

DEVELOPMENT STRATEGIES FOR CUSTOMER RELATIONSHIP MANAGEMENT SOLUTIONS

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ABSTRACT

As companies work towards optimizing revenue, profitability and providing customer satisfaction, many companies are beginning to look towards Customer Relationship Management (CRM) as a strategy to reach these goals. This paper describes the elements to consider when developing a successful CRM solution. Beginning with understanding the business vision for CRM, evaluating business processes with the use of CRM, and understanding CRM as a whole are all key topics discussed within this paper. Other topics of CRM such as Channel Distribution, Data Inputs and Outputs, Analytics, Time and Cost Impacts, Vendors, and Maintenance will also be discussed throughout this paper. Lastly, to re-emphasize the possibilities that CRM has to offer, a case study will be presented to provide an example of a successful CRM solution.

Keywords: Customer Relationship Management, Development Strategies

INTRODUCTION

With the advent of new technology, companies are seeking the multitude of options available to help optimize revenue, seek profitability and provide better customer satisfaction. Companies are beginning to realize that the key to any business is in understanding customers, specifically how to best sell and serve customers. Establishing a strong customer base is one of the many factors contributing to revenue optimization and profitability. Therefore, companies are looking towards technology as a means to help better sell and serve customers. One technological solution that has become increasingly popular is Customer Relationship Management. As defined by J. Mills, "Customer Relationship Management, or CRM, is an information technology industry term for methodologies, strategies, software, and other web-based capabilities that help an enterprise organize and manage customer relationships."

One key to managing customer relationships is by providing the same information to everyone within the company so that every product or service need of the customer is met. For example, CRM has functionality within that provides individuals with a "Single Customer View". Whether working with a customer from a customer service level, technical support level, or even from a back-office marketing standpoint, all individuals will have a single point of view in understanding the customer. Therefore, with CRM, everyone within the enterprise will be wholly focused on a customer's needs, whether it be for sales or service.

Figure 1 below depicts the Customer Life Cycle from a sales/marketing perspective. CRM can help identify individuals as prospects (leads), qualified prospects (opportunities), and customers. With an understanding of where an individual fits within the Customer Life Cycle, target

marketing can be utilized to help turn prospects into qualified prospects and finally into customers.

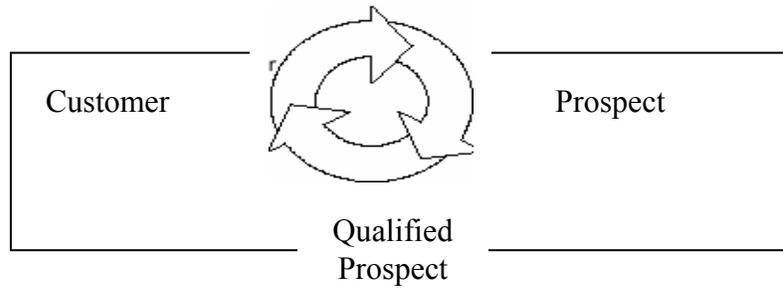


Figure 1 - The Customer Life Cycle

BENEFITS OF CRM

In satisfying the goals of optimizing revenue, seeking profitability and providing better customer satisfaction, CRM can be a useful tool. CRM can offer several benefits that companies should consider when working towards an optimal sales and service solution.

Companies are also looking towards implementing CRM solutions because of the many benefits that CRM provides. Among them are [9]: faster response to customer inquiries, increased efficiency through automation, deeper understanding of customers, increased marketing and selling opportunities, identifying the most profitable customers, receiving customer feedback that leads to new and improved products or services, and obtaining information that can be shared with business partners. The changing role of Customer Relationship Management is presented in Figure 2. CRM has replaced the functional convergence of the silo effect with an integrated tool in understanding the customer. Given this integrated model, CRM brings about several benefits.

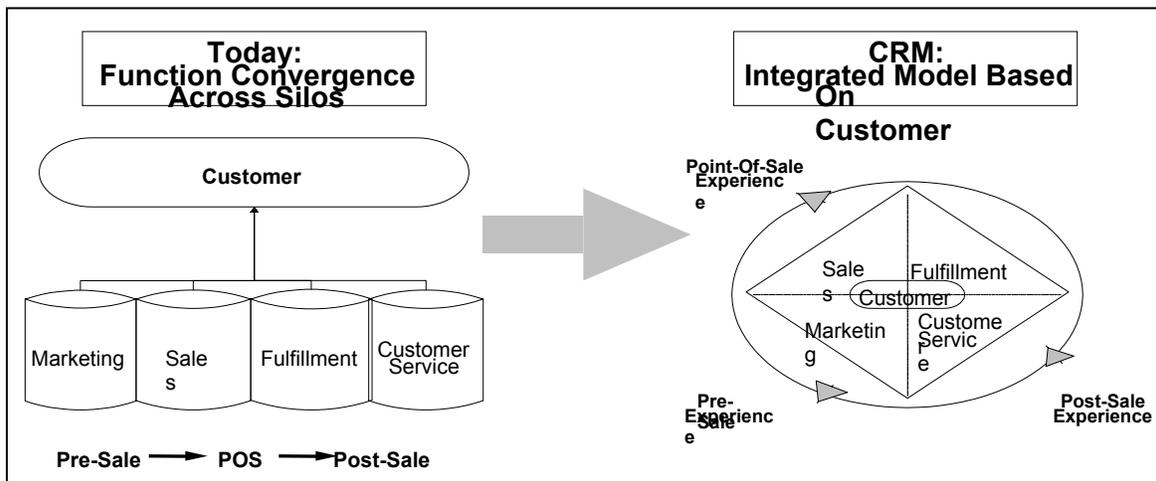


Figure 2 – Changing Role of CRM

UNDERSTANDING THE BUSINESS VISION FOR CRM

In order to define a need for CRM, businesses must understand how CRM applies to the Business Vision. More specifically, it is important to have clear business objectives and a thorough understanding of how the CRM initiatives will correlate towards the Business Vision and therefore constitute the CRM Vision.

As part of understanding the business vision for CRM, it is important to ask the difficult questions and seek objective answers to thereby create a meaningful vision that makes the most sense for the company. Sample questions could include the following [4]: 1) Does the greatest value lie in implementing a sales force automation solution? Or should you implement a robust call center solution? 2) Does the service organization need to improve its metrics? 3) Is your competition eating away at your market share by virtue of a well implemented CRM strategy? 4) Do you want to take proactive measures toward a customer-centric business model in the e-business era? 5) Is the CRM application going to function as a portal to the enterprise? 6) What about the partner relationship management component of CRM? 7) What does wireless integration mean for your business?

By answering several difficult but necessary questions, businesses will then have a better understanding of their CRM needs. Once a business has had a chance to reflect upon the current CRM needs of the company (both internally and externally), businesses will be better prepared to formulate a solid and meticulous CRM vision as the foundation required for a CRM solution.

EVALUATING BUSINESS PROCESSES WITH THE USE OF CRM

The implementation of CRM can change current business processes. Therefore, it is important to understand what impacts and benefits CRM will have on business processes. One key in developing a successful CRM solution is to let the business processes drive the CRM implementation. "CRM is a business process initiative toward building customer-centric organizations. Technology is the enabler, so be sure to strike an optimal balance between best practices built into software and organizational business processes." [4]

When determining if CRM can provide a return on investment, it is important to define the specific goals in which CRM is to accomplish and utilize specific metrics to measure the success. These goals and metrics should be established prior to implementing CRM when goals are first set.

CRM requires changes throughout an organization including changes in culture, business processes, and technology. CRM allows for the synchronization of people, processes and technology. Therefore, when developing a CRM solution, it is important to understand how each of these three areas can be synchronized, whether it be in the form of ensuring that all customer data is consistent, accurate and standardized; having information systems adapted to support relationship-oriented sales and service culture; having contact personnel fully empowered by enterprise relationship views, or through operations, policies and procedures that reward customer-centricity. The collaboration of People, Technology, and Processes that CRM utilizes is depicted in the Figure 3.

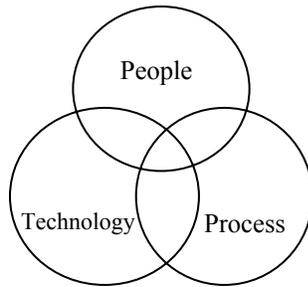


Figure 3 – The Collaboration of CRM

Understanding CRM Success and Failure

As part of developing a successful CRM solution, several key factors should be considered [4]: 1) Formulate a solid CRM vision; 2) Secure executive commitment to the CRM project; 3) Let business processes drive the CRM implementation; 4) Choose technology partners wisely; 5) Assemble a stellar implementation team; and 6) Manage organizational change effectively.

In a study by Gartner Group [10], "more than half of all companies implementing CRM systems will view those implementations as failures". In addition the study stated that "Although this sense of failure will be drawn from many customer-specific problems, Gartner said it feels that the software's inability to link various channels, the lack of true process redesign and the failure to provide any real customer benefits will often be the main culprits."

OTHER CRM TOPICS

CRM Channel Distribution and Data Integration

Within the business, it is important to understand who will utilize CRM and for what purposes. CRM strategies must be executed consistently at all points of customer contact. By incorporating each of the channels into the CRM solution, it will become easier to achieve a consistent customer view that will be a resourceful tool for all individuals to use. Therefore, regardless of the channel, each individual should work seamlessly and transparently with consistent data and customer information across multiple channels of customer interaction. The unified channels approach manifest themselves from both an internal technical-infrastructure perspective and external relationship-management perspective [8].

CRM is a collection of information that may be received from several different feeds. As depicted in Figure 4 above, CRM is an application that can be accessed through many different channels. Therefore, CRM must incorporate all relevant data that these sources would expect to utilize through CRM. Understanding where the data is coming from will be a key aspect in defining the abilities of the CRM application. In addition, outputs may also be utilized through CRM (Reports, etc.)

CRM Analytics and Time and Cost Impacts

Another key aspect of CRM is understanding how CRM can provide configurable business processes that allow for quick and easy analysis of data, otherwise known as CRM Analytics. This is important because determining if the CRM implementation is a success requires defining what constitutes success, and the criteria for measuring success. Baseline measurements need to be taken before the implementation begins, throughout the implementation process and forever thereafter. This is one area where a CRM package with integrated analytics can make the whole implementation and measurement process much easier.

Implementing a CRM solution is not a simple task, time and cost impacts must be considered. CRM is a highly complex application that can incorporate many business processes from many different channels. In addition, the business processes and the expected outcomes of the CRM application must be carefully analyzed. Many companies, on average, spend two years implementing a CRM application. When the length of an implementation, in general, is expanded over a long period of time, costs are likely to increase. However, the time and cost expended up-front may in turn reduce any costs associated upon completion of the CRM application if unexpected and unplanned issues arise. Therefore, the planning stage of CRM is highly crucial and should be taken seriously when implementing a successful CRM solution.

Selecting a CRM Vendor and Maintaining CRM Over Time

Several vendors offer a CRM solution, therefore choose a vendor that will work to meet the particular needs of the business. The current list of large name CRM vendors are as follows: Clarify/Nortel Networks, Onyx, Oracle, Seibel, and Vantive/PeopleSoft.

"With more than 500 CRM vendors overwhelming the marketplace with product offerings, choosing the 'perfect fit' is as much of a challenge as it is an opportunity. A few, extremely fortunate companies are able to identify a package that fits their needs straight out of the box. But more likely, you will have to sit through numerous product demonstrations and grill vendors on the granular points of their software." [4]

The maintenance of CRM is critical in order to ensure that its use will span over a long enough period of time to receive the full return on investment. CRM comes with several tools to help better understand customers. For example, campaign management is a tool that sales/marketing staff may utilize to set up campaigns to target a select group of customers or leads marketing a particular product or product package. If used appropriately and on a regular basis (based upon the needs of the company), campaign management can be a highly effective marketing tool. However, this requires the continued use of its users, including setting up campaigns and assigning the appropriate representatives for each campaign.

CASE STUDY

In a study performed by TowerGroup [11], U.S. Bank is one example of a company that has successfully implemented a CRM solution.

Overview

U.S. Bank is an established market leader in the financial services industry with approximately \$165 Billion in assets; 10 million customers; 2,186 branches; 4,900+ ATM's; and 50,000 employees. However, U.S. Bank's product-oriented marketing, credit, and customer service functions were making the bank less effective and efficient in serving its customers. For example, it was not uncommon that a customer was denied a credit product after being targeted by the bank's sales staff. Like many financial services institutions, U.S. Bank knew it could do better.

As part of U.S. Bank's strategy to become more customer-focused and stay ahead in the increasingly competitive financial services industry, U.S. Bank teamed with AMS to fundamentally change its customer management strategy [1].

U.S. Bank's Early CRM Initiatives

As U.S. Bank began to develop its business initiatives for CRM, several items were included: Pay/No Pay Items, Credit Underwriting and Decisioning, Collection Strategies, Deposit Authorization, Credit Authorization, Proactive Retention, Reactive Retention, Proactive Marketing, and Reactive Marketing/Decisioned Offers. In ensuring that these areas were included within the CRM solution, U.S. Bank worked closely with AMS to help support these initiatives.

In addition, U.S. Bank set additional customer guarantees as part of the goal of the CRM solution. For example, U.S. Bank implemented a "Five Star Service Guarantee" that compensated customers with a \$5 reward if any of the following were not provided: 24x7 Call Center service, 24x7 ATM service, a five minute maximum wait at the branch, and accurate bank statements. Given this guarantee system, it was evident that U.S. Bank had strong intentions for the CRM system to provide results: excellent, efficient, and accurate service.

Relationship Management System Drives Customer Differentiation

In 1994, U.S. Bank began the development process for implementing CRM and by 1996 the CRM pilot had been completed. "The result: better customer service across the board. Customer service staff members now instantly see lists of pre-approved products for which an individual qualifies, enabling them to cross-sell and advise with more confidence. In addition, because the system predicts and considers each customer's potential value, it enables U.S. Bank to offer some customers "little extras" that may win their loyalty — such as waiving a missed payment fee or covering a bounced check" [1]. In addition, CRM has provided automated decisioning to facilitate sales and service strategies and customer strategies provided at points of contact including: Customer Value, Propensity to Buy, Customer Risk, and Propensity to Attrite [11].

CONCLUSION

CRM can be an extremely beneficial application to help better understand customers in order to provide sales and services specific to each individual customer. In implementing a successful

CRM solution, the ultimate goal of providing better "Customer Relationship Management" is truly the key focus of CRM, hence the name. In summary, the success of CRM is dependent upon having a solid CRM vision, obtaining buy-in from top management, understanding business processes with the use of CRM, selecting an appropriate CRM vendor, implementing based upon the initial CRM strategy, and lastly managing the organizational change effectively.

If successfully implemented, results should follow that may include: faster response to customer inquiries, increased efficiency through automation, deeper understanding of customers, increased marketing and selling opportunities, identifying the most profitable customers, and receiving customer feedback that leads to new and improved products amongst many other positive results. Therefore, by following the outlined suggestions within this paper, companies should have a better idea of how to successfully implement a CRM solution that meets the business needs of the company.

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