

TWELVE STEPS TO CRM

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Does the idea of implementing Customer Relationship Management (CRM) at your organization seem like eating an elephant all at once? Well, it doesn't have to be that way. Your organization may want to implement in stepwise fashion, starting with the basics and progressing to the sophisticated. The question is: How do you implement in phases so that no phase is depending on something that is not yet in place?

This article describes a 12-step process for rolling out CRM where each phase builds on previous phases. Each step brings more value, and process is intended to help deploy CRM without "eating an elephant". We'll start with the assumption that you're already doing business and that you're big enough to have systems support. (If you're not, this should give you a recipe for getting into CRM easily.)

We'll break the phases into three groups – foundation, basic, and advanced.

FOUNDATION

While some of these may not appear to be part of CRM, it's virtually impossible to implement any systems or efficient processes without mastering these.

1. **Align Your Attitude** More than anything else, CRM requires a customer-centric attitude. Unless you're selling a cheap commodity to a nameless customer (a "consumer"), the quality of your relationship with the customer will do more to improve or destroy your business than anything else you can do.

What value do you get from the right attitude? Think of the lifetime value of the customer. If you deliver what's promised but have a bad relationship, your customer probably has little loyalty; you can expect she'll buy from the next vendor who can deliver. Your bad relationship could cost you your next sale and all sales beyond – much of the lifetime value of the customer. However, if you fail to deliver but have a good relationship, you're likely to get a chance to rectify the problem and re-cement your relationship.

So, align your attitude with the customer, and the remaining steps will be more clearly focused. Leave your attitude focused on costs, products, organization, or efficiency, and you can stop right here.

2. **Define Your Products and Services** This seems obvious, but don't overlook this matter. You should be able to produce a list of your products or services or combinations, their prices, and any packages of products and services that offer a discount over a la carte purchase.

Consider the company that cannot define its offerings or create such a list, and think about these questions:

- Do your sales reps "know" what you do and make up the prices as they go?
- How do you train new reps?
- How can you craft a crisp message describing your offering to the marketplace?
- How can you count up what you've sold in anything other than dollars?

Unless your business is purely consulting, create a list of products, services, and bundles, all with prices and volume discounts. That's what your sales folks sell, that's the basis of any e-commerce you may do, and until you get more sophisticated later in all this, that's the basis for counting unit sales.

3. **Define Products/Service and Price Ownership** This is more subtle, but its implications are significant. Who creates new products and services for the marketplace? Who sets individual, package, and volume prices? Who has authority to offer discounts, and how much?

While this is really a process engineering question, the answer may affect your ability to respond quickly to an individual customer or to the marketplace in general. Consider the Sales and

Marketing department and the Finance department of a hypothetical company, and think about each of the following transactions (let's ignore product development and delivery for this example):

- Create a Product:
 - i. Marketing defines the product and prices it., vs.
 - ii. Marketing defines the product, Finance prices it, and negotiation settles it.
- Sell a Product:
 - iii. Sales sells it, offering the appropriate discounts and forwards the order to Finance, vs.
 - iv. Sales takes an offer, Finance approves order-specific discounts, Sales completes the sale and forwards the order to Finance.

For each of the two transactions, the first organizational alternative keeps decisions within one department. The second organizational alternative requires crossing organizational lines at least twice more than the first, surely a factor that will retard action. How the company handles the first transaction affects its ability to respond to the marketplace; how it handles the second gets down to customer level response.

In the end, this will affect systems as well. If the answers to the ownership questions require much cross-organizational participation – as would be the case where products are in the CRM system and prices are in the Finance system – CRM-Finance system integration will be complex. If the answers are simple, integration will be simple. If the answer to these questions is murky, CRM-Finance system integration may be delayed while your organization sorts these questions out.

Incidentally, the implication of making a decision is that your organization knows who has the master list of products and the master list of prices and discounts. Any such lists other than these masters are “slave” copies.

For best results, cross organizational lines as little as possible, but for any results, make a decision on ownership.

4. **Define Customer Ownership** Again, this may seem irrelevant to CRM, but the decision, or lack thereof, can affect responsiveness to the customers. Who has the customer and customer contacts lists

of record? Who is responsible for keeping it up to date? If there are unique identifiers, who assigns them? Who is responsible for the cleanliness, accuracy, and currency of the data?

Again consider the Sales and Marketing department and the Finance department of a hypothetical company, and think about each of the following transactions (again ignoring product development and delivery):

- Create a Customer:
 - i. Sales takes an order from a customer it knows to be new and records the customer, vs.
 - ii. Sales takes an order from a customer but has to call Finance to check that the customer is known. If not, Finance has to enter the data first, then Sales can enter the order.
- Pursue a Prospect:
 - iii. Sales begins selling to a prospect. Sales checks its contacts. Upon finding this to be a new contact, it creates the new contact, vs.
 - iv. Sales has to check with Finance to see if this is a new contact. If so, it arranges for Sales to enter the prospect into its list. (Note: While this may seem contrived, any prospect can become a customer; there should not be two separate lists – one of prospects (in Sales) and one of customers (in Finance) – or worse yet, duplicates.)

For each of the two transactions, the first organizational alternative keeps decisions within one department. The second organizational alternative requires crossing organizational lines at least twice more than the first, surely a factor that will retard action. How the company handles the first transaction affects its ability to quickly accept an order; how it handles the second simply affects the efficiency of Sales.

Again, for best results, cross organizational lines as little as possible, but for any results, make a decision on ownership. No decision – potentially meaning two (eventually inconsistent) lists – is a recipe for disaster.

BASIC

With the foundation in place, you can now begin managing your relationships to increase the lifetime value of your customers. These steps can themselves have more detailed steps of increasing sophistication, and – as you’ll see – these can be put into place in increments.

5. **Know and Study Your Customer** This is the first CRM activity to begin performing, and it continues forever. Since CRM focuses on customers, this is the basis for everything else that happens.

At a minimum, keep contact information current and track *all* contact events. Later in your implementation of these steps, you’ll use these recorded events as the basis for measuring success of marketing, marketing channels, value propositions, and so forth, and you’ll use these in your day-to-day operations to build relationships. Some examples:

- You run a direct mail campaign to selected contacts, and you record which of them are targets. You record their call for more information. You can now compare how many of them actually responded and perhaps even bought.
- You run a campaign promoting one of your value propositions in two channels – direct mail and email – and you record the same information as above. You can now compare the response rate of each to compare effectiveness of your channel money spent.
- You ask visitors to your site to log in, and you record log-in events. You can now identify which has logged in frequently over the last month, and you consider these to be hot leads.
- Your support reps log all calls, including the gist of the conversations. When your sales reps call, they can build the relationship by asking how that last call was resolved.
- Your sales team logs all calls, even those “while you were out”. Now you can call without the embarrassment of not knowing they called earlier, or worse, that they called earlier and spoke to someone else. This builds relationships.

As your capability develops, you can begin segmenting by common behaviors and needs. This is more sophisticated, in that it allows you to see patterns of need, useful information in value proposition development. If you become sophisticated enough to model segment response (from historical data), you may be able to predict how interested a caller may be in some specific products or services. (You bought a book, and others who bought that book also bought that other book.)

Studying the customer is a continuous process. As the customer reacts to your offerings, you may change your perception of them and act appropriately. For example, a low volume PC purchaser suddenly starts buying in volume; since you’ve tracked this, you now consider them a high-value customer with a big shop that may need support services you also offer. Keep customer study going continuously.

6. **Manage Your Channels** This is the lowest level of management within CRM. You’re measuring the mechanics, not the results, but if you don’t manage this well, you’ll never be able to execute the larger process well.

Direct channels include direct personal contact, phone (telecenters), mail, email, and websites with login. These channels can be used for marketing, sales, delivery, and service. Mass media channels include radio, television, and anonymous web access, and you can only use these for marketing, and for web access, self serve support. For each of these used as marketing and sales channels, you should be able to manage your marketing message, plan cost and response, manage delivery, and measure response and cost against plan. How?

- With each contact, you record the value proposition offered, the channel, and the characteristics of the campaign (coded, for example, to identify test variations in message, color used, channel, etc.).
- You analyze results using statistical methods to find the best response for the dollar and to understand which segments responded to which channel, message, or color (or other characteristic).

Obviously, you need to have Step 3 in place (to identify what they asked about or bought) as well as Step 5 (to organize your information by customer).

By the way, if you're selling or delivering through a Partner channel, you must manage that as well; further, you must have corresponding steps for #4 and #5 – Define Partner Ownership, and Know and Study Your Partners.

Although these suggestions focus on marketing and sales channels, they also apply to delivery and service channels. Find out, for example, if some segments prefer some channels, and if, for example, the web is more effective (in cost, accuracy, and customer satisfaction) than a telecenter rep. High value customers may well prefer the personal touch, so much so that focusing on low cost (web service) could jeopardize the customer's lifetime value.

Within this step, you should be able to master management of one or more channels. You may not achieve cross-channel consistency quite yet, and that's a more sophisticated step to take (step 8). Regardless, you will have learned how to get the most bang for the channel buck, minimizing expense without detriment to your results. You may want to do this in sub-steps, mastering one channel at a time.

7. **Define Your Process** While it appears this should have been done first, we're operating under the assumption that you are already in business and either you have not formally done this or your process grew organically. This is your opportunity to step back and take a look at the big picture.

As a rough outline, your process should probably have the following activities:

- Know and study your customers (achieved in Step 5)
- Develop the right products and services based on your knowledge, defining your delivery channels, e.g., personal, shipped goods, web access, for example (identification and pricing of which was achieved in Step 3)
- Develop your marketing approaches
- Put selected marketing and sales channels in place (management of which is achieved in Step 6)

- Put selected service channels in place (this may be part of product/service development if service is part of the offering)
- Market, sell, deliver, and service place (management of channels for these is achieved in Step 6)

There are two important results here. One is that you know how all the parts fit – customer knowledge and tracking, product/service development, marketing, sales, delivery, and service, and all their channels. Most important, you'll learn how the elements of your process should integrate. For example, sales should know what service is doing, development should know of service results collected across customers, etc. This process integration drives the company to act with one face and with one objective – customer value development. It's not silos any more, and you may come away from this exercise with some thoughts on your organization.

The second important result is that you can study and detail specific areas that can elevate revenue in the short term or improve satisfaction (i.e., elevate revenue over the long term). You'll understand how you sell to your segments, how you reclassify customers into new segments, how you cross-sell and up-sell, etc.

Again, this can be done in sub-steps. Steps 1-6 are pre-requisites for *any* process you choose to define and execute. And as you take further steps, you will develop your process even further.

With regard to CRM systems, this integrated process is the foundation for the system requirements. If your CRM system doesn't support your process, you'll be adding obstacles to your path.

8. **Integrate Your Channels** Want to make sure that you present one face to the world? One contributor to this is cross-channel integration. There are two elements to this.

First, it's important that the channels work together, so that, for example, your sales team knows that a prospect has visited your website, has created a login account, and has spent a fair amount of time on a particular product. This integration is more mechanical in nature, and for virtually any company, this becomes a systems problem. Sales has to see the telecenter tech support call logs, the web support submissions, the

web product inquiries, and the direct mail campaign logs that generated them. This kind of integration reduces embarrassment and helps build relationships.

The second element is more about the message you convey. Your channels must operate coherently to present one image of you to the customer. Examples:

- All channels must have a consistent message, so that the web, for example, does not present you as a low-priced commodity vendor while your sales reps are positioning you as a high-quality vendor of personalized mission-critical services.
- All channels must offer consistent (or channel appropriate) products with consistent (or channel specific) pricing. Customers now understand that prices on the web are lower, but service levels are lower. However, if your website offers in-home independent mortgage broker visits, your direct mail should not say you keep your rates down by employing salaried sales agents in the office (who receive no commissions).

The key is that you should keep a consistent message so that your clients understand your offerings without confusion – particularly confusion arising from different ways in which they learned of your offerings.

That said, there is nothing wrong with having channel-specific offerings, prices, and messages, as long as there is coherent planning behind it all. Without embarrassment, you can respond to a question about lower web prices on the same products, but you may want to have a slightly different offering to further delineate the differences. You can also explain a different line of products sold to business by sales reps and installed by technicians, distinct from the products sold on the web for do-it-yourselfers.

ADVANCED

You will have achieved great value if you only get as far as Step 8. However, maximizing the value of CRM requires that you embark on the remaining steps, the most sophisticated of the lot. Note that the last step – continuous improvement – never finishes.

9. **Think Value Proposition** Surprising as it may seem, the customer is not buying your product or

service. The customer is buying a value proposition – the combination of products and services (first defined in Step 2), the price (Step 3), the delivery terms, and a message. Some examples:

- When you buy a desktop computer with monitor, keyboard, and mouse (the product) for \$499 (the price) with a one year walk-in parts warranty and web access to the support knowledge base forever (the service), and 12-day order shipment (delivery), you're buying a low cost commodity, and you're not placing much value on absolute full-time availability of the machine. When you bought this, you probably responded to the bold price and the copy that mentioned low cost (the message).
- You see an expensive laptop (the product) with 3 year parts-and-labor warranty with next day swap by overnight express and personalized support (the service) for \$2500 (the price) shipped next day (delivery), and ad copy about your uptime, with subtle signals regarding the caché of the slim-line design. This value proposition suits the business person who cannot afford to be without the laptop and who wants to appear technologically current.

The above examples illustrate two key points of a value proposition. First, it has appeal to some group with distinctive characteristics or behaviors (in this case, budget-minded home users, or those with a need for reliability and style). Second it's not just a straight product or straight service; rather, it's a combination that brings value. What's different from the old 4P's – product, place, price, promotion? It's got many of the same elements, but the emphasis is less on product engineering and more on perceived value of the bundle.

So, integrate your thinking on this, and design value propositions from the customer's perspective. Know what your customers need (from what you achieved in Step 2), assemble the appropriate goods and services, price it right, and create a message that resonates with their needs. Define your channel strategy for getting the message out, potentially varying the value proposition and message as appropriate for each channel.

These value propositions become the new set of products and services, replacing what you created in Step 2 over time.

10. Measure Results From the Customer's Perspective

You have already started measuring the mechanics in Step 6, but that doesn't measure bottom-line effects. It only measures part of a process that will help get you there. In this step, you begin measuring customer-related matters that affect the bottom line.

From the customer's perspective, how did they respond to the value propositions? You should be able to get these results from customer contact experience (what you've achieved in Step 5), notably sales, organized by value propositions (started as products and services in Step 2 and developed further in Step 9). Organize and classify results by the market segments you used to create the value propositions. You should be able to answer the following questions:

- *How much of each value proposition did each segment buy?*
- *Did the segment buy the value propositions you expected (you designed for)?*
- *Did you have to promote more heavily than expected to get sales because the targeted prospects or clients didn't like the value proposition (as you heard in some sales calls)?*
- *Did you learn anything from customers about how the whole proposition met their needs or could have?*

This is very different from a traditional (organization-based) view of measurement. Consider the laptop example of Step 9. In the traditional view, a product department would design the product (emphasis on engineering), and the product would be sold with an optional service package. The products line of business would be measured on units moved. The service department would be measured on services sold. If the services didn't sell, the service line of business would have to diagnose and fix the problem. In fact, this measurement is taken in a vacuum, even if there are targets. Unless you can tie back to customer needs (reliable computing, for example), you never know how well you could have done.

11. Think Investment Now that you can measure results in terms of value propositions, it's time to think return on investment. This is the real goal of CRM – maximizing return for the investment by investing in the best mix of value propositions to elevate customers' purchases from you. Here's how.

- First, set some business objective, like winning back some number of departed customers, elevating purchases from existing customers, or acquiring some a number of new customers.
- Consider new value propositions designed to meet the business objectives above, using your knowledge of the customer (already achieved in Step 5). Determine what it'll cost to develop these value propositions (product/service development, channels development, etc...), and set your return on investment objectives. Pick the best mix of value propositions that have the highest return and that will fit in your company's development investment budget.
- Measure sales of value propositions (as you've achieved in Step 10). Based on the sales revenues and the costs (from which you calculate profits), you should be able to calculate your return on your investment for the value propositions. Compare to your plans (previous bullet).
- Learn how to create better value propositions from the experience and from contact with your customers.
- Manage to your objectives.

12. Refine & Improve It's all in place. Start a process of continuous improvement. Improve customer modeling and mining for clues on needs and behaviors. Improve on your execution, improve on your process. Find better ways of learning from successes and failures, using all the knowledge your management and staff can assemble. Look back at Steps 1 through 11 and see how you can do them better.

CONCLUSION

Certainly, you can skip steps, and you may already do some, even though you may not do other lower numbered activities. But keep at it. Each of these steps lays a foundation for something that follows.

About the Author

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