Striking the CRM Balance

Greater Productivity, Lower Costs, Tight Integration

Peppers & Rogers Group

Striking the CRM Balance

Greater Productivity, Lower Costs, Tight Integration

Overview

Achieving balance, optimizing return

Rich customer relationships that generate loyalty and revenue are critical to sustained performance. Now more than ever, organizations must be able to flexibly adapt to the unique needs of individual customers. To meet this challenge, companies of all sizes are deploying Customer Relationship Management (CRM) applications and strategies across their organizations. They are coordinating multiple channels—including the Web, email, call center and face-to-face—to interact with customers and meet their needs.

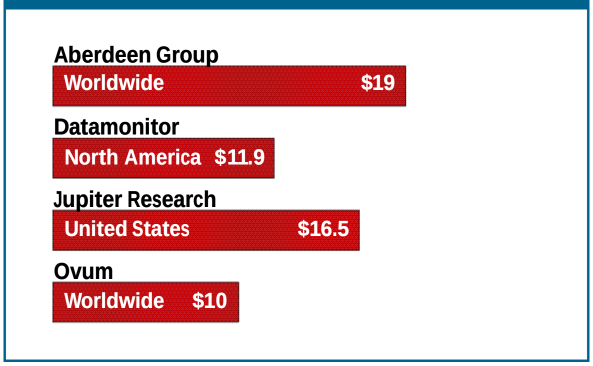
Successful CRM begins with innovative strategy. But strategy can't do it alone. Companies must also deploy technologies that integrate sales, marketing, customer service and field support in order to grow profitable relationships with customers, channel partners and suppliers. With insightful data collection and analysis that allows sales, marketing and customer service to achieve a 360-degree view of the customer, companies can generate loyalty, boost satisfaction and increase profitability.

This is particularly imperative for mid-sized firms that often lack the deep resources of large, enterprise-size companies. To achieve CRM success, mid-market organizations must strike the delicate balance between greater productivity, lower implementation costs and tight integration with applications already in use. Only then can technology and strategy work together to turn customer insight into long-term competitive advantage.

The Emergent Mid-market: More at Stake, More to Gain

Recent research illustrates the steady growth of mid-market investment in CRM initiatives. The chart below highlights CRM investment forecasts of top research firms, underlining the importance companies place on customer relationships. Steve Bonadio, Senior Program Director for Application Delivery Strategies at Boston-based Meta Group, says that CRM suites will become the dominant platform for managing and synchronizing direct and indirect channel interactions.

CRM Investment Through 2006 (in billions)



Though traditionally the realm of large companies, CRM is now taking hold in the growing mid-market as well. Mid-sized firms realize it's increasingly important to build relationships with customers by efficiently handling interactions with key prospects, converting leads, maintaining contact with existing customers and developing highly satisfied clients who serve as future revenue opportunities.

Despite the growing demand, companies remain cautious about spending. This is particularly true for mid-sized firms that must track every investment dollar, says Christopher Fletcher, Vice President and Research Director at Boston-based Aberdeen Group. Mid-sized companies typically don't possess the substantial investment capital or technical resources to sustain lengthy implementations. "The mid-market is looking for a simple solution that is as close to out-of-the-box as it can be while maintaining functionality," he says.

Most mid-market firms require a cost-friendly system able to get up and running quickly; and one that will sort, store and share information across multiple departments and channels. Performance in the short term—without significant growth in scale—is also critical. "Companies need a system that allows them to more effectively manage relations and to facilitate the sharing of information between users without the need for more sales reps, more service reps or expensive, unwieldy, unmanageable systems," says David Thacher, General Manager of CRM at Microsoft® Business Solutions.

Right tool, right customer

Typically, however, vendor offerings lack simplicity and workflow-driven functionality, two key elements requested by mid-market companies, says Sheryl Kingstone, Program Manager at The Yankee Group in Boston. Why? Mid-market companies often blur the lines on employees' duties, so someone might wear a marketing hat one day and a sales hat the next. Therefore, an application with broad functionality across all business lines is a must. A configured application that does not require long-term customization prior to rollout is also essential. "A lot of times, a mid-market [business] doesn't have a huge IT staff, so it needs to configure an application instead of customizing it," says Kingstone.

Mid-market companies look to deploy solutions that automate consistent business processes, increase sales revenue and provide quality customer service—all via 360-degree views of individual customers. Sales force automation, customer service management and core features such as lead management, escalations and workflows must all play integral parts in the task. Moreover, the tools must be able to sit on top of existing business applications. Based upon these complex needs, it's no surprise that the mid-market is the largest untapped opportunity according to Aberdeen Group. The time for change has arrived.

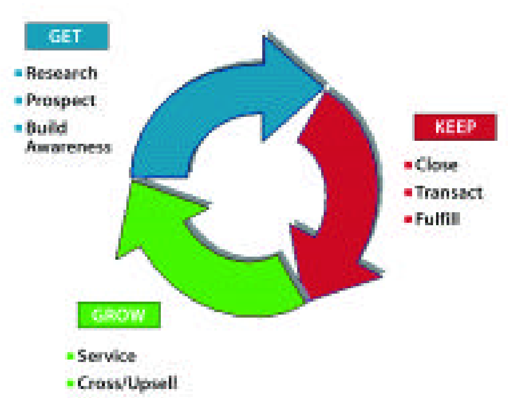
CRM Future and Mid-Market Performance: The Building Blocks of Success

Strategy plus technology

"The needs of a mid-market company are not that different from an enterprise-sized firm," notes Microsoft Business Solutions' Thacher. Regardless of organization size, customer-based strategy backed by technology is necessary for seizing competitive advantage.

Profitable customer relationships begin with sound planning. Actionable strategies for collecting customer data, mining it for insight and cost-effectively building profitable relationships are critical to driving results. Firms must identify their Most Valuable Customers, interact with them across channels and meet their needs. Over time, customer loyalty, satisfaction and share-of-customer revenue increase, while costs decrease. The lifecycle model below illustrates ways companies can "get," "keep" and "grow" customers at each stage of the customer lifecycle.

The Customer Lifecycle



Source: Peppers and Rogers Group, 2003

Bringing a CRM initiative full circle requires a reliable technological infrastructure as well. Fully leveraging a CRM technology investment revolves around three goals: maximizing business productivity, lowering total cost of ownership and tightly integrating the CRM solution with applications already in use.

Greater productivity

Greater productivity relies on efficiently providing key employees with the right information at the right time. The automation of specific workflows and processes, for example, is vital to freeing customer-facing staff to actively meet customers' needs throughout the lifecycle. Whether closing the deal with a prospect, generating cross-sell and up-sell opportunities with current customers or servicing incoming inquiries, employees will have actionable customer data that leads to greater productivity.

> "Companies need a system to effectively manage relations...and the sharing of information between users."
>
> *David Thacher, General Manager of CRM at Microsoft Business Solutions*

CRM applications with functionalities that engender ease of use will help customer-facing employees better manage sales and service processes. The ability to automate time-intensive processes, share customer views to key employees and integrate with email and financial applications all help employees improve efficiency while enhancing customer relationships.

On the sales side, reps often use email to record and store customer information. This makes it imperative for a CRM application to tightly integrate with email. Such integration allows sales personnel to manage contacts, appointments and email all from one application. In addition, access to pricing information, lead management data populated directly to the contact form, real-time reporting, workflow routing and access to detailed contract and client information are indispensable tools for improving efficiency and productivity.

Customer service agents have similar needs. By assigning and managing customer cases through automated processes, agents could create and maintain accurate service contracts, automatically route service requests to the appropriate department and resolve customer inquiries quickly. As a result, key performance metrics such as call resolution times and customer satisfaction levels would drastically improve.

At the end of the day, functionality, ease of use and the ability to provide rich customer information to the right employee at the right time will make the productivity difference. Aberdeen's Fletcher says having these tools on the desktop can be mission critical for combining front-end applications with back-end systems to enable a seamless interaction.

Lowering total cost of ownership

Mid-market companies require a CRM solution that can be installed in a manageable timeframe and without substantial vendor assistance or outside consultants. Similarly, resource costs stemming from training, managing or customizing must be held to a minimum.

Rapid deployment, easy customization and scalability are top considerations for lowering the total cost of ownership. Installation and setup should take place in a matter of hours while more detailed customization occurs over time. This combination of quick installation and long-term customization keeps implementation time and scalability in check, which helps mid-market firms stay on schedule and within budget.

The ease of implementation and the overall cost effectiveness of the Microsoft Business Solutions Customer Relationship Management application stack up well against traditional CRM vendors. Yankee Group's Kingstone says Microsoft CRM will reduce or eliminate costs that typically accompany implementation. "The bulk of the cost is [traditionally] in customization and implementation," she explains. "By creating an application that is easier and more configurable, you're going to drive down that total cost of ownership."

Tight integration with other applications

To share information across the firm and enhance business productivity—at a reasonable cost—a CRM system must smoothly integrate with applications already in use. Microsoft CRM is accessible from Microsoft Outlook® and a Web browser, providing sales reps and management stakeholders with a distinct competitive advantage.

Integration is the backbone of improved data flow. Fast, reliable and accurate data allows managers to precisely measure sales activities, track performance and forecast revenue and cost-cutting opportunities. Sales reps armed with purchase histories and customer preference data will quickly satisfy existing customers while anticipating the needs of leads and target prospects. Suppliers, vendors and service providers alike will experience an improved and efficient sales process that enables them to access relevant data in near real time at their convenience.

According to Peppers and Rogers Group's one-to-one methodology, CRM is an end-to-end initiative that requires an organization to Identify, Differentiate, Interact and Customize (IDIC) with and for customers. For IDIC to work effectively, a company must first establish its internal, strategic vision for organizational and cultural change. Step two is to tightly integrate front-office solutions (customer service, sales automation and field sales) with back-office systems (accounting, finance, human resources and operational solutions). Only then can a balanced CRM initiative that captures customer loyalty and maximizes profit take shape.

Integration and improved data flow can empower the entire enterprise; but the benefits can be particularly acute for the sales force. For example, details Thacher, "When salespeople want to see what's going on with an account, they can see all the open service requests. They know what service problems a customer has and what other opportunities are open with this customer. The customer will then receive better service, and in return, form a better relationship."

Tight integration also reduces sales force training time since reps can quickly learn the new CRM application through the use of already familiar tools. For example, Meta Group's Bonadio believes Microsoft CRM's ability to synchronize with Microsoft Outlook is a powerful feature of the application because of Outlook's widespread popularity in the marketplace. Kingstone adds that by integrating existing applications rather than adding unfamiliar ones, companies will help their sales reps create even more efficiencies. "They'll have all the information they need about that customer at any point in time," explains Kingstone. The end result is greater sales revenue through shortened sales cycles and more rapid, successful close rates.

In addition to coordinating with Microsoft Office, Microsoft CRM integrates with Enterprise Resource Planning (ERP) systems, including the Microsoft Business Solutions product lines, as well as with other third party applications.

Tight integration with ERP systems places catalogs, pricing engines, sales and transaction histories and inventories in the hands of sales and service reps, who can view the pricing and availability of products and generate a proposal. The data can be pulled directly from the unified database within the Microsoft Outlook interface. Once submitted, the order is synchronized back into the ERP system to be logged with all other orders. This level of integration wraps the business around the customer. By leveraging the interfaces across multiple applications, a company will speed potential user adoption.

Bringing It All Together

So far, we have examined how innovative technology and customer strategy can come together to create competitive advantage for all companies, and in particular the burgeoning mid-market. Understanding how these processes are becoming integral to everyday business is the next step.

Case Study: Business Microvar Inc.: Integrated CRM takes shape

When Minneapolis-based Business Microvar Inc. (BMI) decided to roll out Microsoft CRM, the company faced many of the challenges typical for mid-sized firms looking to fully leverage the opportunities of customer-based solutions. The 18-year-old BMI is an e-business software and services provider for mid-sized companies and organizations, and is itself a mid-sized company with 60 employees. The firm installs and supports solutions for back-office accounting, integration and workflow automation, e-commerce, association management and fund-raising. BMI is also a partner of Microsoft Business Solutions, helping to sell, implement and support Microsoft Business Solutions products.

According to CEO John Hendrickson, BMI's customer service, sales and accounting departments did not share information, which created multiple silos, information glut and duplicate entries. Hendrickson needed a CRM solution capable of tying together applications already in use at BMI in order to integrate accounting, billing and inventory with customer-facing functionalities such as service and sales.

A new system achieves employee effectiveness

Until recently, no CRM solution fit BMI's specific mid-market needs. "There are high-end solutions that are either too expensive, have too high of a service cost or are too complex to appeal to mid-market businesses," says Hendrickson. This is being addressed by BMI's recent rollout of Microsoft CRM.

BMI employees can quickly and easily access customer accounts and provide real-time responses. Users can follow the sales process and enter valuable data due to greater workflow capability, says CRM Practice Manager Kristin Haertel. “The true nature of CRM is allowing people to see the big picture of a customer,” she adds.

Ease of use was a powerful selling point for BMI as well. Keeping employee resistance to new CRM applications to a minimum is critical to overall impact. “People are busy,” explains Haertel. “They want the system to be easy to use so they don’t waste time learning it.”

> “The true nature of CRM is allowing people to see the big picture of a customer.”
>
> *Kristen Haertel, BMI’s CRM Practice Manager*

Ease of use also helps ensure the total cost of ownership for the implementation remains low. “The application is so easy to navigate. Microsoft did a good job of setting up the framework for the application, so you don’t have to redo your configuration,” notes Haertel. Typically an implementation has a ratio of disturbance time to software costs, but employees started using the Microsoft CRM tool immediately, adds Hendrickson. “With Microsoft CRM, the cost of the software is competitive and the ratio of the disturbance time will be lower. That combination will drive ROI,” he says.

A seamless transition into existing applications

Tight integration with applications already in use at BMI was another strong selling point. The integration between Microsoft CRM and Microsoft Outlook is “seamless,” says Haertel. Such synergy avoids disruption of workflow and establishes data flow from the back office to the customer-facing departments such as service and sales. For example, explains Haertel, “Accounting is processing receivables, while sales is processing opportunities in product applications. Without a doubt, these departments have to be integrated so that we have the same order information, the same product lists and the same price lists. That’s a huge area of need for customers, and I don’t really think CRM can be successful without it.” Prior to BMI’s rollout of Microsoft CRM, this level of integration between formerly independent departments simply didn’t exist.

Case Study: The Jacksonville Jaguars: Scoring big with CRM

Professional sports teams operate in an affinity market, which means that people typically buy tickets based on two factors: team performance and ticket price. Due to this synergy, tracking leads and forecasting sales results are integral to adjusting the cost of tickets or conducting a marketing push.

So when the National Football League’s Jacksonville Jaguars realized its sales, marketing and customer service departments were not following up on customer service calls and spending too much time forecasting ticket sales, the organization knew it had to find a system capable of handling its unique needs. “There simply wasn’t the ability to automate tasks and coordinate workflows,” says Bill Patterson, Senior CRM Consultant at Solonis, a consulting firm working on the Jacksonville Jaguars’ CRM program. “They couldn’t do anything to help generate pipeline reports to see how ticket sales were doing. They found out how ticket sales did after the game.”

A big part of the problem: customer data was housed in seven different databases. Bruce Swindell, the Jacksonville Jaguars’ Director of IT, says that because information existed in silos, customer service had no view into a customer’s profile to help resolve complaints or respond to inquiries. Hindered by a lack of accessible customer data, the sales staff was often blindsided by unresolved customer service inquiries or financial issues. As a result, the team’s relationships with vendors, season ticket holders and partners were all affected.

When a salesperson wanted to learn about a customer's status with accounting, for example, he had to request information from that department, which resulted in a lengthy wait. "They would try to get answers from someone else and a lot of times some things fell through the cracks," Patterson explains.

Paying off with a unified view of departments and customers

Faced with seven silos of inaccurate data, the Jacksonville Jaguars turned to an integrated CRM solution. To achieve a 360-degree view of each customer, it deployed Microsoft CRM in its ticketing group, which includes customer service, operations and ticket sales. "We're providing customer service agents with the right information at their fingertips," Patterson says.

The seven databases will be tied into the system, including ticket sales data, financial data, sponsorship data and contact information, providing the entire organization with a unified customer view. Escalation procedures also will be built into the customer service and sales sides to ensure a prompt handling of issues. "This will more efficiently formalize the processes and control workflow between departments," Swindell says.

The system will allow the organization to tie in leads obtained from the Web site and will collect registration data from people who pick up tickets at the box office. "The person who buys the ticket is not necessarily the person who comes to the game," Swindell explains. "This will help give us a means to identify those people who pick up the tickets. Somebody with game day experience is much more likely to buy than someone you cold call."

Drawing up greater productivity

The Jacksonville Jaguars specifically wanted a system that wouldn't interrupt the daily workload of the 40 to 50 employees who would use it, and Microsoft CRM will achieve that, Swindell says. "This will facilitate better communication between sales organizations and customer service, which hopefully will lead to incremental revenue," Swindell says. "Better customer service equals better customer retention. If our employees can recognize that a new ticketing customer is also a sponsorship prospect and vice versa, that is a great opportunity."

> "If you have Microsoft Office and Outlook, then this is very easy to use."
>
> *Bruce Swindell,*
> *Director of IT for the Jacksonville Jaguars*

In the past, prospects have fallen through the cracks, Swindell says. Now, agents track leads for season ticket sales and accurately predict results. They can adjust ticket costs or bundle tickets to try to sell out games that haven't historically attracted high attendance. Forecasting sponsorship sales used to take eight hours. Now it takes minutes.

Lower cost of ownership and tight integration

The CRM system's interface keeps training to a minimum—hopefully three days at most, Swindell says. "If you have Microsoft Office and Outlook, then this is very easy to use. I don't foresee problems at all." The organization primarily relies on other Microsoft applications, so the system fits nicely into the company's technological infrastructure. The overall result is a smooth integration at a low cost of ownership, which allows for greater results in a rapid turnaround time.

Conclusion: Forging the Mid-market CRM Future

Successful CRM drives efficiency and productivity, and is now a top priority for many mid-market firms. It involves finding the right solution to deliver strong functionality at a suitable cost, in a short implementation time and in an easy-to-use format.

With Microsoft CRM, mid-market companies can create long-term competitive advantage in three ways. The first is improving productivity through ease of use, automated processes and empowered employees. Second is lowering total costs via rapid deployment and customization. Third is to tightly integrate the solution with existing applications such as Microsoft Office; Microsoft Business Solutions financial, reporting and business management applications; and third-party applications. The result: profitable customer relationships.

It's a business imperative to optimize customer interactions across touchpoints, which requires a combination of innovative strategy and cutting-edge technology. As CRM takes hold across the mid-market and beyond, empowering employees with the right information at the right time promotes the flexibility and adaptability that bring long-term success. ■

Idea Well

Building and leveraging profitable customer relationships makes sound business sense in any economic climate. Below are 10 strategic and technological considerations for a mid-market company to follow that will maximize productivity, keep costs low and provide the competitive edge to compete and win.

1) Tear down walls between departments. Sharing customer data between applications ensures consistent customer service, speeds up sales cycles and effectively tracks leads while building targeted campaigns.

2) Go broad, not deep. The application should function across multiple departments. Mid-market employees typically cross between many departments, so broad functionality appeals to them.

3) Gain a 360-degree view of the customer. Firms can make sound business decisions if they have an up-to-date view of all account activities, such as orders and purchasing and payment history.

4) Empower employees with the ability to customize. A customized data model allows employees to quickly change documents and personalize data for each customer to meet their business needs.

5) Ensure management has a view into daily business practices. Informed managers can properly measure business activity, evaluate employee successes and identify pipeline opportunities from an application that enables a 360-degree view of workflow processes.

6) Integrate with existing applications. The ability to tightly integrate front-end applications with back-end systems creates a formalized workflow between departments, creating monetary and timesaving efficiencies.

7) Improve sales force effectiveness with efficient ordering processes. Easily accessed customer data helps salespeople to quickly build quotes, check purchasing histories and verify orders in near real time to improve the sales cycle.

8) Make it easy to navigate. Employees don't want to use a cumbersome system. An easily navigable application and contact manager enables collaboration to effectively and promptly close the deal.

9) Make it scalable for a growing business. An application should easily expand with a company. A solution's flexibility keeps it relevant as a company grows.

10) Work from a central knowledge base. A central repository of information provides a way for employees to easily search the system for research or contract information. This helps resolve inquiries efficiently and accurately.

Microsoft Business Solutions

Behind every success is a winning strategy.
Supporting every strategy is the power of software.

Your business is like no other. So your CRM solution should be tailored to your unique challenges—both functionally and economically—to ensure you're achieving maximum ROI from your customer-based strategy. Microsoft Business Solutions is a leader in providing that tailored solution. We've devoted more than twenty years to perfecting flexible business management software that's designed to address all your business needs. With a full enterprise suite offering remarkably smooth customization and expandability, your business can meet the future with the right tools to thrive.

In a further effort to support your goals, Microsoft Business Solutions invites you to join the K*now*, the free e-mail news program that offers you an inside track on the latest industry news and updates. You choose the focus of the content you receive—from CRM to e-commerce, supply chain management or accounting and finance—so you gain the insights that make a difference to you. For your free membership to the K*now*, visit www.jointheknow.com. Or, if you'd like to learn more about the Microsoft Business Solutions that can power your business, please visit www.microsoft.com/BusinessSolutions today.

Jeff Young
Vice President
Microsoft Business Solutions

About Microsoft Business Solutions

Microsoft Business Solutions offers a wide range of business applications designed to help small, midmarket and corporate businesses become more connected with customers, employees, partners and suppliers. Microsoft Business Solutions' applications automate end-to-end business processes across financial, distribution, project accounting, electronic commerce, human resources and payroll, manufacturing, supply chain management, business intelligence, sales and marketing management, and customer service and support.

For more information visit: www.microsoft.com/BusinessSolutions

About Peppers and Rogers Group

As the preeminent management consulting firm specializing in customer-focused business issues, Peppers and Rogers Group helps clients devise strategies and plans for strengthening their customer relationships; assists clients in the operational implementation of their customer relationship initiatives; offers training and e-learning programs, research studies, workshops and keynote presentations; and helps clients locate and evaluate CRM professionals through its 1to1® Executive Search subsidiary. Peppers and Rogers Group's advertising-supported newsletters and magazines reach more than 250,000 CRM professionals around the world. Peppers and Rogers Group was founded in 1993 by Don Peppers and Martha Rogers, Ph.D., co-authors of a series of books and articles on managing customer relationships, including *The One to One Future* (1993), which first popularized the term "one-to-one marketing." Steve Skinner, a former partner at McKinsey & Company, is president and CEO.

In addition to its headquarters in Norwalk, CT., Peppers and Rogers Group maintains 16 other offices throughout North America and on five other continents. Recent and current clients include Agilent Technologies, Bayer Corporation, Bentley Systems, Ford Motor Company, Jaguar Cars, Lowe's, Verizon and Volvo. Internationally, new clients include Banco Itau, Sul America Investimentos, EDS, Lloyds Bank, and Unimed (Brazil); Bell South (Chile), Ford Chile; Novartis Pharma (Argentina); Village Group (Australia); Dogus, one2one, P&O Stena Line, Syngenta, Thomson Holidays, and Winterthur (Europe) ; and Discovery Health and SAS Institute (South Africa).

For more information visit: www.1to1.com

Microsoft Business Solutions

Peppers&Rogers Group