Making Customer Relationship Management Work:

As Part of an Advanced Supply Chain Management System

by Charles C. Poirier

EXPERIENCE. RESULTS.

As any firm continues its voyage through Level 3 and higher of the supply chain evolution, it makes the passage from an internal-only perspective toward process improvement and begins partnering in a selective manner with key network constituents to make further gains. With success at implementing supplier relationship management (SRM) it advances to customer relationship management (CRM), a natural progression, which extends the learning and experience gained from supply chain efforts with the ardent desire to keep growing the business. Now the firm begins paying serious attention to using supply chain techniques for building top-line revenue as well as reducing costs that affect the bottom line.

Such an effort starts when a firm has the internal house in order by virtue of achieving many of the initiatives aimed at supply chain optimization (SCO). It expands as the firm moves into the networked arena, with the help of equally skilled business partners. In many industries, where the number of customers is small, firms will find CRM becomes a necessary effort, to sustain the most important customer relationships, but it certainly is not a self-funding exercise. The links to supply chain become an imperative under these conditions, to include improvement benefits that help fund the effort and achieve the goal of better satisfying, acquiring and retaining the most profitable customers.

The understanding, however, that the focus on building a profitable customer relationship is reliant on the ability to deliver through an integrated supply chain must be central to the concepts behind the effort.

To accomplish this goal, companies seek the means to merge advanced supply chain management (ASCM) techniques and their customer management efforts into a CRM process that yields profits and growth. Having access to a wealth of information relating to specific customers, buying habits, and market trends, work gets underway with the sales, marketing, and customer service personnel, along with some selected business allies, to find the opportunities for using knowledge to enhance relationships and increase revenues with the most desired customers. Gathering information on key customers, identifying the means of satisfying those with the most value, and increasing long-term loyalty through customized products and services meeting actual needs, become business imperatives behind the CRM effort. The understanding, however, that the focus on building a profitable customer relationship is reliant on the ability to deliver through an integrated supply chain must be central to the concepts behind the effort.

CRM Execution has been Spotty

The fundamental requirements supporting CRM are not exactly novel. Improving profitable revenues with targeted customers and retaining their loyalty have been central tenets of business strategy for a long time. With access to helpful knowledge buried in the burgeoning databases corporations are building, it becomes a modern art, enhanced through technology. For that reason, CRM now appears on virtually every business supply chain radar screen as a technique to increase sales, retain existing customers, and acquire new customers. Research indicates the subject receives more current attention than any other specific subject related to supply chain management. Indeed, *Information Week Research* wrote in its October 2001 report on surveys from 100-business technology professionals that "98 percent say CRM is a strategic program at their company."

When it comes to integrating these systems with advanced supply chain management (ASCM) efforts, however, a different picture appears. The mind seems dedicated, but the heart appears to be stalled. From the 100 companies IW pooled, only 48 percent said alignment had been achieved. Most firms seemed more concerned with linking CRM to sales and marketing and strategic planning (an internal effort) than achieving significant revenue growth through external efforts. (Maselli; 2001, p88) At this stage of its development, the concept of applying CRM to create new business is well understood, but practical applications appear to be very limited, due in large part to a poor appreciation of what the real intentions are all about. CRM has unfortunately been characterized by stovepipe thinking, and silo activity constrained to sales and marketing efforts, rather than being an integrated enterprise initiative. The results have led to CRM becoming a source of many failures. From a related aspect, Darrell Rigby, Fred Reichheld and Phil Schefter, loyalty experts at Bain & Company, report that, "research suggests that one reason CRM backfires is that most executives simply don't understand what they are implementing." (Rigby: 2002, p. 102)

There seems to be some unusual factors relating to the subject. CRM was born of using strategy and process improvement to satisfy targeted customers and enhance sales, but technology has overshadowed the intent. As we researched the subject, we found most efforts were characterized more by an emphasis on applying software and reducing costs, particularly sales and service headcount, rather than building

revenues with key customers. In addition, cost cutting has become pervasive following the period of Internet adjustment, and many companies simply do not believe the claims associated with revenue growth through CRM. So far, the highest reported returns on the effort seem to come from call centers, where cost cutting and better resource allocation have led to savings and not helping the customer. A second intention seems to involve foisting a discipline on sales personnel that is often not appreciated, without explaining or demonstrating what is in the effort for those representatives. Many CRM efforts languish as they become a control mechanism over the sales force, sales personnel do not enter the necessary data, or the information is not used for the intended purpose.

A Defining Purpose Has Been Missing From Many CRM Efforts

As the reasons were analyzed for the spotty record and poor success rate behind a very desirable and certainly well-supported management initiative, we found much of the problem was associated with an absence of a defining purpose. There was no central imperative that would overcome the usual obstacles encountered in what also becomes a major business transformation. That problem starts with the definition of what we are considering. Gartner, Inc. offers its interpretation of CRM – "a customer-focused strategy aimed at anticipating, understanding and responding to the needs of an enterprise's current and prospective customers. The objective of a CRM strategy is to optimize profitability, revenue and customer satisfaction." (Gartner: 2001, p 1)

Rigby and others present another definition: "CRM aligns business processes with customer strategies to build customer loyalty and increase profits over time." (Rigby: 2002, p. 102) We find these definitions are appropriate to the subject but lack the depth that would lead to defined purposes. For that reason, we add to these interpretations that CRM is the practical implementation of business strategy for identifying, acquiring, and retaining profitable customers, through a focus on:

- Applying portfolio management techniques to customer segmentation so knowledge can be used to increase share of business with selected customers
- Linking customer-related processes throughout an extended enterprise network so valued and trusted partners can help in the pursuit of profitable revenues
- Enabling fundamental productivity improvements for customers, key business partners, and employees that enhance the desired relationships
- Creating a customer/seller environment that is substantially more beneficial to both buyer and seller
- Providing techniques of greater value and benefit for those doing the selling and servicing of the customers, and
- Integrating critical information throughout all customer channels and back office functions from customers through suppliers, for the purpose of establishing the most effective system of response to actual customer needs. The integration of customer information is to achieve the goal of creating a single view of the customer across the selling organization, no matter what channel they choose for communications.

In short, CRM is something a business organization and its business allies do…not something they purchase. CRM is not an off-the-shelf software tool that will manage relationships in a flawless manner and deliver higher sales and profits. Technology and software will support the effort; they will not provide the means to assure satisfaction of key customers or build new revenues. Any CRM effort must be capable of adding value and delivering results against customer needs. This requirement reinforces the need for supply chain integration, as a means of fulfillment on the demand side of the chain. CRM should also not be confused with the traditional emphasis on improving employee applications such as sales force automation, marketing analysis, and call center or help desk applications. The correct CRM strategy becomes oriented around supporting the sales and service personnel, making their jobs easier and more effective, and then enabling them in acquiring, satisfying, growing, and sustaining the right customers – those with the greatest long-term benefit for themselves, the firm, and its business partners. The central concept in this strategy is to grow your business with long-term annuities through features of customer intimacy.

In short, CRM is something a business organization and its business allies do… not something they purchase.

Within that perspective, CRM is not for all companies. Many firms indicated to us that they intend to spend little money in this area because their central focus will be kept on cost reduction and operational excellence. Some of these firms are producing and selling commodities and the feeling is that CRM is an unnecessary expense. As much as we disagree with this philosophy, it is dominant in some industry and market segments, and it inhibits a proper customer orientation and implementation of CRM.

Therefore, as a firm decides to embark on what will be a potentially very expensive and lengthy journey into CRM, the leaders had better be sure there is a defining purpose and cultural orientation toward the customer that will assure success. They should also understand that many elements of CRM could be effectively satisfied, by focusing on customer strategies and processes, without employing technology.

When a firm decides to go forward, these leaders will find such concepts are not new. The idea that the more customer-centric your firm's culture is, the greater will be the success in the new business environment has been an item of faith for some time, especially with those companies that interface with key strategic customers. What is new and necessary is a strong central focus such that CRM becomes the vehicle for the deployment of strategies, processes and technologies that help acquire, develop and retain desired customers. That becomes the mantra behind CRM and the guiding purpose.

A generally accepted business tenet that helps this purpose is: firms that become adept at garnering greater customer loyalty through a true focus on customer needs and satisfaction grow much faster than others in the industry. These leaders tend to track customer satisfaction metrics as much as or more than traditional business values. Industry leaders such as Cisco, eBay, Hewlett-Packard, Land's End, and The Vanguard Group tie a significant portion of employee compensation, for example, to customer satisfaction in their pursuit of this tenet. Unfortunately, our research indicates that more companies profess a customer-centric orientation when they actually favor operational excellence or product/service innovation as core strengths. That's a conflict that needs resolving before expecting success with CRM. If you want to look for root causes of CRM failure, you don't need to go beyond the lack of adequate change management skills within the organization and an absence of an orientation toward the customer as the vital organ of the firm.

The important questions for today's managers become:

- On which customers do we focus the greatest attention?
- Do we know the value of our customers or the cost of the services we provide?
- How do we use our database and that of our allies to find the means to do a better job of satisfaction?
- What are the specific ingredients of a network CRM effort that will establish the level of loyalty we know will guarantee success?

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Answers to these inquiries demand a customer-centric defining purpose for the effort, something that has generally been missing. At the core of the correct orientation should be a strategic intent to create profitable new revenues with targeted customers and consumer groups, important distributors, retailers and intermediary agents influential in the buying decision. In that sense, a short list of perhaps ten to twenty percent of potential customers would become targets.

This purpose creates the need for narrowly focused analytical tools, which become the primary ingredients in CRM. From the appropriate analytics will come the operational techniques that take advantage of the knowledge to generate profitable revenues. This movement does not mean the effort is intended to automate marketing, sales and servicing functions. Rather, it means the firm and its closest allies work on finding the most effective way to use customer and partner information and apply models relating to customer behavior to create discernibly better marketing and sales efforts that end with superior results. Included in this purpose will be the tactful elimination of the least profitable and often most costly customers and a new system that has strong intrinsic value for the sales and service personnel involved.

CRM Begins with a Compelling Business Case

In spite of the advocacy we're giving to this subject, and the intuitive validity of the concepts, there must be a clear definition of return on the effort, or the requisite management support will be missing in action, and that return must be garnered in the face of ever-increasing costs and difficulty. Customers today expect and generally receive superior service, so that has become the table stakes in the modern business game. Distinguishing your firm and its allies from the competition takes something extra. At the same time, maintaining a high level of customer satisfaction has become more complex and difficult as there are so many different approaches being taken.

From the vantage point of the customers, there are critical links between supply chain and customer touch points, the incidences of contact and service that distinguish the supplier's value. If we can define these points of impact and describe the value of supply chain improvements to strategic customers, many of the supply chain benefits can create substantive cost savings to fund ancillary CRM improvements. Furthermore, customers have multiple points of communication with suppliers, multiple channels of delivery and service, and some expect linkage all the way back to primary sources. Suppliers need to allocate both automated and human interfaces with the appropriate customers and situations so the right company gets the right service through the channel of choice.

Dealing with these modern challenges requires investments in changing both the organization and the technologies on which it depends. That creates a necessity for having a compelling business case to encourage and assure the required changes to normal business activities. Such a case can determine the priority of CRM spending, where to start based on value to be added, and potentially make additional roadmap enhancements pay for themselves through the initial benefits achievement. An ROI-

based roadmap with bite size release strategies, which define functionality to be attained and the residual business benefits, is absolutely necessary. Those benefits should include the supply chain enhancements that get an organization closer to satisfying the most important customers.

Because of the newness of the technology, the complexity of the implementation required, and the magnitude of the change to be accepted by the organization, building a fact-based business case can be elusive. The measures indicated might be viewed as incomplete and others may be required. The second area to address then is the relationship between CRM and the sales and marketing strategy. The CRM business case is seen as most compelling when it is viewed as an enabler of a holistic sales and marketing strategy, one in which opening new markets, using new channels, and creating an environment that makes CRM a critical factor are necessities to achieve overall business objectives. The ability, moreover, to deploy CRM must be seen in the context of the firm's central purpose and the means of distinguishing the firm in the competitive arena. When trying to make certain there is a strong business case, definable business metrics must be determined to calculate success and the ultimate business value being added. There are also a number of questions must be positively answered:

An ROI-based roadmap with bite size release strategies, which define functionality to be attained and the residual business benefits, is absolutely necessary.

- Sales efficiency – What is the value of more face time with the right customers? Can you expect increased sales from increased attention? How will the improvements be measured?
- Customer segmentation – Have you identified the unique value of special customers to the firm? Do you understand the value propositions being delivered to those customers? Are you supplying service based on those values? Have you asked key customers what they value the most?
- Resource allocation – Have we based our resource investment on adding customer value? Have we accomplished an improvement to the unrealized value of customers or potential for growth?
- Compensation – Is the firm's compensation system aligned with the sales focus the firm aspires to achieve? Does your firm reward behavior that leads to better customer relationships and greater revenues?
- Organization design – Does our infrastructure and assigned responsibilities meet our objectives for satisfying customer requirements and fulfilling needs?
- Call center deployment – How many call centers and customer service representatives (CSRs) are necessary to adequately meet the needs of our customers? Do these CSRs add value or mainly respond to low-complexity questions that could be automated? Are the responses and time to service adequate for segmented customer needs?
- Consistency – Do customers get consistent, timely answers through various mediums of interaction? Are you improving the cycle times of value to your customers to industry best levels? Do you have a single view of the customer no matter what channel they may choose for communication?

With answers that support the customer centric orientation, the firm moves to a second consideration of great importance. The business case must also clearly spell out the values for those doing the selling and servicing. It must be a dynamic document that shows what's in the effort for the sales representatives, agents, brokers, dealers, or other persons making the calls and doing the selling. The added value for the front-line contact points doing sales service must also be considered. These are the people on whom success depends and, without a clear definition of what value they receive for their effort, there should be little wonder as why most CRM efforts fail. When completed, this business case will provide the organizational alignment required for success and will be the key to unlocking the potential benefits derived from CRM across the firm. In essence, the business case should be a living document that continues to be refined through every phase of the CRM journey to track costs and resulting benefits based on predefined measures of success.

CRM Continues with Careful Customer Segmentation

The CRM effort then begins with something that has become a business essential – the segmentation of customers in terms of value to the firm. Using the knowledge from the network databases and skilled intuitions of those responsible for building revenues, existing and prospective customers are deeply analyzed and fitted into a decision matrix, similar to that used for SRM. Customer profiles, past histories, lifetime value analyses, calculated risk analysis, special demands, historic relationships, and other pertinent data are reviewed, often with the help of trusted advisors, to complete the matrix and use it as a guide to the CRM effort.

In the best of the efforts we have reviewed, some form of activity-based costing or balanced scorecard is also used to make sure the firm and its partners know the true costs of servicing those customers that reach the highest target level. Telecommunication industry studies, for example, show that as much as 80 percent of the profits can come from as little as 3 percent of the buildings in a company's territory. The key is to then expand the effort to analyze and understand behavior and predict which customers will respond appropriately to what becomes very

special attention and service. That becomes an art of turning a mountain of available data into a usable knowledge base to better satisfy the chosen customers, generate new revenues with better profits, and develop happier sales and service personnel. In one enabling effort, SAS International is working to link their Demand Intelligence module, which does predictive modeling around demand, with their value chain analyzer module that does Activity Based Costing. The result would be that a firm could do what-if scenarios around demand changes, and understand the resulting cost implications through the supply chain fulfillment steps.

Exhibit 1 – Customer Product/Service Segmentation

	Low (Strategic Value)	High (Strategic Value)
High	**For-the-Moment Buyers** • Returns diminish as service costs escalate • Sport buys can be lucrative, but spread over many suppliers • Firms show some willingness to pay for added values • Limited advancement possibilities • High cost to retain loyalty	**Winners – To Die For** • Returns high relative to cost-to-serve • Focus is on total value; Balanced Scorecard analyses to prove benefits • Firms provide resources to seek joint savings; offer help with joint selling efforts • History of mutual partnering, sharing in risk • Low cost to retain loyalty
Low	**Usual Suspects** • Spot buyers; pricing is crucial to decisions • Will switch for any perceived, momentary lower cost • Will leverage volume frequently; apply auction techniques • Very limited advancement possibilities • Potential for 3rd party fulfillment, sales automation	**Wannabes** • Lengthy relationships; have shown signs of loyalty while insisting on special servicing for which they are reluctant to pay • Low probability for increasing profits without innovative selling approach • Show some elements of partnership for joint profits • Have fit with firm's capabilities, value offerings but tend to have high cost-to-serve

Low ← **Strategic Value** → ***High***

Exhibit 1 is a four-square matrix useful with a customer segmentation analysis. On the vertical axis, the ranking moves from low to high profit. This part of the segmentation requires a solid knowledge of what the actual cost to serve might be and the actual profits derived from serving the customer. On the horizontal axis, the variation is from low to high strategic value to the firm. An analysis similar to that portrayed in Exhibit 9.4 for suppliers can be used here to place customers along the strategic value dimension. The actual criteria used must be specific to the company's capabilities and needs, and should reflect consensus across the major sectors of the firm.

Starting in the lower left corner of the matrix, with the low profit and low strategic value quadrant, dubbed "Usual Suspects," we find the group every firm possesses and is reluctant to face. These suspects are generally a drain on company time and resources and offer virtually no possibility of reaching higher categories of significance. They tend to survive in the customer list because no one takes the time to question and purge their presence. Decision rules for this category are relatively straightforward:

- Consider polite withdrawal and do not include these customers in any CRM effort
- Institute selective price increases for categories/SKUs for longer terms in areas of interest; maintain relationship only for categories with profit
- Strictly limit any new investments or special sales attention
- Establish minimum volumes and pricing; pass ownership to third-party organizations
- Automate processing with self-service features or abandon solicitation

Moving up to the area of high profits and low strategic value we find the "For the Moment Buyers." Here there are profits worth pursuing, but with a very fickle constituency. CRM efforts should be avoided or very carefully applied in this segment, and the following decision rules should apply:

- Carefully cultivate a few potential winners that will react positively to demonstration of values rendered
- Match features and services with actual needs; emphasize self-service features
- Manage contracts limited to low cost and core competency categories and SKUs
- Orient sales effort around demonstration of full cost and values added
- Limit CRM involvement to only those with highest long-term potential

As we move down to the lower right hand quadrant, we encounter the "Wannabes." These are customers that have strategic value but never seem to pay enough for products and services to garner a winner status. They are generally long-term customers that have a good match with the firm's capabilities but insist on shopping the industry or market to verify they are not over-paying for whatever they receive, and they always want the lion's share of special attention and service. The objectives in this sector become:

- Sort through to find a few candidates for higher status by virtue of limited special attention that returns above-average profits
- Try selective special introductions or promotions to test willingness to pay for added value
- Find hidden opportunities to match values with selective pricing
- Match limited investments with actual potential returns
- Establish cost controls on service costs
- Apply CRM very carefully to the highest potential firms

Finally, in the upper right, we see the highest profit and the greatest strategic value. These are the "Winners," or the customers "to die for," and the core group to be included in any CRM effort. Now the objectives are oriented around retention and enlarging revenues with this group. The decision rules become:

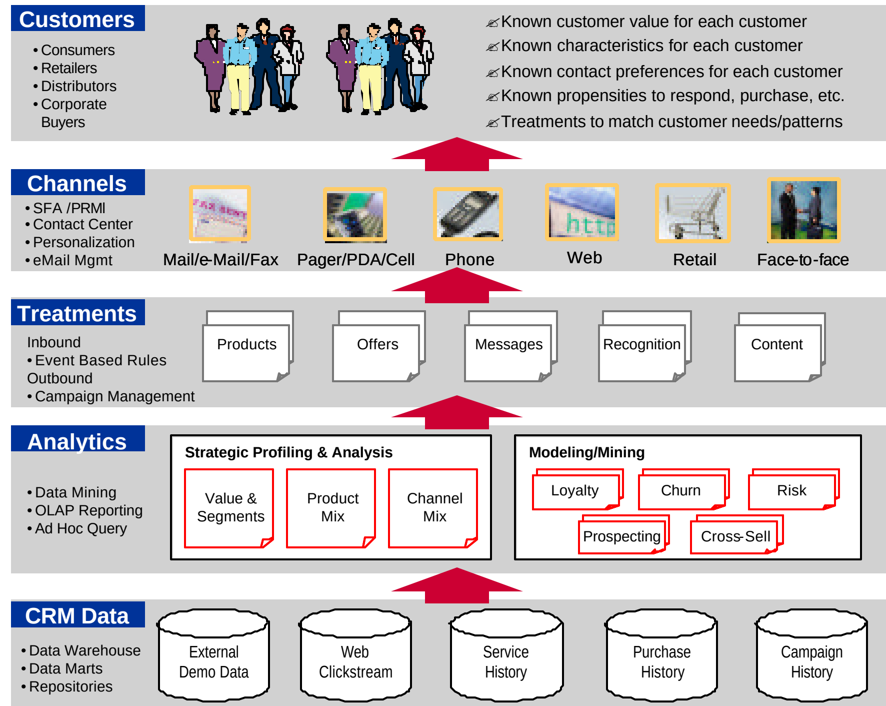
- Allow highest access to connectivity features, use of Extranet and advance information on developments, new features, and product promotions
- Invite into membership on advisory council; encourage joint development/ investment projects
- Provide frequent communication on first offerings
- Delight, nurture, defend, sustain
- Avoid allowing cost to serve negate emphasis on overall value
- Begin and enlarge CRM effort with this group

For a particular firm or industry, this matrix and the decision rules can be modified in a customized manner. The point is there must be some solid mechanism for selecting the candidates for the CRM effort or it becomes a diluted exercise of trying to please all customers, which will quickly run out of steam. Focusing on the area where the greatest opportunity exists is a simple mandate for success.

Effective Database Analysis Leads to Pertinent CRM Knowledge

Many companies have implemented operational CRM efforts, but have not realized the value of those investments due to an absence of integrated customer data. Because they lack a single view of the customer, these companies cannot move to analytical CRM, which is where much of the value lies.

Exhibit 2 – Data Acquisition and Analysis are Critical to CRM



Firms of any size in any industry can apply the type of matrix described in Exhibit 1, as an aid to establishing a single view approach to customer relationship management. CRM is not just for the largest and most powerful of companies. The technique requires knowledge typically found in existing databases and a concerted effort to use this knowledge as a tool for distinguishing the firm in the eyes of the most valued customers. Exhibit 2 is a framework for conducting an effective data acquisition and integration analysis as a crucial ingredient in a successful CRM effort.

The process moves from bottom to top. It begins with assembly of the appropriate CRM data from the many sources available. It proceeds to cross-functional analysis that mines the data to establish profiling and modeling techniques useful in the segmentation and decision rules part of the effort. The treatments sector matches the profiles and models with the products, offers, messages, content and recognition that will be at the heart of the CRM methodology. Input from a few key customers can have great value in this area of the model. Channels must be considered to make

certain the key customers are getting their products and services the way they want them received. The process culminates with the customers and the value proposition that makes the most sense for those of most importance.

In a general sense, the more information you have, the more beneficial the analysis will be. In a larger sense, the care with which you analyze, consolidate, and use the data will lead to the greatest results, and that is an element not restricted by company size. Discovering why good customers leave you, anticipating changes in buying patterns based on trend analysis, knowing how to take advantage of environmental factors, and being able to react properly to shifts in category preferences by age, gender and ethnicity are part of the art behind CRM.

The whole effort yields the most benefit when several groups analyze the data together to make certain there are returns for all parts of the company. If the CRM strategy is to be a keystone in the firm's business, it must positively affect all constituents. While we advocate building CRM internally first, then expanding into a network effort, it is still advisable to involve a few selected allies on the supply and customer side to critique the process. To begin, the analysis should show clearly that the highest customer segment does indeed have the greatest positive impact on the company's future. That is why we stress the need for activity-based costing and Balanced Scorecards to assure that impact. Increased revenues with firms that draw excess resources in relation to what they pay will eventually ruin a firm. Customers that constantly change schedules and require special attention unnecessarily are also drains on profits. We strongly suggest a general review of the data analysis so the CRM decision rules reflect the consensus of a cross section of all important company functions.

Next, the analysis should confirm that the most valued customers are receiving the most effective attention. That starts with asking some of these customers what value they would like to see added if the firm is going to make such a major investment in CRM. Our research shows the answers to that query are often unexpected. What products should be offered, for example, may vary from those perceived to have the most value. How the products are distributed, through which channels, which partners should be used, what the real delivery cycles should be, and so forth often come under scrutiny and new decision rules emerge. Finding out why some of these customers have defected is equally valuable as it quickly identifies problems needing attention.

Third, you should decide how technology could become an enabler for this coveted group of winners. With an understanding of the highest-value customers in hand, the firm targets direct marketing efforts that are matched with the identified needs. CRM starts to capture important product and service behavior information and feeds back data to the desired customers, which will induce them to increase buying activity, make joint developments, and participate in shared risk investments. Process transactions can be improved and automated where appropriate. Access to important supply chain information can be offered to those having a need for real-time exposure. In the most effective systems, this knowledge sharing extends from end to end in the supply chain network. The goal becomes oriented around building an interactive relationship with customers and growing overall satisfaction based on increased knowledge and understanding. Also, there is an underlying objective to predict when and why customers might be predisposed to leave and to find the right incentives for retaining them. Bringing the solutions offered through advanced supply chain management closer to the customer can only serve to satisfy them better than competing networks and thereby increase their loyalty.

With an effective database analysis will come the right consolidation of information and knowledge so the firm can garner the desired improved relationships and revenues. When the use of the knowledge is discussed with the sales and service representatives to determine how it will be beneficial to them, the loop begins to close. Now the firm clearly explains why the extra work will bring value to those doing the work and how it will result in personal value. This combined knowledge launches the CRM effort through a methodology that takes advantage of the total company consensus.

If the CRM strategy is to be a keystone in the firm's business, it must positively affect all constituents.

Exhibit 3 – A CRM Methodology

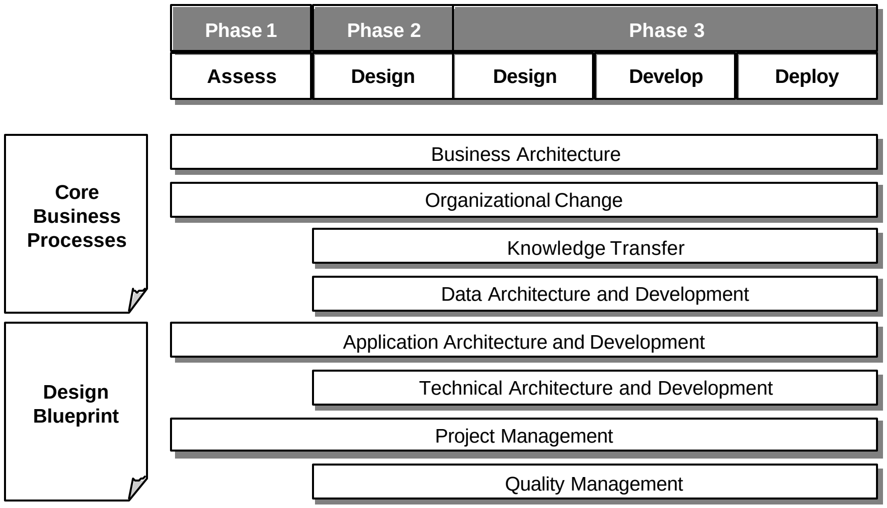


Exhibit 3 is a general version of a methodology used to guide a CRM implementation. It follows a staged progression across three phases:

- Assess, during which the firm evaluates its current situation in specific functional areas such as marketing, sales effectiveness, sales force automation, or customer service. The intent of this activity is to define a functional strategy for improving CRM operations and results, internally and externally, while identifying options that can be pursued to provide further benefits. The assess phase concludes with the creation of an in-depth business case for implementing the CRM strategy.
- Design, during which the firm refines the value proposition and purposes supporting the CRM effort. High-level business processes critical to execution are identified, an activity that is facilitated with input from the blueprint that emanates form the core business processes identified as being critical for CRM success. A second blueprint that defines core system components is also used to define the architecture needed to implement the solutions. Business and technical requirements are mapped to select the most appropriate enabling software for the specific situation. A release plan that outlines follow-on implementation activities is created at the conclusion of this phase
- Implement, which is organized across three sub-phases – create, develop, and deploy. From current best practices and applications and knowledge of techniques that work, business processes are established in detail and mapped to software package capabilities. Business scenarios for use during development to configure and customize software according to the firm's actual needs, particularly in relationship to what key customers have indicated would be most beneficial CRM features, are written.

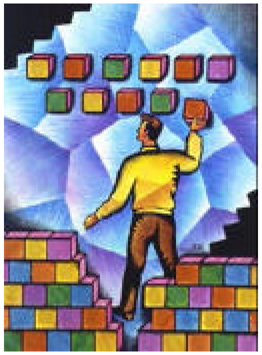
Initially, activities are grouped according to functional areas in which the firm sees skill sets working together to accomplish mutual objectives. Bands spanning the three methodological phases represent the activity blocks that aggregate similar activities. These activities include: Business Architecture, Organizational Change, Knowledge Transfer, Data Architecture and Development, Application Architecture and Development, Technical Architecture and Development, Project Management, and Quality Management. This methodology is at the heart of the model to be recommended.

Exhibit 4 – Activities in the CRM Methodology

			Implement		
Activity Block	**Assess**	**Design**	**Create**	**Develop**	**Deploy**
Business Architecture	Confirm current state of business Map current customer-facing processes Understand the business vision Segment and prioritize the customer base Identify competitive environment and capabilities Create future-state vision of business architecture Perform gap analysis for business Develop implementation road map Develop business case	Define business principles, constraints and assumptions Identify business context and processes Identify candidate system functions Identify and profile user groups Identify usability requirements and performance metrics	Confirm business objectives and requirements Design business processes Identify and define business rules Identify and define content and knowledge requirements Create content development plan Define report requirements Map business requirements to application capabilities Identify and define application configuration requirements Identify and define customization requirements Prepare business scenarios Design user interaction Define usability goals and performance metrics	Develop content and knowledge base materials Finalize process design Finalize report design Update business case	Monitor business process effectiveness and recommend changes
Organizational Change	Understand current customer-facing organization and work distribution Understand current performance metrics Create future-state vision or organization and management Develop implementation road map	Identify potential organizational impact Create management alignment strategy Gain executive alignment (ongoing)	Identify opportunities for organizational changes Identify policy changes Identify skills Identify key roles Identify locations Create organizational roll out Gain executive alignment (ongoing) Create monitoring system	Develop policies, values, beliefs and culture necessary to support the new system Develop organizational roll out Develop performance measurement system	
Knowledge Transfer		Identify training and knowledge transfer	Create training plan Create education and	Develop training and communication	Delivery training Deploy client

			Implement		
Activity Block	**Assess**	**Design**	**Create**	**Develop**	**Deploy**
		requirements ✍ Identify transition approach	communication materials ✍ Create final transition plan	materials ✍ Develop training program ✍ Develop transition program	transition plan
Data Architecture and Development		✍ Identify data and content categories	✍ Identify data sources and owners ✍ Load test data	✍ Develop reports and analyses	✍ Finalize and test data model
Application Architecture and Development	✍ Assess current technology landscape ✍ Review latest technology capabilities and opportunities ✍ Consider future-state vision of technology landscape ✍ Perform gap analysis for technology and identify strategy for filling gaps ✍ Begin implementation road map	✍ Confirm current system landscape ✍ Define system principles, constraints and assumptions ✍ Identify candidate functions and applications ✍ Identify candidate software packages ✍ Prove candidate software packages ✍ Select software packages ✍ Create conceptual application architecture	✍ Create technical scripts ✍ Identify and refine interfaces to other applications ✍ Identify and design to-be-built components and interfaces	✍ Run technical scripts ✍ Execute business scenarios ✍ Identify interfaces ✍ Develop and test interface functional specifications ✍ Develop and unit test integration objects ✍ Develop reports and analyses ✍ Execute interface projects ✍ Configure application ✍ Identify gaps between business requirements and package configuration ✍ Reconfigure application to solve gaps ✍ Iterate gap identification/ resolution activities ✍ Revise configuration workbook	✍ Finalize application architecture
Technical Architecture and Development		✍ Confirm current technology landscape ✍ Define technology	✍ Specify and acquire technical infrastructure ✍ Install application and technical	✍ Install and configure production environment	✍ Finalize technical infrastructure ✍ Deploy business

			Implement		
Activity Block	**Assess**	**Design**	**Create**	**Develop**	**Deploy**
		platform, infrastructure and hardware requirements ✍ Identify candidate technologies ✍ Prove candidate products ✍ Select technologies ✍ Design conceptual technical architecture	infrastructure ✍ Install and configure network ✍ Design and install development environment ✍ Design production environment		solution in production environment
Quality Management (Testing, Performance Engineering and Configuration Management)		✍ Capture business volumes	✍ Identify testing requirements ✍ Identify testing tools and environment ✍ Identify performance engineering requirements ✍ Identify and define service-level agreements ✍ Identify configuration management requirements ✍ Identify configuration management tool ✍ Install configuration management environment ✍ Train users of testing and configuration management tools	✍ Install testing environment ✍ Create test plans and scenarios ✍ Define and develop user acceptance plan ✍ Run unit and component tests ✍ Run integration and user acceptance tests ✍ Conduct stress tests ✍ Optimize performance ✍ Maintain and support configuration management environment	✍ Maintain and support configuration management environment
Project Management	✍ Confirm project objectives and scope ✍ Prepare project plan	✍ Define project scope and releases ✍ Mobilize team and define roles and responsibilities	✍ Create release plan ✍ Perform ongoing project management activities	✍ Prioritize gaps discovered during Situation Demonstration Lab (SDL) ✍ Create and finalize plans for gap resolution ✍ Update business case	✍ Deliver project ✍ Obtain sign-off ✍ Gather lessons learned



The steps and activities that take place in the implementation are illustrated in Exhibit 4. Here we see the various activity blocks arrayed against the three phases of CRM execution. Beginning with the activity of establishing the **Business Architecture** intended to support CRM; an assessment step appears to ensure members across the firm understand the vision being pursued and that the segmentation analysis has been completed in a consistent manner. There should be a good understanding of the value of closing any gaps between current performance and intended results and using those values to substantiate the payback on the effort. The business case should be developed and an implementation road map accepted before proceeding.

In the design phase, the firm defines its business concepts and any constraints that could interfere with execution. From the segmentation analysis, the highest category-targeted customers become candidates for action and the firm identifies how the system will respond to their needs. The CRM users are identified and profiled for needs and enhancement possibilities and metrics are established to track improvements. Once again, we strongly recommend interviews with at least a few of the included candidates to determine what they would like to see in a more focused and intense effort at relationship building.

The implementation phase has many activities as the firm creates, develops and deploys its CRM methodology. Now there is a confirmation of the business objectives and requirements for change. Business rules consistent with the CRM orientation are established, as well as the content and knowledge requirements that will become new operating parameters for the company. An important step is to map the business requirements with the application capabilities to identify any possible gaps between intentions and poor performance before the customer discovers the resulting problems. Business scenarios are prepared and user interaction defined so the system can be tested with a pilot group of customers.

In the develop step, the content and knowledge base materials are defined as a key to gaining higher satisfaction and loyalty from the target group. Here the process design is finalized around features that will add value to the firm's offerings to the key customers and the reporting system established for tracking and documenting results. It is very helpful to also update the business case to support such an extensive effort as CRM. Finally, deployment takes place in this activity as a system is launched to monitor business process effectiveness and recommend any changes needed as the process goes forward.

In the **Organizational Change** activity, the assess step makes sure people across the firm understand how the current customer-facing activities are organized and function and what metrics are used to calibrate success or failure. An improved future state vision is considered and an implementation road map is started. The design step identifies the potential impact on the organization and its key customers, establishes executive acceptance of the premises and strategic intentions, and aligns support for the effort.

As this activity moves to implementation, the create phase is used to identify the organizational changes required and the opportunities that will be addressed. The new policy changes that will come into existence are detailed and the required new skills, roles and locations for execution are identified. The organizational roll out is established and, with executive alignment, the monitoring system is created. The develop phase includes setting and understanding policies, values, beliefs and cultural imperatives that will assure success with the new system. The rollout sequence is detailed and the performance measurement system established. The deploy phase covers executing the roll-out and monitoring the results of the crucial organizational changes that must take place – and adjusting, if necessary, for actual results.

The **Knowledge Transfer** activity moves directly to the design step and identifies the training and knowledge transfer requirements. It also identifies the proper approach to transitioning the firm from its current environment into the new CRM environment. It progresses into implementation with the creation of a training plan, the supporting educational and communication materials, and the final transition plan. Then the training and communication materials are developed, the training program finalized, and the details of the transition plan established. Deployment comes with the delivery of the training and execution of the transition plan, often moved through the firm one business unit at a time.

The **Data Architecture** activity moves in a similar direct manner, starting with the design and identification of the necessary data and content categories that will support the CRM effort. It proceeds to creating the data sources to be accessed, identification of those responsible for ownership of the data, and instituting a test to determine that the correct information can be effectively accessed. The proper reports and analytical procedures are developed and the data model is finalized and tested under operating conditions.

The **Application and Architecture Development** activity is more complicated. In the assess step, the current technology landscape is reviewed against the latest technology capabilities and opportunities being demonstrated within and without the industry. A future state vision of an improved technology landscape is considered, while a gap analysis is performed to determine the difference between what can be accomplished with the current technology and what is possible with an improved

condition. An implementation road map is then started toward selection of the appropriate enabling technology tools.

In the design step, the company confirms its current system landscape, taking care to be critical of strengths and weaknesses. The system principles, assumptions, and constraints are defined and the firm moves to identify candidate functions and applications for improvement. Candidate software packages are considered and evaluated and selection made, often after demonstration of capabilities that match identified needs. Then the conceptual application software is created.

In the implement step, a team creates the technical scripts needed to direct execution. Interfaces required with other applications, internally and externally, are identified, as well as the to-be-built components. Under the development step, a team will run the technical scripts while executing various business scenarios and options. The necessary interfaces will be clarified, finalized, and tested. Customized components will be watched closely as reports and analyses are developed to prove the value of the effort. Interface projects will be piloted and applications configured to identify gaps between business requirements and the package configuration so problems can be resolved and the configuration workbook revised. When all parameters are satisfied, the application architecture is finalized and prepared for roll out.

The **Technical Architecture and Development** activity is meant to assure that the technology landscape is defined and matches well with the prescribed needs of the CRM effort. It moves through the matrix in a manner intended to make certain members across the organization view the final design and deployment as beneficial for the internal functions as well as the key customers.

The **Quality Management** activity, which includes testing, performance engineering, and configuration management, moves first to the design step where the team captures the intended business volumes with the targeted customers. That means an outline of the business activities to be impacted by the CRM effort is drawn. With this information, implementation begins. The firm identifies the testing requirements and environment and selects tools and performance requirements that assure success. Service level agreements must be identified as well as the configuration management tools that will be used. These tools are installed and users are trained to implement them.

CRM demands a successful and dynamic relationship between those responsible for generating the new revenues and those responsible for fulfilling the generated expectations. Simply put, that means an alliance between efforts to optimize plant and labor efficiency (maximum quality and minimum cost) with sales and marketing effectiveness (flexibility and satisfaction).

As the effort moves to develop, the testing environment is installed, test plans and various potential scenarios are created, and the user acceptance plan is defined and developed. Unit and component tests are performed as well as integration and user acceptance tests. The idea is to do enough preliminary work to make certain the effort will result in optimum performance while maintaining and supporting the intended management environment. When ready, deployment begins with the expectation that all the necessary preliminary work has been completed to maintain and support the configuration management environment.

Finally, in the **Project Management** activity, an assessment step is included to confirm the project objectives and scope. A special team is mobilized and assigned to define the roles and responsibilities required to kick off the CRM effort. In the design step, this team releases the project scope and begins the effort. The ongoing activities now include completing and updating the CRM project plan, developing and managing risk management throughout the effort, producing status reports, holding status and review meetings, producing delivery assurance reports, and holding deliverable meetings with key customers to obtain acceptance.

The implementation steps are fairly straightforward and include creation of a release plan and performance of ongoing project management activities. They also include prioritizing gaps discovered during a Situation Demonstration Lab (SDL) conducted to simulate the changed conditions, creating and finalizing plans to resolve those gaps, and updating the business case when appropriate. The deployment phase includes delivering the CRM process across the firm, obtaining executive acceptance, and gathering lessons learned for enhancing the CRM effort as it goes forward.

The Required Linkage to ASCM Cannot be Overlooked

With CRM in place and ready for activation, another typical mistake must be avoided – the lack of a supply chain system prepared to meet the improved demand from key, targeted customers and consumer groups. It is axiomatic that if a CRM initiative is embraced and rolled out with appropriate support, a spike in demand will be one of the beneficial results. At the same time, if the proper linkage with those in the supply chain responsible for fulfillment is not equally prepared, much of that spike can be lost, as orders are not completed. The merging of ASCM and CRM is not as readily accepted, as it should to assure success with most efforts. Firms typically launch CRM and then rely on basically manual processing to satisfy handling the new revenues through telephone and facsimile communication to heroically expedite response.

When the supply chain is particularly long and extends through many partners, the results are predictable – failure with what would otherwise have been a very successful roll out. CRM demands a successful and dynamic relationship between those responsible for generating the new revenues and those responsible for fulfilling the generated expectations. Simply put, that means an alliance between efforts to optimize plant and labor efficiency (maximum quality and minimum cost) with sales and marketing effectiveness (flexibility and satisfaction). In some cases, a third party can play a very important role in that integration.

When Mountain View, California giant, Intuit Inc., decided to use CRM to enhance the sales of its products, including the Quicken and Quick Books products, it also engaged Modus Media International Inc. to reproduce the CDs, boxes and manuals that make Quicken a reality. Modus Media has great experience helping firms such as Intuit stick to their core strengths while the firm handles the details of packaging and delivery. Ingram Micro Inc, a Santa Ana, California-based technology distributor was also engaged to streamline the fulfillment process for Intuit's retail customers. The three organizations are working as one with the common goal of responding effectively to the sales growth.

Multiple participants will be a factor in any modern distribution system and, as CRM becomes a tool for generating greater revenues, it will become an imperative that the linked partners must be able to react appropriately to swings in demand from the targeted customers and consumers. That can only be done with visible, real-time connectivity across the total extended enterprise. Information sharing, especially on what is needed, and exchange of knowledge, especially on what can be provided, become the new tools of success. Anything less will doom CRM to failure.

Technology is then Used as an Enabler

With the methodology in place and the roll out underway, attention can turn to making sure the technology being used will be an effective enabler. That can require multiple areas of support. When Madison, Wisconsin-based Alliant Energy decided to apply CRM as a means of improving its relationships with its most important commercial customers, management decided to center its CRM strategy on face-to-face contact. According to Mike Nutt, manager of sales systems support, "Account managers and support personnel on the road have remote access to Alliant's Saratoga Systems CRM software with all relevant customer data and billing information." (Maselli: 2002, p. 55)

As the effort progressed, the firm discovered not all customer support was reaching its intended standards. The process of notifying a customer that a power interruption would occur, for example, was not happening in a timely manner. Since Alliant has tariff agreements with most of its largest customers, which include receiving incentives if they agree to curtail energy usage during peak periods of demand, service agents were required to contact customers and alert them about power interruptions. The volume of such calls and the difficulty of reaching the main person on the first attempt meant that more than an hour could pass before the right information was in the right hands. This lack of timely contact was considered a significant problem to Alliant and its customers.

To resolve the issue, Alliant uses a real-time message alert and delivery system it implemented from EnvoyWorldWide Inc. in combination with its core CRM software. Through this system, the firm sends messages to key business customer's "wired and wireless devices about impending power-downs." The system is able to notify multiple people at the customer site by facsimile, pager, or PDA. "Now we can alert 20 people or more from each company at once," Nutt reports. "To ensure that businesses receive the notification, business contacts call a number that's hooked into the Envoy system. Alliant can monitor the responses online and in real time to ensure all customers acknowledge receipt of the notification." (Maselli: 2002, p. 55)

In this case example, the firm followed the correct path to success. It began with a small group of core customers and developed a business case that would assure greater satisfaction. It then proceeded to design the improved system and install the enabling software to facilitate the intended results. Customers and supplier are both happier and the interaction is faster and more reliable.

There are Keys to CRM Success

Any firm serious about implementing a CRM program should take one last look at the factors most important to assuring success with what will be a major investment and significant change to the firm's culture. As the firm constructs and implements its CRM effort, there are key aspects that appear in all of the successful efforts we have researched, including these favorites:

- Focus on business needs before technology implementation. When a firm introduces CRM without a clear connection to its business needs, it falls into a trap. The sales people don't populate the database with the required customer information and other functions struggle to get data into a usable form for their needs. To be successful, the company must take the time to present the compelling business case behind the CRM effort and clearly articulate to the sales and service people involved in execution how the improved methodology will help them in the execution of their work. With the business needs identified and the objectives tied to personal benefits, the technology or software can be installed in a way that will assist the people and make more money for everyone. Without these ingredients, most efforts fail.
- Design process steps and enabling systems to help the customer and not on how to plug in software that automates back-office procedures. Getting CRM right is all about how all parts of the business interact better with key customers. Included in the execution must be a fail-safe system to make it easy and effective for these customers to conduct business with the firm. That goal requires new and different approaches, unfamiliar to many in the organization. The best approach begins with a sustained focus on a strategy oriented around satisfying what the key customers want and need. This approach should then be extended to determining how to make life easier and more effective for the sales and service personnel. When properly in place and working, the back-office connectivity can be improved as well.
- Align CRM objectives with the business strategy. Above all else, don't try to ram the CRM effort through without taking the time to win support across the firm and making certain the objectives and intended deliverables match the overall business strategy. Remember that CRM is not a product or a single business application; it must be an integral part of the firm's business strategy and behavior, oriented around a customer centric culture. The firm must accept the fact that CRM encompasses the entire organization and many activities of its business partners. It involves integration across disparate functions and systems, from the front office to the back office and to network relationships across the supply chain network. This linkage must be of the highest caliber possible. That won't happen unless everyone sees the direct link between the CRM effort and the strategic imperatives the firm is trying to accomplish.

With the Internet and other cyber-based technologies, companies today have the means to better integrate customer relationship activities with supply chain support. As CRM becomes an activity of ever increasing importance, and advanced supply chain management is recognized as the key tool of support, it is only logical that there should be a strong technical integration occurring between the two allied efforts. CRM will help companies improve relationships with their key customers and drive new revenues and profits. ASCM will assure that there are no failures in the responses to the expected increase in business or that the special features offered to the most desirable customers are not met. Integration across these disciplines must occur seamlessly and in a real-time environment.

As the effort progresses well with the top-segmented customers, most firms discover they can move CRM into ***partner relationship management***, or a technique to be used across the firm's selling and servicing efforts. That means the successful CRM techniques can be used to move down the segmentation matrix from the most-valued winners to those customers requiring less attention and service with slightly less features being included at each segment.

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About the Author

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