

# InfoTrak

Information for Better Decisions

## Profitable Customer Relationship Management Builds on Strategy and Technology

On average, businesses lose 15 percent to 20 percent of their customer base each year, and half of their customers within five years of acquisition.<sup>1</sup> Given that it costs five to ten times more to acquire a new customer than to sell to an existing one<sup>2</sup> (and takes an average of seven years to make a net profit from an individual customer<sup>3</sup>), it's no wonder companies are investing heavily in customer relationship management. According to Forrester Research,<sup>4</sup> companies spent some \$12 billion on CRM software, consulting and systems integration in 2005 alone.

Even as they continue to purchase CRM solutions, many businesses have expressed disappointment in their results. Only 10 percent of business and technology executives surveyed by Forrester felt CRM delivered the benefits they expected. Only 14 percent reported that their CRM applications had improved end-user productivity.<sup>5</sup> And a recent Gartner Group study predicted that 50 percent of CRM initiatives implemented in 2006 will be viewed as failures from the customer perspective.<sup>6</sup>

Why the disconnect between expectations and results? Some of the confusion seems to stem from the lack of a universally accepted definition for "customer relationship management." Is it technology? Is it strategy? Is it a process?

**Stronger customer relationships have grown increasingly vital to companies vying for competitive advantage in today's complex, multi-channel marketplace. Many proactive players, acknowledging the need for greater focus on strengthening customer relationships, have invested millions of dollars in the databases and technology required to support a customer-centric approach. In spite of their efforts, many have failed to elevate CRM performance to their targeted level.**

— *McKinsey & Company, "Marketing Organization: The Key to Turbocharging Customer Marketing Performance"*

The lion's share of spending goes to technology, as companies seek the CRM equivalent of the holy grail — the fabled “360-degree view” of the customer — by integrating sales, marketing, customer service and field support systems. Integration can also increase efficiency and lower costs, making relationships with customers, channel partners and suppliers more profitable.

But technology for the sake of efficiency alone does not create effective customer relationship management. As Tom Abshire, Vice President of Solutions for RightNow Technologies, points out, automating processes to interact with customers more efficiently “may push more marketing campaigns out the door at lower cost...but you’re likely damaging the customer experience and unable to retain and grow relationships” if you don’t target and personalize your efforts.<sup>7</sup>

## Start with strategy

Consulting firm McKinsey & Company says four integrated elements are needed to derive real value from CRM:<sup>8</sup>

1. A strategy for managing customer relationships that is tied to business economics;
2. Compelling, well-executed programs that drive customer value levers;
3. Technology to support key activities in both data management and customer experiences; and
4. An organization (structure and processes) that supports the ability to deliver and sustain the first three elements over time.

Peppers & Rogers Group, another consultancy, echoes McKinsey’s perspective. They advise companies to first establish an internal, strategic vision for organizational and cultural change. Only after that vision is clear can an organization effectively integrate front-office solutions (customer service, sales automation and field sales) with back-office systems (accounting, finance, human resources and operational solutions).<sup>9</sup> Their approach<sup>10</sup> for successful CRM rests on doing four things well:

1. **Identify:** Be able to identify each customer individually and link information about that customer across the enterprise.
2. **Differentiate:** Segment customers by their value to your company, as well as by differing needs, so that you can tailor and prioritize sales and service efforts around your most valuable customers.
3. **Interact:** Once you clearly understand your customers and their value to your organization, you’re better positioned to improve cost efficiency and effectiveness in your dealings with them.
4. **Customize:** The ultimate goal of CRM is to be able to deal with customers one-on-one. Your customer knowledge should be so specific and relevant that you can adapt your efforts to meet previously expressed or even implied needs.

Peppers and Rogers also recommends mapping all the ways customers interact with the company (customer “touch points”) across channels, business units, departments, and product and service lines, at each step in the customer lifecycle. This information, along with the costs of interacting across channels, can help the organization optimize capacity and functionality, identify costly gaps, and seize new opportunities for improving the customer experience.<sup>11</sup>

**In a 2004 CSC survey of over 6,000 marketing and sales executives, 79 percent said their companies do not have 360-degree views of customers across all major touch points, and only 34 percent have systems in place that allow them to provide consistent treatment to all customers.**

— *Peppers and Rogers Group & RightNow Technologies, “Stop Random Acts of CRM”*

## Other best practices

Forrester Research<sup>12</sup> interviewed 22 executives from various countries and business sectors to identify CRM methodologies that increased revenue and ROI, lowered costs, and improved competitive strength. From their research, they developed ten best practices, only two of which were technology-specific:

1. **Build strong executive sponsorship.** Without visible commitment by top management, customer-facing initiatives are more likely to fail.
2. **Require business executives to lead CRM with support from IT.** In most companies, business units are accountable for delivering profits and manage the customer-facing processes that impact profitability. But CIOs play an important role in helping business leaders understand how to take advantage of CRM technologies and approaches.
3. **Develop the right governance structure** to ensure accountability, effectively allocate resources and support balanced decisions with regard to objectives, priorities and schedules.
4. **Define objectives first, then apply technology.** Technology is a means, not an end. It should support, rather than drive, business process changes.
5. **Follow a realistic pace for rollout.** Business process change isn’t easy. Deployment strategies based on continuous improvement work best.
6. **Define data requirements and data quality management approaches early.** Avoid problems by proactively managing data up front. Trying to clean it up later costs more and wastes valuable resources.
7. **Strive for high user involvement.** Allowing end users input to new technology and processes increases the likelihood of successful implementation.
8. **Place a high priority on usability.** Applications and interfaces must be aligned with users’ daily work practices. If they aren’t user friendly, productivity will suffer.
9. **Simplify the platform.** User fewer, multifunctional applications.
10. **Actively manage the vendor relationship.** Develop a shared vision for achieving business outcomes, rather than focusing solely on costs, schedules and system performance.

Despite investments in marketing automation and CRM technology, service, sales and marketing systems and organizations are still extremely disjointed. Only 15 percent of companies use customer service data as a customer segmentation attribute in their marketing, with the majority ignoring their rich customer support/servicing behavior and attitudes. Only 12 percent of companies leverage multi-channel customer spending data. — Jupiter Research, *“Vital Marketing: 10 Core Tactics to Improve Marketing Campaign Effectiveness and Efficiency.”*

Peppers & Rogers Group<sup>13</sup> adds the following considerations for maximizing productivity, keeping costs low and providing a competitive edge:

1. **Tear down walls between departments.** Work from a central knowledge repository and share customer data between applications to ensure consistent customer service, speed up sales cycles and effectively track leads while building targeted campaigns.
2. **Make sure management understands daily business practices** so they can properly measure business activity, evaluate employee successes and identify pipeline opportunities.
3. **Integrate front-end applications with back-end systems** to formalize workflow between departments, create efficiencies and save money.
4. **Streamline ordering processes.** Make it easy for sales to access customer data so they provide quotes, check purchasing histories and verify orders in real time, to improve the sales cycle.
5. **Use scalable technology solutions** so that they remain relevant as your company grows.

## Fulfilling your company's CRM vision

While strategies, processes and technology may vary from company to company, the goal of implementing CRM initiatives is roughly the same for all: to build the most profitable relationships possible with customers. To achieve that goal, one of the most important things your company must do is get the right information to the right place at the right time, as efficiently as possible — a concept any fulfillment company should understand and be positioned to support.

Full-service fulfillment companies can help you create, manage and deliver your marketing and sales communications in the most cost effective, timely manner. Additionally, better vendors will share your business vision and provide solutions to help you implement customer-centric programs.

Whether you're striving for true one-to-one marketing or using personalization and content customization by customer segment, your fulfillment partner can help with technologies like template-based design-on-demand and digital printing for variable messaging. These tactics have been shown to increase average response rates by as much as 35 percent.

With sophistication of marketing tools and the number of media increasing tenfold during the past decade, the difficulty of keeping customers engaged has also increased. Reaching qualified prospects at the right time, through the right channel, remains an obstacle, as the volume of marketing messages continues to increase.

— Jupiter Research, “Vital Marketing: 10 Core Tactics to Improve Marketing Campaign Effectiveness and Efficiency.”

Your fulfillment partner is also equipped to handle the demands of multi-faceted or ongoing communication campaigns, including letters, booklets, information kits, specialty items and more, from start to finish — including design and production recommendations, collating, individual delivery or bulk shipping, inventory storage and management, and automatic reordering at predetermined inventory quantities.

Creating customer loyalty is increasingly important to maintain revenue streams. Fulfillment is an important customer “touch point” that can impact whether your prospects become customers and your customers become loyal, repeat buyers.

## About Comac

Comac offers an array of targeted communication solutions to help improve your customers’ experiences and your company’s bottom line. Our services reduce time to market, streamline business processes, increase response rates, and improve ROI. Call us at 1-866-COMAC4U, or send us an email for a no-obligation discussion of your needs.

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### Footnotes

- <sup>1</sup> Terry Vavra, Ph.D., “Don’t Let Customers Short-Circuit Your Retention Efforts,” *Customer Relationship Management*, March 1996: pp. 33–35
- <sup>2</sup> The Service Quality Institute
- <sup>3</sup> Richard Snow, “The Failed Search for a Single View of the Customer,” *Ventana View*, October 17, 2005
- <sup>4</sup> William Band, “The ABCs of CRM Success,” *Optimize*, Issue 51, January 2006
- <sup>5</sup> Ibid
- <sup>6</sup> “Reaping Business Rewards from CRM,” Gartner Group, May 2004
- <sup>7</sup> “Stop Random Acts of CRM,” RightNow Technologies and Peppers and Rogers Group, <http://whitepapers.zdnet.co.uk/0,39025945,60144028p-39000670q,00.htm> (accessed August 9, 2006)
- <sup>8</sup> “Customer Marketing Organization: The Key to Turbocharging Customer Marketing Performance,” McKinsey & Company, June 2001
- <sup>9</sup> “Striking the CRM Balance,” Peppers & Rogers Group and Microsoft Business Solutions, 2003
- <sup>10</sup> “A CRM Blueprint: Maximizing ROI From Your Customer-Based Strategy,” Peppers and Rogers Group and Microsoft Great Plains, 2001
- <sup>11</sup> “Stop Random Acts of CRM”
- <sup>12</sup> “The ABCs of CRM Success”
- <sup>13</sup> “Striking the CRM Balance,” Peppers & Rogers Group and Microsoft Business Solutions, 2003



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