

A MANAGEMENT VIEW ON CRM

WHITEPAPER

by

Rémon Elsten

managing partner

April 2001

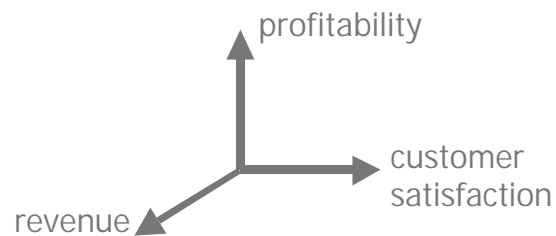
A management view on CRM

CRM as a strategy

Nowadays many definitions on Customer Relationship Management exist. Within Crowne Associates we decided not to come up with a new definition. We found a definition, which describes exactly our view on CRM.

We adapted the definition of Gartner Group Inc. (1999).

customer relationship management is a customer-focussed business strategy designed to optimise profitability, revenue and customer satisfaction



source: Gartner Group Inc. 1999

Bottom line for all organisations is profitability, which is achieved by assuring a certain level of revenue. Customer satisfaction is the driver to make sure enough revenue is generated over a period of time.

The discussion within management teams regarding CRM most often is about finding the driver or reason for putting CRM on the agenda.

One reason could be:

unlike most other organisational assets, customer groups, if managed and maintained, cannot be easily copied by the competition

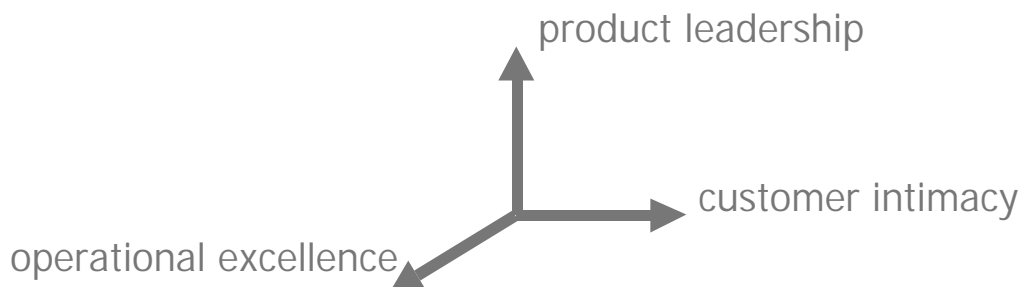
source: Davis Schmittlein (Wharton professor)

Another reason is trying to extend the customer life cycle or influence the customer buying process and being able to manage customer interactions through

- creating demand,
- managing demand and
- respond to demand.

a strategy and measuring success

If we look at the possible strategic directions of a market-leader, we will find that there are three possible directions to consider.



source: The Discipline of Market Leaders from Michael Treacy, Fred Wiersema

A market-leader has to focus on one of those three directions, without forgetting the other two.

If “product leadership” is the strategic direction and the time-to-market is perfect, it is not necessary to consider CRM. The customers will come to you.

If you don’t have this strategic advantage toward competition and you are not the only one providing products or services, CRM is a must to support either “operational excellence” or “customer intimacy”.

If CRM is a serious consideration as part of the strategic direction it is necessary to put the customer in the center of your considerations. A possible way to do so is to combine the customer life cycle and the organizations value chain.

		customer life cycle			
		engage	transact	fulfil	service
value chain	sales				
	production				
	logistics				
	service				

Even more important is to define the way to measure the success of a CRM based strategy. Different tools are available and being used to do so. One of them is the customer scorecard, which provides an organization insight on the added value of a customer against the goals of an organization.

The customer scorecard consists of the following weighting criteria:

- customer value (revenue)
- customer profitability
- customer preferences
 - offering types and features
 - communication channels
 - interaction methods
- customer buying patterns / habits

the implementation of CRM

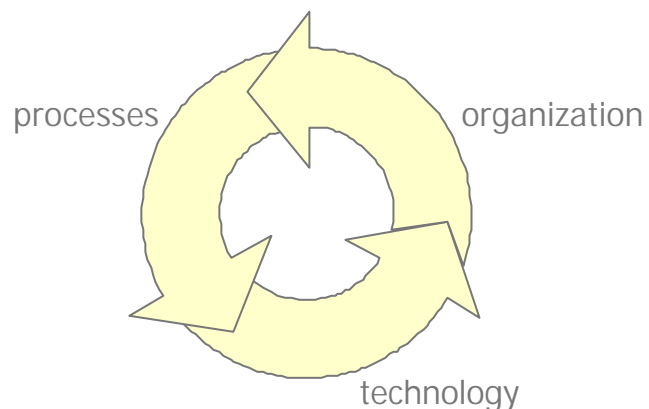
Implementing CRM is not about buying and installing a technical tool (as many suppliers would like to let you believe).

Implementing CRM means converting a strategy into a concept, which assures the goals of a CRM based strategy are achieved.

This concept is often referred to as a "customer care concept" or a "customer communication concept".

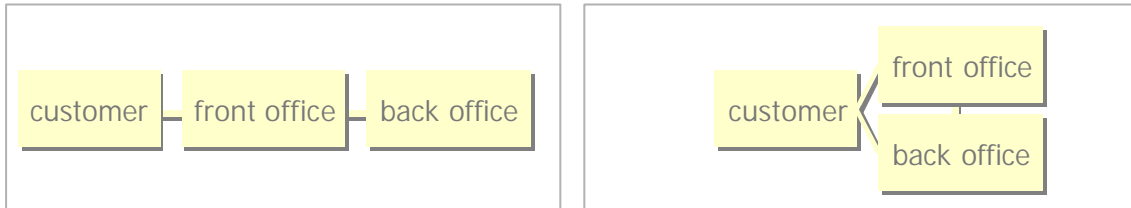
We prefer to use the definition "contact center".

A contact center is a concept to convert a CRM strategy into a long-lasting overall change regarding the organization (including personnel), processes and technology.



The changes described here are changes from a product-oriented approach to a customer-oriented approach.

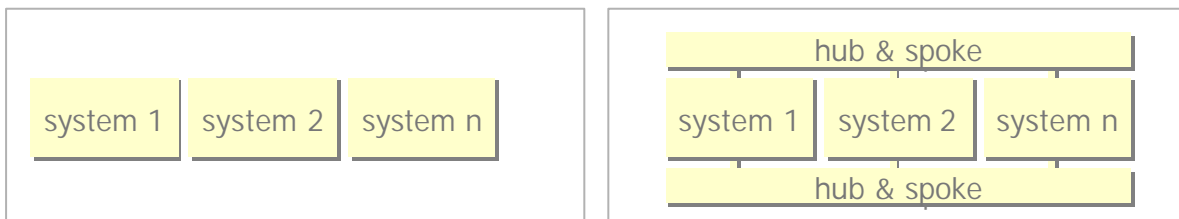
From the point of view of the customer an organization is not only a sales department or front office. The customer will look at the organization as a whole. This means the organization has to be organized in this way.



Processes are not built around existing or new products. Processes have to be designed around the customer.



Technology mostly designed around products, services (including billing systems or logistical / ERP systems) has to be redesigned toward a customer contact platform on the one hand side and a information providing platform on the other hand side. In between tools can be implemented in which the business rules are implemented.



Changes within processes or an organization will lead to changes within technology.

That's one reason why CRM has a technology drive. Other reasons are the growing possibilities of technical tools supporting changes within processes, which also lead to technology being a driver for changes within processes.

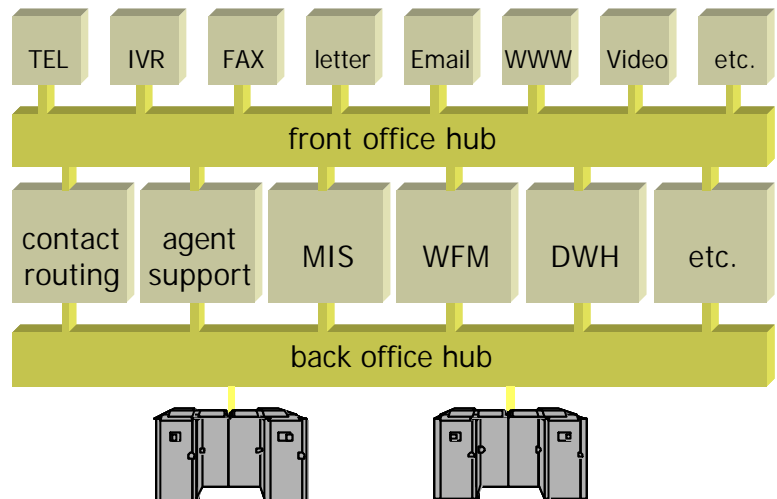
One way or the other: technology plays and will play an important part within CRM.

That's why it is important to professionally evaluate, select and implement a proper technical infrastructure to support the personnel & organization, and to project the processes into.

Technology

A functional model used by suppliers and consultants, which provides an overview of the functional architecture, clearly positions the different areas of technology.

This model is based upon McKinsey's hub & spoke model, and is developed especially for multichannel and multisite architectures.



Within this model the typical CRM technologies as described by Metagroup:

- collaborative CRM,
 - operational CRM and
 - analytical CRM
- are also clearly positioned.

Hopefully this white paper gives you an overview on how to get from CRM as a strategy to the different definitions of CRM within the technical infrastructure, which supports this strategy as part of the contact center concept, which consists of organization, processes and technology.

For more information on the impact of CRM on your business you can contact us on:

Crowne Associates
 Tischenloostrasse 59
 CH-8800 Thalwil
 Switzerland

tel +41 1 722 33 33
 fax +41 1 722 33 01
www.crowne.ch
contact@crowne.ch