

Perspectives for Managers

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Customer Relationship Management Challenging the Myth

Focus on people, not the technology

What company today does not want to be more customer oriented to stimulate growth through higher sales and better services with higher margins? Why is it then, when senior executives decide that their company should be more customer oriented, they reach for Customer Relationship Management (CRM) technology as the answer? Immediately they expect increased sales and higher customer loyalty after CRM has been deployed. But what they usually experience after the CRM project “goes online” is disappointment: sales are not increasing, sales and service personnel are not motivated to collect and maintain customer information. They do not share and use the customer information any better than they did before CRM!

CRM does matter in improving customer orientation, but not in the way most business managers expect. The value of CRM technology does not lie in its deployment, but in how your sales and service people use the information. Deploying CRM technology without focusing on what motivates your people to use it can actually dilute business value over time, rather than create it.

Buying the Latest Tools Does Not Correlate with Better Customer Orientation!

Anyone who has ever played golf knows that buying the latest clubs will not necessarily make you a better golfer. Like average golfers buying the latest “heaven wood” golf clubs, managers wanting their companies to be more customer oriented reach for the

latest tools. CRM sounds so easy! We will just install the tools, and our people will use information about customers and products more effectively to increase sales. In 2005, managers purchased over \$4 billion of CRM licences to enable their companies to be customer oriented.

Unfortunately, many companies that aspire to be customer oriented by deploying CRM technology are like our average golfers with the newest golf clubs. Their aspirations are high, but their execution skills, even on a good day, are only average!

Confusing Business Transformation with Change in Technology

A second source of confusion related to CRM is the meaning of the term *customer relationship management*. Customer relationship management is actually a *business transformation*, not just a change in technology.

By focusing on the *Customer* we mean that a company’s managers and sales people should direct and orient their activities at the customer before, during and after sales. The *relationship* term is a way of moving companies away from having purely “transactional” contact with customers to building broader and deeper relations to create higher customer loyalty. And at the same time, create higher revenues from the lifetime relationship with the customer. This shift does not eliminate the need for transactions, but allows a company to segment its customers and products/services along a continuum from purely transactional to “relationships”, where the company seeks to create lasting interactions.



with the assistance of
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Finally, the *management* term suggests that companies must develop a mindset and culture of customer centricity in their own people, in their products/services, their channel use and their interactions with the customers. The management challenge when bringing CRM into a company is both people oriented and information based. To execute CRM effectively requires a cultural shift toward the customer by the people in the company, as well as a knowledge shift towards knowing, relating to and interacting with them.

The IT industry, on the other hand, has employed the term CRM for a bundle of software and database tools that try to capture the functions these companies believe are required to execute the business transformation. However, like all software tools, there are different levels of functionality reflected in the CRM system that a company may or may not need. Because similar terminology is used for BOTH the business transformation called “customer relationship management” and the software products called “CRM,” it is not surprising that business managers confuse the deployment of tools called CRM with the business transformation.

Implementing CRM – What’s wrong with this picture?

For many companies, the implementation experience for CRM quickly derails. When senior executives re-define the business strategy for growth, they envision customer initiatives aimed at attaining increased and better sales, improved services, and perhaps more customer driven innovation in product development.

However, managers also realize that success in pursuing these initiatives requires better information about customers, products and services. The “information gap” becomes the catalyst for a “CRM project”. To justify the budget for what could be a 9 to 12-month project, the ROI is based on future projections of increased sales, more cross-selling of products and happier customers after the project “goes online”. A project team of business and IT specialists is formed around the implementation of the CRM system. When the CRM system goes live, the project team usually is disbanded,

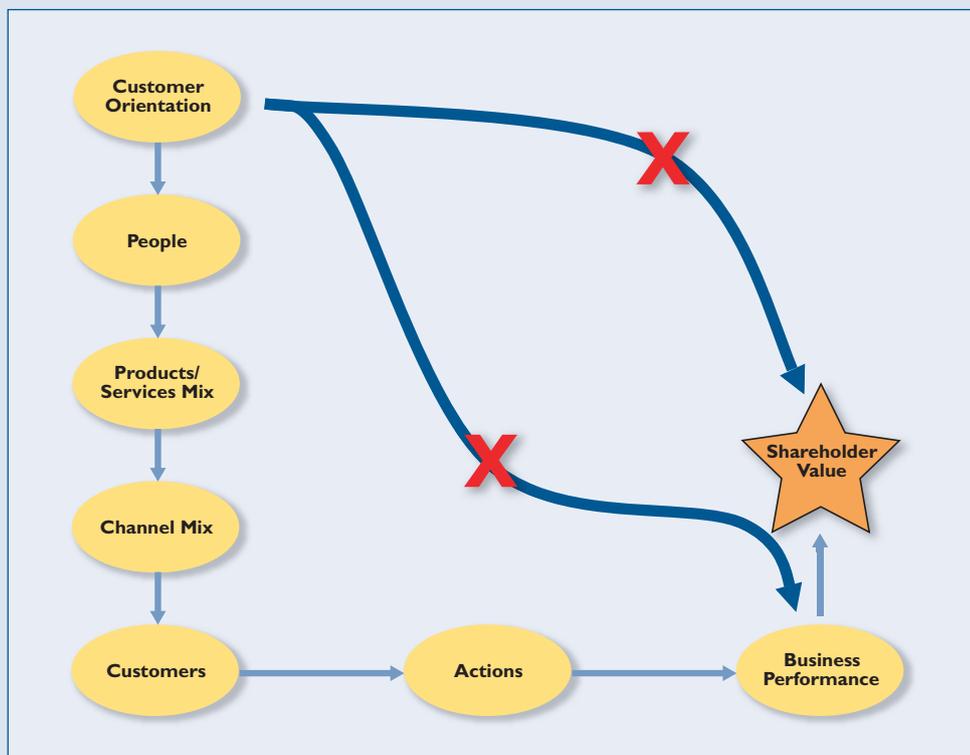


Fig.1

and the system is turned over to the “users”. While there is often an initial period of user involvement, after 6, 12 or 18 months, the intended users – sales and service staff – no longer collect and maintain the information as well as they did earlier on, and go back to their own spreadsheets and personal files. Responsible managers in sales and services assume that the CRM system is working, since no one is monitoring the use of the system and no users are complaining. Senior executives think all is OK with their customer facing initiative, since they receive regular reports from the data in the system that they assume, unknowingly, are accurate and correct for decision making.

So what went wrong? If a CRM deployment is not the answer to improved customer orientation and better business results, then how should managers proceed?

Achieving Customer Orientation: Focusing on Processes, People, Information, and Technology

To achieve improved customer orientation and to use CRM tools appropriately,

managers must follow four key steps. Avoid the temptation to skip a step, or jump for the tools at once, because how information or people issues are handled is critical to realizing the expected business paybacks.¹

Step 1: What does being “customer oriented” really mean in our business?

A Fig. 1 suggests, increased sales, better service delivery or more product innovation are all derived from interactions with customers. The primary factor affecting a company’s capability to improve its interactions with customers is its *people* and their motivations, skills and orientation to apply their knowledge, information resources and IT tools effectively with and for customers.

Step 2: What information do we need to achieve customer orientation in our company?

If knowledge resides with our people and our customers, then being customer oriented means sensing, collecting, organizing and maintaining the right information on which the customer orientation of a company can be improved. In looking at the information

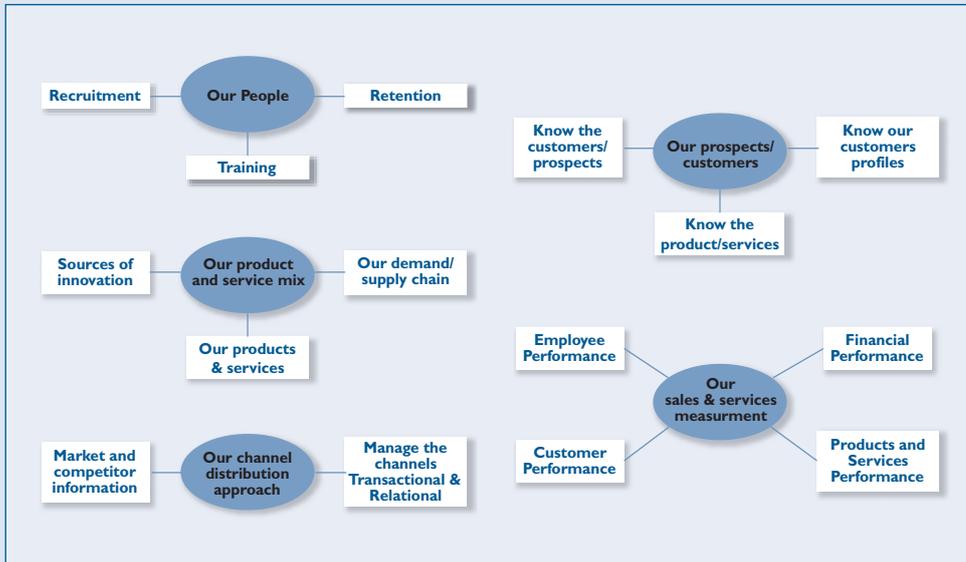


Fig. 2

management practices of customer facing companies that perform well, there are five types of information, as noted in Fig. 2, that a company must manage and use well if their expectations towards being customer oriented are to be realized.

The first type of information is about our own people in terms of recruiting and retaining them; and then training them on a continuous basis to use the information about customers, products, services and channels. What are the skills base and experience of our people in being customer focused? How we can motivate our people to make the transition between a product push to a customer facing approach?

The second type of information is about our product and services mix in terms of their profitability, link to customer segments, and our sources of innovation. In addition, how effectively do we manage our products and services to be customer facing across our value chain?

The third type of information is about the distribution approach. How effectively do we deploy and use direct and indirect channels to service and respond to customers? How well do we understand the mix of transactional and relationship oriented channels that we use? How effectively do our customers interact within and across channels?

The fourth type is information about our prospects and customers. Do we understand who our customers are? Do

we sense new prospects well? Do we know how our customers use our products and services and where our profitability is? How well do we cross-sell or up-sell customers to increase margins and customer satisfaction?

Finally, the fifth type of information is the sales and service metrics that help the managers and employees understand employee performance, customer performance, product and service mix performance, and lastly, financial performance.

Step 3: How effectively are our people using information and IT to interact with customers?

Customer orientation is the outcome of effective “information orientation” in a company. The “information orientation” of a company, as noted in Fig. 3, is the degree of maturity that a company’s people show when using information and IT effectively.² Information Orientation Maturity involves three critical capabilities:

1. IT Practices

How effectively do our people use IT, not only in transactions and business processes with customers, but also for creating new products and services, and applying IT for effective management decision making?

2. Information Management Practices

How effectively do people sense, collect, organize, process and maintain the information required to be customer oriented? Are our people motivated and trained to perform these less visible, but critical, information management activities well?

3. Information Behaviors and Values

How effectively do our people behave with customer-facing information? Do our people use customer information

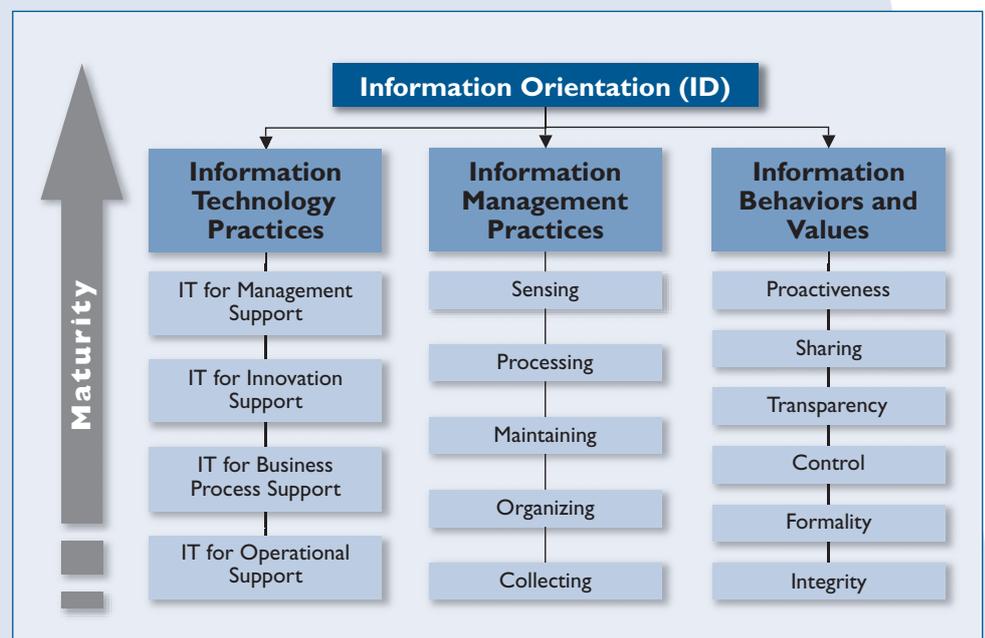


Fig. 3



Approach 1: The wrong sequence – deployment drives usage



Approach 2: The right sequence – address usage and deployment concurrently

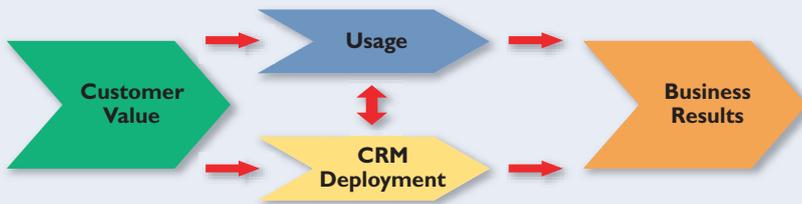


Fig. 4

honestly and truthfully? Do they trust the formal records and reports about customers that we make available in the company? Do people appropriately share information across processes and functions for customer orientation? When customer complaints, problems and failures occur, do our people report these problems rapidly to prevent them from happening again and resolve them quickly? Finally, are our people proactive in dealing with each other and customers?

Step 4: How should our company deploy CRM technology?

Our final question returns us to where we started. Most CRM technology projects follow a sequential approach, as illustrated in Fig. 4, where deployment is expected to drive usage. On the other hand, if a company managers address the key questions in Steps 1-3, then they are in a better position to follow approach 2, where process, information management and

people issues are addressed before, during and after CRM technology deployments.

Before: so that a company's capabilities can be assessed and changed in anticipation of shifts in tools and information content for better customer interactions.

During: so that members of the CRM project can develop sensitivities and actions that enhance rather than constrain the emergence of higher information orientation maturity in the company to enable customer orientation.

After: to track, monitor and continue to improve the information and IT usage practices of people in the company directed at customer facing activities.

Most of the business value of CRM deployment happens after the software tools and databases go live! It is only when information use is effective across all the people in a company, that the firm can significantly increase its performance through improved customer centricity. Managers, who aspire to be customer

focused in their company, must do the basics well and not reach for perceived technology shortcuts. The latter do not exist, and take valuable managerial time and attention away from the real concerns about building process, information and people capabilities.

1 See Donald A. Marchand, *Reaping the business value of IT: Focus on usage, not just deployment, to optimize payback*, IMD Perspectives for Managers, No. 114, November, 2004.

2 See Donald A. Marchand, William J. Kettinger and John D. Rollins, *Making the Invisible Visible: How companies win with the right information, people and IT* (John Wiley and Sons, London and New York, 2001).

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