CRM: 8 Building Blocks for Success

Gene Alvarez
Welcome!
Thank you for joining this Gartner webinar.
Today's topic is “The Eight Building Blocks for Successful CRM”
### CRM — It's Not Just Software; The Eight Building Blocks of CRM

<table>
<thead>
<tr>
<th></th>
<th>1. CRM Vision</th>
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</thead>
<tbody>
<tr>
<td>2.</td>
<td>CRM Strategy</td>
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<td>3.</td>
<td>Valued Customer Experience</td>
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<td></td>
<td>4. Organizational Collaboration</td>
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<td>5.</td>
<td>CRM Processes</td>
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<td>6.</td>
<td>CRM Information</td>
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<td>7.</td>
<td>CRM Technology</td>
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<td>8.</td>
<td>CRM Metrics</td>
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</tbody>
</table>

![Diagram showing the eight building blocks of CRM](image)
CRM Starts With Value-Based Relationships

- Customer's Attractiveness to Supplier
  - High
  - Low

- Supplier's Attractiveness to Customer
  - Low
  - High

- Mutual Attraction
  - Supplier Attracted, Customer Attracted

- Mutual Nonattraction
  - Supplier Attracted, Customer Not Attracted
  - Customer Attracted, Supplier Not Attracted
Creating the CRM Vision

The CRM vision requires a leader to:

- Define CRM
- Set objectives
- Determine what the company wants to be to its target customers

The vision is "what" and "why."
The strategy is "how."
Primary Business Objectives Change 2009 and 2010

**2009**
- Enhance cross-sell/upsell opportunities
- Increase customer satisfaction
- Increase sales revenue
- Improve lead quality and conversion
- Increase customer retention
- Increase campaign response rates
- Acquire new customers
- Increase customer loyalty
- Increase customer retention
- Increase sales revenue
- Reduce cost of service
- Reduce operations costs
- Reduce cost of marketing

**2010**
- Increase customer satisfaction
- Acquire new customers
- Enhance cross-sell/upsell opportunities
- Increase sales revenue
- Increase customer retention
- Increase customer loyalty
- Improve lead quality and conversion
- Increase campaign response rates
- Reduce operations costs
- Reduce cost of service
- Reduce cost of sales

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2011 CRM Program Objectives

What are the primary objectives of your 2011 CRM programs?

**IT Roles**

- Increase customer satisfaction: 44.8%
- Enhance cross-sell or up-sell of products: 30.6%
- Improve customer data quality: 27.4%
- Create a single view of the customer: 29.3%
- Increase acquisition of new customers: 25.5%
- Increase customer retention: 24.2%
- Increase customer loyalty: 24.2%
- Increase sales revenues: 24.2%
- Reduce operations costs: 22.0%
- Improve lead quality and conversion: 19.0%
- Increase value to citizens: 18.8%
- Reduce cost of service: 15.1%
- Increase sales person productivity: 14.0%
- Increase marketing campaign response: 12.0%
- Increase brand awareness: 10.2%

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**Business Roles**

- Increase sales revenues: 41.1%
- Increase acquisition of new customers: 38.7%
- Increase customer satisfaction: 38.7%
- Enhance cross-sell or up-sell of products: 33.0%
- Improve lead quality and conversion: 32.0%
- Increase customer retention: 24.6%
- Increase customer loyalty: 23.0%
- Create a single view of the customer: 21.9%
- Improve customer data quality: 20.9%
- Increase sales person productivity: 18.6%
- Increase marketing campaign response: 14.5%
- Reduce operations costs: 13.1%
- Reduce costs of sales: 11.4%
- Increase brand awareness: 11.1%
- Reduce cost of service: 10.1%

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2011 CRM Biggest Challenges

What are the biggest challenges facing your customer initiatives/programs?

### IT Roles
- Organizational change: 54.5%
- Developing a CRM strategy: 38.0%
- Customer data and information: 33.7%
- Measuring CRM: 31.0%
- Process definition: 24.6%
- Deciding how to improve the..: 23.0%
- Defining a vision: 17.1%
- Getting executive sponsorship: 15.5%
- CRM technology deployment: 13.9%
- Reduced CRM project budgets: 12.8%
- Utilizing mobile technologies: 10.2%
- Utilizing Web and Social Media for..: 9.1%
- Utilizing Web and Social Media for..: 9.1%
- Utilizing Web and Social Media for..: 7.5%

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### Business Roles
- Organizational change: 43.6%
- Customer data and information: 39.2%
- Developing a CRM strategy: 29.2%
- Process definition: 24.7%
- Deciding how to improve the..: 22.7%
- Measuring CRM: 21.6%
- Utilizing Web and Social Media for..: 18.6%
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- Utilizing Web and Social Media for..: 7.6%

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How Does a CRM Strategy Enhance a Marketing Strategy?

**Business Strategy**

How do companies deliver stakeholder value and build a competitive advantage?

**Marketing Strategy**

How do companies take advantage of market opportunities and mitigate competitive threats?

- Vision: Market position
- Market definition and audit
  - SWOT analysis
- Target market segments
- Objective for each market segment: Penetration, development, maintenance and productivity
- Measures: Market share, brand equity and market penetration
- Based on product life cycle

**CRM Strategy**

How do companies get closer to customers to deliver value and create value for themselves?

- Vision: Customer experience
- Customer definition, and behavior and requirement audit
  - Capability analysis
- Target customer segments by value
- Objective for each customer segment: Acquisition, development, retention and efficiency
- Measures: Satisfaction, loyalty, cost to serve and employee satisfaction
- Based on customer life cycle

Acronym Key: **SWOT** = **S**trength, **W**eakness, **O**pportunity and **T**hreat
Customize by Segment to Specify Objectives and Create Tactics

Customer Deciles Ranked by Profit

High-Value Segment
- Reduce Costs: 10%
- Grow Revenue: 30%
- Loyalty Gains: 60%

Low-Value Segment
- Reduce Costs: 70%
- Grow Revenue: 20%
- Loyalty Gains: 10%

Increase Customer Retention
- Manage churn
- Cross-sell
- Up-sell & harvest

Increase Profit
- Reduce cost to serve
- Increase product penetration

Profit
- ($500)
- ($1,000)
Customer Experience Management: Before, During and After the Experience

1. Before
Set expectations

2. During
Focus on what customers care about

3. After
Collect feedback

4. Repeat
Act on feedback

CVP

Customer Value Proposition

Acronym Key: CVP = Customer Value Proposition
Creating Organizational Collaboration: Five Elements for Successful CRM Change

**Direction and Trust**
- Leadership/Partnership
  - Sense of purpose
  - Brand values
  - Management style
  - Supportive team
  - Leadership
  - Motivation for joint decision making

**Innovation/Renewal**
- Skills/Competencies
  - Interpersonal
  - Professional
  - Customer-facing
  - Positive reinforcement
  - Customer understanding
  - Build creativity
  - Coaching
  - Collaboration
  - New technologies

- Knowledge/Learning
  - Fluid teams
  - New roles
  - Matrix
  - Community
  - Decision making
  - Objectives cascade
  - Relevant metrics
  - Creative compensation

**Agile and Aligned**
- Organization
- Recognition/Incentives
The Seven Steps for Customer Process Re-engineering Heaven

Step 1. Audit and map the processes that affect customers.

Step 2. Identify the key processes your customers value most.

Step 3. Prioritize the customer-selected processes by the impact they have on your CRM strategy goals.

Step 4. Give each key process an owner, a cross-departmental owner, if required.

Step 5. Implement changes in the front office, back office and processes that affect suppliers and partners.

Step 6. Set up a customer service-level agreement for customer-selected key processes.

Step 7. Measure success, and refine process changes for different customer segments.
Refining Process Attributes to Improve the Customer Experience

Business process leaders can help improve the customer experience by isolating the most relevant attributes and systematically improving them.

<table>
<thead>
<tr>
<th>Attribute</th>
<th>Benefit to Business</th>
<th>Benefit to Customer</th>
<th>Action</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accessible</td>
<td>Visibility, use</td>
<td>Convenience</td>
<td>Identify the processes that customers value most, and evaluate the cost/value of increased accessibility</td>
</tr>
<tr>
<td>Reliable</td>
<td>Cost savings, predictability,</td>
<td>Confidence</td>
<td>Embed mechanisms to test customer processes on an ongoing basis</td>
</tr>
<tr>
<td>Thorough</td>
<td>Consistency, efficiency</td>
<td>Trust</td>
<td>Identify what &quot;closure&quot; implies from the customer's point of view</td>
</tr>
<tr>
<td>Timely</td>
<td>Cost savings, predictability</td>
<td>Informed</td>
<td>Seek to set (or reset) customer expectations of timeliness</td>
</tr>
<tr>
<td>Adaptable</td>
<td>Flexible, dynamic</td>
<td>Accommodating</td>
<td>Test customer processes to ensure that they cope with the unexpected</td>
</tr>
<tr>
<td>Personalized</td>
<td>Effectiveness, loyalty</td>
<td>Personal</td>
<td>Balance customer surveys with predictive analytics to determine what customers want</td>
</tr>
</tbody>
</table>

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Customer Information Is the Foundation of CRM

Data Quality Challenges

John Smith  Mr. J. Smith

- Data quality: operational and analytical
- Data ownership: stewardship

Challenges in Enabling Consistent, Integrated Customer Interactions

Single-customer view?

Data Fragmentation and Consistency Challenges

Challenges in Creating and Applying Customer Insights

Customer profitability

Propensity to churn

Lifetime value
# CRM Application Architecture Types: 2007 to 2012

<table>
<thead>
<tr>
<th></th>
<th>Packaged …</th>
<th>Configured …</th>
<th>Model-Driven</th>
<th>Model-Driven</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>CRM Suite</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Value</strong></td>
<td>Sales, CSS and marketing functions in one suite</td>
<td>Provide an integrated suite from one platform</td>
<td>Best operation for department or industry</td>
<td>Part control architecture, differentiate processes</td>
</tr>
<tr>
<td><strong>Process</strong></td>
<td>Integrated CRM processes; best practice</td>
<td>Integrated CRM and ERP processes; best practice</td>
<td>Limited process integration; best practice</td>
<td>Re-express own processes rule engine, repeatable</td>
</tr>
<tr>
<td><strong>Data Model</strong></td>
<td>Imposed data model covering CRM</td>
<td>Imposed data model covering CRM and ERP</td>
<td>Some impose data model, others don't</td>
<td>Imposed data model CRM and ERP</td>
</tr>
<tr>
<td><strong>Buying Center</strong></td>
<td>Business users, CIO</td>
<td>Finance, CIO, boardroom</td>
<td>Business users</td>
<td>IT architects, process experts</td>
</tr>
<tr>
<td><strong>Sample Vendors</strong></td>
<td>Microsoft salesforce.com, Amdocs, SugarCRM, SuperOffice</td>
<td>CDC Software, Epicor, IFS, Infor, Oracle, SAP</td>
<td>Aprimo, CAS Software, Nice Systems, Cegedim, SAS, Teradata, Unica, StayinFront</td>
<td>Oracle Fusion, SAP NetWeaver</td>
</tr>
<tr>
<td><strong>2007</strong></td>
<td>24%</td>
<td>55%</td>
<td>17%</td>
<td>0%</td>
</tr>
<tr>
<td><strong>2012</strong></td>
<td>33%</td>
<td>40%</td>
<td>15%</td>
<td>5%</td>
</tr>
</tbody>
</table>

- **Packaged**: Limited process integration; best practice
- **Configured**: Some impose data model, others don't
- **Model-Driven**: Designed to fit established data model(s)
Spending Shifts From Operational to Analytical to Context-Aware and Social CRM

1. Monitor/Capture State Change
   - Operational CRM
     - 70% of spend, 10% of growth
     - Acronym Key: ETL = Extraction, Transformation and Loading
     - Data Warehouse
     - Vertical Industry Systems
     - ERP, SCM
     - Customer Interaction Database
   - Context State Detection Bus

2. Publish State Change
   - Business Process Management Tools
   - External Data

3. Analyze State Change
   - Analytical CRM
     - 29% of spend, 30% of growth
     - Data Warehouse
     - ETL, Cleansing, Enrichment
     - Data Mart
     - CRM Analytics
     - Historical and Predictive

4. Apply Business Rule
   - Collaborative and Social CRM
     - 1% of spend
     - 60% of growth
     - Marketing, Sales, Service, Order Fulfillment
     - Conference
     - Web Conf.
     - Mobile
     - Twitter, Jigsaw
     - Community Portal/Extranet
     - Voice IVR, CTI, ACD
     - Face-to-Face Interaction
     - New stuff!
     - Mail/SMS
     - ERMS
Spending Shifts From Operational to Analytical to Context-Aware and Social CRM

1. Monitor/Capture State Change
   - Operational CRM
     - 70% of spend, 10% of growth
   - Context State Detection Bus

2. Publish State Change
   - Business Process Management Tools

3. Analyze State Change
   - Analytical CRM
     - 29% of spend, 30% of growth

4. Apply Business Rule
   - Respond
     - Marketing, Sales, Service, Order Fulfillment

Visualize
- Collaborative and Social CRM
  - 1% of spend, 60% of growth

Acronym Key: ETL = Extraction, Transformation and Loading
CRM Technology:
The Elusive CRM Magic Quadrant

Source: “The Elusive CRM Magic Quadrant” G00173246, 22 December 2009
A Hierarchy of CRM Performance Metrics

- **Infrastructure Input**
- **Operational and Process**
- **Customer Strategic**
- **Corporate**

- **Shareholders**
- **Executives**
- **Management**
- **Employees**

- **Stakeholder**
- **Level**
- **Focus**

- **Bottom-Line Results**
- **Feedback on Strategy**
- **Effectiveness**
- **Efficiency**

- **Employees Efficiency**
- **Management Effectiveness**
- **Executives Feedback on Strategy**
- **Shareholders Bottom-Line Results**
## A Few Examples

<table>
<thead>
<tr>
<th>Corporate Objective</th>
<th>Market share</th>
<th>Profit growth</th>
<th>Cost ratios</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Revenue growth</td>
<td>Margin growth</td>
<td>Customer loyalty</td>
</tr>
<tr>
<td></td>
<td>Increase shareholder value (external)</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Customer Strategic Objective</th>
<th>Lifetime value</th>
<th>Acquisition</th>
<th>Risk profile</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Customer profitability</td>
<td>Development</td>
<td>Staff satisfaction</td>
</tr>
<tr>
<td></td>
<td>Cost to serve</td>
<td>Retention</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Enhance customer value (external)</td>
<td></td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Operational Objective</th>
<th>Response levels</th>
<th>Complaints</th>
<th>Cross-sell ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>RFM measures</td>
<td>NPD times</td>
<td>Recommendation levels</td>
</tr>
<tr>
<td></td>
<td>Conversion ratios</td>
<td>Staff turnover</td>
<td>Channel-specific measures</td>
</tr>
<tr>
<td></td>
<td>Effective strategy implementation (internal)</td>
<td></td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Infrastructure Objective</th>
<th>Call-answering times</th>
<th>Response times</th>
<th>Staff qualifications</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Customer data</td>
<td>&quot;Do not mail&quot; markers</td>
<td>Staff sickness</td>
</tr>
<tr>
<td></td>
<td>Accuracy</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Process optimization (internal)</td>
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</tr>
</tbody>
</table>
Recommendations

- **Vision**: Define CRM, find a leader, answer "why," set the customer value proposition.
- **Strategy**: Develop the customer base as an asset, answer "how," set objectives, seek to align with broader strategies.
- **Customer experience**: Design, then refine constantly based on feedback.
- **Organizational collaboration**: Change organizational structures, skills, incentives and the company culture to deliver the customer experience.
- **Processes**: Re-engineer to meet customers' expectations, provide competitive differentiation and work from the outside inward.
- **Information**: Treat customer information as an asset and a foundation, focus on tighter integration between operational and analytical systems.
- **Technology**: Outline the company's CRM architecture first, consider CRM as one large integration exercise and assess the best style of CRM application for the company.
- **Metrics**: Set CRM metrics at multiple levels and consider this the most difficult part. Without performance management, a CRM strategy will fail.
Related Gartner Research

- "Applying Gartner's Eight Building Blocks of CRM" (G00169547) Ed Thompson, 23 July 2009
- "How to Create a Powerful CRM Vision" (G00168417) Gene Alvarez, 28 May 2009
- "How to Develop a CRM Strategy" (G00168304) Kimberly Collins, 27 May 2009
- "Customer Information and Insight Are the Lifeblood of CRM" (G00168643) John Radcliffe and Gareth Herschel, 16 June 2009
- "Manage the Customer Experience to Improve Business Performance" (G00169030) Ed Thompson, 30 June 2009
- "The Elusive CRM Magic Quadrant" (G00173246) Ed Thompson and Thomas Skybakmoen, 22 December 2009
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