

Understanding the Method

Part I set the stage for our CRM efforts. We discussed how changes in the marketplace have made building customer loyalty and Customer Relationship Management imperatives. We developed a common understanding of what we mean by CRM and what it entails both on and off the web. We also discussed the following:

- The marketplace has changed for all companies. The Internet has dramatically raised customer expectations, but it hasn't changed the basic business rule: that in order to be successful you have to run a profitable business. Competitive pressure on product and service uniqueness and cost has made commodities of many products, so it is even more difficult to be profitable.
- Customer loyalty (preferring to buy from us over competitors) is a key differentiator for companies, no matter which value discipline (product superiority, customer intimacy, or operational excellence) they focus on. Because of the ease with which customers can now get information and compare products, the level of acceptable performance in the other disciplines has been raised for everyone.
- CRM on and off the Internet is the discipline aimed at building customer loyalty. It combines information, process, technology and people to build strong relationships with customers.
- CRM is not just buying a piece of software to automate some of your current processes and then plugging it in. If it were that easy, more companies would have had CRM success already.

Now we will prepare for a successful outcome of our CRM program. CRM is no silver bullet. CRM program success is achieved by completing small, focused projects that add up to a

big victory over the long run. We have been and will continue to use the terms *CRM program* and *CRM project* throughout the book. They are not interchangeable. Let's start by clarifying CRM program.



DEFINITIONS

A CRM program is the sum of all the work your company does to improve the customer experience and increase loyalty. Your program can be as long or short as appropriate to your business needs.

A CRM program is made up of all the individual CRM projects. Each project will follow the same basic method. We define and use a standard method because that is the only way we can successfully tackle a program as large as CRM.

We will repeat the method steps as long as projects remain to be completed and they make sense for the organization. We'll deliver quick wins along the way to achieve visible success before the notoriously short corporate attention span wanders. Let's review the methodology steps and who is responsible for what. Both a formal method and formal responsibilities required for building a CRM program that is successful.

5.1 Understanding the Formality of CRM

Methodologies are alien to many sales reps and marketers who depend on creativity and intuition. They often achieve success through their own inspiration, intuition, and experience. Technology experts are equally creative people. They just use different instincts, tools, and experience in their drive to build the most original and elegant solution to a problem. It is very important to recognize that while the business functions and Information Technology must work together to build a successful CRM program, they have such different backgrounds that they have a hard time even understanding each other. Methodologies and defined roles are the bridge between various perspectives.

5.1.1 Methodology

Because CRM covers so much territory, we must tackle it a step at a time. A method that starts with an overall strategy and uses past results to deliver integrated capabilities on subsequent projects ensures that we continue to move toward our end objective. The only way to ensure successful integration of all these projects is to follow a well-defined method. Methodologies also allow us to learn from previous experience and to get better and faster at what we do. This is another very important consideration in delivering CRM programs. Figure 5-1 shows the entire methodology that is necessary to ensure delivery of a CRM program that achieves your business goals.

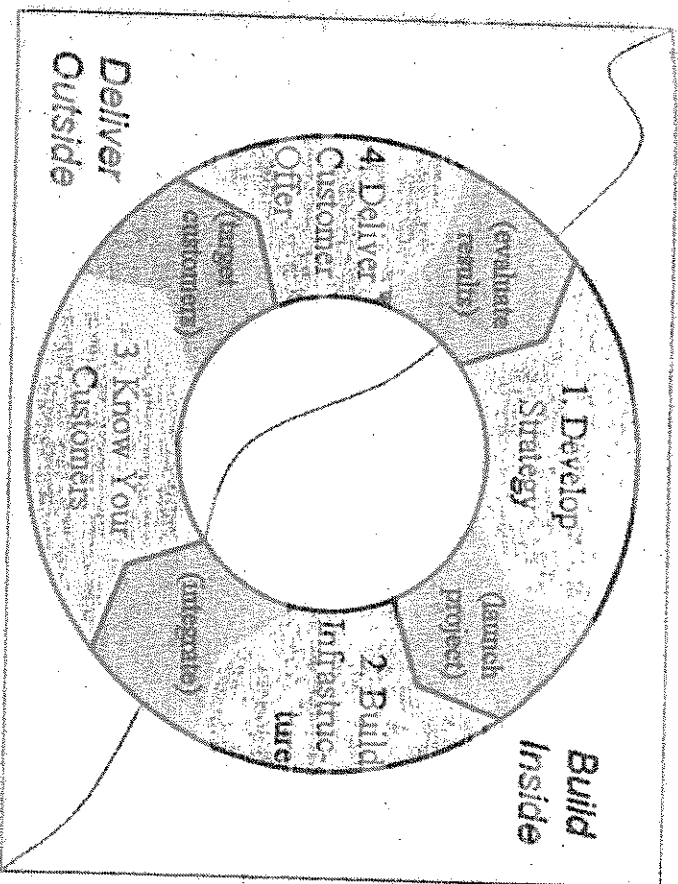


Figure 5-1 The CRM program life cycle

There are four phases in the CRM life cycle with four well-defined transition steps connecting them. Just like all other disciplines, planning is everything in CRM. The first phase begins by creating a vision and a strategy so that you know what you want to achieve. The process also helps you understand your business, your priorities, and your competitive position so you can pick the best place to begin. The second phase is to create the supporting infrastructure, remembering that CRM is more than just technology. After you have done the necessary work internally, it is time to take the new capability or new campaign to your customers. In Phase 3, you will identify the specific customers to include in the new capability. In Phase 4, you will actually deliver the benefit to these targeted customers.

The life cycle is shown as a circle specifically because this method is not linear. The steps are repeated until you have achieved the level of CRM implementation that is appropriate to meet your company's needs. At the end of the first project, you will evaluate your results and reassess your strategy based on those results, and then begin planning for the next highest priority project.

By the way, if you already have a methodology that works, is well understood, and is widely used within your company, use it. Just check to be sure that it covers all the elements in

Figure 5-1. If not, add them to your existing process. The most important point is that you use a defined methodology.

5.1.2 Define Responsibilities

Although methodology may be a foreign concept to many of those most closely involved, we must use standard, repeatable methods in order to achieve success. Another huge benefit from following a process is that it helps the key participants understand what needs to be done and who is responsible for what. For all the parts of the organization to be aligned and working together throughout the life of the program, we must develop a formal structure and set of rules that help everyone understand their responsibilities in the overall CRM program.

KEY IDEA

The business function is responsible for defining the business requirement, and the IT department is responsible for specifying the technical solution.

If just doesn't work the other way around. It is useless for Information Technology to try to define the business objective; they haven't been doing that job. It is equally ridiculous for business to come to the IT department requesting a solution, as if to say, "We need a sales rep automation tool." After the business function has identified its needs, let the IT professionals identify alternatives and present you with alternatives (including pros and cons) to consider. Figure 5-2 shows the different phases of the CRM program life cycle and who is primarily responsible for each.

We are going to spend most of our time on the two internal phases of the methodology because those companies rushing to grab hold of the CRM golden ring so often ignore strategy and infrastructure development. Many companies just jump right into a project such as building "personalized" web sites or running a "one-to-one" campaign without knowing what they hope to achieve or having the infrastructure to accurately target customers, measure results, or refine and repeat the effort.

By focusing on the internal planning and implementation, we prepare the foundation on which effective CRM capabilities are delivered to customers.

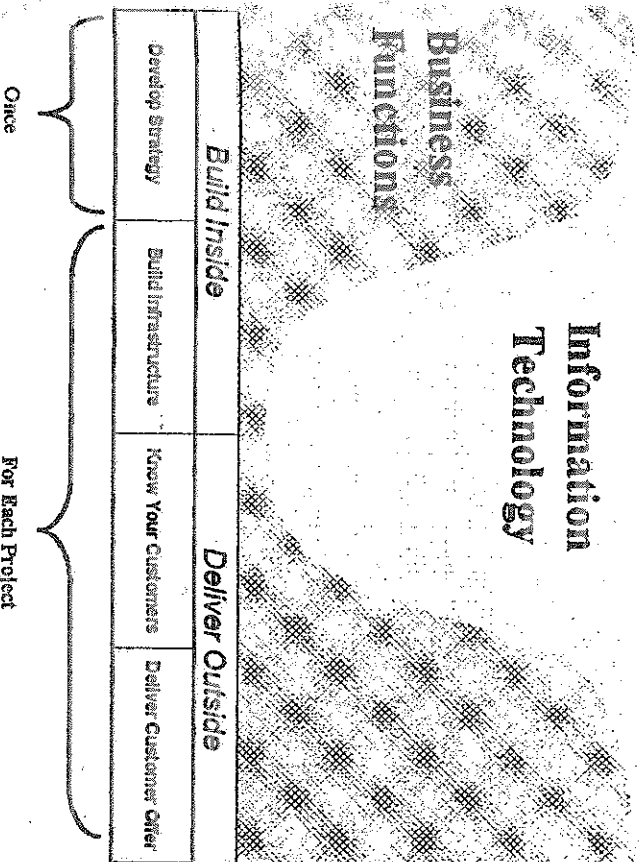


Figure 5-2 Program life cycle responsibilities

5.2 Developing Your CRM Strategy

The first major step in building a successful CRM program is Phase I:

PHASE I—DEVELOP A STRATEGY

There is no clearer early indicator of failure than starting (or maybe worse—finishing!) a CRM project without knowing where you are heading. This is the number one reason that CRM projects do not succeed. The no-plans approach usually results from the "quick-fix" or "silver bullet" mentality that is so common. Remember, it doesn't work that way—not for anybody—no matter what anyone promises you.

A strategic plan allows you to take the small steps that are more likely to be successful, while ensuring that each one takes you in the direction of your ultimate goal. Like sailing, we may have to tack in one direction or another, not always directly toward port. But at least we know we're continuing to sail in the right direction and not steering a course that is taking us away from where we want to be. This plan is like a civil engineer's design for a railroad. Unless we have a plan, we're going to end up like the two characters in Figure 5-3, and our customers will be just as sorry as the first engineer who tries to drive a train down this track!

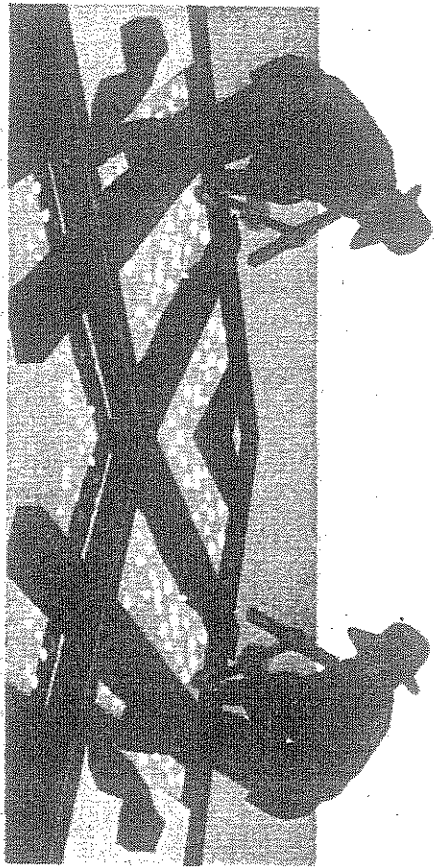


Figure 5-3 Here's what happens without a strategy.

This is exactly the result if different parts of your organization begin independent CRM projects one piece at a time without an overall strategy. Without this clear and common understanding of what you want out of your efforts, you'll end up with fragmented bits that don't fit together. Then you'll have to tear down some or all of what you built in order to deliver a truly integrated customer experience.

It is the strategic plan that, like a blueprint, allows you to implement in small, manageable chunks because it ensures that the chunks will fit together. The plan allows you to identify what's most important, get started, have a success, and benefit from what you have already built while continuing to add functionality another chunk at a time. CRM is using processes, information, people, and technology to manage and improve relationships with your customers. There is no predetermined "right" set of chunks that you must build.

Another important outcome from your strategic planning effort is getting widespread participation, input, visibility, understanding, and support for both the long-term strategy and immediate priorities. Every functional area has different needs and priorities. If the stakeholders know the reasons why their requirements aren't the first to be addressed and when their requirements are scheduled to occur, they will be more supportive of your entire plan. Of course, visible progress is also necessary, or all the underground projects will certainly start up again. This is the reason we will undertake small projects leading to quick successes, and why we must make our progress visible through continuous communication.

Some organizations shy away from strategic planning because they think it will slow things down. They just want to get started. Yes, it does take time and effort. But if you spend too much time, you are wasting resources and probably getting stuck in analysis paralysis. The purpose of a strategic plan is to develop a fairly high-level view of your goals and objectives that

lets you get started quickly but with a commonly understood goal in mind. The benefits far outweigh the time invested.

KEY IDEA

Even for the largest companies, the strategic planning methodology should never take more than a few months. With good tools, a good methodology, good participation, and good support, it should take no more than six to eight weeks.

The strategy and planning phase of the CRM life cycle encompasses surveys of key internal and external stakeholders. It produces a set of documents much like architectural blueprints.

5.2.1 Process Steps

As always, we must start with an understanding of the company's current business situation. No CRM effort can ever be successful if it is not aligned with your company's top strategies and priorities. Also, be sure to look outside the organization. Understanding customer expectations and your relative position against your competitors is critical. Why would you tackle an area in which you're already as good as or better than your competition, and your customers don't care very much anyway? Table 5-1 shows the main steps for the strategic planning phase.

Table 5-1 The Strategic Planning Process

Step	Purpose	Participants
Collect Data	<ul style="list-style-type: none"> Ensure that the CRM program is aligned with company strategy. Discover what customers think about your current performance. What do they want more of? What makes it difficult to do business with you? How do you compare to competitors? Understand all the customer project and functional silos that currently exist. 	Company Executives and Sales, Marketing, Service, and Support management Employees who interact directly with customers Customers
Assess Findings	<ul style="list-style-type: none"> Identify business strategies, risks, and opportunities that will influence your CRM program. Identify gaps between the goal and today's reality. Define high-level customer segments. 	Project team Impacted business function representatives Information Technology

Table 5-1 The Strategic Planning Process (Continued)

Step	Purpose	Participants
Create a Proposal	<ul style="list-style-type: none"> Define a common vision and language about what CRM is for your company. Ensure that key constituents understand and support the strategy. 	Project team Sign-off from sponsor, key executives, and business managers
Transition: Launch Project	<ul style="list-style-type: none"> Select the best project to tackle first (or next). Determine scope, schedule, and resources. 	Project team Sign-off from sponsor, key executives, and business managers

We also need to get an idea of what CRM efforts are already going on in the various CRM functions. What are the official and unofficial projects already underway to support sales, marketing, customer service, and product support organizations? Finding this out is critical because money is often limited and must be focused on the organization's key priorities. But it can be a political nightmare because many people fear that their pet project will be taken over or canceled. In fact, this may happen for many good reasons. In Chapter 8, we will discuss ways to get this information without causing projects to go deeper underground; at that time, we will also cover the strategic planning phase in detail.

5.2.2 What You'll Get

At the end of Phase 1, you will have completed the strategic plan as the blueprint for building your project. You will have defined a high-level view of the information, process, technology, and people requirements of your program. You will know how the overall program will be organized and supported, and you will have determined a consistent view of your CRM vision as well as a language to describe it that everyone understands. You will also have identified the priorities that will determine which projects to do next, the timing of future projects, and the risks you face so you can prepare for them. Time and again throughout each project life cycle, you will need to refer to these key documents.

At the end of each project, you will start the next cycle by evaluating the current blueprints, which allows you to enhance and refine them based on what you've accomplished, what's changed for your business, and what you've learned.

5.2.3 Transition: Launch Project

In Phase 1, we take a high-level look at the overall organization, marketplace, and technology situation and identify the project with which we'll begin. In the transition step to Phase 2, we focus on one small area—that business problem, issue, or opportunity that is most important to address first. Because the CRM program sounds so big and broad, we will be looking at ways

to identify and prioritize small chunks that can yield quick success and build on each other to deliver your overall goal. These projects will:

- Be completed in a matter of months (before anyone can lose interest)
- Move the organization toward the desired goal (not in the wrong direction)
- Yield a visible and measurable result (which must be communicated widely)
- Build on previous success (show continuous progress and avoid rework)

We defined CRM program earlier; now let's understand what we mean by CRM project.

DEFINITIONS



A CRM project is a well-defined effort with specific deliverables, due dates, and cost. To ensure success, a project must produce valuable and measurable results, but it must also be small enough to complete within a business sponsor's attention span.

We are about to launch our first project. The business functions that own or are affected by the project are the primary participants and contributors, but it's important for Information Technology to be involved also. When the IT department participates in the launch, they learn lots of information that will enable them to understand what really needs to be done to deliver a successful project.

Now, we will dig into much greater detail than we did during Phase 1. We must really understand exactly what the business problem is that we are solving and what the real business needs are, identify specific risks and critical success factors, and so on. This is the reason we can afford to spend just a short time getting a rough idea of our end goal during the strategy phase (thus, completing it quicker). We delve into much more detail as we plan and launch the project. Completing agonizingly detailed studies of all your possible CRM requirements as part of the strategic plan is really a waste of time. So much of the detailed requirements would change by the time you got to them that you would have to do it all again anyway. Worse yet, it's likely to keep you from ever getting started doing the real work. So we move to the infrastructure development phase by digging deeply into the true business needs and defining the project scope, time line, and resources.

5.3 Building a CRM Component

CRM is neither a silver bullet nor a magic wand. It takes careful planning and management to be in a position to successfully.

PHASE 2—BUILD THE INFRASTRUCTURE

Many quick-fix specialists believe that you can just "go CRM!" Just get Information Technology to build a web site personalization capability. Forget that you don't have any customer knowledge to decide what to do for whom. Part 3 of this book is devoted to understanding in detail what it takes to develop the infrastructure that is a required to enable an integrated and successful CRM program. Here, we will just review the method.

5.3.1 Process Steps

The development process steps will be used to manage efforts in each of the components of the infrastructure (process, information, people, and technology). All infrastructure development projects follow the same basic and well-understood method.

- Launch
- Analysis
- Design
- Construct/Test
- Implement

As we just saw, the project launch is the transition from CRM lifecycle phases 1 when we determined the business need and developed the project plan. The focus of Phase 2 is the analysis, design and construction of all the infrastructure elements required to meet the project objective. Implementation (integration) occurs during the transition to Phase 3. These steps, which describe the "waterfall" method of software development but can be applied to all components, are described in Table 5-2.

Table 5-2 Building Infrastructure Steps

Step	Purpose	Participants
Gather and analyze requirements	Identify business needs for information, process, technology and people	Project Team Business function experts
Design component	Analyze and compare to existing infrastructure	Business function experts Information Technology
Construct solution	Code and test information and technology solutions	Information Technology Business function experts
Transition Integrate Capability	Develop process and people change solutions	Information Technology Business Function
	Information Integration (consistency)	Information Technology
	Process Integration (continuity)	Business Function
	Technology Integration (compatibility)	
	People Integration (congruity)	

We use this same waterfall method for each of the small projects we launch, learning from previous results as we start the next project. Barry Boehm, a professor at the University of Southern California's Center for Software Engineering, named this evolutionary development approach the *spiral model* in his 1986 paper "A Spiral Model of Software Development and Enhancement," as shown in Figure 5-4.

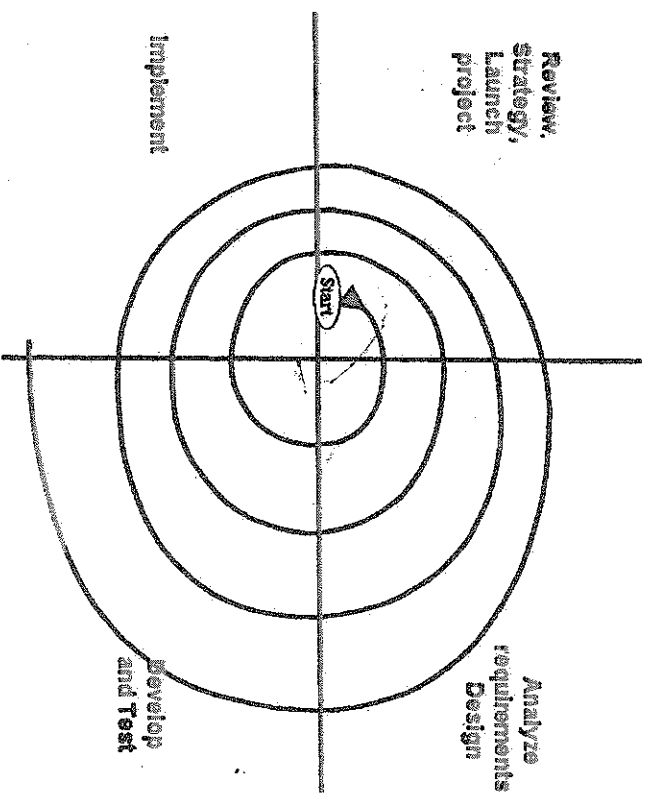


Figure 5-4 The Spiral Development Model

We will discuss this phase in more detail for each piece of the infrastructure so that we understand exactly what we need to get done.

5.3.2 What You'll Get

Not surprisingly, the major deliverable of this phase is the infrastructure itself, one piece at a time, of course. At the end of Phase 2, we are likely to have new or modified processes, improved customer information, additional technical tools, and the training, education, metrics, and rewards necessary to ensure that the new capabilities are adopted throughout the organization.

As soon as we have delivered the first piece of infrastructure, we also need to be prepared to manage the new capabilities. In particular, customer information is extremely volatile, and it

is virtually worthless if the quality deteriorates without check. We will take a very detailed look at what is required to manage customer information quality in Chapter 20.

5.3.3 Transition: Integrate Capability

In the transition to Phase 3, we do the actual work of pulling relevant information together, merging new processes into existing workflows, etc. Unless we actually follow through on our strategy of integration, we will remain in disconnected operational silos that have no impact on our ability to improve the customer experience.

Sadly, because legacy customer data has generally been so poorly managed, this is the area that can take the most work and yet is so often overlooked. You may be thinking, "it's just names and addresses, so how hard can it be?" I am amazed at the number of companies that spend lots of money building a complex and expensive customer analysis capability that it then applies to lousy data. The only result is the companies' ability to make bad decisions more quickly!

It's time to take our efforts outside. We have completed all the necessary internal effort (information, process, technology and people change management) and are ready to give our customers the benefit of all our hard work. ✓

5.4 Analyzing and Segmenting Customers

Whatever project you have chosen to work on, it's time to specifically identify the customer or group of customers for whom the result is intended.

PHASE 3—KNOW YOUR CUSTOMERS

If you've established web-based support to provide customer assistance and replace expensive call centers, you may want to target the effort at lower-value customers as you roll it out and refine it. On the other hand, if the new capability is expensive to build and roll out, like a detailed tool for a customer to view and manage all of his orders, you may want to start with the most valuable customers. But how do you know who they are?

5.4.1 Analyze Customers: Steps

You don't begin a project without any idea of who the target audience is. You might have even selected a few representative individual customers for interviews or focus groups. The steps shown in Table 5-3 will help you determine what other customers match the criteria you've identified.

Table 5-3 Assess Customer Steps

Step	Purpose	Participants
Getting Down and Dirty with the Data	Determine customer profiling and scoring model Optimize profile coverage	Product Team Database Marketing Team Customer Information Management Team
Segmenting Customers	Define most predictive segmentation strategy Create Groups of customers "like one"	Product Team Database Marketing Team
Transition: Selecting Target Segments	Select customers profile values most likely to deliver the best response to the project offer. Identify specific customers who match that profile	Business Team Database Marketing Team

All customers are not alike, and CRM does not suggest they be treated all the same. CRM requires that all customers be treated appropriately to their needs and their value to the company. In Chapter 17, we will cover more of what's required to target customer segments.

5.4.2 What You'll Get

When finished with the customer analysis phase, you will have identified the types of customers who should be targeted to receive the new offer. You may also have identified some additional customer information sources that will improve your ability to send your offer to the right customers.

5.4.3 Transition: Select Target Segments

As a result of this transition, you will have identified the actual customers who fit the profile you intended this project to benefit. Depending on the offer medium, this list can be made up of mailing labels, e-mail addresses, phone numbers, or simply a list of companies you intend to sign up for a new capability. ✓

5.5 Taking It to Your Customers ✓

It is now time to take your program outside and deliver it to the customers you've targeted.

PHASE 4—DELIVER THE OFFER TO THE CUSTOMER

For the target customer audience, register them for personal web sites, offer information and access about your new online support capability, or run a one-to-one campaign.

5.5.1 The Process to Take It to Your Customers

Use everything that you've developed for this project (information, process, technology and people) to deliver a successful offer. The steps to get the offer out the door and into the arms of your customers are outlined in Table 5-4.

Table 5-4 Deliver Customer Offer: Steps

Step	Purpose	Participants
<u>Design the offer</u>	Maximize offer return on investment Optimize expected responses	Business Offer Sponsor and/or manager
<u>Prepare the offer message(s)</u>	Develop message that matches each segment value proposition Prepare to measure results	Depends on offer: Project team Business Offer Sponsor IT Department
<u>Present the offer</u>	Install new capability, and train customer to use it; release marketing communication Minimize cost of offer delivery	Depends on offer: Project team Business Offer Sponsor IT Department
<u>Transition: Measure Results</u>	Evaluate performance metrics Evaluate value metrics	Project Team

We will take a closer look at segmentation in Chapter 17 and delivering the offer to customers in Chapter 18. We'll learn about the tools that support these efforts and introduce several resources referencing some of the excellent work that has been done on analyzing customer information, segmenting and valuing customers, and delivering personalized customer experiences on and off the web.

5.5.2 What You'll Get

This is where you should really see the result of your efforts in terms of increased loyalty and business benefit. Measuring results is critical (another way to keep support for the project). I hope you defined the expected customer result at the beginning of the project. If there was no planned customer benefit, then (dare I say it again) it's not CRM! Sales rep productivity is a fine objective, but if it's not aimed at benefiting the customer, it's not CRM.

5.5.3 Transition: Evaluate Results

Along with measuring the performance impact of your changes on customer relationship and business results, you must assess changes to strategy or customer expectations as a result of this project. A key element of the success of your overall CRM program depends on learning

from what has gone before and using all the experience and information you've gained to refine your methods going forward. This will feed back into the beginning of the methodology, where you will revisit your strategy and priorities, and test that there are no major changes resulting from the overall business direction or your previous efforts. Then you will begin the process again. Obviously, you won't spend another four to six weeks in the strategy-setting phase, but it's important to review where you thought you were headed and make any adjustments that are necessary.

5.6 Getting Ready for the Next Project

As we've discussed, the benefit that all companies get from using this method is that it can be repaired. Your project team will do these same steps over and over until your company's specific CRM needs and objectives are met. The world will not suddenly recognize that you have "done CRM." Instead, you will repeat these steps as long as the value of adding a new CRM capability outweighs the cost of the additional effort. At every step along the way, you will show benefit and value, and you will be aware of where you are going next.

As you begin the cycle again, that's the time to decide whether you have done enough. You don't have to implement every possible CRM capability. You should work only on the pieces that are most important to your business situation. There is no ideal CRM state that we should all be striving to reach.

Just as there is no perfect CRM state, there is no ideal size of a program or project. For a small company with few people to involve, it may take no more than a week to pull together a plan. You may need only a few days to complete internal interviews and talk to a couple of customers, and another day or two to summarize the results into a plan. Table 5-5 provides a gauge that will help you judge the size of your effort for each project phase. I've used number of employees to estimate size and complexity. A large, global company will need more time to gather information to build its strategy and to deliver results. Another factor to consider is the size and complexity of your customer base. Note that for all size companies, a project should be scoped small enough to be developed in six months or less. This probably will mean that a large company must bite off smaller chunks to be successful.

Table 5-5 Estimated Project Duration Target

Number of Employees	Strategy	Develop	Analyze/Target	Deliver
< 100	1 week	3-6 months	1 week	1 week
> 10,000	8 weeks	4-6 months	4 weeks	4 weeks

Following these guidelines, no individual project should be undertaken that is more than nine months from strategy setting to customer delivery. Answer the questions at the end of the chapter, and find where you fit on the continuum.

Now that we've learned the basic steps of the methodology, we will go on to Chapter 6 and learn how to overcome some of the most common barriers to CRM success.

Questions for Reflection

These questions will help you set realistic expectations for the length of each CRM project. Based on your answers to Questions 1 and 2, plot your company's position on the chart shown in Figure 5-3. What size is your company? number of employees, locations, countries where located?

1. How complex is your customer base in terms of number of individuals, companies? Type of customers (consumer, B2B); number of industries engaged in?
2. What is your position on the following chart? You should limit the scope of each project such that you believe the entire project can be finished in no more than this amount of time.

Customer Base	Many/ complex	5 months	9 months
	Few customers/ Industries	3 months	7 months
		Small/Local	Large/Global
Company Size			

This chart gives you a rough idea of the maximum length of time that you should target for each of your company's CRM projects.

Get Ready: Avoiding Common Barriers

Now that we understand the basic methodology we will follow, we need to understand the critical CRM barriers that can prevent success. Of course, every company has specific potential barriers within its culture and organization, which you will discover during the strategy phase we'll tackle in Chapter 8. But there are several universal barriers to success, like organizational silos, that almost all companies run into in one way or another. We'll take a look at these common barriers and discuss ways to prepare to reduce or remove them.

Figure 5-1 shows the three most common barriers:

- * **Expectations:** Many companies fall victim to unrealistic expectations; they are looking for a silver bullet to fix customer relationships. *(Vision & Roadmap, Addressed by customer comms)*
- * **Culture:** Product-centered cultures discourage support and funding for customer-centered programs. *(Change Mgmt, Rewards, Spreadsheets)*
- * **Operational Infrastructure:** Most customer-facing systems (order administration, call center support) automate a single process and do not integrate across all functions. *(and systems)*

Let's look at these barriers more closely and consider some of the ways we can eliminate them or at least reduce their impact.

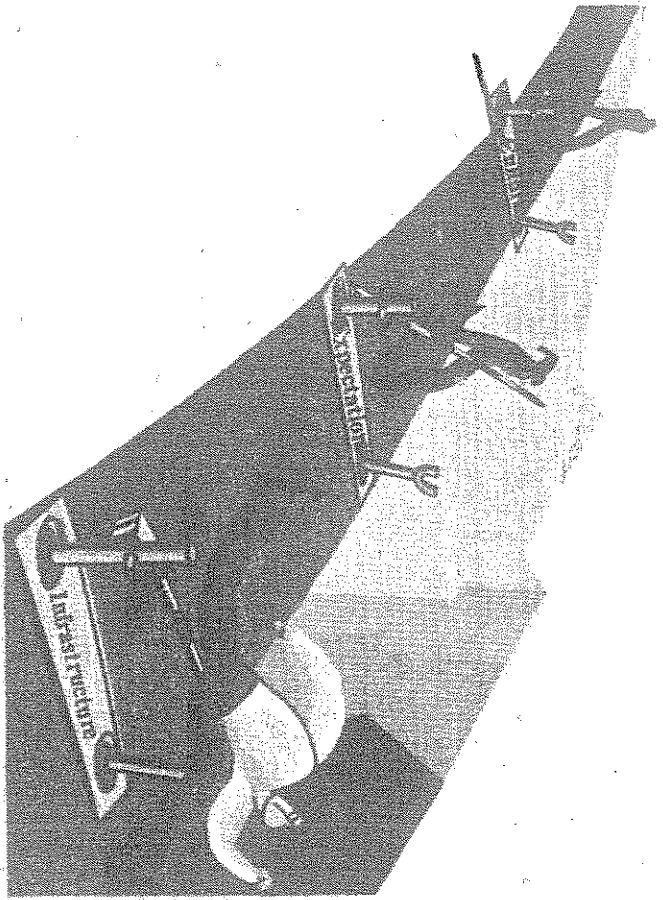


Figure 6-1 Common barriers to CRM success

6.1 Creating a CRM Culture

Many companies have cultures that don't support CRM. Entrepreneurial-style companies usually promote a high degree of organizational independence (read "separate silos"). Product-centered cultures virtually ignore customers and make decisions based on what they have bought instead of who they are. These cultures create difficulties for building cross-organizational and customer-centered programs like CRM. Changing the whole culture of an organization is far beyond the scope of a CRM program. But we can hope to change some behaviors through training and education and by creating new metrics and rewards.

6.1.1 Change Management

Hey, change happens! We all understand that we have to adapt to change or we'll end up in the same gas tank as the dinosaurs. While examining management challenges for the new millennium, Peter F. Drucker said,

We do not hear much anymore about overcoming resistance to change, which 10 or 15 years ago was one of the most popular topics of management books and management seminars. Everybody has accepted by now that change is unavoidable. But that still implies that change is like death and taxes—it should be postponed as long as possible.

That's just the problem. Many companies are doing quite well to recognize change when it happens; they cannot anticipate and prepare for it. Change can't just be left to happen, because people must make the change, and many are generally resistant, even fearful, of the unknown. Without support and encouragement, the cultural and behavioral changes that will make or break your CRM program success will not happen. Drucker suggests that managing change doesn't guarantee success. But ignoring the need to manage change guarantees failure. If your organization refuses to pay attention to the basics of change management, you have little chance of delivering a successful CRM program.

For those companies, like yours, who have recognized the need for changing your relationships with your customers, change management is key to changing culture and behavior. But few companies have the in-house expertise to manage change to a successful outcome. Change management is another area in which a consulting organization may play a big role.

When management wants to know how other companies have approached CRM, a consultant can bring external perspective and broad experience. A consultant can help you get the attention of top management because they're being paid so much more than you are. Consultants also bring an outside perspective that can help keep the program externally focused; skill sets you don't have time to develop for yourself, and processes and tools that support your success. We will learn more about change management in Chapter 14.

6.1.2 Metrics and Rewards

You get the behavior you reward. No exceptions! Years ago, psychologist B.F. Skinner and his rats introduced us to this concept of behaviorism. Whether or not you like some of the implications of Skinner's approach, it is how animals (including humans) learn to change. If you want your employees to adopt new, customer-focused goals and consistently deliver excellent customer experiences (the behavior), you have to have a way to recognize the new behavior and reward it when it happens. Here's an example:

Straight commission rewards selling specific products. We want our sales reps to focus on understanding the customer's situation and to offer solutions that solve their problems, whether or not every piece of the solution earns commission. Sales reps aren't in this for the karmic we need to be able to measure this behavior (customer satisfaction with solution) and reward it (some percentage of the total value of the solution).

When you track the customer experience and measure loyalty (along with the normal financial measures, of course) you can use the information to build reward systems that will create an organizational culture that is better prepared for CRM. Measuring individual efforts to improve the customer experience and rewarding it will have a big impact.

Think of the service at a Ritz Carlton Hotel. Any request for anything (even the time of day) is responded to with a smile and the words, "My pleasure." Employees are trained to respond to guests in this way; their performance is measured and so is the resulting customer experience and loyalty. It may sound hokey, but even though we know it's almost a gimmick, it feels great. Guests report that they do feel welcome and honored and that the employees treat them as if it's a pleasure to assist them. What an incredible difference a small behavior change like this might make for the customers calling your support line!

6.1.3 Sponsorship

We know that unless we have the critical support of the executive sponsor, we have virtually no buffer between our program and the unexpected roadblocks that always occur. We're going to learn about how to find and "manage" a sponsor in Chapter 7. Here, we just want to emphasize how important a sponsor is to leading you past the cultural barriers that you run into. First, you need an executive sponsor who understands and believes in what CRM can do for your company. It's even better if the sponsor is the person who initiated CRM in the company. Second, your sponsor must carry enough clout to influence other parts of the organization through leadership and example.

KEY IDEA

The closer your sponsor is to the top of the company, the better his or her ability to influence executive understanding and support. Even more critical, your sponsor will actually have the clout to remove cross-functional obstacles.

In small companies, the CEO or one of his direct reports may be playing the CRM sponsor role and will actively participate in the program steering committee. In larger organizations, if the sponsor is high enough to have the influence you need, it's unlikely that he or she will actually play any active role in the program. Still, it's essential that you actually have some direct time together, or you really don't have sponsorship.

6.2 Creating Realistic Expectations

With apologies to J.K. Rowling, there is no sorcerer's stone! No CRM software comes equipped with magic wands. Figure 6-2 is a reminder that there is no magic that will turn our customers into the loyal and profitable ones. That takes planning, time, and focused effort.

If your company and your team members are looking for a miracle, they're going to be disappointed; there's absolutely no way around it. No matter how much you do or how well you meet your project goals, if people expect something different, they'll consider the program a failure. Because there are so many voices making unrealistic promises in the marketplace, it's no



Figure 6-2 There is no CRM sorcerer's stone.

wonder that expectations are high. It's sort of like the latest diet fad that everyone jumps on. No one really wants to hear that losing weight means cutting calories and increasing exercise. There is no magic pill for CRM either. It takes work, and it takes time. *But it can be done.*

You can successfully lose weight as long as you don't expect to lose 50 pounds the first week; you can succeed at CRM, too, if you set realistic expectations over time. You might be asking yourself how you'll ever get your organization to have patience and be satisfied with only a pound or two per week. Most companies are set up to value immediate results, not long-term ones. That's why we'll be concentrating on quick wins to keep progress visible, with a plan that delivers the total program in the long run. In Chapter 8, as part of our strategic plan, we will develop a roadmap. The roadmap is a high-level plan with specific projects that we plan to deliver based on our CRM goals and priorities.

A large part of the strategic planning effort is aimed at developing realistic and well-understood expectations because they are so important. As part of the strategic plan, you will develop a common vision, shared goals, and realistic expectations across the organization. Although you will undoubtedly uncover some breakthrough ideas on what CRM can do for your

company, the most important outcome from the internal interviews, meetings, and communication that occur during the planning phase is to build this consistency of vision and expectation.

You already know what needs to be done, don't you? If you didn't have any idea, you wouldn't have picked up this book in the first place. The vision and roadmap will help you communicate your vision throughout the organization.

6.2.1 Vision and Roadmap

There are several tools that will help you to set realistic expectations. You need a vision of where you want to be—objective means for setting priorities about which steps along the path to take first and a roadmap of when you'll get to these steps.

A vision should paint a picture that clearly illustrates where you want your CRM program to end up. What will your company look like to your customers when you have achieved your vision? Having a clear vision firmly planted in everyone's mind helps keep the organization focused. It enables you to take small steps that will steer your company toward its goal. Objective priorities take lots of the emotion out of various decisions and help different groups understand reality. A roadmap allows you to stage development and give everyone a realistic plan about when different projects will be completed. We will learn how to use these tools in Chapter 8.

6.2.2 Internal Communications

The second weapon we have for managing expectations is communication, and I don't just mean putting together a summary of your strategic plan and e-mailing it to everyone in the company. CRM impacts so much of the organization that it is essential to get this initial information out, but that's only the beginning.

Ongoing communication throughout the life of the program is imperative. One lesson that many of us (okay, me at least) continue to learn over and over is that you cannot repeat key messages too often. Get over the idea that after you've published the plan and objectives, you can stop worrying and get down to the real work. No! Each time you repeat your message, new people will start to get it, and those who got it before will be reassured of the continued direction.

Another important reason for continuous communication is that almost all project plans change during the life of the project. Keep everyone informed about these changes—what they are and why they are necessary. If people aren't aware how and why the target has shifted, they will not consider the project a success.

Communication is critically important to any major change initiative, but many of us have little communication experience or are too busy working to have time to communicate. CRM is a particularly sensitive area because vendors have been so grandiose in their promises to deliver a fully operational sorcerer's stone. The technology is important, but it actually is the easiest part. The most critical and most difficult element of the CRM infrastructure is changing people's behavior so that they use the new processes, information, and tools to improve the customer experience. Use your internal communications to start the education and change-management process.

To do all this, you must have an employee communications program outlining your internal communications goals and strategies. The goal of such a program is to elicit very specific changes in behavior from employees. The success of your CRM program depends on sending clear and precise messages outlining the expected changes. Warren Egnal, Vice President at Porter Novelli Convergence Group, which assists client companies with their internal and external communications, says, "Motivating change is the critical driver for without new behaviors, real change is impossible and reorganizing, reinventing, or re-branding simply becomes a new way of doing old things, rather than doing things differently." Warren uses a five-step program to effectively reach employees with messages critical to organizational success:

- **Inform:** Build awareness.
- **Educate:** Set expectations and offer information/guidance/training to reach success.
- **Motivate:** Recognize behavior, and reward and publicize achievements.
- **Enable:** Provide tools needed to succeed.
- **Respond:** Incorporate interactive response to listen and adjust the program.

This process is not simple to do, and it's one that many companies have ignored because they are so ill-equipped to manage it. But it is critical to the success of your program, so if you don't have the experience or time you need, this is one area in which it's a good idea to get some help. No one has to be great at everything!

Not only must you be sure to set realistic expectations, but you also must keep expectations realistic. This is done by frequent communication of the project status. By the way, this means honest communication, not spin! Tell it like it is. Report issues and slowdowns, but don't dwell on them. Talk about how you plan to address the issues. Keep communications short, to the point, and clear. If the rumor mill reports a story that doesn't match your project communications, your employees will quickly lose all confidence in the project and your credibility will suffer as well. Sadly, like the emperor in Figure 6-3, after your program gets the reputation of "having no clothes," you may not be able to regain confidence, even if you can recover and get back on track.

Use every means possible for communicating: company newsletters and magazines, e-mail, bulletin boards, coffee talks, whatever. If you have an employee portal, make sure that you have a CRM page, and keep it up to date and interesting.

6.2.3 Customer Communications

Of course, our CRM program will impact and make changes for our customers as well. Even though these changes are for the better, it is still important to have a plan for bringing about changed behavior for customers. We will address customer communication in Chapter 18 when we take our offer to the customer.

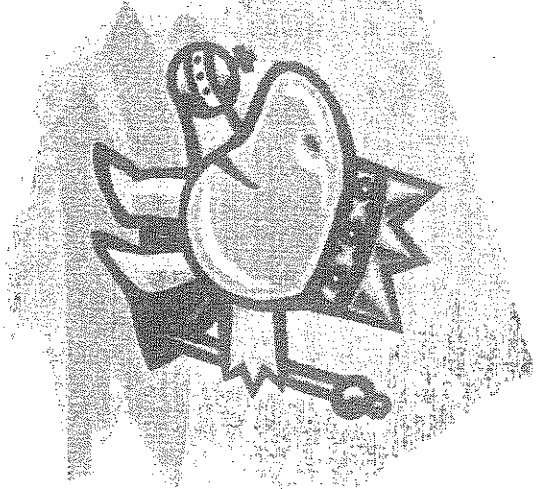


Figure 6-3 The emperor's new clothes

6.3 Building an Operational Infrastructure

(Gale-92-1e)

The operational infrastructure within most companies was developed to support and/or automate a specific business function. Because companies grew up in functional silos, they developed their computer systems and other infrastructure along the same functional lines. There exists little ability to connect information or processes across these silos.

A key to real CRM success (i.e., making life better for your customer, not just implementing a CRM capability) is that customers expect seamless integration across all your company's touch points. It's really not rocket science: Who wants to have one customer identification number while talking to the call center, and a different customer ID for logging on to the Internet? Who wants to be treated like a top customer when you make an airline reservation, but treated like a dog when you were too late to get an upgrade so you have to sit in the back of the plane? Nobody! In Part 3 of this book, we will examine specific methods of integrating pieces of the infrastructure across the entire organization.

Each of these common barriers is manageable. There are no quick fixes, but with planning and organized effort, these barriers can be overcome. Now that we've talked about how to minimize these three barriers, let's look at how to overcome our organizational silos and gaps. We will learn in Chapter 7 what it takes to set up a CRM organization that has the best chance of driving success.

Questions for Reflection

For the three barriers listed, what is your company's current situation and what actions could you take to address any issues you have identified?

1. Is the culture product or customer centered?
2. Does management have realistic expectations or are they counting on computer magic?
3. Is your company's infrastructure well integrated and cohesive or fragmented and disconnected?

Go! Developing Your CRM Strategy

Okey, we're ready to get to work. As you know, the first step you must take is to determine how your company is going to approach CRM; what is the right strategy for you? To create your CRM strategy, you start by defining where you want to be and decide what kinds of relationships you need to have with your customers in order to stay competitive. You need to understand where your company is now, and you must select the best path to get to your goal.

The questions you have answered at the ends of the chapters are preparing you to think about your organization and begin to formalize and articulate what direction your company's CRM should take. This chapter considers how to bring other important viewpoints into your strategy definition. We will identify all the steps that help us collect the knowledge and perspective of the organization's executives, customer experts, process experts, technical experts, and external experts (our customers). We will see how to organize everything that's been learned so the knowledge you collect leads you to define the right strategy and sets guidelines for the organization to make continuous progress and still get started quickly. Figure 8-1 shows where we are in the overall CRM methodology; we are at the beginning—launching our CRM efforts by developing our strategy.

We know that there is no magic wand, but with your strategy and roadmap in hand, you will be able to build a successful CRM program for your organization. It might even start to look like magic!

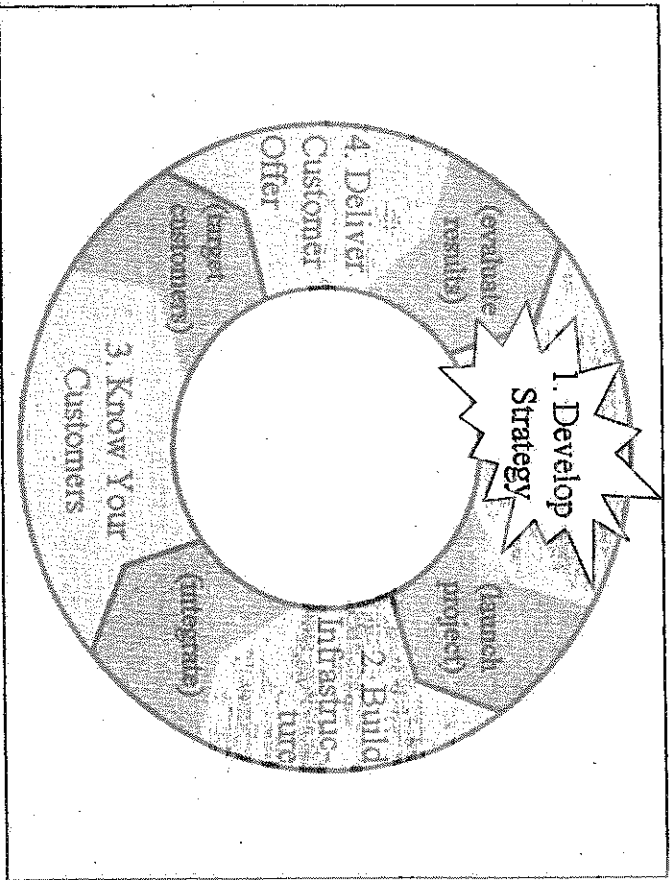


Figure 8-1 Phase 1—The Strategic Plan

8.1 Answering the Three Key Questions

Where do you want to go? Where are you starting? How are you going to get there? These are the three questions that the strategic planning process will help you answer so you can successfully build your CRM program. Figure 8-2 reminds us of the three vectors that shape the customer experience: what's happening in the marketplace, what your company says, and what your company does. To get the answers, you'll be gathering information from (or about) the marketplace (customers and competitors) and from inside your company (from key executives and employees who have significant customer experience and knowledge).

There are two reasons to take a trip: (1) You want to get somewhere, and (2) you want to see and experience new scenery. If you're just out for a ride, you don't really need to plan a destination, take a map, or even choose a direction. But we are trying to get somewhere; we want to move to a place where our company is capable of building and managing excellent customer relationships so that we can consistently increase loyalty and revenue. The first thing that we must do is figure out where we want to be at the end of our efforts.

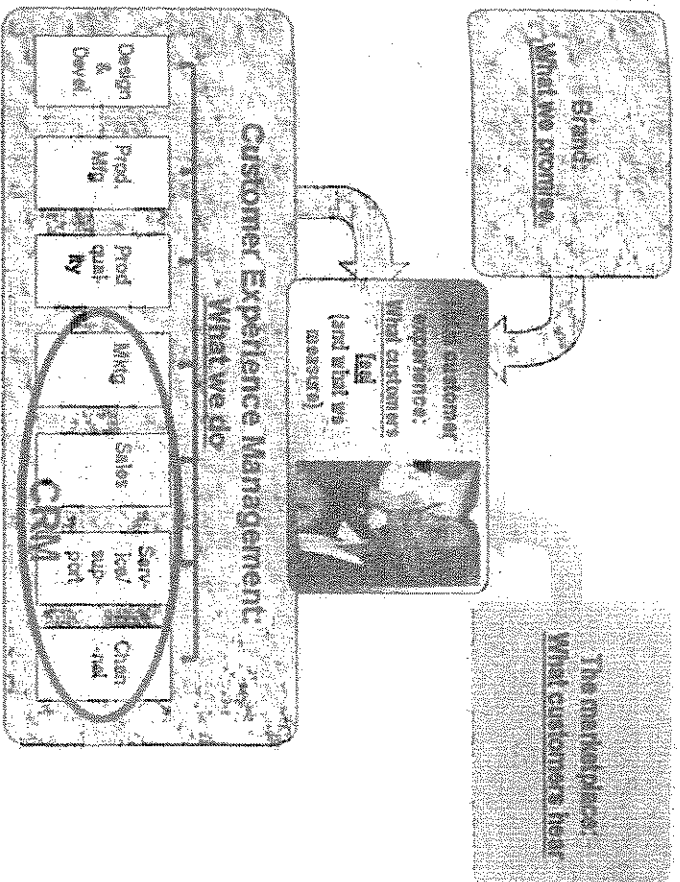


Figure 8-2 The customer experience

8.1.1 Where Do You Want to Go?

The most important deliverable of the strategic planning phase is to define what CRM is going to do for your company; you need to paint a vision of what the future will look like. This goal is what will keep your program on track over the long haul needed to achieve your goals. Remember, there is no CRM nirvana that all companies must strive to reach.

The primary source of input for determining your organization's CRM goal should come from outside the organization. CRM is about your customers. What do your customers want, need, or expect? What is most important to them? You don't want to waste your time and resources on capabilities that your customers don't care about. Of course, no one can afford to give customers everything they ever thought of wanting. A customer survey is a key step, but we must balance it with information about our own value discipline and our position relative to our competition. We also need to understand how our company compares to our competitors: Do we excel, do we have parity, or are we behind? After all, why focus on areas where we're already doing better than the competitor? Finally, and obviously, you want to be sure to include the key internal players and CRM constituents. As ideal as it sounds, we can't do everything that custom-

ers want. We need to balance customer expectations against the reality of our company's business objectives and plans. The internal interview will allow you to uncover information that will help you put a realistic boundary around your future vision and to answer questions such as these:

- Is your CRM strategy aligned with your overall corporate strategy and business model? If not, you must get it aligned or quit now.
- How internally aligned is the organization around your company's goals? Your chance of success is greatly increased by a strongly aligned organization, but if yours isn't, now is your chance to do the alignment.
- What are your potential program risks? Answering this question allows you to prepare for and eliminate obstructions to successful completion.
- Does your company know who your customers are? What industries, what size, and what other segments are important? You can't build relationships with customers if you don't even know what they are.
- What are the organization's expectations of CRM? If they aren't reasonable or consistent, you can prepare to clarify them.

I want to emphasize the first point: I strongly recommend that you stop your efforts right now if you discover that there is no congruence between what CRM can deliver and your organization's strategic goals. I'm quite serious. Because CRM must cross functions if it is to have any real impact on the customer experience, a lack of company-wide goals means that you cannot be successful. That is not to say that you couldn't decide to implement a call center management system that could be very helpful to customers who use that particular service function. But no matter what the vendor tells you, if the program isn't fully integrated across all the front office functions, it is not Customer Relationship Management.

If you insist on proceeding with a formal, cross-functional program without clear alignment with your organization's business goals, you will end up like Sisyphus in Figure 8-3, forever struggling to push a boulder uphill and never quite reaching your destination. Nothing is more frustrating or painful than having the boulder roll back down over you time and again.

Of course, the internal interviews can actually help you avoid the Sisyphus syndrome. While you are gathering information internally, you have an excellent opportunity to educate the organization about CRM and what to expect. You also have the chance to adapt and align your CRM message with the overall company goals. You will want to gather perspectives from all the CRM functions: marketing, sales, customer services, and product support and from all levels within these organizations. Executives have a great perspective on overall company direction and realities of the marketplace. Individuals such as sales reps and customer service and support reps who work closely with customers often have a greater understanding of your customers and their current company experience.

Although you probably have a pretty good idea of what needs to happen, you will learn much from the internal interviews that will help you set the right strategy and align with com-

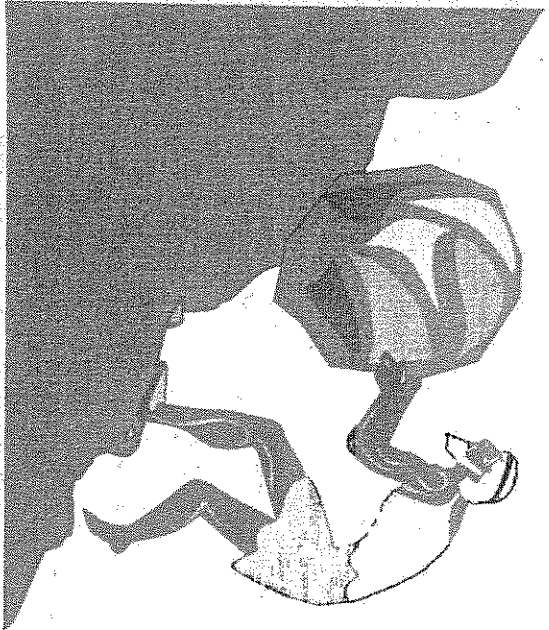


Figure 8-3 If there's no link between CRM and your company strategy, you'll find yourself here!pany goals. But the single most important result of this effort is getting your key constituents involved in the program early.

KEY IDEA

The most valuable result of the internal interview step is that it allows all consultants to get involved, contribute, and influence what CRM will be for their company. As a result, they will feel included, understood, and responsible.

After you've figured out where you are going, it's important to understand where you are now.

8.1.2 Where Are You Starting?

The three data collection tools we used to determine our goals are also helpful for gathering information about where we are today. We will ask both long-term direction and current-state questions of everyone we interview. Senior executives are most likely to provide perspective on long-term direction, while current-state information will most likely come from those individuals who directly interact with and are closest to the customer.

Because of the key role that technology plays in CRM, we also need to get a snapshot of the current information and systems technology state of the company. We need to ask project managers and IT management these questions:

- What customer information and systems do we already have running?
- What customer information/systems projects are underway?
- What customer information/systems projects are being planned?

We will find out who is funding these projects, what they do, what kind of information are already in-house, etc. Project assessments can become political nightmares because many people fear that their pet project will be taken over or canceled. Many disconnected systems result from the widespread belief by IT folks that the only way to get something done is to do it themselves. The result, of course, is fragmentation. Fragmentation costs your company more (small amounts of money invested often enough add up to a large total), and each small project solves the same problem over and over; you never get to some of the bigger and higher impact projects.

In fact it is likely that you'll uncover some projects that you'll decide to eliminate or combine. But that is not the purpose of the system assessment, and your message introducing the survey must convey that strongly. The message must be about helping the customer, about understanding the ways that we currently touch our customers, and about being able to take advantage of all the knowledge we gain from these interactions to improve the customer's experience and loyalty and our revenue. If the message is about cost-cutting or control, people will feel threatened and become uncooperative. If that's what people think you're doing, you can depend on every project suddenly disappearing underground. This is a common danger and is typified by the agreeable non-complier: "Yes, I agree, it just doesn't apply to me/my function/my project."

The answers to this second question will give us a complete picture of the company's current situation in the areas that are key to CRM success. We will understand the company's current state: strategic alignment, customer focus, CRM understanding, program risks, and CRM information and systems (current and planned).

The last step in the strategic plan is to understand the best way to move our organization from where it is now to where we want to be. This plan will also be based on the information we've collected so far.

8.1.3 How Are You Going to Get There?

The final question that we will answer is how to get from where we are now to our future state vision. We will develop a set of plans that will describe the path we'll take starting from today and looking out one to two years. After evaluating all the information you have collected from internal and external sources, you will prepare your CRM strategic proposal. The proposal will be comprised of two parts: the recommendations that describe where you want to be and the plan that describes the route you'll take to get there. One section of your proposal will be built

around a project roadmap, governed by your business priorities and supplemented by a risk reduction strategy.

The strategic planning process is accomplished through the use of a set of tools that help us collect information from key stakeholders that will answer the three strategic questions.

8.2 Using Strategic Planning Tools

The basic strategic planning process (collecting data, assessing findings, creating a proposal) can be applied to any strategic initiative. Some of the tools we'll be using also are applicable to any strategic planning effort. Others of these tools are specific to a CRM program. And some of the tools are important only for strategic initiatives that include information and technology components. These tools are based on the information systems planning principles outlined by James Martin (and others) more than a decade ago.

The basic strategic planning process that we will follow and the ten tools we'll be using as we follow it are shown in Figure 8-4.

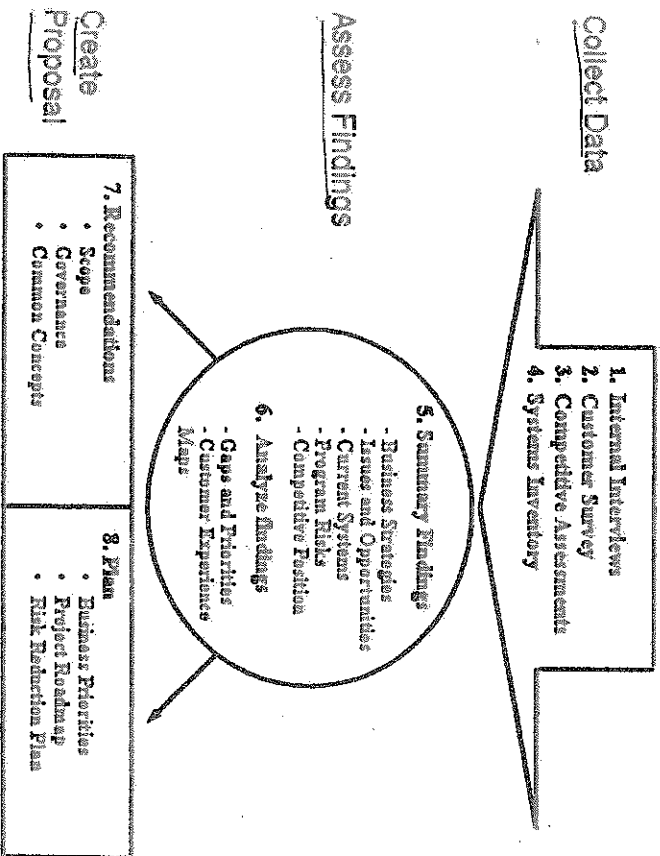


Figure 8-4 Strategic planning process and tools

Now that we've introduced a high-level view of the overall strategic planning process that we'll be using, let's examine how each tool is used each of the process steps.

8.2.1 Tools of the Trade

The tools outlined in Figure 8-4 will help us gather the information needed to answer our three key questions. The data that we collect and the results of our assessment of these data will allow us to create a plan that will form the basis of how we move forward one step at a time. Table 8-1 presents a summary of these tools, explains when they should be used, suggests for what purposes they can be used, and suggests expected results.

Table 8-1 Strategic Planning Tools

Planning Stage	Tool	Questions			Purpose	Result
		Where are we going?	Where are we now?	How do we get there?		
Collect Data	Internal Interviews	X	X		Can we identify the overall current state and future plans?	Know your objectives, goals, opportunities and business issues.
					How can we measure internal alignment around company goals?	The chance of success is greatly enhanced by strong congruence.
					What are the potential project risks?	Be prepared for program risks, and plan how to prevent them.
					How well does the company know who the customer is and their value?	Understand customers.
				What is the company's expectation of CRM, and is it reasonable?	Clarify scope, align and adjust expectations.	
	System Inventory	X			Do we understand the current state of CRM information and technology, both current and planned?	Know what you've got, refocus and converge active projects.

Table 8-1 Strategic Planning Tools

Planning Stage	Tool	Questions			Purpose	Result
		Where are we going?	Where are we now?	How do we get there?		
Assess findings	Customer Survey	X	X		What do customers value? What do they like, and what do they find frustrating?	Customer needs are the key input to priorities.
					How well do customers think we're doing? How well are we doing compared to the competitor?	A competitive position is key input to priorities.
					Did we present an overview of business strategies, issues and opportunities, current systems, program risks, and our competitive position?	Understand the organization's current and future state; identify areas of congruence and dissonance.
Create Proposal	Summarize Findings	X	X	X	Have we identified gaps and priorities? What does our Customer Touch Point Matrix show?	Understand strengths, weaknesses, and critical customer issues.
					Have we defined the scope of the project? Have we included information, processes, technology and people?	Clearly define what is included in and excluded from the CRM program.
					Have we addressed the issue of governance? How will the work be organized and managed?	Organizational change ensures success of the program.
	Recommendations			X		

Table 8-1 Strategic Planning Tools

Planning Stage	Tool	Questions			Purpose	Result
		Where are we going?	Where are we now?	How do we get there?		
					What common concepts have we defined and provided a framework for? Did we include "Customer Experience Maps"?	Develop a common language and context for the program.
				X	Have we identified top priorities based on internal and external information?	Identify the starting project and the next two to three planned projects.
					Did we produce a roadmap of when priorities will happen?	Initial projects have been planned, scoped, and timed.
					Have we uncovered the specific risks that our CRM effort is likely to face?	Be prepared to reduce/eliminate risks before they actually occur.

For the balance of this chapter, we will take a detailed look at each of the process steps and the tools that are used to accomplish that step.

8.3 Collecting Data

Let's take a closer look at how to use each of the data collection tools that help us find answers to our three strategic questions. Even though the customer must be the central focus of our CRM planning, we will not start by collecting information from customers. Instead, we will begin our assessment effort with the internal interviews. We start here for several reasons:

- **Time!** It's the easiest place to start so we can get going quickly.
- **Cost!** It's important to understand your company's current vision of CRM and how it aligns with the organizational direction before you start spending the money to assess customers and competitors.
- **Scope:** You first need to know what your company identifies as your CRM focus, and then find out what your customers think. A totally blank slate presented to customers (tell us what you want) isn't likely to deliver actionable results.

All projects are affected by the three constraints of time, cost, and scope. *Time* represents how long you are willing to wait for some results; *cost* is obviously how much you're willing to pay; and *scope* defines your expected results such as features, performance, etc. We'll become very familiar with these three constraints as we start to understand the tradeoffs that need to be made during the project planning and infrastructure development phases.

But now we begin with internal data collection, which involves two components: internal interviews (focused on people and processes) and a system inventory (information and technology).

8.3.1 Internal Interviews

As we've discussed, the internal interviews are important because they help educate and shape the organization's expectations for CRM. The interview process also provides some critical insights about the company's current state and future goals. We will construct our interviews so that we get information about both the current state and future plans.

We will develop a standard interview template that will be used consistently throughout your assessments. This allows you to gather information that can be summarized to provide real insights into major concerns of your business. The basic interview questions will be asked of all participants (executives and other employees). Depending on the size and specialization of your company's business functions, you may also have a few questions that are aimed specifically at executive participants or just at a single function (e.g., sales or customer services).

You need to be able to complete each interview in about an hour. You also want to be able to summarize and compare results across all the interviews. Both of these requirements indicate that you need to have a fairly structured interview and avoid lots of sweeping, open-ended questions. This can be accomplished even for the broadest concepts like business opportunities and risks by forming the question to request a specific number of responses (the top three opportunities) and specific time periods (for the coming year, or in the next three to five years). On the other hand, you want to inspire creative perspectives. One of the most effective questions to ask during your internal interviews is "What are the three simplest things we do to our customers today?" This question interrupts the predictable business train of thought and usually produces an embarrassed laugh as the gears start to engage. Generally, this question elicits some really thoughtful insights about some of those dead elephants that are seldom mentioned.

During the internal interviews, you will also be gathering information about CRM related projects (formal or stunk works) that are underway. You will ask some very specific questions about names of current and planned CRM efforts and who owns them. A summary of the topics to be covered in these interviews is shown in Table 8-2.

Table 8-2 The Internal Interview

Section	Purpose	What to Ask
Company's overall short- and long-term strategic direction	<ul style="list-style-type: none"> What do our internal and external environments and current business strategies look like? What is the brand strategy and primary value for customer? What are our CRM organizations and locations? How strong is the alignment across organizations? 	<ol style="list-style-type: none"> What are three to five business objectives and opportunities plus business risks and issues for: (1) today and (2) in three to five years? What is the predominant value (brand/discipline) that our company offers to customers?
Functional direction long-term and for the upcoming year	<ul style="list-style-type: none"> Picture of the business objectives within each functional area How aligned are we: <ul style="list-style-type: none"> With the whole company? Within the function? With other functions? 	<ol style="list-style-type: none"> What are three to five goals and objectives for today and future for your function? How do these objectives align with the overall business objectives? What current and near-term customer contact efforts do you have? Who is the contact person?
About customers	<ul style="list-style-type: none"> How well does the company understand our current/future customers? Are we ready to segment and what measure is most valuable? Are we ready to set the stage for having customer needs drive of future CRM efforts? 	<ol style="list-style-type: none"> Important customer segments, how are they identified, are they effective, are there different expectations by segment? What are the stupid and inconvenient things we force our customers to do today?
CRM expectations	<ul style="list-style-type: none"> Have we assessed CRM understanding and alignment? Can we identify the value of CRM? What are the most critical projects and where we should begin? What are the biggest risks to program success? 	<ol style="list-style-type: none"> What does CRM mean? What will it do for your company, your function, and your customers? What is highest CRM priority and why? Are there any other CRM-related projects underway? Who is in charge of those projects?

A sample of an interview survey that was used by a high-tech company in a recent CRM strategy assessment can be found in Appendix C.

8.3.2 Systems Inventory

Information and technology play a critical role in CRM. In order to plan our program roadmap, we need to know what customer information we already have and what customer touch point systems currently exist. We also need to uncover what projects are planned or already underway. Information for the system inventory is gathered initially from the internal interviews. You'll learn about many projects that don't have official status yet by asking about CRM-related programs and touch points.

Armed with this knowledge, the team will again develop a standard form to build a complete inventory of all customer touch systems. Your IT Department will be a major source of this information and may be responsible for completing the inventory. You will learn about some CRM efforts during the internal interviews, so you should follow up with the business project managers to complete the system inventory.

Like the rest of our strategic planning efforts, this system inventory is conducted at a very high level. You want to know exactly what's up and running, what projects are underway, and what is currently being planned. You need to understand what kinds of information are captured in which systems and the complexity of the current and planned technical architecture. Of course, Information Technology may need to gather additional detailed information as part of a specific project, but that is not necessary for the strategic plan. You want to get enough information to understand the general landscape and know where to go if you need more information. Examples of the kinds of information that you need to gather to complete your inventory are shown in Table 8-3.

Table 8-3 Systems Inventory

System	Information	Technology
Name:	Customer ID (name/user ID)	Hardware
Purpose:	Contact info (address/phone/e-mail)	Size (GB)
Business Unit:	Company info (name, size, industry)	Software/database
Contact Person:	Owned products (ours/competitors)	Closed or open architecture
Location:	Purchased service (ours/competitors)	Customer contact (e.g. web, phone)
Status: (live, in development, planned)	Suspect/prospect/customer	
	Deals	

This high-level inventory will be the basis for understanding what customer information you currently collect, who is responsible for it, and where it's being used.

8.3.3 Customer Survey

The purpose of the customer survey is to understand what is working for your customers and what isn't. You will gather information from customer feedback systems and any current

customer surveys that have relevant information. You will want to do a CRM-specific customer survey as well. The customer survey must focus on the *relationship factors* of the customer experience. You shouldn't ask questions that are so open-ended that you receive feedback on anything you're not going to be able to fix as part of your CRM program. Table 8-4 gives one example of how to create an effective but short survey that can be used to understand what is important to your customers. This type of survey is usually conducted by phone, but could also be done online.

Table 8-4 Customer Survey

Touch Point	
1. Broadcast	1. Mail
2. E-mail	2. Event
3. Systematic	3. Phone/fax
4. Internet	4. Personal

Life Cycle Stage	
Consider	Setup
• Awareness/interest	• Install
• Investigation	• Learn/customize
Purchase	Use
• Evaluate/choose	• Operate/maintain
• Order/purchase	• Upgrade/retire

Survey (replace the words in *italics* with one of the choices from the appropriate list above)

- How important is *touch point* in helping you to accomplish *life cycle stage*? **Very, Somewhat, Low**
- How well does our *touch point* communication work for you/meet your *life cycle stage* needs? **Not at all 1 2 3 4 5 Completely**

This very simple survey is completed by using the two survey questions for each of the life cycle/touch point combinations you want to learn about. The survey is simple enough that you could easily execute it yourself. However, if you hire a research firm to run it for you, you can ask additional questions that will help you gather some competitive information as well.

You should supplement this broad customer survey with some in-depth and open-ended interviews of a few of your most important customers—ones who are representative of each of your important customer segments. You still capture the same basic information, but this is an opportunity to gather some helpful subjective perspectives as well. Both can yield great insights.

The personal interviews can even help build relationships, but it can also backfire if you don't at least follow up (even if you can't act) on the input. Other great sources of information are any customer surveys or customer feedback you had gathered at an earlier time (e.g., a web site satisfaction survey).

8.3.4 Competitive Assessment

The competitive assessment information can be collected through the same customer survey described in Table 8-4. Of course, to be effective in gathering competitive data, you need to commission an independent third party to ask these questions for you. You're not likely to get unbiased answers if you go to your customers directly and ask how you compare to your competitors. This would mean that instead of asking about "our" company's touch points separately, you would just have a list of companies to add to the life cycle/touch point mix. Of course, one of the companies would be yours. The purpose of the competitive assessment is to understand how well you are doing in the various CRM areas in comparison to your competitors. Table 8-5 shows the questions you would probably add to the survey.

Table 8-5 Competitive Assessment

Company list	
Survey	Create a list of three or four of the key competitors that you're interested in competing. Of course, you'll add your own company to the list.
	1. What company's <i>touch point</i> has given you the best experience? Why was it best?
	2. What company's <i>touch point</i> has given you the worst experience? Why was it the worst?
	3. How well does <i>touch point</i> communication from <i>company</i> work for you/meet your <i>life cycle stage</i> needs? Not at all 1 2 3 4 5 Completely

Secondary research provides another good source of competitive information. There have been numerous studies looking at the relative effectiveness of the various company touch points, especially the effectiveness of a company's Internet presence. You can also do secondary research yourself, but the broad reach and experience of many consulting firms may make a third party a better choice. Of course, like working with any consultant, it's you who must decide what you want to know!

8.4 Assessing Findings

Using all the information you have collected internally and externally, you now want to summarize what you have learned and analyze your findings to produce the strategy. All programs, even those that don't involve technology, follow the same basic assessment steps: *consolidate findings and analyze results*.

All of the following sets of findings are real, although they are not from a single company. We will be learning from XYZ Corporation's experiences throughout the rest of this book.

XYZ Corporation is a medium-sized company founded in 1992 and headquartered in Chicago. XYZ manufactures and sells environment management equipment (electric fans), as

well as environment management consulting and product support to a broad range of customers. They produce very large "systems" (combinations of their large scale 800 and 900 Series fans, plus consulting and support services) to a wide range of customers, including some of the Fortune 50 as well as many mid-sized companies around the world. XYZ also has a few products that are targeted at consumers and very small businesses. These include the very small 100 Series fans as well as portable (100P) and solar-powered (100S) models.

The XYZ examples given have all actually occurred, but for a number of companies of differing sizes, businesses, and geographic locations.

8.4.1 Summarize Findings

The starting point for the plan is the sum of all the information you've collected from customers, competitors, and your company itself. Let's review all the results from XYZ Corporation's data collection efforts.

Internal Interview

The internal interviews give us a picture of where the company is today and where it wants to be. There are two segments of the internal interview findings: interview summary and risk summary.

The Interview Summary highlights the key topics that were covered by the interviews. It is very important to clarify each major point with direct quotes you heard. The quotes will make your presentation more alive and will lend credibility to your findings with recognizable language and phrasing. It also another opportunity to let your constituents feel involved and included. Table 8-6 summarizes the key results from XYZ's internal interviews.

Table 8-6 XYZ Corporation's Interview Summary

Topic	Interview Quotes	Congruence
Business objectives	Grow revenue to \$100 million Profitable growth	High
Business opportunities	New customer selling model; solutions, installed base, not just boxes Execute on channel strategy. Customers are confused by our multiple channels with different messages. New vertical market product categories	
Business issues	Marketplace consolidation Competitor price gouging We don't know who our most valuable (profitable) customers are. Current infrastructure doesn't support order and revenue growth targets. Improve Sales Force productivity. Too internally/product focused	

Table 8-6 XYZ Corporation's Interview Summary (Continued)

Topic	Interview Quotes	Congruence
Stupid things we do to our customers	Can't recognize customers across all touch points. Don't know who they are. We "sell" CRM solutions, but we don't use them. We make it difficult to do business with us (buying, selling, support). Leave money on the table (installed base upgrade and cross-sell opportunities)	
Customer segmentation and valuation	Industry segments no longer useful; need new approach. Partners	Low
What is CRM?	Customer recognized wherever he interests Just software: SF automation, call center automation 360° view of customer Loyalty, retention, increased sales Sales sees everything about their customers/terms Scoring/measuring customer value	Low
What will CRM do for XYZ?	Mislead cost of touch point to value of customer Can't reach financial goals without it	
Where should we start? What are our priorities?	Get a quick win, whatever can be quick Customer database Personalized web sites Total touch point and system integration Sales Force Automation Customer master file ("the bible") Segmentation strategies	Very Low

You notice a column labeled Congruence in Table 8-6. Congruence, the level of company-wide agreement on a subject, is a very important piece of information to know for each of these key points covered by the internal interviews. Any area with a low score is a potential risk to project success. Low congruence indicates that everyone has a different set of expectations in this area. High congruence is an area of strength that can be leveraged to build understanding and support.

KEY IDEA

High Congruence = High Probability of Success

For example, if everyone in the organization knows exactly what your company business goals are, then you can leverage this strong congruence by showing how your CRM program is directly aligned with and supports those goals. If your company's view of business goals varies all over the map, then you have nothing with which to align.

The Risk Summary is the other output from the internal interviews. This is a critical, but often ignored, opportunity to prepare for the worst. If the worst happens, you can have your head in the sand and it can wipe you out, or you can be well prepared so that the impact is reduced or even eliminated. Just as people don't want to write a will because it's such a downer, many think it's too negative to focus on potential project risks. But the opposite is true. Rather than being too negative, thinking about potential risks doesn't make them happen; it helps you avoid them. If you have thought about the potential risks and understand their danger, you can identify and implement ways of overcoming or avoiding them. (Okay, the parallel isn't perfect. A will doesn't guarantee you eternal life, but at least you have some control over what happens to your "stuff" when you go.) At the very least, being aware of program risks will make you sensitive to the early signs of problems, and you can stop them before they've really derailed your program. Each risk should be assigned an owner. This is an individual who will take responsibility for seeing that the risk is resolved by providing any necessary plans and resources. Table 8-7 lists XYZ's key risk areas.

Table 8-7 XYZ Corporation's CRM Program Risks

Risk Area	Quotes	Owner
Sponsorship and leadership	Need passionate executive support. Sponsor must make a financial commitment and STICK WITH IT over the long haul. Sponsor must understand that CRM is not a quick fix and needs executive clout. Not enough people understand CRM.	Xavier
Planning	Not having a strategy and plan No means of internal communication Scope creep, project management	Yolanda
Process	Visible benefits (stick and carrot) No culture of consistent processes	Zeke

Table 8-7 XYZ Corporation's CRM Program Risks (Continued)

Risk Area	Quotes	Owner
Organization	Continuing with silos Too inward focused. Multiple geographicals, but too UK-centric Conflicting functional business priorities	Xavier/ Zeke
Technology	Don't have an overall technology architecture. Do we really perceive Information Technology as a strategic weapon?	Yolanda

By the way, let me introduce you to a few members of the XYZ management team. Xavier is the Vice President of Sales and Marketing. XYZ is lucky that he is a charismatic leader and a very involved executive sponsor for the program. Yolanda is the Chief Information Officer. Yolanda has an MBA and has had extensive experience in business planning, finance, and IT management before taking on the CIO role. Zeke is a senior marketing manager for one of XYZ Corporation's product lines and has been assigned the organization-wide responsibility for CRM.

System Inventory

Through the internal interviews, we learned about the systems that are part of the company's IT infrastructure, as well as those that are being built on or run outside of the IT mainstream. We'll gather this knowledge of projects that don't have official status by asking about CRM-related programs and touch points instead of IT. Armed with this knowledge, the team will contact each of the project owners and complete the system inventory.

The system inventory gives us knowledge of where we collect customer information today. Most companies have hundreds of customer databases, many of which are redundant, inconsistent, or out of date, with more being planned. Large companies are likely to number their customer databases in the thousands. Even small companies often have multiple customer files. Each employee generates his or her own account lists, e-mail directories, and spreadsheets to support his/her business. In Table 8-8, we see XYZ's systems inventory.

Table 8-8 XYZ Corporation's System Inventory

System Name	Status	Purpose	Function	Information	Package
COSMIC	Live	Order administration	Corporate Marketing	Customer Company Product	Home grown
				Sales \$	
				Discount \$	

Table 8-3 XYZ Corporation's System Inventory (Continued)

System Name	Status	Purpose	Function	Information	Package
OM CENTRAL	Live	Order Customer Master	Corporate Marketing	Customer Company Contact points	Home grown
SFA	In development	SF Automation	Consumer Sales	Customer Account Territory Deals Channel	Package A
CRM	Planned	SF Automation	Business-to-business sales	Customer Company Account Territory Deals	Package B
CRM	Planned	Call center	Support	TBD	Package B

XYZ is actually fairly lucky; many companies have several hundred customer systems distributed throughout the organization.

Customer Assessment

The customer assessment is compiled from your external surveys. After you have defined the life cycle of your customers and identified current (and potentially) touch points, you will ask your customers which of these are important supports for each step of their life cycle. Figure 8-5 shows the relative priorities for one of XYZ's customer segments.

This diagram summarizes average responses from all customers on the importance of the touch point for each stage of the customer life cycle. Later, we will use it to help us set our project priorities.

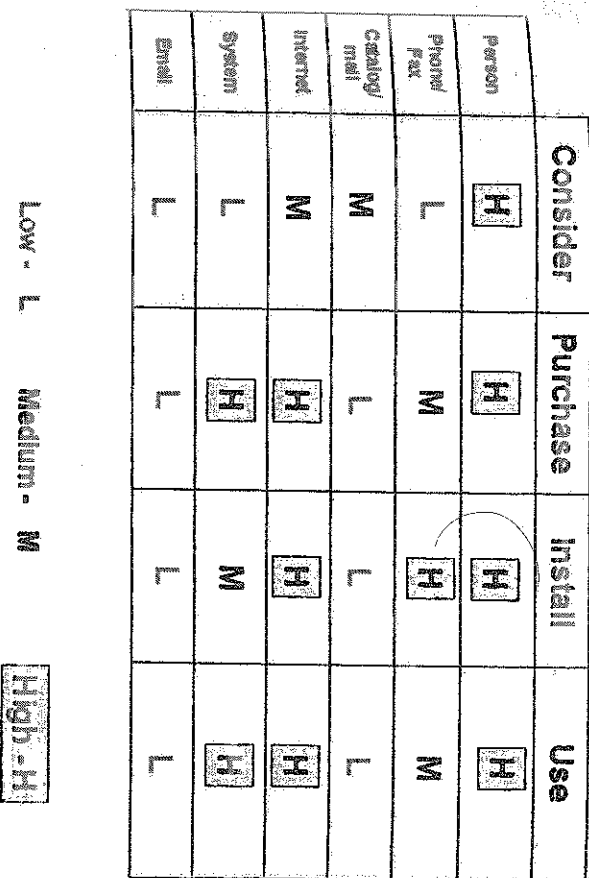


Figure 8-5 XYZ's customer-prioritized touch points

The Competitive Assessment

The competitive assessment is also created based on feedback from customers and secondary research. Note that there may be cells for which we have no information. Some of these missing cells are not important enough to pursue (such as mail or e-mail during the purchase stage). Others, like mail and e-mail during consideration, we want to continue working on. But what's important for now is that we have enough information to get started in understanding how we're doing compared to the competition. Figure 8-6 shows XYZ's relative position compared to its competitors as judged by customers and the marketplace.

Together with the customer survey information, the competitive assessment helps us understand where we need to start.

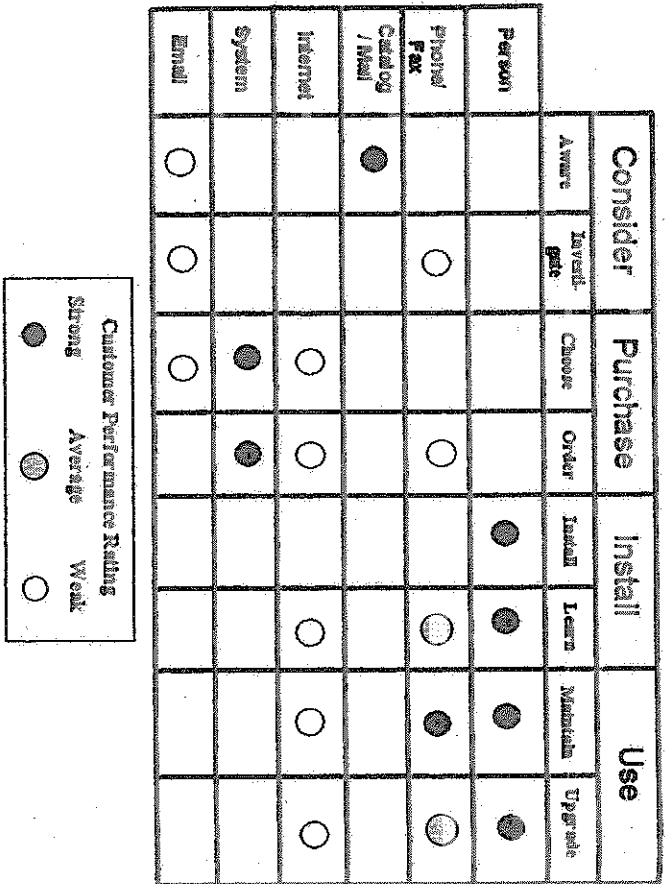


Figure 8-6 Competitive assessment

8.4.2 Analyze Findings

Next, we must analyze all these findings to help us determine what needs to be done, when it needs to be done, and the how it needs to be done.

Priorities

To help identify your priorities, you will look at several factors. The first piece of information comes from combining data collected from the two external assessments. Figure 8-7 illustrates this technique. Start with the Customer Performance Rating, and highlight the cells that the customer indicated were of high importance for that phase of the life cycle.

If you're already doing better than competitors in certain areas, then even if your customers aren't delighted, you may not need to start there. You'll probably want to start your program in an area where you're not doing so well. Sure, the area in which you're outstanding is a competitive advantage, and you want to maintain that advantage. If the competition is catching up, then you may want to widen your lead. The point to remember is that the competitive assessment step will give you the information you need to make objective decisions about where to start and where to go next.

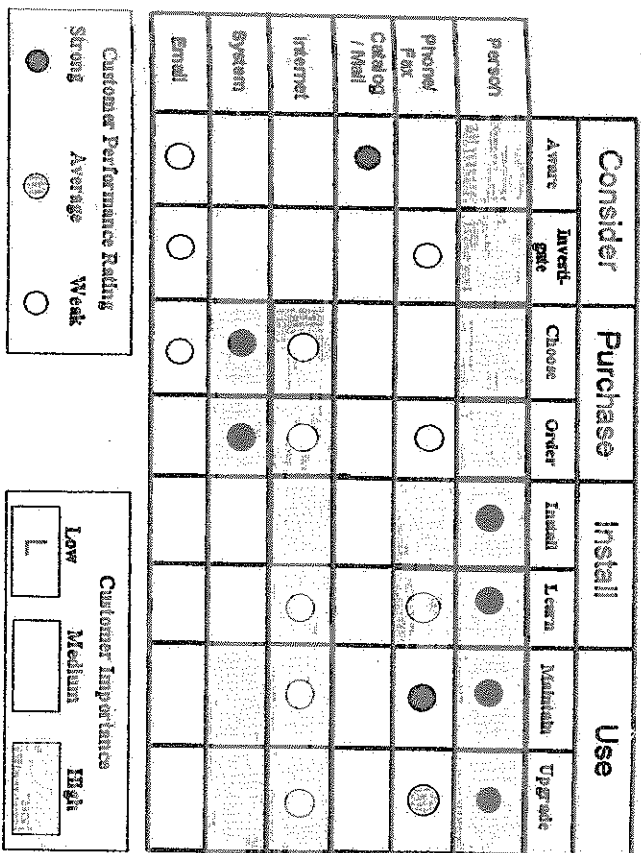


Figure 8-7 XYZ customer identified priorities and gaps

Gaps

The customer touch point matrix provides a picture of the various media that your company is currently using to interact with your current customer segments. Figure 8-8 shows XYZ's customer experience matrix for two of its original industry segments and for consumers.

As you can see, XYZ discovered that there was virtually no difference in the way it was delivering industry experiences; that's one of the reasons they decided to rethink their segmentation strategy – they weren't using it anyway!

Using the touch point matrix and the customer priority matrix, we can identify those areas which we are not taking advantage of and which the customer finds to be most important. We also can identify the areas in which we are doing the poorest in comparison to our competitors. These two tools form the basis from which all future CRM projects can be prioritized and measured. Any project that might touch the "large business" segment must be governed and measured by this Customer Experience Map.

	Financial Services			Telecommunications			Consumer		
	Consider/Purchase	Install	Use	Consider/Purchase	Install	Use	Consider/Purchase	Install	Use
Person	X	X	X	X	X	X			
Phone/Fax			X			X	X	X	X
Event	X		X	X		X			
Catalog/Mail						X	X		
Internet	X	X	X	X	X	X	X	X	X
System		X		X					
Email	X			X			X		X
Broadcast	X			X			X		

Figure 8-8 XYZ's customer touch point matrix for three segments

8.5 Creating a Strategic Proposal

At the end of the findings assessment, you will have summarized and analyzed everything you have learned through your interviews, surveys, and research. You will have a document summarizing what you learned from each of the four data collection tools. These findings will be used to develop your actual strategic proposal, which includes your recommendations of what should be done and a plan for how to get there.

8.5.1 Strategic Recommendations

The set of strategic recommendations describe where you propose that your company should go. Recommendations are the "what" of your strategy and will cover all of the following:

- Scope (information, process, technology and people)
- Organization and Governance (ownership, standards, customer experience maps)
- Common Concepts (definitions, framework)

We will look at each of these recommendations in more detail, but remember that at the strategic planning level, we are still looking down from the 100,000-foot level. The strategic recommendations will be very broad. We will spend time determining the specifics as we work on each individual project.

Scope

Scope sets the boundaries for your efforts. It outlines the information, processes, technology and people that will be included in your CRM program. Of course, there will be impact across the entire company, but the scope (focus, investment) is limited to those people, processes, and so on that directly interact with the customer. At the strategic level, we don't have enough detail to actually build a system, but we can draw a high-level picture of what will be covered by our CRM program. As each project is launched, we will produce a detailed list of actual data elements that we need in each to resolve the current problem or opportunity.

XYZ's strategic results for setting scope are covered in detail when we look at each of the four components in depth in Chapters 11 through 14.

Information at the strategy level is a high-level outline of the stuff that is important for our company to know about. This "stuff" includes:

- People—customers, employees
- Places—countries, cities
- Things—products, equipment, inventory
- Ideas/concepts—targets, plans

Process at the strategic level will usually be a list of those marketing, sales, service, and support processes with which a customer interacts directly: order management, customer support, and direct marketing, for example. CRM does not cover R&D or product quality, although these clearly do have a strong influence on the customer experience.

Technology includes all the systems that currently or are planned to support CRM processes and deliver elements of the customer experience.

People include those who work in sales, marketing, customer services, or product support and who are involved in the CRM processes and/or those who interact directly with customers.

The detailed scope for each of these components will be established for each project as the project definition phase is launched.

Organization and Governance

Organization and Governance is a critical element of the strategic recommendations. Because CRM impacts multiple functions, you cannot be successful unless you have widespread understanding of and support for your governance plan. Whether it is a single individual or a steering committee, they must have the POWER to make and enforce decisions that impact the customer. Too many times, Chief Customer Officers (CCO) or Steering Committees are identi-

fixed but are given no authority to enforce their decisions. This kind of figurehead position doing lip service to CRM principles will never lead to successful implementation of a CRM program. The authority given to the individual or group must be real, and it must be accompanied by the responsibility for delivering success.

Organization for CRM can, as I said, come from an individual, a group, or a combination. Because there is seldom a single individual with responsibility for all the CRM functions, most organizations today choose the committee approach. But there is a real danger to the program if the steering council members are not placed high enough in the organization and don't have enough clout to make change happen.

Another danger is that the COO or the council members are too high in the organization and don't understand enough of what CRM is and what's needed to make realistic decisions and monitor results. Be wary of the emperor with no clothes! As discussed in Chapter 7, this is the best structure for CRM leadership:

- A senior executive sponsor with visibility who acts as program champion
- A Chief Customer Officer or CRM Council made up of senior functional managers who have authority and responsibility for the program and are highly involved and knowledgeable
- A program team that knows the day-to-day details and can raise cross-functional issues to the steering council or COO
- Project teams that do the actual work (Project teams include both IT staff and business people. Their relative project involvement shifts from phase to phase of the CRM cycle.)

The size and complexity of this structure varies dramatically by the size of the company and by the CRM program. Just be sure that you have all three functions covered (sponsor, leadership, working team).

Governance includes all the rules, responsibilities, metrics, and so on that ensure the ongoing success of your CRM program:

- Business principles are the bylaws of your CRM program. For each project, you will define specific business rules and company standards that support each principle. At the time you set your strategy, you will have established only high-level principles such as those identified by XYZ:
 - We will know who our customers are.
 - We will differentiate our customers and treat our best customers best.
 - We will deliver consistent treatment across all CRM functions.
- Responsibility for delivering customer experience needs to be recognized and widely communicated (up-front communication of who is responsible).
- Measurements need to be established. At the strategic level, this might be reflected as an increase of overall customer loyalty of a certain percentage.

For each project, you will define specific business rules and company standards that support each strategic principle. Individuals throughout the organization must have the appropriate guidance and training. Specific metrics will be established.

Common Concepts

Common concepts are how we develop a common understanding of our current state and future direction. These common concepts provide us with a common vision and language for understanding where we're going, where we are, how we plan to get from here to there, and a consistent way to understand our progress.

Definitions are a critical element of your CRM program because they will make up a common language to describe CRM that everyone in your company understands. We discussed the importance of a common language in Chapter 2 when we created the definition of CRM that we have used throughout this book. Remember, if you don't all agree on what CRM is, you can never be sure that your approach is understood and supported. At the strategy level, you may reach agreement on only a few definitions, such as those shown in Table 8-9.

Table 8-9 Common Vocabulary

Definition	Purpose
CRM	You must define the basis of a common understanding and common expectations for what your company means by CRM if you want your project to succeed.
Customer (gross-potential/segment?)	Everyone knows what is included in the term "customer." It's the C in CRM.
Customer seg-ments	You must identify the important groups of customers (a single person, buyers of certain products, a group of customers with similar characteristics, etc.) that your company wants to treat independent of one another.
Customer life cycle	You must determine whether your customer life cycle represents your internal perspective (such as market, sell, support) or your customer's perspective (e.g., consider, purchase, etc.)
Touch points	You must define what a touch point is and which ones are important to you.

As one example, XYZ decided on a very simple new framework for customer segmentation that it believed was a much better match for how they wanted to manage relationships.

Customer segments had traditionally been defined based on industry. One of the issues raised during strategic planning was that they don't actually do anything differently based on industry segments. There had been an earlier plan to customize solutions as well as sales and marketing campaigns to target a vertical industry. But that plan was never put into practice. As a result of the strategic plan, they have three global customer segments. XYZ assigns its customers to global segments based on the criteria in Table 8-10.

Table 8-10 XYZ's Strategic Customer Segments

Segment	Assignment Criteria
Strategic, large, named companies	People who work at companies that are put on the list because they are the most valuable to XYZ
Small/medium companies	People who work at any company not on the list
Consumers	People using products at home for personal use

Using these new segments, XYZ was able to define its goal customer experience maps by customer segment. Figure 8-9 shows XYZ's customer experience map for its named customers. It shows both the touch points that will be used for named accounts and the experience standards that will be monitored to ensure that the appropriate level of experience is delivered.

Using the information from the customer and competitive survey, as well as our own internal knowledge, we can define what types of experiences we want to deliver to different customer segments as seen in Figure 8-9. Reviewing and approving the experience standards is one of the responsibilities of the Steering Committee.

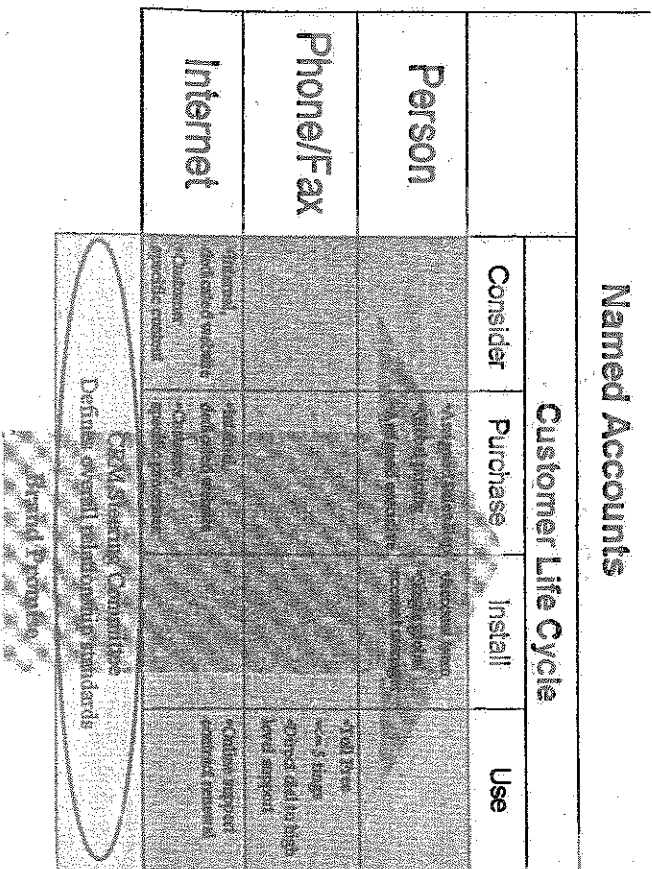


Figure 8-9 The named accounts customer experience map

We create these and other definitions so we have a common way of describing and understanding what is being worked on. As you begin project work, you will develop common definitions of more detailed items such as Revenue, Cost of Sales, etc. You will build a dictionary of CRM terms that mean the same thing across your entire organization. This means that, eventually, when anyone looks at any report, they really understand what each detail means.

Does this mean that all your business people must learn about data modeling? No, it doesn't mean that. But it does mean that the business can't completely delegate decisions to IT; they have to retain ownership of the key data and what they mean because the business is where the knowledge is. Information Technology can help you define the framework and maintain the dictionary, and, of course, they must build any new databases to match.

The CRM framework is the image that brings all these elements together. It shows the relationship between the customer and the life cycle at the center, with touch points and CRM organizations organized around them. It is built to identify which of all these CRM program alternatives are relevant to your business and your customers. Figure 8-10 shows XYZ Corporation's CRM framework.

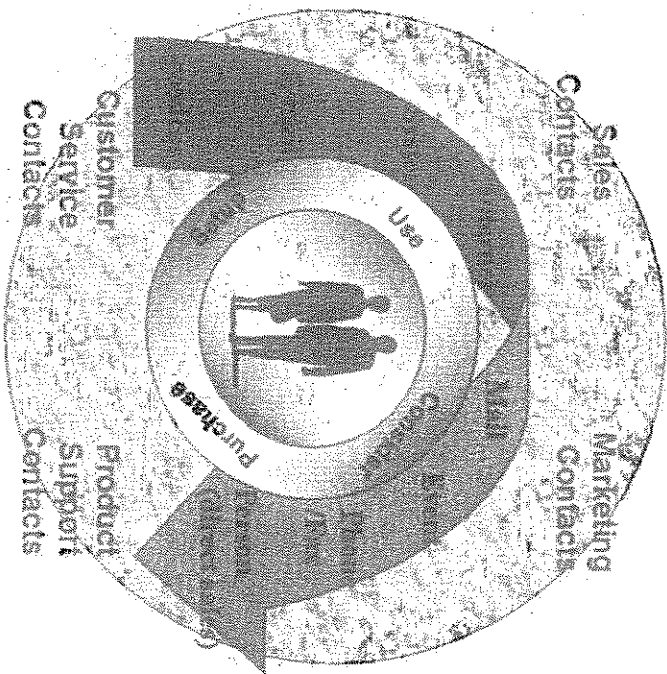


Figure 8-10 XYZ Corporation's CRM framework

Your internal interviews will reveal which concepts have little common understanding across your company. These will be the most important concepts needing clear and well-communicated clarification.

8.5.2 The Plan

The three planning tools (priorities, roadmap, and risk assessment) are built on the results collected during the assessments. Your CRM strategic plan will be built around a project roadmap, governed by your business priorities, and supplemented by a risk reduction strategy. Your plan will include these three elements: project priorities, project roadmap, and project risk plan.

Project Priorities

The Gap and Priorities diagram we saw in Figure 8-7 is the first piece of input we will use to develop our priorities. We want to start with an issue or opportunity in an area that has high customer importance and in which we are in a weak competitive position. Business importance is another key factor.

Generally, we'll uncover four or five areas that meet these criteria. Of course, an actual project must be focused narrowly enough that it can be completed in six to nine months, but we aren't yet at that stage. It is unlikely that we would be able to solve an entire business issue in such a short time frame, so for now we will just prioritize the business areas. If the business priorities aren't immediately obvious (often they are) a good method for resolving differences of opinion is for the CRM council or other knowledge constituents to vote. Here are a couple of good mechanisms for making these kinds of prioritization:

- **N/3 Test:** Everyone is given the same number of votes. The number is determined by dividing the number of items by three (15 items = 5 votes each; 5 items = 2 votes each). The knowledgeable voters can cast their votes any way they wish: all for one candidate, spread evenly across several, or whatever.
- **100 Dollar Test:** Everyone is given a hundred dollars to spend. They can put all the money on one item or spread the money across several items (the distribution does not have to be in equal amounts).

The candidates are prioritized in the order of votes or dollars received. I have found the N/3 Test to be most successful because the number of votes allowed varies with the number of items to be prioritized. In addition, there are fewer voting units to cast, so there is a stronger likelihood of real choices being made. Others prefer the idea that the voters are making a financial investment in their decisions. Either works just fine.

Next, we'll look at the system inventory. What projects are currently underway or planned in the near term? Identify the projects that map to the highlighted cells in the gaps and priorities diagram in Figure 8-7, and corral them into your overall CRM effort. If work has already been started in a key area, try to build on it instead of throwing everything away. It's surprising that so

many programs are launched on the basis of reinventing everything. This is a waste of time and money and significantly alienates those involved in the project. After you have identified where you want to be, it is surprising how many current projects can actually be channeled in the right direction with a little analysis and effort. Of course, if there are investments being made in areas that are not important to your customers, you should take a serious look at them. Table 8-11 shows the results of XYZ's program prioritization efforts.

Table 8-11 XYZ's Project Priorities

Project Area	Issue	Priority Votes
A. MXYZ: Personalized customer web sites	We sell CRM solutions, but don't use them. We make it difficult to do business with us.	8
B. Consistent customer identification	Can't recognize customers across all touch points. Don't know who they are.	5
C. SFA: Sales Force Automation	Current infrastructure doesn't support growth targets. Need to improve Sales Force productivity.	2
D. In-Store Sales Integration	Execute on channel strategy. Customers are confused by our multiple channels with different messages	1
E. Identify most valuable customers	We don't know who our most valuable (profitable) customers are.	0

Now that we've identified our initial priorities, we need build a roadmap that shows what we expect the first few projects to be and when they are likely to be launched.

Project Roadmap

Our first project should be one that is important, given the criteria above, but not strategically critical. Picking a mission critical starting point is too big a risk when you are just getting started. Scope the project to be completed in about six months or less. Six months gives you the ability to deliver a *proof of concept*. A proof of concept delivers real results (unlike a prototype, which is just a mock up) based on real data. It delivers real (if limited) functionality and can be put into use immediately, making a foundation for adding features and functionality. A project of this length is the perfect size for proving that your approach works without the risk that you never get done or that the business or sponsorship has changed before you can finish. If you can select a project that is already underway, that is an additional benefit, but you may need to scope it down to be sure that you can deliver something useful in six months.

Your roadmap lets people know when future elements are planned and the six-month scope allows you to deliver quick wins. This is critical to setting realistic expectations through-

out the company. Your strategic direction and the CRM cycle ensure that each project leads you toward your desired goal and checks for changes to the goal before launching the next project. Know where to start, what comes next, and when it will happen. If you've identified projects that are likely to be canceled, you'll have more leverage if you deliver a quick win. Figure 8-11 shows XYZ's tentative project roadmap for the first year of its CRM program.

The project roadmap is especially important for organizations that have low congruence around the direction and priorities of their CRM programs. There is another useful device for improving project cohesiveness. It's important to create an identity for major elements of the new CRM program.

The team decided to name the new customer master for its purpose: electronic customer identification or **EI Cid** (yes, cute acronyms are very popular). This internal brand name for the system or project (often with some associated logo) gives the organization a shorthand way of identifying and referring to the project. I'm sure you all have one or two of coffee mugs that are similar to the one in Figure 8-12.

It helps team members come together around the common program goal. And, of course, it's the reason that many of us will never have to buy another T-shirt again.

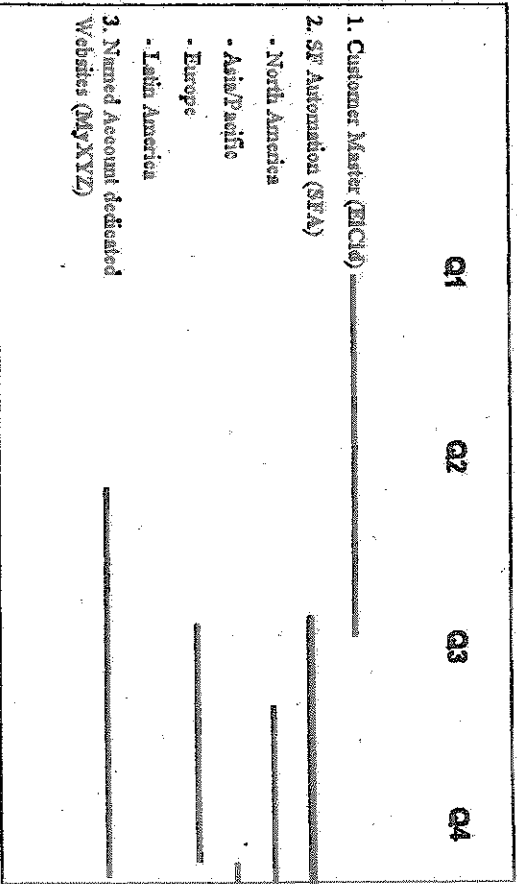


Figure 8-11 XYZ Corporation's project roadmap

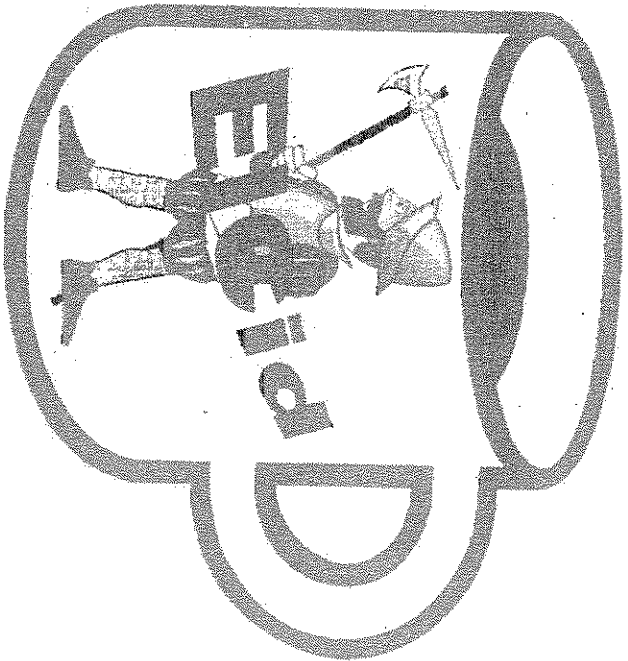


Figure 8-12 EI Old Internal Brand Identity

Risk Reduction Plan

The risk reduction plan allows us to be prepared in advance to eliminate or reduce the threat of common as well as company-specific risks to our CRM Program. Table 8-12 lists the key risks identified by XYZ Corporation and the strategies it established to address each of these risks.

We also will have to identify who is responsible for implementing each strategy and when. Are some so critical that we want to take some steps up front? Are there others that can wait until we see signs of the problem arising? You'll answer all these questions as part of your risk prevention plan.

Now that we have completed our CRM strategy, we are ready to start building our infrastructure by launching our first project.

Table 9-12 XYZ Corporation's Risk Reduction Plan

Program Risks	Applicable Strategies	Strategies
Lack of sponsorship, leadership	1, 2, 3, 4, 8	1. Governance model = steering committee and executive sponsor 2. Cross-functional working teams chartered 3. Develop overall plan and roadmap, and keep them up to date 4. Business and technology program managers 5. Well-defined business processes 6. Finalize Information Technology architecture; build key master files 7. Formal change-management plan 8. Formal communication plan
No formal planning method	4, 7, 8	
Lack of consistent processes	5, 7	
Organizational silos	3, 1, 2, 7, 8	
Technology	6, 5	

Questions for Reflection

These questions will start you thinking about where your company is today and where it's headed. First think about where you want to be, then write down your current status for each of the following common concepts:

1. What's the future and current state of your customer segmentation strategy?
2. What's the current state of your customer's life cycle? Should it change in the future? How can you help?
3. What's the future and current state of your customer touch point strategy?

Launching a Project

We've completed the necessary preparations for our CRM program and created our strategy. It's time to start building the supporting infrastructure that will allow us to deliver CRM success. In the second phase of the CRM lifecycle, we will work on projects that will create the components that are necessary for CRM success. As a result of the strategic planning process, we have identified the business goals and opportunities and the customer and competitive priorities that helped us prioritize where we should begin. Figure 9-1 shows that launching the project is the transition step between strategy development and actually building the infrastructure.

Like all the transition steps that will follow, the project launch ends the preceding lifecycle phase and starts the next phase. Typically transitions signal a shift in responsibilities. The project launch is when the IT functions begin to take on more responsibility from the business functions. There are two key steps involved:

- Select the best project
- Determine scope, schedule, resources

These steps do represent the beginning of the transition, but not a complete hand off. Too many companies think the business involvement ends here, but these companies never deliver successful projects.

Evaluating Project Results

We've completed building a piece of the infrastructure and reviewed the effectiveness of the development phase. Then we delivered the offer to the targeted customers and measured those results. Now it's time to evaluate the impact of the overall project. This is the transition step to beginning the next project. This is when we evaluate not only the results of the last project, but gather and analyze the information we need to decide what, if any, strategy corrections need to be made for the next project cycle. As you can see in Figure 19-1, we are taking the final transition step before we're ready to start the cycle all over again.

It's important to keep in mind that in any real world CRM environment multiple CRM projects are likely to be underway simultaneously. Many of these "steps" are going on at once and, of course a single CRM project will be the basis for multiple and simultaneous offers. This can get complex very quickly which is another reason for following a standard process and tracking results.

In Chapter 18, we looked at offer performance measures, but now it's time to evaluate the results of the entire project cycle we've just completed. We will evaluate the project from the standpoint of company results and impact on the customer by using two sets of tools:

- Performance Metrics
- Value Metrics

Performance metrics measure the results of a particular campaign; it's a one-time snapshot. Value metrics measure and project results over a period of time for the investments made during a particular project cycle.

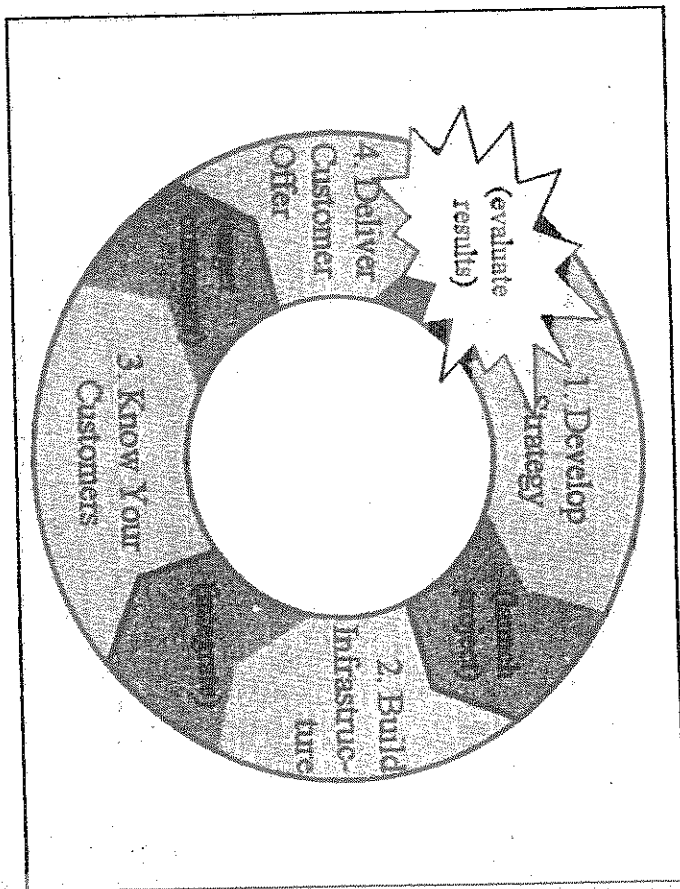


Figure 19-1 Evaluate Results

19.1 Evaluating Performance Metrics

In Chapter 18, we set some very specific and measurable goals for the project offer as shown in Table 19-1 (specific, measurable, and time bound).

Table 19-1 Valencia Offer Objectives and Measures

Objective: Increase Profit	Performance of	Metric
Sell 150 total units of either Series 825 or 827 systems to the targeted customers within four months	Orders	Toll-free number orders for 825 and 827 products
Reduce by 35% the number of 815 and 817 systems owned by targeted customers and under support contract.	Leads	Number of total 82x purchases by target customers
	Leads	Number of inquiries
	Overall	Number of calls

The project team wanted to know how many calls were received, how many inquiries were received (and later turned into qualified leads and finally sales), and how many customers did exactly what the offer asked them to do (buy via the toll-free telephone number). Maybe most importantly, XYZ measured all the orders for 82x products placed by targeted customers during the six-month project period. Of course, it can be valuable to look at new results periodically. The period should be based on the average buying-decision time for the product, but a good rule of thumb is to check twice more over a period equal to the original project period (e.g., for Valencia two more checks at three-month intervals is a good plan).

The purpose of performance metrics is to measure the impact of the specific campaign in two areas: the overall company performance, and customer satisfaction and loyalty.

19.1.1 Company Results

As we know, the end goal of CRM is to increase profit by either increasing revenue or reducing costs.

Increase Revenue

We counted the number of orders that were received during the project period so now we can easily calculate the increased revenue, and by subtracting the cost of sales, we know the impact on profit. But this ignores the reality that many campaigns don't deliver immediate results. We also need to measure sales that might be gained through the influence of the project on future product purchases:

- Leads that were converted to buyers who purchased after the four-month project window
- Orders resulting from referrals and offer information that was passed along to customers not in the target segments
- Orders resulting from success with the original offer (test purchase)

And the influences go on, depending on your project situation. For example, there is the "top of mind" result from receiving a recent (and appealing) offer. In fact when surveyed, 65 percent of HP's customers complained that they didn't receive enough information! It is difficult to measure indirect influences, but there are ways to identify the source of the order that we discussed in Chapter 18.

Reduce Cost

For the Valencia project, there was a major cost savings that contributed to company profit. Product support contracts on the old 815 and 817 models were no longer money-makers. Over time, the equipment had become prone to failure, and some of the replacement parts were not standard and needed to be special ordered, so they were very expensive.

Not all projects will have this particular cost savings feature, but there are other ways of reducing company costs. The Valencia call to action encouraged the use of the call center to place the order. On average, it took about two hours to identify the proper product configuration, prepare the quote, and enter the order. A very conservative rate for a sales rep (fully loaded) is \$500 per hour. For a telesales rep, it's about \$150 per hour. It is safe to subtract about \$700 from the average cost of sales for orders taken by phone. Here are some other examples:

- A new system for configuration is easier and more efficient to use.
- The telesales team has an automated knowledge base, so configuration and quote generation takes less time.
- Targeting the right customers means fewer wasted offers.

Remember to look at all the cost saving opportunities that impact profit, not just the increase in revenue. Even though increased revenue is the true benefit to be derived from CRM, it can be difficult to show adequate short term profit results.

Return on Investment (ROI)—Reality or Myth?

ROI is another performance metric that is often used to compare the cost of delivering a project to the financial results achieved. Financial return on investment is calculated by dividing the total cost of completing the project by the total cost savings and sales (minus the cost of sales). It's a very sound measure of the worth of a project, and it has long been favored by Finance. But it's not completely clear that a CRM project can recover in the short term the cost of building the new infrastructure. Certainly, we can measure the ROI on the offer (cost to produce and deliver message divided by profit that resulted from the offer), but to justify all the computer and network costs, programmer salaries, and training and education of the project team and the new end users is another story. To fairly evaluate the whole CRM project cycle, we need to consider returns over a period of years. Of course, no one wants to wait five years to see whether an investment was worthwhile. Generally, we measure the results of the initial offer(s) and project what we'll expect to gain by using the same infrastructure to repeat the offer over a period of years. The time to recoup all the expense is called the payback period and depending on the company's financial situation, about three years is generally considered reasonable.

Arthur Hughes prefers Lifetime Value (LTV) measures to ROI for just this reason. Time framed measurement approaches like simple ROI have, according to Hughes, the problem that although

ROI is clearly the way to measure the immediate result of any direct marketing effort... LTV (Lifetime Value) calculations include such factors as the retention rate, the referral rate, and the (long-term) spending rate, rather than just the response to an immediate promotion.

Calculating the payback period is much like LTV in that both look at the contribution over a number of years.

19.1.2 Customer Results (Loyalty and Satisfaction)

Another area, in our customer-centered organization, that is important to measure and understand is the impact on the customer relationship. At the very least check a sample of customers for satisfaction and/or loyalty changes after every project. Remember, as long as you perform these tests on a fairly regular basis, the trend in what you find is more important than whether or not you have the perfect survey and perfect tools to produce an absolutely reliable score. We know that satisfaction is a necessary but insufficient condition for customer loyalty, but it is a good place to start.

Satisfaction

Satisfaction can fairly easily be measured simply by asking your customers how they feel about the contact they just received from you. Of course, we don't want to have the survey cause dissatisfaction; too many interactions can be a bad thing. Satisfaction surveys should be used judiciously in the context of an overall plan for customer contact.

I recently bought a new car. As I was leaving the dealership, my salesman and his manager both told me that I would be receiving a survey regarding my satisfaction with the buying experience. Unless I could answer that I was satisfied with the experience, I was told, my salesman would be in trouble. Hmmmm. I got the point—but did the auto company? What did they think they were measuring anyway? Did they know what was happening in the dealership? If they did, were they serious about really understanding customer satisfaction or just serious about being able to publish high satisfaction scores? Unless I absolutely despised every moment of the car purchase (in which case I probably wouldn't have purchased anyway), I was going to indicate that I was at least very satisfied if not delighted with the experience. I didn't mind helping out the sales guy, because he seemed to need the support. But doesn't the auto company really want to know if their dealerships are satisfying customers? Frankly, the whole experience turned me off—but of course, I didn't tell them that! Now I just share the experience with clients as an example of what not to do.

There are so many better alternatives if you really want to know what your customers think. Why didn't the car company just send me the survey without any coaching? Better yet, they could have contracted for a telephone survey from an independent telemarketing company. If you want to avoid bothering too many customers, remember that you don't have to sample everyone. You can gain significant information from a small, random sample of customers.

In all our relationship management efforts (from interaction to follow up to satisfaction surveys), we should always remember the meaning of the Hippocratic oath: First, do no harm. The oath not only makes good moral sense, it makes good practical sense too. Campaigns that damage customer relationships (for example, unsolicited e-mail, which is always perceived as spam) should be halted immediately and never ever repeated. At least you've shown your customers that you listened to their concerns even if the original practice was unpopular. Remember that any mistakes that fixing a customer problem can actually increase satisfaction. Never making any mistakes is about like never borrowing any money; it doesn't hurt your "credit" rating, but it doesn't do it any good either.

As we've discussed, satisfaction is most valuable when you also ask the customer how important each characteristic is. Don't spend time improving areas that customers don't care about. An example of such a two-pronged question is shown in Table 19-2.

Table 19-2 Satisfaction and Importance

What is your impression of your salesperson's knowledge of the product?	1	2	3	4	5
How important is it that you have a knowledgeable salesperson when making a purchase?	1	2	3	4	5
	Not Important				Very Important

Finally, satisfaction is more important as a customer relationship trend than as an absolute score. Compare current satisfaction scores to the results from previous surveys to identify the current experience as a relative measure, rather than an absolute one.

Loyalty

In many cases, loyalty is a blind emotion, but customer loyalty is based on the customer's value perception and is measured by behavior. Satisfaction is an indicator, but true loyalty is evidenced only over time. For some products (like refrigerators or, in my case, cars), the buying cycle is very long; it may be years before the dealer knows whether I will be a loyal, repeat buyer. One good measure, though, is where I get the car serviced, which also can impact overall loyalty. Loyalty must be measured over time, but satisfaction is often used as a loyalty indicator.

Share of Wallet

Market share measures the percent of purchases from your company compared to all purchases made in your market. In the customer relationship world, Peppers and Rogers popularized the concept of "share of wallet." Share of wallet represents the percentage of what a customer spends in total in your market compared to how much of that money comes to your company.

Share of wallet is another good indicator of loyalty. Of course, the calculation is made based on a budget estimate (size and type of company, income and address of consumers). Few customers will tell you how much they have to spend on computer technology or on dining out over the next year.

19.2 Understanding Value Metrics

Value is a two-way street. The customer value proposition is comprised of the advantages that our product has over other products. Customer Lifetime Value (LTV) is the concept of using a customer's purchase history to predict how much she will spend over the entire time she remains a customer.

The lifetime of a customer is an expected retention rate based on historical averages. Value represents all the revenue from a single customer over a period of years less the cost to acquire and serve that customer. Besides retention rate, other factors such as referral rates and spending

rates are used. As discussed in Chapter 17, LTV is the expected profit from a customer over the number of years the customer remains a customer.

The formula can become very complicated, and there can be concerns about accurately capturing all the possible variables. For this reason, it's often recommended that you worry about trends in LTV rather than the absolute score. If you always calculate your LTV in the same way, then you can tell whether you're making progress (or losing ground), even if the precise LTV value isn't perfect.

Okay, we've finished a complete project and measured and learned from our results. The next step is to start all over again.

19.3 Reviewing and Tuning Your Strategy

We are ready to begin the next project cycle by taking everything we've learned during the project (about business priorities, customer expectations, and technology—all the elements of the original strategic plan) and testing that all our assumptions are the same as we get ready to launch the next project. As indicated in Figure 19-2, we will repeat the same process that we've done before, but hopefully we'll be a little better at it each time.

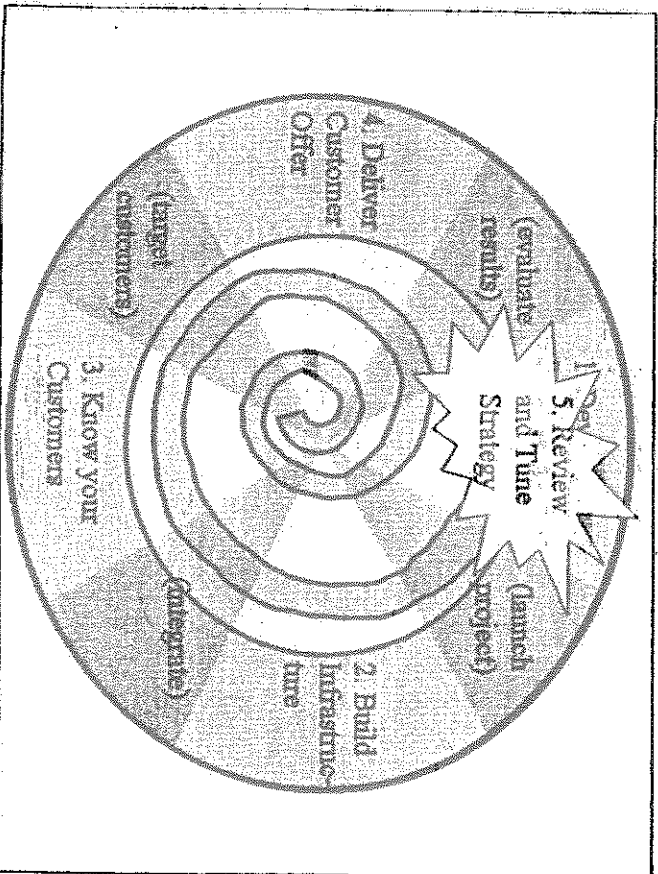


Figure 19-2 Reviewing and tuning the strategic plan

I want to make one more point: You don't have to wait until one project is completely finished before starting the next one, in fact that is rarely the case. You just need to be sure that use whatever you have learned from one to tune the next. Still, it's best to finish the first project completely.

We've finished one complete cycle and are starting the next. The process will remain the same except for any improvements we've identified and adopted. Now let's take a look at how we keep all this great new stuff humming along. Even more important, in Chapter 20 we'll look at another good way to improve project ROI business results: managing data quality.

Questions for Reflection

Think about how your company goes about making investment decisions. This will tell you how prepared you must be to justify the value of any project before you start and how to carefully measure results. With this understanding, you know how much work you'll have to do defining metrics and capturing information.

1. Does your company require a detailed cost justification for every project, or does it generally give out small budgets to test ideas?
2. Does anyone actually look at the financial results? Is anything different done if the results are good versus when they are bad?
3. Is the "fox guarding the chickens house," or is someone who is not part of the project learn calculating (or at least reviewing) metrics calculated?

CRM: Keeping It Right

Customer Privacy: Seize Your Opportunity

Customer privacy, once upon a time a topic of great interest and ever increasing importance is still around. California's state legislature came very close to passing a law to establish a no-phone zone, a "do not phone" list that anyone telemarketing to California residents would be required to use. It didn't quite pass—this time.

Privacy is still a huge political issue and a huge legal issue, but most important, it is a huge opportunity for you to build trust and loyalty with your customers and enhance your brand image! Like many of the things we've already discussed, the Internet hasn't created the privacy issue, but it has significantly raised its visibility and importance. Nothing illustrates how pervasive a topic has become better than when it becomes the subject of humor in a publication like *The New Yorker* (see Figure 22-1).

The political and legal implications of an individual's right to privacy (to be left alone) are far from understood, much less well defined. Globally as well as in North America, the political climate regarding privacy is inconsistent, and the legal situation continues to evolve. Europe enacted its Directive on Data Privacy in October 1998, which prohibits the transfer of personal data to non-European Union nations that do not meet the European "adequacy" standard for privacy protection. The United States government initially favored industry self-regulation based on industry shouldering responsibility for adopting sound privacy practices, hoping to limit the amount of restrictive legislation hampering the fledgling industry. Little industry movement coupled with strong consumer concern resulted in the creation of some industry-specific legislation in the United States, with the possibility of more to come.¹ Much of the rest of the world seems

1. Medical and educational information has been legally protected for years. Just in the past year, we have seen new legislation in areas such as financial services and children's privacy.

The Direct Marketing Association (DMA) has an informative web site that answers common business questions regarding the new Gramm-Leach-Bliley Act passed early in 2002. You'll find it at www.the-dma.org/government/grammleachblileyact.shtml#top.

For more information on the Children's Online Privacy Protection Act (COPPA) which went into effect in April, 2000, see the Federal Trade Commission's excellent KIDZPRIVACY web site at www.ftc.gov/ocp/children/adams/adzprivacy/index.html

No email
- False
- No call

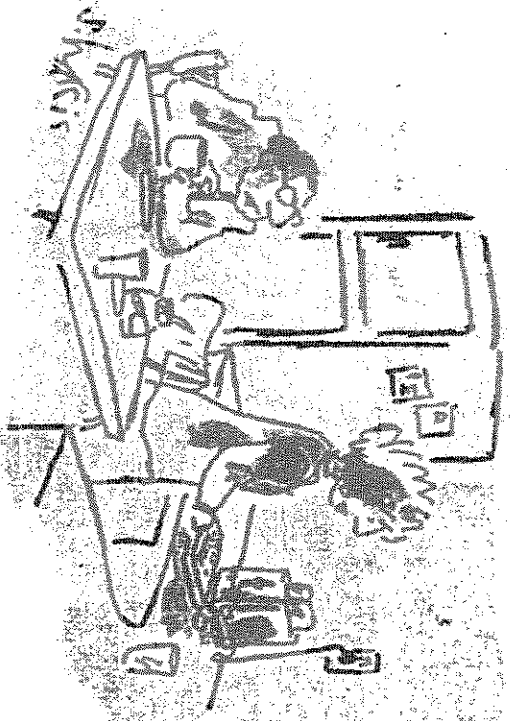


Figure 22-1 A little privacy humor

to favor limiting legislation, thus encouraging the growth of the Internet. There is a strong case for a consistent global approach to privacy because the Internet knows nothing about country borders, but it may take a long time to get there.

Because so many customers are adopting the web to transact business, e-commerce has been exploding. Electronic sales to consumers passed \$20 billion in 1999, and consumer online revenue is projected at \$184 billion in 2004. Internet sales in the business-to-business market are growing at an even faster rate and will eclipse the consumer e-market. Still, there are many customers who remain reluctant to move to the web, with privacy and security concerns identified as the biggest barriers. The Gartner Group reported that of those customers who bought online in Q3 1999, 38 percent agreed that privacy concerns prevented them from placing further orders. And Jupiter Communication tells us that 58 percent of customers they surveyed were worried about a company selling their information to a third party.

This is where your opportunity presents itself. The opportunity is the difference between doing right and not doing it wrong. You must stop thinking about privacy as a political issue or legal threat that is about to be imposed. Privacy is a tremendous opportunity to improve your customer relationships, increase trust, and build loyalty. Bob Dorf, President of the Peppers and Rogers Group, put it this way:

Privacy is the single greatest threat to the successful implementation of one-to-one relationship management. Any company that is going to do [one-to-one] and not totally respect the privacy of the customer's information is just waiting for disaster...begging for a disaster.

I could not agree more!

22.1 Why Should You Care?

As we've already discussed, there is general agreement that customer loyalty and satisfaction will be the differentiators between successful companies and unsuccessful ones. You may be one of the many businesses hoping to move customers to the web. After all, it's clearly the most cost-effective way to enable many sales, marketing, and support activities. Speaking at an Internet conference in New York on the topic of whether privacy laws would crush many promising Internet businesses, IBM CEO Lou Gerstner said:

Trust is the most fundamental element of branding, and if we do not act responsibly on this matter, then we run the risk of choking off this entire industry.

You may also be using information you have collected from your customers to help you manage and improve your customer interactions. After all, information is the key ingredient when building excellent customer experiences on and off the web. In lieu of direct interactions, this critical data will help you understand your customers' needs, target and personalize interactions, and customize product and service offerings. With that said, customers currently are pretty reluctant to give you their data. They're especially worried about giving you data online because of the perception that it is just so easy for anyone to access large amounts of data at warp speeds. Customers are especially concerned about fraud, harm to their financial and/or credit standing, identity theft, and invasive marketing. All of these are based on misuse of personal information and, although the web increases perceived risk, none of these is limited to web-collected data. (My credit rating was temporarily ruined by someone who used my name, address, and phone number from the telephone book to get a new phone account, and then never paid. It took months, hundreds of phone calls, and intervention by the police to finally straighten it out and stop the threatening phone calls from collection agencies.)

So why have consumers been so hyper-aware and so nervous? First, much more information is collected and seemingly available to more people at a much faster rate. It just seems logical that if someone is storing lots of information about me in a database and the databases are all connected to the Internet, then there is little to stop thieves and hackers from getting their hands on it. Second, thank the media. Internet abuse is a much more exciting story to write about than telephone book abuse.

If you're serious about doing some (or all) of your business transactions on the web, you now have a golden opportunity to make privacy part of your brand image and your strategy for building customer trust and loyalty. In fact we've all bought a little more time right now. Issues

of security are outweighing issues of privacy for many customers. But this hiatus will never last, we can do privacy ourselves or it will eventually be done to us!

The privacy opportunity is twofold. First, you can use your company's position on privacy to enhance and strengthen your brand image. (Note that, as always, image/message alignment matters. If you have a poor reputation for doing the right thing for customers, then positioning yourself as a privacy leader will appear hypocritical and will actually backfire.) Second, because information is the lifeblood of relationship management and e-commerce, the most successful companies will be those that earn customer trust, because only then will customers share their information. I strongly disagree with the well-known Silicon Valley executive who told customers that they should "Get over it," because they have no privacy rights. Privacy is not going away, so get over that! All this privacy frenzy makes governments nervous and that should make us nervous. We have a small window of opportunity to take some steps that show we understand the importance of privacy. We must take responsibility for our own actions so we can slow down the legislation that could significantly restrict our ability to conduct business — but we must do the right things. So how do we know what the right things are? Let's look at what privacy really is so we know what we're dealing with.

22.2 What Is Privacy?

First, let's try to demystify the whole topic. Privacy is about an individual's right to have his/her personally identifiable data protected, at home and at work. Personally identifiable information includes all the data that helps us to identify or contact an individual, plus all of the additional facts that we store about these individuals. It does not cover anonymous behavior that is not linked to an identified individual or trend data that is just a summary of what lots of individuals have done. Privacy applies to all the data you collect (or have collected) about your customers, whether online or off. But in spite of all the legal and political rhetoric, creating an effective privacy policy and protecting your customers' data is really not rocket science.

22.3 What Do the Five Elements of Privacy Mean to You?

There are just a few basic principles that you need to understand: notice, choice, access and accuracy, security, and oversight. Then you need to know what they mean to you in building your company's CRM program.

22.3.1 Notice

Awareness is telling the truth about what data you collect, where you get it, why you need it, how you use it, and whom you let see it. Start with developing an internal privacy policy that will be the basis for defining your company's practices and the foundation from which you'll make customers aware of your intent. Keep your policy simple and accurate. Because your internal practices must match your stated policy, begin by documenting what you already do. This way, you don't need to worry about getting massive approvals or making lots of changes happen immediately.

Next, you should create an online Privacy Statement. This is where the rubber meets the road for your customers — where you disclose what you're doing. Create a very short statement that briefly summarizes your company's policies. You should begin placing this on all hardcopy response documents such as product registration cards. It can also be used on the phone when customer service reps are collecting customer information that would be extremely valuable for understanding your customer's experience.

Make sure your partners (with whom you must share customer information in order to do business) have a privacy policy that is at least as stringent as yours is. Include this requirement in your contract with them. As in all other aspects of the total customer experience, the customer perceives that he is doing business with you, not the retailer or dealer.

Get involved with educating your customers about what they should expect regarding the privacy of their personally identifiable information. Use common language. You need to build confidence and not hide behind confusing language that no one understands. It would tremendously help customers to understand what to look for if we all organized our privacy statements around these same five elements. Make it part of your brand strategy. If you're doing better at this privacy thing than your competitors, let your customers know. But don't do it by slamming your competition; tell customers what to look for and how effectively you are protecting them!

22.3.2 Choice

Choice involves giving the customer the ability to decide whether or not he agrees to let you use his data in the ways you've described. After you've made the customer aware of what you intend to do with his information (besides the basic transaction he is performing), give him a chance to refuse giving permission for these additional uses. But no matter what he chooses, he can still complete the current transaction. Note that this is much better than losing an order because the customer didn't like your policy and didn't have any other way to let you know! Choice requires that you provide a way to let the customer answer "yes" or "no" to whether you can use his data after the transaction is completed. How would you use this data? Typical uses would include unsolicited sales and marketing contacts from you and/or selling or leasing his information to a third party. Choice requires that you have a way to store the answer somewhere safe so that you can continue to honor the customer's decision over time and across the organization. If you do what you promised and continue to develop the relationship, customers will often relent over time, recognizing that you are a company with integrity that they can trust with even more of their information.

Important concepts that relate to giving your customers control over how you use their data include what you do if they have not told you what they want (opt-in versus opt-out) and your policy on sending unsolicited e-mail (spam).

Opt-in/Opt-out

The question of opt-in/opt-out is one element of choice, and it is less confusing than it has been made to appear. It involves only one thing: What do you do with customer data when the customer has not answered the choice question? Obviously, it is perfectly fine to contact a per-

son who has said "yes," and it is absolutely not okay to contact a person who says "no." But what should you do with those people who did not answer either way?

- Opt-in means that if a customer did not answer the question, you must treat him as if he answered "no" (do not contact). This is the law in Europe, and many companies are making it their policy. For example, HP has changed its contact policy to opt-in.
- Opt-out means that if a customer did not answer the question, you may treat him as if he answered "yes" (okay to contact). This is standard for most of the world outside Europe.

The most important thing to understand about this opt-in/opt-out question is that it does not change what you ask the customer, but how you behave after he has made his decision. An opt-in policy includes only those who answered yes, while an opt-out policy excludes only those who said no. Therefore, you must know what the customer actually said. It is critical that you never infer (default) the customer's choice. You must store the actual response, whether it is "yes," "no," or nothing (didn't choose either).

Spam

I'm including spam within the "choice" section, although technically it offers customers no choice at all. Spam is narrowly defined as sending thousands of completely untargeted email messages by calculating common name variations (e.g., jdoe@jbm.com; john-doe@jbm.com; john_doe; john.doe; doejohn; and so on). In the broader meaning that has come into popular use, it is any @*!*\$ e-mail that you didn't want to receive! Spam is unacceptable. If it's not yet against the law where you are, it will be soon. Worse, it has a horrible impact on your customers' ability to trust you. You should e-mail only if a customer has given permission (opt-in is becoming the universal standard for e-mail) and always make it easy for her to say no to future email by providing an easy to use "choice" option in every e-mail you send.

In addition to addressing the basic questions of unsolicited contact and third-party access, you may also want to track customer preferences in terms of how they wish to be contacted. Which touch points would they prefer you to use? Their choices could include phone, e-mail, and direct mail. Strictly speaking, asking the two basic questions covers you, but it's a good business practice and good relationship management to get customers' preferences. Some people feel that the telephone (or e-mail, or whatever) is more invasive than other touch points, so if you allow them to choose the ways you can contact them, you get a "relationship" advantage. You can continue to communicate with them while acknowledging and respecting their preferences. Why give up all opportunity to contact a customer just because he doesn't want to be telephoned? By capturing and saving contact preferences, you will keep access open to more of your customers (just not through all touch points).

After you have gained permission, you must not substantially change your policy (at least you must not relax it) without regaining the customer's permission. In other words, before

changing or relaxing your policy, you must ask for permission to continue using the customer's information! This requires that you not only save what the customer said, but when he said it (date) so you know which version of your policy was agreed to. For example, should you decide to change current policy and start to link your anonymous web behavior data to your customer list, you must get customer permission first.

Throughout this book, you have been encouraged to think of your customer data as a company asset and to treat it as such. It might logically follow that if your customer database is an asset, it should be available for use as you wish or even for sale if a company must liquidate all its other assets. No final decision has been made as to what will be illegal, but most courts have taken a conservative stand supporting consumer privacy protection.

The difference between a customer information asset and data warehouse is that there hasn't been agreement that you actually own your customer information asset. It still belongs to your customers, even though they have given it to you to use. It parallels the situation in which you lease equipment or stock inventory that you haven't purchased yet. There is great benefit to having access to these assets, but if you go out of business, you don't get to sell those assets; they go back to the owner.

22.3.3 Access and Accuracy

Accuracy and access refers to letting a customer review and correct his own data. This is often the most difficult item for a company to accomplish, especially because, in theory, it should apply to all offline data as well as online. By the way, "access and accuracy" has been the law in many countries in Europe for a long time, long before most of us ever heard of the web. So what can you do? The minimum—but acceptable—solution is to have tools and processes in place (such as an inventory of all your major customer databases) that will allow you to easily retrieve and print all stored customer information. (Credit bureaus have done this for years). Send it to the customer with an offer to correct information that he marks up and sends back to you. (Obviously, you should actually make the requested corrections to his data.) It's even okay to charge the customer a reasonable fee to cover your costs for creating this type of report. (Again, the credit bureaus are an example.)

Clearly, you need to build a capability for customers to review and correct as soon as possible any data that they have given online. This is a big step in building customer confidence. Customers are much more nervous about the thought of turning their information over to a big black box where it will remain forever invisible and inaccessible. Also, consider that this can be a great opportunity to have your customers maintain your database for you (yielding a more accurate database for much less money). Make this part of your data quality management strategy. Customers are certainly in the best position to keep their profiles accurate and up to date. If you have built a strong relationship with your customers, they will see a benefit in keeping you posted about changes in their lives. (I never change my e-mail address without letting United Airlines know right away.) And, you'll get an additional indicator of your most loyal customers. Someone who's maintaining his data at your site is investing his time in your relationship!

22.3.4 Security

Security is keeping customer information safe from anyone with whom you have not planned to share it. You should protect your customers' personally identifiable data from the moment it leaves their PC until you no longer keep it. While it travels over the Internet, data should be encrypted. After it's stored in one of your company's databases, it should be protected with a combination of a firewall, encryption, and passwords. Don't forget that this requirement extends to any database that is part of your business environment but hosted on a third party's computer. I know companies who've been very proud of their internal system security only to have one of their databases hacked while it sat outside the company's walls. Security involves finding the right products and technology and using them. For example, don't turn off your network firewall because you know you plan to log on remotely while on vacation. This could open the way to a computer break in.

22.3.5 Oversight

Oversight refers to giving your customers the option to contact an independent party if they feel their privacy rights have been abused. Providing access to a third party is an excellent way to build customer trust, and it's a responsible way to combine self-regulation with deft handling of the argument that self-regulation leaves the fox guarding the chicken house. Third-party privacy seal programs, such as the BBBOnline (subsidiary of the Better Business Bureau) Privacy Seal, offer policy review and dispute resolution, but in an impartial way. The first step is to give the company a chance to show that the complaint is unfounded or to fix an issue they weren't aware of. Only if the company refuses to correct a reported violation will BBBOnline refer the issue to the FTC for final resolution under the false advertising statutes that have existed for years. I am a strong supporter of BBBOnline because they have all the bases covered, including these:

- A strong brand image in the consumer advocacy arena
- A robust assessment process
- Existing infrastructure for dealing with consumer complaints and for working with the Federal Trade Commission to resolve disputes
- Global visibility and global connections

BBBOnline has worked with government groups and consumer organizations around the world to develop a global network of privacy seals. Much like the Better Business Bureau's fair advertising seal, these privacy seals indicate that the company that displays the seal has been reviewed, has met a set of privacy standards, and is authorized to display the seal. The seal also guarantees the customer an avenue through which any concerns he may have can be addressed. The first international partnership of its kind was established with the Japanese Privacy Seal authority (JPPD). BBBOnline has also been actively engaged with the Department of Commerce on another initiative known as Safe Harbor. In an effort to resolve the differences in privacy approaches, the United States government and the European Union jointly launched the Safe

Harbor initiative that the European Union approved in July 2000. Safe harbor is currently in use with Hewlett-Packard being one of the first large companies to be certified. The BBBOnline Privacy Seal includes all requirements for the United States/ European Union Safe Harbor Agreement. Companies who receive Safe Harbor certification from the Department of Commerce are compliant with the European Union Data Protection Directive and may, therefore, transfer European customer data across borders. Having the seal means that customer information can be transferred across country borders. This is a huge advantage for the many companies whose business crosses borders and almost mandatory for online businesses that can't control who accesses their web site.

22.4 Writing Your Online Statement

While each company has its own culture, practices, and economic situations, little is to be gained by providing customers with a lengthy discussion of developing the details of your internal policy. But the external statements we make to our customers are a different story. We will focus on developing your online privacy statement because the more we can use a standard framework for communicating our policies, the easier it will be for customers to understand what they need to understand. The online statement is critical because so many customers are particularly concerned about releasing their personal data over the Internet. If you have uncovered some areas where you are particularly vulnerable since you first created your internal policy, you can include information in the online statement about which areas you are working to improve. The goal is to write a true statement that is clear and complete, so you earn your customers' trust and get them to trust you with more of their online business and personal information.

The online statement should be created with the following points in mind:

- Outline your company's commitment to respecting the privacy rights of your customers. Follow through on your promise with your actions. Make your privacy statement easy to find. Providing a direct link from your home page (and preferably from every page on your standard navigation banner) is a strong statement.
- Organize your statement around the five key elements. Including these elements will ensure that you have thought about all the issues you need to cover, and it will help educate your customers as to what they should look for in a privacy statement.
- Use simple, clear language. If your privacy statement reads like your Terms and Conditions document, then you have missed the boat (that is, unless your Terms and Conditions are also very easy to understand, and then you're way ahead of the game).
- Provide an easy way to contact your company. If a customer has concerns or questions about the privacy statement, don't forget that you have to respond! This is a very sensitive issue with some customers. If they took the time to raise an issue or concern, you better follow up — or you've lost that customer plus everyone else he can influence.
- Speak the truth. If you can't do it, don't say that you do. Nothing reduces trust quicker than a broken promise.

• Include a date. This lets the customer know that privacy continues to be of current importance to you (at least as long as the date isn't two years old). It also lets customers know that your policies are active and will evolve over time.

There are some "privacy statement generators" available on the web that can also help you develop an online statement. I haven't found one that really creates a simple, readable, and understandable document that is organized around these five principles. However, these tools offer another good way to get started. Generator programs ask a series of questions about your information collection and management practices, and then produce a document that summarizes your responses. You can find a good example of a generator at the Direct Marketing Association web site:

www.thedma.org/library/privacy/creating.shtml

You can also use existing privacy statements to help you create your own. You can easily find examples on your own, but I've listed a few here that cover a wide range of formats and content (from May 2001). I recently checked and some have been improved, but many are just the same.

• Sony Corporation of America: Sony has imbedded its statement in its Terms and Conditions. Up until recently Sony's privacy statement included a single paragraph on children's privacy in addition to the paragraph quoted below.

Privacy Policy

This web site, including any sub-site accessible through the homepage, (the "Site") is published and maintained by subsidiaries, affiliates and/or related entities of Sony Corporation of America ("Sony"). You can e-mail us at webmaster@www.sony.com. When you enter any sub-site accessible through this homepage, such sub-site may have its own privacy policy, which is specific to such sub-site. When you access, browse or use this Site you accept, without limitation or qualification, the terms and conditions of any privacy policies set forth in any sub-site.

www.sony.com

While the intent was clear, would this statement inspire your confidence? Happily, Sony has significantly updated its online privacy statement to cover the basic principles though it is still imbedded in the Terms and Conditions section.

• Sun Microsystems: Sun has done a good job keeping its statement simple and organizing it around most of the basic principles (excluding oversight). This is a sound

effort to get started and to honestly describe what they do and what they're working on. They also include a date on their statement. Unfortunately, this date is almost three years old! Does this feel like an up-to-date policy?

• Amazon.com and Visa: Both of these companies have easily understandable statements organized around the basic elements, again excluding oversight. Visa in particular has done a good job of making the key elements very visible while still allowing the customer to drill down and get more detailed information. Visa has also added a section on "Customer Service and Recourse," which is a step toward third-party oversight. When you are already doing the right things, there is no restrictive burden added by displaying a third-party "seal of approval." Instead, it will build your customers' confidence and loyalty.

www.amazon.com
www.visa.com

• Intel, Kodak, and HP: These three companies have created fairly simple, understandable, online privacy statements that cover the five elements, including oversight. All carry a privacy seal. All directly link from the home page, and all have an obvious e-mail button for feedback. Intel's feedback request clearly tells the customer that if he is not satisfied with Intel's response, he should contact the seal provider via the supplied link. This is an excellent practice.

www.intel.com
www.kodak.com
www.hp.com

Table 22-1 contains a sample framework for a privacy statement that will help you ask yourself all the key questions. Your statement should address each of these elements and should reflect your own company's position on each point.

After you've created your initial policy and customer communication documents, you have at least made your customers aware of what you are doing. They can vote with their mouse or trash basket if they're not comfortable with the way you do business. But, because that's not really the outcome you're looking for, over time you will want to enhance your policy to improve your privacy practices and image. Because policy and internal practices must remain in perfect alignment, you will have to provide training to all individuals who interact with (capture, manage, use) customer data about your new policies. As in all other "people behavior" change management projects, you must have a way of measuring and enforcing results. Everyone in your company must understand and abide by your privacy policy.

Table 22-1 Privacy Statement Framework

Privacy Commitment (Brief statement of your overall position)

- Your privacy and the safety of the data you give us are very important.
- We want you to understand what we do with your data.
- We want you to be comfortable with these practices. If you are not comfortable, you have the right to withhold permission to use your data. We may modify this statement from time to time. It was last updated on dd mmnn yyyy.

Notice (What information we collect and use)

- What data we collect (directly and from third parties)
- How we use it
- With whom we share it
- Do we target children, and if so, how do we deal with COPPA?
- Do we use cookies, and if so, how can you turn them off?

Choice (How we determine what you will allow us to do with your data)

- What we do when we first collect your data
- What we do when you change your mind

Access/Accuracy (How we plan to let you review and correct the accuracy of your data)

- How we give you access to review your data
- How we make the changes you request

Security (How we physically protect your data)

- What we do while your information is traveling to our site
- What we do once your information is inside (electronic and physical storage)
- What processes we have set up to ensure physical safety and protection

Overnight (What options you have if we haven't lived up to our promises)

- How to contact us
- Where to go if you're not satisfied with our response

22.5 Managing the Balance between Self-regulation and Legislation

One of the most negative outcomes from all the rhetoric around privacy is that companies are actually discouraged from posting their privacy policies. Because only U.S. companies that actually display a privacy policy can get into trouble for not living up to it, companies think they're safer not having a policy. Unfortunately, this is head-in-the-sand thinking. The real result of ignoring privacy will be complicated laws created by legislators who don't understand business realities. These are likely to be much more restrictive and difficult to work with than anything we would enact ourselves or that our customers would demand. Unfortunately, hard liners on both sides of the privacy questions make things worse. Self-regulation advocates reject all proposed legislation rather than working to make sure the laws are reasonable. Hard-line privacy

advocates reject solutions that aren't perfect. An example of a great initiative that many privacy hard-liners criticize because it doesn't solve every bit of the problem is the Platform for Privacy Preferences (for additional information on P3P, see www.w3.org/P3P), developed by the World Wide Web Consortium. P3P is a software tool that allows a customer to define his privacy preferences so that his computer can check a company's policy and decide whether it's an acceptable place to do business.

On the other hand, direct marketers and database marketing advocates reject any attempts at legislation, no matter how benign. This includes the attempts by the Federal Trade Commission to require that all companies doing business on the web have a basic privacy policy. Having such a policy would, at a minimum, eliminate the problem we just discussed: Some companies avoid displaying a policy because only then might they be vulnerable to privacy complaints. Although this head-in-the-sand thinking might be technically correct, it only makes customers less trusting and more leery of sharing their information with all companies. It's a vicious cycle. We want to be self-regulated, but we're reluctant to take the first step and make any privacy promises. So customers' trust of our sense of intentions goes down, as does the government's opinion of how responsible we're being. Government then raises the prospect of legislation as the only viable alternative because industry isn't taking responsibility. This causes more fear that one small legal step will lead to a totally restrictive environment, so we scream self-regulation even louder. We have to break this cycle. We all *must* create and post online privacy statements on our web sites now. Because it's a reasonable requirement, we should also get behind the efforts to adopt legislation to that effect, making the playing field level for all of us and taking a step toward building credibility with our customers and the government.

22.6 Getting Started Now

If you are serious about doing business in the 21st century, then you need to realize that privacy is a real issue and one that's here to stay. You can use it to your advantage to build strong relationships by taking steps to ensure that customers are comfortable. Your company should act now or privacy will be done to you. Take these first steps:

- Understand what privacy is all about.
- Develop a company privacy policy that reflects what you do. It can evolve over time as your capabilities improve. It's better to be accurate than to have an ideal policy. Post an online version of your policy.
- Get a Privacy Seal. Use simple and consistent language to describe what you do.
- Take responsibility and demonstrate leadership. Let your customers know that you accept the responsibility of protecting their personally identifiable information as carefully as you would the credit cards in your wallet.
- Help lead the charge in building awareness and educating the marketplace. Make your efforts visible.

As you have probably guessed by now, I am a strong advocate of taking a common-sense approach to things and not overcomplicating matters. If you overanalyze an issue, you just get paralyzed. Use common sense, and use yourself as an example. How do you feel about how your personal data should be used and protected? Understand what your company is doing today, fix the things that are obvious and/or easy to fix, and involve your staff in order to start the ball rolling. **JUST DO IT!**

Questions for Reflection

Think about what kinds of privacy commitments your company makes to your customers

1. Is there a privacy notice on your website? Do you have a separate privacy policy?
2. If there are any, are they widely known and understood inside the company? Are they widely followed?
3. Do your policies cover all five elements?

CRM: You Got It, Right?

Managing customer relationships today really means turning the management of the relationship over to your customers. It's a scary thought, isn't it? How do you let customers manage their own relationships without giving up total control of your business? And even if you did give up control, it wouldn't really do your customers much good if you lose money and have to go out of business because you "delighted" them. The dot.com debacle taught many people that important lesson.

Customers require that companies give them what they want, the way they want it, and when they want it. The trick is giving customers choices about how they interact with your company without giving the company away. Balancing priorities is what customer relationship management is about.

23.1 Knowing Your Company's CRM Goals

Surely, any company could "buy" customer loyalty with great free products and services. Many of the now defunct dot.coms did exactly that! And where are their customers today? I can't tell you exactly, but they're certainly no longer the loyal customers they once were to companies that no longer exist. Happy customers and loyal eyeballs are not the only measure of success; profit is still important. The secret to CRM success is finding the right balance between customer experience and company profit, as illustrated in Figure 23-1.

Almost every CRM business decision involves finding the right balance between internal and external investments, between actions and results.