

# ABC: An Introduction to CRM

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### Comments

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### What is CRM?

CRM stands for Customer Relationship Management. It is a strategy used to learn more about customers' needs and behaviors in order to develop stronger relationships with them. Good customer relationships are at the heart of business success. There are many technological components to CRM, but thinking about CRM in primarily technological terms is a mistake. The more useful way to think about CRM is as a strategic process that will help you better understand your customers' needs and how you can meet those needs and enhance your bottom line at the same time. This strategy depends on bringing together lots of pieces of information about customers and market trends so you can sell and market your products and services more effectively.

### What is the goal of CRM?

The idea of CRM is that it helps businesses use technology and human resources to gain insight into the behavior of customers and the value of those customers. With an effective CRM strategy, a business can increase revenues by:

- providing services and products that are exactly what your customers want
- offering better customer service
- cross selling products more effectively
- helping sales staff close deals faster
- retaining existing customers and discovering new ones

### That sounds rosy. How does it happen?

It doesn't happen by simply buying software and installing it. For CRM to be truly effective, an organization must first understand who its customers are and what their value is over a lifetime. The company must then

determine what the needs of its customers are and how best to meet those needs. For example, many financial institutions keep track of customers' life stages in order to market appropriate banking products like mortgages or IRAs to them at the right time to fit their needs.

Next, the organization must look into all of the different ways information about customers comes into a business, where and how this data is stored and how it is currently used. One company, for instance, may interact with customers in a myriad of different ways including mail campaigns, Web sites, brick-and-mortar stores, call centers, mobile sales force staff and marketing and advertising efforts. CRM systems link up each of these points. This collected data flows between operational systems (like sales and inventory systems) and analytical systems that can help sort through these records for patterns. Company analysts can then comb through the data to obtain a holistic view of each customer and pinpoint areas where better services are needed. For example, if someone has a mortgage, a business loan, an IRA and a large commercial checking account with one bank, it behooves the bank to treat this person well each time it has any contact with him or her.

#### **Are there any indications of the need for a CRM project?**

You need CRM when it is clear you don't have an accurate view of who your customers are and what their needs or desires are or will be at any given stage in their lives. If you are losing customers to a competitor, that's a clear indication that you should improve your understanding of your customers

#### **Why CRM ?**

The question should I or shouldn't walk the walk of the CRM road depends on your business goals that you want to achieve. It depends on defining your customers and understanding the impact that every customer has on your business.

Its not like Every CRM fits all.

#### **How long will it take to get CRM in place?**

... Putting CRM in place is not just impelemting technology, Its more about educating your organization by the help of technology tools...(MR)

It depends. If you decide to go with a hosted CRM solution from an application service provider and you are planning to use the software for a specific department like sales, the deployment should be relatively quick – perhaps 30-90 days. However, if you are deploying either a hosted application or an on-premise package (involving the purchase of software licenses upfront) on an enterprise-wide basis (that involves different departments like sales, marketing and operations), you should expect the implementation and training to take months, if not years. The time it takes to put together a well-conceived CRM project depends on the complexity of the project and its components and how well you manage the project.

#### **How much does CRM cost?**

Again it depends. A hosted sales automation application can cost between \$65 and \$150 a month for a basic sales automation package. If you want more sophisticated functionality and a greater level of support, you pay a lot more. An enterprise on-premise CRM package can cost anywhere between several thousand to several millions of dollars, depending again on how many functions you purchase and how many computers or "seats" have access to the software. For instance, one company or department might purchase an email marketing management application or a salesforce automation application, while a larger firm might want to purchase an integrated package that includes a database as well as applications for marketing, sales and customer service and support (via call centers and online). Obviously, the integrated software package is much more expensive.

#### **What are advantages of hosted or on-demand CRM vs. on-premise and vice versa?**

In the last few years, the market for on-demand CRM has soared particularly among small and mid-sized companies, largely because of fears about the expense and complexity of large-scale on-premise CRM implementations. And indeed, on-demand CRM is often a good choice for companies that want to implement standard CRM processes, are able to use out-of-the-box data structures, with little or no internal IT support, and don't require complex or real-time integration with back office systems.

However, on-demand CRM software is not always as simple as the vendors would have you believe. For instance, customization can be problematic and hosted CRM vendors' API tools cannot provide the degree of integration that is possible with on-site applications. Getting a hosted CRM system working shouldn't take as long as a traditional software package, but larger and more complex rollouts can still take a year or more. And while the hosted option reduces the need for in-house technical support, upgrades can still sometimes be technically tricky. In addition, some companies with particularly sensitive customer data, such as those in financial services and health care, may not want to relinquish control of their data to a hosted third party for security reasons. As a result, AMR Research predicts that even by 2009, hosted CRM applications will account for only 12 percent of the total U.S. CRM market. [For more on on-demand vs on-premise, read "[The Truth about On-Demand CRM.](#)"]

#### **What are the keys to successful CRM implementation?**

- Develop your customer-focused strategy first before considering what kind of technology you need.
- Break your CRM project down into manageable pieces by setting up pilot programs and short-term milestones. Start with a pilot project that incorporates all the necessary departments but is small enough and flexible enough to allow tinkering along the way.
- Make sure your CRM plans include a scalable architecture framework. Think carefully about what is best for your enterprise: a solution that ties together "best of breed" software from several vendors via Web Services or an integrated package of software from one vendor.
- Don't underestimate how much data you might collect (there will be LOTS) and make sure that if you need to expand systems you'll be able to.
- Be thoughtful about what data is collected and stored. The impulse will be to grab and then store EVERY piece of data you can, but there is often no reason to store data. Storing useless data wastes time and money.

#### **Which division should run the CRM project?**

The biggest returns come from aligning business, CRM and IT strategies across all departments and not just leaving it for one group to run. In fact, it's best for the business departments who actually use the software to take ownership of the project, with IT and the CIO playing an important advisory role.

#### **What causes CRM projects to fail?**

Many things. From the beginning, lack of a communication between everyone in the customer relationship chain can lead to an incomplete picture of the customer. Poor communication can lead to technology being implemented without proper support or buy-in from users. For example, if the sales force isn't completely sold on the system's benefits, they may not input the kind of demographic data that is essential to the program's success. One Fortune 500 company is on its fourth try at a CRM implementation, because it did not do a good job at getting buy-in from its sales force beforehand and then training sales staff once the software was available.

#### **What industries are leading the way in CRM implementations?**

As in most leading-edge technology implementations, the financial services and telecommunications industries set the pace in CRM. Other industries on the CRM bandwagon include consumer goods makers and retailers and high tech firms.

Today , almost every industry is becoming interested in Customer relationship. If you have customers, and you have any relationship with the customer and you want the customer to come back to you... you need CRM.

**Which industry is behind the curve?**

Heavy manufacturing. As a rule, the further an industry is away from the end customer, the less important CRM is.