THE CUSTOMER RELATIONSHIP MANAGEMENT PRIMER

WHAT YOU NEED TO KNOW TO GET STARTED

Published by
CRMGuru.com

Exclusively for CRMGuru.com Members
Second Edition
May, 2001

CRMguru.com

We developed *The CRM Primer* with the idea that you're a reasonably intelligent person who has a compelling need to understand the basics of Customer Relationship Management.

Maybe you're the CEO and you want to lead the CRM charge. That's a good idea, because CRM is not going far without you. Maybe you advise the CEO, or just got the "opportunity" to run the CRM project. Congratulations! Exciting times are ahead for you, but we can't promise whether it will be in the executive suite or online at HireMe.com. Either way, you'll have experience you can't buy at any school.

Or maybe you're a student who's been given the assignment to "go study that CRM thing" by your professor. Then again, maybe you were looking for advice on putting an undercoat of paint on your '64 Mustang. Sorry, that's a different kind of primer.

At any rate, we decided you'd like to hear directly from leading experts in the major areas of CRM. Each of the authors have contributed their time to make this *Primer* an outstanding resource for anyone just starting out with CRM, or looking for a good overview of this complex topic.

In this second edition, call center expert Michael Cusack has contributed a new article in his specialty area, and we've made minor improvements throughout the document to improve readability. Your feedback and suggestions are welcome—please send them to primer@crmguru.com.

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WHAT IS CRM?

BY BOB THOMPSON

The concepts of customer relationship management have been in the air ever since one caveman had a choice of buying an arrowhead from either Og or Thag, but CRM as a term gained currency in the mid-1990s. Market analysts squabble over the exact figure, but all agree that in the next few years companies will pour billions of dollars into CRM solutions—software and services designed to help businesses more effectively manage customer relationships through any direct or indirect channel a customer opts to use.

EXECUTIVE SUMMARY: The ideas behind customer relationship management are not new. Today it's widely acknowledged that how you treat your customers goes a long way to determining your future profitability, and companies are making bigger and bigger investments to do just that. Customers are more savvy about the service they should be getting and are voting with their wallets based on the experience they receive.

So why, with the market for CRM technology exploding, is the most common question asked at CRMGuru.com "What is CRM?" Probably because if you ask three CRM experts, you'll get five different answers.

We put the question to a panel of CRM experts—the "gurus" working with CRMGuru.com—to weed out idiosyncratic spin and whittle CRM down to its essence:

> *Customer relationship management (CRM) is a business strategy to select and manage the most valuable customer relationships. CRM requires a customer-centric business philosophy and culture to support effective marketing, sales, and service processes. CRM applications can enable effective customer relationship management, provided that an enterprise has the right leadership, strategy, and culture.*

There you go. Simple question, simple answer, right? Ah, what is simple is not always easy. As many business executives and CRM project managers can attest, effective CRM is about as simple as the answer to how to lose weight—eat less and exercise more—and just as easy to do.

CUSTOMER-CENTRIC: THE STARTING POINT

Let's spread that definition of CRM out on the table here. How exactly does a company create a "customer-centric business philosophy and culture?" Hint: Not with a software package.

How exactly does a company create a "customer-centric business philosophy and culture?" Hint: Not with a software package.

CRM—at least the successful, useful and profitable kind—always starts with a business strategy, which then drives changes in the organization and work processes, which are in turn enabled by information technology.

The reverse never works. Never. Flip a pyramid on its head and what happens? We'll send you a case of champagne for every company you can find that automated their way to a new business strategy. Projects that focus on technology first, rather than business objectives, are destined for failure, according to both extensive best practices research and the sob stories at O'Malley's Happy Hour. A customer-centric business, however, is perfectly poised to reap significant benefits using CRM technology.

Now, the strategy part of CRM isn't new. Savvy business executives have always understood the importance of focusing on customers with the best potential for sales and profits and providing good service so they'll come back again and again. Notice that you need techno-toys for none of this. Consider a successful small business: the business owner and the staff work hard to provide personal, high-quality service, building a loyal customer base over time. Computers optional.

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So why has CRM bulled its way to a billion-dollar industry? Bottom line: Power has shifted to customers, who stand astride three powerful currents:

- The failure of enterprise resource (ERP) planning systems to bestow a lasting competitive advantage for companies. Your back office is fully automated? Nice. So?
- The cycle of innovation-to-production-to-obsolescence has accelerated, leading to an abundance of options for customers and a shrinking market window for vendors.
- Internet-surfing customers have a far easier time collecting information about competing suppliers, and can switch to another vendor at the click of a mouse.

With product advantages reduced or neutralized in many industries due to increased "commoditization," the customer relationship itself is the focus of competitive advantage. For larger businesses, the neighborhood boutique—"Hello Mrs. Watkins, how's Ryan's broken arm coming along? I saved some of the gingham I thought you'd like, it's under the counter here…"—approach is impractical. CRM technology enables a systematic way of managing customer relationships on a larger scale.

THE CUSTOMER RELATIONSHIP LIFECYCLE

Traditionally—defined as "before you realized what the Internet was all about"—enterprise employees were the primary users of applications designated "CRM." Then e-business or—a buzzword flavor of the month—"eCRM" applications were introduced to allow enterprises to interact directly with customers via corporate Websites, e-commerce storefronts, and self-service applications. Starting in 1999 partner relationship management applications hit the market, designed to support channel partners and other intermediaries between an enterprise and its end customers.

These applications support the following business processes involved in the customer relationship lifecycle:

- *Marketing*. Targeting prospects and acquiring new customers through data mining, campaign management, and lead distribution. Remember, the emphasis here is on long-term relationship value, not quick hit.

- *Sales*. Closing business with effective selling processes using proposal generators, configurators, knowledge management tools, contact managers, and forecasting aids—all without uttering The Eight Words That Kill A Sale: "Let me get back to you on that."

- *E-commerce*. In the Internet Age—welcome to it—selling processes should transfer seamlessly into purchasing transactions, done quickly, conveniently, and at the lowest cost. All customers should have one face with your company, no matter which touchpoint they choose to use.

- *Service*. Handling post-sales service and support issues with call center applications or Web-based customer self-service options. We said "handling," not "sloughing off to an inadequate FAQ page."

CRM is a business strategy to create and sustain long-term, profitable customer relationships. Successful CRM initiatives start with a business philosophy that aligns company activities around customer needs. Only then can CRM technology be used as it should be used—as a critical enabling tool of the processes required to turn strategy into business results.

Successful CRM initiatives start with a business philosophy that aligns company activities around customer needs.

About the Author

Bob Thompson is founder and president of Front Line Solutions, an independent CRM consulting and research firm. Mr. Thompson is a leading authority on the role of CRM in the extended enterprise, specializing in emerging CRM-related strategies and technologies for Partner Relationship Management and Collaborative eBusiness. He is the also the founder of CRMGuru.com, the world's largest CRM portal with over 60,000 members worldwide as of May 2001. For more information please visit www.frontlinehq.com.

WHY CLIMB THE CRM MOUNTAIN?

BY DICK LEE

Because you have to.

EXECUTIVE SUMMARY: Lose the idea that CRM is a walk in the park. You don't buy CRM from a vendor. Lose the idea that it's a glorious undertaking. It's a slog up a mountain. It's dirty, hard work and absolutely necessary, unless you like having a bazooka pointed at your company head by an itchy-fingered customer. Or put it another way: Life on the other side's great.

We've all heard about how hard implementing *real* CRM is. It starts with new customer-centric business strategies, which require redesigned departmental roles and responsibilities, which require re-engineered work processes, which require boatloads of CRM technology. Friends, this is a high mountain for a company that's been sitting around eating doughnuts for nine years to climb. So why do it?

Companies implementing CRM will spout a slew of self-serving reasons why they're doing it. The evil fun is then watching them self-destruct in short order. Be still, listen to them, and learn:

"WHY WE'RE DOING CRM. HONEST."

"Automate inefficient and expensive work processes." Sounds good, no? Get the same work for less cost, goose the bottom line, cut staff, fatten up the financial stakeholders. No quibble here, unless…

- *You reduce human contact with customers to levels they don't appreciate*. Ask around any San Jose soup kitchen for a show of hands of e-tailers who sank with this strategy.

- *You value efficiency over customer satisfaction*. Automating and hurrying up customer service calls and providing financial incentives for service representatives to maximize call turns is a sure-fire way to maximize customer turns.

"Use the Internet." There's our answer. Customers are dying to flock to our Website, where we can shunt off all low-margin customers and low-margin transactions. Great, except…

- *Today's buyers use the Internet more selectively than today's sellers like*. While you're in that soup kitchen you're meeting guys from dot.bomb companies whose companies performed spectacular half-gainers on NASDAQ—"But it was the Internet, man, how could we fail… "

- *Low-margin customers are often high-potential customers*…and low-margin transactions often come from high-margin customers. One of our super, super-regional banks just wound up on its knees looking for a buyer because it didn't get this.

"'Fix' sales and marketing." CRM will keep those lazy sales reps away from those 2:30 tee times. Load GPS in their laptops. Get those marketing prima donnas pounding numbers instead of sipping daiquiris while "creating" ads. Justice prevails, except…

- *Sales is your lifeline to customers*. Break it at your peril. Why isn't half the corporate staff in heavy breathing just waiting to get their crack at field sales jobs, where they get big bucks to work on their handicaps? The word "courage" keeps swirling around in my head.

- *Pounding sand may be fun, but it's kind of pointless*. Yes, marketing deserves a hiding for buying into the "brand" malarkey ad agencies use to demand higher and higher budgets—I'll confess, I'm from the agency world myself. But go ahead, try to genetically re-engineer today's creative marketers into tomorrow's analysts and process managers. We'll make popcorn and enjoy the show.

Climbing Molehills, Not Mountains. Much Easier, But…

Are these good reasons enough to climb the CRM mountain? Hell no, they're a handful of dust. But you know, pilgrim, those companies aren't doing CRM. They don't believe in CRM—or they're scared of heights—so they automate workflow and dink around online to look busy. That's climbing molehills, not mountains.

So why *should* we be climbing the mountain—becoming truly customer-centric rather than just automating work processes and fiddling with the Internet? Simple.

We're climbing the CRM mountain because our customers are holding bazookas to our heads.

Feel free to frame that.

Fundamental economic changes that started in the 1980s and are still picking up steam have put customers in charge of buyer-seller relationships. Companies trying to hang on to their beloved "command and control" approach to customers watch loyalty rates sink and find less margin for error. They're headed for the toilet—and even in there the good seats are already taken.

There's your choice: Mountain or toilet?

We're climbing CRM Mountain because we have to, given that bazooka and all. Either we do business their way or they go their own way. Anybody can copy your product or service, and if they also provide more customer-informed and customer sensitive sales and service—along with such add-ons as shorter order turn times, direct lines of communication and more accurate invoicing—you're toast.

Kill the mental movie of Sir Edmund Hillaryesque bravery and endurance as you conquer CRM Mountain, swatting away challenges to end up holding hands in a circle with customers singing "Kumbaya" as the credits roll…Think instead of a forced march. Sweaty step follows sweaty step, up and down the big hill with the roar of cannons in your ears. Your diversion will be the yo-yos who ignore customer orders, thinking their heads are thicker than tank armor. One or two may be right. But the rest…

CRM MOUNTAIN: IT'S BIG, FOLKS, REALLY BIG

Friends, this CRM Mountain customers are herding us over is pretty damn big. Lots of companies try to step over something smaller—and wind up stepping in something smelly.

Now here's where the fun comes in. It's not all blood, sweat and tears. If you've read this far sit back and smile. See, even though there's no real choice of whether to climb CRM Mountain or not, there is a pot of gold on the other side:

Even though there's no real choice of whether to climb CRM Mountain or not, there is a pot of gold on the other side.

- *Competitive advantage*. Those who make it to the other side first find their competition's customers waiting to greet them. Does wonders for the aches and pains mountain climbing brings.
- *Simplified internal organization*. Organizing your business to satisfy customer demands simplifies your infrastructure. When we get over the mountain we discover that we had been complicating our businesses by creating functional silos and sending work from one silo to another, another and another. Organizing around customers shrinks workflow, shortens cycle times and eliminates non-productive information flow. Goodbye silo walls.
- *Bigger bottom line*. Having more customers and a more compact company will position you to make more money and please more customers—and look at your poor competitors, still avoiding CRM Mountain, or playing around on molehills. Now that you're here, it was downhill all the way, right?

ABOUT THE AUTHOR

Dick Lee was among the founders of the relationship marketing movement, and today is a mentor and consultant to companies melding sales, service, and marketing functions with new CRM technologies. He's author of *Customer Relationship Management Survival Guide* and two working manuals, *The Customer Relationship Management Planning Guide* and *The Customer Relationship Management Deployment Guide*. All three are available as a package titled, *Self-Guided CRM*. For more information visit www.h-y.com.

MEASURING THE VALUE OF CRM

BY MEI LIN FUNG

EXECUTIVE SUMMARY: What would you think of a company that refused to measure its value? How about a company that didn't care to know the value of its most important business assets? Your company's most important business asset is your customer base. Which customers are worth investing in to keep? And which customers might potentially offer more lifetime value (read: profits) if you invested in building the relationship?

Many CRM systems wrongly measure ROI as simply the incremental revenue or margin return from implementing a technology CRM solution. This has limited applicability, as it doesn't give sufficient operating insight to make ongoing decisions that improve the customer relationship. It approaches the problem from the point of view of the business, and leaves out the point of view of the customer, except as a source of revenue.

CRM ROI, properly done, integrates the vendor and customer's agendas to figure out how to make the most money for the vendor while producing the most satisfaction and returns for the customer. The concept at the heart of this is Customer Capital Asset Management (C-CAM).

CUSTOMER CAPITAL ASSET MANAGEMENT

One might almost write a complete book just on C-CAM. You can read *Driving Customer Equity: How Customer Lifetime Value is Reshaping Corporate Strategy* (The Free Press, 2000) by Roland T. Rust, Valerie A. Zeithaml, and Katherine N. Lemon. It's packed with examples and case studies, and I highly recommend it.

C-CAM is finding a way to quantify, track, and analyze the value of a customer to the company over time and how to ascertain the impact of future decisions on that value.

You figure the value of a customer along the same lines you'd calculate the value of a firm: project the expected revenues from that customer over time, project the expected costs required to obtain those revenues and obtain a cash flow over time. Discount the cash flow to get the net present value and boom, there's your value of the customer.

Start slowly. The idea is simply to track customers—gross revenue, net revenue, costs, net profits. Track your top ten customers' revenue history and forecasts. Extend this in two ways: add more customers, and add costs and profits to your calculations. Do this by hand until you understand the major drivers of the customer revenues and profits. Then you can begin to project income flows from your customer assets, by customer.

Now you can look at different scenarios of investment in customers and work out which provide the best returns, just like looking at different scenarios of investment in products and services and deciding which provide the best returns. C-CAM lets you pay paramount attention to the customer, and coordinate the activities of various parts of your business that affect the customer relationship. Of course I'm assuming that you're seeking the best ROI and most robust operating model—one that involves the least risk and most operationally feasible implementation.

One example I like talking about is Mercedes Benz. For years they've had a customer retention program to quantify the customer experience, both in costs to Mercedes and in benefits to the customer, especially as measured by the customer retention rate when Mercedes owners buy their next car. This program came up with innovations now widely copied, such as 24-hour road service. They also cemented high customer loyalty rates that mitigated other car companies' price advantages.

No New Stuff To Buy, Just A Heavy Commitment From The Top

We're not talking about some say-hi-to-customers-by-name deal here. The bigger your company is, the larger the base of customer assets or installed customer base you have, the more accurate projections can be made and the more valuable the knowledge gleaned from C-CAM will be to you.

None of this C-CAM stuff involves technology beyond Excel and Word—but it does require management attention and commitment to move the company's focus toward the customer, not products and services.

Figuring up the lifetime value for a customer is essential for your ability to maximize the value of the firm by maximizing the value of customer assets. New businesses have the opportunity to use technology to help them constantly adjust the value of the customer portfolio through calculating the impact of hundreds of individual decisions. By calculating CLV, a business can measure the expected financial benefits from customer retention investment to build customer loyalty. Customer relationship building is a long-term commitment, so it makes sense to invest your company's time and resources wisely.

The analysis of return on investment is a critical part of C-CAM and provides the investment rationale for sustained investment in building customer relationships. Otherwise you don't know if your efforts are a) doing any good, or b) doing any good for the sort of customers you're most keen to retain.

Some think this approach is heartless, the victory of the bean counters, and signals the end of personal customer service. I beg to differ. C-CAM quantifies the effect of customer service and satisfaction by measuring its resulting impact on customer retention and repurchase. By focusing on dollars and sense, you will move beyond paying lip service to customer service and actually quantify the cost to your company of losing customers due to poor service. By not quantifying the results, customer service investment becomes an act of faith. It's easier to calculate the ROI for investment in customer satisfaction than to get top management to make an investment in customer satisfaction as an act of faith.

By focusing on dollars and sense, you will move beyond paying lip service to customer service and actually quantify the cost to your company of losing customers due to poor service.

Yeah, But Does It Work?

Is all this just one more damn thing to do, one more meaningless number to ignore at the end of the month? Consider that Cisco Systems has incentive programs for employee compensation that tie individual compensation to the customer satisfaction of the group of customers serviced by the group or division within which they work. Cisco reports high—and increasing—rates of customer satisfaction. As a wise business manager once said, what is measured improves.

But lest I oversell the concept, let me add that people come up to me in elevators and ask "Mei Lin, could C-CAM have done anything to rescue tech dot-coms from the NASDAQ bloodbath?" Of course not. There's no magic formula for creating sustainable profits and growing revenues. C-CAM is a tool for distinguishing your business performance from your peers, investing in building customer relationships that steer the industry's most profitable customers to your company, and keeping them loyal once they get there by offering superb value and innovations in service that no one else has. Which isn't exactly chopped liver.

About the Author

Mei Lin Fung was an early pioneer in the CRM space and was the business analyst for the first integrated sales and marketing application, envisioned by Tom Siebel at Oracle in 1988. She has lived and breathed Intel's disciplined approach to supply chain management and demand forecasting. Managing Director at Wainscott Venture Partners, an IT-focused venture capital company with offices in Washington, D.C., New York City, and Silicon Valley, Mei Lin advocates the discipline of Customer Lifetime Value analysis to achieve sustained and successful CRM investments and digital marketplace business models.

E-SERVICE: KEEPING THE UGLY SUCKERS OFF YOUR CARPET

BY DAVID SIMS

EXECUTIVE SUMMARY: What's the point to not putting all the information a customer could want on the Website? You'd rather have them call you and take up your customer reps' time? Make the answers plainly obvious. Make it an attractive part of the site. Import highlights from the Victoria's Secret online show to that section if you have to. Every person who uses online help instead of calling you saves you money.

So they do know that online customer service blows chunks. Catch this intro to one prominent e-service vendor's products: "[Our product] enables businesses to provide preemptive and instantaneous resolution to issues—eliminating the disparity between the quality of eService and traditional customer service."

I read that as saying "Sure, we know e-service leaves customers feeling like something you scrape off the bottom of your shoe." But I have no idea what "preemptive" resolution is, unless they've hired Madame Sosostris to throw the Tarot and divine that they're about to catch hell from Elmer T. Lumpkin for that faulty disk drive on the computer they sold him, and to keep Elmer from dissing them at East Slingshot V.F.W. Bingo and Pot Luck Dinner tomorrow night, they'd better get on the horn.

Frankly aforesaid vendor, whose name we won't disclose (we're nice guys) is a case study on how incompetent telephone "service" is driving people to the Internet in search of help—which is where they wanted to be in the first place. All I can say is I'm glad I used their 800 number to endure rudeness and hang up in frustration instead of paying long-distance rates to endure rudeness and hang up in frustration.

The whole point of online customer service—e-service—is to have people taking up your Website's time instead of taking up your customer service reps' time. It's the principle one banking consultant told me a client gave as his reason for installing an ATM: "We wanna keep the ugly suckers off our carpet."

No-brainer calls are rare, but this is one of them. Look, we're bottom-line guys, too. We can understand your cutting corners on call center personnel. We can understand your skimping on staff to answer e-mails. We understand your pouring Old Bootlicker instead of Jack Daniels at the company Christmas party. But, there's absolutely no upside in not wringing every ounce of customer service from your Website.

How can it possibly benefit you when you don't let customers have their questions answered online, but force them to call you instead? Yeah, self-help toys cost money, but so does a $100 bill on sale for $24.95. If it makes you feel better, stick a little cash register icon on your site that goes "ka-CHING!" every time someone finds an answer online instead of calling.

THE TOYS

Basically there are three classes of product in this space:

- *Self-service solutions* are where you allow customers to solve their own problems by directing them to the same searchable online databases your reps use. This is "an attractive service-avoidance mechanism"—love that phrase—states The Aberdeen Group's 1999 white paper "E-Service: Using the Internet To Manage Customers." FAQ management software is popular here—do keep the FAQs updated. If customers start seeing outdated FAQ answers they'll disregard the whole thing and pick up the phone every single time. By the way, it's morally wicked to offer online self-help without giving an 800 number on the screen as well. Anybody, no matter how dense, who can read off a sixteen-digit number and expiration date, deserves customer service.

- *E-mail management* lets customers ask their questions via e-mail. The product either generates automatic responses for simple questions—"Is it legal for you guys to ship this to Missouri?"—or use rules-based logic to route inquiries to appropriate reps.

- *Real-time interaction* is a set of services a customer can access using a Web browser, such as chat, voice-over IP, online touring, application control, or document sharing.

Let's say your most common online customer inquiry is whether the "Tijuana Nights" style (with detachable rubber handgrips) comes in vinyl or genuine leatherette. You can either program an e-mail droid to answer "vinyl" 462 times a day or you can put "Vinyl Only" prominently on the Website—if you're getting lots of questions, then by definition, it isn't prominent on the site. If you pay someone to sit at the phone and say "vinyl" 462 times a day that means you have the I.Q. of an unusually slow Boston fern and you need to call us immediately about a once-in-a-lifetime transportation infrastructure purchase opportunity in Brooklyn.

ONE SIZE DOESN'T FIT ALL

Caveat: Not all customer service inquiries have a fixed, repeatable, one-size-fits-all answer. There's a good piece in November 2000's *CRM Magazine* about the growing number of software products providing fast, automated answers to common questions using "natural language" technology. It's cool stuff, but you will wishfully overestimate how accurate it can be and send out some pretty painfully wrong "answers" to complex questions that should be handled by a rep.

Another consideration, of course, is who's doing the asking and what they're asking about. Big-ticket items and big-ticket customers need big-ticket customer service. If you want to know whether Boeing can deliver 25 planes with chartreuse seats you don't get a "yes" from an e-mail auto responder, you get a direct line to someone who owns a chunk of company stock options. If you're the Sultan of Brunei you can e-mail instructions for

Boeing's vice-president of customer service to call you at 3 a.m. Pacific Standard Time and bark like a dog, and it'll happen.

> *See, customers really don't want to talk to you any more than you want to talk to them. If they can find all the information they need on your Website, they won't call.*

If you're offering a new or particularly complex product you'll want to give a couple weeks of live service until you identify what the 80/20 questions are going to be. Use common sense here, friends. See, customers really don't want to talk to you any more than you want to talk to them. If they can find all the information they need on your Website, they won't call. They want to find an answer by that fifth click, they don't want to wait for an e-mail and they sure don't want to call you. Nothing personal, but nobody's that lonely. And you're not running Dial-A-Friend, are you?

About the Author

David Sims, principal of sharpAngle.com—"The hand-crafted microbrew of Internet writing"—has over thirty years' experience as a customer. His apprenticeship included stints as a subway musician, novelist and Istanbul-based international journalist, where he claims he learned everything he needed to know about CRM from his neighborhood grocer. He's been covering developments in CRM for three years, and is widely regarded as one of the top writers in the field.

THE HUMAN DIMENSION OF CRM: THE KEY TO SUCCESS OR FAILURE

BY WILLIAM BRENDLER

EXECUTIVE SUMMARY: Imagine two weddings. One is being organized by a mother who would rather her daughter join a convent than marry Walter. Another is being done by a mother who's been after her daughter to marry Walter for years. Which one is going to be more of a success? And which attitude do your employees sense coming from you when you announce CRM?

Most of today's methodology for implementing CRM has to do with managing the external and technical aspects of change. No shortage of ideas for how to redesign roles, re-engineer processes, or install software, is there? However, not all change is technical.

Let me repeat that: Not all change is technical. The most important change is never technical. The changes in what goes on inside of people, the ones who use all that technology—their perceptions, feelings, and ability to adapt and accept external changes that are occurring—is of great importance. No matter how crackerjack the technical changes are, you won't get the results you want from CRM without understanding and managing its impact upon the people who live with it and make it work on a daily basis. That's why your people, not au courant processes and expensive systems will determine how customer-centric you become.

There are dire consequences for fixating on the technical and ignoring the human side of implementing CRM—if your implementation even ever amounts to anything. Such an approach is, in my experience, responsible for most of the CRM failures I constantly run into. Some companies, most with singe marks on their eyebrows, are addressing the human dimension of CRM with the attention it deserves.

The key to successfully dealing with the people aspects of change is to welcome it and confront it head on. If management ignores the uncomfortable aspects, or runs from them, the project will fail. Management must be willing to prioritize human issues. I'll say this in black and white: Only by addressing the people concerns will CRM succeed the way it can succeed, and the way you want it to succeed.

People resist change. This is not because they are petty, negative, and selfish—or because they happen to be your employees. If another company tells you they had no problems getting their people on board with their CRM, no difficult adjustments to make, you can set the stopwatch to see how long before it all crashes down. No, people resist change because they do not see that it is in their self-interest. When they understand how it is in their self-interest they not only embrace change but also cooperate to make it happen. Thus the central challenge of the CEO and executive management—a to convince your employees that the CRM-induced changes are for the(ir) better.

Resistance is not bad. It's a natural energy people experience when confronted with change. It is their way of saying, "Not so fast. Don't forget about us. Help us understand what is going on here. Help us understand the why of the change and how it is in our (individual and collective) self-interest."

When you properly recognize resistance as energy and passion, the goal – your goal – becomes to channel that energy into positive commitment and behavior.

There are two ways to frame resistance that make it an ally. First, think of it as *energy*. The worst response to change would be total apathy. An aloof "I don't care" message wafting out from the crack under management's door saps people of the passion for their company or the jobs they do. Resistance means that what goes on in the workplace matters to them. When you properly recognize resistance as energy and passion, the goal—your goal—becomes to channel that energy into positive commitment and behavior.

Second, resistance is *information* that tells management what is working and not working in the change process. By paying attention to resistance and even encouraging it, management harnesses the energy of change and learns about the next steps they need to take to make the change succeed.

I address "people concerns" to implementing CRM. I help management learn how to implement the change process with their staff. This often begins with a mindset change, which can be done by diagramming what management needs to do to make the change happen. It is based upon the premise, which I've found to be basic to human nature, that people don't want to let go of the status quo until they know that they will get something better.

GUIDELINES

There are guidelines companies can follow to overcome resistance and help people embrace CRM as a business strategy. They include:

- Thinking through the impact of changes on people, individually and collectively; Building a case for change by focusing attention on reasons for change, including consequences of not changing and benefits of changing;
- Holding regular communication meetings;
- Managing the stages of confusion by providing lots of information and clarity about what is happening and when and how it will impact people;
- Listening and encouraging people to talk about what's happening;
- Allowing people to make the change and to "grieve";
- Supporting managers who become champions of the change; and
- Understanding there are no quick fixes for this cultural and psychological challenge.

Nobody and nothing can take management and supervision's role in allowing employees to embrace the changes CRM will bring. Not only do they need to be on board themselves—imagine a football coach trying to motivate players to go out and win a game he's convinced they'll lose, a mother arranging a wedding for a future son-in-law she detests, or a sergeant sending a platoon out on a sure suicide mission—but they also need to help their people talk about their concerns. The skills to do so aren't hard to learn, almost anyone can benefit from knowing them, and they make a world of difference.

If you are about to implement CRM, have the leaders brainstorm and list what they perceive to be the changes that implementing CRM will force on your people. Their answers will give you a clear direction to take to help your people make this change happen.

ABOUT THE AUTHOR

Bill Brendler has consulted over 100 companies and written numerous articles on ERP and CRM implementation. He helps top executives and user teams reinvent the way they work with their customers. Bill knows how to effect organizational change that integrates teams and technology with the customer. For more information visit www.brendler.com.

THE ROLE OF CRM IN THE CALL CENTER

BY MICHAEL CUSACK

EXECUTIVE SUMMARY: Today's multi-channel call centers are assuming a pivotal role not only in customer service, but also in marketing and sales strategies. This transformation from cost to profit center is knocking management for a loop. In this context, CRM systems are useful only if the entire company believes that using the systems will actually increase customer loyalty.

Call center—oh sorry, no doubt you prefer "contact center," or "customer interaction center?" Maybe something more high-tech like "tele-center" or "communication center?" Pick one, any name will do—call center managers know that their domains are far more complex and challenging than an outsider might imagine. Sure they know the guy sitting next to them in the pub's thinking "what's so hard about picking up the #@&! phone?"

What's so hard? IVR scripting. CTI implementation. Skills-based routing and queue management. Multi-channel contact tracking, workflow support and knowledge management. Workforce management and reporting… need a freshener on that beer, mate? We haven't started with the joys of recruiting, training, incenting and retaining employees in an era when loyalty is about as common as unicorns in Central Park.

What's hair-pullingly frustrating is that companies are pouring millions of dollars into CRM systems, and ending up with:

- Supporting systems so poorly designed, integrated and maintained that agents refuse to use them;
- Supporting materials so cryptic, irrelevant or outdated that that they prevent agents from giving correct, timely answers;
- Augmentative technologies, such as Interactive Voice Response, implemented in a way more detrimental than helpful to customers;
- Web-based personalization perceived by customers as intrusive and downright offensive;
- E-mails remaining unopened as dual-tasking agents are reassigned to handle massive inbound call queues; and
- Customer care environments unable to gather, analyze, respond and react to useful business intelligence data.

THE SILVER BULLET STIGMA

Typically new, expensive technologies such as integrated E-business, CRM and ERP solutions are fobbed off as silver bullets to get companies to the cutting edge. This promise always fails. When a company profits is when these systems are used as

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enablers, rather than replacements, for people and processes. When a company decides to use them to augment customer relationships, not avoid them. Regardless of how sophisticated these tools become, the measure of their success is always their contribution to the strategic goals of the organization.

All of which happens only after a fundamental mind change at the highest—highest—levels of the company. After marketing and sales ditch the concept of selling a product or service that as recently as 1932 stood alone or had relatively few local competitors, in favor of something called "customer service." After incentive schemes once the domain of human resources are properly regarded as "customer service."

The proliferation of CRM systems on the market today just makes it harder for management to find the tools to help their organizations accomplish this. Evaluating vendors is a more arduous task since a proper evaluation considers not only cost, but integration, workflow, multi-channel contact support, commitment tracking, scalability, remote access capabilities, contact management, business intelligence tools, CTI, time tracking and so on.

Customer interaction centers are moving from sweatshops to company flagships, handling everything from pre-sales inquiries to order processing to post-sale support.

But this isn't your father's call center we're talking about anymore. Twenty years ago nobody dreamed of the ways the Internet now allows you to turn a necessary-evil "cost center" into a commercial vehicle. Customer interaction centers are moving from sweatshops to company flagships, handling everything from pre-sales inquiries to order processing to post-sale support. The support function is nothing new, but call centers' status as points of contact for the Internet sales process gives the much-maligned customer service function new importance. It used to be that call center staff were hired to handle those nasty customer complaints about products and services, now they're necessary for virtually every step of the supply chain.

THE CALL CENTER OF THE FUTURE

As we build the bright future then, what can we expect for customer service? The successful call-center-of-the-future organization won't be treated as a poor second-cousin cost-center, it'll be a strategic service offering that will include:

- Multi-channel access such as e-mail, Web chat, Web callback, voice-over net, voice-over IP, Web collaboration;
- Integrated knowledge management and contact management tools;
- Personalization of every customer interaction;
- More powerful off-the-shelf telephony integration;
- Genuine customer knowledge through superior business analytics and market intelligence;
- Front line employees who can deliver perfect service… but that's another story.

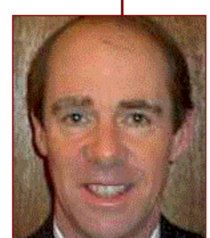
Look, thirty years ago, when AT&T created the first centralized telemarketing facility, nobody dreamed it would become the first line of contact for so many global corporations—not just for customer support, but for Internet order processing and other multi-channel communications. Sure technology helped, but a company's attitude towards the customer, not the technology it used, determined the project's ultimate success or failure.

The call center is a microcosm of business practice, and when you add the New Economy challenges of end-to-end support, VoIP, e-mail, universal business applications, collaboration, chat, call through, call back and so on, well, you have a new animal. No longer is the call center just for pre- and post-sale support, but now it's an integral link in the supply chain. Yet it's easy to become obsessed with metrics which affect bottom line costs—average speed of answer, talk time, and abandonment rate. And yes, the tendency is to use quantitative, not qualitative metrics as yardsticks of call centers' operational success.

Innovative companies are giving their call center agents the information and authority to make every profitable customer feel that the company cares about them personally, which helps establish all-important trust.

Innovative companies are giving their call center agents the information and authority to make every profitable customer feel that the company cares about them personally, which helps establish all-important trust. This involves a multitude of processes and, depending on the size of the customer base, significant technological support. While it may never duplicate the personal service of the village store, done properly it gives you that crucial competitive edge.

ABOUT THE AUTHOR



Michael Cusack is the founder of OnLine Customer Care, Inc., an international call center and CRM consulting company. Cusack's background includes management consulting with Bell Laboratories. Prior to joining the labs, Cusack was a human factors engineer with the AT&T Artificial Intelligence Unit, where he was involved in the planning and reengineering of call centers. Cusack is the author of *Online Customer Care: Strategies for Call Center Excellence* (ASQ Press). He presented the keynote address at Customer Contact World Asia 2001 and is currently working on his second book, which addresses customer service issues in the New Economy. For more information visit www.olccinc.com.

CRM AND MARKETING AUTOMATION

BY NARAS EECHAMBADI

EXECUTIVE SUMMARY: Finding the right CRM tools for your marketing strategy and finding the right marketing strategy for your company doesn't need to be hit-and-miss. There's a sequence of events you can follow to ensure you're making the best choice possible. And it's not just finding the right message; it's finding the right channel these days. It's tough, but the rewards are more than worth it.

"Marketing automation" means everything you do to design, execute and measure marketing campaigns, using applications that help select and segment customers, track the contacts made with customers, measure the results of those contacts and, in some cases, model those results to more efficiently target customers in the future. "Campaign management" is segmenting customers and executing marketing campaigns.

A marketing or IT manager is faced with an assortment of software application options. Some of them model results, others interface with statistical packages, others create files for analysis elsewhere—there are so many of them that claim so much that the end result is confusion. No, you're not alone.

A business looking to automate marketing processes may spend between $25,000 and $250,000 to get started, and watch actual costs soar to the millions once maintenance and consulting fees are added. Implementing or upgrading marketing automation exposes weaknesses in existing practices, too; it's not the tool's fault, but an opportunity to improve.

As my day job is helping marketing clients first choose the right software and then integrate that into their business, I've developed a methodology to select a marketing automation tool that best fits a company's specific business requirements. I focus on understanding the organization, its vision for the future and its current realities, as look at tools from that viewpoint.

FINDING THE RIGHT CRM TOOLS

Define the need. There should be a $25 fine for mentioning a vendor's name before you have identified the business situation that dictates the need for a marketing automation tool. Who will be using the tool? What data fields and analysis do they need, what campaign volume and locations will they have? What personalization will be required? Management's going to be worried about budget constraints and measuring the success of the system too, you know. Sit down with IT and business users and hammer out such issues as database requirements, system requirements, number of customers, how to use any existing data warehouse and systems or software, platform requirements, even browser preferences.

Build a business case. Armed with those answers, you're ready to identify all the costs involved in implementing the solutions—don't forget personnel, chances are you'll need to hire skilled people and maintenance personnel. Do your homework and quantify the revenue benefits over time to show an attractive return on investment.

Set priorities and identify your business requirements and technology constraints. List both short-term and long-term priorities. State clearly what is important, what promotes good research and results in good decisions. Don't buy the phrase "total solution" on this side of Fantasyland, all tools have business tradeoffs. Only if you have a clear sense of priorities will you know which tradeoffs you can live with.

Weigh the alternatives. Do you want to build in-house infrastructure? Work through service bureaus? Seek strategic partnerships? Sign leasing agreements? You do have options.

Identify specific vendors. All right, now and only now should you start considering vendors. A manager familiar with organizational needs can narrow the field to five or six vendors who best meet your specific requirements. Don't give industry heavyweights a free pass to the short list.

Screen vendors by phone. Their sales literature claims "integration." Call and ask what they mean by "integration." Six vendors will give six different answers. Which one fits your definition?

Conduct on-site visits. A much-overlooked step. Here's your chance to share your clearly-defined business needs, priorities, and key questions and watch their eyes as they answer.

Check references. Always. And when you do, ask the businesses how the implementation went. You can get priceless real-world advice this way.

Test the software hands-on. Only hands-on experience can give you a feel for ease, flexibility and functionality. Let your statistical analyst, campaign manager and other significant users test-drive the stuff.

Request pricing proposals. Every vendor has their own pricing structure, and it's hard to compare apples with oranges. They know this.

Finally, see if you can tie payment to performance. If you can, negotiate a contract where payment is due when the system is fully functional—and the vendor is responsible for getting it there.

PRIORITIZING YOUR CRM STRATEGY

No two companies need exactly the same functionality in their marketing automation. Here are some issues you should prioritize for your automation purchases:

Workflow. The process of managing and coordinating the activities of a campaign from planning and budgeting to execution and tracking.

Segmentation: The process of identifying groups of customers around which to conduct marketing efforts by analyzing the existing customer base.

Personalization. The ability to customize message content for individuals.

Execution. The actual delivery of an outbound message to a segment or target over a specific delivery channel.

Response Measurement. The ability to track a customer's response to the marketing message or offer delivered to that customer.

Response Modeling. The ability to develop response models within the marketing automation tool to be used in future segmentation and targeting efforts.

There are more, but this gives you an idea.

Marketing demands are growing. E-marketing flexibility, multi-channel integration and real-time dialogue are in almost universal demand today. New channels—pagers, fax, wireless—need to be addressed sooner or later and fit into seamless enterprise-wide solutions.

Right now, e-mail, the Internet and call center integration are driving marketing automation to new innovations. E-mail's great because—when used with permission—it lets you track customer behavior. The first wave of the Internet revolution consisted of companies developing their Websites. Next, e-commerce used the Internet for transactions with customers. The third wave of e-business will require companies to truly personalize the interactions with their customers—hello, e-mail.

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Marketers will not only have to find the right message for each customer, but the right channel. The major customer complaints from businesses trying to automate their marketing processes fall into two categories: business integration—channels, business units, functions, goals—and software/hardware integration—standards and support for database integration, Internet and e-mail use. Sure it's hard, but the companies who get it right are sitting pretty.

About the Author

Naras Eechambadi is CEO of Quaero, L.L.C., which helps clients implement customer knowledge based relationship building strategies, through building of customer information marts, advanced analytics and e-marketing. Before starting Quaero, Naras built the Knowledge Based Marketing division at First Union Corporation. For more information visit www.quaero.com.

KEYS TO CRM SUCCESS FOR SMALL- AND MEDIUM-SIZE ENTERPRISES

BY JAY CURRY

I have the pleasure of being the member the CRMGuru.com team whose specialty is SMEs—small- and medium-size enterprises. In this capacity I get to talk with visitors to the CRMGuru.com site about the joys and challenges of making CRM pay off. On a few lucky days I have a fast answer, but usually I have to stretch myself to answer—good for me and good for you.

EXECUTIVE SUMMARY: CRM isn't just for the big boys. Any company who sells one product to one customer over one competitor needs CRM. And as a small- or medium-sized enterprise, you have drawbacks and advantages that the big boys don't have: It's easier for you to get everyone in the company on the same page for CRM, but you're probably spending more time and money than you should be to get them to that page.

I'm writing about the keys to CRM success for SMEs, so let's set the stage first.

CRM: NOTHING NEW UNDER THE SUN

CRM, of course, is the art and science of how companies deal with their customers. It's nothing new, not even as a management science—in 1954 Peter Drucker wrote "the true business of every company is to make and keep customers." What has given CRM such a boost in recent years is that modern information technology now allows us to deal with customers individually, even though we may have millions of them.

How many customers do you need to have before you can practice CRM? One. If you have one customer and one competitor you need CRM.

And please understand that many CRM principles hold true for one customer or one million customers, but when I'm speaking to SMEs, I'm concentrating on companies with anywhere from one to 500 employees.

In CRM terms, a "small enterprise," employs up to ten people—marketers, sales people, service force—who now use, or would profit from using, a customer information system. A "medium size enterprise" has from 11 to 100 (potential) users of a CRM system. So what I'm going to say will work for a consultant with a home office, a 10-person Zurich-based sales team for a billion-dollar multinational, or a wholesaler with 500 employees and revenues of $10 million-plus.

GOOD NEWS AND BAD NEWS FOR SME CRM

People frequently ask me if there are any special advantages or disadvantages SMEs have over larger companies when it comes to CRM. There are both—but you knew I was going to say that!

- If the owner/CEO is in charge of, or monitors closely, CRM implementation and processes, then the good news is that he can get done what he wants to get done. But if he loses interest, it's all over.

- If your employees know your customers more personally than employees at Megaconglomerate Inc. know their customers, it's easier to delight them, but your employees can get sucked into spending more time and money on those customers than is profitable.

- SMEs are less likely to hire CRM consultants (guess who thinks this is the bad news) often because they have a real problem shelling out a $1-2,000 or more for a day's work by a recent MBA graduate who never had to meet a payroll. Of course, they end up wasting a lot of time re-inventing the wheel in the process.

Small Is Beautiful—When It Comes To Profiting From CRM

I don't yet have hard numbers to back this up, but I'm pretty sure that SMEs are relatively more successful with implementing and profiting from CRM than their big sisters. Why? Because CRM implementation involves re-engineering the front office, a process that grows in difficulty in direct relationship to the number of people, departments, and business units involved.

On the downside SMEs spend relatively more on implementing and profiting from CRM than their larger counterparts. CRM requires a learning curve: reshaping customer processes, selecting CRM systems, and developing training programs, etc. Larger companies can amortize the learning curve investment over scores of departments and thousands of people. SMEs can't amortize the investment over as many people, and small companies can't even do pilot projects—they start with the rollout.

So back to the question: What are the keys to CRM success for small- and medium-size enterprises? I could write a book answering this—in fact I *have—The Customer Marketing Method*. Here are what I consider the three suggestions especially relevant for SMEs with limited time and money budgets:

- *Don't re-invent the wheel.* There is a wealth of CRM information, guidance, and tips available at no or little cost. Some legwork will give you a start-up orientation of what CRM is and can mean to your company. Online case studies are great; believe me there's nothing like learning from someone else's hard mistakes. Look for good books such as *The CRM Survival Guide* by Dick Lee, *1to1 Fieldbook* from Peppers and Rodgers. Web sites such as www.crmguru.com, www.crm-forum.com and www.customermarketing.com are great places to load up on free articles, case studies, and pointers. Seminars and conferences abound. Try a search for "CRM training" on Altavista.com or Google.com. There is even a growing group of CRM consultants specializing in SMEs who understand your situation and don't charge Big Five-style fees.

- *Decide on your CRM processes before you decide on a CRM system.* Software's a great tool, but it will never be able to answer such questions as how are your marketing, sales, and service departments going to work together? That's your job. You need to figure out if two divisions serve the same customers base, which one owns which customer. You need to decide if your distributors are customers or partners. You need to determine the relationship between outside sales and inside sales. Will the call center handle e-mail questions? It's your call.

- *Get your internal act together.* CRM won't work for a company that lacks customer focus. My book has a checklist to help you identify weak spots and priorities for improvement.

By the way, when it comes time to plunk down money for a CRM system, find a company similar to yours and talk with the users of the system—salespeople, service people, marketers. The "suits" that made the purchasing decision will rarely admit that they made a wrong choice.

The "suits" that made the purchasing decision will rarely admit that they made a wrong choice.

About the Author

Jay Curry originated *Customer Marketing*, a structured methodology for implementing and profiting from CRM. Thousands of smaller businesses have adopted Customer Marketing, supported by Jay's books and tools which have appeared in six languages. His latest book, *The Customer Marketing Method*, is published by The Free Press. Jay is chairman of The Customer Marketing Institute, which helps small businesses implement CRM. For more information visit www.customermarketing.com.

THE BASICS OF CRM TECHNOLOGY

BY JAY CHANG

EXECUTIVE SUMMARY: Go ahead, take a look at what the marketplace calls customer relationship management. No shortage of products being marketed out there, is there? Now try to get a grip on what's available. The shelves expand and contract each day as new entrants announce their wares and existing players reposition themselves through mergers, alliances, and product announcements. This is an incredibly confusing marketplace. How can you go about deciding what deserves your time and attention?

Understand that CRM has typically been associated with so-called front-office functions—marketing, sales, and customer service. With the rise of the Internet, large-scale data mining and analytics have joined this mix—they can because of the incredible volume and richness of data being collected through even the most pedestrian of Websites. While analytics and metrics have been part of the front office for years, only recently have data collection techniques advanced to where analytics can be considered an integral component of CRM.

CATEGORIES

CRM products that offer marketing automation and management provide basically two major functions—campaign management and demographics analysis. Campaign management revolves around marketing budget management, ad management and placement, targeting campaigns, response management and the like. This has traditionally involved a degree of statistical analysis. Nowadays the amount of data being collected as part of Website traffic monitoring has created a new level of marketing capabilities. This has led to richer demographic analysis capabilities—and greater segmenting and targeting capabilities.

Sales force automation is a grizzled old veteran, having been popular before CRM became a buzzword. Many of the major CRM vendors can trace their start to SFA. However, it's not a past to be proud of—SFA efforts were chronically plagued with the difficulties to be expected when you try to automate a largely relationship-based process. Most SFA applications focus on lead distribution and tracking, pipeline management, contacts centralization and management, and group collaboration—and overcharged like crazy for what little they delivered (aggravation included free of charge).

Again, the Internet has altered how traditional sales processes work. You can find any number of sites that attempt to remove the salesperson from the sales process, by providing RFP/RFI capabilities through an automated interface. These sites rise and fall on the buyer's willingness to make large-scale purchases without the handshake and face-to-face interaction that has been a part of sales since commerce was invented. Guess which is more common—rising or falling?

Customer service has probably undergone the most radical Internet-based makeover. Old-timers tell of customer service automation consisting of setting up a call center with access to a customer database. Presenting a consolidated picture of the customer? Radical stuff. Today, given Internet-accelerated expectations and technologies, woe betide the company who doesn't care enough to present customers with a total picture of their activity at a site.

THE INTERNET, THE INTERNET, THE INTERNET

The Web has bestowed new contact mechanisms—e-mail! Interactive chat! Web telephony! The standard (what your competitor's offering) is a totally integrated contact center, where trained agents answer e-mails, phone calls, and chat requests using a fully integrated customer database connected to the supply chain, financials, and ERP subsystems. Innovative and hard-working companies are doing good work on products in this space.

The newest area of customer service makes the most of data collection and analysis. Again, the Web—surprise—has been the driver for this new area, as it represents an extension of existing product lines rather than the creation of a totally new one. Examine both the volume and specificity of the data being generated by the average Website and you'll see why this subcategory is so popular. Even a small Website will generate simple log files in the megabytes per day range without really trying. Sites like Amazon and Yahoo! generate gigabytes per day. All this data must be collected, sorted, organized, and analyzed for trends, demographics, cross-selling opportunities, and whatever else you wish to know. There's no shortage of tools to help you do this, of course.

If it weren't for the Internet, there wouldn't be CRM as we know it today. The data generated by the customer is fed into marketing, sales, and customer service applications to better sell to, serve, and retain customers. The success or failure of these efforts can now be measured and modified in real time, further elevating customer expectations. CRM has become a requirement, not a competitive advantage.

SELECTION

So what options are available when looking for the perfect CRM package? Which vendors should be put on the short list? And what are the future trends of the marketplace?

Currently, no CRM package offers all of the major functions associated with the various categories described here. If anyone claims to, show him or her the door. Some come closer than others, but even the most functional packages require extensive customization and integration to provide a complete CRM feature set.

Currently, no CRM package offers all of the major functions associated with the various categories described here. If anyone claims to, show him or her the door.

The ability of a company to implement various CRM solutions can depend on the size of the company. The larger the company, the greater its ability to find feature-rich software. Also, the greater their temptation to ram product down throats and walk away. Most CRM packages are targeted to either "enterprise"—i.e. huge—businesses, one with anywhere from 100 and 500 employees, or one with less than 100 employees. These size differentiations are losing some meaning as more and more CRM vendors offer their products in a hosted setting for you to rent.

The big CRM vendor names are the ones who have finished picking over the enterprise space and are seeing what money can be made in the mid-market arena. Here you find your Siebel, Vantive, Clarify, Oracle, and PeopleSoft. Other companies, such as Servicesoft, Onyx, Pivotal, Remedy, and Applix, started out in mid-market and are poking around for what's left over in the enterprise market. Companies such as Goldmine, Multiactive, and SalesLogix are concentrating on small businesses by offering integrated packages that don't have the depth of functionality as the larger packages, but which do provide one-stop shopping for their modest customers' modest needs. Caveat emptor.

ABOUT THE AUTHOR

Jay Chang has over ten years of information technology experience focusing on the pharmaceuticals industry. He has worked for consulting organizations and Fortune 500 companies, serving a variety of roles from developer to architect. He currently works as an independent consultant focusing on project management, technology assessment, and business process analysis.

PARTNER RELATIONSHIP MANAGEMENT: BRINGING INDIRECT CHANNELS INTO CRM

BY BOB THOMPSON

EXECUTIVE SUMMARY: You're using the Internet to improve your relationships with your customers, so why aren't you using it improve your relationships with your channel partners? The technology's there, and the rewards can be as significant, if the experiences of Tivoli, Sprint and Bang & Olufsen are anything to go by.

These days "e-commerce" is The Word Most Frequently Heard in darn near every business. Rightfully so: The Internet is nothing if not an efficient means of marketing and selling all types of goods. So why do most enterprises continue to rely on indirect sales channels to reach certain markets, add value, and deliver a complete solution? Can't they smell the coffee? Or can Internet technology really be used with equal effectiveness to recruit, manage, and support channel partners?

Absolutely. There's no question that the Internet is the most promising tool for improving your relationship with your channel partners that you could dream of. I can show you industry leaders who are already doing so—quite successfully. In the first quarter of 2000 my company, Front Line Solutions, interviewed 35 channel managers and executives at companies using the Internet to incorporate partners into their e-business strategies. This approach, known as Partner Relationship Management, is a compelling trend, with a short, yet impressive, history of profitable results.

WHY DO WE NEED PRM?

The goal of PRM is to create long-term competitive differentiation with indirect sales channels. Can the Internet cut costs? Certainly—but it can do more valuable long-term work in transforming traditional channels into networks of e-partners, where Web-based applications help channels deliver more value faster, and at less cost. Does that fit with your company's goals?

Early adopters of PRM have implemented a variety of Internet-based applications; there's no one-answer-for-everyone here. Some focused on partner management and measurement systems, based on a robust "partner profile" database. Others invested in smart "channel portals" to give a more personalized experience to channel extranet visitors. And still others implemented automation tools to improve sales processes or streamline order management through e-commerce systems. It all starts with defining your business goals.

The initial results are promising. PRM project managers report increased channel sales productivity, enhanced partner mind share and, in some cases, dramatic cost savings. Over the long haul—if you're not in it for the long haul, forget PRM—these businesses expect e-partner initiatives to increase partner loyalty and competitive differentiation while streamlining channel operations.

PRM IN ACTION

Case in point: Bang & Olufsen, the Danish manufacturer renowned for its high-end audio-visual systems among sophisticated audiophiles—and for designing sleek, hip systems that are prized among moneyed, successful sophisticates in other fields who have tin ears, yet who fancy themselves sophisticated audiophiles. This calls for a, well, sophisticated sales approach among the company's 2,500 retail partners worldwide.

"The channel is critical," said Jens Harder, senior manager for retail systems. "Our retailers must have the right skills and information to speak to this audience, to make sales and to ensure quality of service." To give its dealers better access to product information, and reduce the resources required to process orders, Bang & Olufsen invested heavily in a PC-based configurator, but found the system difficult to maintain and support. They scrapped that approach and refocused on an Internet-based solution. The company expects to see payback in less than two years, given that they've already seen a 50 percent reduction in its ordering staff, and increased sales resulting from service improvements—even somebody who can't tell Bach from The Beatles knows when he's getting good service and when he's not.

That's fine for complex retail sales, but what about reseller channels typically found in the high-tech industry? Consider Tivoli, a software company intent on making it easier for channel partners to do business. An independent division of IBM, Tivoli specializes in data storage systems for routine backup as well as disaster recovery. The company takes a consultative approach to sales, carefully evaluating customer requirements, then proposing an end-to-end solution that delivers the best return on investment.

"Customer needs are changing, there is more specialization in the market," said George Mele, director of worldwide storage management sales. "The value-added resellers we work with must do more than provide access to the product. Therefore, it's important for us to select the right partners, keep them trained, and deliver the information they need." Tivoli selected a PRM channel portal solution to provide a more intuitive way for users to find information based on their specific needs.

The theory's a sound one: The easier the system is to use, the more people will use it. Easier to use means easier to do business with. Business should grow as a result, as the good word-of-mouth attracts other VARs.

PRM is spreading to many other industries—take telecommunications. From its distant roots as a rural telephone company in turn-of-the-(20th)century Kansas, Sprint has grown into a telecommunications behemoth, providing leading-edge digital voice and data services on a local, national or global basis. The Kansas City, Missouri-based corporation places particular emphasis on integrated business communications solutions. "We're selling the total end-to-end package," said Kim McMinn, senior director of distributor marketing for the Sprint Business division. "That means we must reach all department heads, not just IT."

For a number of years Sprint had been using channel partners to help open new markets but found it difficult to coordinate the channel's sales efforts. "Basically, we had no database of partner information. We couldn't profile them, couldn't track their activities, and couldn't get timely feedback on the effectiveness of our programs." Sprint Business implemented a PRM system to consolidate partner information and help manage marketing information and incentive programs. Kim said that the company expects to see gains in revenue brought about by the increased integration of field sales activities with Sprint Business' lead-generation programs, plus the generally greater ease of doing business.

PRM is a key part of the overall CRM framework, which should support employees, customers, and partners. As one of the more recent developments in the CRM market, it's not surprising that many of the initial PRM systems are being provided by startups specializing in this niche. However, CRM market leaders are increasingly offering PRM capabilities as part of multi-channel software suites.

ABOUT THE AUTHOR

Bob Thompson is founder and president of Front Line Solutions, an independent CRM consulting and research firm. Mr. Thompson is a leading authority on the role of CRM in the extended enterprise, specializing in emerging CRM-related strategies and technologies for Partner Relationship Management and Collaborative eBusiness. He is the also the founder of CRMGuru.com, the world's largest CRM portal with over 60,000 members worldwide as of May, 2001. For more information please visit www.frontlinehq.com.

GLOSSARY OF COMMONLY-USED CRM TERMS

We didn't include every little pickin' thing that could be considered a CRM term—you don't need to know what "time-division multiplexing" means, you should be able to figure out what "ROI" means, and if you don't know what a "help desk" is, you're a goner anyway. We've focused on the terms you'll need taped inside your desk to know when to nod at the right times. No arcane techie talk, no synthetic analyst generated terms, just what we use around the office ourselves.

ASP. Application service provider. A company that will rent out applications you don't feel like buying just now, but would like to use. The application lives on the ASP's servers and you get to access it.

Back office solution. Any application that helps with such "back office" dirty work as financial accounting, human resources, and manufacturing.

Business process management. The concept of shepherding work items through a multi-step process. The items are identified and tracked as they move through each step, with either specified people or applications processing the information.

Callback. This feature allows a user to dial in to a computer, type a log-on ID and password, whereupon the computer breaks the connection and automatically calls the user back.

Client/server. This is a setup that splits the processing of an application between two distinct components, a "front-end" client and a "back-end" server. The client and server machines work together to accomplish the processing of the application. All the heavy stuff lives on the server, and the client uses only what it needs from it.

Data analysis. A Really Big Deal in CRM. Data analysis, also called business intelligence, is using software for ad hoc query, reporting and analysis, and supporting strategic decision-making processes with a data warehouse or data mart. Basically it means slicing and dicing your data to figure out how to keep customers and find new ones. Isn't that why you were collecting all that data in the first place?

Data mining. The process of thumbing around in your data warehouse to find correlations and trends that you can use to sell more customers more stuff.

E-sales. This refers to the customer-facing technologies and applications that allow consumers and businesses to "sell themselves" and conduct transactions without the assistance of a salesperson.

Electronic business. E-business means any Internet- or network-enabled business activity. Amazon.com is an e-business. This is as opposed to…

Electronic commerce. E-commerce is just using the Internet to transmit business information and transact business—J.C. Penney taking an order online, say.

EDI. Electronic Data Interchange. A set of standards for controlling the transfer of business documents, such as purchase orders and invoices, between computers. Archaic, unwieldy, and about to be made obsolete by XML.

Enterprise application integration. This technology allows applications from different vendors or based on different platforms to communicate with each other.

Enterprise resource planning. This is a business strategy that—theoretically—improves the integration of manufacturing, financial and distribution functions.

Front office solution. An application designed to help with the management of such customer-facing stuff as sales, marketing, and customer support.

Marketing automation. Software tools that help marketing. They include lead management, campaign management, and data mining.

Middleware. Okay, here's one just so impressed techies will take you seriously: Software that facilitates the communication between two applications. It lets applications invoke services and it controls the transmission of the data exchange over the network. There are three basic types: communications middleware, database middleware, and systems middleware.

OLAP database. Short for "online analytical processing database." A relational database system capable of handling queries more complex than those handled by standard relational databases, through multidimensional access to data (viewing the data by several different criteria), intensive calculation capability, and specialized indexing techniques.

Partner relationship management (PRM). This is the practice of providing sales, marketing, customer service, and other enterprise business functions to partners to foster more collaborative channel partner relationships.

Personalization: This means determining a user's interest based on his or her preferences or behavior, constructing business rules to decide how to deal with such a person, and dealing with that person according to those preferences.

POTS. Plain Old Telephone Service without any added features or functions. Not to be confused with POTUS, the Secret Service term for President Of the United States.

Relationship marketing. The ongoing process of identifying and creating new value with individual customers over the lifetime of the relationship.

SFA. Acronym for Sales Force Automation, which refers to all software stuff foisted off onto the sales force—contact managers, etc.

Supply chain management. This is the process of optimizing the delivery of goods, services, and information from the supplier to the customer.

Workflow. A set of programs that aids in the tracking and management of all the activities in a project from start to finish. The software automatically routes events or work-items from one user or program to another. Also called process flow, but "workflow" sounds more proactive, like you're actually working.