

UNIT 3

PLANNING FOR CRM

INTRODUCTION

Identifying and understanding the needs and demands of customers is the prime focus of modern organizations. With the passage of time, organizations have realized the fact that 'Customers' are not optional for a business; they are meant to be dealt efficiently, as sustainability depends on them. Therefore, maintaining long term relationships with them is the need. CRM has emerged as an interface between organization and public. The effectiveness with which organization plans its CRM program determines its success or failure in the long run.

CRM PLANNING

It is rightly said "the task which is well planned is half done". While planning, a detailed action plan is decided in advance with the aim to achieve the desired goal. A CRM plan is all about recognizing valuable customers, understanding their needs logically and aligning organizational capabilities to optimally fulfill those needs. An effective CRM plan is comprehensive in nature and covers variety of aspects such as:

- Plan for collecting critical customer information
- Targeting the most profitable/promising customers
- Plans for enhancing customer loyalty
- Personalizing products and services
- Planning for increasing customer value and organizational revenue

CRM PLANNING PROCESS OR STEPS IN CRM PLANNING

It must be kept in mind that CRM planning is a strategic task which is quite challenging for any organization. It requires expert knowledge, careful analysis and commitment of huge costs. An organization takes several key steps that are essential for successful formulation of CRM plan, which are as follows:

1. Justifications While CRM Planning:

The organizations have to justify the following aspects while initiating to plan for a CRM program:

- Need of CRM in Organization: Does the company really needs a CRM program or can it work effectively even without CRM?
- Justification of the Cost Involved: Will the benefits evolved after CRM Implementation be more than the costs planned?
- Necessary Modifications in Strategies and Processes: Are the existing process and strategies flexible enough to be modified to incorporate CRM requirements?
- Suitability with Organizational Design and Structure: Will CRM be suitable with the organizational structure and design?
- Changes in Technology: How occasionally can upcoming technologies may affect CRM program?

2. Building Customer Centricity:

The orientation of modern organizations have shifted from 'Product' to 'Customer' The process of revenue generation in contemporary organizations starts from understanding the needs and expectations of customers. To survive in this world of competition, commitment towards the customers must be clearly understood and acknowledged. In the words of Craig Bailey and Kurt Jensen," customer centricity involves aligning organizational resources for effectively responding to ever changing needs of customers, while building mutually profitable relationships."

The process of CRM planning starts with creating a culture of customer centricity in the organization.

Ways to Develop Customer Centricity in Organization

- Customer focused thinking can be developed in the organization by following ways
- Motivating personnel to adopt customer centric behavior
- Recognizing and rewarding customer centric behavior
- Providing training to every staff member for customer centricity
- Ensuring the decision making hinges on customers
- Highlighting firm's progress in customer centricity
- Taking the customers' requests and feedback seriously
- Involving the customers in organizational crucial decisions
- Implementing customer focused changes
- Analyzing customer information thoroughly
- Conducting customer surveys, interviews and recording observations (mystery shopping)
- Responding to customers via emails, websites
- Putting employees in customer shoes

3. Setting the CRM Objectives:

In any organization, plans are designed at corporate level, business level and at departmental level. The third stage in the process of CRM planning is the designing of CRM objectives. Objectives are designed for aligning employees, CRM process and technology to attain overall organizational vision. Here, the organizational CRM goal must be reflected in the overall Business Plan. This stage includes the following key aspects:

- In this stage, CRM objectives are designed by the organization.
- These objectives are set at organizational level as well as at departmental level.
- At the organizational level, CRM objectives are integrated with the grand level strategy of the organization, also known as Corporate Level Strategy.
- At the departmental level, CRM objectives decide the limits of departmental objectives.

Therefore, a business plan is designed such that it clearly states the CRM goals of the organization.

Requirements of Effective CRM Objectives

Effective CRM objectives must fulfil the following requirements:

1. Guiding Action: Objectives must guide the CRM actions of organization. It should work as a guideline for designing, implementing and measuring the CRM program.
2. Aligned with Organizational Vision: CRM objectives must be in complete alignment with the overall organizational vision.

3. Specific This criterion stresses that the CRM objective should be specific, not general. This means the objective should be clear and unambiguous; without confusion and chaos. To make the objectives specific, the CRM team must be briefed exactly what is expected, why it is important, who is responsible, where it is going to happen and which attributes are important. A specific CRM objective will usually answer the five 'W' questions:

What: What do the organization wants to accomplish through CRM?

Why: What are the specific reasons, purposes or benefits of accomplishing the objectives?

Who: Who is responsible for what?

Where: Where to do the task ie. identify a location?

Which: Which resources are available and which requirements are to be met?

4. Achievable: This criterion stresses the importance of CRM objectives that are realistic and also attainable. An attainable objective may stretch a CRM team in order to achieve it. Thus, the objective should neither be out of reach nor below standard performance. The organization must develop the attitudes, abilities, skills and financial capacities to reach their objectives.

5. Relevant and Realistic: The fifth criterion stresses the importance of choosing a relevant CRM objective which will be compatible with overall organizational objectives.

6. Measurable The criterion stresses the need for concrete standards for measuring progress towards the attainment of the objective. Measurable CRM objectives assure that the team is making progress towards its successful completion or not.

7. Time bound: Last criterion stresses the importance of grounding CRM objectives within a time frame, giving it a target date. The commitment to a deadline helps a CRM team to focus its efforts on completion of the goal on or before the due date. This criterion is intended to prevent the team from being overtaken by the day-to-day crises that invariably arise in an organization. A time-bound plan is intended to establish a sense of urgency.

CRM objectives must be aligned with the CRM strategy. Objectives bind the strategies and processes together and functions as a link between them.

4. Planning for Resources Alignment:

Various organizational resources have to be planned in this stage to be prepared with a fool proof CRM plan. Following resources must be carefully planned and aligned:

- Personnel: Alignment of personnel towards customer centricity
- Operating practices and procedures
- Internal and external systems
- Products and services

5. Defining Data Requirements:

Organizations have to maintain huge amount of customers' data, and that requires having a strong database technology and hardware platform. This step in CRM planning deals with the analysis of data requirements.

To create an emotional connect with their customers, organizations maintain the data bases, where they store their customers' information. It helps them to keep up-to-date customer data and information. This data can be used anytime for different purposes. To take crucial decisions, this data is analyzed and used by the organizations

Customer data bases helps an organization to keep regular contacts with customers. Connecting with customer helps in building loyalty and repeat business. Loyal, consistent and repeat customers can be identified and contacted with special offers. Customer database are used for the following needs:

- To connect with the customers
- To update the customers about new offers and deals
- To know the customer expectations and develop products accordingly
- Customer satisfaction
- Customer retention
- To assist the organization in designing effective sales and marketing plans
- To have long term relationship with customers
- To identify buyers who never turned up for the second time

The data requirements must be clearly defined, so that CRM tool can be customized to match up with these requirements.

6. Planning for Coordination:

This stage involves communicating the need of formulating CRM plan with different departments such as Marketing, Sales, Finance, Accounting and Operations etc. Support from top management as well as various functional areas is the key to successfully plan and implement CRM project.

7. Planning for CRM Project Team:

A valuable project team is the need for successful CRM in any organization. This team will be accountable for key decisions related to CRM plan.

The effectiveness of CRM project largely depends upon the efficiency of development team that works for CRM. Development team consists of group of specialized people from different departments of an organization such as Marketing, Sales, IT, Production, Finance etc. This team is concerned with taking strategic decisions related to CRM strategy formulation and works towards an integrated objective. Major responsibilities of CRM team include the following:

- Understanding the needs of every department and implementing CRM program accordingly.
- Determining the need of implementing CRM in the organization.
- Making key decisions and offering recommendations, wherever necessary in CRM planning and implementation phase.
- Communicating the benefits of CRM in the entire organization.
- Arranging the funds for CRM project.
- Taking decisions on the matters where technical assistance have to be outsourced.

CRM team is headed by the CRM Project Manager, who is the overall in-charge of the CRM project in an organization. His team members are given specialized tasks and every member is responsible for specific set of tasks. Generally, the team consists of Project Sponsor, Implementation Manager, Database Developer, Technical Experts, Security and Information Manager and many others depending upon the requirements of CRM program as well as the organization.

8. Designing Plan of Action:

It will show what and how the organization aspires to turn its CRM vision into reality. This stage deals with developing and defining CRM strategy.

Elements of A CRM Plan

A plan of action is designed which will show how the CRM vision will be attained. This plan will show the logical sequence of steps that CRM team and other departments will be following to attain the final objective. Generally, a plan of action contains the following information:

- Target market
- Selection of CRM tool
- Method to attain customer loyalty
- Sales Force Automation
- Lead Management
- Implementation Roadmap

9. Planning Desired Outputs:

The success of any CRM system is described on the basis of its actual outputs. The organizations have certain expectations from a CRM program, which they believe to be attained. Desired Outputs are the targets expected from CRM program. As they define the CRM success criteria, these desired outputs should be specific and measurable as far as possible.

There are various methods to measure the outputs of a system e.g. quantitative methods and qualitative methods. Application of these methods depends upon the nature of CRM system and its requirements.

Generally, the following outputs are expected from a CRM program:

- To solve the existing certain problems of an organization
- To facilitate the working towards relationship management
- To build a positive organizational image in market
- To attract new customers and retain the existing ones
- To understand the customer requirements well

The output of CRM program is planned by setting performance standards, generally known as success metrics. The organizational experts set certain metrics for CRM program functionality based on their expectations. These standards work as the guidelines against which the actual performance of a CRM application can be assessed in the future.

Relevant Issues while Planning for Output

While planning for CRM program outcomes, following issues must be considered seriously:

- (1) CRM system must be planned in such a way that its outcomes are measured on regular basis and grey areas are pointed at the earliest.
- (2) Organization must design a realistic CRM budget in the planning stage itself, so that outcomes can be forecasted accurately. The budget must be made keeping into consideration the expected rate of return (return on investment) from the CRM project, as ROI is the indicator of project value.
- (3) The risk involved in the CRM project must also be considered seriously and probability of risk in expected outcomes must be ascertained.

SETTING THE CRM PROJECT FOUNDATION

With the introduction of CRM project in any organization, various changes have to be incorporated, some of which are:

- (i) Working culture shifts from traditional way to automated customer interactions.
- (ii) People in the organization may resist change, they need to be educated about the use of CRM. This training will differ from one department to other.
- (iii) The expectations of top management changes drastically, as they expect high level benefits from CRM program.
- (iv) Setting clear vision, mission, goals and priorities is must.
- (v) Clear priorities are to be set for objectives, processes and activities.
- (vi) Clear budget has to be designed and responsibility for funds is also assigned.
- (vii) IT department has to be made proactive. They are required to perform various CRM related roles e.g. database management.
- (viii) Assessment of various risk factors is to done carefully

ELEMENTS OF CRM PLAN

CRM plan shows the path regarding how an organization would turn its CRM vision into reality. It portrays a logical sequence of steps that CRM team and other departments will be following to attain the final objective of customer satisfaction. Generally, a plan of action contains the following elements:

1. Target Market- CRM is designed for the customers and their satisfaction. CRM plan would depict the segment of customers for whom the plan is going to be designed i.e, who are the target audiences.
2. CRM Tool: CRM is a specialized task, which is handled by automated software in the modern times. CRM plan will discuss the criteria for selection of CRM tool.
3. Method to Attain Customer Loyalty: Focus for every CRM plan is to have customer loyalty. It would highlight the methods that company will be using to attain customer satisfaction and loyalty such as loyalty programmes.
4. Sales Force Automation: One of the most crucial components of CRM plan is sales force automation
5. Human Resource Management: Human resource management involves managing the human resources and their skills at the specific moments of truth and service encounter.
6. Lead Management: It involves keeping track of sales leads. Leads are attained through successful campaigns,
7. Customer Information: CRM deals with collecting customer information, their past purchase history, trend of purchases etc. All this information is given to concerned departments.

8. Promotion and Marketing: It includes the activities undertaken by a company in order to promote its products or services.

9. Business Reporting: Customer relationship managers have to create a balance between sales, marketing and customer care reports. These customer care reports assist executives to gain an insight into daily work management and operations.

10. Analytics: It is the process of studying and presenting the data with the aim of observing the market trend. Analysis is done with the help of graphic presentation (histogram, charts, pie charts, diagrams etc.) or application of statistical tools (correlation, regression, trend lines etc.) The analysis is done with the help of current data and past figures, which will lead to meaningful outcomes in the form of trends.

11. Implementation Roadmap: CRM plan would also describe the implementation roadmap, which will show how the planned tasks would be implemented.

CRM STRATEGY

INTRODUCTION

It must be well understood that every organization needs effective CRM approach irrespective of its nature of products and services, type of customers and forces working in the marketplace. CR managers must be able to maintain customers' relations optimally. A key to successful customer relations is knowing the clients, answering their doubts, offering fruitful advice and recommendations and in all these functions, CRM strategy can be of great use. Getting and keeping customers for long requires an effective CRM strategy. Having a clear and appropriate CRM strategy is inevitable. Besides that, CRM strategy must be in synchronization with the overall business goals and strategies. The managers must plan the time period of CRM strategy setting in advance. As far as possible, a written plan must be made to follow through. Moreover, setting CRM strategy must be made crucial part of organizational annual objectives. Top management people and related staff must be involved in this setting stage to propose the changes required.

CRM STRATEGY

Strategy is a plan to reach at desired outcome created keeping into consideration available resources. A CRM strategy is designed to create and maintain strong relationship with organizational customers. It defines the way to acquire new customers and retain the existing ones. It is imperative for an organization to have sound CRM strategy. In the words of Gartner, "CRM is a business strategy whose outcomes optimize profitability, revenue and customer satisfaction by implementing customer centric processes." It must be noted that CRM strategy can't be designed in isolation. It must be relevant and linked to the corporate strategy

ESSENTIALS OF EFFECTIVE CRM STRATEGY

Following are the essentials of an effective CRM strategy:

1. Customer Orientation: CRM strategy must be completely customer centric. It should focus on the requirements and expectations of customers. Besides that, CRM strategy should clearly mention objectives of customer relationship.
2. Alignment of CRM strategy with Organizational Goals: CRM strategy must go hand in hand with the organizational goals. It should support organizational vision and mission.
3. Transparent: CRM strategy should be kept transparent for all organizational employees. It should be apparently discussed with staff within the organization.
4. Top Management Support: CRM strategy should be such that it is designed with the support of top management.
5. Technology: In today's competitive world, technology plays vital role in the growth of organization. Implementation of CRM requires an organization to have advanced technology and making use of CRM software. It helps in collecting required customer information in the most suitable manner. Moreover, the technology has to be updated from time to time.
6. Service and Support: CRM strategy must focus on customer service and support at every stage.
7. Match with Offering: It should match with the expected products to be offered to customers in present as well as in the future.
8. Other Essentials: A CRM strategy must have the following essentials as well:
 - It should be rational and logic based and should not be designed haphazardly.
 - CRM strategy should be based on facts.
 - It should be time bound.
 - It must consider the resource constraints of organization

NEED OF CRM STRATEGY

The question arises why organizations need CRM strategy. The fact is CRM strategy is formulated with certain objectives, which must be clearly set and defined. In addition to that, CRM objectives must be in synchronization with overall organizational strategy. The objectives for which CRM strategy is designed are being covered under following heads:

1. Providing Direction: CRM strategy is designed to provide direction to various functional areas of the organization such as marketing, finance, operations etc. They get clear idea about what is expected from them and how they are supposed to fulfill CRM objectives while fulfilling other organizational responsibilities CRM strategy directs the organizations about various strategic aspects such as
 - Which markets to cater?
 - What kind of activities to be performed?
 - How to acquire new leads?
 - How to retain existing customers?
 - How to strengthen the relationship with loyal customers?
2. Sharing Harmonized Information among Channels: It is imperative that the information shared by different channels must be same and synchronized. A prospect receives information about organizational products and services through various channels such as newspapers, websites, advertisements, internet,

telephone etc. All the information shared via different resources must be same. CRM strategy ensures that customers get same knowledge and information across different communication channels.

3. Clear Customer View CRM strategy helps in better understanding the needs of every individual customer. It offers 360 degree customers view to different organizational departments. Customers data is collected in detail and is stored in data bases, which can be used throughout the organization for taking different decisions. It includes customer personal information, orders placed, billing information, payment details, emails, purchase frequency, customer service calls etc. Different departments make use of this information to take strategic decisions

4. Preparing for Competition: An organization faces threats from other organizations in the same industry, which may be quite challenging CRM strategy directs a path to the organization about how to have a strong customer base and enhance revenues.

5. Eliminating Confusions: CRM strategy simplifies the processes of organization and confusions are minimized.

6. Promoting Organizational Offering Effective CRM strategy assists an organization in selecting right channels of promotion to persuade the potential leads to buy its offerings.

7. Improving the Processes: Logically designed CRM strategy facilitates best practices among organizational employees and directs them to work in the most effective way

CRM STRATEGY DEVELOPMENT PROCESS

There is no fixed procedure designed for developing CRM strategy, rather it depends upon the nature and size of organization for which it has to be designed. Following is the CRM strategy development process, which is applied by majority of the organizations to have a sound CRM strategy

1. Situation Analysis

The organization must conduct Situation analysis in the CRM Planning Phase itself. It helps in knowing whether the business is ready for CRM program or not. The managers can analyze and appraise the existing business strategies, plans, processes with this analysis. After this analysis, CRM manager can plan for the strategies logically.

Situation analysis is nothing, but the technique of SWOT, which was developed in 1960s at Stanford Research Institute. SWOT is acronym of:

S-Strengths

W-Weaknesses

O-Opportunities

T-Threats

While opportunities and threats are external to an organization, strengths and weaknesses are internal in nature. Every component of SWOT matrix plays a vital role in planning stage.

The components of SWOT matrix are:

(a) Opportunity: An opportunity is a favorable condition in the organization's external environment which enables it to strengthen its position due to CRM implementation.

(b) Threat: A threat is an unfavorable condition in the organization's external environment which causes risk for, or damage to the organization's position after CRM implementation.

(c) Strength: Strength is an inherent/internal capability of the organization which it can use to gain strategic advantage over its competitors.

(d) Weakness: A weakness is an inherent limitation or constraint of the organization which creates strategic disadvantage to it.

Situation analysis answers various questions such as which segments organization is handling successfully, extent of customer awareness, successful channels etc. This serves as know what organization wants to achieve by implementing CRM.

2. Analyzing Business Requirements:

It is generally seen that project teams formulate CRM strategy without analyzing business processes and identifying the customers' needs. It is necessary for the organizations to define and determine the reasons of introducing a CRM program. Different organizations have different requirements depending upon numerous factors such as funds available, size and nature of the organization, number of customers connected, target return etc. Generally, the organizations implement a CRM program due to the following requirements:

- To offer quality service to the existing and prospective customers
- To analyze the current target market trends
- To increase the organizational productivity and revenue
- To Identify the needs and expectations of customers
- To enhance the organizational market share within a specified time frame

3. Analyzing CRM Vision:

Strategy development process moves ahead with the analysis of CRM vision. Vision depicts what the firm would ultimately aspire to become in future. It is a package of ideals, beliefs and aspirations regarding the firm's purpose and values that project an image of what the business will be in future. It must be kept in mind that CRM vision must be in complete synchronization with organizational vision

4. Seeking Organizational Support and Commitment:

CRM strategy can be effectively formulated if the coordination from top management and other departments is achieved. Following aspects are quite crucial:

- Top management must be committed towards CRM plan and must be ready to invest in it.
- All functional departments such as marketing, finance, sales, production etc. must coordinate while formulating CRM strategy.
- Organizational wide commitment Le. commitment from top to bottom is the key for successful CRM strategy.
- CRM team must be dedicated enough to pursue its goals and mission.
- Sufficient resources must be available and a special budget must be allocated to CRM project

5. Conducting Meetings with CRM Team:

CRM team must meet for the development of suitable CRM strategy. Before meeting a summary of various information, strategy statements and business objectives must be sent to team mates. Balanced Scorecards may be used to summarize the information regarding various metrics in this stage.

6. Developing Strategic Options:

In this phase, various options for CRM strategy implementation are identified with their respective positive and negative aspects. These are the options out of which a final strategy would be selected after thorough analysis and discussions.

7. Strategic Choice:

The strategic choices are narrowed down on various criteria and last CRM strategy is finalized. In this stage selection criteria are finalized and all alternatives are evaluated.

8. Specify Strategy Statement:

A strategy draft is written and finalized. It will include CRM vision, mission and strategy to be publicized.

9. Review

The task of organizations doesn't end with the implementation of a successful CRM program. CRM initiative needs to keep moving forward. After the implementation of an effective CRM program, the organization is supposed to apply a process for assessing, aligning, and continually renewing the CRM strategy. The organizational business plans must be checked regularly and also its suitability with strategy. The purpose of this review stage is to find alignment between what customers want, what organizational strategy tells to do, and the tactics company has chosen to implement that strategy

CUSTOMER STRATEGY GRID

Designing customer strategy is a specialized process. Customer Strategy grid is a framework which describes various components that must be considered for developing and creating effective customer strategy. The model contains following seven elements:

1. Staff Training and Development: The fundamental aim of CRM system is to improve customer experience. Employees of an organization are the ones who would be involved in strategy implementation and delivery phase. Therefore, whenever CRM strategy is developed, staff must know the same in detail. Team members must be involved and they must also be given training regarding practical CRM aspects.

2. Service Culture: Successful CRM strategy requires supportive organizational infrastructure, customer centric culture and formalized business processes. When CRM initiative is supported by the top management, it is bound to be successful. Service culture emphasizing on great customer value is the foundation for effective CRM strategy.

3. Performance Measurement: For comparing the success of CRM strategy, certain CRM metrics must be decided. For example, the number of customers who don't defect from the company can be taken as a base for checking the performance of CRM system. Increase in visits and number of orders placed by customers can also measure the success of CRM.

4. Process and Execution: CRM process is a strategy for keeping every customer interaction personalized and meaningful. The process and implementation of CRM system must be clearly defined and communicated. The roles and responsibilities, outcomes expected, deadlines, definition of customer satisfaction, CRM metrics and ways to improve customer experience need to be precisely described.

5. Technological Software: CRM technology software helps in customer database in order to nurture and sustain long term relationships. Basic function of CRM technology is gathering and storing customer data. More sophisticated software also enables data analysis and facilitates decision making on the basis of purchase history and customer log ins. Selection of software depends on CRM objectives of an organization.

6. Structure and Roles of Employees: CRM is a team task, which requires coordination of various organizational departments, where everyone knows his roles and accountability for managing relationships effectively. Generally, the responsibility for design and implementation of CRM system rests with both business sponsors and IT personnel who ensure successful implementation.

7. Facilities and Work Environment: Organization heads need to manage their facilities and make the work more organized for successful implementation of CRM plan. A positive work environment is the pre-condition to manage, track and store customer (present and potential) information optimally.

Developing CRM strategy requires investment of lot of time and efforts of organizational staff. The top management along with CRM project manager must discuss the complexities in strategy development process in advance. The major challenge in front of any organization is the selection of appropriate CRM tool, as different business processes have to be integrated. The selection of technology must be done with care so that it can ensure the success of CRM program