

CRM – A Hit or A Miss?

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1. Summary

A few months ago, I was talking to a friend who works in an organization that has just completed the implementation of a Customer Relations Management system. My friend was conflicted regarding the project's success. On one hand, the organization opted for an advanced technological system, which enabled the service call center to improve services rendered to customers, thanks to a better understanding of the customers and their needs facilitated by the "Customer's Picture" screen, and the documentation of all service calls. On the other hand, my friend could not justify the huge expense to the CEO and explain how it will be returned, or at least how a better understanding of the customers can be leveraged to promote additional sales or to prevent churn. After asking a few questions, I realized the source of this organization's problem. I explained to my friend the difference between operational CRM and analytical CRM. This made him realize how far their new system was from providing a comprehensive solution for their business and marketing promotions, and furthermore, how difficult it will now be for him to receive additional R&D funding. Undoubtedly, these facts make any future move more complicated, but not impossible, and indeed, we ventured together on a customer management project, which is proving to be a success.

This article will shed light on the ways for creating a true business and financial success, with the correct implementation of organizational CRM.

2. The Customer Relations Management Approach

Customer Relations Management is a strategic approach of managing the relationship with the customer. This approach represents a systematic view of the connection between the organization and its customers, for the purpose of preserving the relationship. The guidelines of this approach are the focus on each customer and the differences between customers.

In the past, the perception of customer relations management was mostly based on the organization's need to improve its business results, while taking into account the value created for the organization. As a result, a system based on this perception will mostly include customer demographics, products purchased, customer profitability potential, and communication with the company. The transformation of the customer relation management approach occurred when organizations realized it would be easier and more effective to first consider the customer's needs, rather than those of the organization.

A Banking Example

The trigger	The offer	Response rate
The organizational need	All customers with checking accounts without savings plan will receive an	2%
The customer's need	All customers with 15 year old children will receive an offer to join a college tuition fee savings plan	14%

A more targeted offer and a higher response rate!

Referrals of this kind require information management tools and data about the customer on a whole new level. In this case we will talk about lifestyle dependant segmentation, customer preferences, and more. This transformation mostly depends on the organization's ability to analyze its own database. The development of this approach was followed by the development of the tools required to support it, as well as to the differentiation between operational CRM and analytical CRM.

Following are the differences between the two concepts:

	Operational CRM	Analytical CRM
Definition	Standardization and information hygiene	Data analysis by deduction
Process	Documenting the interaction with the customers and improving the data collected about them	Creating customer profiles based on information gathered
Action	Regularly gathering operational data	Analyzing customer behavior history during any interaction with the company

In the past few years, many organizations have been investing most of their resources in the operational elements of CRM systems. However, the crucial importance of the analytical element of the solution has become more and more evident for any organization attempting to improve its marketing efforts and profitability, while answering many important questions, such as:

- Who are the customers? What distinguishes the different customers of the organization?
- Which of those customers are of "true value" to the company? why?
- In which marketing/distribution channels should the organization focus in order to target different customer groups?
- Which of the customers are at churn risk? Why?
- Is this churn problematic for the organization? If so, how can it be prevented?
- How can the organization predict the value of a new customer?
- Which customers will respond to planned sales campaigns? Why?

Though most profits are generated by analytical and not operational CRM, the analytical infrastructure relies on the operational one.

3. Implementing the CRM Approach

In organizations with a limited number of customers, implementing the CRM approach is rather simple. The challenge begins with organizations that have thousands of customers, in which case, implementing this approach becomes a much more complex matter, requiring the use of a CRM system, which supports the implementation of the approach chosen by the organization.

At this point, we are faced with the two key elements – the system and the management approach. The information system is controlled by the IT manager, and the approach is managed by the marketing department, a fact which can potentially create a conflict within the organization. Therefore, when a company is about to implement a CRM system, it is facing two major challenges which will be discussed here at length:

1. Understanding that the information system does not dictate policies, but rather the opposite – it is now clear that CRM systems exist in order to serve a business strategy, and therefore the system should be designed according to the business and marketing needs, and not based only on the technical aspect of information systems.
2. Understanding that an information system alone, even one optimally designed, will not replace the work involved in implementing customer relation management policies across the organization.

4. Well Begun Is Half Done

In most cases, the idea of implementing a CRM system is initiated by the IT department, as a solution to the needs of the call centers and the wish to keep the organization as technologically updated as its competitors. When the CRM system needs are defined by the IT department alone, they focus on the needs of the customer service centers and/or the operations, leading to a limited perspective which will cost the organization dearly in terms of resources and future developments.

Usually, the marketing department, which sets the customer management policies for the company, is not involved in the CRM design process. As a result, when the system is implemented, most of its objectives are not met, as it does not support all of the organization's needs. The ideal situation would be a full cooperation between the IT and the marketing managers, in order to create an optimal system which maximizes the solution for all of the organization's needs, and justifies the large investment it requires.

Driving a Porsche but getting stuck in traffic, going 15 MPH along with everyone else

Even if you have surpassed the first challenge and designed the ultimate system, while the IT department is developing it (and that might take some time), the marketing managers must work on developing the business approach, and convert it into operational action. For example:

- Creating channels of communication with the customer
- Making sure the company website, which is the cheapest platform of communication with the customer, will correlate with the company's systems, and not remain a superficial marketing façade.
- Perfecting the customer data base
- Gathering customer information relevant to the organization's activities

- Defining products to provide solutions for the customers' ever-changing needs and lifestyles
- And more.

Unfortunately, many organizations that have invested huge sums of money in their systems, did not bother developing corresponding business strategies, necessary for the efficient implementation of the system, as they believed that just by installing the system, all of the organization's problems will be resolved.

No wonder, then, that they are left with the same feeling of driving a Porsche and getting stuck in traffic, going 15 MPH along with everyone else...

5. Conclusion

Going back to the definition of the business strategy after the system has already been launched is difficult though doable. It is better to define a strategy during the system planning stage, which will eventually lead to the ability to both drive the Porsche and enjoy it.

Have a safe trip....

About Synergy

Synergy is a consulting company specializing in information based customer management, assisting organizations to maximize the business potential of their end customers, while providing them with tools of improving their marketing, service and retention activities.

Synergy's solutions revolve around customer management, and include Analytical CRM, Operational CRM, Loyalty and Web solutions, as well as Marketing Resource Management solutions.

Synergy Advanced Analytics Division perfects the business consulting services of **Synergy**, and adds another layer of insights and analytical tools to support the company's already thriving activities. Synergy Advanced Analytics' analytical solutions and services encompass innovative data mining techniques, allowing organizations to better understand their customers, actively prevent churn, establish an appropriate pricing policy, cut down on resource utilization and costs, and better deal with the ever changing market.

Synergy was established in 2003 and operates from Israel, the UK and Poland, working with local and international organizations. Among our customers are the foremost industry leaders in the Israeli and international markets, in industries such as communications, finance and retail, among which are banks, credit card companies, insurance companies, mobile operators, internet service providers, international call providers and television networks, as well as large membership clubs in the food, fashion and aviation industries.

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