

I am a loyal

Intuit customer. I have been addicted to their Quicken personal finance software and have purchased their TurboTax software to complete my taxes every year since 1995. I always register the products I buy and do not generally get upset when I receive an occasional mailing or phone call from the company. What disturbed me recently was a phone call asking me to purchase TurboTax 2000. The problem was that I had already purchased it in response to a mailing that offered me a discounted price and a bonus piece of software. After I got off the phone with the sales agent, my first thought was that they need to improve their customer relationship management. Why? To retain customers like me.

Increasing competitiveness in our global economy is forcing companies to put a greater emphasis on the value of existing customers and to enhance their relationships with those customers. Sales models that focused on attracting as many new cus-

Customer relationship management and you

By Jim West

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in CRM implementation

tomers as possible — sometimes to the exclusion of properly serving existing customers — have become passé. Today, customers can quickly move to more competent suppliers when they are not completely satisfied. To address the challenges of this economy and these customers, new philosophies, approaches, and technologies that address customer relationship management need to be implemented.

What is CRM?

If you ask several people to define CRM, you are likely to get several very different answers. Someone might tell you that CRM is a piece of contact management or sales force automation software. Others might say they use CRM in the call center to handle customer support calls. Another might say that CRM is used as part of an e-commerce initiative. All these answers are right because CRM is a broad topic that impacts the way organizations interact with customers.

In the purest sense, CRM is a strategy or

philosophy — not a specific piece of technology — designed to optimize customer profitability, revenue, and satisfaction. To achieve a high level of commitment to customers, many forward-thinking organizations are appointing key management staff to roles like vice president of customer service.

To implement CRM, organizations must apply policies, processes, and technologies to provide a personalized and engaging experience that is consistent across all customer interactions.

Interactions are the key. Think about the last time you were a customer. In my Intuit example, I was initially drawn to them by a marketing campaign that offered a trial version of their Quicken software. After trying the software, I made a decision to buy. After the sale, I was contacted periodically to buy other products, such as TurboTax. This year when I completed my taxes using TurboTax, the software prompted me to check a box if I wanted to receive the latest software updates. When I did so, the software accessed a customer support Web site and downloaded a software update. Each of these interactions with Intuit should tell them something about me: which marketing messages are effective, how I buy (from a store or on the Web), the products I am likely to buy, etc.

To implement a total CRM philosophy, organizations should examine the interactions they have with their customers. As shown in Figure 1, organizations can think of customer interactions in terms of the life cycle of a customer relationship that moves from marketing, to sales, to service or support, and hopefully to another sale.



Figure 1. The customer life cycle.

How to apply CRM

Now that we know what CRM is, let's look at how it can be used. Any organization that markets, sells, or provides services or products should employ CRM policies, processes, and enabling technologies. Whether these organizations are established enterprises or start-up companies, a key challenge is how to implement CRM within the context of the organizational structure. Because of this challenge, many organizations apply CRM around the key departments or operating functions. These include:

◆ **Marketing automation.** These solutions focus on improving the analysis, construction, delivery, and follow-up of marketing efforts. Technologies and processes are often put in place to manage marketing campaigns especially in the areas of analyzing target audiences, managing target lists, and gathering statistics on the effectiveness or marketing programs. These tools are used by marketing departments or product teams.

◆ **Sales force automation.** These solutions focus on improving lead generation, qualification and assignment, as well as sales forecasting, and competitive tracking. These tools are used by sales people and managers to manage contacts and collaborate on sales pursuits.

◆ **E-commerce and the Web.** Because of the increasing need to provide customers with unassisted buying and self-service capabilities, many organizations use e-commerce and Web-based applications, which assist customers in managing their accounts, ordering products, and getting service and support information after the sale.

◆ **Contact centers.** In the majority of organizations, a call center of telephone agents is the primary mechanism for providing service or support. Solutions exist that help call center agents be productive by automatically distributing calls, allowing customers to get answers to common questions through interactive voice response systems and other computer telephone integration. Increasingly, call centers are equipped to handle Web chat and collaboration as well as respond to customer e-mails.

◆ **Field service.** These solutions support

field service operations, such as maintenance schedules, repair requests, and parts exchanges and returns. Software is often used to provide detailed field service routing and instructions on the materials required for service orders.

Increasingly, these capabilities are available from a number of different sources. There are CRM software vendors that specialize in one aspect of CRM, such as sales force automation. CRM capabilities are also being offered as modules of supply chain management or enterprise resource planning applications. Companies such as Oracle, SAP, J.D. Edwards, and others now offer CRM capabilities, for example. Telephony and networking vendors such as 3Com and Nortel are leveraging their call center expertise to enhance their CRM offerings. E-commerce vendors such as Broadvision, Blue Martini, Microsoft, Sun, and IBM include CRM capabilities to complement their Web-based selling. And if that isn't enough, application service providers are offering customer support capabilities via an Internet-hosted solution. These solutions typically enable contact center representatives to answer customer questions quickly by having a full history of their customers' accounts, visibility to all contact channels, and access to cross-selling tips at their fingertips.

A key challenge facing the industrial engineer is how to choose from these approaches and apply them to the enterprise.

Integrating CRM with the enterprise

Because of the way software vendors build and position their products and the way organizations typically organize their business functions, it is easy to view CRM as a "point solution," separating it from other aspects of an enterprise. But the true power of CRM comes when it is used to unlock enterprise information so that it can be easily communicated to customers — as accurate and up-to-date order, reservation, and warranty information. Doing so begins to blur the lines between CRM, ERP, and e-commerce applications.

Recently, my wife attempted to purchase a dog bed for our new pooch from an online pet store. After she had entered order information on the Web pages, the browser

locked up and she lost her connection to the Web site. I was summoned from the other room and asked what to do. I recommended that she call the toll-free phone number and find out from customer support if the order was submitted. A few minutes later, the customer service agent at the company was explaining that the Web site is a different system that was not connected to the support systems, and she would not be able to check the online order for at least 24 hours. It struck me as absurd that the customer service agent had to explain the retailer's internal systems and expose the lack of an integrated link between ordering and support systems. With a focus on CRM, this company would enable its customer support personnel to have easy access to the information.

There are several solutions that can be used to solve this and similar types of problems and provide accurate, up-to-date information. The first option is to buy and install an integrated package application suite — something from SAP, Oracle, or any other vendor that does it all. These packages handle up-front ordering, manufacturing, distribution, and service after the sale. These packages also cost a bunch and may require you to throw away existing systems that are critical to your business. Many times this not an option, at least not in the short term.

Another approach is to build point-to-point integration between core applications in your company network. For example, you could have the IT department build a link between the e-commerce Web site and support systems so that all orders placed online are immediately seen by support services personnel. Sounds like a great solution ... until marketing wants to have immediate access to orders placed online, and so does sales, warehousing, and other departments. Using this approach could lead to an integration spaghetti of incompatible technologies, haphazard design, and a complicated network of interface programs.

Yet another approach might be to adopt a packaged information broker technology that manages business process events and provides the central control and storage point for integration between core business systems. These brokers (like an automated real estate broker that manages all

the paperwork and communication in secure manner) ensure that information processed in other systems gets to the place where it is needed the most.

Choosing between these approaches and integrating CRM with the enterprise is one of the key roles that an IE can play when focused on improving customer relationships.

The role of the IE in CRM

Because of their knowledge of core business processes and their understanding of measurement and analysis techniques, industrial engineers are uniquely qualified to assist in CRM efforts.

As shown in Figure 2, CRM impacts significant areas of any organization. Because of this impact, IEs should be prepared to assist CRM programs or initiatives in the following ways:

◆ **Measure the effectiveness of customer relationship management programs.** Most organizations are unable to measure the return on their CRM investments. Measurement of CRM initiatives and investments are key to determining which programs should be continued and which new programs should be funded. Industrial engineers can help organizations evaluate, prioritize, select, and track initiatives and their incremental value contribution to the enterprise. They can help determine which programs achieve certain results; for example, increased customer profitability or decreased churn rate.

◆ **Integrate CRM programs with the enterprise.** The major investment many companies have made to improve their back-office operations can become even more valuable when coupled with customer-facing applications. Retrieving key customer data from ERP systems such as SAP, Oracle, or J.D. Edwards can strengthen your customer knowledge in any given situation. In addition, other key ERP data — order status, account balance, and inventory balance — are critical to answering customer questions.

◆ **Streamline the information presented to contact center representatives.** At the point of interaction, a contact center agent has only a few minutes to understand the customer's situation, take appropriate action, and create a positive experience. With a busy work schedule and millions of pieces of information, assimilating, processing, and responding to customer requests is a tall order. To maximize these interactions, information and actions should be displayed in a clean and concise manner.

An area in which IEs can significantly affect the success of CRM efforts is the implementation of sales force automation. Most of these programs address sales efficiency and effectiveness. Efficiency is often addressed with new technology, while effectiveness is primarily an issue of process or business design. IEs can help with efficiency by ensuring that new technology leverages existing enterprise systems, can

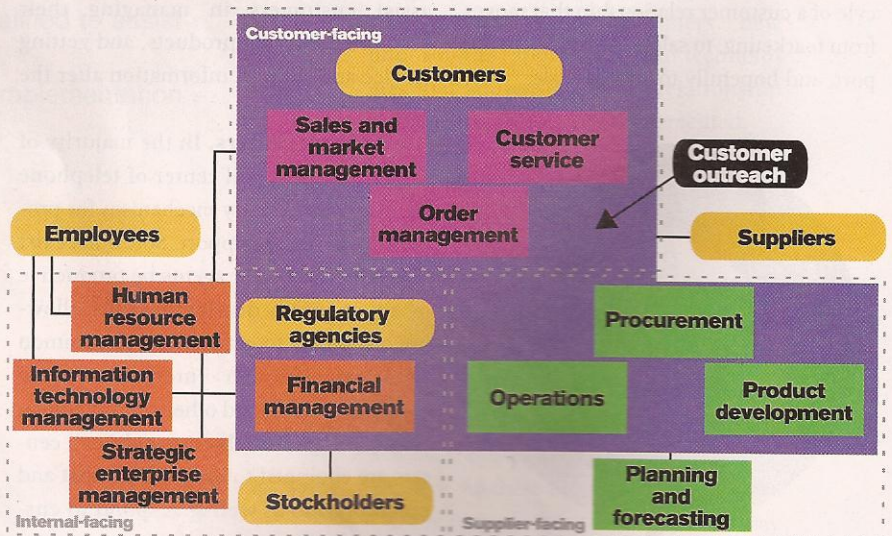


Figure 2

be implemented on existing platforms, and automates non-value-added tasks. Effectiveness can be improved by defining correct processes and addressing change management and training issues. Finally, measurement and evaluation of results will improve the effectiveness of CRM programs.

Conclusion

Industry observers expect the focus on customer relationship management to continue to grow significantly during the next few years. With this continued focus, it is imperative that we all become involved in improving customer relationships through focus on the people, processes, and technologies that are used to serve customers.

In order to retain customers, organizations must serve them better than their competitors do. To do this, customer information from across the enterprise should be leveraged to facilitate more effective planning, marketing, selling, and servicing decisions throughout the customer life cycle.

Building a personal relationship with every customer can be an overwhelming

task, but some companies are doing well. Dell Computer has implemented successful customer-focused processes and technologies, for example. "Much of what we have learned has come from our customers," says Michael Dell. "The fact that we deal directly with our customers means that we have perfect information about what they want to buy."

In the insurance industry, USAA is a shining example of effective use of one-to-one relationship building. USAA's agents access a summary of callers' histories when calls come in, which allows agents to see immediately how recent claims were resolved, how satisfied the customer was with the resolutions, and more. They also use predictive dialog capabilities to suggest the next question they need to ask the customer to build a better, more valuable relationship. It's not a question-of-the-month that everybody is asked, it's a specific question for each customer.

Like my relationship with Intuit, as my expectations are met, loyalty is created. Enterprises lacking a compelling CRM strat-

egy risk losing both new and existing customers to competitors. Loyal customers translate into lower marketing costs, increased revenue over that customer's lifetime relationship with an enterprise. ♦

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