Customer Relationship Management Is Not an Option

Peter Drucker said, "The purpose of a business is to create customers." Implied in his words and his work is the importance of *keeping* those same customers and of growing the depth of their relationship with you. After all, as research by Frederick Reichhold and Earl Sasser of the Harvard Business School shows, most customers are only profitable in the second year that they do business with you. That's right. Initially, new customers cost you money—money spent on advertising and marketing and money spent learning what they want and teaching them how best to do business with you.

Customer relationship management (CRM) can be the single strongest weapon you have as a manager to ensure that customers become and remain loyal. That's right! CRM is the single strongest weapon you have, even before your people. Sound like heresy? Let us explain what we mean.

Great employees are, and always will be, the backbone of any business. But employee performance can be enhanced or hampered by the strategy you set and by the tools that you give

employees to get the job done. Done right, CRM is both a strategy and a tool, a weapon, if you will. In your hands, and in the hands of your employees, CRM comes to life, keeping you and your team on course and able to anticipate the changing landscape of the marketplace. With CRM, loyal customers aren't a happy accident created when an exceptional customer service representative, salesperson or product developer intuits and responds to a customer need. Instead, you have at your fingertips the ultimate advantage—customer intelligence: data turned into information and information turned into acustomer-satisfying action.

Implementing CRM is a nonnegotiable in today's business environment. Whether your customers are internal or external, consumers or businesses, whether they connect with you electronically or face to face, from across the globe or across town, CRM is your ticket to success.

Customer Relationship Management Defined

Customer Relationship Management is a comprehensive approach for creating, maintaining and expanding customer relationships. Let's take a closer look at what this definition implies.

First, consider the word "comprehensive." CRM does not belong just to sales and marketing. It is not the sole responsibility of the customer service group. Nor is it the brainchild of the information technology team. While any one of these areas may be the internal champion for CRM in your organization, in point of fact, CRM must be a way of doing business that touches all areas. When CRM is delegated to one area of an organization, such as IT, customer relationships *will* suffer. Likewise, when an area is left out of CRM planning, the organization puts at risk the very customer relationships it seeks to maintain.

Key Term **CRM** A comprehensive approach for creating, maintaining and expanding customer relationships.

Patients Are Customers, Too

In the early 1990s Midwest Community Hospital (not its real name) recognized that managed care plans dictated where patients went for their first hospitalization. However, it was the quality of caring during their patient experience that determined whether or not individuals and families would choose MCH for their next healthcare need or move heaven and earth to have their managed care plan send them somewhere else. So, a "Guest Relations" program was launched to increase patient satisfaction and loyalty. It involved all patient contact areas, from the security personnel who patrolled the parking ramp, to the nurses and aides, to the facilities management team, to the kitchen and cafeteria staff. It forgot finance. Accounting staff, accustomed to dealing with impersonal policies and government-regulated DRG (diagnostic related groups) payment guidelines, took a clinical and impersonal approach to billing and collections. MCH found that all the good will created during the patient stay could be, and often was, undone when a patient or family member had an encounter with the finance group. MCH learned the hard way that managing the customer relationships extends beyond traditional caregivers, and that to work CRM must involve all areas.

The second key word in our definition is "approach." An approach, according to Webster, is "a way of treating or dealing with something." CRM is a way of thinking about and dealing with customer relationships. We might also use the word *strategy* here because, done well, CRM involves a clear plan. In fact, we believe that your CRM strategy can actually serve as a benchmark for every other strategy in your organization. Any organizational strategy that doesn't serve to create, maintain, or expand relationships with your target customers doesn't serve the organization.

Strategy sets the direction for your organization. And any strategy that gets in the way of customer relationships is going to send the organization in a wrong direction.

You can also consider this from a department or area level. Just as the larger organization has strategies—plans—for shareholder management, logistics, marketing, and the like, your department or area has its own set of strategies for employee

retention, productivity, scheduling, and the like. Each of these strategies must support managing customer relationships. Sounds too logical to need to be mentioned. Yet it is all too easy to forget. For example, in times of extremely low unemployment, how tempting is it to keep a less than ideal employee just to have a more comfortable headcount? Or, consider the situation all too familiar to call center environments, where pressure to keep calls short goes head to head with taking the time necessary to create a positive customer experience.

CRM Is Strategic

Make a list of the key strategies that drive your area of responsibility. What approach or plan determines your:

- Staffing levels?
- Productivity targets?
- Processes and procedures?
- Reporting?

Now, write down your organization's, or your personal, approach to managing customer relationships. Compare the CRM strategy with the other key strategies. Do they support the manner in which you want to interact with customers? Why or why not?

Now, let's look at the words, "creating, maintaining and expanding." CRM is about the entire customer cycle. This is what we'll discuss in Chapter 2 as the Customer Service/ Sales Profile. When you implement your CRM strategy, you will capture and analyze data about your targeted customers and their targeted buying habits. From this wealth of information, you can understand and predict customer behavior. Marketing efforts, armed with this customer intelligence, are more successful at both finding brand new customers and cultivating a deeper share of wallet from current customers. Customer contacts, informed by detailed information about customer preferences, are more satisfying.

Are you a manager whose area doesn't deal with external customers? This part of the definition still applies. First, you and your team support and add value to the individuals in your organization who do come into direct contact with customers. Again and again, the research has proven that external customer satis-

faction is directly proportional to employee satisfaction. That means that the quality of support given to internal customers predicts the quality of support that is given to external customers. Second, consider your internal customers as advocates for your department or area. For you and your team, CRM is about growing advocates and finding new ways to add value.

> **External customers**
> Those outside the organization who buy the goods and services the organization sells.
>
> **Internal customers**   A way of defining another group inside the organization whose work depends on the work of your group. Therefore, they are your "customers." It's your responsibility to deliver what they need so they can do their jobs properly.

Finally, what do we mean by "customer relationships" in today's economy, where we do business with individuals and organizations whom we may never meet, may never want to meet, much less know in a person-to-person sense? CRM is about creating the feel of high touch in a high tech environment. Consider the success of Amazon.com. Both of us are frequent customers and neither of us has ever spoken to a human being during one of our service interactions. Yet, we each have a sense of relationship with Amazon. Why? Because the CRM tools that support Amazon's customer relationship strategy allow Amazon to:

- Add value to customer transactions by identifying related items with their "customers who bought this book also bought" feature, in much the same way that a retail clerk might suggest related items to complete a sale.
- Reinforce a sense of relationship by recognizing repeat shoppers and targeting them with thank you's ranging from thermal coffee cups to one-cent stamps to ease the transition to new postal rates.

In short, customers want to do business with organizations that understand what they want and need. Wherever you are in your organization, CRM is about managing relationships more effectively so you can drive down costs while at the same time increasing the viability of your product and service offerings.

Technology Does Not Equal Strategy

The past several years have witnessed an explosion in CRM tools, especially software applications. According to a recent report from Forrester Research (March 2001), 45% of firms are considering or piloting CRM projects while another 37% have installations under way or completed. These firms will spend tens of millions on CRM applications, often working with ten or more separate vendors.

Yet, the quality of customer service continues to decline. The American Customer Satisfaction Index, compiled by the University of Michigan's Business School, declined an average of 7.9% between 1994 and 2000. At the same time the number of on-line sites where consumers can post their customer service complaints for the entire world to see has risen dramatically.

What's going on here? If CRM is the powerful weapon we say it is, then why isn't service improving?

We believe the problem stems from confusing *technology* with *strategy*. In both large and small-scale efforts, it's not uncommon to see the term CRM used as shorthand for the technology that supports the strategy implementation. As you can see in Figure 1-1, your CRM strategy should drive your organizational structure, which should in turn drive choices around technology implementation. Yet, individuals and organizations become enamored of the technology applications and forget that that they must start with a CRM strategy.

The language confusion doesn't help. Countless articles and reviews of CRM tools and technologies never mention strategy. They imply, or even come right out and say, that the only thing you need to do to have effective CRM is buy the right application. Yes, the right application is critical. But it is your CRM strategy that informs which application will be right for you.

A recent conversation with a new client vividly illustrated this point to us. Steve is the general manager for a new resort located in a remote setting. "What's your approach for customer relationship management?" we asked. "Well, we would like to buy a database management system," he said, naming a particular
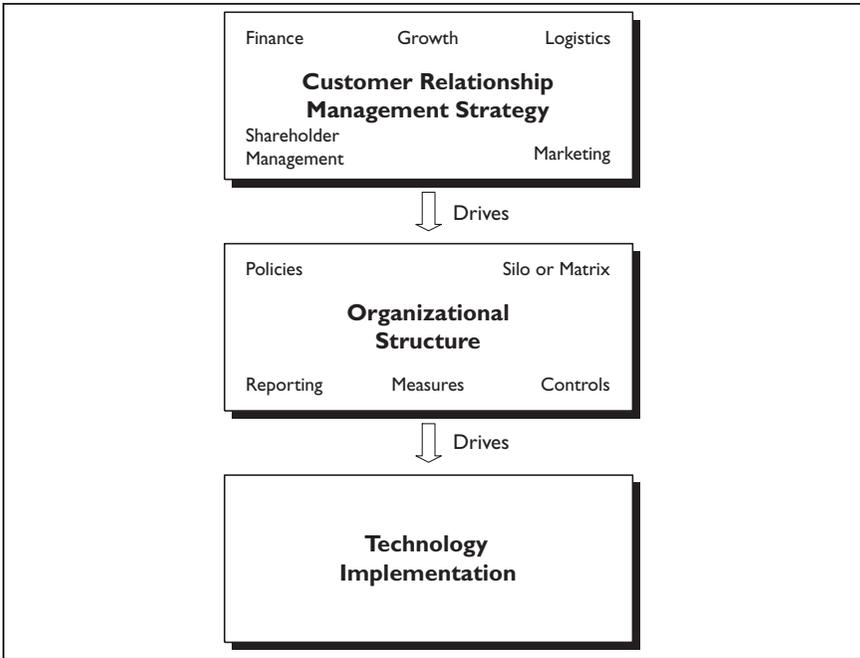
Figure 1-1. CRM strategy drives structure and technology

application, "but right now our revenues just won't support the investment."

We tried again, "What's your strategy for making sure that guests who come to stay one time will want to come back? How do you ensure that every staff member works to create a bond with each guest?" "Well," he began, looking intent, "Everyone just does their best to be friendly and to make the guest feel welcome. We'll do more when we get the database in place."

Steve had fallen into the "CRM is technology" confusion. It's easy to do—and dangerous. Without a strategy to create, maintain, and expand guest relationships, Steve's resort may never have the

Strategy Isn't Technology

Listen to the way the term CRM is used in your organization. Do people confuse strategy and technology? If so, you can be a voice for clarity. Insist that CRM applications and technologies be referred to as CRM tools. Ask how each tool supports your CRM strategy.

revenue to invest in CRM tools—or even to stay in business.

Hotels, at least the good ones, have been managing guest relationships since long before the CRM tools we know today ever existed. So, fortunately for Steve, the seeds of a good CRM strategy were already in place. Front desk employees often asked guests if they were visiting for a special occasion. Information about anniversaries and birthdays was passed on to the restaurant, where complementary champagne or a special cake was provided. Sometimes, housekeeping took part and added special room decorations. However, because Steve was so focused on the high-tech solution he couldn't buy, he wasn't leveraging his hotel staff's natural approach to creating, maintaining and expanding guest relationships. There were a lot of "happy accidents" that resulted in happy guests. But there were even more missed opportunities.

> **⚠ CAUTION!**
>
> ### Know Your Purpose
>
> Don't get enamored of the tools of CRM before becoming clear about your purpose and what your approach to creating, maintaining, and expanding customer relationships looks like.
>
> Having a customer database is not the same thing as having a CRM strategy. As a friend of ours is fond of saying, "A dictionary is wonderful database of words, but a dictionary can't write a letter for you."

The Power of CRM

The power of CRM comes from the clarity of your approach. Think for a moment about your personal planner and organizer. In a sense, it is your personal CRM tool. What do you use? A calendar with scribbled names, addresses, and a lot of Post-it™ notes? Or are you more organized, using a FranklinCovey™ or DayTimer® binder? Perhaps you are the high tech type, using the latest handheld personal digital assistant (PDA) to keep track of everything.

How well does your personal organizing system work for you?

We'd like to suggest that you can be as powerful with Post-it™ notes as with a Palm®, provided that you are clear about your inten-

tion and that you've chosen the right tool for you. We would guess, however, that a fair number of you are using (or at least carrying around) the organizer that someone else thought you should have. Maybe it's even the organizer that *you* thought you should have.

That's what happened to a good friend of ours. "I got a $500 PDA that I've never used, even after the first week of torturously loading in my loose data. I bought it because everybody else had one. They looked so organized and, well, kind of cool beaming things back and forth. I thought, if I get one then I'd look organized too. I'm still carrying it around…along with a calendar and a lot of Post-it™ notes."

Yet, another friend swears by her PDA, conscientiously entering every new name and phone number, religiously consulting its calendar before committing to meetings or projects, even using the portable keyboard to write reports and enter financial data.

A $500 PDA is a bargain if you use it, and an expensive toy if you don't. And the same is true of a $500,000 CRM tool.

To gain clarity about your CRM intention, think for a moment about your own customers, be they internal or external, consumers or business-to-business.

- What drives them to do business with you?
- If you manage an internal support area, ask yourself, given a realistic choice, would your customers choose to do business with you?
- In what ways do you need to enfold your customers in your business, so that

> **Know Your Intention**
>
> The more clarity you have about your CRM intention, the greater the likelihood that you will choose the appropriate tools to support it *and* that you will follow through on using them.
>
> *Smart Managing*

> **Share Your Strategy**
>
> Make sure your team members know what your CRM strategy is and how the tools you've chosen support that strategy. One way is to invite a representative from another area of the organization to a staff meeting to explain how his or her area uses the customer data that your team members collect.
>
> *Tricks of the Trade*

you can better understand what they want and need—and more effectively provide it?

- What do your customers need and want to have happen during their encounters with you?
- What will drive your customers to continue to do business with you?
- What information about your customers will help you identify ways you can grow the amount of money they spend with you?

The answers to these questions will begin to clarify your CRM strategy.

Two examples from our consulting experience may help as you think about your own customers.

Consumer Product Contact Center. Sonjia manages a consumer product call center for a food manufacturing company. Her group responds to the 800# calls and e-mail requests offered by product users. Sonjia knows that her customers often choose these products because these are the brands their mothers and grandmothers used. She also knows that most of them don't even think about her or her group ... until they have a product question or concern. In the event there is a problem with a cake mix, cereal, or other product, the members of Sonjia's team need to obtain product codes from the customer. Beyond resolving problems and answering questions, the 800# call or e-mail contact is a great opportunity to reinforce customer loyalty and gather more information about this new generation of users. Therefore, Sonjia is clear that for her team CRM has to:

- Create a sense of relationship and reinforce brand loyalty with customers who seldom contact the company directly.
- Quickly and effectively turn around a product problem or concern.
- Gather product code information so that the potential impact of problems and concerns on other customers—those who don't make direct contact—can be assessed and corrections and improvements can be made.

- Allow customer contact representatives to demonstrate familiarity with an increasingly wide variety of products and packaging options.

Food Brokerage. Maurice owns and operates a food brokerage business, supplying fresh fruits and vegetables to area restaurants. He serves independent restaurants. The chef or souschef places biweekly, and even daily, orders. Chefs by nature aren't hesitant to tell delivery drivers when product quality is lacking. And if they are disappointed, they may well go to another supplier to get the items they want. Disappoint them too many times, and they may make a permanent supplier switch. Therefore, Maurice is clear that to add value CRM has to:

- Profile each restaurant and chef, so that both the brokers who place the bulk food orders and the drivers who make the deliveries know what fruits and vegetables each is likely to order in each season of the year.
- Track satisfaction with delivered merchandise, including refused shipments and those that were grudgingly accepted.
- Anticipate on-the-spot increases in orders, so that drivers can be prepared with extra asparagus, for example, when it looks particularly fresh and appetizing.
- Capture information about upcoming restaurant promotions and special events, in order to predict and accommodate changes.

In Chapter 4, we'll spend more time showing you how to choose the specific CRM strategy that is best for your needs. For now, the point to take away is that the power of CRM lies in the clarity of your purpose. Sonjia and Maurice have clear intentions. How about you?

CRM Success Factors

While clear intention fuels the power of CRM, there are several other success factors to consider. We will focus on five of the most important here. Organizations that implement CRM with a strong return on investment share these characteristics.

1. **Strong internal partnerships around the CRM strategy.** We said earlier that CRM is a way of doing business that touches all areas of your organization. This means that you and your management peers need to form strong internal partnerships around CRM. If you and your organization are early on the road to CRM implementation, now is the time to bring your CRM needs to the table, and to be open to listening to the CRM needs of other areas. You may find that you have requirements that are, at least potentially, in conflict. Resist the temptation to go to war for what you need.

If your organization has gone off the partnership road with CRM, then now is the time to come back together and rebuild partnership with the area that is currently championing CRM. Let them know that you appreciate what they have done. Let them know what data you have to offer and help them understand how you plan to use the data you request from them.

2. **Employees at all levels and all areas accurately collect information for the CRM system.** Employees are most likely to comply appropriately with your CRM system when they understand what information is to be captured and why it is important. They are also more likely to trust and use CRM data when they know how and why it was collected.

Working Together for CRM

At the Consumer Product Call Center, the market research group wanted to add a short customer survey to the end of each customer call. Sonjia worried that both customers and staff would resent spending additional time—customers because it wasn't the purpose of their call and staff because of the pressures to handle a particular number of calls each shift. Engaging in dialogue with her marketing peer about their needs and her concerns helped the CRM team to come up with a workable strategy. Using the power and flexibility of the existing software applications, callers are randomly selected to participate in surveys. Customers are asked if they would be willing to spend an additional few minutes answering three questions in return for a thank-you coupon. Customers who agree are transferred to an automated survey system, while service representatives are freed to respond to the next call.

Getting Everyone on the Same Page

Maurice realized that his sales reps had de facto control of CRM and often felt like they had personal ownership of each customer relationship. In making CRM more comprehensive than a sales tool, Maurice began by thanking his sales team for building strong customer bonds. He shared several stories that illustrated how helpful it was to the sales team when drivers gave them a heads-up about problems or additional customer needs. "Wouldn't it be great to get that kind of information everyday?" he asked, "and not just when you and the delivery driver happen to cross paths?!" The sales team agreed.

3. **CRM tools are customer- and employee-friendly.** CRM tools should be integrated into your systems as seamlessly as possible, making them a natural part of the customer service interaction. A major manufacturer of specialty pet foods redesigned the pop-up screens for its toll-free consumer phone line. In the original design, the final pop-up screen prompted the representative to ask the caller's name and address. Yet, representatives had found that it was easier and felt more natural to ask, "What's your name?" and "Where are you calling from?" and "What's your pet's name?" at the start of the call.

4. **Report out only the data you use, and use the data you report.** Just because your CRM tool can run a report doesn't mean it should. Refer back to your CRM strategy, and then run the data you will actually use. And share that data with your team.

Keeping Guests Happy

Kristin Anderson recalls an overnight at the Duluth, MN, Super 8 Motel. Located near the ship loading and warehousing area, this particular motel lacks any sort of view. Yet, it is regularly booked with guests who are happy to be there. That evening, Kristin observed the front desk clerk poring over a large Rolodex®. Kristin must have looked curious, because the clerk looked up, smiled, and explained, "These are our VIP customers, the salesmen—well, they're mostly men—who come here regularly. I'm just getting familiar with them so I'll recognize them and know their preferences when they check in." This explained the recliner in Kristin's guestroom. "Why, yes. We asked our VIPs what they missed from home when they are on the road. Their recliner was the number-one answer."

Avoiding Customer Ire

Ask your staff if there are any CRM questions that cause customer ire. For example, we've stood behind more than one retail customer who balked at giving the cashier her ZIP code before having her merchandise rung up. In the worst cases, the cashier had no clue why this information was requested, but refused to make the sale without it. In the best cases, the cashier cheerfully and easily explained that this information was used to ensure that stores were conveniently located near core groups of customers, and that she would be happy to ring up the customer's purchases without gathering that information.

5. **Don't go high-tech when low-tech will do.** At Harley-Davidson outside of Milwaukee, WI, during the summer they often leave open the big metal doors to the manufacturing facility to let in any breeze and the cooler evening air. Unfortunately, open doors occasionally let in other things, including skunks. A team met to consider the problem and possible solutions. After discussing the pros and cons of screens, half-doors, or keeping the doors shut, they came upon the ideal solution. When a skunk wanders in, just leave it alone and wait till it wanders back out. Skunks may be Harley fans, but they never stay long.

Organizations that successfully implement CRM look for the simplest solution when implementing their CRM strategy.

A low-tech solution that works for the people who actually use it is more effective than a high tech solution that is cumbersome, costly and apt to be discarded or inconsistently implemented.

The Report Maven

Make one member of your team the report maven. This individual should learn how to query your CRM database for an ad hoc report to see if you can spot a trend or deepen your understanding of what your customers want or need.

CRM Is Here to Stay

Lee Iacocca said, "The biggest problem facing American business today is that most managers have too much information. It dazzles them, and they don't know what to do with it all."

Keep It Simple

While the hotel chain's corporate office struggled to find a cost-effective way to identify and flag repeat guests by property, one location had already figured it out. When guests were picked up at the airport or greeted by the doorman, a seemingly casual conversation actually probed to see if the guest had stayed at the property before. Then, as the driver, doorman or bellhop passed the customer to the front desk with a "This is Ms. Customer," a gesture that indicated first timer or return guest. Imagine the surprise at the home office when they learned that, for free, the front desk staff was greeting guests with a "We're so happy to have you with us again, Ms. Customer."

Isn't CRM just another management fad that adds to that problem? No. Done right, done well, your CRM strategy sets the agenda for what data you will collect, how that data will be translated into information, customer intelligence, and how that information will be shared across the organization.

We believe that the biggest problem facing business today is that most managers have too much data, and far too little relevant information.

When aggregate customer information is strategically collected and segmented, you can target new customer prospects. When customer preference information is easily

Data Simply the facts. The fact that you served 40 customers is data.

Information Data for which meaning has been interpreted. Knowing that 40 customers is an average number to serve is information.

accessible, you can craft superior service experiences—be they face-to-face, via telephone, or over the Internet. And when information about changing or additional customer needs is captured, you can expand the depth of the customer relationship.

CRM is the strongest weapon you have to create, maintain, and expand customer relationships and it's here to stay.

Manager's Checklist for Chapter 1

❏ CRM is about managing relationships more effectively so you can drive down costs while at the same time increasing the viability of your product and service offerings.

❏ The strength of CRM lies in the clarity of your approach and purpose. Before taking a single step forward, be absolutely clear about what you want to accomplish.

❏ Remember, customers want to do business with organizations that know them, that understand what they want and need, and that continue to fill those wants and needs. CRM is about making sure you have the information you need to do just that.

❏ Tools enable customer relationship management. Tools don't have to be high-tech. The best tools are the ones that allow you to gather the information you need in the easiest way for both you and your customer.