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Ten Steps Small Businesses Can Take To Get Started In CRM

By Ted Manakas, VP and General Manager of FrontRange Solutions



The customer relationship management (CRM) segment, responsible for so much recent IT growth, is adapting to the current economy of reduced spending, layoffs, and less risk. Gartner Dataquest shows 2001 CRM sales contracted to \$3.6 billion, down 10 percent from \$3.98 billion in 2000. Indications for 2002 show CRM growth will be flat to just 2 percent higher.

Fortunately some CRM investments still deliver solid returns in a down economy. Industry pundits say CRM projects today must build a future growth foundation while focusing on the most profitable customers. Refocusing on the foundation leads to increased cost efficiencies while planting seeds for incremental functionality from smaller innovative additions.

This sharper focus contrasts with the recent CRM past, characterized by multi-year projects and multi-million dollar costs. Now progress means less risk, especially for small- to medium-sized businesses. Many smaller firms have been on the CRM sidelines, convinced they didn't have the resources or scale to make a CRM investment work. Here are ten forward-looking steps you can take now to get started with CRM.

1. See CRM For What It Is

It's not a product, a software category, or any specific technology. It's a strategy with clear objectives to improve the customer experience wherever possible.

Michelle Figg, Canonbury Services Limited, defines it this way: "CRM is not just a theory. Yet, it is not just technology either. CRM is a comprehensive business philosophy embracing both ideas in order to provide the maximum return on investment. One cannot merely jump on the CRM bandwagon, purchase a piece of software, install it onto a PC and assume the business will then profit from CRM."

Businesses problems come first. Cost cutting and increased sales, while important, are tactical objectives. CRM's true goal should be strategic -- helping to build customer

relationships.

2. Drive CRM From The Outside In

Let customers lead the way to redesigned business processes based on how they see your business.

CRM expert Peter Chase says 70-90 percent of CRM implementations fail to meet objectives because businesses cling to the old "control" approach. They focus inwardly, emphasizing management over a better customer experience. Customers today have more information and their expectations are climbing. CRM success starts by consulting with customers and developing solutions that improve their efficiency.

3. Don't See CRM As Separate From The Rest Of Your Business

Assume that everything customer-related is CRM. Integrating supply chain, order management, and service with front-office applications such as sales force automation and marketing can greatly improve efficiencies and profits.

David Sims, in his article in CRMGuru, "CRM: What's Next?" says: "Three years ago everyone thought CRM meant just employee-facing tools, but now we're realizing it encompasses how I drive a campaign, how I manage customer contact, and how well I provide field service. It includes the Internet, partners, and traditional e-commerce."

4. Set Clear, Measurable Goals Based On Narrow Business Requirements That Show Quick Results And Tangible ROIs

Conduct a focused pilot program before launching a full-fledged CRM solution. Deploy and monitor in an isolated area with well-defined metrics and objectives to identify improvement areas.

Generic CRM functionality is unlikely to meet objectives. According to Thom Shirkey, marketing vice president at Hallmark: "CRM must be guided by a well-defined strategy that answers the following questions: What is the desired customer experience? What internal processes need to be changed to deliver on the customer experience? Does the company's structure and performance management system support its customer strategy?"

The answers to these questions point to the internal changes to be made. Often companies automate bad process instead of changing them to improve things for customers.

5. A Bad Economy Is Not A Good Time To Throttle CRM

If 20 percent of an organization's customers produce 80 percent of its profits, this is a great time to deepen customer focus. A recent white paper from Pepper and Rogers, "CRM in a Downturn Economy," lists three compelling reasons to refocus on customers in tough times:

Managing relationships is "inexpensive growth" that directly improves results through increased efficiency.

Incremental CRM investments can produce immediate, measurable cashflow benefits.

Locking in strategic customer relationships enhances competitive performance. Conversely, weak relationships can be disastrous in bad times.

6. Go Slowly: Start Small, Think Big

IT pundit IDC recommends an incremental CRM approach with a long-term vision. Build a solid base, ensure its viability, make a building block to grow into new CRM areas.

Phased roll-outs provide early success for later investment. Early successes gain quicker organizational support, easing the way to new processes that are tested and perfected as needed.

7. Small Is Good

Large businesses have some inherently unwieldy CRM problems. They often have a "best of breed" mix of CRM systems from different vendors or multiple installations of the same system. It's typical for a company to spend 40-50 percent of its CRM budget on integration.

Pick and choose from powerful yet reasonably priced application suites that can be tailored to your business needs. These suites tend to be quicker to deploy and learn, with lower acquisition and operational costs, speeding up ROI.

8. Don't Underestimate The Importance Of Standardized Data

Peter Lawless, director of marketing for MetaMatrix, Inc., says in "Metadata Energizes CRM with a True Single Customer View":

All CRM systems have one thing in common: the need to store CRM data somewhere. Before using a CRM system, the company needs to load its existing information into this data store... After loading the data, the company must develop rules about data use and data interactions. This set of rules drives all customer interactions, no matter where the company enters or reviews the data. The data store represents the heart of the CRM implementation.

A shortcut here is the major cause for a 70 percent data warehouse failure rate and the 50-70 percent failure rate for CRM projects. Best practices in data quality eliminate some of the problems resulting from data corruption, duplication, omission, and other flaws.

9. Turn Data Into Understanding

Gather all information -- customer, internal, and external -- from every possible source. Research and analyze to gain a unified view of your customer. Make it available to each person who interacts with customers and convert the findings into marketing efforts that impacts customer behavior.

Customers are demanding reliable, accurate information about all of their business interactions. After a purchase, customers need support and the relationship must be managed. Having a unified customer view across all departments is essential to superior customer support.

10. Remember Your Employees

They're primarily responsible for building those closer customer relationships, and you can't succeed without them. In his article "What Others Have Learned While Implementing CRM," Jim Stifler cites a major study that shows the top barriers to CRM success are managing employee resistance to change (63 percent), followed by optimizing processes and job roles (56 percent).

This is not surprising. Notes Ivy Meadows, CEO of High Tech-High Touch Solutions, a CRM consultancy in Seattle, the stress levels among IT service and support people continue to escalate. More than ever, employers need to communicate compassion with their expectations. This employee communication is often the weakest link in CRM.

Conclusion

Involve those affected by a CRM program, employees and customers, from the very beginning. Invite them to kick-off meetings, planning sessions, and process-development workshops. Define expectations, ask for input. Soliciting feelings and thoughts, with an opportunity to ask questions, is a key motivator and helps employees to understand their industry.

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