

8

Apply the Power of CRM to Build Customer Loyalty

A shift in customer retention of as little as 5 percentage points seems to account for more than a 20 percent improvement in productivity, which in certain industries can increase profit by 50 to 100 percent.

—Frederick Reichheld, Bain & Company¹

WHAT YOU'LL LEARN IN THIS CHAPTER

- Customer relationship management (CRM) uses automation to align business processes with customer strategies in order to increase profits.
- CRM is a key initiative in building customer loyalty.
- Typical components of a CRM solution include databases and system integration technology.
- Successful CRM deployment requires a five-step process.
- CRM is no substitute for the human touch.

THE WAY IT IS: MITSUBISHI SEES EFFICIENCY GAINS²

The Mitsubishi case study that follows was abridged from a longer narrative developed by Siebel Systems, Inc. The story sets the stage for our exploration of CRM in the enterprise.

"Mitsubishi Motors North America, Inc. (MMNA) is the exclusive U.S. distributor for Tokyo-based Mitsubishi Motors Corporation, offering American motorists a full line of passenger cars and sport-utility vehicles. It employs more than 1,100 people at its Cypress, California, headquarters."

Until recently, MMNA's success as one of the fastest-growing Japanese automotive brands in America had been impeded by a technology infrastructure that tracked individual transactions rather than customers. Rebecca Caldera, the company's project development manager, explains: "We associated customers with individual purchases and individual finance accounts. If someone had purchased three cars from us, we couldn't see that. The information was siloed [stored in separate places], so we couldn't see how a customer relationship might evolve over time. Since we wanted to retain customers over a lifetime, we needed to consolidate sales and finance information to gain a 360-degree view of each vehicle buyer."

To accomplish this consolidation, MMNA sought a **customer relationship management (CRM)** solution that was functionally rich and customer focused and that could be efficiently rolled out in stages as the company's plans evolved. After determining that the quickest opportunity for improved customer knowledge lay in its call center operations, MMNA began deploying Siebel Call Center, a software application designed to coordinate all customer touch points.

Installation went smoothly, yielding significant efficiency gains. According to Rich Donnelson, director of customer relations, "Mitsubishi's service level has improved by 32 percent, our cost per call has dropped 25 percent, and our abandoned call rate has dropped to less than 2 percent. That generates an extraordinary level of satisfaction for our customers and our organization."

MMNA call center agents themselves are also satisfied. Before the roll-out, agents had been forced to navigate among an average of 11 screens per call to resolve a customer's problem. With the current system, relying on the Siebel summary screen as their dashboard, agents simply drill down into applets for additional information, making the agents more productive—and more confident in their roles.

MAKING SENSE OF CRM

At a recent roundtable conference with executives from 15 leading CRM solution providers, Gerhard Gschwandtner, publisher of *Selling Power* CRM magazine, asked what seemed to him an innocent question: "What is your

definition of CRM?” To his surprise, each roundtable participant gave a different answer.³ We are not surprised. The acronym CRM has been applied to something as simple as contact management as well as to something as sophisticated as enterprise **interaction management**. Which is it—packaged software to handle sales prospects and leads or an entire system that monitors customer communication at every possible contact point? Neither.

According to the experts at CRMGuru.com, customer relationship management is “a business strategy to select and manage the most valuable customer relationships. CRM requires a **customer-centric business philosophy** and culture to support effective marketing, sales, and service processes. CRM applications can enable effective customer relationship management, provided that an enterprise has the right leadership, strategy, and culture.”⁴ The definition may be a little long, but all the elements are there—*strategy, relationship, processes, and customer centricity*.

Of course, if you’re like us, the shorter the definition, the better. Here’s a one-liner from the *Harvard Business Review*: “CRM aligns *business* processes with customer strategies to build customer loyalty and increase profits over time.”⁵

Notice something interesting in these two definitions? The term “software” is completely missing. The term “technology” isn’t even mentioned. That’s because CRM is not about software—it’s about “creating relationships” (CR) that you want to “cost manage” (CM).

CRM is more than a synonym for technology.

CRM employs technology to facilitate the alignment of business processes with your customer strategy.

What Is a Customer Strategy?

Ever since management guru Peter Drucker proclaimed that “the true business of every company is to make and keep customers,”⁶ corporate management has begun to shift its focus from pushing product to satisfying buyers—but not necessarily satisfying them all equally. Customer centricity does not mean all customers are to be treated the same or that they have the same value to the organization. A successful **customer strategy** involves market segmentation—customers are categorized according to their profit potential. Product and service levels are adjusted accordingly, with the higher-profit customers getting the most attention. For CRM to work, you need to know what business you’re in, which customers you would like to find, which you want to keep, and which you want to lose. (Yes, sometimes we do want to lose a customer—if he or she is not a viable source of profit for the organization.) Then, and only then, are you ready to develop the processes and the infrastructure to support your business and customer strategy.

Your customer strategy defines the types of customers you want to find and keep.

RUDY PARK

BY DARRIN BELL & THERON HEIR



For some, a comprehensive customer view goes a little too far. (RUDY PARK reprinted by permission of United Feature Syndicate, Inc.).

Taking a Comprehensive View

While companies may know exactly who their customers are and how they want to manage a relationship with them, the information needed to foster that relationship may be “siloe’d”—stored in different places and not readily accessible. In the Mitsubishi case cited at the beginning of the chapter, the project development manager bemoaned the fact that data for car purchases and car financing were kept separately. In effect, Mitsubishi’s disparate systems created **information silos**—repositories of unlinked customer data. Without a single, unified view of customer activity, the company had no way of effectively nurturing its customer relationships. Since Mitsubishi is interested in selling both cars and financing, it needed to have both types of data readily available. A comprehensive **360-degree customer view** was needed in order to realize the customer strategy that had already been defined. In this instance, a CRM technology solution made sense. Data consolidation yielded improved service levels and fewer dropped calls, all at a lower cost. Such improvements only strengthen customer loyalty.

CRM VERSUS E-CRM

E-CRM leverages the power of the Web to enhance the customer experience.

What distinguishes customer relationship management from **electronic customer relationship management (e-CRM)**? The “e” in e-CRM stands for Internet-enabled or Web-aware. Traditional CRM products run in-house on corporate mainframes, mini computers, or

desktops. These products are not designed to share data over public networks, nor are they designed to run in the popular Web browsers. They are stand-alone products tied to a specific machine operating system and graphical user environment. E-CRM, on the other hand, leverages the power of the Web to deliver the best possible customer experience. As long as customers or customer service representatives have a browser and an Internet connection, they can use e-CRM products on any computer. E-CRM provides the convenience of the Net, giving customers the “anytime, anywhere” service they have come to expect from e-businesses.

WHAT MAKES UP A CRM SOLUTION?

According to Forrester Research, large corporations can expect to spend anywhere from \$15 million to \$30 million per year on CRM software and services. A typical CRM installation can cost from \$60 million to \$130 million. Phrased another way, the annual cost per customer runs from a low of \$5 for individual consumers to a high of \$6,244 for wholesale customers (business-to-business, or B2B, customers).⁷ What does such a huge investment in a CRM solution buy? Before we get into the specifics, it might help to get an overview of how CRM works.

How CRM Works

Effective CRM solutions create synergy among the business processes involved in customer relationships. For Old Economy firms that haven't migrated to the Internet, the key business processes include sales, marketing, and customer-service activities. For New Economy companies conducting business on the Web, we would add a fourth process—e-commerce. These four processes enable **customer conversations** that allow firms to create and sustain long-term, profitable customer relationships.

Today's customers “converse” with an organization through a variety of channels (see Figure 8.1).⁸ Typical channels include telephone, fax, e-mail, Web site, kiosk, and face-to-face exchanges. Each channel provides a different contact point for customer communication. Conversations through these contact points can be discrete, one-time interactions or continuous, ongoing dialogues. Often the same conversations span several different information systems. With multiple contact points, time frames, and systems, conversation continuity can be disrupted and content lost. Customers get frustrated at having to repeat information, and companies may not have readily available the information that customers need. CRM can help such disruptions by managing every point of contact with the customer.

Customers converse with companies through a variety of channels. CRM manages that interaction.

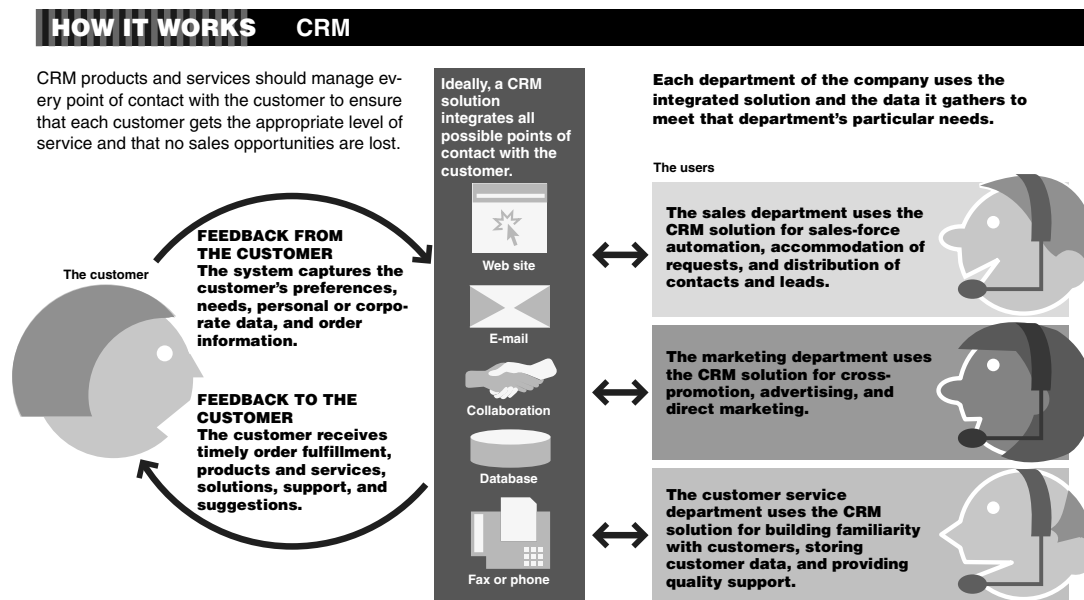


FIGURE 8.1 How CRM works. (Reprinted from *PC Magazine*, July 2000, with permission. Copyright © 2000 Ziff Davis Media Inc. All Rights Reserved.)

Using databases and system integration technology, CRM software captures and consolidates such customer information as:

- Personal data
- Preferences
- Inquiry history
- Order information

The result is a comprehensive and seamless view of the customer. Seamless means that the data work smoothly together without being “patched on.” This integration is no small feat. Complete customer information fosters completed conversations. And completed conversations—interactions that yield closure—produce loyal customers. Customers love “once-and-done” service, wherein one call or visit takes care of their needs or problem. CRM ensures important data is readily at hand so that once-and-done service can happen. Customers avoid the runaround of being transferred from department to department. With CRM solutions, customers receive timely, targeted information regarding their orders; personalized answers to their questions; and individualized suggestions for additional products and services.

CRM, however, isn’t just about the customer side of the customer-company conversation. CRM plays an important role on the company side as well. Key company participants include sales, marketing, customer-

service, and e-commerce functions. Sales, for instance, looks to CRM to provide automated services for the sales force, including ways to manage contacts and leads. Salespeople can keep track of commitments made to current and potential customers, never letting anyone drop between the cracks. Marketing uses CRM for cross-selling (showing existing customers other products that may meet their needs), targeted advertising, and direct, targeted marketing. Customer service relies on CRM to provide superior support and assistance—with all the data needed to fix problems. Finally, e-commerce departments often use CRM as the infrastructure for conducting business on the Web or for expanding their Web presence.

CRM Components and Organizational Interface

CRM is not a single product. CRM solutions are not even a set of software applications. If anything, CRM is a **platform**—a technology foundation for many related services.

CRM solutions from major vendors such as Siebel, Webtone, or PeopleSoft have their own set of **application programming interfaces (APIs)**. Further, these solutions will generally rely on predetermined data models and process work flows. This means that the CRM process being offered by a particular vendor is unique. When a company buys a CRM solution, it is making a commitment to that vendor's development and solution approach. Except for the rare turnkey installation (in which everything works right out of the box), chances are the company will need to customize any CRM solution it buys. Such customization requires access to trained programmers. Once committed to a specific CRM platform, switching to another platform is costly.

Typical Components of a CRM Solution's Architecture

As Figure 8.2 depicts, the central components of a typical CRM architecture, or structure, are **sales support, marketing management, customer support, and e-business infrastructure modules**.⁹ These comprise the core functions directly supporting sales, marketing, customer service, and e-commerce staff. Underpinning these core components are the customer database (facts and information about customers) and the analytical modules (programs that tell the system how to process information). The data repository houses the centralized customer and account information generated through the core CRM applications. The **analytics** component uncovers the customer interaction patterns that help the company personalize the customer experience.

Here is an example of a simple CRM system. A bank interacts with its customers when the customer calls to ask about getting a loan. The customer's account information is typed into the computer and, based on such things as the customer's income level, debt load, and employment record,

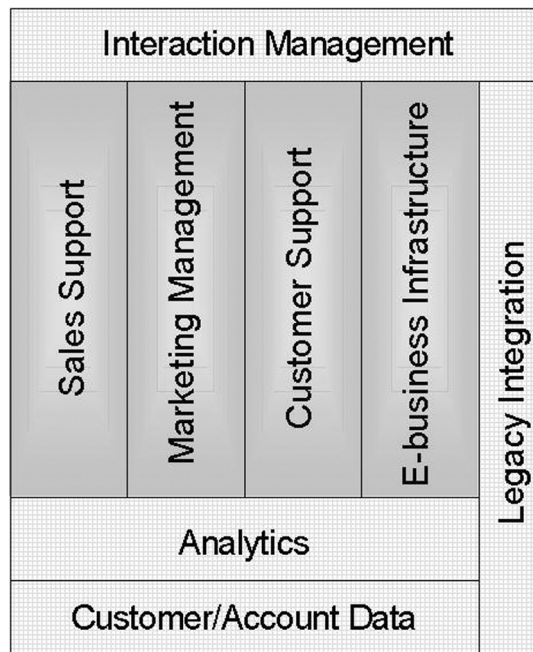


FIGURE 8.2 Components of CRM architecture (adapted from CRMGuru.com)

the CRM system instructs the bank loan officer on how to sell the customer a loan. The system also compiles information about the customer for possible future marketing plans, provides customer support by offering to handle the loan application process over the phone, and directs the customer to the bank's Web site to set up payment options. In this simple example, all the components of the CRM architecture come into play.

In order to build a comprehensive view of the customer, a CRM system often needs to interface with existing organizational systems. The so-called legacy integration component provides tools for extracting relevant customer data from a **customer data repository** and other sources that may be scattered across disparate systems and stored in completely different formats. Inter-system communication can be cumbersome, requiring data translation. In fact, some experts claim that developing legacy integration can account for between 30 and 50 percent of the total cost of a CRM installation.¹⁰ The ability to

CRM architecture is component-based. Key components include the core applications supporting marketing, sales, and customer service.

connect to a variety of **legacy systems** differentiates quality CRM vendors from the rest.

The final component in a typical CRM solution is interaction management. Interaction management enables a customer-service rep to view a customer's entire contact history regardless of the source, be it Web, telephone,

fax, e-mail, or in person. This kind of data can be especially valuable to a company as it plans for future marketing and customer-service functions. A business needs to know how people are contacting it and with what kinds of concerns.

The Nature of CRM Configurations

META Group, a leading information technology research and consulting firm, estimates the market for CRM software will approach \$46 billion by 2003.¹¹ With such a large market at stake, it's no wonder vendors are scrambling to develop CRM offerings or that they are relabeling existing products as CRM solutions. Players include CRM software specialists such as Siebel, database giants such as Oracle, enterprise resource planning (ERP) vendors such as SAP, sales force automation firms such as Maximizer, and conventional contact manager vendors such as Interact. Each of these market participants brings a different perspective, depending on its product's strengths. Technology giant Oracle, for instance, has created a database-centric suite of products for its CRM solution. Its products offer tight integration to other Oracle technology applications but often do not work well with systems of other companies. Interact, on the other hand, has developed ACT!, the popular stand-alone PC-based contact manager, into a partial CRM solution for "SOHO" (small-office, home-office) users. While lacking in sophistication, ACT! is a useful CRM tool.

So CRM product offerings vary by the size of marketing, sales, and service workforces and by the type of industry. Organizations with more than 100 people involved in serving the customer are considered large. Those with 11 to 99 people are medium-size. And those enterprises with 10 or fewer staff in marketing, sales, and service are considered small.¹²

A multifunction enterprise solution is the norm for medium to large enterprises. Such a solution would include, at a minimum, the sales support, marketing management, and customer-service core components linked to a customer/account database. For major industries such as health care and financial services, some vendors offer pre-configured turnkey product suites that run right out of the box. Yet most solutions require some customization and component integration.

CRM at the small to medium-size level isn't always as holistic as CRM for large-scale businesses. Due to cost and complexity considerations, only selected components may be installed. Sales support in the form of contact management may be the only form of CRM in a small business. Such contact management would include maintaining a sales contact database, appointment scheduling, and activity tracking. These applications are usually simple to operate and do not require an information technology department for support. However, the limitations of such packages prevent a business

CRM solutions for a global enterprise are frequently different from those for a small business. Such differences aren't just a matter of scale.

from harnessing the full power of CRM to maximize the customer experience. A better alternative for the small to medium business is “renting.”

Renting a CRM System

Rather than purchase costly CRM solutions that require sophisticated in-house support staff, some savvy small-business owners have opted to rent software from **application service providers (ASPs)**. Companies such as Salesforce.com and Salesnet provide “hosted solutions” for a monthly per-user fee. The CRM software and customer/account repository reside on the host company’s computer. Users access the software through a password-protected Web site. The ASP controls the hardware, administers the network, and manages the software from deploying updates to installing upgrades. No fuss, no muss.

Rented CRM applications level the playing field, giving the small-business owner the same customer relationship tools as the global enterprise—and the same opportunity to create A-plus customer loyalty.

STEPS TO SUCCESSFUL CRM DEPLOYMENT

Suppose your boss walks into your office and asks you how to spell “big bonus.” Before you can finish naming off the letters—b, i, g, b, o, n, u, s—she holds up her hand and says, “Wrong!” “Success,” she assures you, “is spelled CRM.” It’s obvious your boss has just learned the power of CRM. From the look on her face, you can tell she expects you to head up the CRM effort. “As our technical expert,” she says, “I’m counting on you to make CRM happen around here.” How would you respond?

CRM projects fail to meet expectations for a variety of reasons.

If you want to keep your job (and earn that big bonus), you’ll avoid the common mistakes frequently made when deploying CRM. According to Gartner, a leading technology research and advisory firm, 55 percent of all CRM projects fail to meet expectations. Reasons for failure include:

- Unrealistic expectations
- A deficient or nonexistent customer strategy
- Poor organizational readiness
- Lack of top management support
- Neglect of performance metrics
- A focus on communication efficiency at the expense of the customer¹³

So what steps can you take to ensure CRM rollout is a success?

Step 1: Develop a Customer Strategy First

Implementing CRM before you've identified your customer strategy is a case of "ready, fire, aim." You may get some interesting results, but chances of hitting the target are slim. The absolute first step in launching a successful CRM initiative is defining *who your customers are*. As we discussed earlier in the chapter, then, and only then, are you ready to develop the processes and the infrastructure to support your strategy. We can't emphasize this enough: CRM is a supportive technology. Use only as directed, and only after you know what you want to support.

As we have said repeatedly throughout this book, A-plus is a foundation for the most successful strategies for building customer loyalty. If your CRM system allows you to surprise your customer with service that goes beyond what is anticipated, you will be well on your way to building and maintaining loyal customers.

Step 2: Align the Organization and Its Processes

Whether you have a terrific customer strategy or have invested liberally in technology, CRM will not transform a product-centric organization into a customer-focused one. Before a CRM initiative will succeed in your organization, the culture and the practices need to be brought into line with the new strategy. As CRM consultants Rigby, Reichheld and Schefter of Bain & Company explain: "A CRM rollout will succeed only after the organization and its processes—job descriptions, performance measures, compensation systems, training programs, and so on—have been restructured in order to better meet the customers' needs."¹⁴ This is a tall order. Yet research shows that the probability of a successful CRM deployment is highest for organizations that have revamped their internal structure and systems. Organizational readiness precedes the technology miracle.

Step 3: Adopt Appropriate Technology

Two days after a new buyer closes on the purchase of a home, the real estate agent sends the buyer a small housewarming gift and a handwritten thank-you note. True or false: The gift and note are an integral part of an effective CRM solution?

If you answered false, you probably equate customer relationship management with high technology. You may mistakenly think that physical gifts and handwritten notes are too low-tech to qualify as components of a CRM strategy; you may believe that CRM means technology and lots of it.

If you answered true, you probably take a broader, and we believe a more useful, view. You see low-tech, middle-tech, and high-tech all as appropriate

components in an effective strategy to acquire customers and build loyalty. The right technology can be anywhere along the technology spectrum.

Most CRM vendors would have you believe that CRM is synonymous with technology. It isn't. One of the biggest mistakes you can make in deploying CRM is to adopt technology that outstrips the capability of your organization or your customer. It is better to examine low-tech alternatives like handwritten notes and follow-up phone calls first. Look for suitable technologies that promote effectiveness over efficiency.

Step 4: Measure Benefits

Like many information technology initiatives, CRM is often sold to top management as a "good investment"—not only will the costs be recouped in the near term, but CRM will eventually contribute to company profits. Yet according to Giga Information Group, a leading information technology research firm, only 30 percent of companies involved in CRM deployment measure benefits.¹⁵ Without some way to track the return on your CRM investment, a project that is supposed to produce a cash surplus often mutates into a cash drain.

CRM systems provide "metrics," which are automatic measures of key indicators. Be certain to measure the right things.

Successful CRM deployment requires monitoring. Successful monitoring requires measuring the right things. Watching the speedometer won't tell you how much gas you have left in your tank. Tracking the number of inbound service center calls won't tell you the level of customer satisfaction with your call handling. No matter how precise, automated measurements—so-called **metrics**—are no substitute for the right indicators.

Your customer strategy drives your choice of metric, be it financial, performance, or diagnostic. If your strategy is profit-segmented customer retention, an appropriate financial measure might be a trend analysis of the profit-per-segment adjusted for customer turnover (average profit multiplied by the customer retention rate). Over time, the turnover adjusted profit rate should increase for those segments you want to nurture. If your strategy is customer retention at all costs, an appropriate performance measure might be customer turnover (i.e., percent of customers lost for the period). Properly managed, this indicator should decrease or stabilize to some acceptable turnover rate. If your strategy is cost management of low-profit customers, an appropriate diagnostic measure might be percent of low-profit customer contacts using self-service technologies. (The less time the company needs to spend on such customers, the better.) Given time and the right CRM solution, the percentage of customers helping themselves—using low-cost self-service—should increase.

Let the company's strategy determine the appropriate metrics.

With monitoring, the right metrics, and a baseline measurement of where you started, you stand a better chance of converting a sizable CRM expense into an investment that maximizes your profits and yields an A-plus customer experience.

Step 5: Build the Right Relationships the Right Way

A well-crafted CRM solution hooks into your strategy for acquiring, nurturing, and managing your customer relationships. A poorly crafted solution ignores the nature and quality of your customer relationships, offering automated interaction where none may be required or desired. Mechanistic CRM products blindly target profitable customers, alienating them with unwanted sales pitches or a blizzard of junk surface mail, junk e-mail, or annoying telephone solicitation.

To build the right relationships in the right way requires more than the comprehensive customer view available from a CRM package. First, you need to know what relationships are "right" for your company. As discussed earlier, this involves examining your customer strategy. "Right relationships" depend on such things as:

- organizational personality
- company and industry characteristics
- geographic location
- products or services offered

What is right for a leading consumer electronics manufacturer may be entirely wrong for a firm managing nursing care facilities. What works for an entertainment retailer may be inappropriate for a professional services firm.

Once you know what kinds of relationships you want to create and keep, you then need to know something about your customers' **loyalty profile**. This profile depends on such things as:

- What product or service value propositions satisfy them
- How willing they are to commit to an ongoing relationship
- How likely they are to recommend you to others

To build relationships in the right way requires right interactions at the right time. Successful CRM solutions make the most of customer loyalty profiles to personalize interaction—to make each customer feel that his or her unique needs and wants are being met. Customer preferences, captured with effective CRM software, provide insight into the right contact channel and the right time for company-initiated contact.

Successful CRM initiatives require a sound customer strategy, organizational alignment, appropriate technology, close monitoring, and customer sensitivity.

KEEPING THE “C” IN CRM

Now that we know what CRM is, what comprises a CRM solution, and the keys to successful deployment, it's time to turn our attention to the role of CRM in building customer loyalty. For each core CRM component, we'll take a “C” perspective to see how we can nurture A-plus relationships with our customers. This nurturing involves the core functions of sales, marketing, service, and (where appropriate) e-business interface.

Sales Support

Automated quote generation, sales referral tracking, travel expense reporting, account management, and sales activity planning and scheduling are all designed to help sales agents sell. These applications computerize the mundane, allowing the sales rep to spend more time working with potential or repeat customers. For instance, rather than waiting for a clerical support person to prepare a response to a **request for quote (RFQ)**, today's sales agents can price the desired product or service in minutes using customizable templates provided by CRM sales support modules. Some CRM systems even go so far as to allow potential customers to customize and price products on a self-serve basis (see Figure 8.3).

Another example of the benefits of automation is CRM support for sales referrals. Unlike manual sales lead systems in which referrals may be lost or forwarded after the prospect has lost interest, CRM referral tracking ensures that all leads are captured, routed to the right representative, and responded to quickly. By responding to every potential lead and by providing more timely product and pricing information, companies embracing CRM put the customer first.

Marketing Management

The typical CRM marketing management module concentrates on marketing campaign management and demographic analysis. Campaign management involves such things as marketing budget preparation, ad placement, and campaign response tracking. Demographic analysis entails market segment and Web site traffic analysis. Personalizing products and services to individuals, often labeled “one-to-one” marketing, becomes increasingly possible with CRM. Instead of broadcasting a single message to reach the masses, automated marketing management aims to provide a more personalized pitch. Customers targeted with tailored marketing campaigns see and hear more information that meets their needs than those receiving a shotgun approach. This simulated individualization tends to create a closer bond between a company and its existing and potential customers. The relationship becomes more personal.

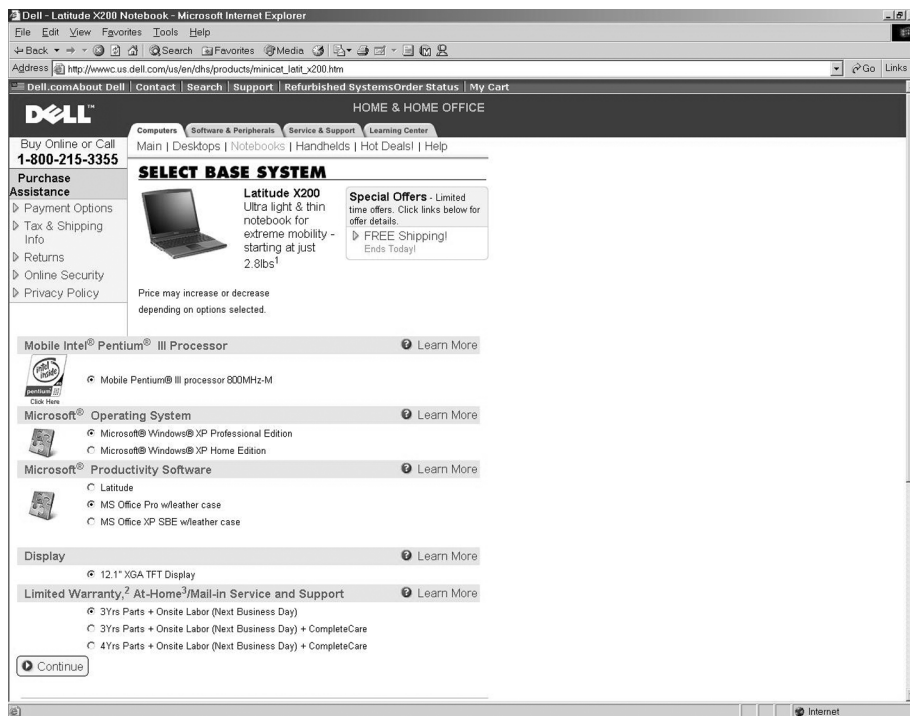


FIGURE 8.3 Example self-serve request for pricing. (Reprinted courtesy of Dell Inc.)

Customer Support

The CRM customer support module enables service professionals to quickly capture and resolve service requests seamlessly across all contact points. Such a module may include assisted and self-serve problem resolution wizards, service request management, computer telephony integration (CTI), and customized sales presentations. Self-serve resolution allows customers to troubleshoot their own problems by letting a computerized assistant guide them through a series of questions related to the incident. When support requests are beyond the capacity of wizards, CRM customer support software presents all the relevant information to customer-service reps so they can respond quickly and efficiently.

The comprehensive view of the customer, the hallmark of CRM, makes possible meaningful personalized cross-selling (of additional products) and up-selling (of higher priced, more profitable items). Instead of confining the customer interaction to the original inquiry, customer representatives use automated scripts tailored to buyer history and preferences, to help customers purchase accessories they may have overlooked.

CRM enables A-plus relationships by fostering increased personalization, convenience, and attentiveness.

Another Look**Online Insight Fills CRM Gap¹⁶**

In this case study, adapted from and quoting *Business Wire*, we take a look at the evaluation of CRM technology.

While CRM matures as a business discipline, many systems continue to support a view of the customer that is based only on the customer's history and transactions. These systems can track what customers buy and when they bought, but they tell nothing about *why* customers buy or what truly motivates them to "take action at the point of interaction."

According to *Business Wire*, Online Insight provides "solutions designed to help companies consistently sell products and services more quickly, predictably, and profitably" by matching products to customers' personal preferences. "Through a Collaborative Customer Conversation, Online Insight proactively speaks with customers and collects real-time information" about customers' personal preferences, needs, intentions, and attitudes.

Harry Watkins, research director, Customer Relationship Management, for Aberdeen Group, says that using past behavior to predict how customers will react to new offerings that are significantly different from earlier products is crucial: "Using solutions that capture the voice of today's customer and integrate it with critical value-add processes such as product development, sales, marketing and after-sales services allows organizations to break through to new levels of customer focus to achieve competitive differentiation, long-term customer satisfaction and improved profitability."

"Catering to the customer and empowering sales agents with a deeper understanding of what customers want is exactly what Ian McCarthy, president and CEO of Beazer Homes USA, Inc., had in mind when he chose Online Insight. The country's sixth largest home builder rolled out the Online Insight solution via its Web site." As prospects consider a Beazer home, "the Home Finder solution makes it easier for them to locate homes that match their unique preferences for features such as location, community amenities, commute distance, and price. . . . 'By knowing what's important to the customer, our agents will know more than ever before, allowing us to meet customer expectations for new homes—now and in the future,' McCarthy said."

A FINAL THOUGHT

We've covered a lot of ground: the nature of CRM, its role in building customer loyalty, the technology behind CRM solutions, and how to make CRM work for you. Michael Dell, CEO of e-commerce giant Dell computers, articulates the place of CRM in the modern organization: "Customer relationship management—collecting and using data about your customers' buying histories, service histories, profitability, and so forth, to offer an exceptional customer experience—should be a strategic priority in any organization. The goal is to use the information to meet customer needs better, build customer loyalty, and increase business efficiency. . . ."¹⁷

CRM promises to strengthen both the customer bond and the bottom line. Yet for all its promise, CRM is no substitute for the human touch. Comprehensive customer data can never take the place of kindness. A-plus service should be fast, efficient, *and* friendly. Remember: *Customers don't care how much you know about them until they know how much you care.*

Summary of Key Ideas

- Customer relationship management (CRM) uses automation to align business processes with customer strategies in order to build customer loyalty and increase profits.
- CRM is not a synonym for technology. CRM is about creating relationships that you want to cost manage.
- Customer strategy addresses your approach to customer acquisition and retention.
- A comprehensive customer view provides a seamless image of all customer interaction across all contact points.
- E-CRM leverages the power of the Web to deliver the best possible customer experience.
- Annual costs per customer for a CRM solution range from \$5 for retail consumers to over \$6,000 for wholesale customers.
- Customers converse with an organization through a variety of channels such as telephone, fax, e-mail, Web site, kiosk, and on-site visits.
- CRM plays as big a role on the customer side of the conversation as it does on the company side.
- CRM is a platform that unifies all the processes involved in the creation of long-term customer relationships and the management of interaction costs.
- A platform refers to the underlying hardware and software that enable an application to run. Many platforms are proprietary, with application programming interfaces set by the vendor rather than a national or international standards body.
- The key components of CRM architecture are the core applications supporting sales, marketing, customer service, and e-commerce coupled with utilities to handle data storage and analysis, legacy integration, and customer interaction management.
- CRM solutions vary by enterprise size. Large enterprises rely on holistic multifunction applications, while small businesses may deploy selected CRM components. An alternative to purchasing a CRM solution is to rent it from an application service provider.
- Successful CRM deployment requires a customer strategy, alignment of the organization and its processes with that strategy, the adoption

of appropriate technology, monitoring of key metrics, and sensitivity about building the right relationships in the right way.

- CRM is an A-plus relationship enabler. With CRM, relationships can become more personalized, convenient, and attentive.
- Future CRM solutions will adapt to present and future customer preferences rather than relying exclusively on customer history.

Key Terms and Concepts

360-degree customer view

analytics

application programming
interface (API)

application service provider (ASP)

customer conversation

customer data repository

customer relationship
management (CRM)

customer support module

customer strategy

customer-centric business
philosophy

e-business infrastructure module

electronic customer relationship
management (e-CRM)

information silos

interaction management

legacy system

loyalty profile

marketing management module

metrics

platform

request for quote (RFQ)

sales support module

Application Activities

1. Choose an organization with which you have had a customer experience. Identify all the possible contact points. Are there information silos (places where key data are stored but are not accessible to other parts of the company) that hamper the ability of the organization to have a 360-degree view of you? What recommendations would you make to correct the situation?
2. Pick a company that you do business with on a regular basis. What customer strategy do they have? Does it seem to be working? If not, how would you change the strategy?
3. Using a Web search engine such as Yahoo!, Google, InfoSeek, or others, investigate three CRM solution vendors. What size enterprise do they target? Do they include all the basic components of typical

CRM architecture in their offering? If not, what pieces are missing? Do they offer additional components? If so, describe some of these application modules.

4. The success rate for CRM projects is about 50-50. Locate one successful and one unsuccessful CRM case study. Compare the two. Was there evidence the organizations followed the steps to successful CRM deployment discussed in this chapter? What additional factors made a difference in the project outcome?
5. Review the Mitsubishi and Online Insight cases at the beginning and end of this chapter. Describe the CRM architecture for each organization. What components comprise their CRM solutions?

Notes

1. Reichheld, Frederick F. (1996) *The loyalty effect: The hidden force behind growth, profits, and lasting value*. Boston Harvard Business School Press. p. 13.
2. Adapted from Siebel Systems, Inc. (1999) Mitsubishi sees efficiency gains with Siebel Call Center. *Customers & Case Studies* [online]. Available at http://www.siebel.com/about/customer_case_studies.
3. Gschwandtner, G. (May 2002) Is CRM on the rocks? *Selling Power CRM Special Supplement*. p. 3.
4. Thompson, B. (2002) What is CRM? *The Customer Relationship Management Primer* [online]. Available at <http://www.crmguru.com/members/papers/index.html>. p. 1.
5. Rigby, D., Reichheld, F., and Schefter, P. (February 2002) Avoid the four perils of CRM. *Harvard Business Review*, vol. 80, no. 2. pp. 101–108.
6. Drucker, P. (1954) *The practice of management*. New York: Harper & Row.
7. Chatham, B. (March 2001) CRM: At what cost? *The Forrester Report* [online]. Available at <http://www.forrester.com/ER/Research/Report/0,1338,11224,FF.html>.
8. Derfler, F., Jr. (July 1, 2001) Find them and keep them. *PC Magazine*, vol. 19, no. 13. p. 139.
9. Adapted from Chang, J. (April 2002) A guide to evaluating CRM software. *The Customer Relationship Management Solutions Guide* [online]. Available at <http://www.crmguru.com/members/papers/index.html>.
10. Mello, A. (April 4, 2002) When CRM and Web services collide. *CNET Asia* [online]. Available at <http://asia.cnet.com/newstech/perspectives/0,39001148,39036357,00.htm>.
11. Mello, A. (March 18, 2002) Six mistakes that will sink your CRM. *Enterprise* [online]. Available at <http://techupdate.zdnet.com/techupdate/stories/main/0,14179,2854618,00.html>.

12. How big are "Small and Medium Size Enterprises"? *Customer Relationship Management for Small and Medium-size Enterprises* [online]. Available at <http://www.crm4sme.com/faq.php3#big>.
13. Mello, A. (March 18, 2002), Op. cit.
14. Rigby et al. Op. cit.
15. Mello, A. (March 18, 2002) Op. cit.
16. Adapted from *Business Wire* Editors. (May 22, 2002) Online Insight fills CRM gap driving customers' preferences to forefront of enterprise decisions. *Business Wire* [online]. Available at http://www.businesswire.com/cgi-bin/f_headline.cgi?bw.052202/221422086.
17. Dell, M. (June 5, 2000) CRM in the Internet era. *PC Magazine* [online]. Available at <http://techupdate.zdnet.com/techupdate/stories/main/0,14179,2576196,00.html>.