



CRM: The concept and the technology

White Paper

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Abstract

CRM (Customer Relationship Management) is probably one of the least clearly defined business acronyms but the key concepts behind it are important to every company. CRM has been used as a label for a wide range of solutions from different IT vendors, each providing their own slightly different spin on the idea. There is no single definition of CRM and in this white paper we explore many of the different aspects of the concept and how they can benefit any organisation. The focus is not on the technology but rather what can, and should, be achieved by use of appropriate processes and software to assist organisations in the way they deal with their customers

What is CRM?

CRM is a concept that has developed from marketing theory. During the latter half of the last century a major shift in thinking occurred based on evidence that it is more profitable to retain a customer than to acquire a new one. Consequently, relationship marketing theory suggests that companies change their focus from pursuing the aim of selling to the maximum number of people to concentrating on developing relationships with their existing customers. The main focus of CRM is the formation of relationships with customers with the intention of improving customer satisfaction and maximising profits.

With the development of technology many IT systems have been developed to assist this aim. They range from contact databases to campaign management software. All of these various systems, which can assist with improving the efficiency of CRM, have been grouped together and are now generically known as CRM software.

Why do I need CRM?

Every organisation needs at least one customer. A customer is not just someone who makes payment for a product or service, in the case of not-for-profit organisations they can be the recipient of charity or the provider of a donation. It is imperative that every organisation needs to look at how it manages relationships with its customers for the best long term interests of the organisation. CRM software is designed to help your organisation manage these relationships to achieve the best possible outcomes.

Talk to any individual management consultant or IT vendor and they will tend to have a narrow focus on their particular area of expertise. Some of these specific parts of CRM may be relevant to you, others may not, but the overall concept of improving the manner in which you deal with your source of income, your customers, has to be of interest to everyone.

More than Technology

Often when people talk about 'doing a CRM project' they are simply talking about the software they are installing and how they are going to use it. This approach is not going to bring great improvement to the company – possibly some, but not a radical change. The main focus of any CRM project should be on the benefit it will produce for the customer and for the business. The first thing that should be looked at is **what** is being done now and then working out **what** should be done in the future

to improve the way you work with your customers. Then, and only then, start looking at **how** it can be done and **how** that can be helped with an IT solution.

This may seem obvious but it is often forgotten and the rush to use technology can result in a lot of money being spent on CRM systems that disappoint. There are many examples of companies using revolutionary methods to deal with their customers which have led to great success. Think of the budget airlines, telephone banking and online insurance – all revolutionary when introduced and all made significant changes to their industry, not by changing the core concept of what they do but in the way they dealt with their customers. Admittedly, all of these examples rely heavily on the use of their IT systems but the concept came first and the technology was put in place to support the concept.

So, if you follow our advice, your first step is not to start by looking at software packages but to look carefully at your current customer interactions and then consider whether you want to change the processes involved. These may be slight changes, they may be significant – you may even come up with a radical new concept for the industry you work in – but they should be carefully considered first. Once you have gone through this process start to look for the technology that can support what you want to achieve.

Integral to the Business

If you've read this far then you should hopefully appreciate that:

- CRM is fundamentally important to your business
- CRM isn't just about the technology but about **all** the customer related processes in your business

Given that a large proportion of any company exists to service customers directly in one form or another it is impossible to implement a CRM solution without looking at the impact it has on the business as a whole. Conversely, nearly every part of a company should be looked at to see if it can benefit from a CRM initiative.

Some of the departments or functions that might benefit from a CRM overhaul are discussed below but it is important that you have an overall strategy for your entire business and don't implement overlapping or even conflicting systems in different parts of the organisation. It is also a significant

advantage if you have a complete view of each of your customers and capture all your dealings with them and collect all your knowledge about them into a single, cohesive data source.

Sales

This is the most obvious contact point a business has with its (potential) customers and is usually the first place considered for a CRM project. There are a number of ways that sales teams can be organised and the sales process managed and monitored – a topic covered by many books in the last few decades.

There is no single ‘right’ way to manage a sales team just as there is no ‘right’ way to make a sale but the consensus is that a good, well understood and well managed sales process is the most effective route to success. So if you set up a process for your sales team it is only natural that the best way to control and monitor that process is through the use of an appropriate IT system. These systems are at the core of the majority of main-stream CRM solutions.

A sales management system should always benefit both the sales people and the management that they report to. The sales staff should find it easier to manage their workload through features dealing with contact management, appointment management, quotation production, customer targeting and rapid production of the reports required by their managers. For managers, such a system should help ensure that sales staff are following defined processes, recording all the vital sales information that belongs to the company and reporting in a consistent, pre-defined manner. If a sales management system is implemented properly all parties who use it should see benefit and ultimately it should support the processes that will see the company benefit.

Marketing

Sales and Marketing work together closely in any organisation and for smaller companies both roles are often fulfilled by the same people. This close link is reflected in most sales management systems which generally provide functionality to cover marketing processes in addition to sales processes. However, the degree to which they do this can vary considerably and specialists have emerged providing dedicated, sophisticated systems designed purely for marketing departments.

Most marketing systems revolve around managing lists of companies or individuals that can be marketed to, recording what marketing campaigns have been

undertaken, their results, reporting and analysing their success. There is usually a link between the marketing systems and the sales systems so that when marketing generates a lead the details of the lead are transferred automatically over to sales.

Marketing systems should also help with the actual preparation of mailing campaigns allowing appropriate prospects to be identified and then used in a mail-merge to generate the relevant, customised letters. Recently this concept has also been extended to cover email marketing which can provide an effective and low cost technique to contact prospective clients. However, make sure you are familiar with the UK regulations regarding email marketing before embarking on a campaign/

Another area where CRM systems are producing significant results is improving the success of online retailers’ web sites. One approach is the use of targeted marketing, such as that used by Amazon, where, based on previous purchases, a customer will be sent relevant special offers or information on new products. Web Analytics is also increasing in popularity. This is where the pattern of usage of your web site is collected and analysed. The information gathered can help you gauge why people don’t buy things from you, what they are interested in and what parts of your site are popular or not.

Administration & Management

One key contact point that customers have with a company is its management and general administration staff, such as those in accounting. Amazingly, though these groups of people are often overlooked when considering a CRM strategy.

If a manager is dealing with a client or if a member of the accounts team is handling an enquiry it can reflect badly on your organisation if they don’t have the relevant facts to hand. Many of these facts are captured and available in a CRM system, so why not make it available to them? For example, a customer may have a question about an invoice which differs to what was agreed with your sales representative. The usual situation might be to tell the customer that they will be phoned back once somebody in accounts has tracked down the sales representative and got the information. If accounts had the information to hand in a CRM system the customer would have received a prompt service and the accounts department would have saved some time.

Service/Product Delivery

An increasingly high proportion of UK companies are either service companies or they create complex, customised products which are unique to each of their customers. If you work in an organisation like this then you know that it is essential that the delivered product or service is exactly what the customer was expecting.

To achieve this your product/service delivery team must know exactly what the customer has ordered and yet, time and time again, you find occasions where some small, but crucial, part of the customer's requirements isn't passed on by the sales team to the delivery team or is forgotten about somewhere along the line. If all the customer's details, requirements and circumstances have been accurately captured in a CRM system, to which the delivery team has access, these problems can be reduced. Equally importantly the delivery team can feed back any changes or new information relating to the customer that they come across during their work. This information could indicate to a sales person that an additional sale could be made of a different product or service and means the investment in a CRM system can rapidly pay for itself.

After Sales Service

The importance of after sales service varies massively from one company to another. Of course, we all also know that even where after sales service is important, some companies treat it more seriously than others.

There are a range of helpdesk and service management solutions on the market place which suit a wide variety of situations from dealing with product guarantees & repairs to providing scheduled maintenance visits. Although these are commonly grouped together as service management solutions they should be considered part of an integrated CRM strategy and work in conjunction with other CRM systems within your company. It is possible that the majority of your customer interactions are actually through after sales service and capturing this information will help guide your sales force on how to serve the customer better and look for additional sales opportunities.

Customer Segmentation

One of the benefits a CRM system can provide an organisation is the ability to categorise or segment its existing customer base and prospects. This may be based on the products or services that the client purchases, demographic information for consumer clients, industry sector or company size for corporate

clients and so on. Once you have this kind of information on your system you can analyse it using a variety of techniques ranging from very simple graphing and summary reports through to sophisticated statistical packages which can be used to draw inferences from your raw data. For instance you might find a link between somebody's occupation and their likelihood of buying from you, or a company's location with its profitability to you.

So you've collected all the information, have the software tools to analyse it – what can you look for that will benefit your company? The following are some examples of how you can segment your customers.

- **Profitable customers.** Obviously, you can look at whether some customers are worth doing business with at all but you can also decide how much effort should be put into account management and sales effort for each customer. You should also segment your customer base in other ways (geography, social grouping etc) and see if there is any correlation with the profit they bring to you. This can lead to significant insights into where you should be directing your marketing effort.
- **Cross selling.** If you've got more than one product or service then you'll already know that one of the easiest sales you can make is the sale of a different product to an existing client. If you can analyse what identifies a client as a likely purchaser of a specific product or service you can identify which other current customers might want to buy that product or service but haven't yet.
- **Guiding marketing focus.** If you record where your customers first heard about you – a particular advertising campaign, by recommendation etc – then you can calculate which marketing method is proving the most effective.

Employee Empowerment

Implementing a comprehensive CRM system through your organisation can have an interesting side effect that needs to be considered – employee empowerment. If you give employees access to a significant amount of information relating to your clients you have to give them the ability to act on that information, within well understood boundaries. For some organisations this can be a major change in the way people work, for others it is business as usual.

Take an example mentioned earlier in this document where, with a suitable CRM system, a member of the accounts department was able to answer a query without having to refer it back to the relevant sales person. This meant a faster response to the customer and a more efficient internal system, but it was only possible because the accounts team were empowered to make those sorts of decision without referral. The best CRM system in the world can only help where staff can act on the information it provides them with.

There are a number of consequences of this that need to be considered when creating a CRM strategy:

- **The information in the system needs to be complete and accurate.** If you haven't got every client-facing member of staff contributing then nobody can be sure that all the relevant information that they need to act on is there. If your staff begin to doubt the accuracy and completeness of the system it can soon fall into disuse and your CRM investment is wasted.
- **The culture of the company needs to encourage people to act on the information.** This is usually less of a problem for smaller companies but for larger organisations there can be a tendency to refer to others even though all the information to make a decision is available. On the other hand, there also need to be clear boundaries on what decisions people can make and what authority they have.
- **Individuals can be reluctant to share their knowledge.** Some people will always want to retain their 'special' relationship with a client or try to protect their position in an organisation by holding onto information that should be put in the CRM system. This can undermine the success of the implementation and has to be addressed at an early stage when you see it happening.

Integral to your Existing Technology

As we have discussed in preceding sections a CRM system is going to have a significant influence on your business. When it comes to choosing the software that will support your CRM strategy you should be equally careful given the influence it will have on your IT strategy.

As CRM systems can ultimately be used throughout an organisation you have to evaluate the technology used in the systems you already have, where you will need to integrate to these systems and where your IT strategy is directing you.

If you don't have an overall IT strategy it is worth creating one as you put together your CRM strategy. The complexity of documented IT strategies varies widely but our view is that you should take a medium term view, of say 3 to 4 years, which outlines the core technologies that will be used (e.g. server and client operating system(s), strategic database platform, development tools, middleware) and what projects are broadly planned to be undertaken. This will mean applications, including CRM, can be chosen to fit the selected technologies and that you know what applications are will need to be integrated in the future. Planning more than a few years ahead can be difficult as technologies, and possibly your business, can change quite rapidly and it is better to have a medium term plan which is reviewed on an annual basis.

Typically systems that you might need to link your CRM solution to include:

- Accounting, especially sales order processing
- Ecommerce
- Existing service management systems
- Delivery support systems
- Existing sales & marketing systems

You will need to review each of these systems and ensure that where integration is needed this is possible with the CRM solutions you are considering. You also need to look at the longer term future of the systems— all of this again revolves around getting your IT strategy set out as fully as possible. It is obvious that selecting well known, open technologies that are likely to be supported by a wide range of IT vendors will usually be a sensible part of any strategy.

Customisation

One of the features of CRM is that there is much more variance in the way the systems are set up and used than there is in, say, an ERP (accounting) system. Not only do differing types of business have significantly different ways of dealing with their customers but even within the same industry sales, marketing and service approaches can be markedly different.

So when you start looking at CRM packages it is unlikely you will find one that is a 100% match for your requirements and the way you want to work. It is

essential that you review how much flexibility there is in the software you are evaluating – not just for the requirements you have identified now but those for the future that you don't yet know about. Some of the key areas to look at are considered below.

Screen layout. Usually if you install a system 'out of the box' the screens it will present you with allow you to do that you might not necessarily need. Typically you want the ability to remove fields that aren't going to be used and move things around to reflect what is important to you and the way that you work.

Security. Most CRM systems will allow you to restrict the screens, reports or data a particular user can gain access to. Unless you have a very limited number of users this is essential and allows proper segmentation of people's roles and responsibilities on the system.

Data fields. Whilst a significant number of standard data fields will be provided with a system you won't necessarily want or need all of them and more importantly there may be some information that is essential to you but can't be recorded on the system as standard. In these circumstances you should be able to add the new data fields you want and ideally define what values can be entered in them.

Reporting. Many people, when considering a new system, will start by looking at the reports that can be produced and work back from there. Yet, it will be rare that the reports provided by the system are the ones needed by management or staff. In nearly every CRM implementation you will need to write a number of reports to meet the needs of the business so you must choose a system that allows this. You should look for a report writer built into the system or, better still, be able to use standard third-party report writers to access the data in a secure manner.

Workflow. Some advanced CRM systems incorporate a workflow engine which dictates a sequence of events that should occur with relevant people being notified by the system when they need to perform an action. If you have a large, sophisticated system planned you may need a method to modify and adjust these workflows to match your business processes.

The degree of flexibility you get varies greatly from one system to another in each of these areas but generally it is the more expensive solutions that provide the greater customisation options.

IP Telephony

One technology that has been making very slow headway over the last few years is IP telephony, but there are signs that it's now ready for the mainstream and one of the main beneficiaries of it could be integrated CRM solutions.

In essence IP telephony is using normal data networks, based on the Internet Protocol, to carry telephone calls. This means that voice calls can be routed and handled by a PC rather than a separate telephone and call costs can be kept down in certain circumstances.

The benefit to CRM systems is currently being seen in call centres where when a call is routed to a particular operator this is done through the CRM system which at the same time can bring the relevant information up on that operator's screen. This increases efficiency and reduces errors by fully integrating the data and telephony aspects of the work. A similar approach can be taken with helpdesks and other service provision operations and as the technology becomes more reliable and cheaper it will become available to smaller organisations.

CRM on the Road

Using IT systems outside the office is no longer an expensive option available only to large corporations. It is now feasible to provide 'martini computing' – access to corporate systems any time, any place. This has been made possible by cheap internet access, mobile phone technology and, more recently, Wi-Fi solutions which provide wireless internet access at certain designated 'hot spots'.

Remote access to office based systems is particularly useful in the CRM arena where the key staff using the system can often be out of the office for the majority of their time. This includes sales people, senior management and service/support staff. Which method you use to provide the remote access depends on a number of factors including cost, required connection bandwidth, geography, frequency of use and what sort of client device is required.

Choosing a client device is becoming an ever more complicated choice as a variety of different device formats become available. This includes laptops of varying sizes, weights and specifications, tablet PCs, PDAs and smart phones which now allow the use of web browsing, email and simple applications.

Whenever you consider providing remote access to your systems you must also look at the security implications and perform a risk analysis to determine what measures should be taken to minimise any possible breaches. Whilst no system can be completely secure, steps can be taken to ensure that only the most determined hacker would be able to compromise your systems. You should also always bear in mind the fact that, despite the publicity, most IT related frauds are committed by staff with legitimate access to the systems. It is usually the controls around the software rather than the security of the software itself that fails.

Project Failures

Undertaking any IT project always involves some level of risk and a good project manager will identify the risk issues and take steps to mitigate them. CRM is not immune to this and the more comprehensive or radical the project, although the rewards may be greater, the number and severity of the risks are likely to increase.

As discussed earlier in this document many of the issues surrounding a CRM project are not technology ones but relate to commercial and people issues. It is essential that where processes or staff are being changed all the risks associated with that change are identified, listed and then properly understood and addressed. Most CRM projects that fail will not fail for technology reasons – there may be delays or cost overruns but usually a suitable IT solution will be delivered.

Before you undertake your CRM project you must involve all the people who are going to be affected by it. Not only will they help identify these risks for you they will also feel part of the team and help solve the problems. This is preferable to the situation where you suddenly impose a new system and method of working on staff who feel they have had no input.

If you involve an outside supplier to deliver the software you should be clear on what their involvement is. Are they simply delivering a system to your specification or are they taking a greater responsibility for designing and implementing the new business processes as well? Issues of responsibility (internally and externally) should always be agreed at the start of the project to avoid any confusion later.

If you adopt good project management practices, including those areas briefly mentioned above, and you have realistic aims and expectations of the results then you should have a successful implementation. If you haven't got the necessary skills or knowledge in-house to do this then make sure you source it externally. It is this knowledge combined with your knowledge of your business and of what you want to achieve that will make a CRM project a success – it's not simply about choosing a good software solution.

Return on Investment

If you know what you want to do, how you're going to do it and who's going to do it, should you take the plunge and actually do it? This is where you need to see if there will be a return on your investment.

Calculating the costs of an implementation should be relatively straightforward but there are hidden costs that you may, or may not, want to include. These include internal time that will be spent on the project (which should never be underestimated), any decrease in productivity whilst systems are initially introduced and on-going support and maintenance costs in the future.

Unfortunately, trying to put a financial value on what a CRM solution will bring to the company can be much harder to achieve. There may be soft benefits such as improved customer service, better targeting of marketing as well as more measurable benefits such as more efficient use of sales or support staff. Each of these has to be listed and a sensible method of calculating a gain attached to it according to the circumstances.

Summary

CRM is not technology, its common business practice and common business sense. Undertaking a CRM project requires careful thought, careful planning and usually a strong IT involvement to provide the necessary supporting systems. There is no one 'right' way of using CRM systems in an organisation and there will be more than one 'right' way of doing it just in your own business. However, knowledge of general best practice and what common pitfalls to avoid are essential and working with someone who can provide this will usually pay for itself many times over.

About this series

The world of IT is very varied and continuously changing. Trying to stay abreast of all the latest technologies and their potential implications can be a full time job in itself. The aim of this series is to explain the business implications of the technologies without the jargon. By understanding how the technology could affect your business you are in a better position to decide if it is a valid investment.

These white-papers deliberately avoid becoming too heavily involved with the finer details of the solutions in question; they also avoid focusing on products. For those who would like more technical information or product information it can be found at our website, www.perfect-image.co.uk. Here you can also download previous white-papers and keep track of our other events and publications.

About Perfect Image

Perfect Image are a Newcastle upon Tyne based IT Solutions company. Established in 1991 we have extensive experience in adapting leading technologies to meet the unique needs of individual businesses. We are the North East Based Microsoft Business Solutions Partner and we pride ourselves on continuing to operate at the leading edge of new technology and developments.

At Perfect Image our strength lies in our commitment in understanding the needs of your business. Every organisation is unique and we believe that an IT solution can only be successful if it is tailored to meet those individual needs. For this reason, before a single line of code is written, we will aim to fully understand your business, your current situation and your future goals. Only then can we advise on the best solution for you. If no appropriate third-party application can be found then we can customise an existing solution or develop a completely new one from scratch. The key to our success is making the technology work for you.

We have carried out projects for organisations such as

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BT Syntegra

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