



Customer Relationship Management (CRM)

Customer relationship management, or CRM, is an approach to doing business that can transform the performance and profitability of an organisation. It is about putting the customer first – but although it should certainly help to improve the customer experience, it emphatically does not just mean ‘the customer is always right’.

Instead, the promise of CRM is that understanding your present and potential future customers, their situations, their needs, and how much value they can bring to your business will enable you to make the smartest decisions.

CRM is not a product, or a technology, although the providers of CRM systems include big names such as Microsoft, Sage and Salesforce. It is a way of working: one that could, in theory, be achieved with pen and paper, but is clearly a lot easier when supported by the numerous IT tools that have been developed to enable effective CRM.

On average, 23% of an organisation’s data is inaccurate, incomplete or out of date. (Source: Score More Sales)

What Does The Technology Do?

As we said, CRM is not a technology as such, but in practice it certainly relies on technology. At its simplest level, an application such as a contacts database is a form of CRM, because when shared by all your employees it can provide one of CRM’s most important benefits: the centralisation of all information about each customer, or potential customer, in one place. This gives everyone access to up-to-date customer details, so work isn’t duplicated and errors are avoided.

But even for smaller businesses, there are much more sophisticated CRM systems. Three important categories are sales force automation (SFA), customer service, and marketing.

Sales force automation

SFA software, sometimes known as a sales force management system, supports the sales team by providing a single repository of information where all customer details and contacts are recorded. This ensures that every individual dealing with a customer has access to their full profile – ranging from order history to personal minutiae. Not only are members of the sales team better informed, but they don’t irritate customers by repeatedly asking for the same information.

Other features of an SFA package may include records of potential sales leads, along with the ability for managers to specify what actions are needed next with a particular customer, and to assign those duties to a team member. And, of course, the system will offer reporting tools, for example sales forecasts.

With many sales professionals constantly on the move, the ability to access an SFA system via a smartphone is also a major plus.



Customer service

Software for customer service and support follows a similar principle of putting customer data at the heart of business activity. It can be used, for example, to track contacts with a call centre, provide agents with up-to-date information on the status of an enquiry or problem, and manage their workflow.

Marketing

In the marketing department, CRM software plays a variety of roles. At a strategic level, it can be used to analyse the data you hold on customers – whether this is gained directly through research, or in the course of doing business – in order to identify different types, and target the marketing effort toward the most profitable. Data on customer satisfaction, meanwhile, can be used to discover which parts of the business need improvement. And CRM in marketing also includes the use of software to measure the performance of individual campaigns and channels, for example showing you whether it would be more fruitful to invest in your own website or in advertising on others.

Analysing data

Many CRM packages also integrate with social media, gathering and analysing data from that increasingly popular form of customer contact.

All these CRM applications involve analysing large quantities of very detailed information on customers and how they relate to the business – far more detail than a senior manager will require. So it is usually possible to view a dashboard-style overview of the key results which you have identified as critical to your business.

What Business Benefits Can I Expect?

At the management level, one of the biggest benefits of CRM is that it helps you to determine who are your most profitable customers – as individuals or as groups – both today, and in terms of their lifetime value. It also allows you to pinpoint the customers with negative lifetime value, the ones you don't really want, where the cost of acquiring and servicing them is greater than the revenue they bring you.

This is powerful information, enabling you to focus attention and resources in the most profitable way, and to make a better assessment of the likely impacts of new strategies or products.

On a day-to-day level, CRM also provides practical assistance to sales and marketing teams. The productivity of salespeople can improve as they have instant access to up-to-date customer information, and don't need to waste time gathering data that the business already holds – or get it wrong.

Marketing, meanwhile, will be able to analyse and segment your base of actual and potential customers in a more efficient and informed way, and learn which marketing activities are paying off.

Customers will benefit too, of course. Their experience with your organisation should become smoother and more precisely tailored to their individual needs, thanks to the greater knowledge that CRM has given you.



Getting Started

A CRM project does not have to be huge from day one – in fact, there is a lot to be said for a ‘picking the low-hanging fruit’ approach, focusing first on areas that are relatively simple and cost-effective to implement, and easy to measure. Not only will these bring some of the benefits discussed above, they will also help to educate everyone in the business about the advantages of CRM.

It’s not just an IT project

However modest your first project, it’s essential to plan and to get every relevant department involved: remember, CRM is emphatically not an IT responsibility alone. So as well as IT, the team steering your CRM project should include representatives from sales and marketing as well as other areas that can contribute data on customers or learn from that data, such as support and engineering. Finance, too, needs to be on board: the bottom-line benefits of CRM will be seen over the long term and it is critical that it is understood as an ongoing investment.

Identifying customer attributes

You’ll then need to identify all the ways in which customers engage with your organisation, the kinds of data you already hold about them, and other data that could practically be captured. (If you operate online, you’ll probably already have a wealth of data, even if you haven’t analysed it yet.)

Some customer attributes such as location and purchasing behaviour are obvious and apply to most businesses, whether marketing to consumers or B2B; others depend on your particular sector. For example, if you’re selling toys, the age of customers’ children is very useful information, while if you supply roofing products to builders, the climate in their part of the world is more relevant.

Understanding your data

Figuring out which data is important to you, and how the relationships between data might help you understand and improve your business better, is a key step to defining what you want your CRM project to achieve. Will you lose potential sales because your toy range is low on products for an age soon to be reached by many customers’ children? If a lot of those builders fit new window frames at the same time as roof tiles, would it be smart to sell them too? Your questions might be very general or quite particular, but it is necessary to spell out what you hope to learn from CRM.

You can then proceed to define the performance indicators that will tell you how much help the insight generated by CRM is giving you. Do you want sales to go up? Returns to go down?

Software considerations

Armed with a CRM plan encompassing what CRM will do for the business, and how it will be achieved, you can at last start to look at potential software systems and consider how to implement them, and how they will affect working practices.



The SaaS approach

Increasingly, CRM is offered on the model of software as a service, or SaaS (see our guide to SaaS for more on this). Rather than running it on your own PCs and network, you simply pay a subscription fee to a software provider and then access the CRM tools you need over the internet.

The benefits of SaaS for CRM include a close alignment of costs with actual usage, freedom from responsibility for software maintenance and upgrades, and easy remote working – handy for that mobile sales team. Together, these factors help to address many of the early concerns about CRM that it could be too costly and complex for smaller businesses. However, going the SaaS route does require that you consider the legal implications of data security and privacy, since you will be putting information on your customers in the hands of a third party.

Migrating data

Whether you choose to implement CRM in-house or via SaaS, you will need to consider how existing customer data is migrated to the new system, and also how it can communicate with other software or online services that involve any aspect of customers; for example, an accounts system.

Customising your solution

You may also find that your organisation requires CRM functions that are not built into the system you choose. Fortunately, many CRM products have application programming interfaces (APIs) which make it simple for developers to build custom tools that can connect with them and supplement them.

Once a system has been chosen and the technology specialists have got it talking happily to your existing systems, it will be time for testing, backups, migration of data to the new system, and of course plenty of training – for the ultimate success of your CRM project is down to the people who use it.

Top Tips

Focus on your data

Any CRM system is only as good as the data you put into it, in both quality and quantity.

Integration is key

Integration with other systems is vital, and may be a bigger challenge than implementing the actual CRM product.

Maximise the value of existing customers

If resources are limited, look at using CRM to get the most out of your existing customers, rather than expending resource on acquiring new ones.

Be creative in what your use of data

It can be enlightening to use CRM to examine what customers didn't do (e.g. the products they didn't buy), as well as what they did do.



Establish which metrics will measure the success of your CRM project

What will help to judge the success of your CRM project? More repeat customers? Higher-value orders? Fewer complaints?

Ensure there is commitment throughout the business, from top to bottom

Remember that a half-baked, rarely-used CRM system is a waste of time.