Chapter 4:
Implementing the CRM Strategy
Overview

Topics discussed:

- Elements of a CRM System
  - Customer Interphase / Touch Points
  - CRM Applications
- Return on Investment (ROI) of CRM
  - CRM Costs
  - Why is ROI of CRM difficult to measure?
  - Stages of ROI Estimation
- CRM Implementation
- Case Study: Capital One
Elements of a CRM System

- **Customer Interface/Touchpoints**
  - Sales Person Contacts
  - Mobile-Based Contacts:
    - Text Message
    - Mobile Sites
    - Applications
  - Web-based Contacts
    - Email
    - Websites
  - Direct mail
  - Coupons
  - Telesales
  - Kiosks

- **CRM Applications**
  - Sales Management Functions
  - Marketing Functions
    - Campaign Management
    - Segmentation
    - Personalization and Customization
  - Customer Service Functions
    - Helpdesk
    - Customer Care
Customer Interface / Touch Points

- Touch Points
  - Exact moment the firm can **simultaneously** gather and disseminate information
  - Interfaces used for customers to interact with the company

- CRM System
  - Needs to provide consistent view of all customers regardless of the touch point being used
  - Should provide current information about customer’s needs to **maximize opportunity** for sale
CRM Applications

- **Sales and Sales Management Function**
  - Contact and quote management, account management, pipeline analysis
  - Interaction of sales force with prospect, turning prospect into customer, maintaining mutually *profitable relationship*

- **Marketing function**
  - Multi-channel campaign management, opportunity management, web-based encyclopedia, market segmentation, and lead generations /enhancement /tracking
  - Personalization
  - Content management, relationship marketing, and one-to-one marketing
CRM Applications (2)

- Customer service function:
  - Incident assignment, escalation, field personnel tracking, reporting, problem management, resolution, order management, and warranty/contract management
  - Key to a company’s ability to maintain proactive relations with customers and hence retain **satisfied loyal customers**
  - CRM systems assist in managing help desk and providing customer care
Return on Investment (ROI) of CRM

- Formula: **Profits/Investment X 100% = ROI (%)**
- Is the investment in CRM elements worth it?
  - The practice of developing and implementing a CRM system should always measure the expected monetary benefits to see if the investment is likely to payoff
- Key questions when ROI is applied in the context of CRM
  - What should be counted as an investment in CRM?
  - What should be counted as a return on that investment?
  - What is the time period over which ROI should be measured?
  - How do we arrive at the ROI estimate?
Questions on what can be counted as investment in CRM?

- Can the system be easily configured and maintained by internal IT staff or is continuous external assistance required?
- What is the cost of training the company’s staff to use the CRM system?
- What is the timeframe for implementation and what will happen to the current system processes during that time?
- What are recurrent costs?
### Key Decision Questions to Compute ROI for CRM Activities

<table>
<thead>
<tr>
<th>Area</th>
<th>Question</th>
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<tbody>
<tr>
<td><strong>Consulting Services</strong></td>
<td>• What will be the consulting cost for the project?</td>
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<tr>
<td><strong>Business Processes</strong></td>
<td>• To what degree is business process re-design necessary?</td>
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<td><strong>Information Technology</strong></td>
<td>• What new IT software and hardware must be purchased to accommodate the new system?</td>
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<td><strong>Vendor Management</strong></td>
<td>• How much customization is required and at what cost?</td>
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<tr>
<td><strong>Procurement &amp; Maintenance</strong></td>
<td>• Can the system be easily configured and maintained by internal IT staff or is continuous external assistance required?</td>
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<tr>
<td><strong>Staffing &amp; Training</strong></td>
<td>• What is the cost of training the company’s staff to use the CRM system?</td>
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<tr>
<td><strong>Implementation</strong></td>
<td>• What is the timeframe for implementation and what will happen to the current system processes during that time?</td>
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<tr>
<td><strong>Costing</strong></td>
<td>• What are recurrent costs in the implementation?</td>
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CRM Costs

- IT Costs
- People Costs
- Process Costs
IT Costs

- One-fifth to one-third of total cost
- Investment in IT infrastructure, database development and software
- Software categories required for CRM Investment
  - Sales Force Automation
  - Sales Management Automation
  - Call-Center Automation
  - Customer Service Automation
  - Marketing Automation
  - Operations Management
  - E-commerce Functions
  - Knowledge Management
People and Process Costs

- People costs
  - Recruitment, redeployment and training costs

- Process costs
  - Market segmentation process, selling process and campaign management process
Why is ROI of CRM difficult to measure?

- Computing the gain associated with a CRM initiative requires that all other variables impacting profit are held constant.

- Some CRM investments are necessary costs which enable the functionality of CRM.

- Although measuring the return on CRM investment becomes easier with small scale projects, without appropriate controls in place, the management cannot be sure that the cause of the change is the CRM investment.
Stages of ROI Estimation

- Setting the target
- Reaching the target
- Building consensus and commitment
Setting the target

- **Content**
  - Determine ROI goal of CRM project based on benchmarking, similar projects, external and internal knowledge

- **Questions to raise**
  - Is the goal sufficient?
  - Is this goal achievable?
Reaching the Target

- Content
  - Generate ideas of how to reach target through internal bottom-up participation, external views, consultants, benchmarks, etc

- Questions to raise
  - What factors have to change and by how much?
  - Does it work from a technical perspective?
  - Are the proposed benefits clear?
  - Will customers and/or staff accept these measures?
Building Consensus and Commitment

- Content
  - Have executives and line staff agree on proposed ROI goals and ensure commitment on both sides

- Questions to raise
  - Are we collectively prepared to sign them off?
CRM Implementation

- Implementation Projects
  - Operational Projects
  - Analytical Projects
Operational Projects

- Objectives:
  - Construct infrastructure meeting technical and functional requirements of CRM
  - Don’t directly generate revenue, but provide resources to perform value-added CRM

Projections
- Maximize profitability
- Reduce support costs
- Increase sales and customer loyalty
Components of CRM Infrastructure

1. Information Delivery/Online Catalogs
2. Customer Database
3. Personalization and Content Management
4. Sales force Automation
5. Partner Channel Automation
6. Customer Services
Analytical Projects

- Also called Data Analytics
- Leverages resources created by operational projects
- Adds value by enabling firms to understand their customers
- Helps determine customer strategy and development of on-going CRM strategy
- Major activities:
  - **Customer data transformation** - data warehousing, data integration
  - **Customer knowledge discovery** - data analysis, prediction based on results
Analytical Projects (2)

- Capturing all relevant customer information
  - Data integration and standardization
  - Real-time updating of customer information
  - Incorporation of external sources of information
  - Evaluation of customer-related back office data
Analytical Projects (3)

- Customer demographic analysis and customer behavior modeling
  - Define customer segments to form basis for differential marketing decisions
  - Analysis of customer transaction history
  - Analysis of customer service records
  - Prediction of future purchase behavior

- Customer Value Assessment
  - Focus resources on most valuable customer relationships
Deploying Operational and Analytical Outputs

- Issues with executing CRM strategies
  - Resistance from employees
  - Motivation and Training
  - Availability of information
Improving Profitability by Investing in CRM

Challenges Ignored

Original Process

Pre-CRM

Challenges Addressed

New Process

Time

Resources Required

Issues

Medical

Economic

Legal

Marketing

Technical

Managerial

Political

Social

Technical

Managerial

Political

Medical

Economic

Legal

Marketing

Social

Challenges Addressed

Time

Resources Required

Original Process

Pre-CRM

Challenges Ignored

New Process
CRM at Work

- **Enhancing Customer Interface using technology**
  - La Croissanterie introduced loyalty program which allowed customers to record purchases through three channels – loyalty card, a mobile phone, or a transit pass
  - Customer data collection was possible using Near Field Communication (NFC) technology

- **CRM Implementation**
  - In 2008 economic slump, Giant Eagle, a national grocery chain, realized the importance of CRM program
  - Giant Eagle increased use of its customer loyalty program through fuel discounts, which managed to cross-over fuel discounts with a food discount loyalty card and increasing cross buy between food and fuel.
Case: CRM Practices at Capital One

- **Segmentation Strategy**
  - Targeting all types of risk profiles, offering different prices and products
  - Customer database distinguishes high-risk ‘revolvers’ and low-risk ‘transactors’

- **Retention Strategy**
  - Help retain customers when introductory rate expires or risk of ‘dormancy’ exists

- **Operations aligned with customer requirements**
  - Personalized and flexible handling of customers
  - Calculation of profitability on an individual basis to improve product offer to customer
  - IT infrastructure
CRM Practices at Capital One (2)

- Collections
  - Payment assistance, recoveries and fraud

- Sales
  - Sales system (SALSA) enables targeting cross-sell offers to specific customers
  - Uses accumulated data on customers to suggest how to react to specific customer requests

- Co-operation between Marketing and Analysis (M&A) and operations
  - Partnership to review risk perspective of present and future strategies enabled through IT
CRM Practices at Capital One (3)

- **Information Technology**
  - Interaction with company in terms of prospect pool management and solicitation, account acquisition, account servicing and call-center technologies, core systems

- **Human Resources**
  - Managing associate selection and development of company culture
Test and Learn Strategy

Account Acquisition

- Strategies Developed
- Test Executed
- Accounts Required
- Results Analyzed
- Account Performance Assessed

Account Management

- Strategies Developed
- Tests Developed
- Results Analyzed
- Account Performance Assessed
- Account Management

Drives New Product Development
Different Systems Working together

- **Vectus**: Data from customer applications
- **Bass**: Data from customer applications
- **Salsa**: Solicitation and marketing data

**Screen of front-end accolades**

**MIS**

**Data Warehouse**
Systems Infrastructure

- Use of Data

Customer Data
- Statistic consumer data (identity)
- Demographics
- Transaction data
- Products sold
- Campaigns received

Segmentation
- Expected NPV
- For every customer
- For all sales activities
- Monthly recalculated

Online decision of associate
- Rank order of what to offer/ cross-sell
- Which products
- Value per product
- Products already offered (=bared from sale)

Decision captured and fed into data warehouse
Growth of Capital One’s Revenues (Worldwide Operations)
Summary

- Illustrates successful implementation of a CRM strategy
- Business model founded on the crucial premise that each customer requires a different product and service from a credit card provider
- Adopted an Information Based Strategy (IBS), to collect information on customers
- “Test & Learn” tests customer related activity in a controlled condition before it is introduced in the market
- CRM is viewed as a key strategic process in Capital One; different depts. work in an integrated fashion towards understanding and satisfying customers
- 2001 - Capital One was named 3rd ‘Best Place to Work in the UK’ by The Sunday Times. Capital One named in Forbes 400 list - Best Big Companies in America
Minicases: Challenges in Implementing CRM

- CRM in FMCG Industry:
  - To define, conceptualize, and implement a suitable CRM approach

- B2B CRM Implementation:
  - To create transparency across customer relationships
  - To design cooperation processes across the three companies
  - To develop sales support tools

[Logos for Henkel and Deutsche Post World Net]
Summary

- The key elements of CRM are touch points and CRM applications that span sales, marketing and service functions.
- Once the elements of CRM are identified it is important to calculate the ROI of CRM to see whether investment in CRM is worthwhile.
- Building a complete customer database incorporating all the relevant customer information from different departments and external sources is very crucial for a successful analytical CRM project.