

Understanding the Method

Part 1 set the stage for our CRM efforts. We discussed how changes in the marketplace have made building customer loyalty and Customer Relationship Management imperatives. We developed a common understanding of what we mean by CRM and what it entails both on and off the web. We also discussed the following:

- The marketplace has changed for all companies. The Internet has dramatically raised customer expectations, but it hasn't changed the basic business rule that in order to be successful you have to run a profitable business. Competitive pressure on product and service uniqueness and cost has made commodities of many products, so it is even more difficult to be profitable.
- Customer loyalty (preferring to buy from us over competitors) is a key differentiator for companies, no matter which value discipline (product superiority, customer intimacy, or operational excellence) they focus on. Because of the ease with which customers can now get information and compare products, the level of acceptable performance in the other disciplines has been raised for everyone.
- CRM on and off the Internet is the discipline aimed at building customer loyalty. It combines information, process, technology and people to build strong relationships with customers.
- CRM is not just buying a piece of software to automate some of your current processes and then plugging it in. If it were that easy, more companies would have had CRM success already.

Now we will prepare for a successful outcome of our CRM program. CRM is no silver bullet. CRM program success is achieved by completing small, focused projects that add up to a

big victory over the long run. We have been and will continue to use the terms *CRM program* and *CRM project* throughout the book. They are not interchangeable. Let's start by clarifying CRM program.



DEFINITIONS

A *CRM program* is the sum of all the work your company does to improve the customer experience and increase loyalty. Your program can be as long or short as appropriate to your business needs.

A CRM program is made up of all the individual CRM projects. Each project will follow the same basic method. We define and use a standard method because that is the only way we can successfully tackle a program as large as CRM.

We will repeat the method steps as long as projects remain to be completed and they make sense for the organization. We'll deliver quick wins along the way to achieve visible success before the notoriously short corporate attention span wanders. Let's review the methodology steps and who is responsible for what. Both a formal method and formal responsibilities required for building a CRM program that is successful.

5.1 Understanding the Formality of CRM

Methodologies are alien to many sales reps and marketers who depend on creativity and intuition. They often achieve success through their own inspiration, intuition, and experience. Technology experts are equally creative people. They just use different instincts, tools, and experience in their drive to build the most original and elegant solution to a problem. It is very important to recognize that while the business functions and Information Technology must work together to build a successful CRM program, they have such different backgrounds that they have a hard time even understanding each other. Methodologies and defined roles are the bridge between various perspectives.

5.1.1 Methodology

Because CRM covers so much territory, we must tackle it a step at a time. A method that starts with an overall strategy and uses past results to deliver integrated capabilities on subsequent projects ensures that we continue to move toward our end objective. The only way to ensure successful integration of all these projects is to follow a well-defined method. Methodologies also allow us to learn from previous experience and to get better and faster at what we do. This is another very important consideration in delivering CRM programs. Figure 5-1 shows the entire methodology that is necessary to ensure delivery of a CRM program that achieves your business goals.

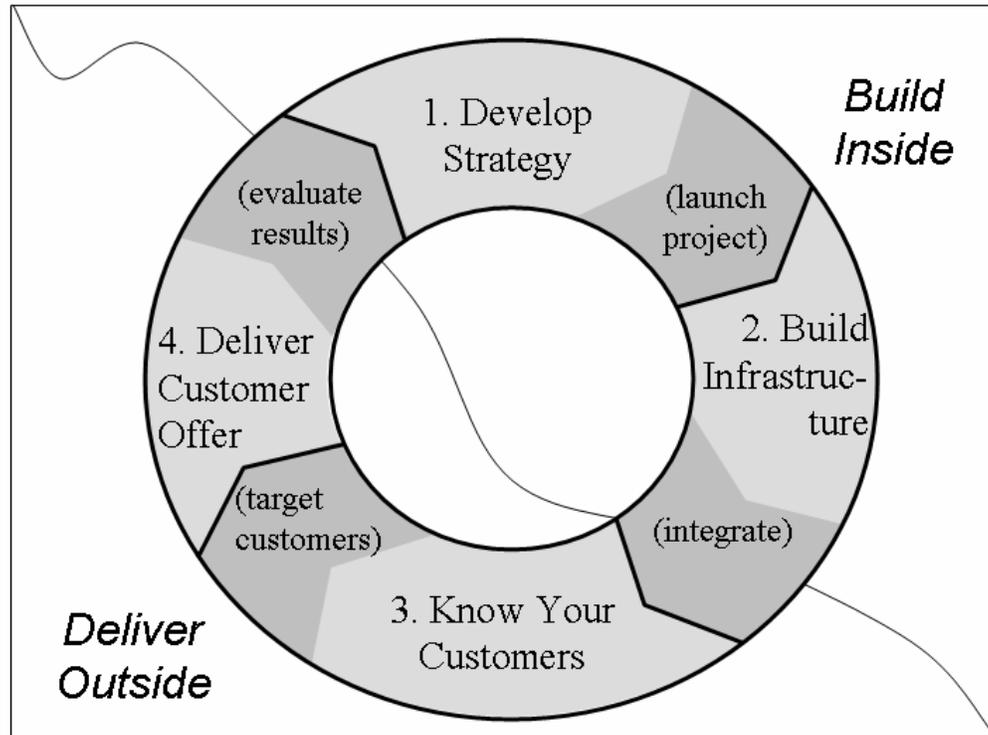


Figure 5-1 The CRM program life cycle

There are four phases in the CRM life cycle with four well-defined transition steps connecting them. Just like all other disciplines, planning is everything in CRM. The first phase begins by creating a vision and a strategy so that you know what you want to achieve. The process also helps you understand your business, your priorities, and your competitive position so you can pick the best place to begin. The second phase is to create the supporting infrastructure, remembering that CRM is more than just technology. After you have done the necessary work internally, it is time to take the new capability or new campaign to your customers. In Phase 3, you will identify the specific customers to include in the new capability; in Phase 4, you will actually deliver the benefit to these targeted customers.

The life cycle is shown as a circle specifically because this method is not linear. The steps are repeated until you have achieved the level of CRM implementation that is appropriate to meet your company's needs. At the end of the first project, you will evaluate your results and reassess your strategy based on those results, and then begin planning for the next highest priority project.

By the way, if you already have a methodology that works, is well understood, and is widely used within your company, use it. Just check to be sure that it covers all the elements in

Figure 5-1. If not, add them to your existing process. The most important point is that you use a defined methodology.

5.1.2 Define Responsibilities

Although methodology may be a foreign concept to many of those most closely involved, we must use standard, repeatable methods in order to achieve success. Another huge benefit from following a process is that it helps the key participants understand what needs to be done and who is responsible for what. For all the parts of the organization to be aligned and working together throughout the life of the program, we must develop a formal structure and set of rules that help everyone understand their responsibilities in the overall CRM program.



KEY IDEA

The business function is responsible for defining the business requirement, and the IT department is responsible for specifying the technical solution.

It just doesn't work the other way around. It is useless for Information Technology to try to define the business objective; they haven't been doing that job. It is equally ridiculous for business to come to the IT department requesting a solution, as if to say, "We need a sales rep automation tool". After the business function has identified its needs, let the IT professionals identify alternatives and present you with alternatives (including pros and cons) to consider. Figure 5-2 shows the different phases of the CRM program life cycle and who is primarily responsible for each.

We are going to spend most of our time on the two internal phases of the methodology because those companies rushing to grab hold of the CRM golden ring so often ignore strategy and infrastructure development. Many companies just jump right into a project such as building "personalized" web sites or running a "one-to-one" campaign without knowing what they hope to achieve or having the infrastructure to accurately target customers, measure results, or refine and repeat the effort.

By focusing on the internal planning and implementation, we prepare the foundation on which effective CRM capabilities are delivered to customers.

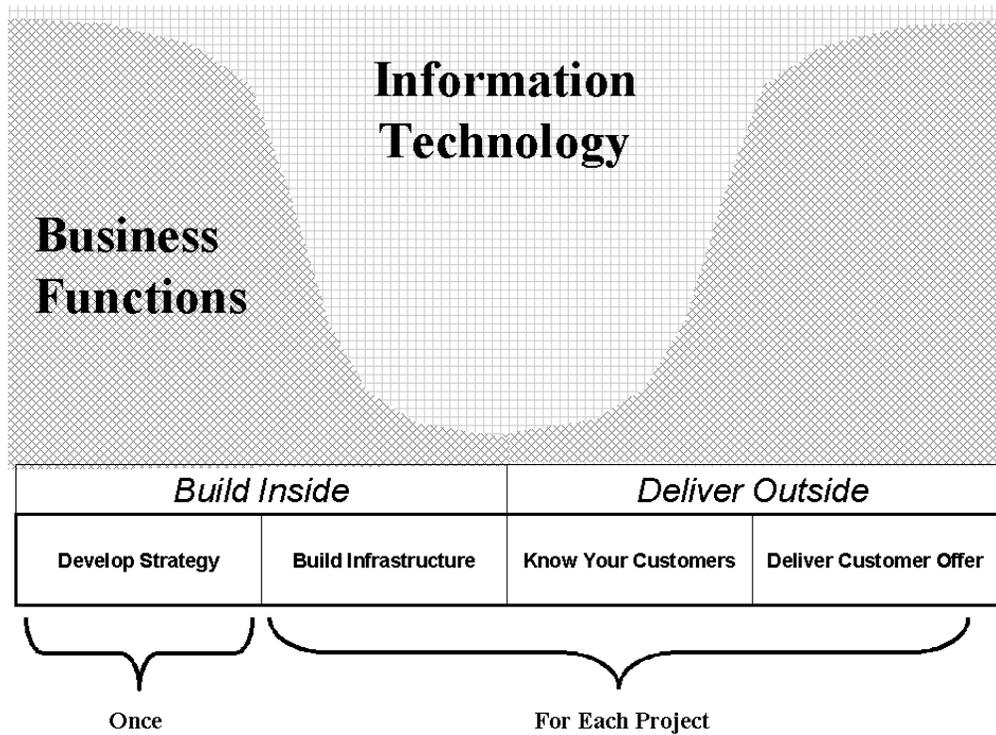


Figure 5-2 Program life cycle responsibilities

5.2 Developing Your CRM Strategy

The first major step in building a successful CRM program is Phase 1:

PHASE 1—DEVELOP A STRATEGY

There is no clearer early indicator of failure than starting (or maybe worse--finishing!) a CRM project without knowing where you are heading. This is the number one reason that CRM projects do not succeed. The no-plans approach usually results from the “quick-fix” or “silver bullet” mentality that is so common. Remember, it doesn’t work that way--not for anybody--no matter what anyone promises you.

A strategic plan allows you to take the small steps that are more likely to be successful, while ensuring that each one takes you in the direction of your ultimate goal. Like sailing, we may have to tack in one direction or another, not always directly toward port. But at least we know we’re continuing to sail in the right direction and not steering a course that is taking us away from where we want to be. This plan is like a civil engineer’s design for a railroad. Unless we have a plan, we’re going to end up like the two characters in Figure 5-3, and our customers will be just as sorry as the first engineer who tries to drive a train down this track!

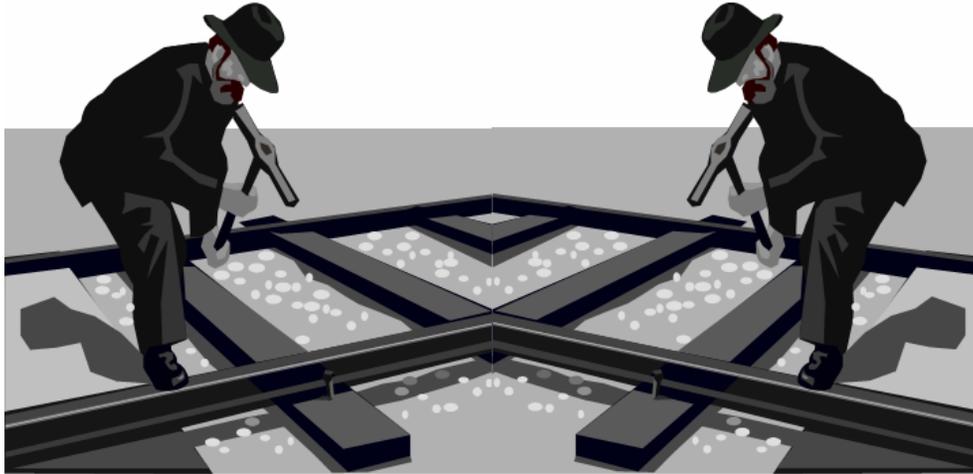


Figure 5-3 Here's what happens without a strategy.

This is exactly the result if different parts of your organization begin independent CRM projects one piece at a time without an overall strategy. Without this clear and common understanding of what you want out of your efforts, you'll end up with fragmented bits that don't fit together. Then you'll have to tear down some or all of what you built in order to deliver a truly integrated customer experience.

It is the strategic plan that, like a blueprint, allows you to implement in small, manageable chunks because it ensures that the chunks will fit together. The plan allows you to identify what's most important, get started, have a success, and benefit from what you have already built while continuing to add functionality another chunk at a time. CRM is using processes, information, people, and technology to manage and improve relationships with your customers. There is no predetermined "right" set of chunks that you must build.

Another important outcome from your strategic planning effort is getting widespread participation, input, visibility, understanding, and support for both the long-term strategy and immediate priorities. Every functional area has different needs and priorities. If they stakeholders know the reasons why their requirements aren't the first to be addressed and when their requirements are scheduled to occur, they will be more supportive of your entire plan. Of course, visible progress is also necessary, or all the underground projects will certainly start up again. This is the reason we will undertake small projects leading to quick successes, and why we must make our progress visible through continuous communication.

Some organizations shy away from strategic planning because they think it will slow things down. They just want to get started. Yes, it does take time and effort. But if you spend too much time, you are wasting resources and probably getting stuck in *analysis paralysis*. The purpose of a strategic plan is to develop a fairly high-level view of your goals and objectives that

lets you get started quickly but with a commonly understood goal in mind. The benefits far outweigh the time invested.



KEY IDEA

Even for the largest companies, the strategic planning methodology should never take more than a few months. With good tools, a good methodology, good participation, and good support, it should take no more than six to eight weeks.

The strategy and planning phase of the CRM life cycle encompasses surveys of key internal and external stakeholders. It produces a set of documents much like architectural blueprints.

5.2.1 Process Steps

As always, we must start with an understanding of the company’s current business situation. No CRM effort can ever be successful if it is not aligned with your company’s top strategies and priorities. Also, be sure to look outside the organization. Understanding customer expectations and your relative position against your competitors is critical. Why would you tackle an area in which you’re already as good as or better than your competition, and your customers don’t care very much anyway? Table 5-1 shows the main steps for the strategic planning phase.

Table 5-1 The Strategic Planning Process

Step	Purpose	Participants
Collect Data	<ul style="list-style-type: none"> • Ensure that the CRM program is aligned with company strategy. • Discover what customers think about your current performance. What do they want more of? What makes it difficult to do business with you? How do you compare to competitors? • Understand all the customer project and functional silos that currently exist. 	Company Executives and Sales, Marketing, Service, and Support management Employees who interact directly with customers Customers
Assess Findings	<ul style="list-style-type: none"> • Identify business strategies, risks, and opportunities that will influence your CRM program. • Identify gaps between the goal and today’s reality. • Define high-level customer segments. 	Project team Impacted business function representatives Information Technology

Table 5-1 The Strategic Planning Process (Continued)

Step	Purpose	Participants
Create a Proposal	<ul style="list-style-type: none"> • Define a common vision and language about what CRM is for your company. • Ensure that key constituents understand and support the strategy. 	Project team Sign-off from sponsor, key executives, and business managers
Transition: Launch Project	<ul style="list-style-type: none"> • Select the best project to tackle first (or next). • Determine scope, schedule, and resources. 	Project team Sign-off from sponsor, key executives, and business managers

We also need to get an idea of what CRM efforts are already going on in the various CRM functions. What are the official and unofficial projects already underway to support sales, marketing, customer service, and product support organizations? Finding this out is critical because money is often limited and must be focused on the organization's key priorities. But it can be a political nightmare because many people fear that their pet project will be taken over or canceled. In fact, this may happen for many good reasons. In Chapter 8, we will discuss ways to get this information without causing projects to go deeper underground; at that time, we will also cover the strategic planning phase in detail.

5.2.2 What You'll Get

At the end of Phase 1, you will have completed the strategic plan as the blueprint for building your project. You will have defined a high-level view of the information, process, technology, and people requirements of your program. You will know how the overall program will be organized and supported, and you will have determined a consistent view of your CRM vision as well as a language to describe it that everyone understands. You will also have identified the priorities that will determine which projects to do next, the timing of future projects, and the risks you face so you can prepare for them. Time and again throughout each project life cycle, you will need to refer to these key documents.

At the end of each project, you will start the next cycle by evaluating the current blueprints, which allows you to enhance and refine them based on what you've accomplished, what's changed for your business, and what you've learned.

5.2.3 Transition: Launch Project

In Phase 1, we take a high-level look at the overall organization, marketplace, and technology situation and identify the project with which we'll begin. In the transition step to Phase 2, we focus on one small area—that business problem, issue, or opportunity that is most important to address first. Because the CRM program sounds so big and broad, we will be looking at ways

to identify and prioritize small chunks that can yield quick success and build on each other to deliver your overall goal. These projects will:

- Be completed in a matter of months (before anyone can lose interest)
- Move the organization toward the desired goal (not in the wrong direction)
- Yield a visible and measurable result (which must be communicated widely)
- Build on previous success (show continuous progress and avoid rework)

We defined CRM program earlier; now let's understand what we mean by CRM project.



DEFINITIONS

A CRM project is a well-defined effort with specific deliverables, due dates, and cost. To ensure success, a project must produce valuable and measurable results, but it must also be small enough to complete within a business sponsor's attention span.

We are about to launch our first project. The business functions that own or are affected by the project are the primary participants and contributors, but it's important for Information Technology to be involved also. When the IT department participates in the launch, they learn lots of information that will enable them to understand what really needs to be done to deliver a successful project.

Now, we will dig into much greater detail than we did during Phase 1. We must really understand exactly what the business problem is that we are solving and what the real business needs are, identify specific risks and critical success factors, and so on. This is the reason we can afford to spend just a short time getting a rough idea of our end goal during the strategy phase (thus, completing it quicker). We delve into much more detail as we plan and launch the project. Completing agonizingly detailed studies of all your possible CRM requirements as part of the strategic plan is really a waste of time. So much of the detailed requirements would change by the time you got to them that you would have to do it all again anyway. Worse yet, it's likely to keep you from ever getting started doing the real work. So we move to the infrastructure development phase by digging deeply into the true business needs and defining the project scope, time line, and resources.

5.3 Building a CRM Component

CRM is neither a silver bullet nor a magic wand. It takes careful planning and management to be in a position to successfully.

PHASE 2—BUILD THE INFRASTRUCTURE

Many quick-fix specialists believe that you can just “do CRM”! Just get Information Technology to build a web site personalization capability. Forget that you don’t have any customer knowledge to decide what to do for whom. Part 3 of this book is devoted to understanding in detail what it takes to develop the infrastructure that is a required to enable an integrated and successful CRM program. Here, we will just review the method.

5.3.1 Process Steps

The development process steps will be used to manage efforts in each of the components of the infrastructure (process, information, people, and technology). All infrastructure development projects follow the same basic and well-understood method.

- Launch
- Analysis
- Design
- Construct/Test
- Implement

As we just saw, the project launch is the transition from CRM lifecycle phases 1 when we determined the business need and developed the project plan. The focus of Phase 2 is the analysis, design and construction of all the infrastructure elements required to meet the project objective. Implementation (Integration) occurs during the transition to Phase 3. These steps, which describe the “waterfall” method of software development but can be applied to all components, are described in Table 5-2.

Table 5-2 Building Infrastructure Steps

Step	Purpose	Participants
Gather and analyze requirements	Identify business needs for information, process, technology and people Analyze and compare to existing infrastructure.	Project Team Business function experts
Design component	Developed a detailed design	Business function experts Information Technology
Construct solution	Code and test information and technology solutions Develop process and people change solutions	Information Technology Business function experts
Transition: Integrate Capability	Information Integration (consistency) Process Integration (continuity) Technology Integration (compatibility) People Integration (congruity)	Information Technology Business Function

We use this same waterfall method for each of the small projects we launch, learning from previous results as we start the next project. Barry Boehm, a professor at the University of Southern California's Center for Software Engineering, named this evolutionary development approach the *spiral model* in his 1986 paper "A Spiral Model of Software Development and Enhancement," as shown in Figure 5-4.

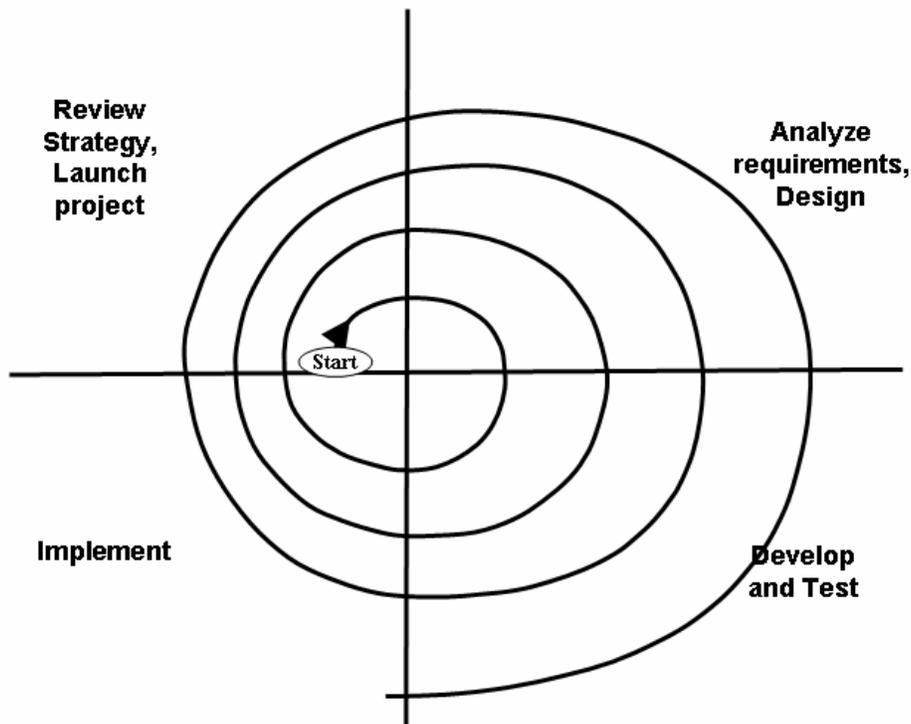


Figure 5-4 The Spiral Development Model

We will discuss this phase in more detail for each piece of the infrastructure so that we understand exactly what we need to get done.

5.3.2 What You'll Get

Not surprisingly, the major deliverable of this phase is the infrastructure itself, one piece at a time, of course. At the end of Phase 2, we are likely to have new or modified processes, improved customer information, additional technical tools, and the training, education, metrics, and rewards necessary to ensure that the new capabilities are adopted throughout the organization.

As soon as we have delivered the first piece of infrastructure, we also need to be prepared to manage the new capabilities. In particular, customer information is extremely volatile, and it

is virtually worthless if the quality deteriorates without check. We will take a very detailed look at what is required to manage customer information quality in Chapter 20.

5.3.3 Transition: Integrate Capability

In the transition to Phase 3, we do the actual work of pulling relevant information together, merging new processes into existing workflows, etc. Unless we actually follow through on our strategy of integration, we will remain in disconnected operational silos that have no impact on our ability to improve the customer experience.

Sadly, because legacy customer data has generally been so poorly managed, this is the area that can take the most work and yet is so often overlooked. You may be thinking, “it’s just names and addresses, so how hard can it be?” I am amazed at the number of companies that spend lots of money building a complex and expensive customer analysis capability that it then applies to lousy data. The only result is the companies’ ability to make bad decisions more quickly!

It’s time to take our efforts outside. We have completed all the necessary internal effort (information, process, technology and people change management) and are ready to give our customers the benefit of all our hard work.

5.4 Analyzing and Segmenting Customers

Whatever project you have chosen to work on, it’s time to specifically identify the customer or group of customers for whom the result is intended.

PHASE 3—KNOW YOUR CUSTOMERS

If you’ve established web-based support to provide customer assistance and replace expensive call centers, you may want to target the effort at lower-value customers as you roll it out and refine it. On the other hand, if the new capability is expensive to build and roll out, like a detailed tool for a customer to view and manage all of his orders, you may want to start with the most valuable customers. But how do you know who they are?

5.4.1 Analyze Customers: Steps

You don’t begin a project without any idea of who the target audience is. You might have even selected a few representative individual customers for interviews or focus groups. The steps shown in Table 5-3 will help you determine what other customers match the criteria you’ve identified.

Table 5-3 Assess Customer: Steps

Step	Purpose	Participants
Getting Down and Dirty with the Data	Determine customer profiling and scoring model Optimize profile coverage	Product Team Database Marketing Team Customer Information Management Team
Segmenting Customers	Define most predictive segmentation strategy Create Groups of customers “like one”	Product Team Database Marketing Team
Transition: Selecting Target Segments	Select customers profile values most likely to deliver the best response to the project offer. Identify specific customers who match that profile	Business Team Database Marketing Team

All customers are not alike, and CRM does not suggest they be treated all the same. CRM requires that all customers be treated appropriately to their needs and their value to the company. In Chapter 17, we will cover more of what’s required to target customer segments.

5.4.2 What You’ll Get

When finished with the customer analysis phase, you will have identified the types of customers who should be targeted to receive the new offer. You may also have identified some additional customer information sources that will improve your ability to send your offer to the right customers.

5.4.3 Transition: Select Target Segments

As a result of this transition, you will have identified the actual customers who fit the profile you intended this project to benefit. Depending on the offer medium, this list can be made up of mailing labels, email addresses, phone numbers, or simply a list of companies you intend to sign up for a new capability.

5.5 Taking It to Your Customers

It is now time to take your program outside and deliver it to the customers you’ve targeted.

PHASE 4—DELIVER THE OFFER TO THE CUSTOMER

For the target customer audience, register them for personal web sites, offer information and access about your new online support capability, or run a one-to-one campaign.

5.5.1 The Process to Take It to Your Customers

Use everything that you've developed for this project (information, process, technology and people) to deliver a successful offer. The steps to get the offer out the door and into the arms of your customers are outlined in Table 5-4.

Table 5-4 Deliver Customer Offer: Steps

Step	Purpose	Participants
Design the offer	Maximize offer return on investment Optimize expected responses	Business Offer Sponsor and/ or manager
Prepare the offer message(s)	Develop message that matches each segment value proposition Prepare to measure results	Depends on offer: Project team Business Offer Sponsor IT Department
Present the offer	Install new capability, and train cus- tomer to use it; release marketing communication Minimize cost of offer delivery	Depends on offer: Project team Business Offer Sponsor IT Department
Transition: Measure Results	Evaluate performance metrics Evaluate value metrics	Project Team

We will take a closer look at segmentation in Chapter 17 and delivering the offer to customers in Chapter 18. We'll learn about the tools that support these efforts and introduce several resources referencing some of the excellent work that has been done on analyzing customer information, segmenting and valuing customers, and delivering personalized customer experiences on and off the web.

5.5.2 What You'll Get

This is where you should really see the result of your efforts in terms of increased loyalty and business benefit. Measuring results is critical (another way to keep support for the project). I hope you defined the expected customer result at the beginning of the project. If there was no planned customer benefit, then (dare I say it again) it's not CRM! Sales rep productivity is a fine objective, but if it's not aimed at benefiting the customer, it's not CRM.

5.5.3 Transition: Evaluate Results

Along with measuring the performance impact of your changes on customer relationship and business results, you must assess changes to strategy or customer expectations as a result of this project. A key element of the success of your overall CRM program depends on learning

from what has gone before and using all the experience and information you've gained to refine your methods going forward. This will feed back into the beginning of the methodology, where you will revisit your strategy and priorities, and test that there are no major changes resulting from the overall business direction or your previous efforts. Then you will begin the process again. Obviously, you won't spend another four to six weeks in the strategy-setting phase, but it's important to review where you thought you were headed and make any adjustments that are necessary.

5.6 Getting Ready for the Next Project

As we've discussed, the benefit that all companies get from using this method is that it can be repeated. Your project team will do these same steps over and over until your company's specific CRM needs and objectives are met. The world will not suddenly recognize that you have "done CRM." Instead, you will repeat these steps as long as the value of adding a new CRM capability outweighs the cost of the additional effort. At every step along the way, you will show benefit and value, and you will be aware of where you are going next.

As you begin the cycle again, that's the time to decide whether you have done enough. You don't have to implement every possible CRM capability. You should work only on the pieces that are most important to your business situation. There is no ideal CRM state that we should all be striving to reach.

Just as there is no perfect CRM state, there is no ideal size of a program or project. For a small company with few people to involve, it may take no more than a week to pull together a plan: You may need only a few days to complete internal interviews and talk to a couple of customers, and another day or two to summarize the results into a plan. Table 5-5 provides a gauge that will help you judge the size of your effort for each project phase. I've used number of employees to estimate size and complexity. A large, global company will need more time to gather information to build its strategy and to deliver results. Another factor to consider is the size and complexity of your customer base. Note that for all size companies, a project should be scoped small enough to be developed in six months or less. This probably will mean that a large company must bite off smaller chunks to be successful.

Table 5-5 Estimated Project Duration Target

Number of Employees	Strategy	Develop	Analyze/Target	Deliver
< 100	1 week	3-6 months	1 week	1 week
> 10,000	8 weeks	4-6 months	4 weeks	4 weeks

Following these guidelines, no individual project should be undertaken that is more than nine months from strategy setting to customer delivery. Answer the questions at the end of the chapter, and find where you fit on the continuum.

Now that we've learned the basic steps of the methodology, we will go on to Chapter 6 and learn how to overcome some of the most common barriers to CRM success.

Questions for Reflection

These questions will help you set realistic expectations for the length of each CRM projects. Based on your answers to Questions 1 and 2, plot your company's position on the chart shown in Figure 5-3. What size is your company: number of employees, locations, countries where located?

1. How complex is your customer base in terms of number of individuals, companies; type of customers (consumer, B2B); number of industries engaged in?
2. What is your position on the following chart? You should limit the scope of each project such that you believe the entire project can be finished in no more than this amount of time.

C u s t o m e r B a s e	Many/ complex	5 months	9 months
	Few customers/ industries	3 months	7 months
		Small/Local	Large/Global
		C o m p a n y S i z e	

This chart gives you a rough idea of the maximum length of time that you should target for each of your company's CRM projects.