

How To Guide

Develop Customer Centricity with CRM

Executive Summary:

This report has been designed to provide practical advice for adopting a customer-centric business strategy. Customer Relationship Management (CRM) is a top priority for mid-sized enterprises; leverage it effectively to differentiate your firm.

Read this brief 13-page report to:

- Understand the Definition of CRM
- Develop a Return on Investment Strategy
- Identify Implementation Costs & Benefits
- Perform a Cost/Benefit or ROI Calculation
- Differentiate CRM System Architectures
- Learn CRM Features & Functionality
- Build a Business Case & Project Charter for CRM
- Identify Risks & Key Success Factors
- Provide Implementation Best Practices

Read this report to learn how to make customer relationship management work for your organization.

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Introduction

Contrary to popular belief, Customer Relationship Management (CRM) is not a system, or a technology, or a simple application. CRM is a holistic strategy that places customers at the center of all business operations. Some call this customer-centricity; others coin this approach as listening to the “voice of the customer.”

Regardless of semantics, CRM is the integration of people, processes, and technology, which allow a company to leverage its information assets to identify, attract, and retain profitable customers. CRM applications should not be viewed as the Holy Grail that will fix all your business challenges; they are simply facilitators.

Effectively implementing a customer-focused business strategy requires a cultural shift that converts the focus from products to customer needs. Is your product management process supported by empirical market research data? Do you ever stop to consider what the lifetime value of a customer is to your organization?

Rather than heavily promoting products to create perceived needs, consider working collaboratively with customers to really understand how you can help them. Advancements in customer self-service & support technologies are making it much more convenient for customers to help themselves, while simultaneously reducing costs.

With the rise of software-as-a-service (SAAS), or “on-demand” applications, which are hosted by the vendor and available over the internet, mid-sized organizations are taking advantage of the low start-up costs, and rapid deployments.

In a perfect world, your company would have the budget and resources to fully integrate CRM with ERP and/or financial systems, before the first user acceptance tests. Realistically, you will find more success by starting with a simple sales force automation (SFA), marketing automation, or customer service module. Eventually, you can add more functionality to your CRM platform, and perform back-end integrations, but to mitigate risks we recommend a structured approach.

CRM Definition

Info-Tech Research Group defines CRM as: "a term that encompasses how an organization manages its interactions with its customers. The end goal is to eliminate disparate departmental information systems, and have a 360-degree profile of each customer...in order to hone and personalize each customer interaction in the future. CRM allows companies to make more meaningful contact with their customers, giving the customer access to the products and information they need when they need it."

Source: Info-Tech Research Group

Return on Investment Strategy

Developing a return on investment strategy is essential for determining initial & ongoing costs, and estimating returns or benefits from deploying a CRM system. The simplest method for demonstrating ROI is to ask each stakeholder for a key performance indicator (KPI) that they are looking to improve as a result of the project.

Customers may want to reduce support ticket resolution time; Sales may have an eye on increasing win-rates; Marketing will likely want to reduce acquisition cost per customer; and Senior Management should be interested in benchmarking and improving the average Customer Lifetime Value (CLV) of your client base.

When building your business case for the CRM implementation, it is important to clearly communicate the up-front & ongoing support costs. These costs be amortized over 3-5 years and be compared to the benefits derived in each functional department.

Cost reductions for sales, marketing, and support, are the first areas to analyze when determining long-term return on investment. Increased revenues are hard to match directly to CRM initiatives, but can generally be expected. This section will help you demonstrate the impact that investing in CRM can have on your business.

Implementation Costs

What are the key implementation costs to consider?

1. **Hardware** - if you select "client-server" architecture, you will likely need to purchase a dedicated server.
2. **Software Licensing** - hosted CRM systems vary in cost from \$20-100/user/month, depending on which edition is needed. If your organization has complex requirements, expect to spend \$65-100/user/month.
3. **Implementation Consulting & Training** - business process workshops (5-15K); system design & construction (10-20K); data migration (5-15K); and user training (5-10K) all need to be considered. These ranges are all estimates, based on client consulting projects
4. **Support & Maintenance** - you will require a CRM Administrator to manage your system internally, or you may prefer to outsource the support function. Either way, it would be wise to budget 20-40K/year for user support.
5. **Customization** - if extensive customization is required, be sure to add this cost to your ROI calculation. Given the nature of customization, it is difficult to provide an estimate without first understanding business requirements.
6. **Back-end Integration** - working with a systems integrator to perform a back-end or ERP integration can be expensive initially, but will provide a longer-term payback from process automation and streamlining. There are many "connectors" that have been specifically designed to integrate CRM systems with other software packages. Add middle-ware to your ROI.

Implementation Benefits

Develop a CRM **Project Charter** and **CRM Business Case** with an accompanying CRM Readiness Assessment to internally communicate the cost/benefit of this project. Following are key benefits:

1. **Increased Revenue** - most organizations report an increase in annual sales revenue of between 5-15% per sales representative following a successful CRM implementation. When completing your ROI, consider how much time will be saved due to streamlined processes, and how that equates to more time for selling.
2. **Boosted Margins** - knowing your customers implicitly reduces the need to discount offerings, helps identify new ways to add value to your products, and reduces the overhead required to cement new business.
3. **Higher Conversion Rates** - an increase of 3-5% in sales conversion rates can be expected, especially if you add an e-commerce module to your system. Having a better understanding of your sales cycle will facilitate “no-bidding” on less profitable or low-probability deals.
4. **Improved Customer Satisfaction** - as your organization becomes more customer-centric, satisfaction ratings can be expected to improve. If you don't have a **satisfaction survey** process, strongly consider developing one.
5. **Reduced Sales, Marketing, & Support Costs** - a decrease of 5-10% is reasonable for sales, marketing, & support administration costs. As you become more proficient with knowing your customers, segmentation and more highly targeted marketing occurs, saving time and money.
6. **Informed Product Management** - placing customers at the center of the product management process will certainly provide the information needed to make better product management decisions. Strikingly, many companies are not leveraging focus groups, or customer advisory panels. Strongly consider doing so.

CRM System Architectures

There are two major types of CRM system: in-house or hosted. Hosted software, or "on-demand" as it is often called, is delivered via the Internet. Examples of common hosted software systems include Google, Hotmail, & Travelocity.com.

Demand Metric recommends hosted CRM systems for most mid-sized enterprises, unless an existing ERP system with a built-in CRM module is available. Following are a few of the reasons why. To learn more, read our "**Evaluating Hosted CRM**" research note, which contains a brief profile of 6 leading hosted CRM vendors.

Hosted CRM System Architecture Benefits:

- **Monthly Subscription-Based Pricing** – most hosted CRM systems provide a very attractive subscription-based pricing model. Ranging between \$20-\$125/user/month, these systems are affordable for mid-sized enterprises.
- **Minimal I/T Resources Required** – organizations that have minimal I/T resources find exceptional value from the hosted model, as system users and administrators can have little or no prior technology experience.
- **Very Quick Implementation** – most deployments can be implemented within a few weeks. When compared to in-house deployments of 6-18 months, the hosted model becomes a much more viable option.
- **High Availability** – hosted CRM Application Service Providers (ASP) deliver hosted systems with Service Level Agreements, which guarantee availability. Although these systems have been known to go down from time-to-time, there is a better chance that your in-house system would be less reliable.

CRM Features & Functionality

What is available and what should I look for in a system?

- **Contact & Account Management** - tracking of activity history, key contacts, customer profiles, sales cycle history, current and future opportunities.
- **Sales Force Automation** - account & contact management, opportunity management, sales pipeline forecasting.
- **Field Sales Support** - data uploading & order entry via mobile devices such as blackberries. Retrieving collateral, proposals, or other documents.
- **Simple User-Friendly Interface** - as adoption rates are one of your chief concerns, having a very easy-to-use system is essential for CRM success.
- **Security: Role Based Rights & Access** - in the age of Sarbanes-Oxley, it is critical that your system has inherent role-based security settings. Ensure that only the right people have access to sensitive information.
- **Sales Management & Reporting** - look for forecasting, sales metrics, sales cycle analysis across teams, and other sales reporting features.
- **Marketing Management & Automation** - email marketing, campaign planning, campaign ROI analysis, customer segmentation, integration with web analytics, collateral content management, real-time messaging, lead capturing etc.
- **Customer Support & Self-Service** - incident management, tracking, and assignment, web-based order tracking & self-service, resource library, warranty, SLA, and contract management.
- **Partner Relationship Management** - visibility into channel partner pipeline, partner recruiting, partner opportunity management, workflow, analytics.

- **E-Commerce Features** - shopping cart & checkout, online order entry, request for proposal (RFP), request for information (RFI), email order confirmation.
- **Contract Management** - ability to create, manage, update, and renew contracts. Service Level Agreement (SLA) creation & automated monitoring.
- **Quote Generation** - integration of quote generation applications, or inherent quote building capabilities.
- **Process Automation Technology** - lead & opportunity assignment and transferring, activity management, calendaring, HTML email, channel management, collateral delivery, campaign execution, help-ticket resolution, contract monitoring.
- **Scalable & Flexible Architecture** - it should be relatively straightforward to integrate new applications to expand the scope of your CRM system. Salesforce.com.s API called AppExchange houses over 500 applications that are ready to be tested and deployed very quickly. Be sure you system is scalable.
- **Dashboards** - determine if your potential system will require visual dashboards that synthesize metrics to provide predictive insight. Different views (Senior Management, Sales Management, Marketing Management, Customer-Service Management) should be available for different users.
- **ERP Integration** - although it is not recommended that you complete a full ERP or back-end integration right away, knowing that the project is feasible is essential to making the right decision on a CRM platform.

Risks and Key Success Factors

Read our research note: "**Are you Prepared for CRM**" to conduct a **CRM Readiness Assessment**, which will identify your current capabilities and areas of weakness that need to be rectified to ensure a smooth deployment.

- **Senior Management Commitment** - your executives must understand that CRM is a complex, long-term initiative. They

need to commit to providing the required budget, resources, and potentially upgrade backend I/T systems. Additionally, senior management must enforce CRM adoption or risk project failure.

- **Customer-Centricity** - is your business driven by customer needs? Have you profiled an ideal customer and communicated that profile across departments? Do customers typically deal with more than one representative? Are you customer-centric?
- **User-Driven Project Management** - working with stakeholders from the beginning is essential for nailing business requirements and starting the adoption process on the right path. Engage a project team & sponsor.
- **Alignment with Goals & Objectives** - CRM must be on your strategic plan for organizational development priorities. Each department needs to document their requirements for the system, and indicate how the functionality will help them achieve current/future goals.
- **Process Maturity & Documentation** - defined, repeatable, and measurable processes need to be documented for Sales, Marketing, Customer Service, Billing, and Order Management.
- **Data Management & Accuracy** - customer and product information needs to be accurate. Have your system administrator diligently check data accuracy, re-train users when errors occur, and monitor data quality, to ensure your reporting is reliable.
- **Customization & Integration** - don't make the mistake of trying to build the perfect system before it ever gets released. Most CRM projects that fail are the result of too much up-front integration. Ensure you customize your system to align to your processes & workflows, but don't be afraid to take a phased approach to back-end integrations.
- **System Training & Support** - appropriate resources need to be allocated for training system users and administrators. Consider creating a position for a **Director of Sales Support** and/or a **CRM Administrator** who can manage the CRM program, monitor adoption rates, and provide application support.

Implementation Best Practices

1. **Build the Business Case** - your **CRM Business Case** needs to address the following key questions:
 - How does the business want to work with customers?
 - What business process re-engineering needs to be done?
 - How can technology be used to automate processes?
 - What are the key success factors & risks involved?
 - How prepared is the organization for a CRM strategy?
 - What does the cost/benefit and long-term ROI look like?
 - Do we have executive sponsorship to make this work?
 - What impact will "customer-centricity" have on results?
 - Which problems can we solve by implementing CRM?
2. **Plan the Plan** - Use a **Project Charter** to: identify an executive sponsor and use a stakeholder analysis matrix to determine buy-in; allocate a project manager; assemble a project team & clarify roles; develop a project budget, determine timelines, define project scope; outline deliverables; identify milestones; provide cost/benefit analysis.
3. **Evaluate Business Processes** - document your current workflows and business processes; use maps if required. Next, isolate problem areas, bottlenecks, or areas that could be streamlined. Identify which process improvements will have the most financial impact and prioritize enhancements accordingly. Create a business impact report to document high-level recommendations and drive the requirements gathering phase forward. Consider using an expert consultant who can pull together stakeholders and facilitate a workshop.
4. **Identify Needs & Requirements** - use a **CRM System RFP Template** to define your business requirements, before going to look at solutions. Most CRM projects that fail are the result of poorly defined requirements. Prioritize requirements into three categories: must have, nice to have, and do not addly.

- **Conduct Vendor Evaluations** - invite your candidates in but don't accept a "dog & pony" show. Instead, use your RFP to set the agenda and control the evaluation by having your key questions prepared in advance. Don't forget to analyze the stability of the vendor. Are they a threat to be bought out? What is their current market share and position? What is their competitive advantage for customers in your industry?
- **Select the Right System** - the final stage of the selection process involves meeting with all the key stakeholders to build consensus on which system to purchase. Negotiate near the end of the month or quarter to get the best deal on your licensing contract.
- 7. **Take a Phased Approach** - start with a modular approach, perhaps with sales force automation, customer support, or marketing management. Once you have built momentum and bolstered adoption rates, consider performing back-end integrations with ERP, financial, or other reporting applications. Salespeople love to see how much commission they have earned!
- 8. **Roll-out & Train Users** - consider rolling out to a pilot group of users before conducting a wide-sweeping adoption campaign. This will help you develop "power users" who really understand how to use the system and can help relieve some of the burden on your helpdesk in the first few months. Provide scenario-based training sessions to ensure each user understands how to use the system to complete their daily tasks and activities.
- 9. **Provide Support & Monitor Adoption** - keep tabs on user adoption rates and login history. Consider creating a **Sales Growth Team** to share best practices and make CRM a successful endeavor. Identify new areas to expand the scope of your CRM system, and build a solid platform with customers as the foundation.

Conclusion

Remember that CRM is not a technology; it is a business strategy that puts customers at the focal point of your business. People and processes are what will enable technology to streamline and automate workflows.

Before you commit to CRM, review your business goals & objectives, assess your preparedness, consider the return on investment, and analyze your current business processes. Once senior management has agreed to go down the CRM path, understand the marketplace, determine your requirements, evaluate solutions, and find a consulting partner that can take your business to the next level.

Product-centric companies will not exist in 20 more years. A global marketplace has shifted the balance of power from sellers to buyers. Organizations that plan to survive and capitalize on this new business climate must adopt a customer-centric business strategy, or risk losing market share to those companies who excel at customer relationship management.