Chapter 1

A strategic framework for CRM

Customer Relationship Management, or CRM, is increasingly found at the top of corporate agendas. Companies large and small across a variety of sectors are embracing CRM as a major element of corporate strategy for two important reasons: new technologies now enable companies to target chosen market segments, micro-segments or individual customers more precisely and new marketing thinking has recognized the limitations of traditional marketing and the potential of more customer-focused, process-based strategies.

CRM, also more recently called ‘customer management’, is a business approach that seeks to create, develop and enhance relationships with carefully targeted customers in order to improve customer value and corporate profitability and thereby maximize shareholder value. CRM is often associated with utilizing information technology to implement relationship marketing strategies. As such CRM unites the potential of new technologies and new marketing thinking to deliver profitable, long-term relationships.

Although the term CRM is relatively new, the principles behind it are not unfamiliar. Organizations have for a long time practised some form of customer relationship management. What sets present day CRM apart is that organizations can manage one-to-one relationships with their customers – all one thousand or one million of them. In effect, CRM represents a renewed perspective of managing customer relationships based on relationship marketing principles;
the key difference being that today these principles are applied in context of unprecedented technological innovation and market transformation.

The market place of the twenty-first century bears little resemblance to bygone eras characterized by relatively stable customer bases and solid market niches. Nowadays, customers represent a moving target and even the most established market leaders can be ousted quickly from their dominant positions. The urgent need to find alternative routes to competitive advantage has been driven by profound changes in the business environment, including: the growth and diversity of competition; the development and availability of new technology; the escalating expectations and empowerment of the individual; the advent of a global operating environment; and the erosion of conventional timeframes in this electronic-enabled era. These changes have reinforced the adoption of wider business horizons and more customer-oriented perspectives.

Companies have realized that it is no longer simply enough to offer excellent products: ease of duplication and market saturation can quickly dispel initial indications of a winning formula. Today’s key differentiator is exceptional service provided on a consistent and distinctive basis. Service is more difficult to imitate than a product because service requires customer input and involvement. Competitive advantage can therefore be gained by leveraging knowledge of customers’ expectations, preferences and behaviour. This involves creating an ongoing dialogue with customers and exploiting the information and insights obtained at every customer touch point.

CRM is aimed at increasing the acquisition and retention of profitable customers by, respectively, initiating and improving relationships with them. The development of strategically targeted relationships is enabled through the opportunities afforded by advances in information technology (IT). Companies today can seek to improve their customer management by utilizing a range of database, data mart and data warehouse technologies, as well as a growing number of CRM applications. Such developments make it possible to gather vast amounts of customer data and increasing customer feedback, as well as to analyse, interpret and utilize it constructively. Furthermore, the advantages presented by increasingly powerful computer hardware, software and e-services are augmented by the decreasing costs of running them. This plethora of available and more affordable tools of CRM is enabling companies to target the most promising opportunities more effectively. Credit Suisse, for example, made a rewarding
investment in learning more about the source of customer satisfaction and profitability within its own operations.

Over the past decade there has been an increased interest in CRM among executives, academics and the media. Success stories such as that of Credit Suisse have heightened this interest. However, despite the many books, articles, conferences and web sites devoted to the topic of CRM, there remains a singular lack of agreement about what exactly is CRM, who is the main beneficiary and how should it be addressed to give a better return. This book sets out to provide a strategic framework for understanding and defining CRM as an effective means of ensuring that overall business strategy delivers increased shareholder results.

Before entering into a detailed discussion of the key processes involved in strategic CRM, it is important to explore some background to CRM. This chapter starts by examining the development of CRM and the issues underpinning its increased business significance.

The origins of CRM

CRM is based on the principles of relationship marketing, so a brief review of the development of marketing is helpful to understanding the evolution of CRM. As industries have matured, there have been changes in market demand and competitive intensity that have led to a shift from transaction marketing to relationship marketing.
In the 1950s, frameworks such as ‘the marketing mix’ were developed to exploit market demand. The shorthand of the ‘4Ps’ of product, price, promotion and place were used to describe the levers that, if pulled appropriately, would lead to increased demand for the company’s offer. The objective of this ‘transactional’ approach to marketing was to develop strategies that would optimize expenditure on the marketing mix in order to maximize sales.

During the latter years of the twentieth century some of these basic tenets of marketing were increasingly being questioned. The marketplace was vastly different from that of the 1950s. Numerous markets had matured in the sense that growth was low or non-existent, resulting in increased pressure on corporate profitability. In many instances consumers and customers were more sophisticated and less responsive to the traditional marketing pressures, particularly advertising. Greater customer choice and convenience existed as a result of the globalization of markets and new sources of competition and the emergence of new media and channels. Innovative business thinking and action was required to meet the challenges of this new competitive environment.

In the early 1990s Philip Kotler, a professor at Northwestern University, proposed a new view of organizational performance and success based on relationships, whereby the traditional marketing approach – based on the marketing mix – is not replaced, but instead ‘repositioned’ as the toolbox for understanding and responding to all the significant players in a company’s environment. He outlines the importance of the relationship approach to stakeholders:

> The consensus in ... business is growing: if ... companies are to compete successfully in domestic and global markets, they must engineer stronger bonds with their stakeholders, including customers, distributors, suppliers, employees, unions, governments and other critical players in the environment. Common practices such as whipsawing suppliers for better prices, dictating terms to distributors and treating employees as a cost rather than an asset, must end. Companies must move from a short-term transaction-orientated goal to a long-term relationship-building goal.¹

Kotler’s comments underscore the need for an integrated approach for understanding the different stakeholder relationships. In many large industrial organizations, marketing is still viewed as a set of related but compartmentalized activities that are separate from the...
rest of the company. Relationship marketing seeks to change this perspective by managing the competing interests of customers, staff, shareholders and other stakeholders. It redefines the concept of ‘a market’ as one in which the competing interests are made visible and therefore more likely to be managed effectively.

The development of this broader wave of marketing thinking by marketing academics and practitioners has influenced the perceived role of marketing in business. In effect, marketing is given lead (but not sole) responsibility for strengthening the firm’s market performance. In an earlier book, we have described relationship marketing as:

- a move from functionally-based marketing to cross-functionally-based marketing
- an approach which addresses multiple ‘market domains’, or stakeholder groups – not just the traditional customer market
- a shift from marketing activities which emphasize customer acquisition to marketing activities which emphasize customer retention as well as acquisition.

The transition from traditional, ‘transactional’ marketing to relationship marketing is depicted in Figure 1.1.

Relationship marketing emphasizes two important issues. First, you can only optimize relationships with customers if you understand and manage relationships with other relevant stakeholders. Most businesses appreciate the critical role their employees play in delivering superior customer value, but other stakeholders may also play an important part. Second, the tools and techniques used in

![Figure 1.1 The transition to relationship marketing](image-url)
marketing to customers, such as marketing planning and market segmentation, can also be used equally as effectively in managing non-customer relationships.

The key principles of relationship marketing

Figure 1.1 suggests three distinguishing characteristics of relationship marketing. The first is an emphasis on customer retention and extending the ‘lifetime value’ of customers through strategies that focus on retaining targeted customers. The second is a recognition that companies need to develop relationships with a number of stakeholders, or ‘market domains’, if they are to achieve long-term success in the final marketplace. The third feature of relationship marketing is that marketing is seen as a pan-company or cross-functional responsibility and not solely the concern of the marketing department.

An emphasis on retention of profitable customers

Maximizing the lifetime value of a customer is a fundamental goal of relationship marketing. In this context we define the lifetime value of a customer as the future flow of net profit, discounted back to the present, that can be attributed to a specific customer. Adopting the principle of maximizing customer lifetime value forces the organization to recognize that not all customers are equally profitable and that it must devise strategies to enhance the profitability of those customers it seeks to target.

Loyal customers are an intangible asset that adds value to the balance sheet. They represent the goodwill earned by the brand. Domino’s Pizza chain in the USA, for example, estimates that a customer who purchases one pizza for $5 may represent a net worth of approximately $5000 over the 10-year life of a Domino franchise. Similarly, the Ford Motor Company has calculated that a loyal Ford customer is worth $142,000 over their lifetime. Loyal and repeat customers not only contribute revenue by returning again and again to purchase from the same company or brand, they also act as advocates, referring new customers and reducing acquisition costs.

An emphasis on multiple markets

Relationship marketing focuses marketing action on multiple stakeholder markets. The six markets stakeholder model provides a useful
framework for reviewing the role of an extended set of stakeholders. The model identifies six key groups, or market domains, that contribute to an organization’s effectiveness in the market place. They are customer markets, influencer (including shareholder) markets, recruitment markets, referral markets, internal markets, and supplier/alliance markets.

Each market domain is made up of a number of key participants. Customer markets, for example, may include wholesalers, intermediaries and consumers, while influencer markets may comprise financial and investor groups, unions, industry and regulatory bodies, business press and media, user and evaluator groups, environmental groups, political and government agencies and competitors. Relationship marketing recognizes that multiple market domains can directly or indirectly affect a business’s ability to win and keep profitable customers.

**An emphasis on a cross-functional approach to marketing**

For a long time marketing strategies have been developed within functionally-based marketing departments. As a result, the marketing strategies developed often do not take into account their organization-wide implications. The problem is that they are functionally focused not market focused. They typically seek to optimize the use of inputs and hence are budget driven, rather than seek to optimize around outputs and hence be market driven. Rarely do they consider the interrelationship of different shareholders.

To succeed in managing the multiple stakeholders effectively, marketing must be cross-functional. David Packard, co-founder of Hewlett-Packard, is reported to have said that ‘marketing is too important to be left to the marketing department’. His comment could be interpreted in a number of ways, but we understand it as a call to bring marketing out of its functional silo and extend the concept and the philosophy of marketing across the business enterprise. In practice, a cross-functional approach to marketing requires an organizational culture and climate that encourages collaboration and cooperation. Everyone within the business must understand that they perform a role in serving customers, be they internal or external customers.

CRM builds on these principles of relationship marketing. However, with new market demands and new technologies, the
management of customer relationships has been taken to a new and more complex level. CRM is a response to this new and more challenging environment. Put simply, CRM is ‘information-enabled relationship marketing’.

The rise of CRM

The emergence of CRM as a management approach is a consequence of a number of important trends. These include:

- the shift in business focus from transactional marketing to relationship marketing
- the realization that customers are a business asset and not simply a commercial audience
- the transition in structuring organizations, on a strategic basis, from functions to processes
- the recognition of the benefits of using information proactively rather than solely reactively
- the greater utilization of technology in managing and maximizing the value of information
- the acceptance of the need for trade-off between delivering and extracting customer value
- the development of one-to-one marketing approaches.

Marketing on the basis of relationships

The shift in marketing focus from increasing the number and value of transactions (transactional marketing) to growing more effective and profitable relationships with multiple stakeholders (relationship marketing) has profound benefits. Marketing on the basis of relationships concentrates attention on building customer value in order to retain customers. By building on existing investment, in terms of product development and customer acquisition costs, firms can generate potentially higher revenue and profit at lower cost. Marketing on the basis of transactions, by contrast, involves greater financial outlay and risk. Focusing on single sales involves winning the customer over at every sales encounter, a less efficient and effective use of investment.
Relationship marketing also produces significant intangible benefits. The prominence given to customer service encourages customer contact and customer involvement. As a result, firms can learn more about customers’ needs and build this knowledge into future product and service delivery. Clearly, customer encounters that end once the transaction is completed and with only a record of purchase details for reference, do not offer the same wealth of opportunities for service and relationship enhancement that enduring customer relationships do.

**Viewing customers as business assets**

This focus on the ‘relationship’ rather than the ‘transaction’ is evident in the emergent view that customer relationships represent key business assets. The implication is that relationships with customers can be selectively managed and further developed to improve customer retention and profitability. This represents a significant departure from the more traditional view that customers are simply a commercial audience that need to be broadcast to by a range of advertising and other promotional activities.

One aspect of a company’s market value is future profit stream generated over a customer’s lifetime. If customers are viewed as business assets then the company will focus on growing these business assets and its market value. CRM stresses identifying the most profitable customers and building relationships with them that increase the value of this business asset over time.

**Organizing in terms of processes**

In the present highly competitive market place it is imperative that customers are viewed as individual and complete entities that comprise a relationship, rather than be viewed as a series of individual transactions. To obtain and present a unified view of customers requires internal coordination and collaboration that is oblivious to functional boundaries. Traditionally, sales, marketing and customer service and support have operated from disparate functional silos with little or limited interaction. Figure 1.2 depicts the traditional ‘command and control’ organizational structure. Such a functionally-oriented approach tends to focus too heavily on the operations of the
company and too little on customers. The danger is that customers may be undervalued by the firm and effectively put to one side – as shown in this figure. As a result opportunities for maximizing customer value and corporate profitability are often lost.

In recent years, companies have started to realize the advantages of organizing in terms of processes rather than functions. Process-oriented firms retain their functional excellence in marketing, manufacturing and so on, but recognize that processes are what deliver value to the customer as well as to the supplier. A process is essentially any discrete activity, or set of activities, that adds value to an input. In the modern market place, customers rarely seek an ‘isolated’ product; they also want immediate delivery, guaranteed warranty and ongoing service support. The product or service offer has therefore become multifaceted; the culmination of cross-functional expertise. Process integration and cross-functional collaboration are defining strengths of CRM.

Figure 1.2  Marketing as a functional activity – the ‘command and control’ organizational structure

From reactive to proactive use of information

CRM is also about achieving, maintaining and improving competitive strength by anticipating customers’ future needs as well as satisfying their current requirements. With an ever-expanding wealth of options on offer, customers are faced with increasingly personalized choices.
The move from ‘mass market’ to ‘mass customization’ in marketing has created a buyer’s market. Empowered to choose (and to refuse), customers exert tremendous influence over the actions of supplying organizations. Their weapons are a diminished sense of loyalty and a greater propensity to switch to organizations that can promise (and deliver!) something better. This is particularly true in e-commerce where customers can change their minds at the click of a button and savvy competitors can quickly redefine or refine their offers to gain a greater slice of customer share.

To increase customer satisfaction and reduce customer attrition, businesses must know their customers (and competitors) like never before and use this knowledge proactively. Improvements in knowledge-gathering and -sharing activities within and across organizations has greatly enhanced access to information and insights that underpin the creation of customer value. Customer service operations and, in particular, call centres, often focus mainly on ‘reactive’ relationships with customers. Experience has shown, however, that carefully designed ‘proactive’ customer care initiatives can be much more effective and rewarding. Proactive customer support operations do not wait for complaints to be registered but actively seek to uncover and remedy customer dissatisfaction. They recognize that customers often never lodge a complaint and simply take their business elsewhere. Similarly, proactive call centres research prospective, current and lapsed customers, feeding valuable information to cross-functional customer information and customer management teams.

Deploying IT to maximize the value of information

The development of customer relationships is enabled by the deliberate exploitation of customer information. The investment that CRM requires in terms of IT infrastructure is often substantial and has to be justified in terms of both cost savings and profit generation. Many organizations that have already adopted enterprise resource planning (ERP) to improve internal efficiencies are now turning to CRM better to respond to individual customer’s needs. Whereas ERP employs customer and other information to reduce costs by improving internal efficiencies in back office processes related to manufacturing and finance, CRM emphasizes the use of customer information to enhance revenue by increasing external effectiveness in front office activities including sales, marketing and customer
service and support. However, a firm’s ability to exploit the value of information relies heavily on the existence of a supportive IT environment.

A CRM system has two major IT components: a data repository that enables the organization to collect a complete set of information on customers (used with a set of analytical tools to develop a better understanding of customers in terms of past and likely future behaviour); and a set of applications that enable value-adding interactions with customers, often across different channels, in order to meet their needs. Technological innovations such as clever screen prompts, which advise customer service representatives of a customer’s profile and appropriate call centre tactics can be used to increase cross-selling and upselling, provided that staff are suitably trained, equipped and motivated. By using IT to listen to and learn from customers, companies can create opportunities for securing a greater share of wallet as well as market share.

Balancing the value trade-off

Crucially, CRM highlights the trade-off between delivering and extracting customer value. The overall value creation process can be considered in terms of three key components. These are: determining what value the company can deliver to its customers (the value the customer receives); determining what value the organization can extract from its customers (the value the organization receives); and, by managing this value exchange, maximizing the lifetime value of desirable customers and customer segments. Relationships are built on the creation and delivery of superior customer value on a sustained basis. This is why the identification of what constitutes customer value in specific markets and segments is so important.

Creating an appropriate balance between the value delivered to customers and the value received in return and recognizing how this may need to change for different customer segments, is an essential element of CRM. Giving the customer too much by way of value, at realizable market prices, may cost the organization too much and satisfactory profit margins may not be sustained. Conversely, taking too much value from the customer through reductions in product quality or customer service levels is likely to result in customer defections. Furthermore, the economic value of different customer segments will vary and this needs to be taken into account.
In a sense, optimizing the value trade-off means marrying the aforementioned principles of relationship marketing with current marketing trends. For example, grocery shoppers are increasingly turning to the convenience of the Internet for their weekly shopping. More sophisticated e-shoppers are demanding online options that will allow them to compare prices among similar products, select items based on the nutritional information provided by manufacturers and check out new products. The experience of Danish food retailer, ISO, is testament to the value of exploring changes in the food shopping habits of customers.

ISO supermarket chain in Denmark operates in a country where e-commerce is strong. Exploiting this trend, ISO offers customers the option of shopping using the Palm Computing platform. Customers can create their electronic grocery lists by scanning the bar codes on products in their larder, refrigerator and medicine chest using their PalmPilot handheld device. Bar codes can also be accessed by printing them from the ISO web site. The electronically-generated order can then be transmitted to ISO directly from the PalmPilot or via uploading the order to a PC for transmission. Picking, packing and home delivery within four hours can be arranged at a small additional charge. Alternatively, customers can collect their orders, all ready and waiting, from their local ISO store at a designated time and date.

ISO has benefited from this innovative practice in two ways. Their research suggests that ISO’s e-shoppers are a highly profitable customer segment, buying larger orders, more frequently and with less price sensitivity than the average purchaser. In addition, ISO has captured detailed information on this highly lucrative market segment that can be used to manage customer relationships and future profitability more effectively.

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**Developing ‘one-to-one’ marketing**

A key foundation of marketing strategy is the identification of appropriate target markets or segments. In consumer markets these segments may be determined by factors such as age, sex or lifestyle, while in business-to-business (B2B) markets segmentation criteria include industrial sector, size of company and so on. As markets become increasingly competitive and consumers and organizations seek increasingly specific solutions to their needs, markets fragment into ever smaller segments. Don Peppers and Martha Rogers have
suggested that we may have to address ‘segments of one’ in some markets where the customer and the supplier in effect create a unique and mutually satisfactory exchange process.4

One-to-one marketing is a form of marketing in which dialogue occurs directly between a company and individual customers or groups of customers with similar needs. Many B2B organizations with large customers practise one-to-one marketing through key account management strategies. Smaller customers may be dealt with in a more impersonal way through call centre or mail order strategies. In business-to-consumer (B2C) markets the cost of dealing with customers on a one-to-one basis is frequently prohibitive and other means of facilitating dialogue must be found.

The Internet has proven to be a powerful tool for involving both B2C and B2B customers in the marketing process, enabling a one-to-one dialogue rather than relying on mass communications. Here permission marketing, discussed in the next chapter, has a key role to play. The unique capabilities of the Internet allow marketers to capture the anonymous behaviour necessary to be able to answer the question, ‘What does each customer want?’

CRM has a key role to play in developing such one-to-one relationships. CRM systems and processes enable a company to commit to memory each relevant customer encounter and to recall all past encounters with that customer at every future association. In effect, the capture of customer data, the interpretation of data analyses and the dissemination of resultant customer knowledge becomes a natural and automatic function of the organization. How well CRM fulfils this role depends very much on how CRM is defined and adopted within the organization concerned.

The role of CRM

The trends outlined here help explain why CRM has become a critical business issue. However, the problem faced by many organizations, both in deciding whether to adopt CRM and in proceeding to implement it, stems from the fact that there is still a great deal of confusion about what constitutes CRM. To some it means direct mail, a loyalty card scheme or a database, while others envisage a help desk or a call centre. Still others see CRM as an e-commerce solution such as a personalization engine on the Internet or a relational database
for sales management. As a result, organizations often view CRM from a limited perspective or adopt CRM on a fragmented basis. This confusion surrounding CRM may be explained by:

- the lack of a widely accepted and clear definition of its role and operation within the organization
- an emphasis on information technology aspects rather than its benefits in terms of building relationships with customers
- the wide variety of tools and services being offered by information technology vendors, which are often sold as ‘CRM’.

**Varying definitions of CRM**

The lack of clarity about CRM is evident in CRM terminology. Customer relationship management is often used interchangeably with the terms ‘relationship marketing’, ‘customer relationship marketing’, ‘enterprise relationship marketing’ (ERM), ‘technology enabled relationship marketing’ (TERM), ‘customer managed relationships’ (CMR) or ‘customer management’ (CM). It is also used to refer to a specific IT solution such as a data warehouse or a specific application such as campaign management or sales force automation. Moreover, the definitions and descriptions of CRM used by different authors and authorities vary greatly, as illustrated in the representative sample shown in Table 1.1.5-15 In our experience of dealing with many companies we have found that the term ‘CRM’ is used very differently across different industries and within specific vertical markets. In one large technology company, we found that the use of the term CRM even varied greatly within that organization.

**The CRM continuum – three perspectives of CRM**

A review of these definitions of CRM and how organizations use them indicates that a range of approaches is used to define CRM. These are portrayed as a continuum in Figure 1.3.16 At one extreme, CRM is defined as a particular technology solution. For example, in one organization that had spent over $20 million on IT solutions and systems integration, CRM was described solely in terms of its large sales force automation project. In another organization CRM was
Table 1.1 Some definitions and descriptions of CRM

CRM is a business strategy combined with technology to effectively manage the complete customer life-cycle.

A term for methodologies, technologies and e-commerce capabilities used by companies to manage customer relationships.

CRM is an e-commerce application.

A comprehensive strategy and process of acquiring, retaining and partnering with selective customers to create superior value for the company and the customer.

CRM is about the development and maintenance of long-term mutually beneficial relationships with strategically significant customers.

Numerous aspects, but the basic theme is for the company to become more customer-centric … methods are primarily Web-based tools and Internet presence …

CRM can be viewed as an application of one-to-one marketing and relationship marketing, responding to an individual customer based on what the customer tells you and what else you know about that customer.

A management approach that enables organizations to identify, attract and increase retention of profitable customers by managing relationships with them.

It involves using existing customer information to improve company profitability and customer service.

Seeks to provide a strategic bridge between information technology and marketing strategies aimed at building long-term relationships and profitability. This requires ‘information-intensive strategies’.

Data-driven marketing.

Figure 1.3 The CRM continuum

used to refer to a wide range of customer-oriented IT and Internet solutions, reflecting some of the descriptions given in Table 1.1.

A further company used CRM to describe its initiatives for becoming more customer-centric, which had more to do with creating value.
propositions and training staff to deliver them and relatively little to do with IT.

The importance of how CRM is defined is not merely semantics. Its definition has a significant impact on how CRM is accepted and practised by the entire organization. CRM is not simply an IT solution to the problem of getting the right customer base and growing it. CRM is much more. It involves a profound synthesis of strategic vision, a corporate understanding of the nature of customer value within a multi-channel environment, the utilization of the appropriate information management and CRM applications and high quality operations, fulfilment and service. CRM emphasizes that managing customer relationships is a complex and ongoing process and a response to and reflection of a rapidly changing marketing environment. Thus we advocate positioning CRM in any organization in a broad strategic context, or to the far right in Figure 1.3.

The dangers of not adopting this strategic perspective of CRM are made all too apparent by media coverage of CRM failures. Widespread concern regarding the performance of CRM initiatives is represented in the following quotations from Insight Technology Group, The CRM Institute, Giga and Gartner:

- ‘69 per cent of CRM projects have little impact on sales performance’.
- ‘Companies think that their CRM projects are significantly less successful than their consultants or suppliers’.
- ‘70 per cent of CRM initiatives will fail over the next 18 months’.
- ‘60 per cent of CRM projects end in failure’.

CRM, viewed from a strategic perspective, is concerned with how the organization can create increased shareholder value through developing superior customer relationships. Rejecting CRM and the potential benefits that it can deliver in terms of shareholder value because of specific failures of IT implementation in other companies would seem short-sighted to say the least! At the same time, organizations should be aware of the risks of specific IT project failures and their associated cost, a point we will return to later in this book.

Use of CRM and its terminology

As well as having a variety of definitions and meanings, CRM has attracted the interest of a wide range of company types and industry
sectors. For example, one UK study focused on identifying the top ten organizations using CRM effectively. The study found that the leading practitioners of CRM are an interesting mix of more traditional businesses (e.g. RAC, Boots and Kwik-Fit), companies which have historically used call centres for their customer interactions, but are also now utilizing e-commerce (e.g. First Direct and Direct Line Insurance), ‘pure play’ internet companies (e.g. Amazon.com and Egg) and ‘hybrid’ or ‘bricks and clicks’ businesses (e.g. Citibank, Tesco and Barnes & Noble). This emphasizes the point that CRM strategies are by no means confined solely to companies that have a high dependence on Internet and technological innovation.

Given the widespread use of CRM across different industries we were interested to find out what terminology companies used to describe the management of their relationships with customers. We were especially interested in how the three most common terms: relationship marketing, CRM and customer management were actually being used by organizations. To gain an understanding of how the terms were used, we undertook a study of the most advanced sector in terms of adoption of CRM – the financial services sector.

Research by Datamonitor had confirmed that the financial services vertical market was by far the most developed with approximately 36 per cent of global revenues being spent within it. (The closest vertical sector, telecommunications, accounted for only half this amount.) Our study confirmed that while there were no firm distinctions made between CRM, relationship marketing and customer management, certain common patterns did exist in the way the terms were used.

It was clear from the interviews with senior executives in this sector that relationship marketing was, for the most part, associated with high-level strategic thinking about relationships with all key stakeholders (a view echoed in the description of relationship marketing above). Respondents described relationship marketing using phrases such as bespoke development, partnerships, joint planning and alliances. The terms CRM and customer management were used more in connection with the management of relationships with customers. When describing customer relationship management, managers used phrases reflecting the development of marketing strategies over the customer lifetime, such as understanding the customer base in total, understanding needs, attitudes, lifestage, profitability and lifetime value. By contrast, customer management was seen by the majority of respondents as being more concerned with the tactical
implementation of CRM, in particular using specific tools such as campaign management or call centre activities. Based on our discussions with respondents in our study we developed a hierarchy which helps explain the terms relationship marketing, customer relationship management and customer management (Figure 1.4).

A definition of CRM

Atul Parvatiyar and Jagdish Sheth have pointed out that for an emerging management discipline it is important to develop an acceptable definition that encompasses all facets so as to allow focused understanding and growth of knowledge in the discipline. The description of CRM given in Figure 1.4 represents only one approach to explaining the differences among the terms used in managing customer relationships. Hopefully, over time clear definitions of CRM and associated terms will develop into common usage. Until that time organizations need to be clear about what they mean when they discuss CRM or related terminology.

Any organization will benefit from adopting a definition of what CRM means in strategic terms for their business and ensuring that this definition is used in a consistent manner throughout their organization. For the purposes of this book we define CRM as follows:

CRM is a strategic approach concerned with creating improved shareholder value through the development of appropriate relationships with key customers and customer segments. CRM unites the potential of IT and relationship marketing strategies to deliver profitable, long-term
relationships. Importantly, CRM provides enhanced opportunities to use data and information both to understand customers and implement relationship marketing strategies better. This requires a cross-functional integration of people, operations, processes and marketing capabilities that is enabled through information, technology and applications.

As to where CRM sits in relation to relationship marketing and customer management, we adopt the representation given in Figure 1.4. The main point is that firms must describe their management of customer relationships using a terminology that is appropriate to them and ensure it is used in a consistent manner throughout the organization. As a veteran CRM expert, Ron Swift has observed: ‘Ultimately, each company must decide what CRM means to the organization and to the future of its success in the marketplace’.21

### Types of CRM

Analyst firms, including Meta Group, classify CRM into several types:

- **Operational CRM** – This is the area that is concerned with the automation of business processes involving front-office customer contact points. These areas include sales automation, marketing automation and customer service automation. Historically, operational CRM has been a major area of enterprise expenditure as companies develop call centres or adopt sales force automation systems. CRM vendors focus on offering an increasingly wide range of operational CRM solutions.

- **Analytical CRM** – This involves the capture, storage, organization, analysis, interpretation and use of data created from the operational side for or of the business. Integration of analytical CRM solutions with operational CRM solutions is an important consideration.

- **Collaborative CRM** – This involves the use of collaborative services and infrastructure to make interaction between a company and its multiple channels possible. This enables interaction between customers and the enterprise and its employees.

Together, these three components of CRM support and feed into each other. Successful CRM, which results in a superior customer experience, requires integration of all three of these component parts. Collaborative CRM enables customers to contact the enter-
prise through a range of different channels and experience a common experience across these channels. Operational CRM facilitates the customer contacts with the organization and subsequent processing and fulfilment of their requirements. Analytical CRM enables the right customers to be targeted with appropriate offers and permits personalization and one-to one-marketing to be undertaken through superior customer knowledge. While historically operational and collaborative CRM had the greatest emphasis, enterprises are now more cognisant of the need for analytical CRM to enable better optimization of their customer-facing activities and creation of value for the customer and the enterprise.

Other terminology used in the CRM market includes:

- **Strategic CRM** – This involves the development of an approach to CRM that starts with the business strategy of the enterprise and is concerned with development of customer relationships that result in long-term shareholder value creation. This is the approach emphasized throughout the book. It should be noted some authors use the term strategic CRM in a more restrictive sense to refer to analytical CRM.

- **e-CRM** – The term e-CRM refers to the use of e-commerce tools or electronic channels in CRM. As noted in the introduction to this book, we do not make a distinction between CRM and e-CRM. (Confusingly, e-CRM is sometimes used to refer to ‘enterprise CRM’ – that is having an enterprise-wide view of the customer across different channels.)

- **Partner relationship marketing or PRM** – This term is used to refer to CRM activities that involve the enterprise’s activities with its alliance partners or value added resellers (VARS). The majority of IT business is done through indirect channels, so PRM activities with intermediaries are an essential element of a vendor’s CRM programme. For example, Siebel has five types of partner: consulting partners, platform partners, technical partners, content partners and software partners. Within each of these are three levels of programme: technical, marketing and sales.22

### The size and nature of the CRM market

The CRM market has experienced dramatic growth over the last decade despite the effects of an economic downturn in the early 2000s. However, the exact size and rate of growth of the CRM market depends very much on how it is defined.
Sector growth within the CRM market

Leading market analysts such as Gartner adopt a fairly broad definition of the CRM market. Their estimates of annual CRM growth in terms of market size, shown in Tables 1.2 and 1.3, include hardware and software maintenance and support, consulting integration services, education, management services and business process and transaction management.

Table 1.2 shows the worldwide global market for CRM is estimated to grow in size from around $US 20 billion in 2000 to $US 47 billion in 2006. Of the sectors analysed by Gartner, two of them are dominant. ‘Development and integration’ and ‘business process and transaction management’ represent around 65 per cent of the total.

Gartner also predict a strong year-on-year growth rate from 2000 to 2006. Overall, they expect the CRM market overall to grow at a compound annual growth rate (CAGR) of 16.4 per cent over this period. As shown in Table 1.3, all sectors are expected to have double-digit growth with the exception of hardware maintenance and support.

CRM and software vendors

The need for increasingly sophisticated and scalable options means almost infinite scope for providers of CRM products and services. However, despite the popular claim to be ‘complete CRM solution providers’, relatively few individual software vendors can claim to provide the full range of functionality that a complete CRM business strategy requires. The IT challenge is that the requirements for sales, marketing and customer service and support are complex. Software vendors are now offering ‘front-office suites’, integrated applications for enabling customer-facing activity. The increasing number, variety and combination of applications and services to choose from stresses the highly customized nature of CRM, as well as the burgeoning sector of CRM providers.

Analysts have pointed out that companies seeking to adopt or improve their CRM and customer-facing activities need to appreciate that when they are being offered a CRM solution by a particular vendor, its nature will vary according to the category of vendor. The Gartner Group, for instance, identifies the key vendor groups as marketing, selling, servicing and e-commerce. This variation derives not only from the differences in the products and services sold, but
### Table 1.2 Estimate of CRM market size 2000–2006

<table>
<thead>
<tr>
<th></th>
<th></th>
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<tbody>
<tr>
<td>Hardware maintenance and support</td>
<td>1027</td>
<td>1102</td>
<td>1203</td>
<td>1306</td>
<td>1410</td>
<td>1522</td>
<td>1629</td>
<td>8.1%</td>
</tr>
<tr>
<td>Software maintenance and support</td>
<td>945</td>
<td>1095</td>
<td>1224</td>
<td>1454</td>
<td>1719</td>
<td>1982</td>
<td>2257</td>
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<tr>
<td>Consulting</td>
<td>2026</td>
<td>2188</td>
<td>2433</td>
<td>2737</td>
<td>3157</td>
<td>3636</td>
<td>4113</td>
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</tr>
<tr>
<td>Development and integration</td>
<td>7470</td>
<td>8126</td>
<td>9175</td>
<td>10528</td>
<td>12179</td>
<td>14201</td>
<td>16208</td>
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</tr>
<tr>
<td>Education and training</td>
<td>333</td>
<td>358</td>
<td>401</td>
<td>441</td>
<td>516</td>
<td>607</td>
<td>669</td>
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</tr>
<tr>
<td>Management services</td>
<td>2870</td>
<td>3258</td>
<td>3820</td>
<td>4500</td>
<td>5258</td>
<td>6154</td>
<td>7163</td>
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</tr>
<tr>
<td>Business process and transaction</td>
<td>5228</td>
<td>5895</td>
<td>7070</td>
<td>8502</td>
<td>10371</td>
<td>12711</td>
<td>15057</td>
<td>20.6%</td>
</tr>
<tr>
<td>Total</td>
<td>19900</td>
<td>22022</td>
<td>25325</td>
<td>29469</td>
<td>34610</td>
<td>40813</td>
<td>47096</td>
<td>16.4%</td>
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</tbody>
</table>

*Note: Columns may not add up to totals shown because of rounding. All figures in $US*

*Source: Gartner Dataquest (March 2002)*
<table>
<thead>
<tr>
<th>CRM category</th>
<th>2000(%)</th>
<th>2001(%)</th>
<th>2002(%)</th>
<th>2003(%)</th>
<th>2004(%)</th>
<th>2005(%)</th>
<th>2006(%)</th>
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<tr>
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<td>12</td>
<td>7</td>
<td>9</td>
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<td>7</td>
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<td>Software maintenance and support (%)</td>
<td>32</td>
<td>16</td>
<td>12</td>
<td>19</td>
<td>18</td>
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<tr>
<td>Consulting (%)</td>
<td>30</td>
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<td>13</td>
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<tr>
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<td>31</td>
<td>9</td>
<td>13</td>
<td>15</td>
<td>16</td>
<td>17</td>
<td>14</td>
</tr>
<tr>
<td>Education and training (%)</td>
<td>29</td>
<td>7</td>
<td>12</td>
<td>10</td>
<td>17</td>
<td>18</td>
<td>10</td>
</tr>
<tr>
<td>Management services (%)</td>
<td>21</td>
<td>14</td>
<td>17</td>
<td>18</td>
<td>17</td>
<td>17</td>
<td>16</td>
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<tr>
<td>Business process and transaction (%)</td>
<td>29</td>
<td>13</td>
<td>20</td>
<td>20</td>
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<td>Management (%)</td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total (%)</strong></td>
<td><strong>28</strong></td>
<td><strong>11</strong></td>
<td><strong>15</strong></td>
<td><strong>16</strong></td>
<td><strong>17</strong></td>
<td><strong>18</strong></td>
<td><strong>15</strong></td>
</tr>
</tbody>
</table>

*Source: Gartner Dataquest (March 2002)*
from the differences in the way the vendors define CRM. Gartner has segmented vendors of CRM applications and CRM service providers into the categories outlined below.\textsuperscript{23} 

The key segments for CRM applications include:

- Integrated CRM and ERP Suite (e.g. Intentia, Oracle PeopleSoft, SAP)
- CRM Suite (e.g. E.piphany, Siebel)
- CRM Framework (e.g. Chordiant)
- CRM Best of Breed (e.g. Avaya, NCR Teradata, Broadvision)
- Build it Yourself (e.g. IBM, Oracle, Sun).

The wide variety of CRM service providers and consultants that offer implementation support include:

- Corporate strategy (e.g. McKinsey, Bain)
- CRM strategy (e.g. Peppers & Rogers,Vectia, Detica, Sophron)
- Change management, organization design, training, HR, etc. (e.g. Accenture)
- Business transformation (e.g. IBM, PwC)
- Infrastructure build, systems integrators (e.g. Logica, Siemens, Unisys)
- Infrastructure outsourcing (e.g. EDS, CSC)
- Business insight, analytics, research, etc. (e.g. SAS, dunnhumby)
- Business process outsourcing (e.g. Acxiom).

A number of these companies operate in more than one of these sectors.

It is important for those supplying CRM solutions to position CRM in its strategic context so that their propositions and business benefits to potential customers are represented strongly. CRM sales conducted in the absence of such a perspective should be a source of concern to both companies and their vendors. Establishing this strategic context involves more than simply understanding the overall business strategy of an organization and where a CRM solution fits in. It also entails getting closer to customers and gaining an in-depth understanding of their situations, motivations and behaviours. While sophisticated technological tools and techniques have made this task easier, the secret of success in using them lies in their specification, integration and careful implementation. In essence, this means determining the key CRM processes relevant to that organization and asking the right questions about them. This task should guide the actions of both providers and users of CRM.
Five key cross-functional CRM processes

Earlier in the chapter we pointed out the dangers of the traditional ‘command and control’ organizational structure, shown in Figure 1.2, commonly adopted by marketing departments and its ‘functional’ orientation to the customer. We also emphasized that successful CRM requires a cross-functional approach, involving not only marketing but the entire enterprise. Developing a cross-functional approach to CRM requires first determining the key processes that need to be addressed and second identifying the key issues or questions that need to be addressed by the organization for each of these processes.

We have concluded that there are five key cross-functional CRM processes that need to be considered by most organizations. These are:

- the strategy development process
- the value creation process
- the multi-channel integration process
- the information management process
- the performance assessment process.

These five cross-functional processes are shown in Figure 1.5. Unlike the functional approach portrayed in Figure 1.2, they are fully oriented towards customers.

The identification of these key CRM processes is the result of considerable research, which included discussions with business executives from a wide range of industries. In hindsight, these processes are predictable, given our definition of CRM.

CRM should be viewed as a strategic set of processes or activities that commences with a detailed review of an organization’s strategy (the strategy development process) and concludes with an improvement in business results and increased shareholder value (the performance assessment process). The notion that competitive advantage stems from the creation of value for the customer and for the company (the value creation process) is key to the success of any relationship. CRM activities for all substantial companies will involve collecting and intelligently utilizing customer and other relevant data (the information management process) to build a superior customer experience, an each touch-point where the customer and supplier interact (the multi-channel integration process).
While these CRM processes appear to have universal application, the extent to which they are adopted will need to vary according to the unique situation of the organization concerned. Some organizations may wish to add to the key CRM processes identified here. For example, one telecommunications company we interviewed pointed out that its billing process (involving every telephone interaction that customers had with the company) was so pervasive, complicated and pivotal that the billing process itself needed to be considered as a key CRM process.

**The need for a CRM strategic framework**

Because CRM is a cross-functional activity and one that, in large companies, seeks to focus on potentially millions of individual customer relationships simultaneously, it can be unwieldy to implement and impossible to get right without a purposeful and systematic framework. The specific purpose of this book is to present a conceptual framework which positions CRM as a strategic set of processes that can be creatively managed to achieve an improvement in shareholder value.

The *Strategic Framework for CRM* shown in Figure 1.6 is based on the interaction of five cross-functional business processes that deal with strategy formulation, value creation, information management, multi-channel integration and performance assessment. These
processes make a greater contribution to organizational prosperity collectively than they can individually and they should therefore be treated as an integrated and iterative set of activities. It is also important to point out that the framework is not intended to include all the aspects of implementation; for CRM implementation issues will vary greatly from one organization to another. However, CRM implementation should begin with strategic planning and end, ultimately, with performance improvement. We address these issues in the last chapter on organizing for CRM implementation.

The arrows in Figure 1.6 represent interaction and feedback loops between the different processes, emphasizing the iterative nature of CRM. For example, likely shifts in disintermediation within a given industry, considered within the strategy development process, will have an impact on channel choices within the multi-channel integration process. Likewise, changes within the multi-channel integration process will have a direct impact on decisions taken within the value creation process. Further, decisions on choice of customer segments taken as part of the strategy development process may be changed as a result of economic modelling undertaken as part of the value creation process.

The framework is the result of extensive research and the synthesis of experience. It was developed using a number of sources, including: an extensive review of the CRM and relationship marketing literature; in-depth interviews with senior executives working in
CRM, marketing and IT; interviews with a variety of CRM vendors; discussions with a number of leading CRM and strategy consultancies; and many individual and group discussions with corporate representatives at CRM seminars and workshops. The framework has been used and validated by several companies. Two companies in particular provided a valuable testing ground through use of the framework with over 400 managers. Its development also benefited from the input of a leading strategy consulting firm, which used the framework as the basis for a major benchmarking study in a large global financial services company.

The main attraction of the Strategic Framework for CRM is that it can enable organizations to identify and address those CRM issues which are preventing them from achieving better performance. In considering each of the five CRM processes, working essentially from left to right in Figure 1.6, organizations need to ask themselves some fundamental questions.

**Process 1: the strategy development process**

- Where are we and what do we want to achieve?
- Who are the customers that we want and how should we segment them?

**Process 2: the value creation process**

- How should we deliver value to our customers?
- How should we maximize the lifetime value of the customers we want?

**Process 3: the multi-channel integration process**

- What are the best ways for us to get to customers and for customers to get to us?
- What does an outstanding customer experience, deliverable at an affordable cost, look like?

**Process 4: the information management process**

- How should we organize information on customers?
- How can we ‘replicate’ the mind of customers and use this to improve our CRM activities?
Process 5: the performance assessment process

- How can we create increased profits and shareholder value?
- How should we set standards, develop metrics, measure our results and improve our performance?

While these five CRM processes have universal application, the extent to which they are emphasized will vary according to each organization’s unique situation. Large customer-facing businesses will certainly need to review these CRM processes and the key questions underpinning them. However, small and medium-sized enterprises (SMEs) and other organizations such as those in the public sector may need to modify some of the questions to ensure they are of utmost relevance.

The structure of the book

The book adopts a process-by-process approach to assist readers in working through the Strategic Framework for CRM. Having introduced the topic of CRM and the five key processes comprising the framework in Chapter 1, Chapters 2 through 6 then examine each of the five CRM processes in detail. Chapter 7 finally pulls the five processes together by highlighting crucial organizational issues that are so often overlooked in efforts to implement CRM. Real-life case studies are included at the end of chapters to illustrate some of the main the issues discussed. The following overview of chapter content should provide a useful summary for first-time readers as well as a reference for those returning to the book.

Chapter 1: Developing a strategic framework for CRM

Chapter 1 lends historical perspective to the topic of CRM by tracing the origins of CRM to the evolution of relationship marketing. A look at the terminology currently used to describe and deliver CRM reveals a management discipline still in the formative stages of development. Meanwhile the increasing demand for CRM solutions suggests the continuation of strong market growth.

The key to effective CRM lies not so much in what technology is used, but how well the organization is able to manage five
cross-functional business processes, namely, strategy development, value creation, information management, multi-channel integration and performance assessment. The development of a Strategic Framework for CRM, based on these five processes, is an attempt to help resolve the often problematic nature of adopting a customer relationship management approach in individual organizations.

Chapter 2: The strategy development process

Chapter 2 highlights the importance of grounding any CRM initiative in a well thought-out strategy. Most companies today recognize that their future depends on the strength of their business relationships and, most crucially, their relationships with customers. The strategy development process demands a dual focus on the organization’s business strategy and its customer strategy: how well the two interrelate will fundamentally affect the success of its CRM strategy.

A comprehensive review of the business strategy will provide a realistic platform on which to construct the CRM strategy and also generate recommendations for general improvement. The organization must fully understand its own strengths and limitations as well as those of its competitors if it is to exploit the marketing environment. Deciding which customers to attract and to keep and which customers to be without, is also a crucial activity if organizational resources are to be optimized; this is the role of customer strategy. The management of customer relationships is best accomplished by determining and applying the appropriate degree of segmentation, or segment granularity.

Chapter 3: The value creation process

Chapter 3 is concerned with transforming the outputs of the strategy development process into programmes that both extract and deliver value. The three key elements of the value creation process are: determining what value the company can provide to its customers (the ‘value the customer receives’); determining what value the company can extract from its customers (the ‘value the organization receives’); and, by successfully managing this value exchange, maximizing the lifetime value of desirable customer segments.

The value the customer receives is the total package of benefits he or she derives from the core product or service. The aim is to create a
value proposition which is superior to and more profitable than those of competitors and which delivers a seamless customer experience. This requires some form of value assessment. Moreover, the proven link between customer retention and profitability means that customer relationships must be managed on the basis of acquisition and retention economics at segment, or better yet, at micro-segment or individual level. In many instances the acquisition and retention of customers can be improved through insights drawn from the value proposition and the value assessment.

Chapter 4: The multi-channel integration process

Chapter 4 focuses on decisions about what are the most appropriate combination of channels to use; how to ensure the customer experiences highly positive interactions within those channels; and, where customers interact with more than one channel, how to create and present a ‘single unified view’ of the customer. This chapter initially addresses the nature of industry structure and channel participants.

To determine the best customer interface, it is necessary to consider the key issues underlying channel selection; the purpose of multi-channel integration; the channel options available; and the importance of integrated channel management for maintaining the same high standards across multiple, different channels. An effective multi-channel service must match the individual (and changing) needs of customers who may belong to a number of different customer segments simultaneously. CRM success will depend heavily on the organization’s ability to gather and deploy customer knowledge from the channels used as well as other sources.

Chapter 5: The information management process

Chapter 5 concentrates on the collection, collation and usage of customer data and information from all customer contact points. This is the process that enables the organization to construct complete and current customer profiles that can be used to enhance the quality of the customer experience.

The key material elements of the information management process are: the data repository, consisting of databases and a data warehouse, which provides a powerful corporate memory of customers that is capable of analysis; IT systems comprising the
organization’s computer hardware and related software and middleware; analytical tools to undertake tasks such as data mining; and front office and back office applications which support the many activities involved in interfacing directly with customers and managing internal administration and supplier relationships. These front office and back office applications cover a wide range of organizational tasks such as sales force automation, call centre management, human resources, procurement, warehouse management, logistics software and some financial processes.

With regard to the organization’s CRM technologies, the capacity to scale existing systems or plan for the migration to larger systems without disrupting business operations is critical. The overriding concern about front- and back-office systems is that they are sufficiently connected and coordinated to optimize customer relations and workflow.

Chapter 6: The performance assessment process

Chapter 6 covers the essential task of ensuring the organization’s strategic aims in terms of CRM are being delivered to an appropriate and acceptable standard and that a basis for future improvement is established. Discussion centres on the two main components of this process: shareholder results which provide a ‘macro’ view of the overall relationships that drive performance; and performance monitoring which gives a more detailed ‘micro’ view of metrics and key performance indicators (KPIs).

As traditional performance measurement and monitoring systems, which tend to be functionally driven, are inappropriate for the cross-functional approach of CRM, care must be taken in defining the drivers and indicators of good performance across the five key CRM processes. The key drivers of shareholder results are highlighted: building employee value; building customer value; building shareholder value; and reducing end-to-end supply chain costs. Recent studies, such as the ‘service profit chain’ research conducted at Harvard, emphasize the relationship between employees, customers and shareholders and the need to adopt a more informed and integrated approach to exploiting the linkages between them. More detailed standards, measures and key performance indicators are needed to ensure CRM activities are planned and practised effectively and that a feedback loop exists to maximize performance improvement and organizational learning.
Chapter 7: Organizing for CRM Implementation

Having outlined the status of CRM as a maturing management discipline and a growth market and examined each of the five key CRM processes of the strategic framework in detail, this final chapter considers the all-important task of organizing for CRM implementation. Numerous reports of CRM disappointments have caused many to question the value and implications of investing in customer relationship management activities and technologies. While some CRM failures are inevitable, most of them can be prevented by paying more attention to the organizational issues involved in: assessing the organization’s readiness for CRM; fully addressing the project management and change management requirements; understanding the role of employee engagement and planning; and carefully executing and evaluating the CRM programme. Experience has shown that successful CRM implementation is preceded by the development of a clear, relevant and well-communicated CRM strategy. Short-term wins have more chance of securing enterprise-wide commitment than do drawn out CRM projects with over-ambitious goals. Moreover, a CRM strategy designed to deliver incremental returns provides the flexibility and scope for progressive improvement. The adoption of best practice, underscored by strong leadership, is key to a positive outcome. No amount of IT can compensate for the requirement of human investment. This is evident in the aim of CRM: to create a seamless personalized customer experience that is consistently and continually enhanced. For attracting existing and potential customers, anything less is inappropriate.

Checklist for CRM leaders

CRM leaders should ask the following questions in considering the role of CRM in their organization:

1. How important are the following relationship issues for my organization?
   (a) the retention of profitable customers
   (b) developing a cross-functional approach to marketing
   (c) managing multiple markets in a more integrated manner
2. How important are the following trends in my organization?
   (a) the shift in focus from transactional to relationship marketing
   (b) the realization that customers are a business asset rather than a commercial audience
   (c) the transition from functions to processes
   (d) the use of information proactively rather than reactively
   (e) the greater utilization of technology in managing and maximizing the value of information
   (f) the need to balance delivery and extraction of customer value
   (g) the utilization of one-to-one marketing approaches

3. How CRM is considered in my organization?
   (a) do we view CRM from a strategic perspective where it is concerned with how the organization can create increased shareholder value through developing superior customer relationships?
   (b) is CRM viewed in a consistent and uniform manner throughout the organization?
   (c) are we clear on the distinction between operational CRM, analytical CRM and collaborative CRM?

4. Are we familiar with the CRM marketplace?
   (a) in terms of the key segments for CRM applications?
   (b) in terms of the CRM service providers and consultants?

5. Do we understand the rationale behind addressing CRM from the perspective of the following five processes?
   (a) the strategy development process
   (b) the value creation process
   (c) the multi-channel integration process
   (d) the information management process
   (e) the performance assessment process.

Notes

* The term relationship marketing, while it is a familiar term among the marketing fraternity, may not the best descriptor for a general management audience regarding the management of relationships with all these stakeholders. Its use is not meant to imply all these stakeholders should be managed by the marketing department, rather that they need to be managed on a cross-functional or pan-company basis.