

A CRM Blueprint: Maximizing ROI from your Customer-Based Strategy

Insight Report 2001



Peppers & Rogers Group

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overview

Return on Investment (ROI). It's the foundation upon which every business is built. Whether bulls or bears dominate the market, increasing numbers of large and mid-sized companies are turning to customer-based business strategies as their ROI cornerstone. In fact, International Data Corporation predicts revenue from the worldwide CRM industry will increase at a compound annual growth rate of 25 percent, from \$61 billion in 2001 to a whopping \$148 billion in 2005.

Large enterprises have led the way in developing and implementing customer-based strategies, to varying degrees of success. Armed with the knowledge of these experiences, mid-sized firms are turning to customer-based strategies as a blueprint for reaching their ROI goals. This report examines that trend and provides real-world examples of how mid-market firms are getting it done.

"A CRM Blueprint: Maximizing ROI from Your Customer-Based Strategy" analyzes the Customer Relationship Management (CRM) marketplace and provides in-depth case studies that will offer you perspective as you build your company's customer-based strategy. The report begins by defining CRM for large and mid-market companies. Section two, "Tracking the Trends," surveys the current and future state of customer-based business initiatives, highlighting key metrics that help drive the marketplace. "The Basic CRM Blueprint" provides the context for understanding IDIC, the Peppers and Rogers Group methodology for implementing a customer-based initiative.

In "Executing Your Customer-Based Business Strategy," we highlight three mid-sized companies at different stages of their CRM implementations. These case studies illustrate how to improve ROI by overcoming critical business challenges common to many CRM implementations. The report concludes with the "Idea Well," a list of twelve key steps that can help your company become more customer focused.

Customer Relationships Crucial to Boosting the Bottom Line

Companies of all sizes face the challenges of growing and retaining customers in a hyper-competitive market and of rationalizing their distribution channels. That pressure has fueled the drive to aggregate distribution and to differentiate customers according to their value to the organization. At the same time, icons of superior and personalized customer service are increasingly creating demand for higher service standards across industries. The service models of Amazon.com, Nordstrom and Charles Schwab have raised expectations for all organizations.

These forces mean that companies must incrementally improve their competitive position or definitively create their firm's unique market space. Either option requires a customer-based strategy designed to meet the expressed needs and preferences of your customers. The payoff can be increased loyalty, greater share of wallet, a broader array of services, greater channel efficacy, and a lock on your Most Valuable Customers (MVCs). In short, it's all about improving ROI.

More Than a Buzzword

It is important for firms to sort through some of the noise and recall that CRM is a business strategy, not just a technology. At the heart of the strategy are some rather simple tenets. One is that learning more about a customer's needs and behaviors enables a firm to develop stronger, more profitable relationships with that customer. The second premise is that stronger relationships will increase sales and promote better retention of key customers. These are the goals of every enterprise, regardless of size or industry.

But is the cost associated with implementing a customer-focused strategy and reorienting operations too much for a business to take on? And are six or even seven-figure budgets, multi-year implementations, and swelling Information Technology (IT) staffs

inevitable? Not according to the increasing number of firms that are already realizing better customer retention, increased competitive standing, higher profits and improved prospects for sustained growth by becoming more customer-focused.

Mid-Sized Firms Better Positioned for CRM

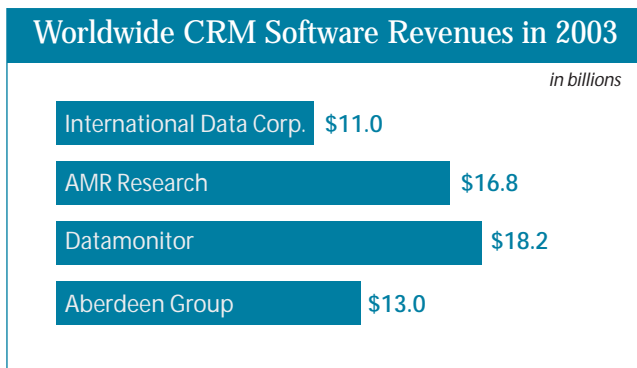
Large enterprises have long been the leaders in CRM strategy and implementation. Yet increasing numbers of mid-sized companies are entering the CRM fray; and in some ways are better positioned for success. Given their size, large enterprises face widespread technology infrastructures and their accompanying internal stakeholders. Dispersed operations and wide product offerings may present significant integration issues as well as practical challenges such as how to efficiently train employees to use the new technology. Simply put, gaining an enterprise view of the customer is easier the smaller the size of the enterprise.

Mid-market companies may also face fewer challenges in reorienting business processes and winning employee support. Even mandating change, if necessary, may be easier in a smaller, more centralized organization. CRM project ownership is also more clearly defined in a mid-sized organization. C-level management is often directly involved not only in the decision to pursue a customer-based strategy, but also in software selection and day-to-day project management. Experience has shown that senior management commitment, visibility and ongoing involvement is key to CRM success.

But perhaps the greatest advantage today's mid-sized firms have is the benefit of learning from the experiences of those who have gone first down the CRM highway. The Fortune 2000 cannot only learn a lot from the experiences of the Fortune 500, but in more and more cases, they can show the big guns a thing or two about realizing a rapid, quantifiable return on investment.

Tracking the Trends

Cahners In-Stat Group, a Scottsdale, Ariz.-based market research firm, estimates that large firms continue to drive as much as 78 percent of the market in operational CRM revenue, with spending estimated at \$1.9 billion in 2001. The firm forecasts worldwide revenue from CRM software applications alone at \$9.4 billion in 2001, with growth to \$30.6 billion by 2005. In-Stat's total CRM market estimates include software, analytical services and interactive solutions.



Source: eMarketer, "The CRM Report," 2001.

Gartner puts an even higher price tag on the worldwide CRM market. A January 2001 report by the Stamford, Conn.-headquartered technology research and consulting firm projects the 2001 CRM market at \$25 billion. By 2005, its estimates for growth balloon to \$65 billion. The firm puts the total services market (consulting, development, integration and process management) at six to eight times the application market.

The recent market slowdown has not deterred companies from investing in CRM initiatives. A report by Jupiter Media Metrix, a New York-based research firm, indicates that 74 percent of businesses that it surveyed said their spending on CRM solutions in 2001 would increase. Most estimated that they would spend 25 percent to 50 percent more in 2001, despite a slowing economy. Jupiter speculates that this is because more and more firms are realizing that customer retention costs less than acquisition, especially in leaner times.

Over the past several years, much of the CRM tech-

nology and related services market has concentrated at the high end of the market. Large financial services, telecommunications and technology concerns in particular have been the low hanging fruit around which many CRM technology providers have flocked. Such concentration is not surprising. A 2000 survey of 1,670 executives published by the Seattle, Wash.-based Data Warehouse Institute (TDWI) shows that 13 percent of companies surveyed spent over \$10 million on CRM solutions. On closer examination, however, 40 percent of companies spent less than \$500,000. And more and more firms are spending under \$100,000 to realize measurable benefits.

Rapid CRM Growth for Mid-Market Firms

Leading industry analysts anticipate that the mid-market is where much of the growth will come in the CRM market space. Cahners In-Stat predicts significant growth in the mid-market, beginning in 2002. The firm

Less than \$100,000	16%
\$100,000 to \$500,000	24%
\$500,000 to \$1 million	17%
\$1 million to \$2.5 million	14%
2.5 million to \$10 million	16%
\$10+ million	13%

Source: "Harnessing Customer Information for Strategic Advantage," published by The Data Warehousing Institute, 2001.

expects spending by mid-sized firms to be as high as \$490 million by the end of 2001.

A recent study by Forrester Research in Cambridge, Mass. found that 45 percent of the companies it surveyed were considering CRM projects and another 37 percent had initiatives already in progress. And a 2001 survey of 1,231 middle market executives commissioned by Microsoft Great Plains Business Solutions found 40 percent of firms already making use of a CRM solution.

CRM Goals

Improved customer service and greater customer retention are the two primary goals of CRM efforts, according to TDWI. Over 90 percent of respondents to the survey said these two objectives were either “very important” or “important.”

Following close behind were increasing the lifetime value of a customer (84 percent), customer acquisition (83 percent), and the ability to identify and treat Most Valuable Customers uniquely (78 percent). Less important was supply chain optimization, with only 48 percent of respondents citing this as an important goal. Such a result may be indicative of the still early stage of CRM at most firms.

In terms of CRM functionality, a 2001 Microsoft Great Plains survey found that today’s executives want three primary outcomes from a CRM system:

1. Improved customer service by making data available in real-time (76 percent).
2. Organization of data from multiple sources into a single location (68 percent).
3. Ability to get more done with fewer resources (67 percent).

From Customer Management to Enterprise Management

Such broad customer service, integration and efficiency objectives are indicative of the shift that has gone on in the market for CRM solutions. Companies are also changing both the ways that they buy and implement CRM applications. Not long ago, the focus was primarily upon standalone sales force automation and call center applications. Many firms looked to providers who promised to address a specific front office sales or service need.

Today’s CRM customer wants an integrated front and back office solution. When asked what business processes they would choose to automate or improve first, the majority of executives say that they want to tackle *both* customer-facing and financial functions at the same time.

The Basic CRM Blueprint

Companies of all sizes and industries are increasingly convinced that they can heighten customer loyalty and, as a result, improve margins and market position by embracing their customers. Being sold on a concept, however, is only the first step. For most companies, implementation is another issue entirely. Peppers and Rogers Group, a global management consulting firm dedicated to helping enterprises build and execute customer-based business strategies, applies a four-step methodology for transitioning CRM theory into action.

Identify

While it may seem obvious and simplistic for a firm to know with whom it does business, siloed and widely dispersed data can make identifying customers a challenge. A key principle of CRM is that it is not enough just to capture name, address and purchase information. It is important to be able to identify each customer individually and link information about that customer across the enterprise. Each contact or interaction represents an opportunity to learn more about the customer’s habits, preferences and value to the firm.

Differentiate

After a company has a good handle on who its customers are, it can begin to differentiate them. The underlying principles are that customers represent different levels of value to a company and that they have varied needs. One goal of differentiation is the ability to prioritize sales and service efforts around MVCs. The second objective is to do a better job tailoring those efforts based on knowledge of an individual customer’s needs.

Interact

The next step in the process is interaction. A company that has a clear understanding of its customers and their value is in a strong position to improve the cost-efficiency and effectiveness of its dealings with those

customers. MVCs may, for example, be recognized in specific ways or not have to wait in queue for service. Strategic interaction gathers data relevant to increased knowledge of preferences and the firm's ability to continue to quantify value.

Customize

The ultimate goal of CRM is to be able to deal with each customer on a one-to-one basis. Knowledge of the customer is so specific – and so relevant – that a firm can adapt its actions to meet that customer's previously expressed (or even implied) needs. The goal is to achieve that which was routine at the “mom-and-pop” grocery store. Customers were immediately recognized, addressed, and serviced on the basis of the last interaction and treated with knowledge of past and potential value to the firm.

These steps provide a sequential blueprint for any organization setting about to become more customer-focused. Differentiation cannot occur if a firm is not able to identify customers. Each step is also more challenging and complex than the previous. Steps often overlap – companies need not go through exhaustive identification processes to begin to differentiate. Most businesses can begin to reap immediate benefits and realize payback from a CRM initiative by merely identifying and changing the way they deal with the top 5 percent or bottom 20 percent of their customer base.

The ensuing three case studies highlight mid-sized companies at different stages along the CRM continuum. Each has come to the realization that becoming more customer-focused is a business requirement in any industry. Each has set about the task of implementing CRM solutions that directly address their company's unique revenue and profit goals. And each is realizing measurable benefits without undermining current business or breaking the bank.

CRM In-Depth: Executing Your Customer-Based Strategy

Eagle's Flight: A Quick Ascent to Customer Identification and Differentiation

When is a shrinking customer base not a bad thing? When it frees up a salesforce to focus on cross-selling and up-selling the organization's MVCs and its Most Growable Customers (MGCs). Since 1988, more than 250,000 people from leading-edge organizations of all sizes have received training in Eagle's Flight programs. The company has faced a number of challenges as it has grown, not the least of which was keeping its business systems in sync with new demands.

That's what the 15 highly mobile salespeople who sell Eagle's Flight training and conference programs have been doing since they implemented Great Plains Siebel Front Office, a fully integrated, Web-enabled CRM solution designed specifically for today's e-business climate. Eagle's Flight's goal was to identify and differentiate the firm's nearly 15,000 customers.

Unwieldy Customer Base

Dave Root, Chief Financial Officer (CFO) of Guelph, Canada-based Eagle's Flight, says, “Our biggest problem was that we were not generating enough repeat business. Some of our salespeople had as many as 800 clients. No one can maintain regular, personal contact and conduct follow up with that many customers. We knew that some customers were just falling off the face of the earth for us.”

Another problem was grounded in the way that customer contact occurred. The most intense client contact that the firm has is through its facilitators, the people that actually conduct the training. Facilitators receive immediate feedback from the client and often learn about additional or supplemental training needs. But Eagle's Flight had no method of getting the

information from the facilitators back into the system to impact sales or service.

The Possibilities of Full Integration

Eagle's Flight already had a good handle on its back-office operations. The company had a full Microsoft Great Plains back-office suite in operation for approximately four years. "We were used to having the ability to segment our business," says Root. "The back-office software has given us a laser-like focus on variables such as costs by product, by salesperson and cost of goods sold." The problem, he explains, was one of front and back-end integration. "When we started our search for a front-office package, we didn't really even know what CRM was. We knew that we had a contact management problem. We were wasting a lot of time on data re-entry. As we began our vendor search, we began to realize that we would realize enormous benefits if we could link the back office to the front office system," adds Root.

Eagle's Flight decided to dig deep into its customer base and reduce costs by spending less time marketing to less valuable customers. The company selected Great Plains Siebel Front Office because it was very pleased with the company's back-office solution. It also knew that implementation would be that much easier. But before any front-office system could begin to make a difference, there remained the difficult task of sorting the customer data and placing it into an actionable format.

The A, B, Cs of Segmentation

Eagle's Flight set about identifying and differentiating its entire customer base. It opted for a simple ranking system, A through D, with As being the company's MVCs. Categories B and C were reserved for differentiating customers according to their value to the firm. The final category of customers was labeled "inactive."

A similar A through D ranking system was established for prospects. Further identification involved separating buyers of individual training from buyers of full conference services. Still further segmentation

occurred by length of training purchased, as some highly valuable customers commit to multi-year programs.

The initial cuts through the customer base were conducted by each individual salesperson. Parameters were established to define each segment. The As were defined by frequency, size of purchase and number of potentially trainable employees. Bs, while still good customers, had less frequency, less volume or a smaller employee base. Cs were defined as those with the potential to buy frequently but in smaller amounts. Root describes Ds as "mystery" clients – those who bought once, but not again. Also considered were external metrics, such as size of company, global presence and the job function of the contact.

Managing the Segmentation Process

The next stage occurred when the Eagle's Flight "lead management" team, the seven staffers in the firm's call center, called all of the D customers in order to re-categorize the list. Each individual in the call center worked with a specific sales team, so there was no sense of customers being taken away from sales.

Indeed, the salesforce had voluntarily relinquished the Ds by defining them in that category. Lead management now handles the D list through a prescribed number of contacts to determine if they represent any future sales potential. If the call center determines that the D client is not worth pursuing, the client becomes "inactive."

The net outcome? According to Root, "We found that we had not as many As as we would like, a larger group of Bs, a huge group of Cs and a very, very large group of Ds."

Senior Management in the Trenches

Eagle's Flight recognized that the process of customer segmentation is an ongoing task. In fact, the process of establishing that a customer is still at a client company, re-qualifying them, or moving them off the active list continues. The company also knew that it can't leave the

job entirely up to the sales and contact center staff.

“One of the best things we did during the roll out was to team up salespeople with all the senior staff in the company. We even had some fun with the project and called it our SWOT Initiative. This stood for Salespeople Will Overachieve Targets. We met once a week and had daily telephone contact. This allowed us to share best practices, establish consistency and inject greater discipline into the salesforce,” recalls Root.

Senior management’s direct involvement helped establish that the new way of doing business was here to stay. “The sales team wanted to focus upon a key number of accounts anyway. That’s not to say there weren’t some challenges gaining initial buy in,” says Root. “We had to show them that entering additional data into the system was for their own benefit, that those extra two minutes for every sales call would result in solid payback. Now, I think they’re actually enjoying the new system,” he contends.

Technology Can Be the Easiest Part

Not all of the challenge was technology related. Root believes the new technology unmasked an underlying business problem that the company had lived with for years: “A lot of what we’ve set out to change involves sales training, sales discipline and the ability to dig deep into a customer base. It involves behavior and skill sets. The system has made us a better company by helping us introduce more process, rigor and focus into the way we sell and manage customers,” says Root.

When it comes to getting people to adopt new ways of doing business and use new tools, Eagle’s Flight has discovered that even a training company can learn a few things. “We were a bit idealistic. We said, ‘since we’re a training company, we’ll just provide some initial training, they’ll go home and use the system and it will be fine.’ It didn’t quite work out that way,” admits Root.

Keeping It Simple

Eagle’s Flight initially introduced a sophisticated

salesforce automation package with a lot of bells and whistles. “In the first implementation, we gave the users everything. We did a re-launch and took away a whole bunch of functionality that was nice, but not mandatory. Compliance went through the roof,” says Root.

Were some more advanced users resistant to scaling back? Root says the only people who realized features had been taken away were the people at corporate who had made a conscious decision to remove functionality. Root comments, “People were telling us, ‘We love version 6.0, it’s so much more user-friendly than version 5.0. It makes so much sense and it’s so intuitive.’”

Differentiation Pays Off

Diana Simaitis, Chief Marketing Officer of Eagle’s Flight says, “We now have a much better handle on the source of a lead, our number of prospect touches, when the lead translates into business, how long it takes and what kind of business it results in. We’re moving from mass marketing to targeted marketing, to one-to-one personalization and interaction.”

Eagle’s Flight now has sales booked two years out, which was unheard of before Great Plains Siebel Front Office was installed. CFO Root says, “We’ve seen so much return, we know that the system’s paid for itself. We’ve developed a whole new level of partnership with our best customers. Repeat business is up.”

Conclusion

Before turning to its customer-based strategy, Eagle’s Flight was disappointed with its low rate of repeat sales and inability to differentiate its customers. The primary obstacles were dispersed data and an inability to capture customer information from front-line employees. The company wanted a 360-degree view of customers and the ability to mine its client base.

The company installed Great Plains Siebel Front Office to complement its existing back-office system. It mobilized senior management, sales and service per-

sonnel to clean up customer files and segment the customer base. Eagle's Flight has since increased sales to MVCs and developed a more disciplined, better-trained salesforce.

Fairfield Processing Inc. – Nothing Old Hat About this Manufacturer

Customer voice recognition wasn't Joan Fleischman's primary goal when she started Fairfield Processing Inc. down the path of revamping the firm's back-office system. In fact, neither was CRM. But in just two years, the system installed in the closely held manufacturing firm has achieved that result. Fleischman, who is the one-woman Information Technology department at the Danbury, Conn.-headquartered firm, relays a recent experience by a member of the company's sales team.

Soon after Fairfield's Great Plains Siebel Front Office implementation, explains Fleischman, a customer called a representative and launched into a discussion about an immediate need for a specific product. Intent on placing the order, the eager customer didn't even pause to identify himself. The customer's familiar tone conveyed he was under the impression that his voice was immediately recognized.

The salesperson, not wanting to let on that she hadn't a clue as to who was calling, proceeded with taking the order and checking inventory status. In the brief time that the call progressed, the customer provided enough clues for the representative to quickly sort through the customer database and come up with the right name. The sales rep thanked the customer, by name, for the sizable order and hung up.

Such close customer interaction is typical for Fairfield, a company that manufactures a complete line of polyester fiber products for business and home users. Founded in the 1940s as a millinery manufacturer, Fairfield's products now include fill for craft kits, batting and polyester pillow forms. The company has 250 employees based in three manufacturing centers and two distribution centers in Atlanta and Salt Lake City.

Customers Large and Small

One of Fairfield's biggest accounting challenges was the wide range of customers it serves. Customers range from large retailers such as Wal-Mart and K-Mart, to retail craft chains, to independent hobby and craft stores. Individual customers can call the company to order small quantities of goods and pay by credit card. Large retailers use EDI systems to order product in huge volumes and demand specialized invoice formats, shipping methods and other sophisticated requirements from suppliers such as Fairfield.

Two full-time data entry positions supported the telephone sales staff, typing information from handwritten order forms into the accounting system. Similarly, since the accounting system was not linked to the EDI system that supported large customers, it was necessary to re-enter information from EDI orders into the accounting system.

Getting the Back Office in Order

The company implemented a Microsoft Great Plains' application in late 1999 to integrate financials with order-management applications. The goal was to build ROI by improving productivity, lowering costs and providing higher customer satisfaction. "The only way for a company like ours to grow is for us to be technologically ahead of our customers. Our product isn't a technical product. It's a very simple product, so we need to be able to deliver better service to customers," says Fleischman.

Before the new system came online, it took a day or two for an order to be processed and for paperwork to flow to shipping or out to the appropriate distribution system. Now, as soon as an order is placed, the system finds the appropriate warehouse, looks at the inventory levels and produces an exception report if the item is not in stock (rather than having employees manually review each order). An order can now be in the distribution center in minutes with all documentation printed and accounting data secured. Fairfield

reduced order-processing time by 400 hours per month, increased salesforce efficiency and dramatically improved service to its customers.

Next Step: Salesforce Automation

“Once we got our internal house in order, the next logical step was to establish a better way to communicate with our salespeople and outside distributors. I wasn’t necessarily looking for a CRM solution,” says Fleischman. “We needed a front-office solution to integrate seamlessly with the back-office system we’d just put in place.”

The goals of the second stage of Fairfield’s transition were to improve communication between sales and service and to allow better forecasting. Fairfield has an internal sales and telemarketing staff of five, and a ten-member outside salesforce. Their level of technical skill ranged from fairly computer proficient to “never use the darn things.” According to Fleischman, “We wanted to be able to see where a customer stood at any point in time. We also wanted to ensure that someone else could service a customer even if the account representative was not around.”

Selling the Sales Team

Fairfield’s sales team was sold on the new system on several levels. The salesforce was told that if they entered additional client data, it would mean less paperwork and fewer inquiries from the COO. They also liked the idea that someone else could service their customers. A routine inquiry wouldn’t set off a string of phone calls, emails or pages to provide a customer with an answer to a simple question.

The Great Plains Siebel Front Office system, while providing individual reps with a complete view of the customer, also offered enough security features so skittishness about another salesperson viewing client data was not a factor. “In fact, we’ve seen a lot more team interaction out of independent reps than I ever thought possible. We have a large customer that’s serv-

iced by several reps,” says Fleischman. “Since we’ve gone live with the new system, reps have been able to see product sales patterns. They’re talking to each other about tactics and bringing ideas back to other clients and generating new sales.”

Getting Outside Help

Fleischman credits her local reseller, CEP Systems in Norwalk, Conn., with greatly aiding her application purchase, implementation and training process. “A good consultant has made my potentially five-person job just a one-person job,” she says. (See How to Select a Value-Added Reseller sidebar.) “As a solo IT shop, I knew that I’d be on the phone 24/7 if the solutions didn’t work. It was critical that what we selected worked and that it worked well. We also couldn’t afford to spend a fortune or a lot of time on implementation,” Fleischman adds.

Fairfield decided to roll out the new system in stages, opting to go with the most challenging areas first. The company started with its in-house sales and operations people. Fleischman knew that any kinks uncovered and resolved in-house would make a subsequent roll out to outside sales that much easier. Outside salespeople were eventually brought in for two days of training. When they went home, an interactive, Web-based Internet help system ensured that they stayed up and running.

Conclusion

Did Fairfield manage to hold the line on costs? Fleischman says, “We came in only about 10 percent over initial projected budget. Any large IT department that saw my budget would cringe because they wouldn’t believe that we got this done so fast and so cheap.”

Prior to achieving these goals, Fairfield had inventory management, fulfillment and service challenges. The company opted to get its back-office systems in order as a means of improving customer service. That accomplished, Fairfield wanted to improve communi-

cation with internal and external sales and unlock customer value.

The company selected a front-office solution that would seamlessly integrate with the back-office software and chose to work with an experienced value-added reseller to augment a one-person IT shop. Fairfield reduced order-processing time by 400 hours per month and dramatically improved service to customers. The company is also generating additional sales as its salesforce has acquired a 360-view of customers.

BurnhamOnline: Building Customer Relationships and a New Business

Mike Gaynor may only be a two-year veteran of CRM, but his experiences offer some valuable insight for like-minded executives. Gaynor is Chief Executive Officer (CEO) of three Chicago, Ill.-based companies. The oldest of the companies is BurnhamOnline, a firm that works with contractors to expedite the acquisition of building permits. BurnhamOnline manages up to 1,600 projects at any one time. Like many business owners, Gaynor didn't decide to become customer-focused to realize any fuzzy, "wouldn't-it-be-nice-if" objectives. He did it to survive.

BurnhamOnline was experiencing rapid growth. The firm had gone from \$4 million to \$6 million in sales in less than two years. The company was processing 15,000 customer transactions a year. Its employee base had grown to 38 people. Yet, in many respects, the firm was still operating as it had when it was launched ten years ago.

The firm's salespeople were using Microsoft Outlook or ACT! for customer-contact management. A separate system had been cobbled together to handle the administrative tasks associated with the permit-application process. All of the independent applications essentially did what they were supposed to do, but there was no integration. Any effort to put data together was strictly a manual task.

Old Ways Impede Growth

Gaynor knew that the company could not continue to operate this way and achieve its growth objectives. He set about looking for a technology solution that would provide salesforce automation, order management and back-office functionality in one place. Gaynor found lots of products that did each task well. But he was hard pressed to find a vendor who offered all of the needed functionality in a package suitable and affordable for a firm of his size until he encountered Microsoft Great Plains.

"We've learned more about our business in the last year than we did in the past 10," says Gaynor. One of the most important things BurnhamOnline has learned is the value of its inventory. According to the firm's business model, the company doesn't see revenue until approximately two months after the initial order, or when the building permit is issued. Other firms would consider that pipeline as inventory, but BurnhamOnline had no way to see orders in process.

After implementing the integrated Microsoft Great Plains CRM solution, BurnhamOnline was able to identify \$2.6 million in revenue tied up as backlogged orders. "You can't fix a problem you don't know you have. We've been able to drive down that figure by about \$1 million by increasing our efficiency and simply being aware of the problem," says Gaynor.

Once and Done

BurnhamOnline had an established process whereby the accounting staff manually entered orders. Sales volume increased to the point where the accounting staff was in danger of outgrowing the sales staff. With the new, integrated Microsoft Great Plains CRM solution, the salesperson enters the data, submits quote to order and the data automatically flows to the back office.

"We've taken our accounting department, which was working a 60-hour week and streamlined our process so they are able to work less than a 40-hour week," notes Gaynor. "We've reduced their workload while increasing

efficiency and accuracy.” Gaynor estimates the company avoided adding seven staff members to the accounting department, and instead opened up the opportunity to increase its sales staff. Had they not re-engineered the business process first, Gaynor believes the company would still be attempting to implement a CRM solution to fix a faulty process and still adding to the accounting staff.

Up-sell is Up, Delivery Time is Down

Gains have been realized on the front end of the business as well. In the past, salespeople had no historical view of a customer. Transactions were individual events sold on a flat fee basis. Today, BurnhamOnline’s three account managers have a catalog of several hundred products. They can up-sell by bundling product offerings at attractive price points for good customers while maintaining appropriate margins. Sales are up about \$1 million since the system went online.

Gaynor says that becoming more customer focused was not completely without its challenges, but the investment has more than paid off. Revenue has grown at 20 percent each year since implementation, despite some recent fall off in the construction business. Transactions are up, yet product delivery time has dramatically improved. It used to take BurnhamOnline 72 days to deliver a building permit. Delivery time is now down to 56 days.

CRM Paves the Way for a New Business

Gaynor is so sold on CRM that he’s installed the same full suite of Microsoft Great Plains business applications in his two other companies. In fact, the fresh perspective he’s gained on the potential ways to view and repackage customer data gave birth to his newest company, ConstructWorks Inc.

Founded in early 2001, ConstructWorks Inc. is a saleslead service that provides detailed information on companies currently constructing, expanding or remodeling buildings. Prospects for such leads include anyone

selling products such as copiers, telecommunications services, computers, office design or furniture in the business-to-business market. ConstructWorks delivers the subscription-based leads over the Internet. Leads include estimated construction start and end dates, a project description, names of the owner or general manager, names of the office, facilities and IT managers, human resources contact and Web site address information. The lead also estimates number of employees to be housed, facility square footage, and other location specific information.

Up, Running and Profitable

“We started our new company, found customers, and got profitable – all in under six months,” says Gaynor. “The front and back-office system that we implemented in the other companies is the backbone of the new company. But we also added on integrated Great Plains Siebel eChannel functionality to the back-office package that’s literally enabled us to put up a Web storefront and get up, running and profitable very quickly.”

Backed by these measurable gains, Gaynor is just beginning to explore the way customers interact – and become tied to – his companies. “Any time a building gets built, it’s like the birth of a short-lived company. Local government agencies, contractors, sub-contractors, architects and engineers all need to come together and communicate. We now have several thousand users in Chicago and New York who are accessing this tool,” he adds.

Redefining Customer Relationships

Gaynor’s long-term goal is to provide these increased service levels to his customers. “In a sense,” he says, “we want to become an Application Service Provider (ASP). We’d like to deliver tools for them to manage their customers and automate their salesforces. It makes sense as our next logical step.” What’s long term? Gaynor plans to deliver many of these capabilities to his customers in just six months.

Conclusion

Before turning to intelligent CRM, BurnhamOnline was relying upon solutions it had long outgrown. Data was spread over various applications, and old processes were error prone, labor intensive and inefficient. The company was unable to get an accurate view of its financial position and was forced to consistently add back-office staff. A one-dimensional view of customers impeded the flexibility of the salesforce. BurnhamOnline decided to simultaneously address both its front and back-office problems through an integrated solution from Microsoft Great Plains Business Solutions.

Revenue has grown at 20 percent each year since implementation. Transactions have increased, yet product delivery time is down from 72 days to 56 days. Back-office personnel are working fewer hours, and with better productivity. The solutions and the possibilities they have opened up to BurnhamOnline have spurred the growth of a new, similarly powered business that has been able to achieve profitability in just six months.

Idea Well

12 Key Steps to Becoming More Customer Focused

- 1. Don't be put off by the CRM hype of recent years.** Many businesses are realizing measurable productivity, sales, customer acquisition and retention gains from a strategic decision to become more customer focused.
- 2. A good out-of-the-box CRM solution probably exists to solve your problem.** One-dimensional views of the customer, disparate databases and the inability to mine customer data are common challenges. Tried and true solutions are available in the market today.
- 3. There's no need to break the bank.** Many highly functional front and back-office systems can and have been implemented for under \$100,000. In some circumstances, systems can be up and running for five figures.
- 4. Avoid automating chaos.** Automating a flawed business process does not improve the process. It just speeds up or makes a bad process more transparent. Map out the current business process you are trying to fix before you invest in any CRM application.
- 5. Establish clear benchmarks for success.** This can mean up-front work to obtain clear baseline measures.
- 6. Designate a person or department to head up and manage the CRM project.** It doesn't have to be an IT person, but it should be someone of authority with an excellent understanding of your business.
- 7. Consider working with a Value-Added Reseller (VAR).** Select one with the care you use in selecting any other trusted business partner such as an attorney or a CPA.
- 8. Develop a detailed project plan for the implementation.** Revisit it periodically to make sure it is still on track.
- 9. Bring front and back-office staff in early.** These people have the most insight into how you can improve your operations.
- 10. Plain vanilla is good.** Training will be easier, more effective and less costly if you keep it simple.
- 11. Train initially and on a continuing basis.** Factor training costs into the total project budget.
- 12. Implement in stages.** Early, visible wins will engender support, build enthusiasm and momentum. Look for solutions that are integrated, modular and customizable.

Conclusion

Reorienting around customers is new and uncharted territory for many businesses. But enough time has elapsed for firms to observe the successes and challenges encountered by companies that have already started down the CRM road. Companies of all sizes that are becoming more customer focused are realizing results. The most successful among them recognize that CRM is a business strategy that requires a new way of thinking. It also represents a major change in culture and operations.

Achieving the ROI all companies seek can be accomplished through effective customer-based strategies. Yet, intelligent and results-based CRM requires a solid amount of analysis and implementation at both the front and back ends of an organization. Moreover, CRM is not simply a technology that can be purchased. The most successful implementations are a result of an alignment of strategy, process design, as well as technology. Of course, there's also the human element. Garnering input, communicating effectively, managing expectations and putting feedback back into the process are also vital to driving ROI from any customer-based implementation.

This is why companies embarking on the CRM journey today are more likely than early adopters to look at the total array of services provided by a potential technology vendor. Even if they do not intend to buy a full-blown implementation, firms are seeking out CRM providers that offer consulting services, development capabilities, customization options, integration assistance, modularity and training.

Such decisions reflect an understanding that becoming more customer focused is not something that happens in a vacuum. As this CRM blueprint report illustrates, selecting a technology partner with depth and breadth also reflects growing understanding and confidence that early gains in one part of the business – such as back-office processes – can be leveraged for measurable impact upon sales and service.

Today's CRM solutions are flexible enough to address the area where a business is feeling the most pain,

whether it's sales, service, accounting or order management. Whether a firm starts on the front or the back end is not critical. What is important is to get started. □

How to Select a Value-Added Reseller (VAR)

The following steps are recommended by Don Nelson, Vice President, CRM, Microsoft Great Plains Business Solutions:

Ask your peers about companies they have worked with.

Find out about the VAR network your CRM application vendor offers. The longer your manufacturer has been in business, the more likely it is to have a large, well-established network with proven success in working with a company like yours.

Ask the software provider to recommend resellers in your area.

Establish a short list of potential partners. Gauge the potential of the relationship through preliminary meetings wherein you clearly outline your business objectives.

Establish the VAR's references and experience. Speak to past and present customers, especially in your vertical market, but also outside of your industry.

If you haven't already mapped out the critical business processes you want the CRM solutions to improve, find out if the VAR or the software vendor can help you — before you begin a CRM implementation.

Don't rule out a VAR because they can't do it all for you. While it would seem ideal to find one company to handle your hardware, networking, software, etc., there's something to be said for expertise and specialization. Just make sure all of your providers are aware of your strategy, your objectives, and most important, that they communicate with one another.

If at any time you are unhappy with the VAR relationship, go back to the software provider and ask for another recommendation.



Behind every success is a winning strategy.
Supporting every strategy is the power of software.

Your business is like no other. So your CRM solution should be tailored to your unique challenges—both functionally and economically. Microsoft Great Plains is a leader in providing that tailored solution. We've devoted more than twenty years to perfecting flexible business management software that's designed to address all your business needs. With a full enterprise suite offering remarkably smooth customization and expandability, your business can meet the future with the right tools to thrive.

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A handwritten signature in black ink that reads "Don Nelson".

Don Nelson
Vice President, CRM
Microsoft Great Plains Business Solutions

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Microsoft Great Plains provides business applications that help mid-sized companies become more agile in today's interconnected economy. Microsoft Great Plains products automate financial and operational processes, and allow companies to extend specific information and procedures securely via the Web to employees, customers, suppliers and partners.

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