Eight Building Blocks of CRM: A Framework for Success

CRM initiatives need a framework to ensure that programs are approached on a strategic, balanced and integrated basis. Such a framework will maximize benefits to the enterprise and its customers.

Achieving the long-term value of customer relationship management (CRM) requires a strategy involving the whole business and should be approached at an enterprise level. Only a small, but growing, number of enterprises are tackling CRM at this level, with most CRM initiatives consisting of departmental projects or attempts to integrate the work of multiple projects. Executing enterprise-level CRM is not easy. It requires board-level vision and leadership to drive a "relentless focus on the customer." It involves learning new customer management skills, potentially difficult changes to processes, culture and organization, and grappling with the technology challenges of multichannel alignment, systems integration and data quality. Even if the board accepts the need for enterprise-level CRM, the quarterly demands of revenue and profit targets, especially in delicate economic conditions, often mean that, although CRM is the most important challenge facing an enterprise, it is not seen as the most urgent. This typically results in a focus on isolated tactical "quick wins" until conditions are better.

Besides lack of leadership, the main reasons that enterprises are not approaching CRM at an enterprise level are:

- An inability to see the "big picture" and understand the extent of transformation that is necessary

- Lack of a strategic framework to provide the context for the CRM journey

Through 2005, enterprises that use a strategic CRM framework to estimate, plan and promote their CRM initiatives while building up their capabilities in small piloted steps are twice as likely to achieve planned business benefits as enterprises that pursue projects without a framework (0.7 probability).

Following extensive analysis, Gartner created the Eight Building Blocks of CRM (see Figure 1) — a framework to help enterprises see the big picture, make their business cases and plan their implementation (see "The Eight Building Blocks of CRM," DF-14-2111). The framework can be used for internal education and debate in developing the CRM vision and strategies. It can also be the basis of an assessment of the enterprise's existing and required CRM capabilities, to help understand its current position and future strategy.
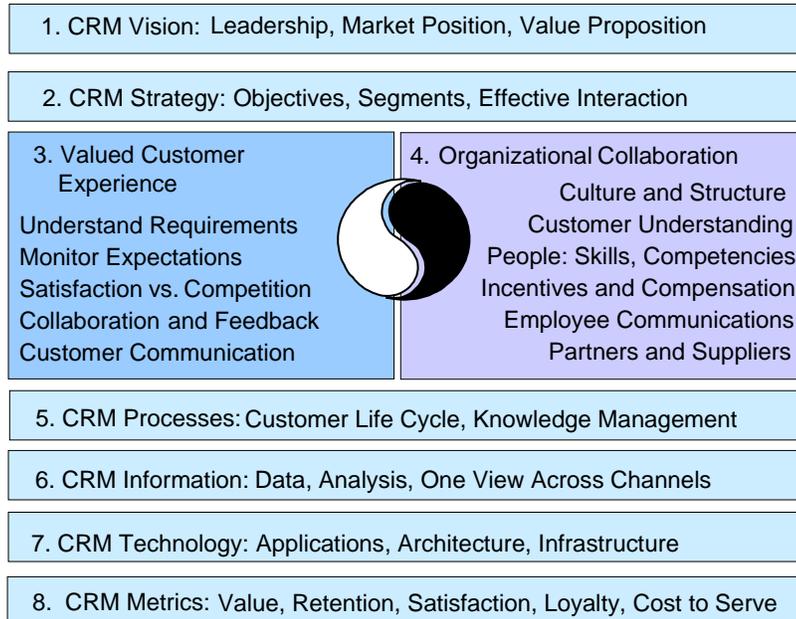
The framework emphasizes the need to create a balance between the requirements of the enterprise and the customer. The two central building blocks in Figure 1 (valued customer experience and organizational collaboration) are joined by a yin and yang motif to emphasize that this is where people meet, build relationships and provide value to each other. Through 2005, 90 percent of successful CRM initiatives will have balanced the needs of improved customer experience with improved organizational collaboration (0.8 probability). Too many CRM initiatives suffer from an inward focus on the enterprise, whereas the

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point of CRM is to achieve a balance between value to shareholders or stakeholders and value to customers for mutually beneficial relationships.

Figure 1

The Eight Building Blocks of CRM

| 1. CRM Vision: Leadership, Market Position, Value Proposition |
| 2. CRM Strategy: Objectives, Segments, Effective Interaction |

3. Valued Customer Experience	4. Organizational Collaboration
Understand Requirements Monitor Expectations Satisfaction vs. Competition Collaboration and Feedback Customer Communication	Culture and Structure Customer Understanding People: Skills, Competencies Incentives and Compensation Employee Communications Partners and Suppliers

| 5. CRM Processes: Customer Life Cycle, Knowledge Management |
| 6. CRM Information: Data, Analysis, One View Across Channels |
| 7. CRM Technology: Applications, Architecture, Infrastructure |
| 8. CRM Metrics: Value, Retention, Satisfaction, Loyalty, Cost to Serve |

Source: Gartner Research

In this Spotlight, we drill down into the Eight Building Blocks of CRM — vision, strategy, valued customer experience, organizational collaboration, processes, information, technology and metrics — providing more detail and fleshing out the framework.

1. Vision: Successful CRM demands a clear vision so that a strategy and implementation can be developed to achieve it. The CRM vision is how the customer-centric enterprise wants to look and feel to its customers and prospects — the customer value proposition (CVP) and the corporate brand values are key to the CRM vision. Without a CRM vision, the enterprise will not stand out from the competition, target customers will not know what to expect from it and employees will not know what to deliver in terms of external customer experience. A successful CRM vision is the cornerstone to motivating staff, generating customer loyalty and gaining a greater market share. "Creating a CRM Vision" (TG-14-9470) defines a CRM vision, outlines the key steps and challenges in creating it and discusses its role in creating a successful CRM program.

2. Strategy: A CRM strategy is not an implementation plan or road map. A real CRM strategy takes the direction and financial goals of the business strategy and sets out how the enterprise is going to build customer loyalty — that "feel-good factor" of customer connection with an enterprise that means customers stay longer, buy more, recommend the enterprise to others and are more willing to pay a premium price. The objectives of a CRM strategy are to target, acquire, develop and retain valuable customers to achieve corporate goals. "Developing a CRM Strategy" (TU-14-9475) discusses the steps involved in the development of the CRM strategy.

3. Valued Customer Experience: Customers' experiences when interacting with the enterprise play a key role in shaping their perception of the enterprise — the value it provides and the importance it places on the customer relationship. Good customer experiences drive satisfaction, trust and long-term loyalty. Poor customer experiences have the opposite effect and, because bad news travels faster and further than good news, they harm the enterprise's ability to create new relationships with prospects. No amount of internal "second guessing" can simulate what it's really like to be a customer. "Customer Experience: The Voice of the Customer" (TG-14-9567) focuses on the need to seek and act on customer feedback to create and maintain a successful customer experience.

4. Organizational Collaboration: Many enterprises believe that implementing CRM technologies makes them a customer-centric organization. They forget, ignore or deliberately avoid the necessary changes to the enterprise itself. True CRM means that individuals, teams and the whole enterprise must become more focused on the needs and wants of the customer. The term "organizational collaboration," described in "True CRM Requires Organizational Collaboration" (DF-14-6658), highlights the many facets of the customer-centric internal change needed to deliver the required and desired external customer experience. As a critical part of a CRM program, it will involve changing organizational structures, incentives and compensation, skills and even the enterprise culture. Ongoing change management will be key.

5. Processes: Past efforts to re-engineer processes were primarily driven by the desire to improve the efficiency of an enterprise and reduce costs. The beneficiary was the enterprise, not its customers. The rise in CRM has led to a focus on reworking key processes that touch the customer and asking customers which processes matter to them. We call this customer process re-engineering (discussed in "Customer Process Re-engineering: Talk to Your Customers," DF-14-8380). Enterprises frequently do not realize that their functionally fragmented processes often mean that the customer has a poor experience and receives less than the expected value. Successful re-engineering should create processes that not only meet customers' expectations, but also support the customer value proposition, provide competitive differentiation and contribute to the desired customer experience.

6. Information: Successful CRM requires a flow of customer information around the organization and tight integration between operational and analytical systems. Having the right information at the right time is fundamental to successful CRM strategies, providing customer insight and allowing effective interaction across any channel. Unfortunately, most enterprises' CRM information capabilities are poor — the result of numerous and fragmented departments, initiatives, databases and systems. Enterprises that establish a business plan for sourcing, managing and leveraging their customer information assets are more likely to achieve their CRM goals and objectives and gain a competitive advantage (see "Customer Information Is the Lifeblood of CRM," DF-14-9264).

7. Technology: For most technologists, CRM is all about technology. CRM technologies are an essential enabler for any modern CRM business strategy, but they are just one piece of the puzzle. Gartner has a wealth of ongoing research into CRM technology issues and "Technology Decisions Are Key to Enabling CRM Strategies" (DF-14-8082) looks at the key decisions that enterprises have to take in three areas: CRM applications, architectural issues and integration. In many CRM projects, integration issues start as a relatively low priority, and then rise in prominence (cost and time) as enterprises realize that true CRM requires seamless customer-centric processes, supported by integrated technology across the enterprise and its supply chain.

8. Metrics: The other seven building blocks depend on performance targets and metrics to gauge their success, and enterprises must set measurable CRM objectives and monitor CRM indicators to successfully turn customers into assets. Without performance management, a CRM strategy and

associated program is destined to fail. "Getting the Best Out of CRM Performance Metrics" (DF-13-1433) introduces a framework for measuring an enterprise's success with CRM by creating a hierarchy of performance metrics with four levels, namely: corporate, customer strategic, operational and process, and infrastructure input metrics. These metrics have an internal and an external focus and link operations to strategy and corporate financial benefits. Each enterprise will have a unique set of metrics applicable to their situation.

Features

"Creating a CRM Vision" (TG-14-9470). Defines what a CRM vision is, discusses its role in setting the stage for creating a successful CRM program and outlines the key steps and challenges. **By Jennifer Kirkby**

"Developing a CRM Strategy" (TU-14-9475). Provides guidance on the main steps in the development of a CRM business strategy. **By Jennifer Kirkby**

"Customer Experience: The Voice of the Customer" (TG-14-9567). Defines a customer experience and discusses how to design a customer experience that is mutually beneficial for the enterprise and its customers. **By Jennifer Kirkby, Ed Thompson and Joel Wecksell**

"True CRM Requires Organizational Collaboration" (DF-14-6658). Discusses the many facets of internal change needed to deliver the required external customer experience and highlights the need for ongoing change management. **By John Radcliffe, Ed Thompson and Beth Eisenfeld**

"Customer Process Re-engineering: Talk to Your Customers" (DF-14-8380). Introduces the concept of customer process re-engineering with its focus on reworking key processes that touch the customer, based on customer input. **By Ed Thompson**

"Customer Information Is the Lifeblood of CRM" (DF-14-9264). Argues the case for thinking strategically about sourcing, managing and leveraging customer information assets to better achieve CRM goals and objectives. **By John Radcliffe, Kimberly Collins and Jennifer Kirkby**

"Technology Decisions Are Key to Enabling CRM Strategies" (DF-14-8082). Breaks the CRM technology space down into applications, architecture and integration and discusses the main challenges, trends and recommendations at a high level. **By John Radcliffe and Jeff Comport**

"Getting the Best Out of CRM Performance Metrics" (DF-13-1433). Introduces a framework, based on a hierarchy of performance metrics with four levels, for measuring an enterprise's success in meeting the objectives of its CRM strategy. **By Jennifer Kirkby, Ed Thompson and Frank Buytendijk**