Editorial

Anyone in marketing today must have taken part in an earlier version of the BBC programme *Castaway 2000* if they are not aware of the concept of customer relationship management (CRM) — due to the rash of articles, seminars, conferences and sales pitches devoted to this theme over the past 18 months or so.

Close observers may also have noted a subtle but important shift in what the initials CRM stand for, the word ‘management’ appearing to have replaced ‘marketing’. Why is this important? Because it underlines the fact that what initially evolved as a new ‘customer-centric’ approach to understanding customers and using this information to develop more attractive and targeted communications and products has now been hijacked to create an organisation-wide approach to process management, with the emphasis being on the ‘front office’ (call handlers, service agents, Web screens, direct marketeers, etc) and the links to the ‘back office’ (information and processes that drive the planning and resourcing within the organisation). In other words, CRM is becoming billed as a key part of the route towards creating an enterprise-wide transformation of an organisation, rather than simply being another way to market products and services.

To understand this transition is vital. It leads to the immediate question as to where the thrust for this development actually comes from, and the motives that lie behind it.

Well, if organisations are enlightened enough to have sussed out that a *true* customer-centric approach makes for better long-term business, with a focus on retaining existing customers — the lower-cost and more profitable option rather than an emphasis on constantly recruiting new customers — then they should also have guessed that knowledge management is the only basis for a robust, sustainable, long-term strategy.

So, two views emerge on where the drive towards CRM comes from. The cynics’ view is that software companies competing in the saturated markets for ‘back-office’ products suddenly woke up to the fact that IT-based solutions to support sales, marketing and customer service were a potentially vast untapped market, with the added benefit that this investment could be linked into the ‘back-office’ systems to create a neat end-to-end process controlled by the IT vendor(s). The result would be a whole host of new electronically driven opportunities to exploit the customer base through all available channels.

After all, I am sure that those vendors who had become involved in building data warehouses (a sexier term coined to enable the boring concept of databases to be relaunched from a new perspective?) must have often pondered as to how their clients might be applying the new knowledge gained from this investment and whether there was a market for further new toys to make this application a slicker and more automated process.

A more charitable view would be that organisations have begun to realise that today’s consumer has become wise to and wary of the practices of marketing and disillusioned with poor standards of customer service — and have therefore started to look for IT solutions to deliver what the customer wants and when they want it by harnessing the extensive data sources around the organisation.

Reality is probably something to do with a convergence between the two views. However, this is no doubt fuelled by the hunger of IT vendors desperately needing new markets, and their willingness to pour resources into persuading potential clients that their software solution is the way forward to reducing costs and generating better returns from customers.

The incipient danger, with a capital ‘D’, is that the vendor onslaught leads to organisations believing that CRM is quite simply an IT investment. Nothing could be further from the truth. To be truly customer centric and gain the maximum benefits from the investment requires a cold, calculated review of the whole organisation. True *customer centricity* is about *building*

relationships for long-term mutual benefit rather than exploiting them for short-term gain. It is about *culture* and *organisational structure*. These last two sentences contain some very important concepts, as highlighted, which need to be fully understood and applied before any investment is made.

- **Customer centricity** requires a radically different culture within an organisation, where an understanding of the customers and their needs comes first. The process is top down. The Serv Qual model provides one template for enhancing customer service. It means investing in researching customers' needs and setting up feedback loops to keep in touch with customers' attitudes ('listening posts'). New research from BT/Henley Centre¹ shows that most customers *accept* as a part of life today that organisations they trade with will hold data about them. But while customers *anticipate* this to be utilised in contacts with them, they *expect* the organisation to use this knowledge responsibly and to *serve* their interests.
- **Building relationships** is a realisation that you are in the game for the longer term, and maybe should forgo profit opportunities in the short term to secure higher gains in the future. A move towards customer value measurement.
- **Long term** reinforces the preceding point.
- **Mutual benefit** is when customers and the organisation both feeling they are in a 'win-win' relationship where the customer also feels in control.
- **Culture** means 'walking the talk', rather than paying lip-service to customer centricity. This may require a major change programme and highly effective internal communications.
- **Organisational structure** involves moving from business silos to a more flexible and enterprise-wide structure to leverage the full benefits from information sources and IT investment. Customers are 'owned' by the whole organisation rather than by the business unit.

Therefore, CRM IT investment projects *must* be business led, and part of this *must* include effective hard and soft measures to track performance (including customer attitudes).

Unless all these principles are understood and applied, then investment in the technology will either not be realised, or customers will be ruthlessly exploited using the enhanced opportunities to identify sales opportunities (eg 'junk calls' replacing 'junk mail').

It is also important to re-think the company's asset and infrastructure base.

- Data need to be considered as a prime corporate asset, with a culture dedicated to data quality ('fit for purpose') embraced throughout the organisation. An information supply-chain model provides an excellent framework.
- Customers also need to be considered as a core corporate asset. This means that the value of individual customers or segments needs to be calculated (profit and loss accounts) — current and potential — and used to restructure the allocation of marketing spend. Marketing finally becomes truly measurable, and a true value can be calculated for the customer database.
- The enterprise data warehouse needs to be considered as core infrastructure, with maintenance and upgrade costs being considered in the same way as computer hardware, networks and telecommunications. The business case for CRM investment then centres on the application tools and benefits gained from customised communications, re-engineered processes, speed-to-market gains, enhanced customer service, etc.
- Business processes need to be mapped out, synergised and re-engineered to maximise the opportunities offered by the IT investment.

We want to explore some of these important points in future issues of *Interactive Marketing*, preferably based on the views and experiences of readers. The editors would therefore welcome

contributions which provide answers to these questions and help improve the understanding of how IT can be applied to facilitate marketing and customer service.

- Has any organisation to date achieved the goal of a *full application* of CRM principles and tools?
- Can organisations always justify the *expenditure* on the IT tools, or are there other ways to achieve a customer-centric goal?
- Is the currently available software '*up to the job*', or does the IT industry still have a way to go?
- How are the necessary *business rules* to drive the structure and messages within communications/contacts with customers to be defined and implemented?
- Can *e-commerce* be successfully applied without the support of CRM principles and IT solutions?
- Should CRM programmes be owned by the marketers, or are the *enterprise-wide implications* of such magnitude that they should be championed by the CEO?
- How will CRM affect the *role of the marketer* — is it in fact time to redefine the role of marketing?
- Are the *resources* available to implement and operate CRM programmes — especially the skill base, specialists and training facilities — and do marketers have the necessary skills and experience to manage CRM processes?
- Can you create genuine and lasting *trust* with customers by using CRM theories and technology — what is the impact on the brand?
- Can the concept of *outsourcing* activities such as customer service fit with a customer-centric culture?
- Should part of a CRM programme be to *audit* the data available across the organisation to ensure that, for example, accurate measures of all aspects of customer profitability are included in the model, such as the cost of service?
- Do the *technologists* need to pay much more attention when developing and implementing their products to business-led issues, such as the application of segmentation models?
- If CRM enables organisations to apply the concept of '*self-learning*' when trading with customers, is this universally applicable or only for certain niche markets (eg travel, books, music)?

The acid test for measuring the success of CRM might be the trends in consumers' attitudes towards direct marketing and customer service. Think of yourself as a consumer for a moment — to what extent do you see the principles of customer centricity and CRM exhibited in the organisations you come into contact with? Which are doing it well — and which are not?

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Reference

1. 'Putting customers in control: Learning from BT Street.' To support their CRM proposition, BT Corporate Clients division commissioned a study in 1999 where families were observed at home (BT Street) to learn how they dealt with companies.