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Customer Relationship Management

– A Case for e-Business Strategy

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Abstract

Customers are in charge! In today's global marketplace fostered by the proliferation of the Internet, the ability to develop, retain and grow mutually beneficial relationships with customers enables many corporations to gain competitive advantage. It is easier than ever for consumers and customers to shop comparatively, and as a consequence, click as easily to a competitor's web site. Customer expectations are growing as well, as businesses implement e-Business marketing concepts, raising the bar on service levels. Customer relationships have become for many corporations a company's most valued resource. Creating a customer focused firm begins with a customer relationship management (CRM) strategy, whereby a firm reengineers to change its organizational culture and vision. The ultimate goal is to transform customer relations into greater profitability by increasing repeat purchase rates and reducing customer acquisition costs. CRM initiatives will help marketers better understand customer behavior and help them focus on those customers who can derive long-term profits.

We are at the pinnacle of a digital transformation within various businesses throughout the Modern (Industrialized) world that has implications that may be more profound than those of the Industrial Revolution. This digital transformation has brought a vast and rapid restructuring and reconfiguration of today's businesses—the streamlining of interaction, products and payment from customers to companies and from companies to its suppliers is creating much bewilderment and consternation among corporate decision makers. Managers at all organizational levels that are intimately engaged during this tumultuous era are being forced to reexamine traditional definitions of value, competition and service.

Certainly a catalyst for this tremendous change has been the explosive development of the Internet. Many businesses have embraced the idea of being able to implement an Internet-based information system in order to achieve global reach, thereby leveling the playing field and creating new opportunities to gain a competitive advantage. In addition, the adoption of the Internet and its technologies has further changed the way many businesses develop and execute their core competencies, strategies, and models. Even in light of recent dot-com failures, many successful companies realize that a thriving brick-and-mortar operation will be impacted profoundly with the development of electronic business (e-Business).

E-Business is the strategy and process of interweaving business drivers and initiatives with technology drivers and information services especially involving the Internet. E-Business is most of a particular firm's front and back office applications interwoven to form an all encompassing data processing and information management system that has a significant impact on profitability and sustainability (Patel 2000). E-Business is technology driven. These driving forces are changing the very definitions of the core values within many organizations. Values such as speed of service, convenience, personalization, and price are all affected by e-Business

adaptations. Suffice to say that many forward thinking corporations realize that marketing and marketing systems provide insight into the needs of their customers. In addition, marketing systems aid managers scan their surrounding business environment in order facilitate the identification of future opportunities. Marketing and thus, the customer, are an intrinsic part of many corporations' vision and strategy (Bruner, 1998). Therefore, it can be said in general that building long term, loyal relationships with customers is one key to profitability. Furthermore, new technologies, to include the proliferation of the Internet, have made Marketing's Holy Grail— creating one to one relationship between vendor and consumer—a reality once again (a throw-back to the era of the Mom and Pop stores with their level of personalization and customization). To foster and nurture this relationship a new technology twist to a rather familiar concept has emerged, namely: Customer Relationship Management (CRM). Not since the early day of capitalism in America has the level of one-to-one communication been so influential to corporations as it is today in the advent of CRM applications (Peppers, 1998).

The need to better understand customer behavior and focus on these customers who can deliver long-term profile has changed how marketers view the world. Traditionally, marketers have been trained to acquire customers either new ones who have not bought the product category before or those who are currently the customer's of competitors. Currently, with marketers there has been a paradigm shift from customer acquisition to customer retention. For example, studies have shown a dramatic increase in profits from small increases in customer retention rates; a 5% increase in retention had impacts as high as 95% on the net present value delivered by customers (Reicheld, 1999). Other studies have shown that repeat customers generate more than twice as much gross income than newly-acquired customers (McKinney, 2001). The considerable improvements in technology and innovation in CRM-related products

have made it much easier to deliver the promise of greater profitability from reduced customer “churn.” When considering to interact with customers the “old way” or when implementing a CRM approach company, marketing managers should consider:

- It costs 6 times more to sell to a new customer than to sell to an existing one.
- Lack of customer service will probably cause a disgruntled customer to tell of his or her adverse experience to other people.
- 75% of complaining customers will do a repeat business if the complaints are quickly addressed and resolved.
- 80% of sales are received from 20% of the company’s customer base. (Kalakota and Robinson, 2000).

Proponents of CRM contend that the essence of the information technology revolution is the opportunity to build better relationships than have previously been possible in the brick-and-mortar world. Many firms possess a greater propensity to establish, nurture, and sustain long-term customer relationships than ever before by combining the abilities to respond directly to customer requests and to provide the customer with a highly interactive and customized experience.

To succeed in e-Business it can be said that a firm should embrace the processes, procedures, and the implementation of a CRM project. In addition, the effective management of customer relationships, through the use of automated systems such as CRM, is a source of competitive advantage. When competition is fierce, the best companies go back to basics: creating value for the customer. Therefore, this paper will attempt to reveal that CRM is indeed a paramount process for a competing firm to undertake to remain competitive in the e-Business world. In addition, this paper will attempt to provide a relatively useful and broad view of what

CRM is actually about. This CRM explanation will be that of the prospective of the customer; a marketing view of what e-Business managers need to know about their customers and how that information is useful in developing a sense of a complete CRM technology adaptation. This paper will reveal:

- What CRM is
- How customer data is collected and stored
- How customer decision support and analysis procedures are undertaken
- How customer relations are built and how customers are targeted with respect to CRM
- How privacy issues affects both customers and users
- How CRM return on investments metrics are used for increasing a successful CRM project
- Future CRM trends

CRM – a definition.

CRM is a strategic process and “infrastructure that enables the delineation of and increase in customer value and the correct means by which to motivate valuable customers to remain loyal – indeed to buy again.” (Dyché, 2001) CRM programs are implemented for several reasons:

- Companies want to thoroughly understand their customers’ needs.
- Increase customer satisfaction and thus lowering churn.
- Enable a great degree of customer differentiation in order to deliver unique customer interactions.

CRM is used by companies to gain more intimate knowledge of their customers so that marketing efforts can be directed towards those customers they wish to keep and those they are willing to lose. From customer acquisition to customer loyalty, CRM is a way for a firm to automate many of its business processes and perform analysis on customer data collected to save resources, generate revenue, provide excellent services, and to develop consistent, dependable, and convenient interactions with customers through different channels or touch points.

Through CRM implementation many businesses can generate revenue using existing customer relations by preparing a comprehensive view of the customer in order to maximize his or her relationship with the firm through up-selling and cross-selling products and services. Subsequently, businesses can simultaneously enhance their profitability by identifying, attracting, and retaining their best customers.

In addition, better service may be implemented by a firm which utilizes CRM initiatives. For example, if a customer entered personal information at a particular company's web site, then he or she should not have to give the same information again when on the phone talking to a representative of the same firm at their call center. Because of the proliferation of a corporation's customer contact channels (the myriad of touch points such as the Internet, call centers, direct mail responses, brick and mortar stores) many more employees are involved with marketing and sales transitions. Therefore, companies implementing CRM initiatives usually realize a measurable and replicable consistency to marketing business processes and account management procedures (Kalakota & Robinson, 2000).

At its core CRM is an enterprise-wide mindset and business policies and processes that are designed to acquire, retain, and service companies. CRM is not just a technological application per se. Technology, thus, is a CRM enabler. Advances in technology have served as the primary

catalyst to the recent interest and adoption of CRM initiatives. Subsequently, technological advances such as the increase of the Internet, the adaptation of client-server technology and the wide acceptance of the PC have greatly empowered customers and position them to more easily access information on products, services, and competitors. Increasingly, firms who adopt CRM and its customer centric business processes and leveraged technology are finding that they can better serve their customers by developing improved products and personalized service (McKenzie, 2001).

As previously stated, CRM and its associative technologies help many firms who adopt it, manage the customer life cycle of acquiring new customers, enhancing the profitability of existing ones, and retaining profitable customers for life. Firms acquire new customers by promoting the company's product and service leadership. Firms, in addition, demonstrate how they redefine their industry's performance boundary with respect to convenience and innovation. The value proposition to the customer is the offer of a superior and differential product backed by service excellence. Strategies for successful customer acquisition require considerable planning in order to orchestrate an engaging and highly integrated purchasing and support experience for the customer. As an example, suppose a perspective customer completes an on-line inquiry about a particular product and within a few moments from completing the form, the phone rings and the customer is greeted by a call center salesperson willing to answer the customer's questions regarding the product. This situation is not the result of some slight-of-hand marketing trickery, but it is a situation where a company selling a product or service that is truly connected and integrated throughout its function and technical business infrastructure.

Companies enhance existing relations when they prove their commitment on a daily basis by taking the time to listen to customers' concerns and by developing a service focus. For example,

many business-to-consumer retail firms manage and maintain call centers to help with customer concerns and to help them walk through problems. The call center's primary concern is customer satisfaction through effective resolution of issues and concerns. Some call centers handle as many as 3,000 calls per day (callcentermagazine.com, 2002) and without the use of CRM applications the cost of handling such a volume would be cost prohibitive and less-satisfying for the customer. Some call centers handle routine problems with automated voice mail systems leaving the more complicated problems to be handled by a customer service representative (CSR). CSRs who handle problems may also have the opportunity to up-sell (selling a better quality item) or cross selling (selling a complimentary item).

Returning customers require that marketing managers have a thorough understanding of the customer's needs and the diligence and wherewithal to stay in the relationship with the customer through its cycle of ups and downs. For example, some companies offer long term customers in good standing price incentives toward the purchase of future goods and services. Automated CRM information systems facilitate the measurement and analyses of customer retention and defection rates and distributes the results to other functional areas within the company. Subsequently, marketing campaigns and sale force objectives keep salesmen focused on company goals and customer satisfaction (Dyché, 2001).

With our previous definition of CRM in mind, CRM differs from earlier attempts at customer satisfaction in that companies who have adopted CRM have changed their organizational focus from internal operational efficiency toward effectiveness in external relationships. In effect, CRM helps firms organize processes around the customer's needs (crmguru.com, 2002). In other words CRM helps to create an environment in which every interaction with a customer or consumer fully leverages the information known about that entity in person. To accomplish this

task many companies define two areas of CRM technology competencies: Operational CRM and Analytical CRM.

Operational CRM (front office CRM) involves all the “touch points” where direct customer contact occurs. A touch point can be an in-bound contact such as a call to a firm’s customer support line or an out-bound contact such as an email sales promotion. Operational CRM offers the traditional “customer facing” applications – those applications where customers actually interact with salesmen, websites, and other touch points. Typically, Operational CRM involves business factors such as customer service, order management, invoice and billing, as well as sales and marketing automation and management. In addition, Operational CRM falls into three refined business actions:

- Sales Force Automation - lead tracking, opportunity management, and contact management
- Customer Service and Support – call center management, knowledge management system, expert systems, help desks, and on-line help systems.
- Marketing automation – automatic email response systems, campaign management tools, surveys, contest management, and the management and distribution of marketing materials (white papers, studies, brochures, etc.) to salesmen and partners.

Analytical CRM (back office CRM) as opposed to Operational CRM, involves business intelligence and understanding the customer activities that occurred at the various touch points that include front office processes of the firm. Analytical CRM employs the use of Business Intelligence (BI) and data warehousing technology (Dyché, 2001). Analytical CRM is the capture, storage, extraction, processing, interpretation and reporting of customer data to a manager or other decision makers.

CRM is an enabling technology utilizing front office operational processes and applications that have direct contact with customers to personalize the customers' needs and wants from information derived from the various CRM analytical engines and from the improved business processes. CRM core competencies are:

- Marketing and fulfillment:
 - Facilitating campaign management by automating tasks like managing customer responses, qualifying leads, and arranging logistics
 - Automated email replies
 - Delivering permission-based marketing (opt-in/out)
 - Automate timely responses to requests for product information
- Customer service and billing:
 - Automated help desk application to improve efficiency and effectiveness (open tickets, monitor service level agreements, capture support costs for charge backs, track specific tasks)
 - Automated and integrated account management information, contact and activity management, and return-material authorization
 - Enable real time interaction – text chat and telephone conversations
 - Facilitate email routing and tracking of on-line forms for sales agents and customer complaints
 - On-line and electronic billing with real time payment and balance inquiries.
- Sales:
 - Facilitate cross-selling and up-selling

- Facilitate order checking status
- Inventory integration (real time/just in time)
- Manage, synchronize, and coordinate all customer interactions over multiple communication channels (web, phone, fax, email)
- Loyalty and retention:
 - Effectively segment customers by using design support tools to review account/transaction history to accurately portray their relationship with the company
 - Provide comprehensive and integrated view of customer
 - Help identify the most valuable customers
 - Facilitate one-to-one customer relationships by capturing detailed information
 - Help predict behavior
 - Help identify high maintenance/low margin customers

The synergistic effects of CRM, when deployed correctly, supports the customer life-cycle and provides a company with a 360° view of the customer that translates into company-customer experience. Through these experiences, companies can retain its most valued customers, discover market niches, target growing markets, and differentiate valued products all to gain market share, increase revenues, and gain competitive advantage.

In her book, Jill Dyché (2001) explains that successful customer interactions from CRM based marketing tactics yield the following results:

- Helps managers budget money (and shift money) toward marketing campaign more likely to generate high interest in products

- Help managers understand and profile high-value customers
- Help managers improve the effectiveness of high-cost channels in order to maximize returns
- Help managers in institutionalizing personalized communications for specific segments
- Helps managers comprehend buyer purchase patterns and help delineating customer segmentation to improve future interactions and stimulate one-to-one marketing.

In conclusion, CRM is a strategy used to learn more about customer's needs and behaviors in order to develop stronger relationships with them. In order for a business to achieve a successful CRM program, it must be able to integrate comprehensive knowledge of its customers with business strategies that span functional boundaries and that require cooperation across the organization. In addition, businesses can align their strategies, organizational structure and culture, customer information, and technology so that all customer interactions can be conducted to the long-term satisfaction of the customer and to the benefit and profit of the organization. When done correctly, businesses can expect:

- Better customer service
- More efficient call centers
- Effective cross-selling capabilities
- Faster closing on deals by salesmen
- Simplification of marketing a sales processes
- Discovery of new marketing segments and customers
- Increase customer loyalty

- Increase customer revenues (Waxer, 2001)

CRM that Works – Charles Schwab

Charles Schwab, the highly-renown brokerage and investment firm, has successfully used CRM to help make customer service the core of its strategic vision. It was not easy at first. Most of Schwab's sales were conducted in person or over the telephone, implying that salespeople needed access to the most current information regarding their clients. However, Schwab managers realized that salespeople were not getting enough information because existing systems were too fragmented and without much integration. Thus began the evaluation process by Schwab to purchase an integrated sales and service application. Schwab selected the Siebel Company's Sales Enterprise CRM System. Siebel's system allows Schwab's salespeople, whose call volume is extremely heavy, to gain real time access to customer profiles and histories and to improve responsiveness to the needs of its nearly 4 million active customer accounts. The integrated applications allow representatives to promote new products while talking to the customer. Now service representatives are able to vision the "big picture" of their customers with respect to the company's relationship with them, which shapes and influences how salespeople communicate with and sell to their customers. (Stedman, 1999). Schwab no longer manages customer service as an isolated function. In order to address the needs of the customer, the company has linked all its sales and customer service organizations with one another and with all operational (front-office/customer facing) functions within the firm. Key to the implementation of this initiative has been a new information infrastructure to capture information with customers and their behaviors.

The Data Warehouse and Analytical CRM

The analytical applications utilized in CRM as business intelligence (BI) rely on a data warehouse supplying the data to various decision support and analytical applications. These analyzed applications give insight into customer demographics, buying habits, profitability, life-time value, and personalization (Mrazek, 2001). BI is an emerging group of applications designed to organize and structure a business's transaction data so that it can be analyzed in ways that are beneficial to managers and decision support operations.

Many companies have populated their databases with vast stores of transaction data over the years. Data gleaned from CRM applications exacerbates the problems involving the voluminous amount of data. A larger amount of the data and information remains dormant, residing in unused databases. BI applications, consequently, allow companies to put this dormant information to use as a valuable resource and asset. BI's competition advantage lies in its ability to analyze large amounts of data, determine the personal preferences of customers, and then contact these customers with information relevant to them (Wells, 2002).

In addition, BI addresses the one-to-one marketing expectations of a company. To be successful at one-to-one marketing, businesses must determine a customer's value and specific needs – this strategy requires significantly more information about customer behavior and preferences than do other market strategies. Current BI applications provide detailed customer information accessible from a single source.

BI applications are also important for instant and real time access to information. With the advent of the Internet the universe of connected customers, suppliers, and employees has expanded exponentially. Simultaneously, many companies have flattened their organizational structures, delaying their hierarchies, and empowering employees at all levels to make decisions.

This change has resulted in companies wanting their employees to spend less time compiling data and more time analyzing it to identify key customer trends and preferences. In addition, employees expect high-quality information, 24-7, and lighting fast response times (Dawson, 2001).

The data warehouse is the cornerstone of BI (Imhoff, 2001). Data warehouses are repositories of summarized historical data, usually extracted from transactional, departmental or enterprise databases. The impetus involving data warehousing is to gather all company data together in one place to give greater business process visibility, learn more, and improve organizational performance.

Warehouse data supports management's decision-making process. This process is subject-oriented, integrated, time-variant, and nonvolatile (Inmon, 1992). The data warehouse is focused on a business concept, sales for example, rather than on a business process such as billing, and contains most of the relevant sales information gathered from multiple processing systems. The data is collected and represented at consistent periods of time and does not readily change.

Data warehousing, combined with BI analytical tools, helps users identify trends and associations, find answers to business questions and help derive meaning from historical and operational data – all of which enhances decision support (Dyché, 2001). For a CRM solution, constructing a customer data warehouse or data mart information file is the foundation for any customer relationship management activity. For web-based business, this should be a relatively straight forward task as customer transaction and contact information is accumulated as a natural part of the interaction with customers. For companies that have not previously collected much

customer information, the task will involve seeking historical customer contact data from internal sources such as accounting and customer service.

What data should be collected? Ideally, the database should contain information about the following:

- Transactions: Purchase history with accompanying details (price paid, delivery data, item number)
- Customer contacts: Today there is an increasing number of customer contact points from multiple channels and contexts.
- Descriptive information: This is for segmentation and store data analysis purposes.
- Response to marketing stimuli: This aspect of the information file should contain whether or not the customer responded to direct marketing initiative, a sales contact, or any other direct content (Glazer, 1999).

Companies have traditionally used a variety of methods to construct their databases. Durable goods manufacturers utilize information from warranty cards for basic descriptive information. Unfortunately, response rates to warranty cards are in the 20%-30% range leaving large gaps in these databases. Service businesses are normally in better shape since the nature of the product involving the kind of customer – company interaction that naturally leads to better data collection. For example, banks have long been in the forefront of CRM initiatives for a number of years. Telecom-related industries (long-distance, wireless, cable) similarly have a large amount of customer information. The following are illustrations of some corporate customer datamarts

- The networking company 3 Com created a worldwide customer data mart from 50 legacy databases scattered throughout their global operations. They built customer

records from emails, direct mail, telemarketing, and other customer contacts with descriptive information by department, division, and location.

- Thomson Holidays, the British tour company, developed a Preferred Agent Scheme to enlist the assistance of travel agents in building the database. They collected customer descriptive information and data on trips taken. This enabled them to calculate the profit on a per-customer-trip basis.
- Taylor Made, the golf equipment manufacturer, has a database of over 1.5 million golfers with their names and addresses, email addresses, birthdays, types of course played, and vacations taken.

Companies such as Proctor & Gamble and Unilever selling frequently-purchased consumer products have greater problems constructing databases due to the lack of systematic information about their millions of customers and the fact that they use intermediaries such as supermarkets and drug stores that prohibit direct contact. The challenge is to create opportunities for customer interaction and, therefore, data collections. For example, some companies use contests to encourage customer visits to their web sites. Walden Books offers a 10% discount on purchases if customers provide information to the company and become Preferred Readers (Robertson, 2001).

Data warehouses populate tables with data such as customer transactions, and then edit and organizes the data for end-user browsing, analysis, and decision-making. Key to the process is centralizing a variety of data sources so that more can be done with the existing stored data to be mined, transformed, or analyzed. Typically, data warehouses store data in a format optimized for analysis. In addition, query and reporting tools are used in conjunction with data warehouses to refine predefined queries and calculations.

The components of a data warehouse are:

- Extraction, Transformation, and Loading (ETL) Tools for reading and acquiring data from operational or transactional systems such as web-based or on-line store. ETL provides a consistent view of the data required for data mining.
- Scrubbing tools – to further clean data
- Movement tools – for moving data from intermediate databases to the data warehouse. Data in data warehouses doesn't change, so there has to be an intermediate stop from transactional systems (which change instantly) to the data warehouse.
- Repository tools – meta data to facilitate the ETL process.
- Access tools – end user tools used for decision support such as spreadsheets, SQL, report writers, statistical tools, and data mining tools (Kalakota, 2001).

The enabling technology to employ the use of data warehouses is on-line analytical processing (OLAP). OLAP is a type of decision support analysis that provides a means to analyze a complex mix of data by using intuitive business application and rules such as profitability analysis, acid tests, and sales to inventory analysis. The enduser is oblivious or insulated from the technical intricacies of the data structure and storage: therefore, OLAP support tools allow decision makers at all levels of the organization and technical expertise the chance to perform their own analysis (Ryals, 2002). OLAP solutions provide complex computational capabilities including time-series analysis, ad hoc, drill down, and interactive analysis. For example, a marketing manager identifying a market share reduction can drill down to isolate the problem to a specific product at one store.

Data mining is similar to OLAP in that it is a tool that helps managers with CRM analysis. Data mining tools are used to identify patterns in data and deliver valuable new information that can increase a company's understanding of itself and customers. Data mining is commonly used to help data analysts search for information they do not yet know to look for. Data mining has helped companies uncover a diverse set of new knowledge, from a customer's next purchase to optimal store layouts to the most favorable release date for a movie in production. One difference between OLAP and data mining is that data mining usually involves statisticians who have intimate knowledge with the use of query algorithms and their applications to business problems as well as with the specific data mining software. Business people typically do not mine data but rather use the results of data mining to help make important decisions about managing customer relations (Knowledge @ Wharton, 2001).

Click stream analysis is another major type of CRM data analysis. Click stream data illustrates a web visitor's footprint around a particular site. Click streams can note how the user arrived at the site, how long they stayed, what they did during their visit, and when they returned. Of particular interest involving click stream analysis is the area of customer shopping carts at e-commerce web sites. Click stream data can yield information such as:

- How much revenue an abandoned shopping cart represents – how much revenue was potentially lost due to the prospective customer's early departure from the site
- Whether the products in the shopping cart were high profit items or lost leaders
- If similar items were found in other shopper's abandoned carts
- The volume and type of different products in a cart

- Whether the total bill for the abandoned carts consistently fell within a certain dollar range
- When in the shopping experience did the shopper abandon their cart (when they see the shipping charge or when they had to register at the site) (Silverston, 2001).

Paramount to the CRM analysis process is the concept of enterprise application integration (EAI). EAI is the middle-ware that bridges CRM to CRM communications (Greenberg, 2001). For example, if an enterprise integrates customer web interactions so they become part of each customer's profile, there is more accurate and complete customer information. Email, chat, voice-over-IP, telephone, and video developments involving CRM and EAI are not merely simple sets of tools and technology. It is a comprehensive business strategy that allows every employee from the CEO to mailroom clerk to project a seamless corporate identity.

EAI is also important when companies have disparate front and back office CRM applications from different vendors (Hall, 2002). EAI software closes the application integrative gap by pulling information from applications – often stored on Enterprise Resource Planning Systems – and sending it to a server that brokers the data as information that can be readily understood by the end user or requestor.

Without EAI applications in a multi-vendor environment, sales people will not be able to immediately respond to customers' order status request, customer services representatives cannot initiate stop orders or process returns on-line, and clerks will not be able to bill customers as soon as service is provided. EAI applications streamline the sale ordering process that allows firms to deliver the customer experience by helping companies become more responsive to customer demands (Yager, 2002). CRM information is analyzed to gain insight into each

customers needs and behavior, and then it is used to improve the customer's dealings with the firm. Marketing analysts might analyze data to guide sales and promotion efforts so that customers receive calls, emails, website advertising, or mailing tailored to their likes. In addition, using CRM data collected during the customer's various contacts (touch points) marketing managers will try to make inferences as to what customers want. Customers are also analyzed in aggregate to get a clearer picture of the market for the firm's goods and services. The most profitable customers are treated differently than those who are deemed too costly.

Analysis of the customer information contained in the CRM data warehouse, marketers consider which customers to target in conjunction with the firm's marketing programs. The results from analysis could be of various types. If segmentation-type analyses is performed on purchasing or related behavior, the customers in the most-desired segments (e.g. age, industry type) provide information for deploying the marketing tools. In addition, these variables could be matched with commercially available data bases of names to find additional customers matching the profiles of those chosen from the data base.

If individual customer-based profitability is available through CRM analysis, marketers can readily determine which customers to focus on. Marketing managers can use a number of criteria such as choosing those customers that are profitable (or projected to be) or imposing a return on investment hurdle. The goal is to use the customer profitability analysis to separate customers that will provide the most long-term profits from those who are currently hindering profits. This allows the manager to "fire" customers that are too costly to serve relative to the revenues being produced. The 80/20 rule often holds in approximation: most of a company's profits can be derived from a small percentage of their customers. For example:

- AT&T offers different levels of customer service depending upon a customer's profitability in their long-distance business. For highly profitable customers, they offer first class personalized service.
- The wireless provider Page Net raised monthly rates for unprofitable subscribers. Clearly, the intent was to drive them away.
- Similarly, Federal Express raised shipping rates for residential customers in expensive-to-serve areas where their value did not justify normal rates.

The point is that without understanding customer profitability with the aid of CRM analysis, these kinds of decisions cannot be made.

Mass marketing approaches such as television, radio, or print advertising are useful for generating awareness and achieving other communications objectives, but they are poorly-suited for CRM due to their impersonal nature. More conventional approaches for targeting selected customers include a portfolio of direct marketing methods such as telemarketing, direct mail, and direct sales. Authors such as Peppers and Rogers have urged companies to begin to dialogue with their customers through these targeted approaches rather than talking "at" customers with mass media (Peppers & Rogers, 1999).

CRM analysis and integration has made the mantra, one-to-one marketing obtainable for companies who use the Internet to facilitate individual relationships with customers (Kuchinskas, 2000). An extremely popular form of Internet-based direct marketing is the use of personalized emails. When this form of marketing first appeared, customers considered it no different than "junk" mail. However, permission-based programs were developed whereby customers must first "opt in" or agree to receive messages from a particular company. Since the development of

an “option-based” permission system, direct email has become a very popular and effective method for targeting customers for CRM purposes (Godin, 1999).

A study by Forrester Research (Nail, 2000) reveals that email is a very cost-effective approach to customer retention. Through lower cost per 1,000 names by using the company’s own CRM customer data warehouse and greater click-through rates than those afforded by banner advertisements and emails sent to lists rented from suppliers, companies can reduce their cost per sale dramatically. For example:

- Southwest Airlines email click and save program has 2.7 million subscribers. Every Tuesday the airline sends out emails to this database of loyal users containing special fare offers.
- The bookseller Borders collected all of its customer information into a single database. The company then uses emails tailored to the customer’s reading interests to alert them about upcoming releases.
- The Phoenix Suns basketball team sends streaming video messages from its players promoting new ticket purchases and pointing them to the team’s website.

E.piphany, a market leader in CRM analytics, typically offers its clients applications that can:

- Provide analysis of bookings, billings, and backlog information so that revenue can be segmented by customized sets of criteria – segmented by geographical area or by industry
- Leverage CRM data to improve sales forecasts, measure sales process metrics, and identify areas of sales flow

- Evaluate purchasing pattern on a vendor's website to help managers identify how successful their e-Business initiative is
- Analyze customer base for a clear understanding of customer preferences, buying behavior, loyalty, and profitability
- Analyze and develop customer segments based on profitability and lifetime customer value and link these to marketing programs (Greenberg, 2001)

While customer contact through direct email offerings is a useful component of CRM, it is more of a technique for implementing CRM than a program itself. Relationships are not built and sustained with direct emails themselves but rather through types of programs that are available for which email may be a delivery mechanism. The overall goal of relationship programs is to deliver a higher level of customer satisfaction than competing firms deliver. Managers today realize that customers match realizations and expectations of product performance and that it is critical for them to deliver such performance at higher and higher levels as expectations increase due to competition, market communications, and changing customer needs (Oliver, 1997). Research has shown that there is a strong, positive relationship between customer satisfaction and profits (Anderson, 2000). Thus, marketing managers, through the use of CRM analytics, should constantly measure satisfaction levels and develop programs that help deliver performance beyond targeted customer expectations.

Customer personalization is perhaps the most significant aspect of CRM analysis. Personalization is the practice of tailoring communications directly to a customer segment or to an individual customer. Companies can market to an individual's unique needs by collecting customer data through the various touch points. Personalized communications is the primary way that firms can convince customers they understand them. The objective is to deliver

accurate product recommendations for individual preferences and targeted promotions for individual web visitors. The end personalization means not only maintaining customer loyalty, but it also provides detailed information about individuals that can influence tactical decisions regarding marketing and sales initiatives.

Personalization can take various forms, however, the most familiar is the customizing of web pages to include a web site's look and feel according to the features favored by an individual visitor. In addition, many web sites allow the visitor to customize the site according to their preferences. Most personalization involves CRM analysis that utilizes prediction and trend analysis called Rules-Based Personalization and Adaptive Personalization (Greenberg, 2001).

Rules-based personalization involves leveraging established rules that dictate, for example, which products might be purchased together or whether a certain web page should proceed or follow another. Rules-based personalization most often involves rules that have been hard-coded into software.

The other type of personalization, adaptive personalization, learns as it goes. This type of personalization gets smarter as it observes customer behaviors and applies them to new circumstances. Adaptive personalization often uses the behavior of other "like" visitors as a basis for recommendations and further customization. The best example of adaptive personalization is Amazon's purchase circles in which Amazon factors in the buyer's past purchases and geography to suggest what other readers (of similar interests) might be reading. The more similar shoppers buy, the smarter Amazon becomes about their preferences and the more accurate are the site's recommendations.

Web retailers who combine CRM analysis with customer data and advanced personalization can customize content and screen layouts for individual visitors to increase the site's "stickiness" and the shoppers' propensity to buy. E-Business firms may use inferential personalization in which a company applies complex logic to infer a customer's preferences (Kulakota, 2001).

In conclusion, the 360-degree view extends beyond customer data to the entire enterprise. Using web and other data to drive improved relationships with customers often results in saving costs and generating revenue. The paramount aspect of analytical CRM is that a wide range of data from across the different touch points about customers can be made readily available and accurate. The key and differentiation is how this analyzed data is interpreted and turned into useful information guiding strategic business decisions.

CRM – Return on Investment (ROI)

Quantifying how much revenue is generated or costs saved as a result of employing CRM is difficult. A firm's operational systems are more straightforward and deliver, for the most part, defined outcomes and measurable improvements. On the other hand, CRM initiatives often foster the formation and development of unprecedented business practices that are by their nature difficult to quantify.

Exacerbating the problem is that many CRM systems were planned and executed during the late 1990's – IT's heyday for rampant spending on technology without much cost justification (Sims, 2001). During these tougher economic times, however, most executives are requiring careful cost-benefit analysis up front before making the decision to deploy CRM in their company. The best approach to defining the correct mix of ROI metrics is to identify the benefits sought from CRM before its inception and out of that – proclamation of the stated

benefits will naturally flow the right strategic and tactical measures to keep the CRM initiative on track.

The basic method for defining CRM ROI is from cost savings and revenue generation. For example, CRM can result in revenue or cost savings represented in a broad range of metrics such as campaign-expense reduction: when prospective targets are selected more effectively, campaign volumes decline and expense-to-revenue ratios fall: internal process improvements: the percentage of customer orders that can be handled automatically, shorter sales-cycle time and less rework, and service center efficiency: when the duration of a transaction or a problem resolution call is shorten, that translates directly into lower head-count requirements (Humbarger, 2000). SBC Communications is a good example of CRM ROI. SBC's Easy Access Sales Environment, an on-line tool to help customer support representatives, costs \$34.2 million. The tool helped sales representatives access product information faster and pull in more comprehensive customer data, allowing an increase in call volume, a simultaneous decrease in call duration, and improved order accuracy. All told, the estimated ROI for the Easy Access Sales Environment was revealed to be 4483.6 million (CIO, 2001).

Often times briefing C-level managers on cost savings is easier than reporting on the benefits associated with increased revenues. Metropolitan Life's Allen Harris, VP of Technical Services, claims that many CEO's are a little suspicious of assigning any causality to revenue increase and that revenue itself is too vague to justify investments. Met Life, subsequently, focuses on operational efficiencies garnered through CRM like consolidating service centers and eliminating redundancy. Harris' team identified very specific areas when costs would disappear. They kept track of how problems were resolved in their call centers, how much time resolution took, and how many people were involved. If they saw an increase in the number of problems

resolved at a single point of customer contact, then they knew they were going in the right direction (Ziska, 1999).

Even though they sell their CRM projects based on cost reduction, most markets anticipate that revenue increase will follow their efforts. Automating marketing processes is usually about efficiency, meaning cost saving and is more palatable for managers in finance. However, outcomes based on CRM should be economic, not operational, and ultimately, profit is the number one metric. Revenue increases from CRM can flow from a number of sources:

- Campaign-response improvements which yields more orders and more new customers
- Increased average order size or the number of products purchased in an order
- Competitive wins, like an increase in the share of the customer's wallet
- Customer profitability – migrating customer groups from lower to higher value levels

However, revenue enhancements that measure CRM ROI may be problematic in that they can take a long time to materialize because revenue is dependent on sales cycles, the size of the organization, and the amount of behavioral change needed in the company. Dallas-based Credit Union of Texas (\$1 Billion in assets) uses a revenue-based CRM ROI. The Credit Union looks at internal operational enhancements, but most of their focus is external based on acquiring new members, increased sales, and improved marketing utilizing BI and trend analysis. The Credit Union's first campaign objective was to raise the profitability of the 44,000 low value members the bank was serving. These accounts carried low balances and subscribed to only one-bank service. With CRM analysis, the Credit Union identified which of the institutions services were most likely to interest each low-value customer. Subsequently, a personalized direct-mail

campaign with three different offerings to each customer garnered a substantial 10.4 response rate in just four months. 2,272 customers signed up for additional services, resulting in \$150,000 additional net profit. Another 3,600 decided to close their accounts,, which saved the bank \$73,000 in service costs. The campaign itself cost only \$45,000, and the Credit Union plans follow-up mailings to offer a different set of service options to non-responders or the chance to close their accounts altogether. The campaign's net present value was over \$335,000 (Rudding, 2001).

Companies adopting CRM because of the cost savings it promises may have problems justifying their case. With the escalating complexity and pricing of many CRM products, seeing a return of investment might take a few years. The real justification for CRM goes back to improving the customer's experience with the corporation, humanizing this experience, and making it easier to do business. CRM is about managing and monitoring customer relationships and increasing their value. It's about motivating customers to tell their friends and relatives to buy a particular firm's products.

Therefore, the best metrics for measuring CRM ROI revolve around the customer themselves. Three important measures track:

- Customer satisfaction
- Customer attrition
- Customer life-time value (CLV)

Customer satisfaction can be measured by observing behavior, but it is more likely to be captured by utilizing surveys. Satisfaction should be evaluated around the customer's relationship with an entire product brand, versus a single production or function.

Customer attrition – means measuring churn rates compared to industry bench-marks.

Attrition is best analyzed by segment, since customer value can vary widely.

Simply put, CLV is calculated as the revenues the customer will generate over the life of their relationship with a company, net of the variable cost of achieving these sales (the cost of goods sold) and the cost to serve (McKnight, 2001). Historically, CRM efforts are targeted at attracting new customers and retaining, up selling, or cross selling to existing customers.

Revenue is the most frequently used metric in measuring the success of these efforts. Yet, companies are increasingly asking questions such as: Are these our most profitable customers? Are these the customers to whom I should devote my scarce and costly sales and service resources? Is revenue alone an adequate measure of customer value? CLV can help answer these questions. It is a performance measure of long-term customer worth.

David Coppock (2002), author on several applications of CLV, explains that CLV is the expected value of profit to a business derived from customer relationships from the present to some future point in time (usually three years out). Mr. Coppock contends that CLV does not include past contributions to profit, but it is probabilistic in that CLV may be used to increase future profitability.

Coppock (2002) reveals a cable company's model for increasing CLV. Present value over 24 months of [{(direct profit per month of basic service)* (profitability that the household is still a customer) + (profit from premium service)* (probability that the household upgrades service) + profit of pay-per-view purchases)* (expected number of pay-per-view purchases)} * (probability that households do not default on bill)- (cost of service calls)* (probability that a household will require a service call)].

The paramount issue is that CLV analysis rolls up the elements of revenue, expense, and customer behavior that drive profitability into one quantifiable metric. In addition, the CLV metric involves the essential marketing aspects of retention, cross-selling credit risk, pricing, and expense evaluation (Coppock, 2002).

As an example of CLV, suppose a company spends \$1 million on an email campaign and sent to 100,000 qualified email addresses. The cost of the email list is \$1,000 per thousand addresses. In doing some research, the company determines that the click through rate of 5 ½% on emailing. This situation generates 5,500 sales at \$69.95 for a particular product. Historically, the CLV of customers acquired through email is a total expenditure of \$400 and a profit of \$80 per customer. By dividing the \$1 million dollars by 5,500, the acquisition cost of each customer is \$181.81. The revenue generated from the sale of 5,500 product X at \$69.95 each is \$384,725. At face value there appears to be a \$615,275 loss – cost of the campaign minus the revenue generated. However, each of these customers, due to anticipated CLV, will generate \$440,000 in profit with gross revenue of \$2.2 million. The idea is that customers are tracked through their life term with the company – the number of years determined by marketers.

Mei Lin Fung (2001), Managing Director at Wainscott Venture Partners, uses CLV methodologies extensively in funding venture capital for high-tech start-ups. Ms. Fung's approach is to measure the cost of acquisition, selling costs, customer care cost, and revenue. The net profit is then calculated for the most profitable customers. The top tier of profitable customers is closely examined, with special attention being paid to how they were acquired. Most companies would be surprised with the result. Ms. Fung claims that the most valuable lead generating activities occur by chance and not by design. Some are replicable, some are not. Ms. Fung suggests that managers observe the lead generators that use replicable and design programs

to report the process. In addition, it is important for managers to describe the most profitable customers that the corporation would like to have, and determine what it will take to get them. Lastly, Ms. Fung recommends that managers define the acquisition, selling and customer care process, and calculate the ROI on the ideal customers that are worth acquiring. After checking that these customers have the potential to be profitable, managers can then identify the most profitable leads.

Lead generation is predicated on a sales pipeline plus an awareness factor that anticipates the level of sales needed to obtain a goal. Consequently, historical data identifies the number of leads or opportunities needed to achieve objectives. Therefore, customer relationships become quantified rather than amorphous and objectives clear rather than vague. Once CLV is established, it may be easier to design programs that can escalate the customer type's CLV that can take the form of increased revenue from the customer through up selling and cross selling.

In conclusion, it appears that as companies struggle with short-term efficiency measures and long-term revenue and customer measures, one aspect is clear: the average CRM project is difficult to justify based on a classical analysis. According to a Hewson Consulting Group (2001) study, most investments in CRM have been a matter of faith – a large percentage had no formal cost-benefit justification.

However, due to CRM analysis, marketers are able to track the success rate of a particular campaign with multiple opportunities to drill down through data to see who, what, when, where, and how a campaign is successful. The metrics for success in marketing ROI identify the more profitable customers through the use of CLV, more revenue derived from more highly focused types or campaigns, improved cost savings, and improved product and service profitability.

The Future of CRM

With the increased penetration of CRM philosophies in organizations and concomitant rise in spending on people and products to implement them, it appears that there will be improvements in how companies work to establish long-term relationships with their customers. More companies are recognizing the importance of creating CRM databases and are getting creative at capturing customer information. Real-time analyses of customer behavior on the web for better customer selection and targeting is currently possible. This real-time access permits companies to anticipate what customers are likely to buy. Real-time information is made possible through the use of real-time data warehousing and associated analytics (www.crmguru.com, 2002).

Another development in the realm of CRM is the establishment of a C-level officer, Chief Customer Officer (CCO), who is relegated to developing an improved focus on CRM and how CRM is used to take care of customers. The CCO's job is to provide intelligence to higher-level executives from marketing research and the customer database for use by product managers in formulating marketing plans and making decisions. In addition, the CCO's manages the customer service operation. The CCO also interacts with other company managers whose operations may have a direct impact on customer satisfaction. The CCO at Equalfooting.com, a company offering streamlined purchasing, financing, and shipping services for small manufacturing and construction businesses, has the job of integrating marketing and operations to make sure that customers are satisfied (www.cio.com, 2002).

Another development involving CRM is the notion of customer satisfaction being expanded to change CRM to CEM, Customer Experience Management (www.cioinsight.com, 2002). The idea behind this is that with the number of customer contact points increasing all the

time, it is more critical than ever to measure the customer's reactions to these contacts and to develop immediate responses to negative experiences. These responses could include timely apologies and special offers to compensate for unsatisfactory service. The objective is to expand the notion of a relationship from one that is transaction-based to one that is experimental and continuous.

Info World editor, Paul Krill (2002), reports that some companies are outsourcing their CRM projects. Mr. Krill reveals that outsourcing usually increases during troubled economic times as companies try to control costs. In addition, companies considering CRM applications also realize that deploying a CRM system is resource intensive and has a high-failure rate attached to its implementation. Subsequently, firms are willing to outsource CRM to the experts. For example, Nextel expects to save \$1 billion during the next eight years by hiring IBM to handle its CRM applications so that Nextel can concentrate on its core competency of managing networks while leaving customer relationship to the outsourcer. It appears that outsourcing CRM will continue to grow as companies realize cost savings on infrastructure, software, and staff, as well as providing a venue for faster development.

The future of CRM will also invite personalized access for customers via a web-based portal. Portals provide integration of several customer facing systems, and it gives users the ability to personalize the flow of data and analytics to any role inside or outside the company (www.destinationcrm.com, 2002).

mCRM or Mobile CRM is another promising CRM development. mCRM is a wireless/mobile CRM that allows two-way interactivity between the customer and the vendor continuously – anywhere and anytime. CRM aspects such as customer service, customer acquisition, customer retention, and market analysis will be processed through hand-held or

similar wireless devices. KnowEx is a wireless pioneer that has developed a mobile system – KnowEx Wireless 2.5 eCRM solution that provides a secure chat, data based integration, streaming media so that users can easily access customer service histories. Soon, sales people will be able to close a deal on site, give specific guidance as to availability, place an order on their Palm Pilot, and have it not only registered in the CRM system back at the home office, but also to trigger manufacturing and billing and having the product shipped in an instant – at the speed of the Internet (www.cioinsight.com, 2002).

Natural language speech recognition, and interactive voice response (IVR) are also important to the future of CRM. The transformation of call centers with some IVR to full-service, multimedia-based customer interaction centers is on the horizon. More sophisticated IVR systems that ask for identification that is transmitted verbally read back by voice and then queried against a table that identifies the number as belonging to the customer and responds appropriately will be available soon. In addition, IVR CRM systems of the future will provide complete integration of voice data, using multimedia across multiple channels to route a call or inquiry to the appropriate call center within the company. IVR systems, while not substitutes for live customer care representatives, could be used to satisfy the needs of less profitable or lower maintenance customers (www.callcentermagazine.com, 2002).

Related to IVR is the idea of customer self-help CRM systems. Web-based systems allow customers to browse the company's knowledge center to help solve problems that they may have. Customers can also check on the status of previous inquiries and submit new ones. In addition, self-help CRM systems save companies money by solving routine problems through the use of email, interactive chat, web portals, and on-line knowledge databases instead of using more expensive, live customer care agents (www.infoworld.com, 2002).

Privacy Issues Regarding CRM

Privacy issues involving customer information have come into light recently with the repercussions surrounding the Toysmart and Double Click debacle. Issues surrounding selling customer data to other companies or merging customer information and anonymous user activity have e-businesses coping with the probability of increased government intervention as to the privacy implications surrounding the handling of customer data.

Of pure consequence for companies that have CRM is the delicate balancing act between personalization and privacy. Copious amounts of customer data are collected, analyzed, and shared to provide customization and a favorable experience. However, the customer must know how the data is being used and how to evoke their rights when its use is not fully disclosed. Many companies are providing the customer with a choice as to how their personal data is used by initiating “opt-in” or permission-based marketing.

A favored approach to customer data and privacy is to begin dialogue with their customers to make them aware of their own privacy rights and how to exercise them. Many customers do not know the difference between identity theft and privacy violations. Identity theft is stealing personal data to commit a crime. The greatest risks to a customer are privacy violations (like selling personal data) and, therefore, consumers are more likely to take out of context the limited information they do have, especially from bad press (Morgan, 2001).

To avoid problems regarding privacy issues while trying to deploy CRM, managers need to:

- Motivate customers to share information by providing something in return, such as providing emailed discount coupons for future purchases for registering at the company’s site.

- Ensure privacy policy is conspicuously posted on web sites, emails, call centers, and every touch point where customer data is collected.
- Consider giving customers full access to information that is already collected on them, thus allowing the customer to manage this information.
- Regard every customer's privacy preference and ensure that the preference becomes integrated into all aspects, databases, and processes throughout the company's CRM system.
- Make marketers responsible for enforcing customer privacy policies, standards, and rules and have them communicate the policies, both internally and externally.
- Follow the guidelines revealed by the FTC regarding privacy issues and information practices of notice, choice, access, and control (Jones, 2001).

The bottom line regarding privacy issues and CRM is that companies might lose business if customers do not trust that personal information will be carefully guarded. Many consumers abandon their "shopping cart" because on-line companies are not clear about their privacy policies.

In addition, many CRM systems may be affected by the enforcement of recent laws, most notably, the Gramm-Leach-Bliley Services Modernization Act and the Health Insurance Portability and Accountability Act (HIPAA). The Gramm-Leach-Bliley is forcing companies to "clean" their customer data so that the data matches across all business functions and processed. This situation allows privacy preferences (such as "opt-in") to be consistently applied throughout the organization. HIPAA restricts access to customer data on a need-to-know basis, thus databases must be restructured throughout the firm to allow this granularity of access. When customers know how their data is being controlled and managed, it gives them a feeling of

security and trust – the basis for good customer relations and effective management of CRM (Tribodeau, 2002).

Conclusion

In general CRM solutions attempt to establish relationships with customers on an individual basis and then use the information gathered from this relationship to treat different customers differently. The mutual exchange between a customer and company becomes mutually beneficial. Customers receive the shopping and service experience that they deserve; the provider receives ongoing loyalty resulting in increased business.

The key here is customer loyalty and more specifically, customer lifetime value. BI analytics allows companies to evaluate the profitability of each customer transaction and compare it against their expected lifetime value. The age-old (almost cliché) 80/20 rule where 80% of customer service and other associated costs are created by 20% of a firm's customers is still viable. Subsequently, companies will react accordingly by directing all but the most valuable customers to an automated email and voice-response system.

Furthermore, even as companies weigh customers through the lens of profitability, customers will likewise evaluate companies on their service levels. Companies that can provide good service cheaply and efficiently will probably win customer loyalty. Price will be a motivator; however, the Internet has made pricing almost transparent, making significant differentiation more difficult. Consequently, excellent service and delivery will become the hallmark of successful e-Businesses, especially those who have interactive Web sites. As in the real world, convenience is an increasing factor in where an on-line customer elects to shop for all but the most specialized of goods.

However, with the aspect of customer loyalty and customer lifetime value being a paramount factor for many e-Business CRM projects, there appears to be a contradiction in the importance of loyal customers when compared to acquiring new ones. Recent studies have shown that customer acquisition costs have dropped by nearly 50% in the last year. In addition, both email and permission marketing spending will increase two-fold from 2001-2002. And, the customer acquisition to retention dollars spent has risen nearly four times in the past year (www.ltol.com, 2002). This situation is contradictory to what most research has shown – repeat customers spend significantly more per purchase than new customers.

Even more perplexing is trying to determine if CRM does in fact increase the bottom line of e-Businesses. Research has shown that between 50 to 70 percent of CRM initiatives do not produce many measurable business benefits or fail completely (www.cio.com, 2002). Yet spending on CRM systems will increase from \$20.4 billion in 2001 to \$46 billion in 2003 (www.crmguru.com, 2002)! In addition, according to a recent Information Week Study, 24% of companies with CRM implementations underway or planned say they will spend between \$1-\$5 million in the next 12 months on those projects, and 13% will spend more than \$5 million. Of course, spending depends on a company's size: a majority of small companies will spend less than \$100,000 in the next year, while 57% mid-size companies will spend between \$100,000 and \$1 million, and 72% of large companies will spend more than \$1 million.

One problem with measuring the success of CRM systems is that traditional ROI metrics just do not work for CRM. Traditional accounting measures do not easily lend themselves to comparing things that involve “time series” data. However, CLV ROI measures allow companies to measure beyond a one-time period and one customer. CLV analysis combines accounting principles of discounted cash flow and activity based costing, along with actuarial

probabilities for customer retention and other forecasting approaches to help a company understand the financial impact of different CRM scenarios. However, CLV for CRM applications is a relatively new concept, and it is not widely accepted as a ROI metric yet.

According to the research, the companies who have failed (e.g. stopped the project) CRM deployments usually have “failure factors” in common:

- Not accurately estimating costs, especially the costs associated with the consultants necessary to deploy these systems. A majority of the cost of implementing a CRM system is attributed to training, installation, integration, and customization – all of which is related to consultants.
- The majority of the end-users of the CRM system rejected it – especially Sales Force Automation implementations. It appears most sales people relied on the old way of doing business and were too strung out to learn a new system. In addition, if employees feel CRM will threaten their jobs (i.e., automated call center resolution system) they might be inclined to tell customers to not use it.
- Internal resistance to sharing customer information from business function to business function. Departments within corporations traditionally have become silos of information. Without key management intervention and diplomacy, information will stay departmentalized.

The companies who have successfully met their CRM objectives usually have these “success factors” in common:

- Companies had a clear vision as to why they were employing a CRM system, whether it was employed to let the customers’ needs drive the system, or if it was

employed to increase customer loyalty. A clear vision to its implementation was stated and disseminated throughout the company.

- There was a champion – whether CEO, CCO, or CIO who was determined to see the successful implementation of the CRM system.
- There was evidence of a business process reengineering taking place that resulted in the way the business viewed its customers. In other words, create one system and one view to track all customers at all touch points.
- The best of breed application suite approach versus the all-encompassing ERP-like systems appeared to be more successful, especially when pilot programs were run in phases. Enterprise integration is an essential element to CRM; however, its application is difficult and expensive to undertake. In addition, no one retailer of CRM systems has developed an application that covers all aspects of CRM.
- The management of change seems to help the implementation of CRM. Flattening out the organizational structure, rewriting job descriptions, developing new business processes, eliminating redundancy, and rethinking system requirements appear to be key to CRM success.
- Sometimes a second or third CRM implementation attempt works. Companies with deep pockets learned lessons from previous failed attempts at CRM deployment.

The bottom line is whether or not CRM has favorably impacted e-Business. The short answer is yes, it has. However, as previously stated, it is difficult to measure the success of a CRM deployment. The list of the best suppliers of CRM systems include:

- People Soft (www.peoplesoft.com)

- Onyx (www.onyx.com)
- Siebel (www.siebel.com)
- Nortel (www.nortel.com)
- Micro Strategy (www.microstrategy.com)
- Oracle (www.oracle.com)
- E-piphany (www.epiphany.com)
- Pivotal (www.pivotal.com)
- Broadvision (www.broadvision.com)

These suppliers have helped the likes of Ford, Taylor Made, Boise Cascade, Vanguard, American Express, L. L. Bean, Charles Schwab, AT&T, AOL, Ayala, BMW, Dell, SBC, Sears, Eddie Bauer, Member Works, Office Furniture.com, and many others who make their e-Business endeavors more successful through the use of an effective CRM initiative. What it really boils down to is that these companies are willing to take care of loyal customers and to become more customer centric. Subsequently, they are able to enjoy the rewards of their vision and efforts.

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