

CRM: When Should a Firm Consider a CRM Strategy

Summary: What is CRM and what is it not

In our previous blog, we began by discussing about the world of CRM. In particular, we focused on the definition of CRM and what it is NOT. To summarize, CRM is less of a tool/technology and more of a philosophy/strategy within a company where the relationship with the customer is considered key for attaining sustainable, competitive advantage. In this blog, we will touch upon the topics of a) when should a firm consider CRM and b) what will be the impact of CRM on the existing processes, organizational structure and culture of the firm

When Should a Firm Consider a CRM Strategy

A recent study by the Corporate Executive Board (CEB) in 2012, highlighted that close to 57% of business to business (B2B) customers make up their buying decision before they even talk to a representative of their supplier. A key finding from research that we have conducted with buyers from B2B companies, stresses the increasingly proactive role played by those buyers. They are not only increasingly engaging their suppliers for product and sales related questions, but are also voicing their frustrations and/or problems with them via social media. Customers are becoming more demanding, which makes it very hard for the supplier to fulfil all their needs. Moreover, we observed that the suppliers have not adjusted their structure *yet* to the needs of their customers and are still working in silos. Consider the case of a customer who looks for information about its problems/needs on the website of the supplier. Before the sale he interacts with the sales representative of the supplier and after the sale he has to interact with the service organization, when the solution has to be delivered. While this looks a simple enough process from the viewpoint of the customer, chances are that three different, uncoordinated set of functions within the supplier organizations are responsible for fulfilling the needs of this single customer. The Marketing team might be responsible for the content on the website, the sales team for the sale itself and the customer service team for the aftersales. If each of these departments do not coordinate their actions, the end result will be the customer's needs not being served and

that would place the whole customer strategy in jeopardy. This is clearly understood by one of the companies we interviewed:

“Our customer is the core of our business strategy and CRM is an enabler to achieve this strategy. We don’t have a CRM strategy, we have a customer strategy” (Pharma Customer)

Getting the different departments within the same organization to work together (Busting Silo thinking) to help meet the customer needs is the single biggest challenge for many organizations. So before organizations set about this challenging task of busting silos, they need to ask themselves when a CRM strategy is absolutely necessary for them.

Here are some indicators:

When your offering is increasingly seen as a commodity. This is particularly true when customers are under the impression that they know exactly what they want and feel that there are sufficient suppliers to fulfil these needs. Under these conditions, providing extra service to the customer becomes key. Organizations in this situation need to better target their customers by customizing their solution to distinguish themselves from the competition. A CRM strategy including customer journeys in this case would help.

When you have multiple touchpoints with the same customer. When different members of the customer’s decision making unit interact with different functions within your organization, you need streamlining. This also occurs when multiple business units within your organization interact with different members in the customer’s organizations. Last but not the least, when you have a global customer and customer interactions occur at various levels and various geographies, coordination and strategy become key.

When your customer strategy clearly emphasizes on Customer Intimacy and Customer Experience, then having a clear view of the different touchpoints with the customer is critical for ensuring a great seamless, experience delivery. This is clearly inline with how Vlerick views its CRM approach:

- **“Firstly, companies should consider CRM immediately if they are a service provider. Secondly, companies should consider CRM if different employees interact with the same customer.” (Vlerick)**

What will be the impact of CRM on the existing processes, organizational structure and culture of the firm

The whole premise of CRM is based on the fact that organizations need to factor in more of their customers’ needs and wants into their existing processes

and even organizational structure. This would in some instances necessitate a fundamental change in the way an organization works and consequently might have to deal with a legacy issue. One of the biggest legacy issues we encounter in our practice is the move from a more product centric, inside out culture to one of customer centric- outside in culture. The latter is the fundamental part of the customer relationship strategy.

Despite this, we still see companies *mention* that they are customer centric, while their idea of customer centricity is still focused on only changing the existing processes to match with their IT CRM tool without matching them to their customers' needs. So rather than considering the way they currently engage with the customer and see how it can be improved, organizations rely on technology to do the job for them.

- *"It happens all the time that organizations adapt their CRM strategy to fit with its existing processes, structure and culture." (Consultant)*

One of the main arguments we make is that organizations considering CRM, must be willing to even make certain changes to their existing organizational structure to better serve their needs of the customers. Unfortunately, barring a few companies, very few manage to pull this off.

- ***"Companies never restructure their organizational structure(s). Some organizations restructure their processes to fit with their CRM strategy, other companies adapt their strategy to fit with their existing processes. Culture is not proactively managed or restructured/changed to match a new CRM strategy."***
(Consultant)

C-Clear Partners' Opinion

Defining who your ideal customer is, how you want to reach them and how you want to interact with them are pillars of a company. These are questions every organization *should* ask themselves. Defining a good customer strategy, relationship and experience should therefore be cornerstones as well. At C-Clear Partners, we are convinced that a CRM strategy is more than finding another best in class IT tool. It is a lifelong philosophy in which a tool can help you achieve your goal. So in our opinion, you should always define a CRM strategy and build processes around it. Leveraging a tool to help the coordination and execution can & will help you, but the tool itself will never be the silver bullet some organizations hope it to be.