

Customer Relationship Management: Must have or niche tool?

A White Paper by:
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Introduction

Many years ago industry witnessed the evolution of Material Requirements Planning (MRP) systems, Manufacturing Resource Planning (MRP II) systems and eventually Enterprise Resource Planning (ERP) systems. As the acronyms suggest these systems were aimed primarily at satisfying the complex computational requirements of manufacturing industries. Over the years, the core business functions were expanded to encompass more and more of the peripheral activities of the business. Of these solutions, the larger ones were developed to cater for, not only as many business processes as possible, but also as many industries as possible. However, as well as these established systems from the major software houses, there also grew up a number of more limited systems aimed at doing a small part of the picture, but doing it very well. This was sometimes targeted at specific business processes across a number of business models or at a number of processes for a unique industry. Many were built by software engineers who had left the larger software houses with a desire to “do it better” and others were grown out of in-house industrial IT departments where the natural arrogance of the organisation dictated that they should design their own system.

But I thought this paper was supposed to be about CRM, not ERP?

And so it is. But it is as well to understand that Customer Relationship Management (CRM) is a solution to the problem of making a business process as effective and efficient as possible. In that context it is the same as ERP (and MRP, MRP II, Supply Chain Management, et al) and we can learn much from these more mature disciplines. From the above you may think that the marketplace for such systems must be full to bursting with every conceivable flavour of system to suit each unique business scenario. That is until you witness the recent contraction and consolidation of the business software industry through the buying up of smaller suppliers by the larger ones and the extinction of others through, partly, the lack of research and development. So is there a system out there for me? Undoubtedly, yes. But first we need to be clear on our answers to a few fundamental questions. Some I shall discuss now, others are more company-specific and best discussed internally or with your tame business consultant.

Warning

For those of you about to read this article expecting a simple checklist to tell you how to implement a CRM system across a multi-national in five languages and twelve cultures in two months with a team of three – please go on to the next paper. This is not for you. This is intended as a discussion document. Hopefully it will encourage you to think about the subject in general before you get up to your metaphorical elbows in the detail of a real project. What I do provide in some of the paragraphs is a number of questions to get you thinking in the right direction. If it makes you think I'll be happy, if it highlights some aspect that you hadn't yet considered then I'll have done my job. If this kind of article is for you, then read on, if not, there are plenty of checklists out there for you.



What are we talking about?

Let us indulge ourselves in a little semantic dissection.

- Customer – purchaser at shop, client at bank
- Relationship – connection between persons or things
- Management – administration

So taking these definitions and a pinch of adaptation we can come up with “the administration of the associations between you and those who are purchasing from you.”

Hmm, very useful.

None of this, of course, gives us the full flavour and meaning of CRM. It is a well-known and oft-quoted truism that it costs ten times as much to sell to a new customer than it does to sell to an existing one. It is also frequently found that your most satisfied customers are the quietest yet the unhappiest will go around telling everyone.

To realise the importance of these sometimes-elusive creatures (customers), we need look only briefly at the fundamentals of a business's finances. All (non-charitable / non-public service) businesses are built to make a profit. They achieve that by generating income that exceeds their costs. By and large, businesses achieve that income by selling products or services to customers. Thus customers are a very important part of the equation. Those customers will buy from you if you supply a product or service at a price they are prepared to pay.

This is where this whole thing starts to get tricky. How do you know what they want (also how, when and where they want it) and how much they are prepared to pay? How do they know what it is you are offering and whether they can believe your claims about your product or service performance? You need to enter into a relationship with them whereby you can exchange this information to your mutual satisfaction. If you can extend that relationship to sell them more products/services in the future then you start to sell more efficiently and at a lower cost (and therefore higher profit).

From this then, we can deduce that CRM as a process is the means by which we exchange information with customers in order to satisfy the needs of the buy/sell contract. This, in general, means knowing, who they are, where they reside, how to contact them, what they have said in the past, what you have said to them in the past, any additional information that makes them feel you know them on a one-to-one basis. But, hang on a minute; don't we do this all day every day with all our personal acquaintances?

Yes, but we have a limited number of personal acquaintances, and, in some companies, an almost limitless number of customers who we wish to sell to. To hold this information for all our customers in our heads would be impossible. Step forwards our on-hand data bank of customer information – the CRM system.

Of course all this would be easy if it was just one of us doing this, but as with all aspects of business, as soon as you get more people involved doing the same or similar things, all hell breaks loose. Humans are not good at doing things the same way repetitively, computers are. That is why we try to force humans to do what computers tell them. That way we can make sure it all happens the same way. In today's world of customer service, we seem to be happy with the service so long as it is the same every time we access it. The sheer fact that the quality is below par is irrelevant. But that's another argument.

How do you eat an elephant? How do you get your head round CRM?

The problem with CRM, as well as many other business philosophies or processes, is that it can mean many things to many people. To some it means the management of marketing campaigns, to others, sales force automation, to some, tele-marketing information capture, or call centre management, or customer service, etc, etc. Within this paper, I shall assume that all of these definitions fall into the net of CRM as they all will appear in the discussion at one time or another.

One aspect of system implementation is the amount of process knowledge that currently exists and the amount that needs to be done as part of the project. Whether the client understands fully the processes they use or not does not affect the knowledge required to fulfil the project. If they have little knowledge now, they will have to acquire during the project, so effectively they are storing up work for themselves.

Who are we talking about?

Given the previous sentences regarding the possible scope of CRM, the question of who can use CRM becomes academic. Pretty well the only organisation that can't make use of CRM philosophies (and systems) must have no need to search out new customers, a single salesman with the ability to recall all his conversations with each of his contacts, no customer service complaints and no requirement for providing services to existing customers. The only businessman to whom all that applies is a market stall trader. So if there are any market stall traders reading this – you can stop now, the rest is of no interest!

Of course, saying “this is for everyone” is a bit glib so lets investigate it a little further. Large utilities are an obvious contender for CRM as they deal with massive numbers of customers and need to be seen to act fairly across their customer base even though those customers know that they are but a number and are only valued as one in a thousand. But throughout the 1990’s as telecommunications has reduced in price, the preferred customer interface (preferred by both supplier and customer) has become first the telephone, latterly followed by the Internet. Despite companies’ best efforts at alienating their customer base by installing annoying automated telephone systems, customers still would rather talk to a customer service operator than walk down the road to a shop and tell someone face-to-face what is wrong with the product they have just bought. So you don’t have to be a company the size of Hewlett Packard to warrant a call centre to handle warranty claims, product queries and requests for service.

Tele marketing has been with us for many years but until recently it been seen as the domain of unwanted double-glazing and time-share companies. With the general realisation of the limitations of the effectiveness of advertising, many organisations are now embracing this mode of reaching new customers. Indeed, a whole new industry has sprung up to cater for the ever-increasing need for up-to-date and accurate lists of potential customers. For many industries now, the marketing list represents their life-blood of new prospects.

The art of the salesman has often been described as black. In other words, you can’t right down how to do it, you just learn on the job by trying it, making mistakes and learning from them. Of course, it was only a matter of time before a number of gurus began to conceptualise the subject and provide numerous texts on how to do it. This has proven vital for those companies who have large sales forces and want to ensure that they all perform above required attainment levels.

Other forces, including the quarterly reporting requirements of listed companies have helped to force the professionalism of the sales process to allow closer monitoring of sales targets. In short, where you have two salesmen, and a monitoring scheme, you need a process by which to manage them, and thus the use of sales force automation tools to standardise the procedure.

Questions to find out if you need CRM functionality:

Do you wish to improve the effectiveness of your sales force?

Is the delivery and management of customer service activities important?

Do you need to maintain a record of what your prospects / customers have discussed with you?

Are your customer-facing functions manned by many individuals requiring a coherent process to follow?

When should / could it be used?

As identified above, there are a number of scenarios in which a CRM tool can successfully be used. The simple answer of “whenever you have any contact with your customer” may be factually correct but is not of much use to the serious practitioner. Those organisations that are not using such a tool today and are considering it need to think about what else they are using currently to automate their (non-CRM) processes and whether that will need changing in the future. For instance, a company that has evolved into the “islands of automation” model with a disparate set of computer systems addressing individual areas of the company’s operation would do well to consider addressing CRM in the framework of an overall integrated system. This may well place the burden of a delayed timescale on the CRM implementation but in the context of the whole company it is better to resolve the integration issues around the whole company than to generate another island no matter how quickly the benefit will be realised. Don’t forget that benefit may be minor compared to the gains of better integration.

CRM does not just have its place within an over-arching ERP system. There are many organisations, which due to their size will not gain significant benefits from an ERP implementation. Examples in my experience include web design consultancies and fleet car dealers where a complete ERP system would be too expensive and due to the size of operations fail to deliver any payback. However, a targeted CRM implementation can address the tele marketing requirements and sales force automation quickly to generate a short payback period on a relatively cheap implementation.

As with its larger ERP cousins, a CRM implementation can be implemented for a variety of reasons. The well-ordered operation may need a system to formalise the generation and saving of vital information. In this scenario a selection project to identify the CRM system that most closely matches the company's operation will suit very well and build on the benefits of the existing in-house procedures. However, where the client has stumbled into its CRM procedures without too much thought for process design, the need will be for an extensive breakdown of business processes as part of the deal. This situation is where both client and solution provider need to be well educated and aware of the possible outcomes. Where there is the probability of process design implications, it is imperative that the client is made aware of this from the start. If they are not, two possible outcomes are most likely. Either the client becomes aware of the need but resents not being told that the project will cost three times his original expectation, or the project is rigidly constrained to the original (unrealistic) scope and many of the possible benefits of the system are missed. Both of these scenarios are unhappily, all too common.

Where do you go about finding it?

One feature of the business software marketplace today is the sheer number of players. Whilst there is some consolidation going on with the larger suppliers buying out some of the more interesting competition, there is still a wealth of new talent starting new operations and offering new products both to the general market and more commonly to niche markets. For the uninitiated in the business systems world there is a burning need to gain knowledge fast. One of the reasons why the business systems market can now be considered mature is the presence of a whole infrastructure around the supply of such systems. From a thriving re-seller market for the major (and some of the niche) players to support services (selection consultancies, implementation consultants, etc) to application service providers and outsourcing services, there is plenty of assistance available at a price.

But the biggest service you do yourself as the potential purchaser of such systems and services is to educate yourself before you jump in. Invariably the client who doesn't inquire for himself and start to understand the issues, will be the client who has no commitment to the end project and end product thus landing himself with a badly managed and probably incomplete implementation. Equally important is the ability to get top management support for the implementation. Even with a stand-alone CRM installation centred on the improvement of a single department will benefit greatly from executive support. Wherever there is the need to change the way people work, top management leadership is vital if the initiative is to work. Experience has shown that there is a direct correlation between executive involvement and project success.

Are there any times when you shouldn't use it

If your industry does not rely on seeking customers and is indifferent to the relationship that unfolds with such clients, does not require the retention and efficient management of a sales force, and does not need any form of management of marketing activities then you should seriously question whether a tool for CRM is of use to you. I shall, however, leave it to the reader to decide whether such an organisation exists.

What is perhaps a more pertinent question is whether an organisation should opt for a specialised CRM tool or attempt to implement a CRM module as part of an integrated package or integrated group of specialist systems. This decision needs to be based on many arguments and each of the options has their many industry champions. These champions are often motivated by the specific solution that they represent or the background and experience that they have developed through. For my part I shall admit to belonging to the single integrated package camp through experience as a user, user manager, project manager and systems implementer.

However I recognise that there are many situations where the culture of the client organisation and the nature of the competitiveness of the industry will dictate that the benefit of specialised modules or systems will outweigh the cost of their unique integration.

The questions to ask here are:

What are the benefits that the specialised system can provide?

How much of that benefit is not provided by the integrated generalist packages?

How much is that surplus of benefit worth to the business?

How much extra is the cost of integrating the specialised system with other existing or planned systems?

Which option provides the better cost-benefit ratio; now and over a pre-determined payback period?

Why do you need it?

The argument for a CRM system like any other form of computerisation is often “taken as read” from the beginning of a project. If the prospect didn’t need it, he wouldn’t be looking for one, surely? However, the real benefits of CRM are often lost after the initial burst of enthusiasm and, as with many software implementations, they are not tested – before and after, to check on the effectiveness of the project in materialising the expected benefits.

Frequently the argument for “new technology” revolves around the use of leading-edge tools, but this is not my argument. The technology itself does not have to be state-of-the-art although in some circumstances it may add to the benefits. The real benefits will come from the implementation of the processes and the methodology. User-friendliness of particular systems can add to or detract from effectiveness and efficiency to a great extent, but this is at a package level.

The need for the CRM methodology and how it is implemented with respect to other processes is a much more fundamental question.

All businesses should be looking constantly to improve its performance and internal cost control, improved customer satisfaction and ability to respond to market conditions, but often this is not easy to do due to other pressures, hotter topics, and the multitude of other balls that need to be kept in the air. But it is the responsibility of all business leaders and their IT advisers to be aware of what improvements are available for the benefit of the organisation. Having identified a possible improvement it is then vital that the research is done to ascertain where ALL the benefits lie in the new technology or methodology. Only then can you start to conclude on the merits and the costs and whether the first will outweigh the second.

Again, questions you may need to answer are:

Which areas of the business will be affected?

How will they be affected?

What is the net effect – benefit or cost?

Why is this new technique being advocated?

Are the claims of the internal champions and the potential suppliers valid?

How is the competition dealing with this?

Do you need to keep up with / catch up with / stay ahead of the competition?

Back to square one – Must have or niche tool?

Throughout the above discussion I have put forward lots of questions and precious few answers. Although I am associated now with a specific product, I do not believe it is in my or my readers’ interests to attempt to answer the questions here. Each situation is unique and must be resolved uniquely. Business leaders and IT managers may not have all the skills to resolve this themselves, but equally the suppliers do not on their own have the answer for each situation. The question I originally posed is tied up inextricably with this dilemma. To some businesses CRM is a must have, to others it will be a niche tool which requires little integration with other aspects of the business. In both situations it is still a vital part of the IT jigsaw. So my conclusion now is perhaps that the question is no longer relevant. Except, it is important for those who get involved in CRM implementations to understand the answer for their organisation, as it will help to unlock the answer to some more important questions later.

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