Articles & Commentaries

p-Watch — Australia

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Customer Relationship Management (CRM)

The widespread use of Information Technology in the contemporary workplace is enabling organizations to draw together technical and industry knowledge, along with skills and expertise, to improve knowledge and understanding of customer needs and requirements. Through the 90's, new IT driven interactive customer management processes were reengineered at the "front end" of the business. This is generally known as CRM or Customer Relationship Management.

A process is a repeatable set of activities that improve an organization's value chain. A value chain refers to all the steps and characteristics, such as cost, quality, speed, responsiveness, flexibility, expertise, specialization, and durability, that an organization uses to deliver value to its customers. Taking the idea a step further, CRM is a set of business processes which support the value chain from the customer's perspective -from increasing responsiveness and improving quality to reducing and controlling costs, and making corporate bureaucracy and policies transparent to customers.

What is CRM?

Customer Relationship Management encompasses all the steps an organization takes to build and sustain profitable customer relationships, and defines the teamwork required to ensure the customer is satisfied. These activities are usually performed by sales, marketing, and service professionals.

Why CRM Matters

The driving force behind CRM is the fact that retaining customers is more profitable than acquiring new ones. According to 66% of the respondents to the Mercer Marketplace 2000 Survey, establishing and maintaining customer relationships is the single greatest source of competitive advantage. An effective CRM program results in improved customer satisfaction, greater revenue growth, and increased competitive advantage and ROI.

Teamwork

The processes within CRM create a system where everyone works in a team to harness resources for maximum effectiveness. Such teamwork contributes to efficiency and to consistency of standards and quality throughout the organization This fosters faster, better solutions to customers problems, and generates greater customer value. CRM also assists in improving focus on high value customer segments. Enabling CRM permits the workforce to own the means of production.

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Processes are analyzed and measured based on "moments of truth" - interactions between customers and the organization at any level. Customer Satisfaction Measurement and Management is integral to the successful execution of CRM.

The business objectives of CRM will help improve customer service, enhance customer relationships, reduce distribution costs, and act as top motivation and justification for further e-business applications Many global organizations are using CRM to drive their business transformation program. It should be noted that CRM is sometimes used to describe 'Customer Retention Management." This version of CRM falls way short of the major Business Process Management system described above.

CRM and Knowledge Management

The Information Age has led into the knowledge revolution. Organizations worldwide are realizing how important it is to maximize the use of their knowledge which exists in many different forms - computer database, libraries, filing cabinets and employees' minds. Reports suggest that as much as three quarters of corporate wealth are in assets such as intellectual property, strategies and plans, trade secrets, customer lists and employee knowledge.

Technology in the form of interactive software and the pervasive Internet is changing the way we manage our customers. New processes, methodologies and people re-skilling are transforming individual "islands" of information into collective knowledge bases. Tapping into this knowledge base and recording the information in an easily accessible and retrievable form remains a challenge for this decade. However, the interactive sharing of knowledge across actual and virtual teams is now occurnng.

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CRM, if implemented correctly, can:

- ► Draw on the collective information and data in the organization, leading to cutting edge management of knowledge.

- ► Benefit organizations through improved support from applications and information, enabling them to readily locate the right resources and find the best solutions, and to quickly tailor them to the customer's needs.

- ► Develop, using an appropriate Knowledge Management Framework, an effective management system for capturing and leveraging the intellectual

capital of the organization.

► Over time, increase teamwork, reduce work-loads, and significantly improve effectiveness.

Leadership

CRM design, deployment and execution require a significant investment in time and resources. This involves a long term commitment from executive management, an understanding of the impact on the business throughout the change process, and a willingness to exploit technology for improving business while implementing the new Business Management Processes.

A critical success factor is for executive management to require their reports to reflect these new Business Management Processes. The linking of Knowledge Management and CRM makes logical sense. Some senior management believe "knowledge is power" and are reluctant to move to knowledge-enabling strategies. However, when people in the organization benefit from the success of others, they move away from that inward mindset and start sharing what they know. Organizations that effectively create, distribute and apply knowledge are way ahead.

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