

Abstract:

CRM has held great promise for companies but failed to deliver to the expectations. This article focuses on the key aspects of CRM and highlights the strategies that enable successful CRM implementation. The manner in which CRM strategy needs to be developed, value created for better competitive advantage have been covered. The article also focuses on key CRM deliverables like multi channel integration and information management. A number of examples have been used to illustrate the practices of leading companies.

Succeeding with CRM

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A global survey, conducted by The IBM Institute for Business Value and part of IBM Business Consulting Service's three-part series "Doing CRM Right," claims that only 15 percent of current CRM projects are fully successful, but that the success rate can be improved to as high as 80 percent through proper business process methodology and prioritization. In fact, a number of noteworthy successes can be cited to ratify the usefulness of CRM – Fedex, Marriott Hotels, Charles Schwab at the global level while in India there have been successful CRM initiatives undertaken by ICICI Bank, Shoppers Stop among others. Therefore, business managers should take the right approach to CRM to ensure success. The following aspects help to put things in the right perspective.

A strategic approach to CRM

At the heart of a successful CRM initiative, is a coherent strategy. Unfortunately, CRM is often confused with CRM technology and therefore, even before embarking on CRM, it is necessary to delineate CRM and CRM technology. As pointed out by Reinartz et al(2004), CRM is often incorrectly equated with CRM technology. Therefore, the role of technology is in enabling the CRM strategy and the planning for CRM should be done bearing this in mind. For example, Fedex has undertaken exemplary CRM initiatives wherein technology has been married in the right manner with strategy to create a symbiotic relationship. By empowering its customers to initiate shipment processes for the consignments and also enabling customers to track shipments using technological tools, Fedex has co-created value using customers and helped to fulfill CRM objectives. The customers enjoy quick and easy access to information and faster processing time for orders (while taking up lesser support from Fedex's customer service representatives). A similar example can be given of the modern banks that enable customers to undertake banking through self-service using ATMs and internet banking.

Payne and Frow (2005) undertook a research to identify the components of a strategic approach to CRM. According to the authors, the five generic processes that enable CRM include: (1) the strategy development process, (2) the value creation process, (3) the multichannel integration process, (4) the information management process, and (5) the performance assessment process.

The strategy development process:

As mentioned earlier, strategy is the heart of the CRM initiative. The aspects that need to be borne in mind while developing the strategy involve the following:

- **Clearly defined CRM goals:** Instead of embarking on CRM for the purpose of telling the media that the company ‘uses CRM’ the planners should decide relevant CRM goals before formulating the strategy. These goals should not be decided on the whims and fancies of the CRM planners but derived from the vision and mission of the company. In this regard, Brown and Gulycz (2002) have recommended the use of the ‘CRM vision’ which needs to developed by the team in conjunction with the top management and needs to be revisited at least once a year. This is necessary to ensure that the CRM goals remain relevant in a highly dynamic and fluid business situation. Also, the aspect of clearly defining CRM goals is concerned with actually setting the right metrics for the CRM initiative. For example, the CRM goal should not be a vague statement like ‘enhancing customer satisfaction’ but very poignant and articulate so that the entire organization can understand and respond to the call. This would mean that the goal could be - enhancing share of wallet with profitable customers by 5% during the next one year through cross-selling and up-selling initiatives.
- **Proper utilization of CRM:** The moot cause behind the advent of CRM has been the incapability of traditional marketing to deliver results. Traditionally, database marketing has meant sending mailers with purchase offers to any collection of motley names and addresses. For example, the customers of a credit card keep receiving offers for magazine subscriptions in which they have no interest whatsoever. However, the CRM strategy should be designed to ensure that the database is created through a proper approach to ensure that the recipients have a requirement for the product being sold. For example, Johnson & Johnson offered young parents to sign up for SMS alerts to ensure that they did not miss out on their babies’ vaccination schedule. The database thus generated would certainly be open to purchase offers for baby care products from Johnson & Johnson.
- **Focus on profitable customers:** Peppers and Rogers (2005) have pointed out that while RoI (return on investment) gives an indication on how well the firm creates value from its investments, RoC (return on customer) quantifies how well the company creates value from its customers. To do this, the customer’s buying history can be used to generate the customer’s lifetime value. CRM should enable the company to focus on the profitable customers. By segmenting customers on this basis, the company can ensure greater need fulfillment of its profitable

customers and thereby fulfill the CRM objectives. For example, Shoppers' Stop has created the First Citizen Club that consists of its loyal customers and created three categories based on the profitability offered by the customers – Classic moments, Silver edge and Golden glow. Campaigns can thereafter be created for these segments to suit their needs better.

The value creation process:

The success of the CRM initiative would depend on whether adequate value has been created or not from the customer's point of view. The objective of the CRM initiative may be to enhance the customer loyalty but unless value is offered to the customer, loyalty cannot be ensured. Therefore, the business processes, product innovations, service access and delivery, and customer experience should be designed in a manner that offers maximum value to customers.

- **Role of CRM from pre-purchase to re-purchase:** The role of CRM begins from the pre-purchase stage where the customer seeks more information regarding the product and may be keen to get proper answers to her queries. Therefore, the CRM approach has meant that companies stop depending on the ubiquitous 'dealer' and set up toll-free call centres where well-trained agents answer customer queries and also begin tracking the prospect to convert her into a customer. Multi-channels are also used by enabling customer access through website, email, telephone, retail outlets etc. Likewise, during the purchase stage as well, CRM aims to offer additional value by providing a total solution. For example, car manufacturers have tied up with banks to enable customers to buy the car directly from the showroom and are not hassled for getting loan approvals. Even in the re-purchase stage, car manufacturers like Maruti have set up True Value Outlets to help customers dispose off with their old cars and also avail of the hefty loyalty bonus while purchasing the new model.
- **Focus on customer experience:** Customer satisfaction and loyalty is heavily influenced by the customer's experience. Therefore, the business processes should be designed to ensure that the customer experiences minimal pain points. For example, airlines are offering various methods to enable customers to check in – through the internet, through the mobile phone etc. In this regard, companies can co-create value using customers and the customer experience is enhanced while value is created. For example, Dell beat the mighty IBM in the PC business on the basis of enabling customers to design their own PCs (and co-create value at the same time).
- **Personalization:** A basic tenet of CRM is personalization. This is also referred to as mass customization by some marketers. By personalizing the offering, immense value is created and customer satisfaction is enhanced. But to enable this, the company must create systems to differentiate among its customers. For

example, a brick and mortar bookshop hardly bothers to get to find out even the names of their customers while Amazon.com takes the effort of not just knowing the customer's profile but is capable of personalizing offerings based on the customer's needs. This is done by studying the browsing and buying habits of the particular customer and then offering products that suit the needs. Hotels like Marriott maintain the records of the interactions with its loyal customers and use the data to undertake personalization to ensure that the desired value is delivered.

The multi-channel integration process

According to Chan (2005), to enable a holistic view of customers, all interactions with customers should be tracked across various functions like sales and marketing, call centres, customer service, distributions channels and alliance partners. McKenzie (2001) mentions the need for integration along the value chain and aligning and integrating organizational processes back through the supply chain to enable better customer service. The multi-channel integration process should enable the following:

- **Unified view of the customer:** The use of multi-channels enables the CRM initiative. However, it is a challenge for the company to integrate the channels to ensure that it enjoys a unified view of the customer. This is required to ensure that the customer's reaction to a particular channel is tracked and channel preferences noted. It also helps to migrate less profitable customers to lower cost channels. The unified customer view helps the various departments to service the customer in the right manner. For example, in a bank, the car loans department can find out the credit worthiness of a customer that has taken a loan from the car loans department before making the offer.
- **Seamless integration across departments:** The multi-channel integration should be done in such a manner that the customer is presented a seamless face irrespective of the channel with which the customer interaction takes place. This means that the customer experience on the internet website should be consistent with that encountered at the retail outlet and with the call centre agents. Constant updation and sharing of data across channels is necessary to ensure that the customer encounters seamlessness across the organization. For example, when an HDFC Bank customer orders a new cheque book through the ATM, the customer service representatives should be aware of the request and in case the customer calls up to inquire about the delivery status of the same, the rep should be able to provide the updated status of the request to the customer instantly. Tata Sky has been offering its services through multiple channels wherein a customer can recharge the account through vouchers at retail outlets, online purchases through portals like Indiaplaza and also the call centre helpline of Tata Sky. The company has been able to integrate the channels whereby the customer is not at a loss while making transactions.

- **Alerts on customer exits:** The integration of multi-channels should ensure that the profitable customers are never let out of the focus. By collating data across channels, it is possible to draw inferences with regard to customers that are at the risk of churn. The interactions of the customers can be analyzed on the basis of recency, frequency and value of the transactions and alerts set for profitable customers who are considering exit. Once alerted, suitable campaigns may be designed taking into account the customer's profile and transactions to initiate the winback efforts. For example, credit card companies that fear losing good customers offer them a suitable gift or a free add-on card in their efforts to win them back.

The information management process

Bose and Sugumaran (2003) have pointed out that by integrating operational CRM data with knowledge from around the enterprise, companies can make use of the analytical CRM systems, and with them, make truly customer-centric business decisions. As pointed out at the beginning of the article, though CRM strategy should not be confused with technology, the role of information management assumes significance in the light of enabling the CRM initiative to succeed. The aspects where it helps include:

- **Identifying and capturing the right data:** The success of the CRM initiative depends on the data that is captured and analyzed. Therefore, due consideration needs to be given to ensure that the relevant sources of data are captured and analyzed to enable operational and analytical CRM processes. Often, it is a challenge to ensure that the right data is captured in the desired format and conforms to the quality standards. For example, the telephonic dialogue between a customer and a service rep is not easy to capture into the database without converting the conversation into an acceptable format. Necessary systems and tools need to be installed to ensure that the data is captured accurately. For example, Tata Motors sells its vehicles through more than 1600 locations and the customer interactions are handled by over 10,000 salespeople across locations. By using a CRM software, Tata Motors was able to standardize the interactions and also the data collection from each customer interaction was captured through the database and the frontend application at the dealer's outlet. In fact, the application also enabled the dealer to have more precise information pertaining to inventory, sales commission and credit management. For Tata Motors, the benefits were: more accurate demand forecasting, 360 degree view of the customer, and better product development strategies.
- **Cross-selling and upselling:** CRM objectives usually include identifying and utilizing cross-selling and upselling opportunities. The information management should be done such that these opportunities are properly identified and campaigns undertaken for the purposes of cross-selling and upselling. By focusing on the unmet needs of its profitable customers, such opportunities can be identified. For example, by tracking the profile of a savings bank customer, the

bank can spot opportunities for cross-selling products like investment options through demat services or offering home loans etc. Likewise, Tata Motors can use upselling to send an offer for the purchase of an Indigo to a customer who had bought an Indica three years back. Thereafter, Tata Motors can further offer upgrades to vehicles like Fiat Linea (marketed by Tata Motors), Tata Safari or Sumo Grande. By tracking a young executive over his career, Tata Motors may finally end up selling a Jaguar when the young person attains a top management position (though he may have begun by just buying an Indica or a Nano). In this regard, Tata Sky has been trying to upgrade its customers to its advanced version of Tata Sky Plus using attractive offers and communicating the benefits through an advertisement featuring Aamir Khan and Gul Panag.

- **Enabling SFA and eCRM:** The information management process should be devised to enable the other CRM tenets like Sales Force Automation and eCRM. These can be potent weapons in the CRM arsenal. Through SFA, a salesperson can be equipped with mobile devices that enable him to log into the company's server and transact on issues like: inventory levels, order tracking and delivery status, complaint management, access to detailed product brochures and sales presentations, comparison charts with competitive products etc. If the salesperson can access and use all relevant information from a remote location (customer facing situation) it would surely aid the cause of CRM. The 1:1 customer interactions are enhanced using SFA. Likewise, eCRM enables companies to use the power of automation and IT to further the cause of CRM. Tata Indicom has used its website to connect with customers and leverage eCRM for better CRM. Its website offers customers the 'My Account' section wherein customers can select their preferred plan and request for its activation. The updated status is available online for customers after 48 hrs. In fact, Tata Indicom makes a recommendation of the 'best plan' for each customer based on his/her usage over the past three months. This is done by analyzing the billing. Various features can be activated or deactivated through the online facility. Customers can also request for alerts pertaining to various issues like bill payment etc. The Blog and Forum sections on the website enable customers to interact with Tata Indicom employees and the dialogue helps each party understand the other better. In fact, customers can even present their experience of the Tata Indicom brand and the service in the section called 'Forum' which encourages discussion in an uncensored form. Also, the newsletter titled 'I-Know' enables customers to be aware of the latest offerings from Tata Indicom and make choices in an informed manner.

The performance assessment process

The high rate of CRM failures have made companies skeptical of CRM and apprehensive with regard to the performance of the CRM project. Therefore, adequate safeguards need to be taken to ensure that the CRM initiative succeeds. Kale (2004) has written about the seven deadly sins of CRM in which he reiterates the issues mentioned previously and also stresses the importance of change management and support of the top management. To

ensure proper assessment and enable success with CRM, the issues that need to be handled include:

- **Managing the change:** Harding et al(2004) have quoted a McKinsey study to show that CRM has succeeded when the change was managed with proper effort. This meant that the users of the CRM systems were given adequate training apart from launching new modules to facilitate user adoption on an ongoing basis. The cultural shift needed to be addressed properly and the CRM planning involved representatives from all the departments involved in the CRM exercise. Most companies have multiple departments like sales, accounts, service, inventory etc. that tend to function like silos and are intent on turf-protection. However, this can prove suicidal for the CRM initiative and therefore, a customer-centric attitude needs to be cultivated and issues like sharing of data and joint ownership of customers is necessary to be instilled among employees of all departments.
- **The CRM tool's performance:** Though technology per se is not to blame, many CRM initiatives fail owing to unrealistic expectations from the CRM tool. Therefore, a thorough assessment of the tool's capabilities (and incapacities) need to be taken into account before choosing a tool. Pearce (2002) narrates the example of Monster.com that invested in a tool in 1999 that was expected to enable service representatives offer faster service to customers but actually proved incapable and resulted in slower service being rendered to customers. To ensure that the tool is proper, a committee consisting of representatives from all concerned departments should be involved in making the decision. Also, the past installations of the tool can be checked for actual performance – a trial version may be tried out to see how it performs in the real environment.
- **Performance measured against metrics:** The metrics decided by the management for the CRM project should be taken into account while making the assessment. For example, if the goal was to enhance customer retention rate by 5% every year, the actual figures of customer retention need to be checked and compared with the past figures. It is possible that changes in the CRM goals may be required to keep up with the changing market dynamics and customer expectations. For example, customer experience is becoming a critical factor in customer satisfaction decisions and therefore, the CRM goals could have a component concerning customer experience management.

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