

# **How to Get Your Business Ready for CRM**

Whitepaper

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## **Customer Relationship Management (CRM)**

A technology trigger in the mid-1990's started a boom with CRM systems. Telcos and financial services groups were the pioneers of CRM seeking to get more value from their customers and reduce costs by automation of front line activity. But it was not long after these early implementations that the industry entered what Gartner<sup>1</sup> calls "*the trough of dissolutionment*", where the inflated expectations of the businesses were not realised and many large organisations were left wondering how the benefits did not materialise.

Today CRM apps are easily accessible and often free. As a project CRM has always had a high failure rate (around 70%), mainly because the benefits are not well defined, and the business processes behind the CRM are not clear.

This whitepaper provides a practical framework for getting a business ready for a CRM implementation, or how to extract improved value from a CRM system you might using now.

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<sup>1</sup> Gartner Research: <https://www.gartner.com/technology/research/methodologies/hype-cycle.jsp>

## CRM the Misnomer

Customer relationship management is, in fact, a misnomer<sup>2</sup> - the idea that businesses can manage customer relationships is false – today we are in a customer managed environment.

A lot of things have changed in recent years, particularly how customers behave. Today we are in an environment where our customers are in the driver's seat, we are in an environment of 'customer managed relationships'. Customers have access to more information than ever before, to more choices and the ability to act on these choices.

Therefore, even though we may use a piece of technology that we call CRM, let's not think we can actually manage the customer. Instead, let's put in the effort to understanding the value our customers are looking for and then let's design experiences and engagement approaches that deliver value, and therefore maybe we can influence the lifecycle of our customers and therefore the value exchanged.

*CRM can be defined as customer centric business enabler,  
that is realised through change leadership and technology tools.*

*Recognising that there are three components to CRM,  
and addressing these three components  
will ensure greater levels of success with CRM initiatives.*

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<sup>2</sup> A Misnomer is where something is given a wrong or inaccurate name.

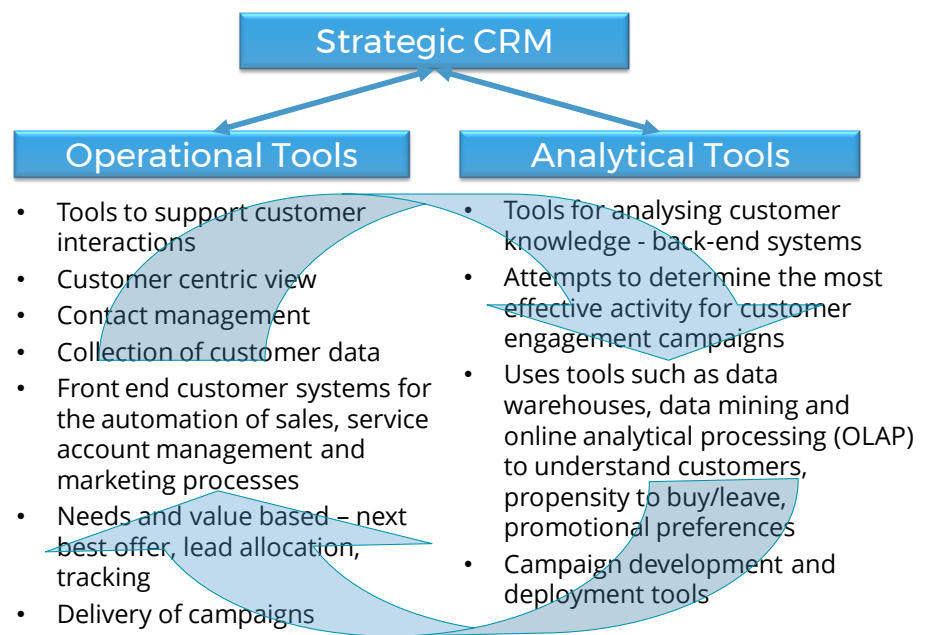
### The Three Types of CRM

There are three main types of CRM<sup>3</sup> that, when we unpack these terms helps to bring clarity to a complex situation.

Strategic CRM defines your customer strategy, what is it you want to achieve with various customer groups..? What is the optimal value exchange between your organisation and the customer groups..? Answers to these key, strategic questions will then define what Operational CRM tools you need, and what you want to do with the Analytical Tools of CRM.

Strategic CRM informs the *what* and *how* of both operational and analytical CRM.

There is a symbiotic relationship between Operational and Analytical CRM, and in turn lessons and insights from each can fine-tune the definition of Strategic CRM.



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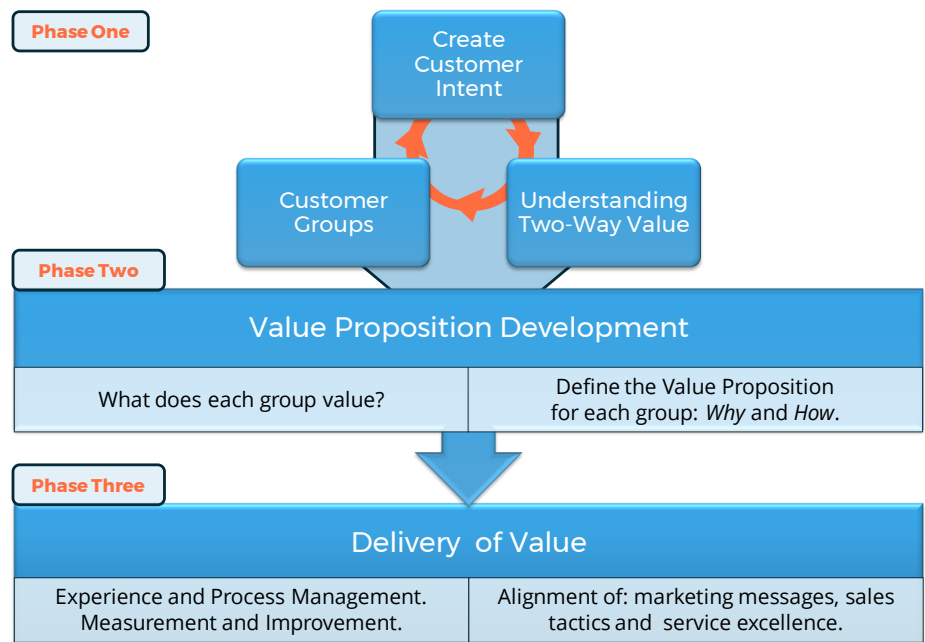
<sup>3</sup> Francis Buttle in *Customer Relationship Management Concepts and Technologies* (2009) Butterworth-Heinemann adds Collaborative CRM which covers systems that can automate collaboration between suppliers and customers. Some others also add Employee CRM, where the relationship with the employee is also managed through an integrated system.

### Understanding the Value of Strategic CRM

CRM benefits from taking a customer centric approach. Strategic CRM can then be described as:

- The process of becoming more customer-centric, both strategically and operationally
- Defining the core purpose of the business in terms of the customer
- A clear and imaginative understanding of what customers value
- Aligning resources to deliver value to our customers

The model below can be used for aligning the organisation with the customer strategy, or Strategic CRM. As an overview, organisations can, in Phase One, define the customer value exchange and their intent with various customer groups. Once this is understood, Phase Two is about developing Value Propositions that resonate with those chosen customer groups. Once Phase One and Two is clear, then we proceed into Phase Three, the Delivery of Customer Value.



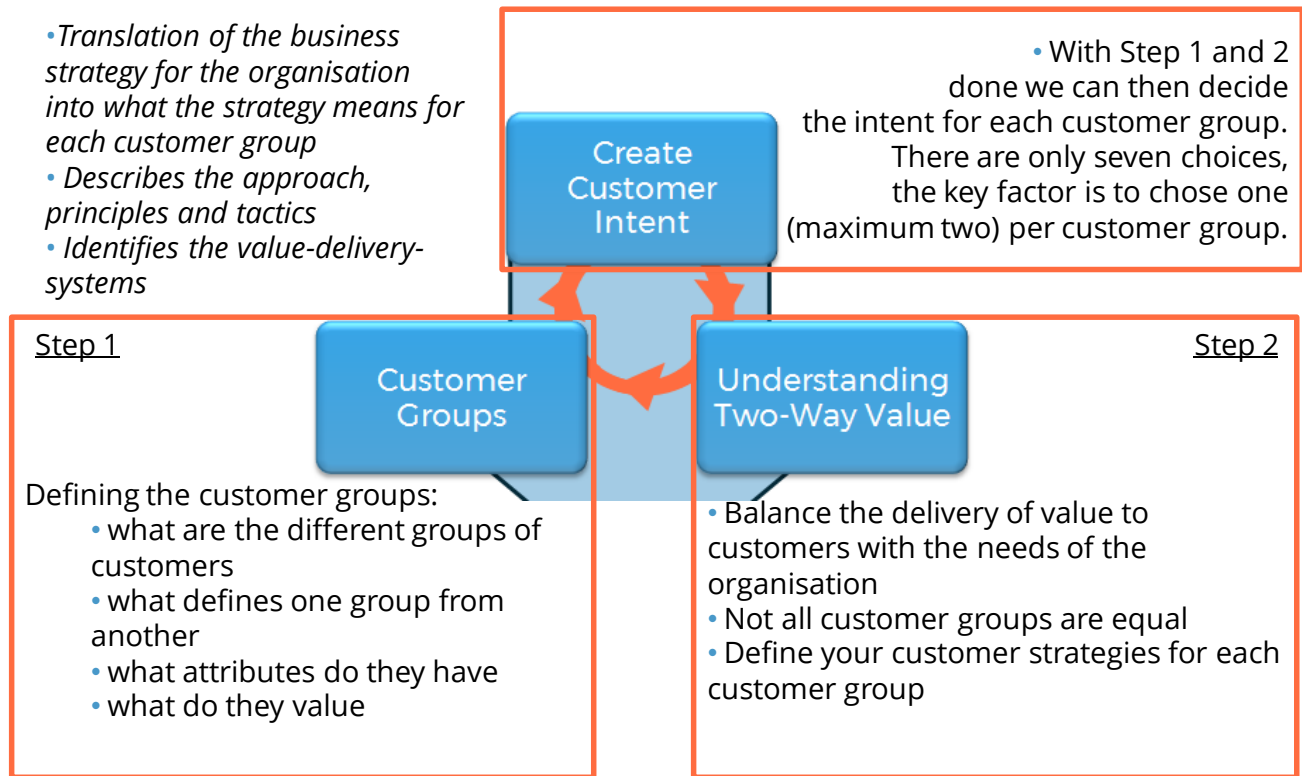
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The problem is that most businesses do not do Phase One or Two – they just focus on the “doing” – and then trying to get alignment through the Delivery of Value. This is also a failure point for CRM.

**Defining Your Strategic CRM**

Using Phase One will help us define our Strategic CRM. There are three key Steps.

**Phase One: Create Customer Intent**



**Step 1 Customer Groups:**

This is where we move away from having "customers" to being specific about the different types of customers and grouping them. Customers can vary in terms of their potential spend, what they value and how they define value, how they buy, spend and promote. For example, in B2B we often find that customers will have one of three main bias's towards their suppliers: they can have a price bias (always proportionally the smallest), they could value service (typically the largest group) or they could value a partnership relationship. There is clearly three groups here, based on what those customers value and then how they spend, and potentially many more groups based on the wallet size.

What customers value has a huge impact on how they engage with you and spend, or advocate to others about what you do. Therefore we define customer groups based on their attributes of value. Once we have divided our customers into different groups, we then look to understand the exchange of two-way value.

### **Step 2 Understand Two-way Value:**

Sometimes in this step we will discover another customer group based on how they are engaging with you and the value they are extracting from you. Often, businesses do not fully recognise the value customers receive (or extract) and these insights typically align with customers who are promoters. When we come to think of the sources of value for our customers we tend to think of the product itself, or the service delivered, perhaps in some cases it is the physical resource, like a shop, or restaurant. Then we quickly move into ideas of service excellence (think high-end department stores) and consistency with attention to detail (like McDonalds).

However, customers define value in very different terms.

Customers tend to think of value in terms of goals or results. That is the outcome they are seeking. Customers seeking to buy a new home are often told by the finance people all about the details of the loan and mortgage. Do the finance people talk about their ability to collaborate with solicitors and settle on their home for these customers...? These customers don't really want a mortgage, they want to get into their new home with the least hassle possible, and that is rarely communicated.

Similarly, when someone goes to sell a house, the real estate agent will often talk more about the marketing package - that includes signage, internet listing, sole agency



agreement etc. This customer does not want a marketing package with a lock-in agreement, they want their house sold at a fair price, that is the goal or result they seek.

In addition to customers defining value in terms of the goal or result they seek, the overall perception of value is also dominated by the end-to-end experience the customers have during the delivery of the goals or results. So using the earlier 'buy a new home' example, if the finance company made the process of getting the finance and buying the home a complete hassle, then - even though the customer achieved their goal - they will be unlikely to promote the finance business, probably they will be a detractor and provide negative word-of-mouth freely.

Additionally, customers can define value from the feeling and benefits they get from belonging to a community. The managers of musicians have know this for quite a while and the investment fans make into merchandise is quite extraordinary. However, it is in this way the fans display their affiliation with their favourite artists that brings about the sense of community they value from wearing logos and brand names on their clothes, coffee cups and even guitars. Harley Davidson Motor Cycles have survived the dearth of American manufacturers to become a leading global brand of motorcycles, primarily based on developing their community of Hogs (Harley Owners Group), people that love to wear the brand, logo, attend events and advocate.

Customer define the value they get based on the results or goals their realise. Then add to this the experience they have in realising these goals, and if you can, create some sense of value in a community. They do not define value in terms of features and advantages of products or services.

**Step 3 Create Customer Intent:**

When Step two is complete, we will have our key customer groups identified with how they define value. This third step is about deciding what is it we want to do with each of these groups.

Which customer groups do we want to grow..? Which groups will we move to a more transactional type relationship (like those price bias B2B customers)..? Are there customer groups where there will be mutual value if we enhance the relationship or find ways of adding value. Are there relationships we should end..?

*Once these decisions are made,  
we have our customer strategy,  
our Strategic CRM.*

### **Your Operational CRM**

Armed with your Strategic CRM, the operational capability you want to create within the business for customer engagement will become clear. For example, you might want to have ongoing contact with the client so you can continue to promote or supply further services and encourage advocacy. Or perhaps more disciplined management and measurement of the enquiry through to decision to buy process. Maybe it is about account management, but with your Strategic CRM it won't be for all customers, just those ones where there is an optimal value exchange, and mutual upside.

*Recognising that the Operational CRM is informed by the Strategic CRM, will make it easy to develop specific requirements that will help in the selection of a CRM provider, and support the implementation with the 'business strategy' of why you are doing CRM.*

### **Your Analytical CRM**

Whilst the main focus so far is to develop the Strategic CRM and then how the Operational CRM will support the Customer Strategy, we will still need to consider how the business will want to leverage Analytical CRM.

In terms of the long term business value from understanding customers, Analytical CRM is where you will typically find 'gold'. It will provide the potential for some extraordinary insights later on that will support better decision-making around customer strategy and engagement. Be specific about the customer data to be collected, don't make it everything. From your understanding of how your customers define value you should have a clearer view of what information might be more relevant in the future. This helps keep the scope of data collection meaningful and explainable to others. Therefore, consideration should also be given for the potential use of analytics. Various providers will have a range of capability on offer. With a clearer view of the Analytical CRM for your business, a supplier will be easier to choose.

## Conclusion and Implementation

Getting your business ready for a successful CRM implementation is predominately about having your customer strategy thought through (Strategic CRM) so that the Operational CRM capabilities you need are clear. With a clear articulation of the operational needs to support your customer strategy you will be able to determine a short list of relevant providers in a reasonable short of time. And more just as importantly, stay focused on your needs rather than being distracted by features that don't support the capability you need.

Once you have selected a CRM system, the technical implementation will (normally) be fairly straight forward. Micro decisions made during the implementation are still guided by your Strategic CRM.

However, you will need to provide all the change management effort to get your teams on board with the Customer Strategy , and how to use the new CRM tools to realise the strategy. Underestimating this effort is another reason CRM has a lower than optimal success rate. It will involve internal communications, building buy-in to the strategy and reason for change. Then the training and skill building to use the new CRM tool, which will include integration of work processes and standard operating procedures.

Remember, CRM can be seen as customer centric business enabler, that is realised through change leadership and technology tools. It is hinged on your customer strategy and brought to life through the ability to engage your people with the change and giving them the tools to do the job.

## About the Author

### Mark Hocknell

For the last 12 years (as a consultant) Mark has developed customer strategies with more than 35 organisations (from small businesses to large Government Owned Corporations) to improve business results and the delivery of customer value.



Prior to this, Mark was with Suncorp for 14 years where he held senior customer management roles, during his last three years there he led the implementation of the technology, tools and change to support the 'Allfinanz strategy' which placed Suncorp with the highest cross-selling rate of any Australian financial institution.

From 2003 to 2011 he was a sessional academic (part-time) with Brisbane Graduate School of Business (QUT) where he developed and delivered two electives within the MBA program, Sales Management and Customer Relationship Management (CRM). In 2015 he was appointed as an Adjunct Lecturer to the Griffith University School of Business, where he has developed the Personal Selling and Sales Management course (2038MKT) for the Department of Marketing.

Mark has a MBA, holds qualifications in change management, and certifications in Net Promoter Score and PuMP®(performance measurement).

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