

What is CRM?

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GoldMine Software (Europe) Ltd

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Preface

What do you think of when someone says CRM? It's probably easier to say what CRM is not. This white paper sets out to dispel the myths about CRM solutions and to give practical pointers on ways in which it could work for your organisation.

In recent years, businesses have concentrated on saving money and, therefore, increasing profits by redefining internal processes and procedures. Companies in the twenty-first century are, therefore, lean and mean, so where is the next opportunity for increasing margins? Analysts and pundits alike are focusing on 'up-selling', 'cross-selling' and 'organic growth'. Call it what you will, but the fact of the matter is that it costs a company dramatically less to retain and grow an existing client, than it does to court new ones. It comes as no surprise that there is no magic formula; it is not a case of 'just add water'. As with any other business decision, there are many aspects to be taken into consideration to make your solution a profitable one. A badly implemented solution might as well not be implemented at all. The time taken to establish the exact parameters of your project is time well spent and saves a worthy principle from becoming a worthless investment.

This white paper provides a holistic view of CRM, the business aspects and stakeholders to be considered. The first two parts examine the business issues and philosophies which surround CRM: how to put the theory into practice and the practical issues of customer management. Cutting through the flurry of 'e' hype, Part 3 focuses on the importance of CRM in the on-line world. Part 4 explains, in layman's terms, the different technologies which can be integrated to generate customer satisfaction. The fifth and sixth parts point out the importance of the IT strategy supporting the solution and best-practice implementation processes. Finally, as a conclusion, the white paper provides the perspective of a CRM implementation from the major stakeholders' viewpoint.

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Introduction

Over the last eighteen months, the concept of customer relationship management (CRM) has taken centre stage in the business world. Whereas customer service was once low-ranking in corporate priorities, organisations are now being harried to place their clients at the heart of all of their activities and to rethink their entire sales and marketing strategies.

In the process, the information technology (IT) industry has been transformed. Sensing that a massive new market is up for grabs, the world's leading business software vendors have reinvented themselves to focus on CRM, joining a raft of specialist suppliers in a race for dominance. Buoyed by hype, the CRM market is beset by claim and counter-claim as vendors jostle for position.

Amid all of this noise and frantic activity, those organisations looking to improve their customer-focused activities face a difficult task. There is widespread confusion about the terminology employed by both management consultants and IT suppliers. There is disagreement about the approaches which organisations should take to build a CRM strategy. There is a lack of consensus about what CRM really means and a growing uncertainty about how e-business fits into the customer management vision.

This paper sets out to explain the fundamental meaning of CRM from both a business and a technology perspective. By cutting through the noise in the market, it clarifies the management philosophy behind CRM, explains the core components which help organisations to build an effective IT infrastructure and highlights the key issues which users must address as they embark on a CRM strategy.

1 Business first, technology second

One of the fundamental misapprehensions about CRM is that the term relates to a new breed of IT applications and systems. It doesn't. Customer relationship management is a business philosophy, describing a strategy which places the customer at the heart of an organisation's processes, activities and culture. IT applications are the tools which allow organisations to implement that strategy. To a certain extent, as we shall explain, new IT developments may drive organisations to adapt their strategies as they go along, but the fundamental starting point is always business philosophy.

The core concept of CRM is relatively simple. For years, companies have focused much of their effort on cutting costs and improving efficiency within their organisation. They have attempted to streamline internal processes, often automating elements of 'back-office' functions such as manufacturing, logistics and finance. By contrast, the management effort put into customer-facing activities, such as sales and marketing, has often lagged.

As markets consolidate and suppliers become more effective in delivering products and services, it becomes harder to differentiate among rival offerings. What differentiates one toothpaste from another? What distinguishes different stock market price information services? At the same time, as the quality of products and services improves, so customers' expectations increase. As long as the customer has the ability to switch supplier relatively painlessly, it becomes harder and harder to keep loyalty.

In many industries, there's nothing new about this evolutionary process. High-volume consumer goods suppliers have fought for decades to establish brands based around quality and price. What is changing, however, is the breadth of the impact of 'customer empowerment'. Deregulation, for example, has forced former monopolies, in areas such as telecoms and the utilities, to fight for customer share. Cheaper travel is forcing the leisure industry – from airlines to hotels – to deliver to customers' expectations in a way which they have never had to do before. Now, in an Internet environment, in which switching suppliers may entail merely making a couple of mouse clicks, the problem is magnified one hundredfold. It also affects every organisation, whether it's consumer-focused or selling business to business.

Much of the management thinking which was long ago espoused by business schools such as Harvard is now entering common business parlance. It has been proven that the costs entailed in retaining customers are significantly lower than those associated with acquiring new ones – in some instances, by a factor of perhaps five to one. While businesses will continue to expand their client base, they must also focus on keeping and growing their best clients. Increasing 'share of customer' – in other words, the amount of business which each good client gives to you – becomes as important as increasing market share. The bottom line is that, by managing your relationship with a good customer, you can increase your profitability; this, essentially, is customer relationship management.

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Theory in practice

However, while the concept is relatively straightforward, turning theory into practice is a mammoth task for most organisations. Many companies, such as retailers, are unable to identify who their customers are. Those which can rarely have a good understanding of who the most profitable clients are or which customers will become most profitable. Few understand what their customers actually want, whether in terms of the products required or the level of service demanded. Fewer still have established whether the customer-orientated practices in which they engage (from marketing campaigns to key account management) are achieving their customer retention goals.

Answering those questions requires a rethink of your organisation's strategy and culture. The cost-based obsession of the last decade, in which margins were improved through efficiency gains in the back office, has to be replaced by a focus on effectiveness in the front office. Long-held assumptions about marketing and sales strategy may have to be thrown aside. Service, traditionally seen as a cost, should be viewed in the context of customer retention and as an opportunity to up-sell and cross-sell.

What that means is that every function within an organisation must be prepared to change. Finance is a good example. One telco, desperate to reduce its levels of churn (the rate at which clients switch suppliers), issued \$100 'loyalty' cheques to entice customers back who had deserted to a rival. Only when it had developed a sophisticated customer analysis system, based around its finance department, did it realise that many of the cheques had been given to low-value customers who actually cost the company money to service. Another high-street retailer has disbanded part of its finance department, moving staff to front-office functions, such as marketing, in which they work to ensure that all customer-facing projects are focused on improving margins.

However, while the organisational implications are huge, adopting a CRM strategy doesn't require an overnight restructuring of your entire organisation. For most companies, this process has to be evolutionary. The mindset leap is the most significant change: having committed to a customer-centric vision and won buy-in across the enterprise, the speed and nature of change are a question of strategy and tactics. The experiences of early CRM pioneers demonstrate that small changes can bring significant benefits and that incremental change is usually preferable to a 'big bang' approach.

2 Unified view of the customer

Much of the attention in CRM, so far, has been focused on the front-office functions of sales, marketing and customer service. Because early pioneers preferred a piecemeal approach to CRM, many of today's IT reference sites centre on process automation at a departmental level – perhaps through sales-based contact management or campaign management in the marketing function. Each of these technology areas is analysed in more detail in Part 4.

However, the reality is that, from both a business and technical perspective, CRM is an enterprise-wide issue. It requires effective communication and information-sharing in every part of an organisation, including the supply chain and finance.

Effective customer management centres on three data management issues: collecting information about individual customers from multiple sources; cleaning and collating it centrally; providing access and transmitting data to relevant personnel, both within and outside of the organisation. This process is typically described as building a unified view of the customer. It relies on constant data feeds from departments and is only truly effective if the amalgamated information is analysed and presented in a meaningful and tailored fashion for individuals.

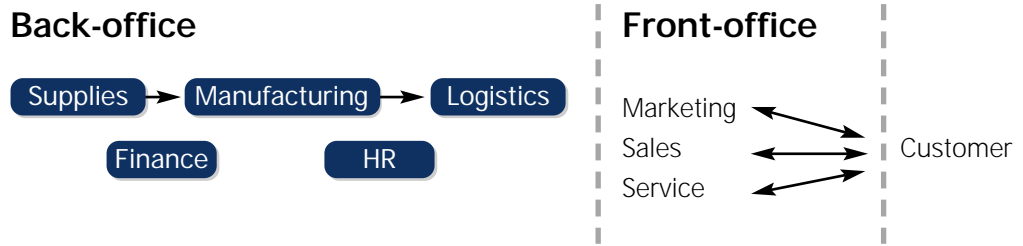
The problem facing most organisations today stems from the fact that they have often evolved into separate functions, in which information is gleaned and dealt with for specific departmental purposes, rather than an enterprise-wide perspective. Many companies are structured around product lines, for example, meaning that the same customer may be purchasing from different departments under different account numbers. Marketing departments may have their own aggregate databases, but do not link into the sales operations which close down the deals which they promote.

At a practical level, the positive benefits of a unified customer view are obvious. Subject to access authority, any individual should be able to access all information pertinent to a client, from his/her purchasing history to his/her service record and credit rating. In other words, a salesperson, for example, making a pitch for new business to an existing customer will be aware of any service problems which that customer has encountered and can appear to have taken ownership of the resolution. Alternatively, armed with a track record of previous purchases and customer service problems, a service department could turn problem resolution into an opportunity to cross- or up-sell. By linking together data related to back-office functions, such as manufacturing or logistics, with the front office, organisations can track products through the delivery cycle, providing customers with up-to-date information about their ability to fulfil orders.

Ultimately, however, the implications are more far-reaching. By building up individual customer profiles, organisations can assess the true value of clients and establish how they may be able to generate more business. Most organisations today are able to calculate how much revenue is derived from each customer. Some may be able to analyse the cost of initial customer acquisition (Was it through repeated sales visits and heavy discounts? Was it a response to direct marketing?). Some may have assessed the cost of servicing that client, from both a time/materials perspective and a debt-payment basis. Some may have a good feel, through their account management processes, for the potential new business which

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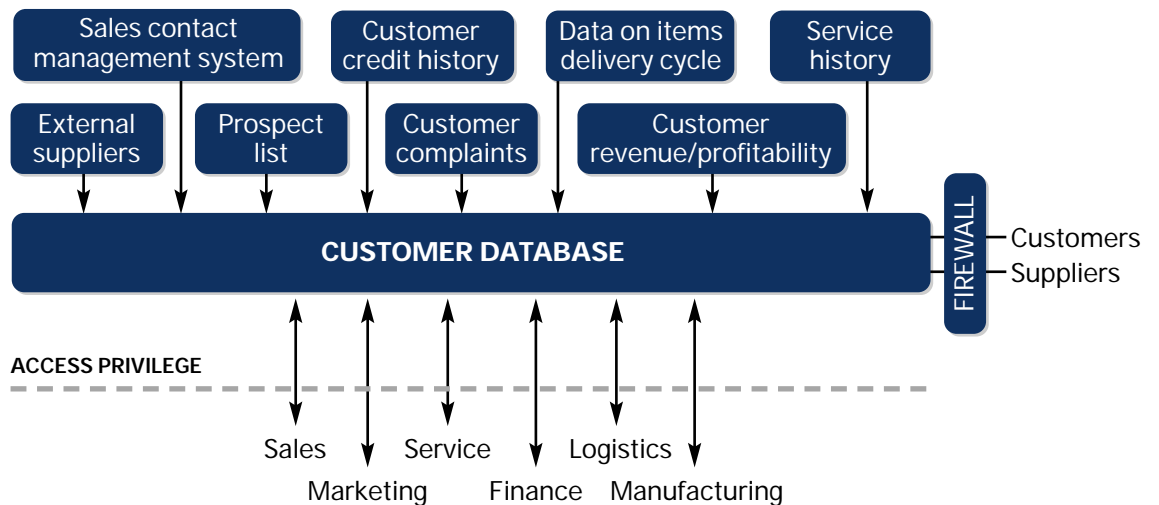
TRADITIONAL STRUCTURE



Characteristics

- Silo of information
- Different views of customer, even in front office
- Limited communication among departments
- No transparency through supply chain

UNIFIED VIEW OF CUSTOMER



Characteristics

- Departments linked around same data, eg manufacturing planning can be tied to marketing campaigns
- Visibility across enterprise
- Better customer service
- More effective front- and back-office operations

A true CRM solution allows management to understand the way the business functions, to measure performance more effectively and to achieve greater profitability by better targeting.

they can earn. Few, if any, companies will have collated this type of information into one customer profile. Fewer still will have taken this kind of analysis to an aggregate level, allowing the more effective targeting of their marketing strategies.

That, however, is the goal of a true CRM strategy. At one level, it allows each department to perform its functions more effectively by automating parts of the process and arming them with better information. At a higher level, it allows management to understand the way in which the business functions, to measure performance more effectively and to achieve greater profitability by better targeting.

3 Where does e-business fit in?

The spectacular growth and subsequent revaluation of Internet-based 'dot com' organisations have brought the Internet to the forefront of current management thinking; in the process, this has introduced a new wave of customer management, often referred to as 'eCRM'. Like traditional CRM, the market is confusing; in many cases, organisations have failed to come to grips with the underlying business issues.

Although the early Internet-based operations were largely centred on sales or e-commerce, the bigger picture is, once again, enterprise-wide. The term 'e-business' relates to every activity conducted over the Internet, be it a transaction or the provision of a service. It includes e-procurement – this is exploding in the business-to-business world, as large organisations, such as Ford and General Motors, build electronic trading exchanges, allowing suppliers to bid lower and lower prices for contracts in so-called 'reverse auctions'. It also includes Web self-service (see Part 4 on page 6), where customers are able to access information for themselves by interrogating intelligent automated systems on the Internet. As such, the Internet provides another infrastructure or channel for organisations to interact with their customers, in the same way that they currently deal on the telephone, fax or e-mail.

However, treating the Internet as merely another channel-to-market is liable to leave your organisation exposed. In much the same way that traditional CRM systems are effective only if they embrace back-office operations, such as logistics and finance, so customer-facing e-business operations must be built around strong back-office functionality. Many of the early e-business sites fell down because organisations focused too heavily on the front-end Web site, rather than ensuring that the back-end systems and processes were up to scratch.

In some cases, these were system failures: organisations failed to take account of seasonal traffic flows across their Web sites and were simply unable to cope with high volumes of data. In other instances, companies failed to integrate the front- and back-office systems; as a result, they found themselves having to rekey data extracted from the Web site into their traditional order-processing systems. Some companies simply failed to take account of the different business imperatives of the Web environment. Several organisations, accustomed to selling in bulk, launched consumer sites, only to find that the logistical costs of shipping individual customer orders destroyed their margins.

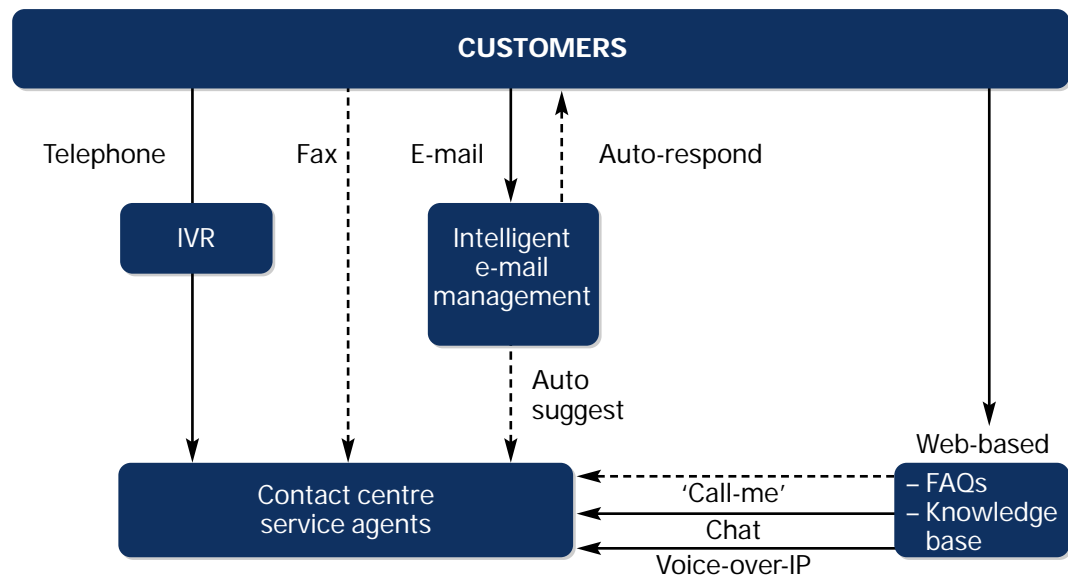
Every organisation now has to grapple with the impact of customer management over the Internet. Faced with a choice of suppliers with similar offerings, a customer will typically choose that organisation which is easiest to deal with. They may have a preference for dealing by telephone or e-mail, but they may be sufficiently Internet-aware to find out information for themselves and conduct transactions over the Web. In all probability, they will want to deal through different communications channels at different times – sometimes even simultaneously.

This kind of multichannel customer management is becoming increasingly critical in developing a CRM strategy, particularly in customer service. As such, Internet capabilities are an essential factor when it comes to assessing offerings from CRM suppliers.

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CUSTOMER SERVICE



KEY
 —————> direct contact with agent
 - - - - -> delayed response possible

The diagram shows the complexity of interacting with customers through multiple channels and indicates some of the areas in which technology can both reduce the burden on support personnel and cut costs.

Interactive voice response (IVR) systems

The automated voice systems which respond to telephone calls and offer callers keypad-driven options form one method of routing and prioritising calls and can help to reduce the duration of calls. However, the process is criticised by many for being cumbersome and intrusive.

Intelligent e-mail management

E-mail management is a fast-growing area of CRM, and auto-response technology has huge potential. Intelligent systems can search for key words in e-mails and suggest several possible responses, ranked in order of probable accuracy. Typically, an auto-suggest facility routes the proposed answer to an agent who checks and forwards it. In basic cases, the response can go directly to the user (auto-respond).

Web

The Web offers large potential savings by encouraging visitors to find out answers for themselves. At a basic level, this consists of pages showing the answers to frequently asked questions (FAQs). More intelligent systems can search vast knowledge bases for answers. While this process can filter out some queries, users must be able to assess live agents. This can be done indirectly by 'call-me' requests from the Web. Customers can also engage in live text-based discussions with agents ('chat') while on-line. Increasingly, voice-over-Internet protocol technology will allow users to talk while on-line.

4 The technology components

Although the last eighteen months have seen an explosion in CRM software applications, much of the technology has existed for years. Several UK reference sites in the sales automation arena, for example, have their roots in implementations which began in the 1980s. Many marketers will have long track records in building customer databases or data warehouses. Many large organisations have developed in-house, bespoke systems to deliver some of the functionality which is now available in packaged solutions. The difference now is that the technology is increasingly stable and mature and, particularly in terms of the Web, offers capabilities which have previously never been available.

Delivering on a CRM strategy is a dynamic activity. As one piece is completed, the next begins, preferably enhancing the first and usually with points of overlap. Just where an organisation starts in a CRM roll-out often depends on the enterprise pain threshold, but, in broad terms, the main building blocks within a CRM strategy consist of:

- technology-assisted selling
- technology-driven support
- product configuration
- database marketing
- marketing automation
- e-marketing

Technology-assisted selling (TAS)

Many organisations still perceive sales automation to be basic contact management, using systems which list key sales contacts, track interactions and provide some level of performance measurement and client analysis. In fact, technology-assisted selling (sometimes referred to as technology-enabled selling) embraces sales force automation, calendaring, collaborative selling and planning.

TAS is frequently seen as providing a quick win for organisations, as it allows management to bring together different sales forces which would otherwise act independently. Certain functions are essential; others are nice to have, but the heart of any TAS system should be the means to co-ordinate the activities of anyone involved in the selling process, whether based in the office, field or call centre. This provides a single view of all selling activities.

The key to making this work is a robust communications infrastructure, supporting both traditional telephone networks and wireless devices. It also requires strong data synchronisation: the process of ensuring that data held on remote devices, such as a field salesperson's laptop, are cross-updated with the central data repository. Some TAS systems provide Web-based data synchronisation, allowing a field or remote worker to receive and transmit data, in real time, using a standard browser interface. This is vital for fast-moving industries in which speedy updates are required. In more complex environments, where the sales cycle is longer or more collaborative, a daily update may suffice.

Collaborative, team-based selling requires integrated calendaring and event management, so that each team member is in touch with the activities of the whole. Pipeline,

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sales and order information should be visible to qualified individuals, and comprehensive reporting by territory, region, product group, individual and line of business should be considered as a minimum requirement. As outlined above, integration to back-office accounting systems should be seen as a necessary part of providing sales personnel with a complete picture of sales & ordering activity.

Technology-driven support

As discussed in Part 3, customers have numerous potential ways to interact with an organisation, each of which can be a sales, as well as a relationship-building, opportunity. A good support product will integrate interactions from the following sources:

- letter
- telephone
- fax
- e-mail
- Internet
- personal device (eg Palmpilot, WAP phone)

Contact centres

Traditionally, support has been provided internally through help desks (especially in IT environments) and externally through call centres: one of the fastest-growing sectors in the United Kingdom. The traditional call centre, geared up to handle voice calls, is evolving into a contact centre which handles customer interactions through all of the devices outlined above and, ultimately, through new technologies such as digital television. This is not an easy process. How, for example, does a contact centre prioritise a telephone call (which requires immediate answering) against an e-mail from a blue-chip customer who expects instant response? Each of these technologies is evolving fast, and organisations looking to develop their call centre capabilities must ensure that they bring in sufficient multichannel customer management functionality.

In voice terms, technology, such as computer telephony integration (CTI), is now mature, and those call centres using CTI have developed sophisticated methods of routing, prioritising and measuring calls. This provides the starting point from which call centre effectiveness can be assessed and from which service improvement strategies can be formulated. Thinking strategically, business managers should see CTI as indispensable, since it provides the technical bedrock on which superior call centre-based service becomes a reality. Other areas, such as e-mail management, are emerging fast, and several vendors have developed automated response systems which identify key words in a message, search a database and propose a list of solutions ranked in order of probability. Increasingly, with voice-over-Internet technology, organisations will be able to conduct conversations with customers, while they are on-line to the Web site.

Many enterprises use the call centre as the first line of communication for incident-handling. Callers will usually tolerate a known waiting period before receiving service, but do expect high levels of both product and customer knowledge on the part of the call centre operator. Making customer history available to the call centre is an absolute must, while including personal details on screen, so that the operator can provide a personalised response, is highly desirable.

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The key to effective field service systems is resource allocation, tied to customer history and profiles.

From an internal management perspective, meanwhile, contact centre analysis is becoming increasingly important as operations move from basic measurement techniques (such as the number of calls answered and calls' duration) to more sophisticated models which take account of up-selling and perceived satisfaction. In some cases, this may require specialist software from third parties, to complement those tools available in packaged applications.

Field service

The key to effective field service systems is resource allocation, tied to customer history and profiles. These should provide the service agent with as much information about the customer as is required to meet service expectations, usually across wireless communications. Integration with back-office transaction systems, such as invoicing, sales order-processing and credit history, will allow managers to categorise and prioritise calls.

In general, support software must include a defined, comprehensive system for escalating incidents as a part of problem resolution, allowing the call centre to update customers about incident progress, where appropriate. Such systems must interact with service-level agreement definitions, so that the correct level of service is offered. Monitoring systems should be in place, so that managers can see the effectiveness of the service and support offering. Naturally, call centre integration is crucial.

Web self-service

Many enterprises are considering self-service as a way of reducing direct contact with agents and improving efficiency. This comes in several forms, the simplest of which provides answers to frequently asked questions (FAQ). More sophisticated systems analyse questions, search 'knowledge bases' and seek potential answers intelligently. In every case, the systems must be updated constantly as new problems and resolutions emerge. The most sophisticated systems on the market will automatically 'learn' from ongoing case histories.

Because many individuals are nervous about both the concept of self-service and the Web, most Internet-based support systems will offer different means of communicating with live agents, including Internet chat, where an agent can correspond electronically with the customer, while on-line. Most Web-based self-service systems will also have a 'call-me' facility, allowing customers to make direct contact with a live agent, meeting the requirement to provide service over the channel of choice. When a 'call-me' facility is activated in an integrated system, the contact centre will be able to identify the customer immediately and access the case history.

Product configuration

A key part of the customer management armoury is product information. Simple products merely require cataloguing, whether in printed literature or on the Web. Complex products, however, require configuration. In the business-to-consumer world, a good example of configuration is the motor car, for which users have numerous choices about colour and accessories. In the business-to-business world, buying a PC involves several decisions about processor speed, memory and so on.

Automating product configuration allows customer-facing staff, in either sales or service, to check that different configurations are both possible and, just as important, available in stock. As such, it gives organisations the opportunity to tailor offerings to different classes of

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customer and is one part of the process of optimising the supply chain – specifically, the matching of manufacturing and sales demand forecasts.

Ideally, product configuration should be available, as a Web-based application, to customers themselves, since this allows users to access the system from a browser through a kiosk or PC.

The software available today varies from basic configuration functionality to highly sophisticated offerings suitable for mass-option environments. Because each organisation's products and services are slightly different and each of its customer touch points different from those of its competitors, some elements of the configuration process may have to be customised. Software suppliers should ideally have industry-specific knowledge.

Marketing automation

In broad terms, marketing automation has its roots in database marketing. Today, marketing has become a broader science, but all marketing systems share the same baseline characteristics with the same ideal: understanding customers on an individual basis. Achieving this is extraordinarily difficult, but software can go a long way towards assisting in the process.

Basic marketing automation software should provide a means to segment the customer base according to geography and demographic characteristics and then set that information against sales data. This allows the user to profile customers according to their preferences, set against the background of the market as a whole.

From here, marketing automation should allow the user to establish, monitor and modify marketing campaigns across multiple channels. The user should be able to distinguish among the different marketing channels helping it to establish the most effective way to approach customers with new products and services.

The software should support different types of campaign, including single, multistep and event-triggered, allowing the user to move from one to another as circumstances dictate. As part of campaign-building, the software should also allow the user to build return-on-investment models, so that potential campaign outcomes can be calculated and acted on. Once a campaign has been established, the user should be able to determine the best match between communications methods and customers' requirements.

Database marketing

Marketing automation requires the collection and dissemination of considerable amounts of data. From an internal perspective, this requires the creation of dedicated marketing databases which can be interrogated and mined for nuggets of information which allow the marketing professional to achieve a fine level of analysis. The idea is to create as close a match as possible between the marketing offer and the target customer.

Database marketing builds on the functionality of core marketing automation, to allow the use of techniques such as predictive modelling, visualisation and regression analysis. These are highly sophisticated statistical techniques, usually used by marketing managers with a deep understanding about the marketing processes applicable to their company's activities.

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Monitoring the way in which customers behave when interacting with commercial Web sites provides a far deeper level of understanding than is possible in traditional marketing activities.

Since customers have much interaction with an organisation, the priority is to find all those data points and then rationalise them for marketing use. This is achieved through data-extraction tools which create and load a multidimensional database. The multidimensional database is best understood as a cube, in which specific customer information is located at the intersection of many data points which reflect measures like geography, demography, products purchased and services rendered across specific time intervals. In broad terms, it allows organisations to analyse and match data from numerous different perspectives.

E-marketing

The advent of Web-based selling has sparked a new marketing management category – e-marketing. Monitoring the way in which customers behave when interacting with commercial Web sites provides a far deeper level of understanding than is possible in traditional marketing activities. Using ‘clickstream’ analysis tools, organisations can track visitors’ progress through their site and deduce aggregate information about the most popular products and services. By tracing the paths which users take and where they exit, it is also possible to build a better understanding of the effectiveness of the site. This is crucial in the e-commerce environment, in which there is an extremely high level of shopping-cart abandonment: a high proportion of visitors beginning a purchasing process, yet never completing it.

E-marketing, however, goes a subtler step further in terms of personalised marketing. Having gleaned information about visitors’ individual preferences, a personalisation engine tied to relationship marketing tools can ensure that, when a visitor re-enters a site, his/her preferences are automatically loaded. These products work by not only understanding customer behaviour, but incrementally gathering intelligence about the customer through a mutual trade of information. This can be as simple as asking the customer to give his/her age, sex and income or as sophisticated as questions about financial transactions.

This information forms the basis for creating automated marketing campaigns which are subtly introduced to the customer through their interactions with the site. These solutions also incorporate the customer’s other touch points to the organisation as part of an overall effort to ensure that every cross- or up-selling opportunity is taken.

Care must be taken to ensure that the customer is not bombarded with junk information; there is now a growing trend to provide new offers on a permission basis. This is where the customer is offered an idea, but receives the appropriate detailed information only if he/she accepts the invitation. Whether the customer chooses to give permission or not, the e-marketing engine is still ticking over, providing feedback to the marketing system about marketing effectiveness.

Integrating different systems is one of the biggest challenges facing organisations today. It's a little like taking a set of spare parts from three different bicycles and trying to make a working model: it can be done, but it's not easy and is rarely satisfactory.

5 Integration

Given the all-embracing nature of customer management, putting together a robust IT strategy involves far more than simply installing front-office applications. Because information needs to be gleaned from across the enterprise, linking together disparate IT systems becomes a top priority. This is not only an issue of linking front-office applications with current back-office systems: many organisations purchase a mixture of front-office applications from different vendors, principally because few software vendors are able to deliver all the functionality which a user requires. There is nothing intrinsically wrong in taking this approach, but it will be successful only if organisations take a strategic, top-down view.

Integrating different systems is one of the biggest challenges facing organisations today. It's a little like taking a set of spare parts from three different bicycles and trying to make a working model: it can be done, but it's not easy and is rarely satisfactory. The answer lies in designing a technical infrastructure which is flexible enough to meet the needs of both today and tomorrow.

Many organisations find this process difficult, as it's not easy for functional managers to visualise the extent to which different activities affect the whole business. It's not enough to say that everyone has to be customer-focused and then put employees through some kind of bootcamp to reinforce the message. The practical reality is that there are frequent and naturally occurring tensions within organisations which make infrastructure-planning and software integration a tortuous path. Where, for example, there is a sudden increase in demand, sales teams press for delivery to capture the selling opportunity. However, what if the factory-planning system cannot cope with changing demand? What if factory data are not made available to sales, so that customers can be given realistic delivery dates? How will marketing communicate the results of advertising campaigns to salespeople who, in turn, will come up with demand information which manufacturing can use?

Technically, the problem falls into three areas: communications, information and business process. These can be likened to the way in which we, as humans, behave and interact in the real world. The term communications refers to the need for a common framework which allows all applications to talk to one another, using a common method. It is effectively the skeleton, acting as the means by which the enterprise is held together and, at the same time, providing the co-ordinating framework for each part of the business. In today's world, that means having a common network carrier system and applying it as an enterprise standard.

Information is what drives business, but it comes from many different sources. This is the central nervous system, where our experience of the world is interpreted through input from different senses which are processed and then interpreted by the brain. Building an IT nervous system with multiple data sources isn't easy, but there are two proven approaches: the first is to include a layer of software which acts as 'plumbing', receiving and interpreting the data for each application in the system; the second is to take advantage of new methods of expressing data, based around emerging industry standards which allow applications to understand what the data mean, without being concerned about the data source itself.

There is, after all, no point in trying to enjoy a steak, using a fish knife.

Finally, there are business processes. In the human model, even relatively simple actions, such as having a meal, involve a complex set of interacting processes which must work harmoniously and seamlessly. There is, after all, no point in trying to enjoy a steak, using a fish knife. It is the same with applications. Enterprises need to understand what is entailed in fulfilling a customer's order. If, for example, a factory does not have a way of triggering a business process to let customer service know about delays or shipment information, the CRM chain is broken.

No CRM set-up will be successful without some level of integration among disparate systems. Although the technicalities of the process are an IT issue, it's essential that business managers understand the principles and implications before embarking on a major CRM project.

6 Implementation

Implementing IT systems of any nature is a notoriously difficult process, and history demonstrates that most roll-outs either overrun or exceed budget. In the back office, during the 1990s, this was particularly true: many implementations covering finance, logistics, manufacturing or human resources took years, largely because they were accompanied by significant amounts of business process re-engineering. In some instances, the ratio of services (including training and implementation consultancy) to the cost of the software licence was five to one or higher.

A backlash from users, the press and industry analysts in the latter part of the 1990s led vendors to focus on faster roll-outs, often by minimising the amount of customisation required to tailor software packages to particular needs. This process has been extended to the front-office, in which speed of roll-out is essential. Users in functions such as sales and marketing are unaccustomed to large-scale IT projects, and quick wins are essential to overcome cynicism.

That is not to say that all the implementation problems have gone away. Most implementations involve a level of integration between new systems and existing, legacy applications; this can be a complex process (see Part 5). Additionally, each organisational structure is different, and unique demands for usage or management reporting can extend implementation timescales. Regardless of whether software is implemented by the author itself or one of its partners, managing the process to minimise internal disruption is critical.

There are several recommended steps:

- Scope the project in detail, before beginning the implementation process. This is basic project management, but it's worth spending additional time at the planning stage to ensure that expectations are met.
- Get buy-in at board level. Most companies which have been down the CRM route insist that a board-level sponsor is essential to give weight to the project within the organisation.
- Put representatives from each department onto the steering committee. These individuals will sponsor the project within their own function and may become 'super-users', providing first-level support.
- Allow for slippage in both the budget and the timeframe. Every IT project runs into unforeseen problems: it's better to be conservative at the outset than to put pressure on the implementation team further down the line. Every project should include a contingency budget.
- Consider risk-sharing. Some third-party consultancies now offer fixed-price, fixed-time contracts to install software, guaranteeing to hit certain performance targets. These are not necessarily as straightforward as they may initially seem. In larger roll-outs, some consultancy partners will provide an absolute guarantee for the first stage of the project, a partial guarantee for the second stage (within certain slippage parameters) and will negotiate the third stage after the project has begun.

Users in functions such as sales and marketing are unaccustomed to large-scale IT projects, and quick wins are essential to overcome cynicism.

- Tackle cultural objections before roll-out. One of the problems in automating areas, such as sales and marketing, is that the systems improve management reporting and help to track activities which previously went unmeasured. This frequently leads to resistance in the user base. The key is to demonstrate that the system improves the overall working environment for each individual, by either automating mundane processes or providing better information which can improve job functions tangibly.
- Do not cut corners on training. Some consultants recommend that as much as 40 per cent of a services budget should be spent after the roll-out, a large part of it on training. Organisations which fail to invest in training, including regular refresher courses, are effectively throwing away much of their initial investment.
- CRM is much more than the initial implementation: it is an ongoing process which should be continuously evaluated and upgraded as the organisation's needs evolve over time.

Conclusion – the impact of CRM on the organisation

THE MANAGING DIRECTOR/DIRECTOR'S PERSPECTIVE

- Implementing a CRM strategy will have far-reaching implications across your organisation, from back-office functions (such as finance and logistics) through customer-facing activities (such as sales, marketing and service) and beyond to suppliers and partners. The enterprise-wide implications must be fully understood before organisations embark on a CRM project.
- The cultural implications of CRM are significant. Historically, many projects have failed, despite effective IT implementations, because people-related issues have not been tackled.
- CRM projects will fail, unless they have board-level buy-in and are driven from the top.

THE IMPLEMENTER/PROJECT LEADER'S PERSPECTIVE

- Fundamentally, CRM is a business philosophy; not a technology. All projects should be approached from a corporate, strategic perspective. As such, technology is merely the tool which allows your organisation to achieve its strategic goals.
- There are several practical steps which can be taken to ensure that a CRM-related project runs smoothly. While some of these are common to all IT projects, front-office implementations bring unique challenges. With less of a legacy in systems implementation than the back office has, there is additional pressure for speedy, tangible returns.
- Outside of greenfield sites, the big bang approach to implementation is rarely recommended. Early adopters typically favour incremental projects which offer quick wins. Front-office implementations bring unique challenges, as there is less of a tradition of systems implementation, compared with the back-office.

THE IT PERSPECTIVE

- CRM is fundamentally a business philosophy: technology is the tool which allows the business goals to be achieved. Unless an organisation understands the business drivers and the implications of embarking on a customer management strategy, no amount of IT expertise will bring success. IT developments must be closely aligned to business needs.
- The key to successful customer management is to build a unified view of each client, drawing together data from a wide variety of sources, making it available in a relevant format to business managers and users. The IT implications are vast because, ultimately, CRM will touch every system in the organisation, as well as the systems of suppliers and partners. As a result, integration is one of the biggest challenges which IT departments face in the CRM arena.

THE USER'S PERSPECTIVE

- Implementing a CRM strategy does not affect just customer-facing employees. Because of the need to transmit information both within the organisation itself and externally to customers and suppliers, every function is likely to be affected by a CRM project. This means that every department should have a representative involved in planning and, where necessary, rolling out a major CRM project.
- Ongoing training for users is essential and may eventually make the difference between success and failure.
- The introduction of CRM systems is likely to have some degree of impact on every job in an organisation. At an individual level, the aim is to provide each person with better information, allowing him/her to operate more effectively. At a departmental level, by monitoring the effectiveness of different activities, organisations can better achieve their strategic goals.

Glossary of terms

Back-office: financial applications which automatically manage the transaction part of customer interaction

Call centre: centralised telephone contact centre

Database marketing: the basis on which enterprises can start to engage in the process of one-to-one marketing

E-marketing: based on using information gathered from interactions deriving from customers' activities on a commercial Web site

Field service: applications which automate the service provision for personnel who are not office-based

Front-office: sales and marketing applications which have an immediate and direct impact on customer interaction

Integration: the requirement to have all applications running seamlessly together, so that individual application components are invisible to the user

Marketing automation: a method by which marketing activities may be streamlined

Personalisation: software which allows the marketer to interpret customers' lifestyles, needs and preferences, facilitating the use of one-to-one marketing via the Web

Product configuration: a system which allows customers to build complex products where there are choices over product components

TAS – technology-assisted selling: applications which track and manage the sales process automatically, from inception to order placement

TDS – technology-driven support: applications which automate the service delivery aspect of the customer relationship

Web self-service: a method of delivering service, using Internet technology

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