. Jay Prasad at the University of Dayton[1] found four overarching measurements for CRM success:

1. CRM's ability to impact corporate strategy (according to 25% of respondents)
2. Successful technology integration (23%)
3. Enhanced strategic partnerships (20%)
4. Assimilation of CRM-related technologies (18%)

[1] "Critical Success Factors in Planning, Implementing and Deploying CRM Technologies," working research paper, 2000, University of Dayton Graduate School of Business, conducted by Yancy Oshita and sponsored by Dr. Jay Prasad, Dept of MIS and Decision Sciences.

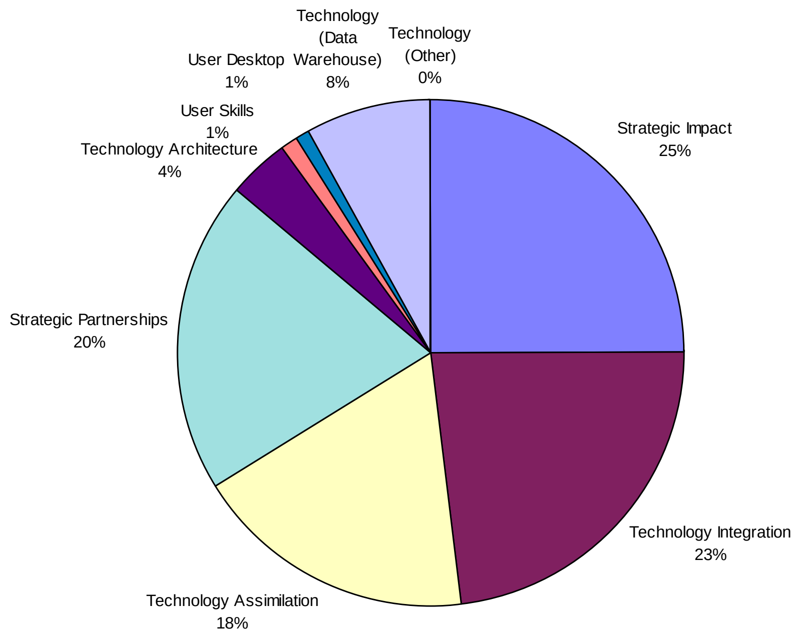

Figure 7-1: CRM Success Factors, Courtesy University of Dayton Graduate School of Business

As figure 7-1 illustrates, companies participating in the study cited other success factors: End-user desktop workstation configurations, user skill sets, and overall technology architecture as key components of CRM success.

The point here is that the companies implementing CRM understand that the means to the end don't matter—it's the program's ultimate strategic impact and the usefulness of the resulting tool set that affect the perception of success. If the new customer profiling system provides new details about customer behavior but can't be viewed by call center staff, it's still a flop. And even the happiest campaign managers won't bolster the dashed hopes of executives who were expecting increased response rates corresponding to CRM deployment.

From Operational to Enterprise: An Implementation Scenario

Indeed, CRM can be both revolution and evolution. A single department can adopt a CRM program that promises value to other organizations, which—adverse from starting from scratch—grab the proverbial CRM ball and run with it. The wireless phone company described in figures 7-2 to 7-5 illustrates how CRM can evolve from a point solution to a corporate-wide program.

Because the company's customer support organization required basic information about customers and trouble tickets, it was the first department to recognize the value of combining operational CRM—the company was surveying customers at the conclusion of every Web or telephone-based contact and tracking customer satisfaction scores—with analytical CRM to streamline its call center processes:

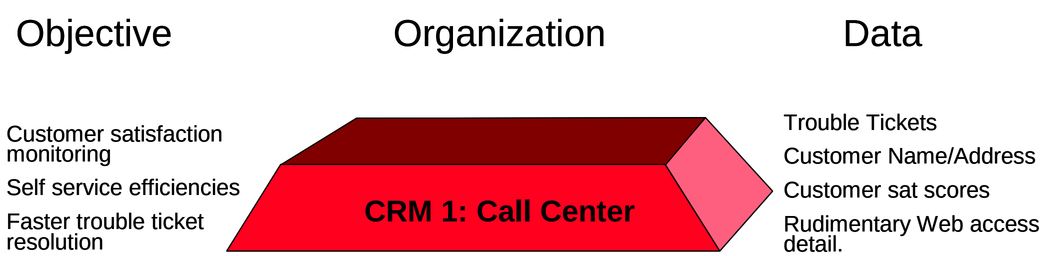

Figure 7-2: The Call Center Adopts CRM

The call center's goal was to use survey scores in order to analyze customer complaints in order to foster product and service improvements while simultaneously putting in place a Web-based customer self-service infrastructure. Over time, the company's customers would be able to request service on the company's Web site, mitigating the need for in-person assistance, in addition to being able to order new services and add-on features such as caller-id. Customer support recognized the promise of not only cost reduction, but of higher customer retention rates.

Soon after launching the project, customer support got the attention of the company's marketing department, which was interested in the satisfaction scores and their correlation to certain customer segments. Marketing convinced the call center to share its data, which existed on a server accessible by the call center transaction system. Marketing purchased an additional module from the company's CRM vendor in order to perform dynamic customer segmentation and begin more targeted customer communications and campaigns:

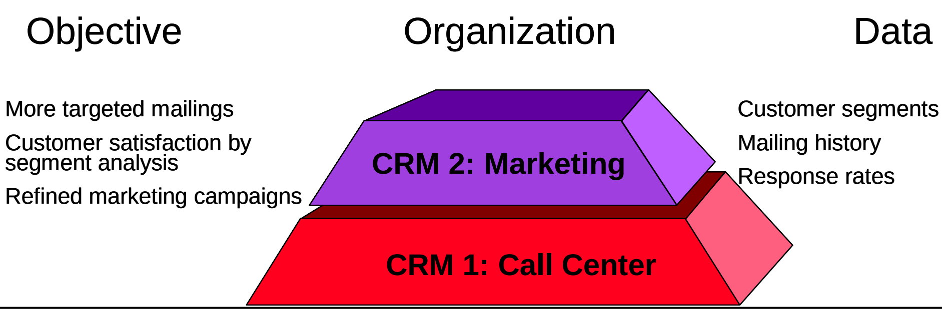

Figure 7-3: Marketing Adopts CRM

The advantage of this building-block approach was that marketing could leverage the CRM product, system resources, and data that the call center was already using. Moreover, by supplementing the call center's database with additional data, marketing was providing call center employees with richer customer information that they could in turn use to qualify higher value customers at the time of contact.

As the call center and marketing organizations became more integrated, the two departments realized that they could be even more customer focused with more data and processing power, and lobbied upper management for budget money, citing the benefits already gained by cross-functional CRM. "We're singing out of the same customer hymn book for the first time ever!" crowed the Vice President of Marketing.

Members of the company's IT governance council—an executive committee in charge of approving information technology expenditures of over $100,000—recognized similarities between the evolving CRM system and the sales organization's recent bid for a new sales force automation system. By leveraging a centralized customer database, sales could deploy SFA across regions and territories, ensuring access of a richer base of customer data—data that already existed on what was now known as the CRM server:

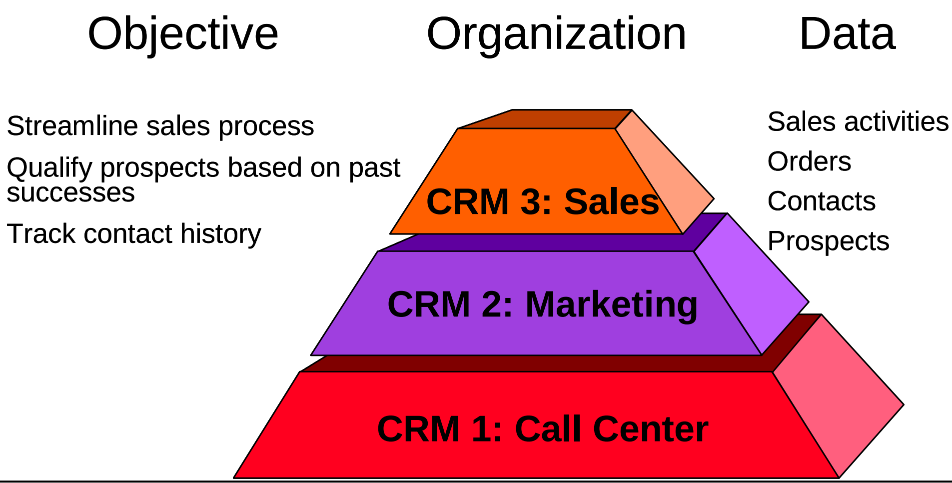

Figure 6-4: Sales Adopts CRM

The company's IT department ran a synchronization program that reconciled customer data from each salesperson with the customer data on the CRM server. Due to new sales data added to the CRM system, sales staff in the field could now not only access centralized customer data but track outbound correspondence their customers may have received from the call center and marketing organizations. For the first time, a sales person truly understood how his entire company—not just himself or his office—was interacting with his clients and prospects and how they were responding.

Moreover, the call center could use the new sales data to track trouble tickets on recently placed orders, and could tell whether the party calling was an existing customer, a prospect, or a lapsed customer. Call center management implemented call center scripts according to the caller's customer segment and status, guiding CSRs in responding to customer contacts in a way that was tailored to each customer segment.

Marketing too was able to use the new sales information to close the loop, tracking campaign responses through to actual orders. Campaign managers could refine their campaigns now that they knew which customer segments ordered which products, and through which channels. This in turned allowed the marketing organization to establish a "segment marketing" function, wherein specific customer segments were managed and communicated with separately. With this information in hand, marketing could interact more effectively with sales and channel partners about the optimal sales plan given a prospect's profile and characteristics.

The sales organization went public with the improvements right away. Sales managers encouraged their colleagues in field services to use the CRM server's data remotely in order to register and track field installations and repairs.

Accordingly, field services communicated their requirements: to track historical customer outages and repair histories:

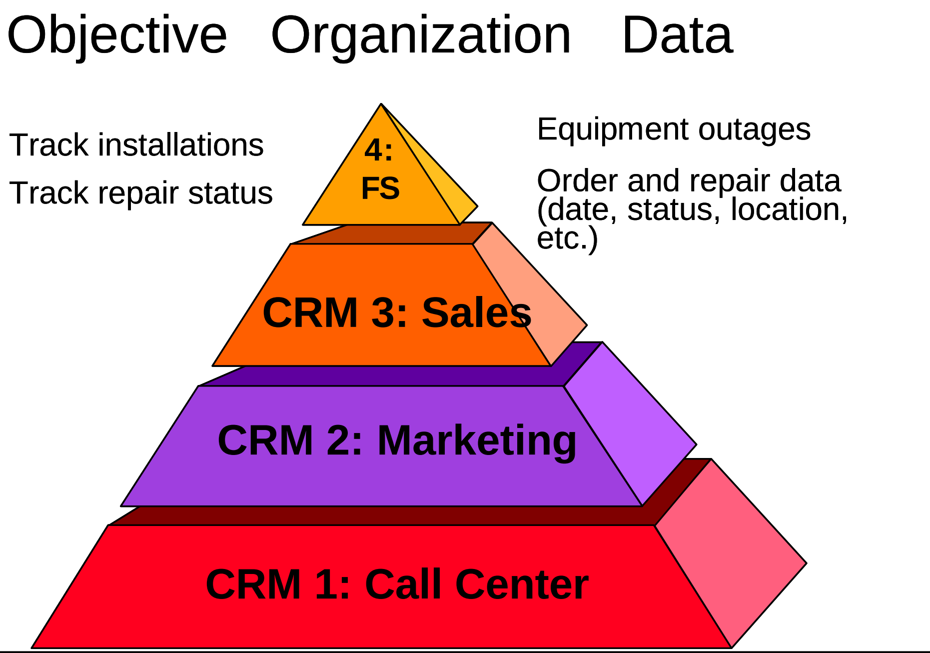

Figure 7-5: Enterprise CRM

For the first time, anyone with access to the system could log on and find out whether a longstanding order had finally been provisioned or whether a repair had been made at a key customer site. Salespeople in particular were grateful that field services employees were using handheld devices to communicate remotely to the CRM server; the fast turnaround time was key to their communications with their customers.

Marketing could analyze how long repairs were taking by customer segment. Soon thereafter, marketing helped drive the modification of the field services dispatch system so that high-value customer segments received higher priority for installation and repairs. In the meantime, the call center was able to correlate open trouble tickets to actual repairs, information that they fed back to R&D to foster product quality improvements.

In fact, as the wireless communications company moved “up the pyramid,” its CRM infrastructure, and consequently its customer relationships, became much more robust. Not only were the planned improvements implemented successfully, there always seemed to be unforeseen uses for new CRM data and functionality.

Ten months after the call center brought CRM on-line, the marketing department was able to demonstrate lower customer attrition directly attributable to pre-emptive targeted communications to at-risk customers. Marketing had never planned on stemming customer attrition, let alone quantifying the improvements. The wireless services provider continues to enrich is CRM capabilities, regularly measuring profitability gains as a result of increasing customer loyalty, and is now availing information on the CRM server to its financial and executive organizations.

Your company doesn't have to start its CRM program in the call center. Indeed, you might have an organization badly in need of CRM that doesn't appear in the above example. The point of this example is to illustrate that, far from being a "big bang," CRM at this company relied on incremental delivery of functionality over time. And with that incremental functionality came incremental value, the whole being worth way more than the sum of its parts.

Determining CRM Complexity

Unfortunately for those of us searching for that anecdotal but ultimately undependable silver bullet, there is no single cookie-cutter approach to CRM. The truth is, the more complex your ultimate CRM vision, the more complex your implementation project will be.

The key to planning your CRM initiative is in the ability to deconstruct it into manageable pieces. And in order to do this, you must first understand how complex it is.

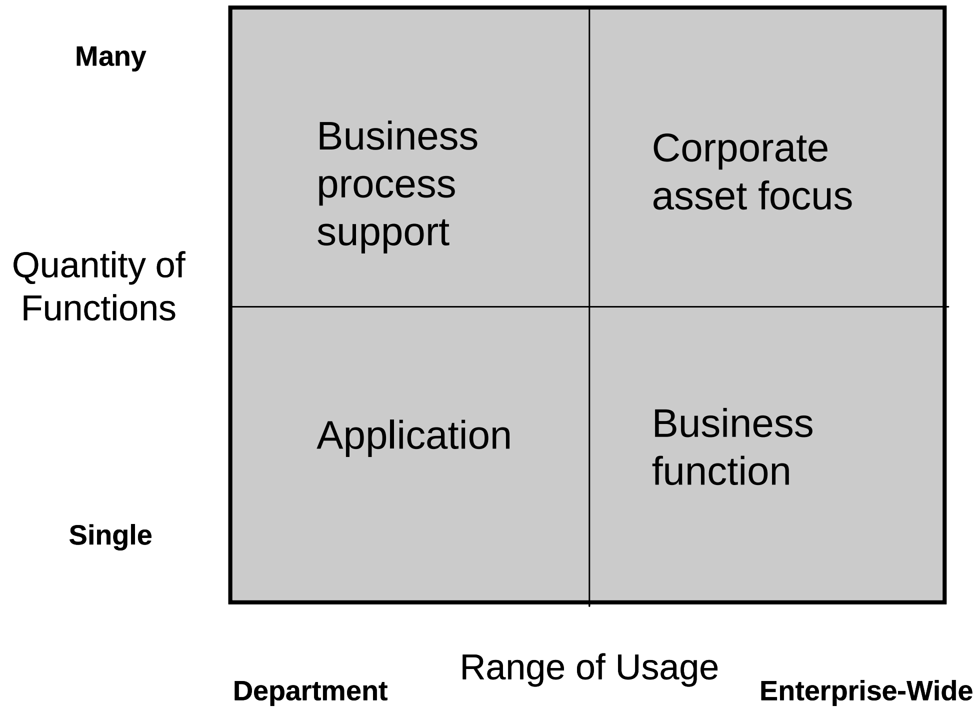

Figure 6: Estimating CRM Complexity

As figure 7-5 illustrates, a CRM initiative's complexity relies on two main metrics:

1. The quantity of functions: If your CRM objective is simply to deliver customer profiling, then you probably have a single function, whereas if it's to automate your campaign management, you'll likely have at least a handful of functions to implement. (We'll discuss functionality in more detail in chapter 8.)

2. The range of usage: How many departments are slated to use the CRM system once it's up and running? Implementing CRM for a single relatively small department is much less complex than deploying it to the entire enterprise.

The differences between the four quadrants is stark, and has significant impact on the development process:

- A single-function CRM project to one department is really nothing more than a customer-focused application. It is most likely driven by a handful of business people and managers, not corporate executives, and will be used by a single organization. You'll probably be able to leverage a series of in-house development processes and existing staff in order to deliver single-function CRM to the department that needs it.

- A multi-function CRM project to a single department is another story. Instituting a customer-focused contact center dictates a range of new customer-oriented business processes, not to mention new policies and end-user training. Defining and documenting business processes, as we'll show in this chapter, will give you a good idea of the CRM system's true complexity and the development resources it requires.

- Conversely, a single CRM function that will be deployed across the company represents a newly institutionalized business function. If the call center, marketing, risk management, and sales organizations have each requested customer lifetime value information, a simple function takes on additional complexity by virtue of the fact multiple departments, and thus varied business requirements, are involved. This additional complexity will likely require additional development resources and longer up-front planning.

- The most complex type of CRM is multi-functional and multi-departmental or enterprise-wide. This means deploying a range of new business functions across the company to a variety of businesspeople, for a variety of purposes. Requirements will be more complex, as will the technology to enable CRM. Its complexity suggests a variety of development resources and a range of CRM technologies, from CRM product suites to Internet access to data warehousing.

The differences between the four quadrants can influence everything from executive level involvement—unnecessary for single function/single department, mandatory for multi-function/enterprise wide—to the range of technologies, development skills, and end-user involvement required.

Indeed, the top right quadrant of figure 7-5 points to the role of CRM as not just an application or project, but as a *corporate asset* to be deployed and managed on behalf of the company. The nature of this approach is both information-centric and customer-focused and suggests that customers themselves be treated as corporate asset, and thus given the same amount of money, infrastructure, and executive attention as other corporate assets, if not more.

While complexity should be the key metric in estimating the cost, resources, and development steps necessary to implement CRM, your company's size is also a factor. A large company, for instance, might have the skills and infrastructure to bear on a CRM project, and is probably more adept at handling large-scale enterprise systems development. Small to mid-size companies, on the other hand, won't have as many organizations or the same number of stakeholders as larger players, rendering tasks like business planning and vendor selection much easier. Finding the right executive sponsor for CRM is probably also more straightforward in a smaller company.

Preparing the CRM Business Plan

> *Want funding for a new IT project this year? Make sure you have a really strong business case first. That's because concerns about an economic slowdown are making corporations far more selective than usual about how and where they allocate their IT budgets…*
>
> *Computerworld, January 15, 2001*

Whether your company is a multinational conglomerate with a structured governance process or a dot-com company with loose standards for project approval, it's likely you'll need to justify your CRM program to management. A CRM business plan is comprised of several discrete components that, when combined, explain the value proposition and tactical implementation plan for CRM.

Understanding the program approval process in your company will take you a long way toward creating a solid and useful business plan. As with the wireless company described above, many companies have governance committees comprised of executives from various organizations. These executives decide which programs to fund, and how much money to allocate to each one, based on the content of the business plan as well as a formal pitch from the program's sponsor. Funding is allocated according to a variety of factors, which are detailed in table 7-2:

Table 7-2: Typical CRM Approval Factors

Evaluation Factor	Explanation	Examples
The program's long-term value.	Why the proposed CRM initiative will have long-term, sustainable value to the company.	Marketing's CRM initiative is estimated to increase target marketing response rates by fifty percent (resulting in a 6% average campaign response rate), delivering annual net revenue gains of approximately $14 million.
Its adherence to company objectives.	How CRM pertains to the company's stated goals or overarching strategies.	An enterprise CRM program will allow us to achieve our objective of exceeding 40% market share through decreased attrition levels and more successful marketing campaigns.
Its ability to deliver key business objectives.	How specific business goals will be met with CRM.	CRM will allow the company to adopt true one-to-one relationships with our customers by delivering both personalization on our Web site and real-time customer profiling capabilities to our call center staff.

Its cost	An estimate of the cost breakdown.	During the next fiscal year, the proposed CRM program is estimated to need $1.5 million in technology funding (hardware, software, networking), an additional $1 million for permanent headcount, and $1.5 million for consulting services, and $.5 million for external data acquisition.
Its boundaries	An explanation of the initial CRM project's resulting deliverable.	The initial release of the eCRM program will include the deployment IVR self-service, Web-enabled provisioning, Web FAQ services, to alleviate call center resources.
Staffing requirements	A list of necessary staff for requirements gathering, technology acquisition, development, and rollout of the CRM solution.	In addition to the current CRM SWAT team, we estimate the need for: • A CRM development manager (FT) • Two CRM product specialists (FT) • A CRM architect (Consultant) • An additional database administrator (FT)
Risk assessment	A description of the potential risks involved in launching a CRM program at this time.	We foresee the e-business organization's historical reluctance to share its data as a likely impediment to Sales' access to existing customers' Web purchase and self-service history, rendering customer history profiles incomplete and the resulting decisions potentially faulty.

The business plan might also include:

- The requirement for new technologies
- The impact on existing technologies
- Ongoing support and maintenance requirements
- CRM alternatives

Even if your company doesn't have a structured program approval process, including a discussion of each of the above considerations in your CRM business plan will ensure that you've done your research and will help bolster your arguments.

Defining CRM Requirements

The extent to which you can align your CRM business objectives to your company's overall strategy is proportional to the amount of funding you're likely to receive. Unfortunately, many companies don't have a set of lucid corporate strategies to which a set of CRM initiatives can align. The days of large strategic alignment projects replete with chart-building management consultants and binders overflowing with spreadsheets are mercifully behind us.

Defining the set of business requirements that CRM will address is nevertheless crucial. In order for CRM to work, these objectives must be customer-focused and tactical in nature. The objective to “improve the supply chain,” for example, could be both customer-focused and tactical or neither of the two, depending on the envisioned improvements. By their very definition, business requirements are specific and granular.

Requirements gathering can be a long and complex process, but at its heart it involves listing what CRM can do for the business. For each business area, ask the question:

What is the need, pain, or problem that CRM can help us address?

The answer depends on the individual executive or the organization in need of CRM. But it also relies on the understanding the complexity of the ultimate CRM initiative, as illustrated in figure 7-5. Is CRM envisioned as a corporate-wide program that will touch various business areas, or as a departmental project that requires a single function, such as brochure mailing, to be addressed? Your ability to answer this question is in fact critical to not only planning your CRM program, but in choosing your CRM products and mapping out implementation activities.

Consider the two lists of CRM business questions below, taken from actual projects. The first list, from the marketing department of a cable TV company, represents a list of departmental requirements:

- Product managers must be able to define their own campaigns.
- We need to quantify the impact of hitting a customer with multiple campaigns in a year. (What is the optimal number of campaign “touches” for one individual customer versus another?)
- We need to test campaigns using purchase history
- Our goal is to increase the number of current campaigns by 400%
- We must begin supporting product sets across multiple campaigns
- We need to ensure that we don’t re-use targeted customers more than once every three months
- Understanding which existing campaigns are most appropriate for a given customer is key. We’d need to rank current campaigns by score for their applicability to a given customer.
- We need to know which products to recommend when up-selling an existing customer
- We need to understand the best audience for this product package
- We need to understand the best customer for a brand new product where there is no sales history

The next list also originated from a marketing department, this time from a large communications company. However, this list is comprised of cross-functional requirements:

- Our campaign managers need to know if their recent campaigns have resulted in increased customer support requests
- Our product planners are interested in whether existing product usage rates affect new campaigns
- We'd like to analyze whether a campaign will be more successful with customers who already spend $100 per month
- Knowledge of whether direct sales and reseller channels influence campaign success can help both sales and marketing optimize channels and direct sales staff
- We need to know which campaigns were more effective with resellers. With the Web and e-mail marketing. With direct sales (telemarketing).
- Sales management would like to know if campaign effectiveness is related to the length of the reseller's relationship with us
- Sales management wants to relate the success of a given campaign with sales compensation and commission levels

Notice how the requirements in the both lists pertain to marketing improvements. But the items in the first list are exclusive to marketing, and can thus be considered departmental. The cable company's marketing department has identified the areas in which it can improve campaign effectiveness and optimize customer interactions, both worthy CRM objectives.

Campaign effectiveness is important in the second list as well, however the communications company's requirements involve both a cross-section of different users and a greater variety of data. The first requirement, for example, involves analyzing customer support trouble tickets before launching a campaign, and the next several involve data from other systems such as the provisioning and billing systems. The last several requirements describe how CRM will aid the sales organization.

Your CRM business plan should not only list these customer-focused requirements, but should map them with the specific CRM tactics that apply to them, providing management with a reconciliation of which CRM features will address which business goals. (And as we'll see in the next chapter, this also renders technology selection a whole lot easier.)

Table 7-3 illustrates the mapping between a set of cross-functional business requirements and specific CRM tactics:

Table 7-3: Mapping CRM Features to Business Requirements

CRM Feature / Business Objective	**Web-based self service**	**Personalization**	**Contact center scripting**	**List generation (predictive)**	**Sales activity management**
Greater number of Web site return visitors	○	◎	○	○	○
E-commerce efficiencies	●	●	●	◎	●
Increase in market share for core products	○	○	◎	○	○
Higher customer satisfaction ratings	●	●	●	●	◎
Intelligent marketing campaigns	◎	●	◎	●	●
Increased service and repair effectiveness	●	○	◎	○	◎

● *= Critical Path* ◎ *= Related* ○ *= Unknown/ Low Impact*

The advantage of this type of matrix is that it provides a visual clue to critical CRM capabilities—notice how prominently personalization plays a role with most of the business objectives—while also providing a good idea of what will be involved in realizing the business requirements. For instance, the "increased service and repair effectiveness" requirement ultimately warrants a series of non-CRM features to be successfully implemented, meaning that CRM in field services might require more resources and take a bit longer to deliver.

To maximize the success of the first proposed CRM program, the program should be comprised of business requirements that:

- Have defined boundaries
- Have a high value-to-cost ratio
- Minimize the impact to existing systems
- Improve work efficiencies for more than one person
- Involve process change

It is the cost-to-value ratio that most confounds well-meaning managers who intuitively know that CRM is the best weapon, but still need some ammunition.

Cost Justifying CRM

When launching a visible and wide-ranging program like CRM it's only a matter of time before a high-ranking executive inquires, "So how much money have we spent on this CRM thing, and what have we gotten in return?" The degree to which your CRM program has been deliberately planned and executed is the degree to which you'll have a slam-dunk answer to this question.

There are three possible financial outcomes for any CRM program:

1. Increased profits
2. Break-even
3. Lost revenue

Unfortunately, it's difficult to quantify how much additional profit is generated or money saved via CRM. Unlike more straightforward operational systems that deliver both defined outcomes and quantifiable improvements, CRM often fosters unprecedented business practices that are by their very nature not measurable. Comparing new sales channels like the Web to traditional channels invites apples-to-oranges debates. Furthermore, unlike its more technology-specific counterparts, CRM often delivers ROI that is both hard and soft.

From a soft return standpoint, CRM can deliver significant payback that's nevertheless difficult to quantify. Enhanced employee satisfaction, cultural and workplace improvements, perceived technology leadership and amplified market reputation are examples. Even concepts such as customer loyalty and customer satisfaction, both crucial to business success, are difficult to measure. A March 2000 CRM study conducted by META Group/IMT revealed that ninety percent of the fifty largest CRM user companies admitted being unable to quantify a return on their CRM initiatives.

For some companies, simply knowing that after deploying CRM their sales figures exceeded the industry average is enough. For others, the inevitable executive questions loom large--large enough to mandate tangible benefits.

From a hard ROI perspective, CRM can truly result in revenue or cost savings via the following quantifiable metrics:

A. More efficient customer-focused business processes
B. Decreased customer attrition
C. Increased sales

Take the first item on the list as an example. The Director of Product Marketing at a large regional bank described it in practice:

Right now the bank can't keep track of more than 10 campaigns at a time. We want to create product offerings that are unique to specific customer segments, which could increase the number of campaigns ten or even twenty-fold. We desperately need to manage more campaigns in order to promote more distinct offerings. Really, we'd like to move toward one-to-one, where instead of having one campaign for a million consumers, we have a hundred campaigns each focused on a group of 10,000 consumers. This strategy will increase response rates for our marketing campaigns and generate additional revenues.

In fact, every business objective you define as part of your long-term CRM planning should inherently target one of the three metrics listed above. For example, we could map each of the objectives listed in table 7-3 to one or more of these metrics, as we have done in table 7-4 (where, again, "A" signifies business process efficiencies, "B" decreased customer attrition, and "C" increased sales.

Table 7-4: Business Objectives and Financial Metrics

1. Greater number of Web site return visitors	A, C
2. E-commerce efficiencies	A, C
3. Increase in market share for core products	C
4. Higher customer satisfaction ratings	B
5. Increased campaign response	A, B, C
6. Increased service and repair effectiveness	A, B

The most straightforward way to calculate the financial promise of one of these business objectives is to measure how it's currently being done and what it's costing. Unfortunately, since many of these initiatives involve new corporate paradigms there is often nothing to measure.

One client of mine understood the degree to which its call center staff was spending time on unnecessary work. The company had hired a consulting firm to measure CSR activities and determined that CSRs spent an average of 25 minutes on every trouble ticket simply gathering customer data. The company then determined that, of these 25 minutes, 15 were spent accessing and logging onto various source systems, searching for specific data, and consolidating the answer sets.

We used the following form as a way of measuring this company's CRM opportunity:

Problem Statement:	Our call center staff productivity has decreased dramatically as the problems become more complex. We need a means of increasing CSR productivity to improve the cost structure of the call center.

Sample problem quantification:	Everyone knows that the number of trouble tickets exceeds the existing staff's ability to process them. We've recently determined that the average CSR can handle 10 tickets a day. The average amount of time spent in data gathering (which includes accessing data from 5 different systems) is 25 minutes per ticket.*
Improvement quote:	"A single CSR tool and screen should be able to reduce data gathering time and allow our CSRs to address more trouble tickets in a given day." (Vice President of Customer Support)
Operational premise:	Number of CSRs = 60 Average time to gather customer information = 25 minutes Number of tickets generated for each CSR per day = 30-45
Fiscal premise:	Average yearly burdened cost of CSR = $60,000 Average of 10 tickets per CSR per day Cost per ticket = $25
CRM improvement assumptions:	• A CRM system than includes dynamic customer profile screen pops can reduce data gathering time and present pertinent customer information at the point of interaction. • Reducing data gathering time will impact the overall ticketing process. (Every 15 minutes saved means a 31% improvement.) • Productivity gains will reduce backlog
Related applications/systems:	Customer profiling
Quantified impact:	(see table below)
Soft Benefits:	Reduced trouble ticket response times Improved customer satisfaction levels Improved employee satisfaction levels

# of CSRs	Tickets	Staff cost per year	Time gain	$ Impact
10	100	$600,000	31%	$186,000
30	300	$1,800,000	31%	$558,000
60	600	$3,600,000	31%	$1,116,000

In cases of a true enterprise CRM opportunity, several such forms are completed and then compared. The highest-impact CRM opportunity inevitably rises to the top, becoming the first official CRM project within the CRM program.

Here's another CRM measurement form completed for the same company, this time for marketing:

Problem Statement:	The company's marketing process is too darn long.
Sample problem quantification:	It takes up to 6 weeks to identify a campaign target audience—using experienced data analysts. We'd like this to take days, or even hours with marketing staff with

<table>
<tr><td></td><td>minimal assistance from IT.</td></tr>
<tr><td>Improvement quote:</td><td>“By reducing the time needed to identify a campaign’s target audience, we could double or even triple the number of campaigns we deploy, while further delimiting our target segments.” (Director of Segment Marketing)</td></tr>
<tr><td>Operational premise:</td><td>Right now, for every 3 marketing campaign managers, we need 1 data analyst and 1 IT query support staff member to run queries.</td></tr>
<tr><td>Fiscal premise:</td><td>Each campaign manager requires two support staff members:
Average yearly cost of 1 data analyst = $130,000
Average yearly cost of 1 IT resource = $130,000
Number of campaign managers in marketing = 30</td></tr>
<tr><td>CRM improvement assumptions:</td><td>Campaign managers will migrate to using desktop CRM analysis and will need to be educated on its use
Campaign managers will evolve from project managers to “knowledge workers”
The projected cost savings will occur via the reduction of data analysis and IT support staff
Productivity gains will increase the number and effectiveness of campaigns by a minimum of 20%</td></tr>
<tr><td>Quantified impact:</td><td><table>
<tr><td># of campaign managers</td><td># of support staff</td><td>Projected staff savings (n* $150K)</td></tr>
<tr><td>10</td><td>6</td><td>$900,000</td></tr>
<tr><td>25</td><td>16</td><td>$2,400,000</td></tr>
<tr><td>40</td><td>26</td><td>$3,900,000</td></tr>
</table></td></tr>
<tr><td>Soft Benefits:</td><td>Through the increased productivity, the company can either increase the number of campaigns and thus the effectiveness of each individual campaign, in turn increasing revenues. Alternatively, the company can simply decrease the number of campaign managers while deploying the same number of campaigns.</td></tr>
</table>

In the event that several of these forms can be completed for each of your company’s CRM applications, they can be collected and prioritized, then published in a physical or on-line document to serve as a living CRM roadmap.

A good example of CRM ROI is SBC Communications. According to *CIO* magazine, SBC’s EASE (Easy Access Sales Environment), an on-line tool to help CSRs and telemarketers, cost $34.2 million. The tool helped sales reps access product information faster and have more information about customers, allowing an increase in call volume and a simultaneous decrease in call duration and improved order accuracy. All told, the estimated ROI for EASE was reported to be $483.6 million.[2]

An important note on ROI financials if you'll be asked to justify CRM to a Chief Financial Officer or corporate accountant: I had the pleasure of explaining CRM ROI to a finance director who raised the question of the time value of money. Was CRM worth more than the time value of money? This manager's question implied that his company would either invest in CRM or put the money into some interest-bearing checking account—which wasn't the case. In fact, cost justifying a CRM program for most companies assumes that the allocated budget money will go either to CRM or to another proposed project of a similar or higher priority. The goal is to make a case for the value of CRM versus other potential corporate programs. While it may be worthwhile to examine the time value of money if your choice is either to implement CRM or to purchase real estate for a new brick-and-mortar store, the majority of companies considering CRM are going to spend their money on a project. The issue is where to get the most bang for their budget buck.

Another cost to consider when justifying CRM is the cost of delaying the decision to move forward. For instance, in one comprehensive CRM business case, one client of mine included a section citing the opportunity costs of delaying CRM:

- The cost of lost marketing opportunities, including:
    - Cost of lost customers due to competitive marketing events
    - Reduced effectiveness of new products due to lack of market understanding
    - Continued increase of marketing costs due to poorly-focused campaigns and/or oversized target audiences
- Costs of continuing the support of stovepipe database systems
- Loss of staff skills and experience (due to staff redeployment)
- Lost IT resource and subject matter expertise due to normal staff attrition rates
- Reduced customer loyalty and perception due to the inability to enhance the customer's relationship experience

In fact many companies that undertake CRM are measuring their successes not based on return on investment, but return on *relationship* (ROR). Return on relationship infers the ability to compare the before-and-after affects of CRM on customer value and loyalty. Have customers in the mid-tier sector migrated upwards in value? Have customers we've been "willing to lose" actually become more profitable since CRM was established? Has a low-value customer referred high-value customers to the company, thus contributing even more revenue than if he had spent that money himself?

[2] "SBC Goes Coast to Coast with EASE," CIO, February 1, 2001.

Measuring ROR can be subjective, but can provide a company with the ability to identify which components of CRM, be they changes in business processes or more targeted communications, improve customer relationships, and which customers seem to be most responsive to new customer-focused business actions. Then the company can formalize what's working, and tune what's not.

A final word on CRM ROI: If your company is adopting CRM because of the cost savings it promises, beware. With the escalating complexity and pricing of many CRM products, seeing return on investment may take a few years. The real justification for CRM goes back to improving your customers' experience with your company, humanizing this experience, and making it easier to do business with you. CRM is about managing and monitoring your customer relationships and increasing their value. It's about motivating customers to tell their friends to buy your products. Yes, these too can result in revenue down the line. But when a good customer is just a mouse-click away, delaying CRM can be risky.

Understanding Business Processes

You probably already intuitively know the area in which CRM will generate the biggest return. But do you want to automate or improve an existing process? Is there even a process to begin with? Every successful CRM program involves a process improvement of some kind. What will yours be?

CRM was initially designed to help solve tactical, customer-facing business problems. (Only after the resulting data promised new strategic improvements did analytical CRM become the darling of analysts and futurists.) The common denominator of CRM-related business processes is that they should be designed around the customer's perspective with the ultimate goal of improving the customer's experience.

BPR Redux: Modeling Customer Interactions

One could argue that the days of business process reengineering (BPR), when companies re-designed their core processes to drive new levels of efficiency, are back with CRM. CRM usually begins with a definitive business question, for instance: How should we treat valuable customers when they request a room at a hotel that's full? The business question implies improved customer-focused processes that can in turn be automated with technology.

Such business questions were on the mind of a major hotel chain's CEO in early 2001. The CEO had recently been given several competitive reports indicating that the hotel's chief competitor was getting the majority of its "overflow" guests. Trouble was, many of these guests had stayed 100 or more nights with this chain. They were not only important, they were profitable. A query to the hotel chain's data warehouse indicated that while these frequent guests only accounted for 8 percent of the company's customers, they were responsible for 40 percent of its profits.

The hotel chain had heretofore been more "property centric" than customer centric. But it now recognized the value of ensuring that these high-value customers remained loyal. In the past this had meant giving generous room upgrades to high-value guests when they checked in, and in-room "welcome kits" that included free snacks and toiletries. However, these perks only worked when the customer had already secured a reservation.

In order to understand how to treat its best customers better, the hotel chain first mapped out its existing customer interaction process, which looked the illustration in figure 7-6.

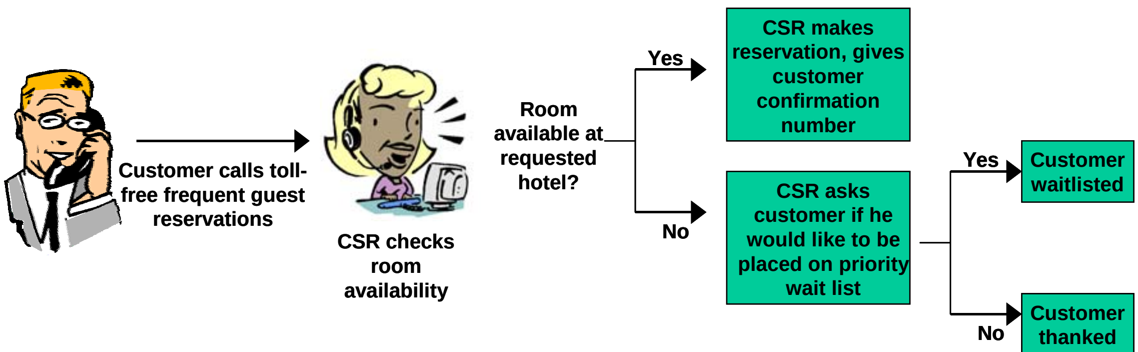

Figure 7-7: The Traditional Customer-Facing Process

The good news was that the hotel company was already differentiating its high-value customers—one of the main tenets of CRM. Frequent guest card holders had their own toll-free number which directed them to call center agents who had been trained to take their time when dealing with high-value guests.

The bad news was that if the customer needed the room right away, he was normally unwilling to risk being waitlisted and would simply call a competing hotel chain. The company's data warehouse verified that of all frequent guests being refused reservations on their first attempt, only 24 percent agreed to be placed on a waitlist, and a mere 11 percent actually ended up staying at one of the chain's properties.

With competition in the hospitality industry heating up, the hotel chain decided to take the concept of customer differentiation a few steps further. This meant adopting new policies for frequent guest reservations, including:

- Supporting multi-channel reservations, including telephone, fax, and web
- Creating a special reservations Web site for frequent guests

- Having the system track properties in proximity to one another, so that CSRs could suggest alternative hotels in the same chain
- "Advanced blocking" a greater number of rooms for valuable customers at high-demand hotels

The resulting frequent guest reservations policies dictated a more specialized reservations process that looked like the one illustrated in figure 7-7.

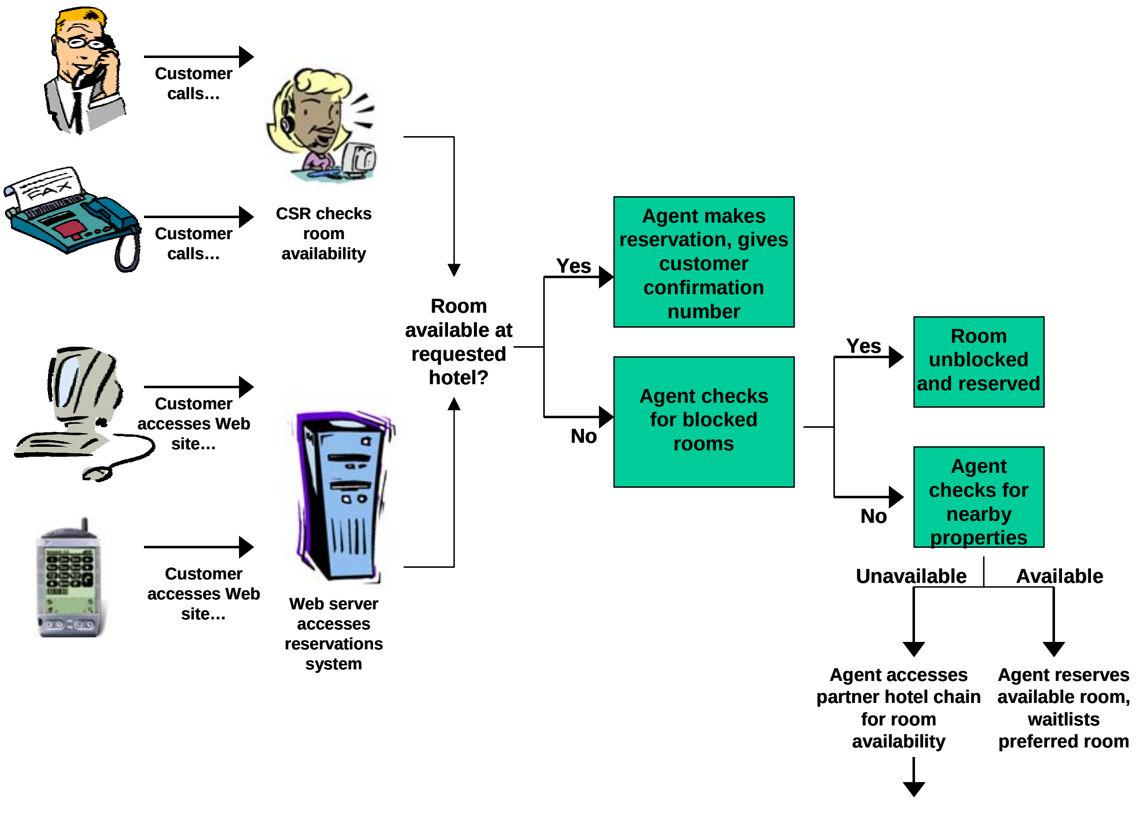

Figure 7-8: The New Customer-Focused Business Process

Notice that the new process has not only been rendered more involved, much of it has been automated, making it easier for the customer to communicate with the company. The rule of modeling customer interactions is that every interaction, be it incoming or outgoing, should have the potential to improve the customer's experience. By offering its valuable customers a choice of media for making reservations, the hotel effectively provided more value to the customer.

The "agent" referred to in the example may either be a human CSR in customer support or a cyberagent interacting with the hotel chain's reservation system, as well as those of its partner hotels (who reimburse the hotel chain with a referral fee). As we discussed in chapter 2, the use of cyberagents to automate decision-making and accelerate previously manual processes is another effective way to speed up workflow. In fact, the term “workflow” is used in CRM to refer to automated business processes. Many CRM products feature “workflow management” components in order to automate processes such as campaign management or customer troubleshooting.

This hotel chain knew it needed to implement both operational and analytical CRM. The chain’s customer support department understood the business need, and even knew where it wanted to begin. Customer support specialists and business analysts mapped out the new reservations process, focusing on the various customer touchpoints to ensure that each individual interaction represented an improvement over the traditional process.

But in this case the whole was greater than the sum of its parts. It was a “soft” benefit of CRM that ultimately delivered the biggest payback: The hotel chain was also able to increase its brand loyalty. High-value customers gradually realized that by calling the chain’s frequent-guest reservations line that the likelihood of getting a room, even if it wasn’t in a first-choice property, was higher than before, and much higher than calling a competing chain. Customers no longer had to waste time calling around to different hotels because the CSR had become more than just a reservation agent: She was now a customer advocate. Customers were becoming more and more comfortable that, by the end of their contact with the chain, they would have a room in their requested city. The new CRM process had increased these high value customers’ brand loyalty, and their likelihood of calling again.

Analyzing Your Business Processes

If you have documented internal processes already, and these processes are customer-focused, then you’re way ahead of the game. More often than not, existing business processes need fine-tuning before they’re implemented as part of a CRM program, putting a new spin on BPR, as the hotel chain in the above example did. Sometimes, existing business processed should be entirely obliterated and a company should start from scratch. Avoid clinging to your traditional customer interactions just because they’ve worked in the past. (In such cases, forget the term reengineering; think invention.)

If you don’t have documented processes, or if your processes need overhauling, ask the following question for each customer-facing business activity or process involved in each CRM requirement:

- Is the tangible result of the process (e.g., a purchase order or return authorization number) seen or experienced by the customer?
- Is there an opportunity to gather more customer data at discrete touchpoints in the process?

- Does each interaction demonstrate value to the customer?
- Does any interaction waste the customer's time?
- Does this process improve our ability to see this customer as an individual?
- Is there an opportunity to impress the customer or personalize the interaction at discrete customer touchpoints?
- Can we include exception handling to ensure accurate service and personalize interactions?
- Can this process be improved or even eliminated for high-value customers? What about for the mid-value tier?

If you don't know the answer to two or more of these questions, it's a good idea to take the time to map out new or existing processes and identify areas that can deliver an improved customer experience and tighter time frames.

In addition, try looking at your business processes from an organizational perspective. While most process planning activities neglect this step, answers to questions like those listed below can result in even more highly refined processes, and can pinpoint opportunities to improve your overall infrastructure:

- For a given customer-facing business process, how many departments are involved?
- How many actual staff members touch in each process?
- What data is transferred between organizations, and how much?
- Does the information being shared change as it goes through the process? How often?
- Do the organizations involved in each business process agree on business rules and common terminology?

When designing and documenting new business processes, it's helpful to understand not only the customer's view of the process, but its inherent complexity. A customer's potential delight at a new, Web-based order process won't matter much if the process itself is too cumbersome to program and integrate with existing systems.

Many process design teams get caught up in modeling conventions and documentation tools. If you have such tools in-house and the expertise is handy, having an on-line process library allows the company to maintain a history of customer-focused improvements over time. Such a library can be part of a corporate wide knowledge management system, and can be used for a variety of purposes. Business analysts can access outdated processes to provide CRM stakeholders with graphical illustrations of before and after processes during requirements gathering. Developers and programmers can use the models to ensure that the CRM system mirrors the process vision.

However, the main goal of business process modeling for CRM is to improve traditional or broken processes in order to enhance customer interactions. If you need to initially document processes on a white board rather than waiting to install the latest graphical modeling tool, do so. The convention is not as important as the result. With all process modeling activities, the objective should be to model and refine the optimal customer experience.

Business processes that span multiple departments will not only be more difficult to document, consensus will need to be built. This adds time. Bite the bullet: Document business processes before or in parallel with the rest of your CRM planning so that when it comes time to choose a CRM product you'll already know what tactical improvements you can expect.

Speaking of technology selection, it's important to note that the hotel chain featured in the above case study had not yet chosen a CRM product. Indeed, understanding the requirements for CRM and making the business case for a comprehensive new program both need to occur before choosing any CRM product. This way, the technology is sure to match the requirements and not the other way around.

Case Study: Verizon

Summary: Intimidated by the thought of planning an ambitious enterprise CRM program? Imagine planning it for two merging Fortune 25 companies and enhancing your company's customer focus—as well as its new brand.

For someone in the throes of delivering enterprise CRM, Beth Leonard is awfully calm. A former management consultant and a telephone industry veteran, Leonard has seen her share of corporate-wide programs slated to improve the bottom line. Now Vice President of Database Marketing for Verizon Communications, Leonard may have finally found the project that puts her formidable experience to the test.

Starting just another CRM project would have been too easy for Leonard, whose first challenge was to get a grasp of the CRM-related projects that were already underway within the two merging companies and moreover, to establish consensus on CRM's purpose.

What They Did:

Wisely, Leonard banished any hopes of the two companies' disparate systems seamlessly interconnecting around a common CRM strategy. "Both GTE and Bell Atlantic had decent CRM visions, " she recalls, "and each company had done a lot of self-education. Unfortunately, GTE was beholden to an outdated technology platform that wouldn't perform for the long haul." In comparison, Bell Atlantic had a different set of problems, namely its surfeit of single-purpose, application-centric systems. While most of these delivered value, there was no organized way of connecting the dots. Moreover, some executives were beginning to question the value and sustainability of CRM initiatives, proclaiming it too costly and not sustainable.

Leonard realized that in order for the newly formed company to launch a successful CRM program it would have to begin at the beginning—and ground zero was the organization. This meant not only shifting from a product focus to a customer focus, but also instilling a new sense of cultural urgency about CRM's competitive promise. She made up her mind to craft a CRM roadmap, consciously deciding to "go for broke" and launch a bona-fide, business-driven CRM program.

One of Leonard's first steps was to establish a pilot program in order to, as she puts it, "practice and learn." Beginning with the organization, she established a CRM Steering Committee, comprised of executives from Verizon's various business units. Buy-in was swift, as was the subsequent assignment of a CRM Core Team, a cross-functional group of managers who would help define CRM delivery capabilities. "By consciously crafting CRM job responsibilities, we were ensuring customer focus across all channels," she explains, "not only so we'd have a single view of our customers, but so they'd have a single view of us."

The CRM Core Team's first step was to understand customer interactions. A series of scenarios was developed, depicting how customers move through the organization. Once the customer-focused processes were well understood, the team stepped back and made the customer the design point. This triggered changes in customer interactions at various customer touchpoints and encouraged the team to consider improvements, for instance, providing a different level of service for high-value customers.

The team also spent time ensuring that business users across the company became, as Leonard puts it, "violently aligned" around a common CRM vision. "CRM is a strategy, not a technology," Leonard maintains. Core Team members and their staffs subsequently began taking inventory of all CRM-related initiatives across Verizon, correlating them and integrating them where appropriate. "We needed to stop wasting money on duplicate yet disconnected efforts that ultimately clouded the CRM landscape," she explains. "They were keeping us off-balance in terms of focus and assessing sustainable success. And, more importantly, they were confusing our customers."

But CRM planning didn't only focus on processes. Leonard and her team realized that CRM required a building-block approach to implementation, and this required a solid technology foundation. Leonard advocated the creation of a solid data foundation in the form of a corporate data warehouse, which would serve as the core CRM platform:

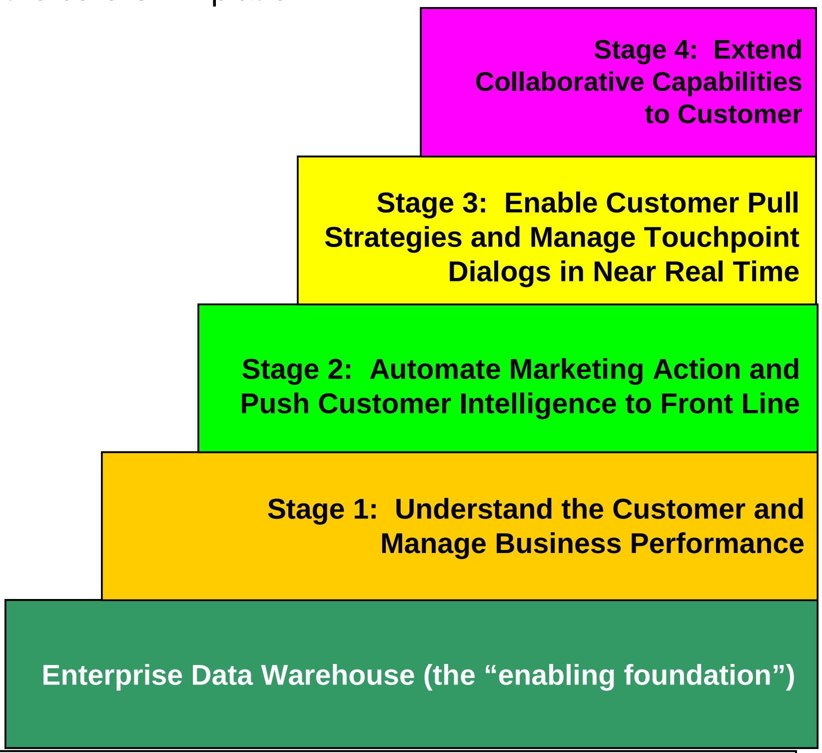

Figure 9: CRM at Verizon: Iterative, Evolutionary, and Multi-Tiered (Courtesy of Verizon Communications, Inc.)

Once the data warehouse was up and running, the company could then periodically supplement its data with various data subject areas from both internal and external data sources, at each stage delivering enhanced CRM functionality.

The Challenges:

Leonard's challenges were more cultural and organizational than tactical. She cites the need for gathering consensus around CRM's value as a major hurdle, and one she's gratified to have overcome. She also charges various product vendors and consultants with glibly promising unrealistic "quick wins" at the expense of the planning and rigor that were ultimately crucial to instilling the corporate consciousness of CRM as a true enterprise program. "CRM, if done right, is not simple," Leonard declares.

Other challenges, such as harnessing individual proclivity for building single-purpose, single-user systems, are ongoing. Moreover, the complexity of erecting enterprise CRM in a high-profile public company means unremitting pressure from the financial community with its push for immediate ROI.

Good Advice:

Leonard emphasizes that amidst the cumbersome analyst reports and complex systems comparisons, her team remained mindful of the customer's perception, as well as and her company's strategic direction. "Understanding how we want to be perceived as a company has major implications on how we approach CRM," she says. "We build our CRM model to emphasize our brand and reinforce our image." Indeed, the linkage between the company's CRM direction and its brand is a top priority.

Far from hopping onto the crowded CRM bandwagon because of its current popularity, Verizon Communications has embraced enterprise CRM for a series of captivating and overarching strategic reasons. At Verizon CRM thinking begins strategically, then subsequently drives planning and development. Leonard suggests obtaining solid answers to the following enduring questions:

- Who are we as a company?
- Who are our customers? Who are ones we want to interact with individually, and who are the ones we can mass-communicate with?
- How do we want to structure our CRM portfolio around these customer groupings?
- What are our delivery channels and touchpoints?
- How do we form a collaborative relationship with our customers, so that the benefits exceed the risk of leaving?

"I want a portfolio of tactics that I can mix and match depending on the customer, event, situation, cost versus benefit, and availability of internal resources—as in the number of service reps who might be available to handle a new product rollout, " Leonard insists. While it supports the company's brand image, the CRM mantra at Verizon is refreshingly tactical: "Integration, reusability, and cross-functionality."

Where should a company start? Leonard's background in strategic planning has served her well, and she insists that building a CRM roadmap is an indispensable step, and internal communication is crucial. When positioning CRM to her management, Leonard admits, "I told them it wasn't quick, it wasn't easy, and it wasn't cheap. I told them they couldn't go out and just 'buy CRM.'"

The Golden Nugget:

Unlike many of her executive counterparts at other communications firms, Leonard has foregone the operational CRM solutions offered by vendors who tend to focus on discrete functionality, favoring a more deliberate and structured approach of gradual and rigorous CRM deployment. In addition to being more sustainable, Verizon's CRM program is designed around improving the customer's experience while bolstering the company's brand image. The CRM team carefully aligned its program around a key strategic requirement: A consistent customer message.

"We need to remember our brand," Leonard explains. "Is the experience we're providing our customers consistent with that brand? With our image?" Leonard cites one of Verizon's advertising slogans: *Advanced Simplicity*. "Do our tactics support this tag line?" she asks, by way of explaining how the brand image comes full circle. "Our customers receiving a different piece of mail every week from a different business unit with a different offer is not simple."

And that means more than just technology; it means a holistic approach to business change. "Technology's just an enabler," Beth Leonard asserts, adding, "Those trite little diagrams that talk about 'people, process, and technology' are actually true. CRM involves all three. And it can absolutely reinvent the entire enterprise."

A CRM Readiness Checklist for Success

Okay, so you have a vision. And you're well on your way with your CRM business plan, and you can even itemize the financial benefits CRM will deliver. But are you really ready?

Table 7-5 represents a CRM Readiness Checklist that's based on the one my company uses in its assessment projects. It poses a number of important questions that will allow you to score your CRM readiness and make the necessary improvements so that your project can hit the ground running. Notice that many of the considerations involve culture as well as existing infrastructure.

Table 7-5: CRM Readiness Evaluation Metrics

	Factor	Explanation
1	Targeted business users display an understanding of CRM and accompanying benefits.	Are the business people slated to use CRM once it's deployed aware of its intended improvements? (A bonus: Are they enthusiastic about them?)
2	Management displays an understanding of CRM and accompanying benefits.	Executives must not only understand what CRM means, they should understand its value proposition and be able to articulate it consistently. They should also understand which corporate objectives depend on CRM.
3	CRM application opportunities are identifiable.	The business area(s) most in need of CRM should be identified, along with the projected deliverables.
4	A business sponsor exists for each discrete CRM opportunity.	Staff members in the trenches, irrespective of their need for more customer intelligence, aren't

		enough. There should be someone in management lobbying for CRM, willing to tie his goals to CRM, and even willing to fund it.
5	Obvious stakeholdership (subject matter expertise, targeted end-users) for each discrete CRM opportunity.	Are there other people within each candidate business unit who will support or help deliver a CRM project? Are these people in the majority?
6	Client has expressed need of market differentiation or similar strategic objective.	Management should be able to tie CRM and its benefits back to the company's competitive goals, and understand how CRM can help to differentiate customers.
7	Communicated strategic initiatives can be supported by CRM.	If the company has a list of strategic objectives, those objectives should be customer focused, and thus supported by CRM.
8	Stakeholders can articulate projected CRM benefits for each discrete opportunity.	Business sponsors or management should be able to describe the tactical business improvements that can be delivered by CRM.
9	Stated opportunities can be improved with customer-related data.	The CRM opportunities being discussed must be able to be supported and/or improved with clear, consolidated customer data. (In other words, process improvements aren't enough.)
10	Projected data sources highly regarded for data accuracy and integrity.	Where will the customer profiles and segments originate? If those systems aren't trustworthy, no one will trust the ultimate CRM application(s).
11	Cross-functional customer data exists in a data warehouse or centralized database.	A data warehouse containing consolidated customer information from around the company will jump-start any CRM program, as well as decreasing the infrastructure costs.
12	Different organizations currently share a cross-section of information requirements.	Has data sharing been institutionalized already with other systems? This is a positive sign, particularly if the initial CRM project evolves toward enterprise CRM.
13	The client is already engaging in some sort of customer differentiation or segmentation.	If customer segments are already being identified, then there is an understanding of customer differentiation, which makes CRM much more culturally palatable. In addition, certain existing segmentation or analysis process might be leverage-able.
14	Questions of data ownership across the company are either non-existent or easily resolved.	Are specific organizations willing to share their data with the rest of the company? Is management willing to enforce this? Missing pieces of the customer puzzle could jeopardize an entire CRM program.
15	There is agreement between business units and IT staff relative to CRM ownership boundaries.	The extent to which one organization wants to "own" CRM is the extent to which politics will get in the way of productivity. There should be firm boundaries for who does what.
16	Executive management has expressed commitment to fund	Executives should understand not only that CRM involves a significant investment, but that

	CRM-related activities.	additional funding dollars might need to be reserved.
17	Client agrees to modify business processes as a result of CRM.	Access to complete customer data should trigger business efficiencies.
18	Willingness to sustain organizational impact of CRM (e.g. reorganization, additional staffing, etc.)	Management should be aware that, along with more data and process changes, job roles might change and new skills needed.
19	A general understanding of requirements-driven development among both business and IT stakeholders.	Successful CRM projects are "top down," meaning that they are driven by business need. Once understood, business requirements and their relative impact should drive CRM implementation priorities.
20	Management is willing to empower key customer-facing staff based on increased information and improved processes.	If employees like sales people and CSRs have more information, it follows that they can be more self-directed. Accountability should be maintained as employees are given more freedom, the focus being on the ultimate improvements in customer satisfaction and revenues.
21	Management is willing to implement incentives or modify employee compensation to encourage CRM adoption.	Staff members who readily adopt CRM technologies and processes, and who participate in their ongoing improvement, should be rewarded. Staff members who refuse to adopt these improvements can be considered "saboteurs"—penalize them.
22	There have been no decisions about potential CRM technology solutions.	Beware the tail that wags the dog: Are stakeholders communicating CRM requirements based on a product demo or sales pitch? Assumptions about specific technologies can risk overspending on CRM.
23	There is an understanding among the business sponsors and stakeholders of the differences between CRM and other programs (such as business intelligence, ERP, or data warehousing).	Even the most astute managers lump CRM together with data warehousing and other key business solutions that involve information technology. While CRM technology may very well connect with these systems, CRM should be planned and funded separately from other initiatives.
24	IT staffing infrastructure in place to support CRM.	While it may leverage skill sets and knowledge from other IT areas, CRM should be planned as a discrete IT activity with dedicated implementation staff.
25	There is consensus that CRM is a process, and not a one-time-only activity.	Like other large corporate initiatives, CRM is an ongoing process that grows and improves over time.
26	There is an understanding among business and IT stakeholders that CRM requires ongoing budget to support ongoing development and	Because CRM is a process, it requires ongoing budget. Beware the lump sum CRM allocation…it probably won't cover all necessary CRM functionality.

	maintenance.	

Part of the readiness assessment activity involves weighting to specific factors in the evaluation based on the results of the interviews conducted. (For example, if upper management is advocating an enterprise CRM initiative, then the existence of cross-functional customer data would receive a higher weighting.)

Regardless of weighting, you can gauge your CRM readiness using the following rating scale:

4: This statement is **very descriptive** of our environment
3: This statement is **largely descriptive** of our environment
2: This statement is **partially descriptive** of our environment
1: This statement is **not at all descriptive** of our environment

For example, table 7-6 shows how a specialty retail client scored on the assessment, and how to interpret its score:

1	Targeted business users display an understanding of CRM and accompanying benefits.	1	2	3	4
2	Management displays an understanding of CRM and accompanying benefits.	1	2	3	4
3	CRM application opportunities are identifiable.	1	2	3	4
4	A business sponsor exists for each discrete CRM opportunity.	1	2	3	4
5	Obvious stakeholdership (subject matter expertise, targeted end-users) for each discrete CRM opportunity.	1	2	3	4
6	Client has expressed need of market differentiation or similar strategic objective.	1	2	3	4
7	Communicated strategic initiatives can be supported by CRM.	1	2	3	4
8	Stakeholders can articulate projected CRM benefits for each discrete opportunity.	1	2	3	4
9	Stated opportunities can be improved with customer-related data.	1	2	3	4
10	Projected data sources highly regarded for data accuracy and integrity.	1	2	3	4
11	Cross-functional customer data exists in a data warehouse or centralized database.	1	2	3	4
12	Different organizations currently share a cross-section of information requirements.	1	2	3	4
13	The client is already engaging in some sort of customer differentiation or segmentation.	1	2	3	4
14	Questions of data ownership across the company are either non-existent or easily resolved.	1	2	3	4

15	There is agreement between business units and IT staff relative to CRM ownership boundaries.	1	2	**3**	4
16	Executive management has expressed commitment to fund CRM-related activities.	1	2	3	4
17	Client agrees to modify business processes as a result of CRM.	1	2	3	4
18	Willingness to sustain organizational impact of CRM (e.g. reorganization, additional staffing, etc.)	1	2	3	4
19	A general understanding of requirements-driven development among both business and IT stakeholders.	1	2	3	4
20	Management is willing to empower key customer-facing staff based on increased information and improved processes.	1	2	3	4
21	Management is willing to implement incentives or modify employee compensation to encourage CRM adoption.	1	2	3	4
22	There have been no decisions about potential CRM technology solutions.	1	2	3	4
23	There is an understanding among the business sponsors and stakeholders of the differences between CRM and other programs (such as business intelligence, ERP, or data warehousing).	1	2	3	4
24	IT staffing infrastructure in place to support CRM.	1	2	3	4
25	There is consensus that CRM is a process, and not a one-time-only activity.	1	2	3	4
26	There is an understanding among business and IT stakeholders that CRM requires ongoing budget to support ongoing development and maintenance.	1	2	3	4
	Total Readiness Score: **76**				

You can now interpret the results using the following scoring metrics:

- 104-85: Suggests that your organization is ready to begin implementing a CRM project with minimal infrastructure enhancement and confident of a high degree of sponsorship.

- 84-73: Suggests that your organization should solidify its infrastructure, skill sets, and expectations but should expect to launch a CRM project in the near future. Planning should begin for a proof-of-concept.

- 72-50: Suggests that your organization should refrain from embarking on CRM until the technology infrastructure, data ownership, or cultural and political issues are resolved. Sponsorship should be cemented and staffing enhanced at this time.

- 49 or below: Your organization has not expressed a firm business justification for CRM, or must perform a major overhaul of its staffing and/or systems. Another readiness assessment should occur once the identified improvements have been made.

The Manager's Bottom Line

The executive who expects CRM for its own sake to generate significant returns is the executive bargaining for disappointment—and most likely less budget money next year. A successful CRM program not only changes the way a company deals with its customers, it changes the way customers deal with the company. The willingness to change processes and staff responsibilities is a key component of this success. A triumphant CRM program isn't so much *delivered* as it is *earned*.

Companies should be prepared for post-facto organizational changes that supplement CRM. As we discussed in this chapter, CRM done right means changes in business processes. This in turn touches people's job functions and might even eliminate certain work due to accompanying efficiencies. For instance, the CSR who can now cross-sell products and services while the customer is on the phone is no longer just an order-taker. The field service rep who returns to the office each night to complete manual reports of the day's activities can now go directly home to dinner, having relayed that information from her handheld unit. The salesperson accustomed to darting from one meeting to another is now accountable for his customers' information. As we discussed in chapter 4, this often means changes to compensation and bonus plans as well as job descriptions.

Establish the measurements now. Do you expect CRM to result in an uplift in cross-selling rates? Do you want to see a surge in positive customer feedback? The CRM goals you establish in the planning stage should become the CRM metrics that you reevaluate once CRM has been deployed (as chapter 9 will illustrate). Regardless of what the goal is, establish clear metrics for how it can be achieved and know that business requirements can be refined over time, thus their measurements are fluid. Once you've established your CRM success metrics, expect to adjust and refine them as your business changes.

The CRM business sponsor is a big part of the CRM equation. After all, there will be a lot of people with ideas about what CRM should do, but there will be far fewer who can ensure that those ideas get executed. Not only will the CRM executive sponsor establish clear success metrics, he'll be responsible for ensuring that these metrics remain top-of-mind during development. The executive sponsor may or may not fund CRM, but will have the authority and breadth to see to it that CRM's objectives are achieved. Patricia Seybold, author of the acclaimed book *Customers.com* and *The Customer Revolution*, insists that the single factor that best predicts the success of an e-business project is "…a high level executive who's responsible for your branded customer experience."[3]

Have you noticed that I've been using the term "program" instead of "project?" While this could be a simple semantic shift in your company, many companies differentiate the two. A "project" implies fixed activity with clear objectives, and established beginning and end dates. A "program" on the other hand is a complex set of goals and objectives that is institutionalized and ongoing, involving several or many projects within it (remember the Apollo space program?). Sometimes the differences are fuzzy. But more often than not, corporate "programs" receive a greater degree of executive support, better staff resources, larger budget allocations, and a higher level of visibility.

Here's hoping that CRM is indeed a program at your company.

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[3] Patricia B. Seybold interviewed in *CIO* magazine, November 15, 2000.

