

Management Update: The Eight Building Blocks of CRM

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Gartner's CRM Framework

Gartner defines CRM as a business strategy that maximizes profitability, revenue and customer satisfaction by:

- Organizing around customer segments
- Fostering behavior that satisfies customers
- Implementing customer-centric processes

To achieve the long-term value of CRM, enterprises must understand that it is a strategy involving the whole business, and thus should be approached at an enterprise level.

CRM initiatives need a framework to ensure that programs are approached on a strategic, balanced and integrated basis. Gartner has developed such a framework, called the Eight Building Blocks of CRM:

- 1. Vision** — creating a picture of what the customer-centric enterprise will look like, in order to build a competitive market position based on value propositions that are defined, communicated and personified by the enterprise brand.
- 2. Strategy** — developing a strategy to turn the customer base into an asset by delivering customer value propositions. This includes setting objectives and determining how resources will be used to interact with customers.

Gartner

3. **Valued Customer Experience** — ensuring that the enterprise's offerings and interactions deliver ongoing value to customers, are delivered consistently and achieve the desired market position.
4. **Organizational Collaboration** — changing cultures, organizational structures and behaviors to ensure that employees, partners and suppliers work together to deliver customer value.
5. **Processes** — effectively managing not only customer life cycle processes (for example, welcoming new customers, handling inquiries and complaints, and winning back lost customers), but also analytical and planning processes that build knowledge of the customer.
6. **Information** — collecting the right data and routing it to the right place.
7. **Technology** — managing data and information, customer-facing applications, IT infrastructure and architecture.
8. **Metrics** — measuring internal and external indications of CRM success and failure.

Creating the CRM Vision

Creating an effective enterprise CRM vision requires that enterprise leaders:

- Define what CRM means to the enterprise
- Set objectives
- Draw a picture of what the enterprise wants to be for its target customers

The next step is to create a set of competitively differentiated brand values that are important to the customer. They should be determined from the customer's viewpoint, not the company's perspective.

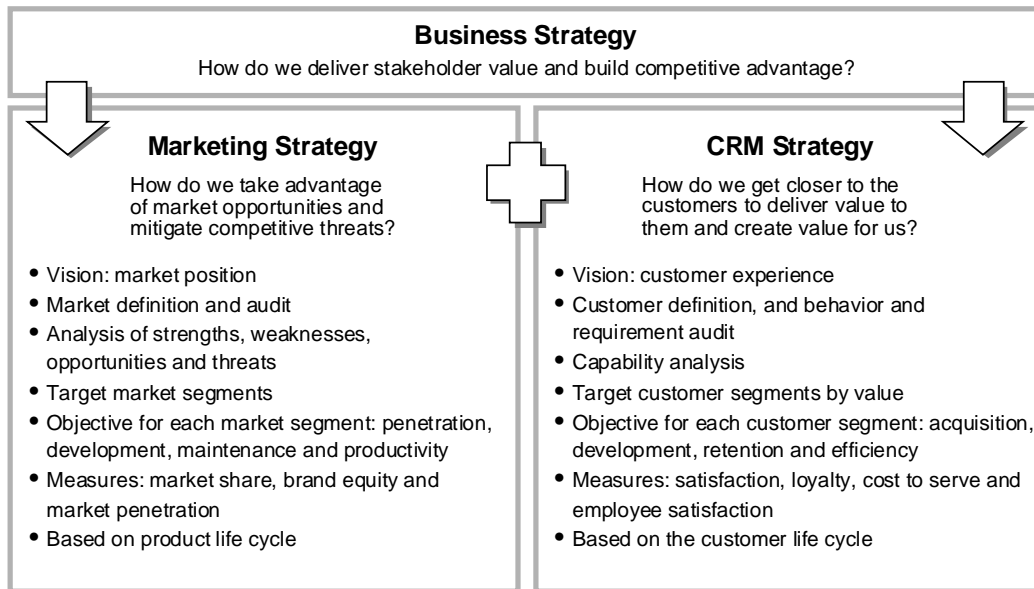
The final step is to outline what the customer experience should be for different situations and customer segments.

Developing the CRM Strategy

A CRM strategy takes direction and financial goals from the business strategy, and revisits the marketing strategy to customize it (see Figure 1). It provides an overview of how the enterprise will build valuable customer relationships and customer loyalty.

Figure 1

How CRM Strategy Enhances Marketing Strategy



Source: Gartner

The first stage in developing the CRM strategy is to segment customers into categories, and to set objectives and metrics for each segment.

The second stage is to assess the state of the customer base when viewed as an asset. That can be achieved by plotting the strength and value of customer relationships along two perspectives:

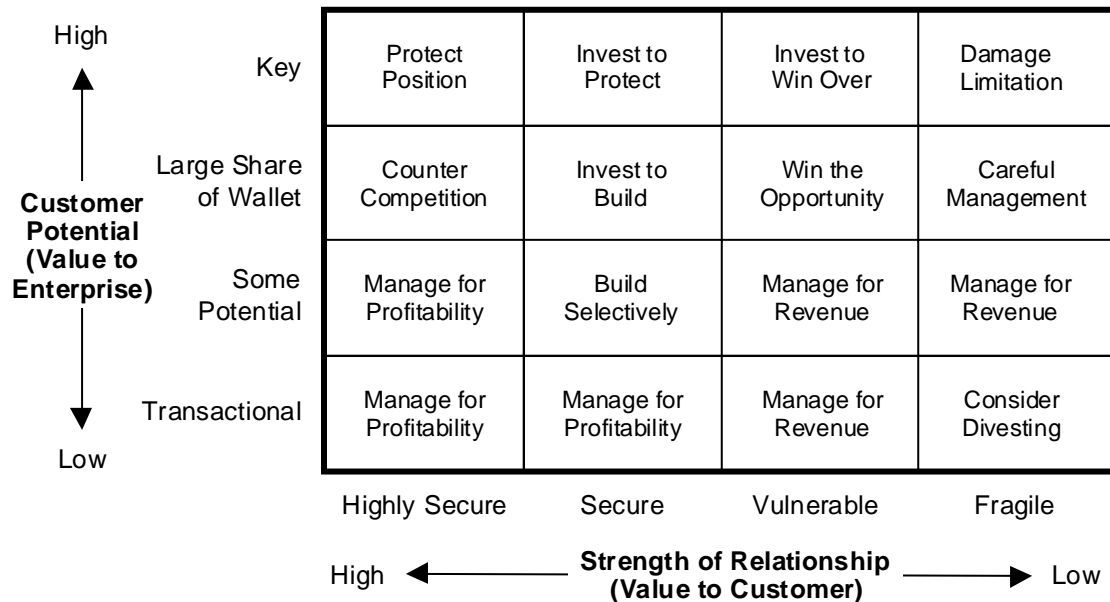
- How much does the customer value the enterprise?
- How much does the enterprise value the customer?

The result is a customer asset matrix (see Figure 2), which combines the supplier's view of customer value segments with an estimate of the strength of the customer relationship.

The third stage is to define the objectives to be met and the tactics to be used. The customer strategy customizes the traditional marketing strategy for different target customer segments, and thus supersedes it.

Figure 2

The Customer Asset Matrix



Source: Gartner

Designing the Customer Experience

The customer experience, at every interaction, impacts future revenue. A poor customer experience can pose the risk of losing some or all of a customer's business.

The implementation of an operational customer feedback system will increase the enterprise's awareness of customer complaints, thereby enabling more of these complaints to be resolved. The system should also gather feedback on how the customer experience can be improved.

Enabling Organizational Collaboration

Changing people's behavior brings the biggest return on investment for CRM. A phased plan is needed to get people to work more collaboratively and deliver a valued customer experience.

The five ingredients for successful CRM change management are:

- **Leadership:** Today's CEOs should seek to develop organizations that are less hierarchical and that have a strong sense of purpose, and they must know how to motivate their staffs.
- **Skills and Competencies:** Great leaps in technology require development of the relevant business skills, especially in IT, analysis, project management, facilitation and service.
- **Knowledge:** Sharing knowledge builds collaboration and innovation, but political barriers are high. Evolving knowledge management tools and techniques should be employed.
- **Organization:** Decision making must come closer to the customer and enable faster action. Organizational structures must use communities and virtual teams.

- **Incentives:** Targets must be aligned with customer goals, but recognition and celebration of contributions are more powerful motivators. There are numerous ways to recognize people.

Redesigning Processes

A customer-centric approach to processes is likely to affect many applications. The key is deciding which processes present opportunities for the enterprise to differentiate itself and enhance its value to the customer.

Enterprises should use the following framework in their customer process re-engineering efforts:

- Audit and map the touchpoints and processes that affect customers.
- Identify the key processes from the customer's perspective — find the processes that cause the most dissatisfaction and focus on them first.
- Quantify and prioritize these processes according to their impact on strategic CRM goals.
- Measure key processes based on their contributions to customer value.
- Implement changes in the front office and back office where necessary.
- No process should be left without ownership. Ensure that each key process has a cross-functional owner.
- Examine how these changes may affect suppliers and other enterprise partners. The processes that matter most to customers may be entirely internal and within the control of the enterprise, but they often impact other enterprises.
- Using customer input, set meaningful, measurable targets. Set up a customer service-level agreement (SLA) for the key processes.
- Segment the customer base, reassess key processes and redefine SLAs.

Action Items:

- Audit the business processes that affect the customer and map them by touchpoint. Solicit feedback from customers about their priorities.
- Prioritize processes based on their importance to customers and their impact on the enterprise's strategic CRM objectives.

Creating a Customer Information Strategy

Successful CRM demands the creation of a customer information “blood supply” that flows through the organization, and tight integration between operational and analytical systems.

To achieve their CRM objectives and gain a competitive advantage, enterprises must establish a business plan for sourcing, maintaining and leveraging their customer information assets.

The sharing of customer information within the enterprise must be part of a coherent organizational strategy that is used to determine:

- What channels the customer should use
- What products should be sold to the customer
- Whether the enterprise must focus on increasing customer satisfaction
- Which areas of the enterprise's customer value chain are opportunities for competitive advantage, and where the enterprise feels "pain"

Action Items:

- Create a proper CRM information strategy. Customer information is the foundation of any CRM program.
- Identify and strengthen the weak links in your enterprise's customer relationship value chain.

Enabling CRM Through Technology

Enterprises have many sources for CRM applications. They range from homegrown systems to enterprise application suites that include CRM. In between are integrated CRM suites, CRM frameworks and best-of-breed applications.

The fully integrated enterprise suite guarantees that the data and processes are integrated internally, but its horizontal and vertical functionality tends to lag behind the best-of-breed applications and CRM suites.

Action Item: Review your enterprise's skill levels, its technology outlook, and its process, data model and integration requirements before evaluating and selecting CRM applications.

Defining and Monitoring Metrics

CRM metrics have a number of applications, including:

- Setting and gauging the level of success in meeting CRM objectives
- Providing feedback to modify the CRM strategy and implementation
- Monitoring the customer experience
- Acting as a tool for change management
- Changing the way employees are compensated and given incentives
- Communicating how an enterprise wants to be evaluated compared to the competition

A performance management framework is required — without a hierarchy of linked metrics, a CRM strategy is likely to fail:

- Corporate metrics are set by board-level executives. They have a direct bearing on the CRM strategy.
- Customer strategic metrics monitor the success of the CRM strategy. They should have clear links to corporate objectives. The most important ones are connected to the customer life cycle.
- Operational and process metrics measure tactics and feed customer strategic metrics. Establishing the right ones requires determining the most important drivers of the strategic measures.
- Infrastructure input metrics measure efficiencies of specific processes and provide input to the operational and process metrics.

Action Items:

- Create a hierarchy of CRM metrics for the purposes of defining key CRM strategy objectives, and of tracking progress in meeting those objectives. Build processes to continuously monitor customer feedback, and conduct ongoing market research.
- Build the hierarchy of CRM metrics from the top down, with bottom-up checking, and ensure that the different levels are interlinked. Communicate the purpose of the metrics system internally. Work with other parts of the business, particularly finance, to help them understand and integrate CRM metrics into the broader set of corporate metrics.
- Ensure CRM metrics are key to the business intelligence competency center. Appoint someone in the center to focus specifically on mapping and defining the linkages between CRM metrics.

Bottom Line

- It is important to note that Gartner identifies CRM as a business strategy, not as a category of applications or technologies. CRM is not a type of technology, although technologies are critical to enabling CRM strategies. Gartner defines “CRM technologies” as those that support CRM by enabling:
 - Greater customer insight
 - Increased customer access
 - More effective interactions
 - Integration throughout all customer channels and back-office enterprise functions
- To achieve the long-term value of CRM, enterprises must understand that it is a strategy involving the whole business, and therefore should be approached at an enterprise level. Many

enterprises still attempt to implement CRM as a series of unintegrated, departmental projects — but that is not “true CRM,” and will not yield benefits or long-term value for the enterprise.

- True CRM is not easy. It requires board-level vision and leadership to drive a relentless focus on the customer; otherwise, it will remain fragmented. It involves potentially difficult changes to processes, culture and organization. Technology staff must grapple with the challenges of multichannel alignment, system integration and data quality.
- CRM initiatives need a framework to ensure that programs are approached on a strategic, balanced and integrated basis. Just as a road map helps understand the context of a journey, so Gartner’s CRM framework — Eight Building Blocks of CRM — is designed to help enterprises make decisions about the best route and objectives, given their situation.

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This article is an excerpt of a chapter from a new Gartner report, “Building Business Benefits From CRM: How to Design the Strategy, Processes and Architecture to Succeed.” The report is an offering of the Gartner Executive Report Series, a new business venture of Gartner Press that provides buyers with comprehensive guides to today’s hottest IT topics. For information about buying the report or others in the Executive Report Series, go to www.gartnerpress.com/executivereports.

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