

What is CRM, and why do I need it?

“Don’t worry about the definition of CRM. If you don’t come up with your own definition you’re wasting your time” – Ed Thompson, Gartner Analyst.

This probably accounts for the fact that there are so many different definitions of CRM out there.

One of the first things to do when considering adopting CRM is to define what it means to your business, in as much detail as possible, remembering to consider why you are doing it, and what results you want to achieve from doing so. It is crucial that you fully understand what you want to achieve from your CRM programme, as without knowing this you will have no way of knowing how successful, or otherwise, the implementation has been.

Often high on a list of desires is to increase customer satisfaction, and understandably so. Research suggests that dissatisfied customers will tell 7-10 people about their experience, whereas satisfied customers will refer you to 3-4 new customers.

Successful CRM is about competing in the relationship dimension. Not as an alternative to having a competitive product or reasonable price - but as a differentiator. If your competitors are doing the same things you are (as they generally are), product and price won't give you a long-term sustainable competitive advantage. But if you can get an edge based on how customers feel about your company, you can start to develop a more sustainable, long term relationship with them.

Communicating with your customers regularly is important, as is automating as much of this process as possible. However be careful. As Bill Gates said, “The first rule of any technology used in a business, is that automation applied to an efficient operation will magnify the efficiency. The second is that automation applied to an inefficient operation will magnify the inefficiency”.

It is not enough to simply email your customers every month, telling them all about your latest product, and how it will change their lives, because most of them won't care. If you can quickly and easily identify those customers that are likely to be interested in your latest product, you can send the same email to a more targeted group. You can still do more. What if you can say to each customer, as an individual “because you purchased our Silver Widget last month, you may be interested in the complimentary Silver XYZ, and to thank you for your ongoing custom, here is a 10% [amount tailored, depending on several factors] discount voucher”?

A CRM strategy covers every aspect of your business, from the first contact with a new prospect, to the final invoice. Each time you interact with your customers, you are giving them an impression of, not only the person talking to them, but the processes behind that person. Inefficient processes lead to a lack of information available to the customer, leading to delays, frustrations, and a negative impression. The more loyal that customer is, the more forgiving they are likely to be, but taking advantage of this loyalty could prove a costly mistake.

How much business have you lost due to inefficient processes and / or poor data management?
How much more profit could you make, if you knew more about your customers' buying habits?
What would you do differently, if you knew which areas of your marketing aren't working?

This brings us nicely to the area of CRM software. It is a common misconception that CRM is about software, although quite the opposite is true. CRM has nothing to do with software. The role of the

software is to store and collate the information, produce the reports, and produce the personalised communication. Installing an expensive CRM product, then sitting back waiting for something to happen is a critical mistake, as you can be assured that by doing this alone, nothing will happen.

There are two main types of CRM system, Contact Managers and Opportunity Managers. Contact Managers tend to be 'people focussed', recording the name, company and contact details for each person, combined with freeform text notes and the ability to flag contacts for calls backs. They don't include sales forecasting, and are of the simple flat file database format. Opportunity Managers focus on recording sales opportunities (as the name suggests), and have a more sophisticated relational data structure, giving you companies / accounts, who have multiple contacts, activities, documents and sales opportunities. You will also typically find more complex reporting functions, and greater security, to individual record level if required.

A CRM project never finishes - it needs to be constantly adjusted and refined, but doing so doesn't have to be time consuming. By having all the information to hand, you can make informed decisions and communicate them to your staff easily.

Correct use of a CRM system, combined with clearly defined and efficient processes will deliver the business benefits, but only if it embraced by everyone, beginning at management level.

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