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Research Note
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Successful Strategies for Initiating CRM Programs

If you implement customer relationship management without a plan, you're likely to fail. To make the road ahead clearer and enable you to accomplish your goals, you need to choose among the four major CRM strategies.

Core Topic
Customer Relationship Management: Business Strategies, Technologies and Applications for World-Class Marketing

Key Issue
How will successful enterprises enable the support of new consumer technologies into their ongoing operations?

Key Facts:
- The four CRM strategies are not mutually exclusive
- Enterprises may pursue several
- Systems can support multiple aspects
- Enterprises will tend to emphasize one of these four over the other three
- Understanding each will influence related areas, such as metrics

Enterprises seldom limit themselves to just a single customer relationship management (CRM) strategy; however, based on an enterprise's goals and culture, one of four strategies is likely to predominate. It is important that you understand this when planning and prioritizing your investments.

CRM is not monolithic. Gartner defines it as a business strategy designed to optimize profitability, revenue and customer satisfaction. Therefore, enterprises will pursue a wide variety of CRM strategies. One of the fallacies concerning CRM is that it looks the same at all enterprises. In reality, enterprises tend to pursue four different "flavors" of CRM, depending on which of four strategies they are emphasizing.

The four strategies are not mutually exclusive. Enterprises may pursue several, and systems can support multiple aspects; however, at the core, enterprises will tend to emphasize one of these four over the other three. Understanding each helps point to which systems make the most sense and will heavily influence related areas, such as metrics.

Strategy No. 1: Extend Depth and Breadth of Relationships

This is probably the most-common strategy that enterprises pursue, often without overtly thinking about it. The goal here is to get a larger share of the customer relationship. Common terms include "upsell" and "cross-sell." The presupposition is that the enterprise is underrepresented in the customer's thinking, and that it can expect a larger "fair share" of the relationship.

Information on the state of the current relationship is important to this strategy, as is the upside potential and the levers that influence the customer. Hence, it is extremely data-intensive and data-dependent. Enterprises that emphasize this strategy will place a heavy burden on related IT initiatives, such as data warehousing and business intelligence, and will tend to gravitate to solutions that use these and related technologies.

Typical Systems Used: Campaign management systems (CMSs), analytics/business intelligence and lead management

Traditional Metrics: Cross-sell ratio, close rate, average sales price, average increase in order size, involuntary attrition rate and cost, cost per lead, average order size and response rate

Pros: Easy connection to revenue; high payback

Cons: Data-intensive; requires systems infrastructure, which often requires retraining the marketing department

Strategy No. 2: Reduce Delivery Channel Costs and Create Barriers to Entry

The idea here is to move customers and transactions away from high-cost channels (the labor-intensive channels) to low-cost channels (such as the Web). This is aimed at using CRM to make the enterprise more efficient, so much of the focus is on such areas as revenue, channel costs, detailed transaction data and changes in usage patterns over time. The justification for systems purchased under this strategy usually involves costs that can be removed from the system.

Typical Systems Used: E-service/self-service, interactive voice response (IVR) and marketing resource management (MRM)

Traditional Metrics: Cost per transaction, revenue per customer, revenue per new customer, number of channels used, transaction errors per agent and average acquisition cost

Pros: Direct impact on bottom line; builds competitive advantage

Cons: May conflict with customer desires; requires a multi-touchpoint strategy; and may have unintended consequences — for example, using Web self-service to offload a call center can cause remaining calls to become longer and more complex, which results in a need for more agents of higher caliber to handle more-complex questions

Strategy No. 3: Reinforce Brand

Many pundits claim that, in the age of CRM, the brand is dead. In fact, exactly the opposite is true. The brand has become more important, because CRM is the fulfillment of the promise created around the brand. In other words, a brand promises customers what the relationship will be if they choose to do business. CRM is the ability to make that promise a reality. This strategy emphasizes the handoff from branding media (such as television) to more-interactive media (for example, the call center).

Typical Systems Used: Call center, sales force automation (SFA), opportunity management, e-commerce and unassisted selling

Traditional Metrics: Abandonment rate, once-and-done rate, pipeline forecast volume, calls per day, revenue per salesperson and number of new customers

Pros: Synergistic with other marketing goals; gives consistency for customers

Cons: More qualitative in nature; requires a long-term view of the relationship

Strategy No. 4: Create Customer Satisfaction and Loyalty

The goal here is to create happier customers. It is usually done in the area of customer service and support, but it may also include operational systems that enable customers to have access to needed information. A fundamental of this school of thought is that every interaction with the customer does one of two things: creates satisfaction or destroys it. This strategy works to ensure that the interactions go well.

Typical Systems Used: Billing and partnership relationship management (PRM) systems

Traditional Metrics: Customer satisfaction score, average duration of relationship, profit per time period, voluntary defection rate, lifetime value and quote-to-close cycle time

Pros: High correlation between satisfaction and longevity; builds on the back of necessary systems

Cons: Extremely qualitative, so difficult to quantify; hard to make links between satisfaction and loyalty

Bottom Line: No single strategy is right for every enterprise, so you can't limit yourself to just one. Although you should work on all four at the same time, based on the goals and culture of the enterprise, one of the four will predominate. Understanding this will enable you to plan and prioritize your investments accordingly, and this will improve your chances of success.

Acronym Key

CMS	Campaign management system
CRM	Customer relationship management
IVR	Interactive voice response
MRM	Marketing resource management
PRM	Partner relationship management
SFA	Sales force automation