Theme of the Book

The book addresses the question of why a strategic approach to CRM is crucial for companies seeking to differentiate and achieve competitive advantage, especially in service sectors. It identifies that CRM means a customer-oriented approach to strategy, organisational structure and culture, processes and measures and that the technology solution is merely an enabler of this approach, not CRM itself.

The book is full of case studies illustrating the principles of CRM and telling the implementation stories of companies, illustrating best practice and also showing how companies overcome the various issues that arise during CRM implementation.

“The key to revenue growth these days is customer relationships. CRM enables companies to enhance their relationships. … by creating a single view of the customer across the entire organisation allowing the customer to do business anytime … through whatever channel they choose.”
Key Learning Points

- CRM is a far-reaching management process, requiring significant investments and organisation and culture change.

- CRM involves five integrated cross-functional processes:- Strategy development; Value creation; Channel and media integration; Information management; Performance assessment.

- Business and customer strategy drives the design of the CRM solution.

- Data mining and analysis means the company understands its customers better and can segment by customer behaviour, creating suitable value propositions.

- Companies must make it easy to do business with them and provide a coherent and consistent brand offering through the channels and media that customers prefer.

- Take a strategic approach to information management to deal with legacy systems and provide employees with the information and tools they need.

- Performance measures should focus on what is important to the customer and gather the necessary data to inform customer strategy.
CRM is defined as: ‘a business strategy focusing on winning, growing and keeping the right customers’.

A CRM report for the FT states that CRM consists of three main elements:
1. identifying, satisfying, retaining and maximising the value of the firm’s best customers;
2. wrapping the firm around the customer to ensure that each contact with the customer is appropriate and based upon extensive knowledge both of the customer’s needs and profitability;
3. creating a complete picture of the customer.

The main CRM driver is the move from a focus on efficiency to effectiveness. This means understanding customer needs and working with customers to fulfil those needs, which is a huge shift in business emphasis. Traditional marketing segments markets to position strong products, CRM focuses on customer behaviour and profitability.

Relationship marketing is enabled by developments in IT, which allow organisations to identify and manage large numbers of customers. Data warehousing and mining enable the firm to learn from customer data, however Marketing needs the technical and modelling skills to get best value out of the data and respond to what they learn.

Customers expect more information, transparency and service. In business marketing customers are involved with the firm in developing products and services.

The investment in changing business strategy to Relationship Management is significant, not only the systems and processes, but also change of strategy and culture. Many firms fail to realise return on investment targets, often due to a superficial approach to CRM, emphasising cross-selling and up-selling, rather than understanding customers to develop products and services. Relationships cannot be managed one-way; customers will only participate if they see the value to them. Integration only happens when departments see
the value and many organisations fail to provide the necessary resources and rewards to encourage customer-focus.

A Strategic Framework for CRM

CRM is not a product or technology; it is a strategy of an integrated approach to customer relationships. This involves all business functions and must be led from the top; it requires reappraisal and reorientation of the company’s culture and focus. Responsibility for delivering customer value demands alignment across functions and hierarchies, see fig 1 - the five core processes that deliver CRM.

The book sets out a strategic framework (fig. 2), which shows the key drivers of CRM and key practices across the five processes.

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**Fig. 1**

**CRM as a cross-functional activity © Prof Adrian Payne**

- CEO
- Marketing
- Finance
- HR
- IT
- Operations
- Strategy development process
- Value creation process
- Channel and media integration process
- Information management process
- Performance assessment process
- Customers

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**Strategy Development Process**

"Where are we and what do we want to achieve?  
Who are the customers that we want and how should we segment them?"

The first step is to consider CRM in the context of the organisation’s business and customer strategy. Both competition and poor service lead to increased focus on price and CRM is the answer for a differentiation strategy. CRM is about moving to customer orientation and developing strategies that increase the value of relationships, which requires careful segmentation.
The strategy development process is illustrated with three case studies:

- **Orange** on its strategy change to focus on customer retention;
- **Britannia** on establishing its positioning as a modern mutual building society with strong customer relationships;
- **Homebase** on its e-strategy offering an online store to complement the retail stores, its learning from the first attempt and how this changed after Homebase was acquired.

**Value Creation Process**

"How should we deliver value to our customers? How should we maximise the lifetime value of the customers we want?"

This process takes a holistic view of what is value to the customer assessing all aspects of the customer relationship with the company, and from the company’s viewpoint assesses customer acquisition and retention. Building the value proposition for target customers is key to achieving the balance of giving value to customers and getting value from customers. This demands detailed knowledge of customers, competition, opportunities and the company’s performance capabilities.

The cases:

- **Friends First** on its new ‘customer-centred, trustworthy and easy to do business with’ strategy and the role of the contact centre and the integrated database that provides a single view of the customer
- **Canada Life** (Ireland) on its new CRM platform replacing the old legacy systems to enable the strategy of ‘Excel in Customer Care’
- **Sun Microsystems** on its approach to relationship management among its accounts.
Channel and Media Integration

“What are the best ways for us to get to customers and for customers to get to us?”

What does the perfect customer experience, deliverable at an affordable cost look like?”

Customers expect multiple contact points with a company and it is a priority to develop both traditional and new distribution channels and media to achieve this in a consistent and coherent way. This demands careful selection of channels and media according to suitability and structure.

Key points for the design of an integrated channel and media strategy are:

- Integration creates value for the customer and makes it easy to do business with the company
- The strategy reflects the cost of doing business and is cost-effective
- Utilise the features of each channel and media selected
- A coherent brand experience regardless of channel or media is critical
- Allow for the customer relationship lifecycle – acquisition; consolidation; enhancement.

The case studies:

- **Wesleyan** on improving media quality with sales force automation and achieving cultural change
- **RS Components** on extending media to include a fully integrated website for e-purchasing to improve the customer experience, reduce costs and attract new customers
- **asserta home** on designing an integrated multi-channel, multi-media strategy to deliver an innovative customer value proposition.
“How should we organise information on customers? How can we replicate the mind of the customers?”

Key to effective CRM is the gathering and analysis of customer data to create accurate, up-to-date customer profiles, which can be used to inform customer interaction and enhance the relationship. Information Management is critical to the success of all parts of the CRM strategy. The elements of information management are:

- Data repository: an integrated enterprise-wide data store
- IT systems: the integrated IT infrastructure that will allow effective delivery of customer information to users in an easy-to-use format, eg intranet, knowledge management system
- Analytical processes: data mining reveals patterns in customer data and online analytical processing creates useful information about customers to support the offering and relationship building.
- Front- and back-office applications: increased online services require front- and back-office applications to be accessible to the customer and the service provider, eg order tracking. Customer needs will drive technology solutions and integrated communication and information functions are critical to the customer experience.

The relationship between the CRM, IS and IT strategies
The case studies:

- **Derbyshire Building Society** on the information requirements in implementing IT to support the customer strategy.
- **Canada Life (UK)** on the challenges of integrating acquisitions with different systems and the implications for a CRM strategy.
- **Reaal Particulier** on using technology to support the field sales force in improving customer service.
- **NatWest** on the role of IT in CRM to support business strategy

**Performance Assessment**

“How can we create increased profits and shareholder value? How should we set standards, develop metrics, measure our results and improve our performance?”

Evaluation of CRM is crucial to assess how it is supporting the business and customer strategy. The ultimate objective is to increase shareholder value and the CRM strategy should be designed around the drivers of value – productivity and growth. Cost reduction may be achieved through CRM systems automating the processes and increasing customer self-service, thereby reducing staff and overheads, but this must be done in the context of enhancing the customer experience. Companies need to identify the relevant metrics for the CRM processes and how they are linked.

Four main categories:

- **Strategic metrics**: Success of CRM strategy, eg how well the objectives focus on the customer, use of marketing information in developing business strategy
- **Customer metrics**: Value delivered to and received from the customer, eg customer satisfaction, acquisition, retention, lifetime value
• Operational metrics: People and process performance, eg employee satisfaction, retention, performance, productivity; and customer service levels, supplier performance, product/service development

• Output metrics: Value delivered to three main stakeholders – shareholders, staff, customers, eg customer satisfaction, segment profitability, reduced operating costs, employee retention and productivity.

The case studies:

• **Sears Roebuck** on how it used over 60 measures across employees, customers and financial performance, establishing causal links and enabling it to transform the organisation.

• **Nortel Networks** on how it established a causal link between employee satisfaction, customer satisfaction and shareholder value and built a value cycle model of measures to drive value creation.

• **Siemens CT Division** on how it used internet webcam technology with suppliers and customers, to improve customer relationships and measure satisfaction throughout the product life-cycle, extending customer lifetime value and facilitating lean supply, significantly improving business performance.

**Developing a strategic approach to CRM:**

- **It has to be led from the top.**
- **It requires the full commitment of the workforce and supply chain partners**
- **It requires coordination, collaboration and integration.**
- **The aim is to provide a continually enhanced customer experience.**
- **No amount of IT can compensate for the need for investment in customer-facing employees.**

**Valuing CRM investments**

Isolating the impact of the CRM investment from other market drivers and organisational processes is difficult. Of the possible approaches to measuring
payback, ‘increase in customer profitability’ is most relevant in linking CRM activities to results. To achieve this, the company must measure and segment according to customer. The CRM systems will gather data by customers, and organisations will have to rewrite their reporting to calculate customer or segment profitability and develop a ‘lifetime’ view in order to understand the value of CRM.

There is evidence that companies with a CRM strategy exceed their targets for sales growth by a greater margin than those without (over 60%). However accurate assessment of the IT requirements, feasibility testing and careful planning are essential to achieve good returns. The impact on the organisation’s culture needs to be taken into account in the cost-benefit analysis.
The Future of CRM: What the Opinion Leaders Think

As CRM means a strategy change to customer-focus and with that culture change, many organisations under-estimate what is required. CRM is part of marketing and is about anticipating and meeting customers' needs profitably, but many companies have viewed it as a technology solution and have not had the desired results. CRM done well can deliver competitive advantage to the company; it is about relationships and ease of doing business and in the future customers will not want many such relationships, so those companies that can achieve 'relationship steward' status will be in a very strong position.
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