

# Getting Started:

## THE NEED FOR A CRM VISION TO DRIVE THE PROCESS

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**W**here does one start? With performance driven CRM (PD CRM), you seem to start backwards because you begin with the desired end-state—the CRM Vision.

Let's go back to what differentiates performance driven CRM from CRM in its purest sense. While CRM is a business strategy that seeks to optimize profitability, revenue and customer access, performance driven CRM is more. It is an ongoing mechanism, based on continuous improvement, that allows organizations to sustain lasting relationships and gives them the ability to understand, anticipate, manage and personalize the experience with their current and potential customers and employees.

It starts with a clear understanding of :

- customers and their needs
- the organization and its competencies
- the organization's commitment to quality service—from both an internal and external customer perspective

It requires measures/standards and benchmarks and a mechanism to create change—change in process, actions, organizational structure and people competencies. CRM can survive only with continuous performance improvement.

There is no doubt that in today's business environment, it is becoming increasingly difficult to manage customer relationships profitably:

- Increasingly informed customers have more choice and are less loyal to their suppliers.
- New distribution channels and communication media mean that the customer interaction mix is more complex, difficult to integrate and potentially expensive.
- Delivery channels are increasingly complex.
- Numerous powerful technology enablers are now available but are expensive to implement, and historic returns are uncertain at best.
- Marketplaces and exchanges threaten to bring manufacturers closer to their customers—disintermediation.

These issues are widely recognized and, in response, most major organizations have initiatives under way ranging from sales force automation to web-enabled customer contact centers. These traditional CRM initiatives may be useful but they are definitely not performance driven CRM.

The initiatives described above are often tactical (like trying to make incremental changes quickly) rather than strategic or long term in nature. They are often responses to short-term customer or cost pressure rather than to long-term market drivers. For many organizations, it has proven difficult, if not impossible, to manage mutually beneficial relationships when:

- They are not able to measure the value of their customers.
- They lack insight into what their customers really need rather than what they think that they need.
- They have no strategic approach to how to treat different customers different ways.

The net result is that most organizations fail to target their limited resources at their most valuable customers. They fail to achieve a balance between customer value, the quality of the customer experience and the cost of delivering it. While there may be isolated examples of sales force automation or perhaps some enhanced desktop technology, there is a real risk that the individual initiatives do not fit with each other or with the organization's wider business strategy. The result is

wasted investment, duplicated effort, incompatible business solutions and an increasingly inconsistent customer experience.

There is therefore a compelling need for a CRM vision that addresses many of the issues with which organizations typically struggle:

- Which customers should you target?
- How can you deal with rapidly increasing channel fragmentation and media complexity to communicate with your customers?
- How should you balance quality of experience, cost to serve and profitability of the customer?
- What is the appropriate level of CRM integration for your business?
- What is customer “insight,” and how do you get and use it?
- What should you do with unprofitable customers?

## DEFINITION

Let’s start with a definition. The vision can be structured in many ways. In fact, there are probably several hundred books on this subject alone. The following is a quick summary on vision—what it is, why you need one, and how to develop it.

The vision should include some basic components:

- a vision statement about the future of the business (you may have a five-year vision, but you will also want a subcomponent that directs the organization to what it can accomplish within a realistic time frame, say 18 months)
- a mission statement explaining how the organization expects to do business
- a core values statement (or sometimes called guiding principles) explaining what is essential to the accomplishment of the mission and the fulfillment of the vision
- a description of standards against which it dares to be measured (sometimes this takes the form of a Customer Bill of Rights, which we will talk about in more detail later. You can look for it in Chapter 5.)

More than any other document, this vision statement is a reference point for those within the organization (the internal customers) as well as those outside (your external customers) and is something around which the whole organization can rally. Without a strong commitment

to it, starting at the top, the organization will wander without purpose. Departmental silos will appear, isolating areas from one another, corporate investment may be misdirected and employees will become unfocused. And if this happens, the result might be staff turnover and suboptimal customer service and acceptable revenue and earnings growth. These are outlined in the chart below, but notice the focus on the customer (both internal and external) and the need for focus and direction.

<u>Component</u>	<u>Key Questions</u>
Business Vision	<p>What is our overriding goal and desired future state?</p> <p>What is our commitment to survival, growth, profitability?</p> <p>Why are we in business, and what business are we in?</p> <p>Should we be in a single operating business or a diversified enterprise?</p> <p>If we opt for diversification, should our lines of business be related or not?</p>
Target Customers and Markets	<p>What markets do we want to target?</p> <p>Who should our customers be, and which of their needs should we try to satisfy?</p>
Geographic Coverage	<p>What geographic area should we serve?</p> <p>Should we compete regionally, nationally, multinationally or globally?</p>
Principal Products and Services	<p>What range of products and services will we offer?</p>
Core Technologies	<p>What kinds of technologies do we want to be involved in?</p>

Basis of Competitive Advantage	What distinctive competencies will we maintain relative to competitors?  What values will customers obtain from buying our products and services?
Values	What key corporate values and shared beliefs do we hold dear?

Here's one variation of this series of statements for a division of DuPont, its Global Services Business (GSB).

## CASE STUDY

### DuPont Global Services Business

DuPont is an industrial company with three main business segments: fibers and intermediates, specialty chemicals and materials and specialty plastics and films. The internal Global Services Business (GSB) was created to provide support to all strategic business units (SBU) and employs about 6,000 staff. The GSB provides over 50 service offerings, and each of these contains multiple subofferings.

According to Jim A. Sinex III, manager, Customer Care Services, DuPont Global Services Business, the challenge for Dupont was to create a vision and rallying point for its divisions given a desire to operate GSB like a service business, providing clients with integrated solutions from a customized array of fully competitive, demand-driven offerings priced at full operational cost plus renewal.

To support its business strategy and put its vision into action, it was necessary for the business unit to incorporate DuPont core values in all GSB activities and develop and sustain a preferred business partner relationship with clients. This was to ensure that GSB could evolve toward a service company culture (i.e., knowledge, human capital based). It was also necessary to continuously renew employee

capabilities/key competencies and GSB physical assets/IT infrastructure to sustain/improve the value added of its offerings and make the GSB an attractive place to work.

The challenge was that GSB had to operate as a demand-driven business, with a broad portfolio of offerings priced at full operational cost plus renewal. It was also necessary to continuously renew offerings to provide ever-increasing value to its clients based upon its increased understanding of their strategies and knowledge of the external environment. This led GSB to create and implement a robust company-wide performance improvement process, which allowed it to selectively seek profitable external business at market price. It also aggressively pursued integration, standardization, reengineering and other productivity improvement opportunities in all geographic regions within the GSB.

Using the framework described above, the following is the articulation of the GSB's CRM vision.

<u>Component</u>	<u>Key Answers</u>
Business Vision	We will be recognized and sought out as a premier integrated services business and <i>the</i> preferred partner to DuPont businesses. In doing that, we will help DuPont businesses do business better.
Target Customers and Markets	All strategic business units (SBU) of DuPont, globally.
Geographic Coverage	Global business units of DuPont
Principal Products and Services	The internal Global Services Business (GSB) was created to provide support to all strategic business units (SBU). The GSB provides over 50 service offerings, and each offering contains multiple subofferings.

Core Technologies	n/a
Basis of Competitive Advantage	<p>The GSB will position itself for long-term viability by defining and implementing opportunities to improve the variability of offerings and by addressing “for profit,” for “growth” and “third-party competition.” That is, it will ensure that it is more competitively priced and adds more value (than competitive third-party offerings). We will price offerings to clients to cover all costs, including sufficient funds to ensure renewal of offerings and supporting capabilities and competencies and price offerings to external customers at “market.”</p> <p>In addition, GSB will make all decisions (e.g., offerings design and delivery, resource allocations) to maximize value creation for DuPont and its businesses globally (versus any specific region or offerings group) and build on strength of existing client relationships by forming effective, enduring client partnerships based upon mutual dependency and shared responsibility for results.</p>
Values	<ul style="list-style-type: none"> <li>• Foster a culture that recognizes and rewards entrepreneurship, teamwork, risk-taking, holistic and integrated thinking, business results and client satisfaction.</li> <li>• Provide meaningful opportunities for GSB employees to have a fulfilling career in a successful DuPont business.</li> <li>• Deliver all services on a demand-driven basis and always deliver what we promise.</li> </ul>

- Continuously renew our offerings in anticipation of or response to client needs.
- Be fully competitive with external service options based upon overall value, and take appropriate actions to address any offerings that aren't competitive.
- Migrate to common global offerings where appropriate while preserving local offerings for unique needs.
- Leverage offerings across businesses when supported by a strong business case (e.g., Order-to-Cash, Requisition-to-Pay, Process Design to Plant Operation).
- Systematically improve the business value added of all aspects of the GSB (e.g., offerings, work processes, IT systems) based upon objective external benchmarking, application of best practices and a clear understanding of client needs.
- Utilize both client and employee feedback as a major factor in guiding our behavior and offerings design and delivery.
- Manage our performance against key metrics and objectives using disciplined business processes.

DuPont was able not only to articulate, but also live these values to the benefit of its customer base—true CRM. How does an organization like DuPont do this, and what steps must be followed. Read on.



## CREATING THE VISION

First, a CRM vision cannot be created as a bottom-up initiative. It must be produced and fine-tuned by senior management and must be revisited, at a minimum, on a yearly basis. It must be compatible with your current and/or future customer base and for that reason, customer-needs research or environmental scanning must be done before you begin to prepare this statement. As it drives the alignment of resources of the organization (human, financial and physical), the heads of these divisions must be involved in the process.

Some find it helpful to begin with a template, or a copy of another organization's statement, to start the process and then pick and choose what they like. Others commence with a clean sheet of paper and do not wish to be influenced by what others have done. Both methods work well, as long as the ultimate objective is to produce a simple statement that is realistic and written in clear everyday language. It must be realistic and believable or it will not be followed.

Hammer out this statement and then polish it. It will probably take a few iterations before it is just right. Only then will it be ready to be communicated. This will not be an easy process. Organizations generally invest quite a bit of money to communicate this statement—using posters, plaques and newsletters, to name a few methods—but perhaps they do not spend enough time explaining why the statement is important, how it will be used and how it will impact the organization as a whole. We have found that small focus groups or town hall-type meetings are most effective forums for this. It is also important to walk through this with your customers, either through special meetings/forums or one-on-one sessions. Lastly, senior management, creators of this vision statement, must visibly show their support for it. They must walk the talk and demonstrate to employees that this statement truly guides the organization in its current and future direction. They must reward and motivate those that follow this practice and continuously show visible support in speeches and other communication vehicles.

## GETTING STARTED

In building a CRM vision, there are four key phases that must be considered:

1. Assess Current Business Context
2. Create the Strawman Vision
3. Build the Business Case
4. Prioritize, Plan and Transform

### 1. Assess Current Business Context

One of the first steps in the process is to examine both the external market and competitive environment. Within that context, the organization's current business strategies and competencies must be assessed. Is the organization capable of addressing customer needs, and if not, how large is the gap? This will help with the early definition of the current customer segments, relationships and profitability set against the external CRM landscape.

In this phase, it is important to assess the organization's currently articulated customer strategy (not necessarily its CRM strategy), its competitive environment and existing market segmentation. Unfortunately, most organizations have little appetite for this stage. They really do not want to look at where they are now and establish the baseline. They prefer to get on with it and implement some technology—quickly. This is why the assessment is usually rushed. That is a serious mistake. This phase should be based heavily on extracting information from existing data sources, company information and research. That is then augmented through internal interviews and workshops with senior management of the organization, which in addition to providing market and competitive information, also provides insight regarding management expectations, strategic priorities, level of commitment and a management view of how the organization is able to optimize the customer experience. All formal and informal statements of future intent should be captured and recorded because, although these are not reported at this stage, they are an important input to the executive visioning phase of the project.

One key element, and this will be expanded upon in the next section of this book, is the need to conduct a voice of the customer (VoC) survey to obtain a quick view of the customer experience from his or

her perspective. Experience shows that it is likely to be a daunting task since it involves setting up interviews with senior managers in client organizations. It therefore needs to be set up as soon as possible after mobilization. A critical success criterion for the VoC survey and analysis is consistency of interview approach to provide comparable feedback. In other words, all interviewers should use the same interview guide and have the same degree of objectivity. VoC surveys are therefore most successful if they are conducted by trained outside consultants, and not by corporate employees.

It is important to keep the data gathering and analysis focused on issues with a significant impact on CRM in order to ensure that the team can complete a robust, fact-based analysis in the time available. Keep the following in mind throughout this phase:

- What are the organization's current CRM practices?
- Are CRM-related business objectives and strategies understood throughout the organization?
- What are the business and management requirements and constraints with regards to CRM? Are all customers to be treated in a similar fashion, or are some customers more valuable than others?
- Does senior management understand the competitive environment?
- What are the key business drivers that may change the CRM landscape that the company is operating in?

Your analysis should allow you to address the following:

- Environmental drivers, external influences for CRM
  - external environmental forces
  - expected impact of changes in external environmental forces
  - how the organization operates under and reacts to external forces
  - organizational enablers and inhibitors of change
  - issues and opportunities associated with external environmental forces in the context of its ability to react to external forces
- Corporate and functional level strategies as they link to CRM and current operating plans
  - current customer segmentation
  - the organization's understanding of customer requirements
  - current CRM measures of performance
  - customer drivers of value from the perspective of the organization
  - current vision, mission, operating plans and budget

- Competitor analysis of market position and CRM capabilities
  - competitor strengths and weaknesses
  - competitor relative financial position
  - competitor analysis
- CRM partnerships and alliances
  - suppliers and strategic business partners and alliance objectives
  - key organizational interfaces
  - issues and opportunities associated with supplier/business partner interfaces
- CRM organizational issues
  - organization map showing business units, services, locations and people
  - CRM governance
- Measurements and rewards (capability)
  - organizational performance management
  - alignment of individual and team performance metrics and rewards to CRM objectives
  - effectiveness of incentive structure in delivery of CRM objectives
- CRM financial baseline
  - High level churn analysis
  - Cost of CRM organization: cost of customer acquisition, cost of customer retention, cost-to-serve

In addition to the above, it is important that the capability of the organization to manage customer interactions across multiple channels and media is assessed. Channels (Internet, kiosks, mobile capabilities or even interactive TV) should not be introduced if the organization cannot maintain them with competent staff and support systems.

Therefore, you must consider the following:

- both current and future channels
- differentiation of access to channels for various customer segments
- ease of access to the existing channels
- differentiation and personalization of the customer experience

- the extent to which the organization understands and reacts to what customers need and expect across all touch points (customer, front-line employee and management perspective)
- how the organization is aligned to meet customer expectations

At the end of this phase, you should then be in a position to create a CRM business context summary, including:

- the case for change
- evaluation of current CRM business context covering market and competitive environment, CRM strategy assessment and CRM business objectives
- detailed customer analysis (customer expectations, major segmentation characteristics and profitability, competitor positioning)
- financial baseline

## 2. Create the Strawman Vision

This phase establishes a shared vision of the future of performance driven CRM in the organization among the organization's senior stakeholders and starts the process of communicating that vision to those who will be impacted by the change. This CRM vision should help the organization to understand the following:

- Which customers should they target?
  - All customers do not have the same current and potential value.
  - Not all customers value a complex relationship.
- How should they deal with rapidly increasing channel fragmentation and media complexity to converse with their customers?
  - Rapid changes in delivery channels and new media (e.g., eCommerce) are dramatically increasing the challenges facing both the enterprise and the customer.
- How should they balance quality of experience, cost-to-serve and profitability of the customer?
  - Maintaining highly personalized relationships with all customers is expensive and the 80:20 rule applies (80 percent of profits are derived from 20 percent of customers).
  - Profitability depends on achieving a level of personalization that is both effective and cost effective.

- What is the appropriate level of CRM integration for their business?
  - It will vary with the transactions and types of relationships that they will have with their clients.
  - Integration across channels, media, front and back office systems, functions or business units is expensive.
  - Justifiable integration should be the goal.
- What is customer “insight,” and how can the organization get and use it? Which information do they need, and where do they get it in order to continuously update the segments, perceptions, needs, delivery/access channels desired by customer and the company’s channels to deliver?
- What should they do with unprofitable customers?
  - Who are they, how should they be dealt with and, should they deal with them at all?

The CRM vision, should contain a specific time horizon and an articulation of the following questions:

- Why do we need to change (strategic and market justification for the vision)?
- Who will our customers be?
- How will we serve them?
- What will be the benefit for us and them?
- What will the future customer experience look and feel like from their perspective?

### 3. Build the Business Case

This phase provides a structured, repeatable process that aids in achieving and measuring value of the CRM transformation and to build a business case to provide justification for the transformation of the organization. This phase is important because it allows the organization to understand the value of the transformation to itself and its customers, and it builds momentum for change at all levels in the organization.

Here are the key components of the business case:

- Business rationale—Why must the project be done?
- Cost to get to benefits—What are the costs of the change program?

- Payback case (ROI)—What is the overall financial impact measured in payback period, discounted cash flows or internal rate of return?
- Risk analysis—What are the areas of risk and the possible impact of failure, and how are the risks to be managed?

Traditional return on investment (ROI) valuation methods, such as discounted cash flows (DCF) or internal rate of return (IRR), should be used to value the individual projects in the overall CRM program. In order to gain a mandate to proceed, it is critical that all the significant elements of benefit have a business owner, someone who is watching over them.

## 4. Prioritize, Plan and Transform

This phase creates a program of change that consists of a series of prioritized projects and initiatives that will enable the organization to deliver its CRM vision. Each project will have defined scope, staffing requirements and a distinct approach.

Tight coordination with the third phase above of the CRM vision is required since justification for prioritization is based on the relative importance of each activity to help achieve the business case. Therefore it is important to do the following:

1. Identify, validate and prioritize projects that will deliver organizational transformation to support the CRM vision.
  - a) Establish projects to support identified programs.
    - i) Define and scope projects.
    - ii) Validate that projects address desired capabilities and identified gaps.
    - iii) Confirm projects with project sponsors.
    - iv) Finalize scope of projects.
    - v) Estimate and cost projects.
  - b) Determine and apply prioritization framework.
    - i) Assess prioritization criteria.
    - ii) Develop criteria weighting.
    - iii) Apply prioritization criteria.
    - iv) Summarize scoring.
    - v) Validate prioritization results.

2. Mobilize quick wins (activities that can be accomplished within three months) and implementation of interim solutions (those that may be replaced or discarded when the long-term solution is in place).
3. Define and mobilize a program to deliver the projects as a single, integrated entity, including:
  - a) timing/staging of projects
  - b) structure, governance and reporting
  - c) sponsorship and stakeholder management
  - d) implementation road map
  - e) benefits tracking
  - f) overall costing
4. Lastly, it is important that you create a CRM transformation program definition document including:
  - a) prioritized list of defined CRM projects
  - b) future CRM governance
  - c) implementation road map
  - d) project and program plans (milestone plans with activity level plans to first milestone)
  - e) resource requirements
  - f) estimated cost
  - g) estimated time frame for execution
  - h) expected benefits
  - i) fit into overall CRM program and CRM vision
  - j) alignment to business objectives

That's it—and you thought that CRM vision was just a statement that is put on a wall!



## SUMMARY

A CRM vision has two key outcomes: a desired end state and a path to get there. It should provide both a program of projects to deliver against the strategic vision of the organization (a transition and prioritization plan) and a framework to evaluate whether other investments add to and deflect from the net benefits to be realized. It is important that a CRM vision should provide a framework for those solutions that ensures they are compatible with other initiatives and with the strategic direction of the business. A CRM vision should clearly articulate the answers to the following questions:

- With which customer groups do you want to have a relationship, and what type of relationship should it be?
- What does a relationship with these customers mean, and how should it differ with different customer groups?
- What will a “day in the life” of your customers be like from their perspective?
- What will the benefit of the relationships be to you and to your customers?
- How can you make this vision real within your organization?

But, most importantly, it must address the following questions:

- Where are you today? This is the “as is” state.
- Where are you going? What will the end state be 18 months down the road, and what is the business case for change?
- How are you going to get there? What are the major gaps in focus, process, technology and people competencies, and what prioritization must be established in creating the transition plan?

This chapter is a refresher for those who have already embarked on the path to CRM and an introduction for those who have not yet started their journey. But before venturing too far, consider the myths and the facts that follow in Chapter 2.