

## What does a good Customer Relationship Management strategy look like?

Switches in fashions – for clothes, technical gadgets, cars or whatever – have always been hard to predict. In recent years the diversity and pace of change has become bewildering. Yet underlying all this, one trend is clear: customers are increasingly able and willing to shop around. So how can any company maintain margins in the face of the growing array of competition?

Along with this rise in consumer choice has come an answer from the technology vendors: *“We’ve studied best practices from across the globe. We’ve built these practices into our Customer Relationship Management (CRM) system. By using these practices you’ll be able to reduce sales costs, increase customer loyalty, sell more to each customer, ...”*

Hundreds of failed CRM projects later, people could be forgiven for thinking that customer relationship management is a myth. But it isn’t. Success stories do exist, and these successes can generate substantial returns. Payback within months and Return on Investment of more than 100% is by no means impossible.

What is mythical is the concept of generic best practices. Only specific, customer-focused practices that are matched to your business capabilities make money. How do you define a CRM strategy that will take you towards such practices?

### The end goal – creating value

A successful CRM strategy is built by addressing three fundamental concerns:

- **Understand who your customers are.** Few companies can be all things to all people – to get value from customer relationships, you need to understand who you are building those relationships with. For example, are you providing a broad range of services to a distinct group of people, or a single product that a wide swathe of the population will buy?
- **Understand how both parties derive value from the relationship.** A relationship only lasts when both parties benefit from it. What do your customers need from you? If they are looking for after-sales service, then you need to be able to provide it while still making a profit for yourself. For customers who simply want to buy and walk away, you need to operate differently.
- **Build processes and systems to remove blockages.** Only people can build relationships. Systems either support them as they do this, or else they get in the way. Identify what support people need and focus your systems on giving it.

Unsuccessful CRM projects rarely answer these questions clearly. Instead, by focusing on generic practices they scatter their resources across areas that have little real impact. At best, what they deliver is irrelevant. At worst, they get bogged down in debates, politicking and complex systems integration.

Projects that do answer these questions develop a focused strategy. They spend their money on targeted capabilities that can be implemented quickly and used easily by employees and customers.

### What does a successful CRM strategy look like?

A successful CRM strategy is clear and succinct. Its essence will probably be expressed in a few sentences such as

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- “Our customers want to solve their problem with X. We sell them an ongoing service to help fix the problem: buying the product is only the first stage of this process. We will use our systems to track progress and ensure we always provide service that’s relevant to their current stage in the process.”
- “Most of our customers buy a single product and then disappear, but people with the following characteristics tend to buy several products over the years. We will therefore build systems that let us identify such people and target our marketing activities on them.”
- “Our customers are concerned that we don’t always understand their full portfolio, as different products are recorded in different systems. We will consolidate our customers into a single database and record all their holdings and history there, so that sales partners always have this information to hand.”

Each of these clearly identifies how value is created for the customer. This in turn creates value for the company – people become more likely to recommend you to their friends, or marketing efforts deliver higher returns, or the cost of mistargeted service is reduced.

The strategies then identify what action will be taken to enhance that value. One way to think about this is to imagine that CRM applications give you a wide range of levers to pull, each allowing you to adjust an aspect of the way you interact with customers. How will your sales force be organised? What sort of marketing campaigns will you use? How will you perform post-sales service? Who will you partner with as you do this? Unfocused CRM requires you to set the position of dozens of levers. Endless debate about the importance of each capability ensues. By thinking through your route to customer value, you can focus on the eight or ten that are critical to your success.

### How do I implement CRM systems successfully?

Some CRM strategies require systems, some don’t. If you do need to implement systems, starting with a clear strategy will give you many of the preconditions for a successful project. Your objectives will be clear, and focused on a small set of capabilities that can be implemented rapidly (ideally in a phased or incremental way). The desired outcomes will be stated in ways that can be translated into clear business benefits, allowing realisation of these benefits to be measured and managed effectively. The outcomes will also be stated in ways that employees understand, increasing the likelihood that they will buy in to and use the resultant systems.

No software project is ever easy, but with these conditions in place a strong project manager and decent team have a reasonable chance of succeeding.

As you do this, remember the underlying truth: systems don’t build relationships, people do. A successful CRM strategy will help people focus on building high-value relationships. There is no one-size-fits-all way to do this: valuable relationships only happen if you think carefully about what fits for you and your customers.

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