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What Is CRM?

Customer Relationship Management, or CRM, is – unsurprisingly! – nothing more than a management discipline that helps us manage our relationship with customers. It has now become standard parlance within the business systems world because the discipline requires the management of information and, as we all know, that is where computer systems can add value. But, of course, a CRM system won't manage relationships for us (though, as with other systems, there are companies out there who sell their software as if it will do that and companies who buy systems and kid themselves that this really is the case). Operating as if systems will work without management guidance does sometimes seem an attractive proposition to management who don't want to be forced into defining their own future.

We might question whether a CRM system holds 'information'. As with other types of software the computer holds 'data', which we turn into 'information' using knowledge, judgement and basic intellect. The system accumulates this data about customers, their requirements and our own activities and helps us to turn this into further sales. That, of course, is what this is all about! CRM as a business system is the tool that helps us generate sales through managing our internal activities and contact with the customer to maximise the results from the relationship.

Although Dickens was never explicit in his phraseology, we might assume that Dombey and Son's bankruptcy was due in part to the distractions of Paul Dombey's personal life. Customers might go elsewhere if issues were not resolved or if their next contract were pursued with more vigour by competitors. If our sales people do not understand their customers, or know what is happening within the customers' business (and thus what problems and opportunities lay ahead for us) we will fail to maximise sales. Since the usual Pareto law of 80% of business coming from 20% of customers applies it is a sin of the greatest scale not to have information at our fingertips. (A further sin, perhaps, is not to have a plan to achieve growth within the other 80?)

- A provocative thought – the traditional best-performing sales person would never need a CRM system. The best sales people have always made it their business to know what was happening in their customers' world. They knew things like when the customer was going to find out about a contract renewal with their own customer; they knew what implications this would have for themselves; they knew when they had last visited for discussions about their own products and services and they knew when they were next planning to visit or telephone.

Define CRM

Another feature of CRM shared with other buzzwords / jargon is that there is no standard definition, other than in the general terms as above. Different businesses approach the topic in different ways because their requirements are different – and long may this continue. However, we need to think about what managing a customer relationship means, so how about:

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- Ensuring that we maintain contact with customers and potential customers at the appropriate frequency using the optimum approach – this may be nothing more than having a tool that ‘reminds’ people that we are due to make call to a particular buyer once every three months and that it almost three months from the last call. On the other hand it can be far more sophisticated as described later in this article.
- Ensuring that our knowledge of a customer or potential customer is up to date. After all, people come and go, companies change their focus in terms of markets and products and the world is constantly changing through mergers and acquisitions. If we don’t keep up with these changes are we not in danger of missing opportunities to sell or own goods and services, or not presenting ourselves in the best light when these opportunities arise? After all, by appearing out of date we are presumably sending the signal that we aren’t the competent professionals that we would like the world to see.

So, how is this for a definition – ensuring that we continue to maintain best contact with the market using the best means available to us and making sure that we are up to date with the status of all customers and potential customers?

If this is the case, can we define what a CRM ‘system’ should always do? Well, actually, no. Different markets work differently and businesses operating in them need to think about how they should operate. We and our colleagues encourage all our clients to define their own requirements because adopting standard approaches without a thought to the specific needs of a business rarely gives the optimum. “I have my answer, now let’s think what the question might be” is never the ideal starting point. So why is Customer Relationship Management so important now and what might we want CRM to do?

We would suggest that there are several reasons explaining CRM’s pre-eminence in today’s market. One is ‘supply’ – the growth of technology which has enabled information to be gathered, managed and communicated on a level beyond the wildest dreams of Sales and Marketing personnel in the relatively recent past. Then there are issues relating to demand:

- Tough market conditions
- Increased competition from on and offshore
- Service often being a differentiator and customer expectation of service ever-increasing
- Retention of existing customers being very cost effective as opposed to getting new ones – isn’t it often quoted as being 7 times more costly?
- Regulatory requirements (insurance companies recording conversations, etc.)

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What Should CRM Do?

Provide Information to Ensure Understanding of Customers / Clients

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... and their requirements. As noted earlier good sales people have always known their customers and their current situation. In Financial Services and similar organisations the job title 'Relationship Manager' or 'Account Manager' emphasises this point – these people who would be called 'Sales Executive' elsewhere are charged with knowing what services their customers may be requiring in the foreseeable future and what actions they might take to generate more business.

We should keep reminding ourselves that it is far easier to generate business from the current customer base than go out and sell our products and services to 'new' people. Hence the growth of loyalty cards in the supermarket world and magazines from car manufacturers to current drivers of their products ("you are a member of the club, one of the family", they say).

Help People to Maintain Contact with Existing Customers

This is often promoted as 'marketing' contact, but in our view this denigrates the role of 'marketing' within any business. We do see occasions where the Marketing Department of a company is charged with promoting the company's products (in one major organisation the term appeared to be synonymous with 'advertising') but there has to be more to it than this. The senior management of the business surely spends much of its time assessing how its products or services should be provided, and to whom. This is 'marketing', but we digress . . .

Businesses who want to communicate with existing customers have always held records in some form of their customers' details. In the simplest case, dealing with private customers, these records might take the form of nothing more than names and addresses. Companies trading with other companies need more than this – for example, the contact name or names of the people with whom they wish to communicate. This can be further complicated when different forms of communication may be targeted towards different individuals or departments within the customer. We might also consider focusing attention on a desired frequency of contact – building this into each contact record and providing action alerts one, two or three weeks ahead of the time by which communication should have been made. The time of people making calls and visits needs to be planned so some shared visibility can be extremely valuable.

One of the earliest forms of this approach being adopted with zeal came through the 1980s when it was very hard to attend a demonstration by a business systems supplier and avoid being shown how the package in question could generate letters and labels to every company in the customer file loaded on the system. Of course, this was rarely a major requirement for businesses buying what later became known as Enterprise Resource Planning (ERP) systems so potential vendors of business solutions that promoted this area so heavily always inspired doubts that the core functionality of their offering was in some way lacking. As a team, we all have memories of such events and still find it hard to understand.

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The extension of a system that can prompt and possibly assist in the creation of communication is the recording of the events. All touch points with our customers need to be recorded, monitored, controlled and visible where appropriate to others within our organisation. Sales representatives and account managers are far better equipped, when visiting or telephoning their customer, if they know that a particular communication has been made. This then extends to recording the visit or telephone call that is now being made – with notes on the discussion (something like “Met Joe Bloggs who told me that their contract for <xxx> will be coming up for review at the end of this year; we have never provided this but we should try this time so will call meeting of all departments for later this month.”). Before the next meeting or correspondence with this customer the notes of the previous meeting – and, in particular, any commitments made to the customer – can be reviewed.

In the ideal world, of course, information should be shared in a seamless manner. Activities initiated as a result of a visit to a customer or perhaps an Invitation to Tender from the customer (or potential customer) should be linked in some way to the existing information about the business in question. As another example, appointments can be scheduled and visible to all within the organisation, integrated perhaps with office systems (Microsoft Outlook being the most obvious) and this takes us down the path of yet another of these three-letter acronyms. SFA = Sales Force Automation.

So CRM provides the system tools for us to do what we should have always done – that is: keep track of each time we communicate with every customer and potential customer, commitments made to them, what products and services they may require, how their business is performing, who our competitors are and any competitor activity. This information is particularly difficult to capture when many people in our organisation are contacting different individuals in the customer organisation, as is so often the case, but the tool now exists to capture and present it. Used correctly, this information can greatly improve our ability to develop profitable future business with them.

Identify Potential Customers

There was a sudden flurry some years ago of companies selling ‘mailing lists’. This proved valuable for many businesses but the event also highlighted a major difficulty. All too often the information that was being sold was out of date – people such as Purchasing Managers had moved on (after all the average tenure of middle managers on the upward career path is somewhere between three and five years in large organisations) and companies were either no longer in a particular market or were no longer sourcing the goods or service in question within the locally-sited business. How many companies seeking to sell machined components in Europe, for example, hit the brick wall of the potential customer now buying the said components within assemblies coming in from the BRIC nations?

So, if the people selling such information, whose sole focus was on maintaining their own records (in effect, their ‘product’) could find it hard to maintain its validity, what chance would the mere mortals who had to run their own business have? Well, obviously, maintenance of dynamic data is always a challenge, but there are lessons that can be applied as shown later.

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Record Orders Received and Fulfilled

We are not suggesting for one minute that a Customer Relationship Management system should hold details of sales orders and their status – such duplication would cause nervousness in experienced readers of this article. We all know that we want information held once only in order to help assist in its validity. In the case of sales orders most businesses have a core processing system that takes the order and translates it into activity, later recording its completion. This core system has to be the host of all this information, but the information has to be available to CRM. (If it isn't, people will inevitably begin to hold off-line, fragmented details and we all know where that leads.)

Campaign / Promotion Activity

Businesses that undertake a significant level of campaign-type sales activity have a lot of information to manage. Which product(s) or service(s) are being promoted? Which customers have previously placed orders for these? Which other customers may be potential buyers? This then brings consideration of what information / categorisation is needed for the contact base. SIC codes or similar may be of value but sometimes far more detail is required – one of our clients provides materials for printing and for some products need to know which manufacturers' hardware is used by the company in question. After this there is all the activity of scheduling and tracking events.

Traditionally these areas might be managed by a designated team, who would create their own information, but this too needs to be available to people making contact with customers and potential customers.

One final consideration relating to campaigns is that most communications in such matters will presumably be undertaken electronically. Mass mailing brings the risk of 'blacklisting' so it is essential that the CRM system allows the use of an external provider – specialists who can avoid such difficulties.

Manage Customer Service

A key driving factor in winning new business is often the ability to provide speedy service to existing customers. This service may relate to a fault or failure being reported by the customer, it may be a request for additional products or services or may be nothing more than a question related a previous order. We have encountered challenges in this area in several organisations and assisted in the establishment of procedures to assist customer contact be directed towards the right area of the business. In one case a company identified that Aftermarket response to technical questions was as big a factor in securing future work with their customer as the quality of the product provided. Their customers were buying product that had to be up and running quickly and stay in service for as much time as possible. Any subsequent downtime imposed unacceptable costs.

Key elements of this aspect of CRM are then to identify that the contact has been made, record and communicate internally the responsibility for the issue's resolution, set dates for key steps and ultimately record completion. In between times the information in the system is available to monitor and help plan the actions undertaken.

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Implementing CRM

As with all business system implementations, the introduction of CRM has to be a business-led activity. This means that it has to be adopted with measureable benefits in sight. The goal is not a tick in some notional box in Corporate HQ saying 'CRM in use', though this would appear to be the case with all sorts of system implementations.

Specifying the Requirements of the System

The first step in the implementation has to be the definition of the project goals. The requirements of a system such as CRM can vary considerably from one business to another – product providers may have different needs than providers of services, for example, and companies providing standard product to the retail world work differently to suppliers of engineered components to capital goods manufacturers or the aerospace market. We have a client that has moved from supplying product exclusively through other companies using their products in their own, to a mixed mode situation where recently-introduced products are sold direct to end users, mostly over the internet (B2B to B2C, in jargon terms). These different approaches drive radically different CRM requirements.

Having identified the key requirements of the system it should be relatively easy to specify the benefits that are expected. These may relate to growth of the business, reduced costs in administering the sales process, reduced lead times, improved customer service or one of a number of potential improvements. As ever, progress can only be made by measurement and, as ever, the measurement has to start at the outset and continue throughout the implementation and use of the system. The measurements must be used to monitor progress and initiate change as required – if the correct Key Performance Indicators are chosen, failings in the process will be highlighted together with their causes, which can then be addressed.

Choosing a System

In some cases the business should not think beyond adopting the CRM module existing within the company's established core system. Using an external 'bolt on' brings the need for various interfaces and these represent an ongoing cost – every time either system is upgraded there may be the need for the interfaces to be modified. In addition, such interfaces can be seen to complicate the basic business processes of the business and we would hope that complexity is recognised as something to be avoided.

If, however, the existing system does not offer CRM, or the facility is unsuitable (one or two packages of the ERP variety, for example, might have very basic customer record management so that the supplier can claim CRM functionality, but the functionality is actually anything but genuine CRM!) then the business has to go through a selection process. As with other system selection exercises, there are a number of standard rules:

- Specify the future business processes and present these to potential vendors. Do not design the system or the way that these processes can be supported. There may be more than one way of achieving the business goals and it is the business goals that matter.

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- Invite potential suppliers to present their system being used to carry out the processes as defined. We must always be wary of events such as this – many package vendors have ready-scripted sessions in which they highlight what they think are the most impressive features of their offering. These features may not be the elements of most interest in this case and such sessions are usually designed around a generic model; it may be difficult, but keep the presentation focused on the task in hand. (If the supplier team won't play along, show them the door!)
- In the case of CRM being adopted within a business-wide system implementation, it will be highlighted as a requirement of the business within the overall System Requirements / Invitation to Tender activity. Again, the demonstration must be based around the future processes of the company and CRM is unlikely to be a sideshow.

Planning and Installing the System

There are fewer areas for configuration within CRM than in many other aspects of business systems, but there may well be some key decisions to be made. While the in-house project team may be justified in evaluating some of the options, the configuration should be approached as it would be for, say, Material Requirements Planning. That is, the package specialists should be given the brief of setting the system up to meet the needs as specified from the outset – if the sales demonstration / selection process had been handled correctly this should already have been done, hopefully avoiding the risk of unforeseen costs for customisation.

Loading existing data may require some activity for cleaning up, possibly amending the format of fields and so on. Our recommendation in this area is the same as in others – get the data clean before it is loaded. At all times the goal must be confidence in the information in the system so loading suspect records at the outset must be avoided.

How to Use CRM Once It Is Purchased and Installed

There are a number of elements to be considered in the use of CRM

Ongoing Maintenance of Data

We mentioned earlier that companies buying in external mailing lists might find the information outdated and this is unavoidable. The key point of this, then, is that having gained details of a potential customer and made the decision to establish contact with the customer (whether a company or an individual), the first step is to confirm the details that the organisation now holds. Should the externally-sourced data be loaded to the internal CRM system? Our view is that it shouldn't – until it has been validated. We can never guarantee the 100% validity of data in any system but we should have processes in place to keep it all as close to reality as possible; importing a batch of external records that we have never evaluated cannot be a good idea. Most of these records will be good (unless we have made an extremely poor decision in its sourcing) but a proportion will be suspect. As ever, we will be unable to see wood for trees so why not keep it separate and import when contact has been made and the current picture established?

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Communication Mechanisms

A standard feature of all CRM systems that, in our view, merit the term is that we can set a default mechanism for communication with the customer. This can interface to other aspects of the in-house ERP system so that, for example, if we have set 'email' as the default, all quotations and order acknowledgements are sent in this way as opposed to the traditional posting. This can make us an attractive supplier since correspondence with us is easier to handle and file and it also brings about the benefit of speed. Generating a quotation may require gathering additional information as to the customer's requirements – sending a standard pro-forma asking questions about the planned use of our product, its environment and technical specifications can help us provide the quotation faster than our competitors. Further down the cycle we may need to seek design or drawing approval; again, if our core system interfaces to the customer communication tool this can be handled with far greater efficiency.

As a consideration for the socially mobile / active, the web-based American IT magazine CIO ran an article providing details on a number of CRM products which all provide integration with networking tools such as Twitter, Facebook and LinkedIn. These not only allow such tools to be used as the means of communicating with the customer in place of a standard email approach, they even introduce the idea of watching our customers through their activity on a social site. The system could be set up to automatically pass on all postings from the customer to enable sales personnel to examine them and look for opportunities. (The obvious example here would be where a company has announced securing a particular supply contract the eyes of the Account Manager in our organisation might light up as he or she recognises "ah, so that means they will need to be buying . . . in the near future".

(Of course, this might lead to a lot of information being captured that is of no relevance. As always in such matters, management must weigh up investment and potential benefits.)

Sharing Information and Trust

For a CRM system to operate effectively, information concerning customers, products and markets must be available to all the appropriate people. This relies on everyone concerned sharing the information they have in their heads, 'black books' and laptops. Field sales people are often, by nature, very independent, needing to work on their own initiative much of the time. The thought of becoming part of the corporate system can become a major issue of trust for them. Sharing their precious client information with others in the organisation is not easy for some to do, especially as this information has been their livelihood and may have seemed to protect their jobs.

This also raises once again the whole issue of performance measurement, which can need careful handling. For example, in one system we have seen, the sales people did not enter all their prospects because of the measurements which would ensue; consequently, there was a 'shadow' informal system. Measuring the progress of CRM as a business tool must not be corrupted by giving people the incentive to distort the figures – in any case, if we are measuring the level of business attained why would we want to measure conversion rates in this way? Logging their activities through the system, if presented and used wrongly, can be viewed as 'big brother' watching so early involvement by, and ongoing consultation with, the field sales force and its management is essential if these problems are to be minimised and eliminated. We need people to welcome this as a tool for them, which after all, it is.

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Discipline and Management Support

The sales function of so many organisations has been the last to adopt the normal disciplines that others in the operations function have been working with for many years. Any new CRM system is at risk of coming under attack once the team has worked out how to 'play' it. In addition to the promotion and introduction from the outset, then, it is essential for management to be clear as to whether they are going to discipline their best sales person for failing to use it correctly. If they are not willing to do so, then our advice would be to save their time and money on CRM.

Enforcing this discipline is not easy in those markets where the Managing Director is often a significant player in the sales cycle and must be persuaded to use it correctly! "Played round of golf with customer MD and was told that we will receive invitation to join bidding process three months from now" may be seen as a strange entry – but think of the alternative. If that record isn't entered then either some informal mechanism will be created for following up and ensuring the bid request is received, or nobody will follow this up and the company could be 'forgotten' and omitted from the process, or somebody else in the organisation will pester the customer, causing annoyance, because he or she wasn't aware that the MD had this in hand. Neither of the alternatives is attractive, in our view.

Customers

Customers are central to the success of CRM and are often encouraged to become a pro-active part of the solution. Self-ordering, self-specification and Intranets are just a few examples of this. However, it is not easy to persuade other organisations to 'join your club', unless there are demonstrable business benefits. How this is achieved and communicated to them will depend upon individual circumstances, but early and careful selection of suitably responsive customer 'partners' and dialogue with these can only help this process. Support mechanisms will play a pivotal role in the implementation phase. We have encountered one system where the Sales Director insisted on selling some great futuristic concepts to the customers. While these were great for 'vision', they were far from deliverable and the inevitable subsequent failure to provide any significant benefit to the customers seriously damaged relationships and the overall business.

The biggest selling tool, in our experience, of such a facility is simplicity. Becoming a supplier with whom it is easier for our customers to do business can be a major selling point.

New Technology and the Supporting Infrastructure

Change, especially involving the use of computers, still generates fear in many people. While most other functions and departments within organisations have been using computers for some time and accept them, this is not always the case with the field sales force. While the image is often of the young salesperson, the reality in many companies is often a number of mature and highly successful sales staff.

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Companies implementing CRM will provide a computer or PDA to each of their field sales staff. These people will have varying degrees of ability when it comes to operating such equipment. It is vital therefore that they receive sufficient and appropriate support. In the early days, demands upon the support service will be at their highest and probably most irrational! As time goes by and people become more familiar with the new technology and ways of working, the level of support and its nature will need to change to remain effective. Typically the problems become fewer but more complex and application-centred.

Conclusion

CRM is a term used to describe what most good sales and marketing operations have probably been doing for many years. However, there has been a rapid advance in the software available to assist companies automate, extend and streamline this activity. The Internet is also demonstrating its value as a medium to conduct business, and so eCRM is emerging as an opportunity for many businesses. If its concepts are sound and if implemented well, it can help to keep you ahead of your competitors.

~ John Dean & Ian Henderson ~