CUSTOMER RELATIONSHIP MANAGEMENT FROM THEORY TO PRACTICE: IMPLEMENTATION STEPS

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Abstract

In today's highly competitive world, an increasing number of organizations have realized the importance of becoming more customer-centric and invested a large amount of time and resources in a Customer Relationship Management (CRM) system with the aim of better managing their customers. A large number of CRM projects, however, end up failing or struggling. While many studies have been conducted about methodologies, tools, and theoretical conceptualizations of CRM, there is little, if any, emphasizing the critical steps and key challenges to its successful implementation. This paper picks up on that challenge. The emphasis of the discussion is not on the introduction of previously developed tools or theoretical conceptualizations, but on issues relating to CRM project management. The road map which this paper develops owes its origin to this author's extensive experience as a marketing and CRM consultant for large and medium enterprises in Thailand and Australia for more than ten years. It aims to compiles the critical steps and provides a conceptual framework for the implementation of CRM that will lead to better preparation for consultants and organizations alike that want to make CRM an operational tool.

Key Words*: CRM implementation, Customer Relationship Management, CRM Road Map, CRM Project Management*

Introduction

With the world currently in the midst of deepening economic woes, consumer confidence is at a low and markets are shrinking as the economy keeps contracting, customer loyalty is becoming even more critical to companies' bottom lines. One way for an organization to retain its client base and ensure repeat purchases is to develop a data-based, customer-focused management strategy that aims to increase customer satisfaction by cultivating long-term relationships. This strategy, known as Customer Relationship Management (CRM), is widely recognized as a key ingredient in the creation of market value (Chen and Popovich, 2003; Day, 2000; Srivastava, Shervanie, and Fahey, 1999; Peppers, Rogers, and Dorf, 1999; Reichheld, 1996a).

CRM can be defined as "a cross-functional, customer-driven and technology-integrated business process management strategy that maximizes relationships' (Chen and Popovich, 2003). A "combination of strategy and information systems, it aims at focusing attention on customers in order to serve them better" (McKenzie, 2001). CRM "allows companies to gather customer data swiftly, identify the most valuable customers over time, and increase customer loyalty by providing customized products and services". (Rigby, Reichheld, and Schefter, 2002). Kumar and Reinartz, (2006) refer to CRM as "the strategic process of selecting the customers a firm can most profitably serve and shaping the interactions between that company and these customers with the goal of optimizing the current and future value of the customers for the company".

In Thailand, a number of medium and large companies have undertaken to implement CRM;

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some successfully, some with mixed results, and some without any significant impact. Several studies in various industrialized countries show that on average 55 to 75 percent of the organizations embarked on implementing CRM fail to some extent in their efforts, incurring high costs in the process (Johnson, 2004; Nelson, 2002; Apicella et al., 1999). Although no specific statistics are available with regard to Thai companies, such estimates may well give a fairly accurate picture of the CRM reality in Thailand. What can be stated with certainty, however, is that when successfully implemented, CRM will reap substantial benefits. Conversely, implementation failure can wreak havoc on an organization. This begs the two-pronged question of why CRM pays off for some organizations and not for others and whether a ready-made template can be applied across the board to all companies.

Since CRM is "one of the most frequently discussed topics in research and practice when new theoretical approaches of designing business connections are expected" (Heinrich, 2005), much has been written about the methodology and tools to use to make it effective and ensure its success (Osarenkhoe and Bennani, 2007; Heinrich, 2005; Arnett and Badrinarayanan, 2005; Chen and Popovich, 2003; Winer 2001). Surprisingly enough, however, little has been written by way of providing a clear practical road map that outlines the sub-steps within each step for successful CRM implementation and points to some of the challenges an organization may have to overcome at each of these stages.

Drawing extensively from his experience as a marketing and CRM consultant for large and medium Thai and Australian organizations for more than ten years, the author strongly feels that such a road map is particularly critical to companies contemplating setting up a CRM system since they need to understand all the steps and substantial financial implications involved. The purpose of this paper is thus to shed further light on the CRM implementation steps, focusing on some practical aspects and suggesting changes that an organization may have to implement in order to make the most of its CRM efforts.

After highlighting the benefits an organization can expect to derive from a CRM system, this paper will focus on its implementation process. Summarizing the CRM literature on this issue, it will articulate the three major steps in the implementation process and address specific issues within each step. It will conclude by reiterating the need from the very onset to take into account the specificity of an organization's own corporate culture, the very essence of successful CRM implementation and utilization.

CRM Benefits

The extent of CRM benefits to an organization will vary depending on the nature of the business concerned. They are likely to be more substantial in the case of any organization that has some or all of the following characteristics: frequent customer interactions and purchases, high cross-selling potential, perceived risks and involvement, and profitability (Kumar 2006; Buttle, 2004; Hansotia, 2002). Commentators have grouped CRM benefits under two main paradigms: operational and strategic benefits (Arnett and Badrinarayananm 2005; Buttle, 2004; Croteau and Li, 2003; Iacovou, Benbasat, and Dexter, 1995).

Operational benefits refer to the operational savings of an organization resulting from its improved internal efficiency (Iacovou, Benbasat, and Dexter, 1995). CRM enables a company to redesign its processes to improve its operational efficiency, such as marketing and customer support, front-office efficiency, and productivity in sales, which in turn decrease customer-related costs (Reichheld, 1996a).

Strategic benefits consist of the tactical, opportunistic, and competitive advantages derived from the impact of electronic data interchange (EDI) and Extranet on a business

processes and relationships (Iacovou, Benbasat, and Dexter, 1995). CRM enables an organization to gain better information on customers' values, behaviors, needs and preferences and helps it gain a competitive edge over its competitors. It makes it possible to identify customers' potentials, uncover the profiles of key customers, anticipate their needs, predict their behavior, win back lost customers, create personalized marketing plans for each segment, develop new products and services, design communication tools and distribution channels, or identify new market opportunities based on customers' preferences and history (Homburg, Hoyer, and Stock, 2007; Tokman, Davis, and Lemon, 2007; Thomas, Blattberg, and Fox, 2004; Peppers, Rogers, and Dorf, 1999; Day, 2000). In other words, CRM generates strategic benefits by synthesizing customer information into knowledge.

Repeat business also minimizes a variety of recruitment costs. These costs include the costs of setting up new accounts, explaining business procedures to new clients, advertising costs to entice new customers, personal selling pitches to new prospects, and the costs of inefficient dealings during a customer's learning process (Peppers and Rogers, 1993).

In addition, repeat customers also tend to buy more comprehensive product lines as well as more of their total requirements from one supplier (Rust and Zahorik, 1993). As shown by research, a company stands a much higher chance of doing repeat business when selling to its existing customer; its chances of successfully making a repeat sale to an "active" customer standing at 60% to 70%. On the other hand, its chances of successfully closing a sale on a new customer can be as low as 5% and rarely exceeds 20% (Griffin and Lowenstein, 2001).

Implementing CRM.

Implementing CRM is a complex, lengthy, costly, and time-consuming effort that requires very specific expertise, which most organizations are not in a position to provide in-house, hence their need to enlist the help of a CRM consultant who will be in charge of setting in motion the implementation process and monitoring it. CRM consultants, however, should not be expected to be directly involved in information technology (IT) issues, such as selecting CRM software and hardware, usually handled by an IT consulting firm in cooperation with the in-house IT department and an ad-hoc committee set up for that purpose.

The cost of implementing CRM is substantial. The outlay for software and hardware alone ranges from about 1 million Baht for small firms to 20 million for the largest ones and, in some cases, may end up well in excess of these figures[2]. Given such financial constraints, not every firm is in a position to adopt CRM, nor would it make sense from a business standpoint, for a small company to embark on a CRM project as its costs are likely to exceed its benefits. Consequently, organizations referred to in this paper for CRM implementation purposes are organizations with at least 60 employees, with the majority of the companies considered far exceeding that minimum threshold.

Typically, a company contemplating adopting CRM will first ask a CRM consultant to draft a proposal outlining the time frame, stages, and costs involved in acquiring CRM. That CRM consultant should hold a seminar for the management team. It will help top executives understand all the financial and managerial implications for their company and assess the project feasibility before making up their minds. At this preliminary stage, it is particularly important that, prior to making a commitment, a company be presented with all the parameters at

2. The following is a CRM software estimation for 20 users (in Baht): Software License 1,000,000-7,000,000; User License (20 users usually require annual renewal) 1,000,000-4,000,000; Database Management System 1,000,000-2,000,000; Implementation Cost (1 year) 1,000,000-2,000,000; Server 100,000-500,000; Total Estimation = 4,100,000 -15,500,000.

play and have a clear understanding of all the costs, benefits, challenges, and risks involved. That self assessment stage is critical and requires that the CRM consultant impart thorough information before the organization can decide whether or not to 'go ahead'.

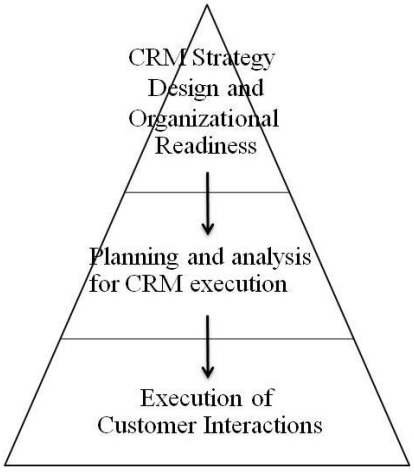
It is particularly important at this juncture that decision makers also fully realize the substantial time commitment required to set up a CRM project. Many CRM projects failed half way as organizations were too slow to realize the huge time requirement and ensuing financial burden. Two other failure factors have also been identified: the absence of a holistic and coherent business strategy (Cuthbertson and Laine 2004; Pries and Stone, 2004) and focusing solely on technology in the belief that IT is the panacea (Starkey and Woodcock, 2002; Hensotia, 2002; McKim, 2002; Woodcock and Starkey 2001). With 60% of the failures occurring during the implementation of the project per se (Crosby and Johnson, 2000), the risks of seeing CRM implementation aborting is clearly very high (Chen and Popovich, 2003; Day, 2000; Srivastava, Shervanie, and Fahey, 1999; Peppers, Rogers, and Dorf, 1999). It not only costs a fortune to companies in terms of time and resources but also tremendously affects the career path of those who initiated it.

No CRM implementation model takes this pre-contractual preparatory period into account. Since a contract, setting forth all the terms and conditions for the duration of the project will be signed at this assessment stage, implementation is deemed to be starting at the time an organization and a CRM consultant have entered into a contract and are fully committed and ready to perform it.

The CRM implementation model articulated in this paper is based on Hansotia's flow model (Hansotia, 2002), widely regarded as the reference model (Shea et al., 2006; Thomas, Blattberg, and Fox, 2004; Zablah, Bellenger, and Johnston 2004).

As shown in Figure 1 infra, Hansotia identified three major steps: (1) CRM Strategy Design and Organizational Readiness; (2) Planning and Analysis for CRM Execution; and (3) CRM Execution

Figure 1: CRM Implementation Strategy Activity Flow as Adapted from Hansotia



Source: Created by this author for this paper

Each of these three major steps includes a series of sub-steps, some taking place sequentially, some concurrently. However, for didactic purposes, each sub-step will be considered separately.

Experience shows that it takes on average at least one year for a project to reach completion, i.e. reach the stage at which CRM is being utilized - albeit still monitored. Some fine tuning and adjusting will also take place. On average, setting up requires between 3 and 6 months, drawing the process another 3 to 6 months and software development another 3 to 6 months as well.

Typically, a CRM consultant will be involved in step one and two phases; his/her involvement beyond that stage depending on an organization's needs, size and resources. While the pre-contract stage involves few people in the organization and, in many cases, only the managing director, implementation itself will require the involvement of the whole organization.

STEP ONE: STRATEGY DESIGN & ORGANIZATIONAL READINESS

Readiness refers to the necessity for an organization to develop a deep understanding of CRM so as to ensure full organizational support throughout the whole implementation process once the decision has been made by that organization to go ahead with the CRM project. Thus, in addition to requiring senior management's full cooperation, CRM strategy design and development also necessitates every department's commitment to CRM acquisition.

1.1 Creating Organizational Readiness

First and foremost, CRM is about designing and re-engineering customer interaction processes. Guided by marketing science, it aims to make customers' interaction mutually rewarding (Hansotia, 2002).

Equally important is the fact that CRM implementation does not merely amount to just plugging in technology. Even though there are many technologies available to assist CRM, technology is only a means to an end (Johnson, 2004). As repeatedly emphasized by CRM scholars, CRM cannot be successfully implemented without executives' and employees' readiness to invest a great amount of time and resources to make CRM a reality (Nguyen, Sherif and Newby, 2007; Bentum and Stone, 2005; Croteau and Li, 2003; Meyer and Goes, 1988; Kimberly and Evanisko, 1981). In short, CRM requires people's commitment to the project.

Enlisting everybody's commitment sounds like a tall order; which it can be in the absence of some essential initiatives. One such initial step consists in arranging for a formal meeting or a seminar to be conducted by the CRM consultant under contract with that organization. Its objective is to give all those to be involved in the project a clear idea about what they can expect out of CRM as well as what will be expected of them. A seminar or a meeting will also help them understand what inputs must be fed into the system to create and maintain it. Too often organizations will fail to acknowledge the magnitude of the obstacles, personal or technological, to CRM implementation.

Another important point underlined in many studies is that top management must be involved throughout the entire process and not just at any specific part of it. Top executives should fully recognize the importance, magnitude and reach of CRM and stand fully behind it. Short of showing genuine interest or getting involved in the whole process, executives will have a negative impact on the organization' members who will most likely fail to believe in the project themselves and possibly resist it instead (Nguyen, Sherif and Newby, 2007; Croteau and Li, 2003; Kimberly and Evanisko, 1981; Meyer and Goes, 1988). Top management must take a leading role, emphasizing long-term orientations, and realize that a delay or short-term loss must not be allowed to endanger the overarching objective (Peelen, 2005).

1.2 Setting up a Steering Committee

Once a formal meeting or a seminar has been held and the main goals and constraints clearly outlined, a steering committee in charge of implementing the CRM system must be put together.

This committee needs to be cross functional and include one to three, but preferably more than one, representatives from each department directly concerned with CRM (Buttle 2004; Nairn, 2002), such as the IT, sales, marketing, finance, production, and/or human resources (HR) departments. One of the reasons for having more than one person from each department is that, since it is common for steering committee members to have limited time to devote to the committee, assigning at least two persons from each department concerned will overcome issues of work overload or absences from meetings. At this juncture, it is important to stress that having limited time to devote to the CRM project does not run counter to the premise that all those involved be committed. What this premises actually assumes is that a certain

amount of time be consistently devoted to the project.

At the very least, the committee should include one top manager and representatives from the marketing, sales, production, IT, finance and accounting departments. Assuming that each department has two representatives on the committee, this would amount to at least 15 members for a medium- size company and up to 40 for a large one.

Another criterion for selecting committee members is that they should have the ability and authority to make decisions and influence their own department's actions. Selecting people merely on the basis of their availability may result in an 'all talk and no action' team. Finally, after the steering committee is set up, at least one top manager should be designated to be in charge of closely supervising the whole project on behalf of the committee. As head of the committee, he/she would be instrumental in showing continuous support and ensuring compliance with in-house rules. First and foremost, however, he/she would act as an arbitrator should a conflict arise or competing interests stall the process.

Selecting a cross-functional steering committee is also particularly critical in that many CRM projects have been shown to fail as a result of being undertaken as the sole responsibility of the IT department. While recognized as an enabler to radically redesign business processes and dramatically improve performance, IT cannot be single handedly relied upon to successfully set up a CRM system (Davenport and Short, 1990; Porter, 1987). IT experts must fully understand the needs of all the functional areas (e.g., sales, marketing, finance, production, etc.), in order to coordinate with CRM software vendors and consultants to create a system that meets organizational needs across the board. Conversely, unless experts from all the other departments involved fully grasp IT constraints in terms of technology and resources, their requirements will invariably sound economically unfeasible.

System processes will then be customized based on the steering committee requests. The role of an organization's IT experts should thus be to answer queries regarding the current database system, give suggestions and/or inquire about the requirements from other department. As steering committee members, IT experts will help the committee from the very start of the project understand the suitability and workability of other members' requirements and make it easier for the in-house IT experts to coordinate with the outside IT experts on those requirements. They should not, however, overstep their role and undertake overall responsibility to be ascribed to the head of the ad hoc committee.

Once the implementation process has been articulated, meeting procedures and routine details should also be drafted and agreed upon. The committee should meet once a week. With the help of the CRM consultant, who will attend every meeting, all the tasks to be handled by the committee should be divided among all its members; each being responsible for a specific CRM area. For example, one member may focus on the financial aspects, while another may be in charge of overseeing the communication and development of the channels, and still another concentrate on customers (Kumar, 2006). One of the first tasks of the committee will be to ensure that the organization as a whole is fully ready to embrace the new CRM system.

1.3 Business Needs Analysis

Another one of the tasks of the steering committee is to articulate business problems and needs in terms of information and determine which data are available and which ones are not and should be made available. As an enterprise-wide, customer-centric business model, CRM should be thought out from a customers' perspective and involve customers' feedback (Chen and Popovich, 2003). Thus the business analysis contemplated hinges on customers' information and on understanding a company's customers from a variety of perspectives

(Brachnann and Anand, 1996). The information sought can be classified into four categories: (i) descriptive information e.g., demographics, psychographic of buyer team members (Brachnann and Anand, 1996); (ii) behavior information e.g., past purchases, past volume, frequency, number of transactions, time of the year the products were bought, customers' responses to marketing stimuli (Fayyad, Piatesky-Shapiro, and Smyth, 1996); (iii) emotional information of customers e.g., attitude, satisfaction and loyalty toward the organization in comparison to its competitors (Wildt, Lambert, and Durand, 1982); and (iv) other useful information e.g., problems and opportunities, expectation of services, retention rate, causes of dissatisfaction, causes of attrition (including estimating how much profit is lost when particular customers are lost, and how much it would cost to win them back), share of wallet, customer's future growth, financial stability, and customers' complaints (Winer, 2001; Laine, 2001).

Various tools and techniques can be used to disclose customer-related problems (brainstorming sessions, quick scans of business processes, review of customers' complaints and marketing research, etc). One way to proceed is to start with a quick scan, which will quickly reveal how the current database system can play a role in the key areas. In cases where crucial data cannot be retrieved from the current business process, appropriate research should be conducted so as to enhance customers' knowledge (Malhotra, 1999; Zikmund, 1999). In addition, if customers-related problems deemed to be a priority or capable of being solved immediately are identified during the process, they should be tackled instantly by the CRM team rather than dealt with only once the CRM system has been completed as solving those problems at that time may be too late.

All the information collected must then be compiled for analytical purposes and synthesized so as to be turned into knowledge. An organization needs determine customer segmentation; identify customers at risks, customers with a high propensity to buy certain products (Buttle, 2004; Gurau and Ranchhod, 2001); customers' life-time value (Gurau and Ranchhod, 2001); customers profitable matrix (Ang and Taylor, 2005); and customers value (Storbacka, Strandvik, and Gronroos, 1994) from both a present and future perspective. It also needs to know the cost of services and customers Activity Based Costing (ABC) (Cooper and Kaplan, 1991).

1.4 Information Analysis

Once the organization's business problems have been identified, their solutions formulated and, where possible, applied right away, the findings may call for the existing database system to be enhanced to support implementation of the solutions mapped out. In other words, after the business analysis is completed, one should be able to evaluate the current database system and point out which crucial information is missing and should be collected for the future CRM database. At this stage, the focus of the project will be to figure out what additional information will be necessary and beneficial for each department. The consultant or, for example, the marketing department, may have to prepare an "information request" form for the representatives from each department involved to fill in.

An ad hoc committee, which typically includes top management, senior members, and organization's IT experts, should be set up for this purpose and also to determine with the help of the representatives from each department the information needed. This information should include the data each department deems necessary, i.e., what it actually needs and what is feasible. Some of the information requested will thus be either authorized, authorized with modification (e.g., frequency, depth, scope) or not authorized.

In essence, the responses sought come down to one single question: what information does

each department want? However, instead of asking one all-encompassing and open-ended question, a step-by-step questionnaire could be devised to facilitate the task of each department representative. Answering them one-by-one will make it easier for them to figure out what information their department will need. Relevant questions could be formulated along these lines: What decisions do you regularly make regarding routine, monthly, or yearly operations? What information do you need to make these decisions and why? What data do you regularly get that are particularly of great help to you? What special studies do you periodically request? What information would you want that you are not getting now? How frequently would you want each piece of information and why? What trade report magazine would you like to see on a regular basis? What specific topics would you like to be kept informed on? What data analysis programs would you like IT to acquire? (Kotler and Keller, 2006)

Steering committee members will collect the required information from their own departments and then report the data requested by their departments for their operations, filling out data request forms indicating what they need and why they must have it. Prior to being processed, the data requested will be analyzed with an eye on its redundancy or departmental overlap.

The role of the IT experts sitting in this ad hoc committee should limit itself to consulting with top management and senior members about how much the required information would cost (in term of resources). The decision as to whether the information is beneficial should be left to the latter. There have been, however, a few instances where IT experts have been reluctant to fully cooperate or have overestimated the cost of developing the system. Whenever this happens, outside IT experts should be brought in to monitor the situation.

STEP TWO: PLANNING & ANALYSING for CRM EXECUTION

This step requires that the implementation process to be evaluated and re-engineered and CRM software and technology selected. Both should be done concurrently. This will not only save time, it will also increase the synchronicity of the CRM system planning. They should also take place in parallel to the meeting held to assess the appropriateness of the requested data ('Information Analysis' supra).

2.1 Process Evaluation and Re-engineering

As part of the process evaluation and re-engineering, the steering committee is required to examine the organization's current processes and determine what can be done to re-engineer or improve them in order to: (i) increase the value perceived by its customers; (ii) identify the point of contact and the information that should be collected and dispersed within the organization so as to have a better understanding of customers and be able to serve them better; and (iii) provide information as requested and authorized by the ad hoc committee. Their findings should be compared with the work done earlier (at the Business and Needs Analysis stage) so as to determine if some of the problems found were due to the processes or if the crucial data that were missing could be collected by re-engineering some of these processes.

If an organization has no current process in place, it behooves the committee to draw it out using an appropriate method such as a service flow chart or a blueprint. Since "customers usually expect firms to understand the full extent of their relationships, operating and delivery processes are often highly compartmentalized into a series of discrete activities performed by numerous different players ..[it is necessary] for a firm to understand the nature of the process ..[and] flowchart or 'map' each process step by step" (Lovelock, Patterson and Walker, 2001). The flow chart should map out all the processes and interactions between them and point out activities, flows (materials, information, etc.), failure points, customer waiting points, and

lines of visibility. In short, it should provide a structured overview of the whole system (Lovelock, Patterson and Walker, 2001).

While re-engineering the process to identify contact points as well as the amount / type of information to be collected, it is critical to balance the value of information with the burden on customers and the organization's employees. Ultimately, it is the responsibility of the steering committee to decide what information should be sought from customers. To make that determination, the committee should consider, for example: what will be investigated; which variables or information the organization must have to test the relationships among these variables; and what burden the data collection will place on the organization's prospects, customers, or on employees. Interesting - but not vital - information in the data collection process will place a greater burden on the organization's prospects, customers, or even on employees. In addition, such information could reduce customers' perceived values and benefits and exhaust employees (Churchill, 1996).

Should the committee realize that some crucial information is inappropriate to be collected from customers through the CRM system, it may decide to collect it through other channels. As suggested by Paas and Kuijlen (2001), such alternative channels include marketing research and client laboratories. Consequently, studies using either method can be conducted on a small selection of individuals representing the entire customer base. The data obtained can then be linked to the company's internal data using statistical analysis and methods (Hair, et al., 1995; Cohen, 1988; Guilford, 1965). While market research is based on interviewing randomly-selected consumers about their needs and consumption behaviors, client laboratories are based on experiments aimed at answering what-if questions, such as, for example, 'what will happen if customers in segment A are excluded from all direct mailing and instead approached through online call centers?'. Tests conducted in client laboratories can show how different segments react to various marketing campaigns and strategies, enabling the organization to determine, based on those findings, which campaigns and strategies should be used (Paas and Kuijlen, 2001).

All those involved in the process evaluation must not lose track of the importance of understanding how technology interacts with people and processes in determining relationship outcomes. Along with the people and processes, IT needs to be aligned with the business goals of building, maintaining and enhancing customer relationships. Process re-engineering can take place on a wide scope and include, for example, altering HR's requirements in terms of training, hiring, or managerial review of the staff compensation scheme.

Once the information requested has been authorized, the module for collection should be stated. To that end, each department, requesting information for its own usage, is to stipulate the format in which it would like to receive it. Having end-users state upfront the form in which they would like information to be imparted to them (e.g. analysis, features, display, format, etc) will help enhance their cooperation and avoid problems such as improperly utilizing the system capabilities (Nairn, 2002). To make sure that they remain feasible, these departmental requests should also be formulated in close coordination with an IT expert.

Finally, every request and procedural arrangement should be made as clear as possible and turned into a policy set out in an official document stipulating, for instance: which type of information is to be collected; at which point of contact; by which method; in which form; and by whom; as well as which analysis will be applied; and how the findings will be displayed.

2.2 Selecting Software & Technology

Process re-designing enables the organization to determine its needs in terms of software. Thus, in parallel to the aforementioned stages (information analysis and process evaluation and re-engineering), both the ad hoc committee and

the steering committee are to appoint some qualified committee members to investigate all the available CRM software and technology and determine which one would be most suited for their CRM system requirements. This is no easy task as CRM amounts to much more than just implementing technical solutions. CRM is not solely technology-driven; implementing complex technology for the sake of being sophisticated only leads to expensive projects, which often fail to solve real-life business problems (Paas and Kuijlen, 2001). Determining the appropriateness and relevance of CRM software and technology should be based on the following criteria:

- Its ability to serve the need for information, which has been deemed necessary by the ad hoc committee, that is, any information that had been requested and authorized as well as any information slated in the "Information Analysis" phase as being critical;
- A cost/benefit analysis: balancing software and technology costs against the benefits the system will provide. In the company's eyes, the ultimate aim of CRM is similar to that of any other business activity: an expectation of positive difference between yield and cost as making profit has always been a necessary condition for conducting any marketing activity (Paas 1999).
- The ease of use and compatibility of the software and technology with the organization's existing instruments.

While the database is critical to maintaining the CRM system, ensuring that the system is successfully implemented and maintained will depend on the coordination of the employees throughout the organization. Specifically, it will depend as much on those in charge of providing the proper input as on those utilizing the knowledge and solution retrieved from the system to exhibit its benefits (Bentum and Stone, 2005; Croteau and Li, 2003; Kimberly and Evanisko, 1981).

Furthermore, although part of the input or output will be obtained from the organization's direct interaction with its customers, customers' interaction with the organization also takes place through many other channels (e.g. customer services, sales, call centers, etc), all of which requiring some level of computer ability and skills. Thus, the more user-friendly the CRM software, the easier and faster it will be to train the staff. Lastly, its compatibility will also ease the integration of the data among all channels and departments involved.

Many companies are often at a loss when it comes down to making a choice among all the possibilities offered by CRM software and technology. They should therefore base their reasoning on their strategy and not on the packages available. An assessment of the current situation in comparison with what is desired from a strategic standpoint will also provide insight with regard to the direction the CRM development should take.

Finally, once a CRM vendor has been selected, the steering committee will work closely with him/her to customize the software and the technology so as to meet the organization's requirements. A flow chart and written documentation about how the information will be collected, analyzed, and displayed will be necessary for the vendor to effectively design and install the CRM software and technology.

When reaching this step, most steering committee members will be expected to monitor the vendor's progress only with regard to their department requirements. It will be the responsibility of the organization's IT experts to supervise the overall project and communicate with the vendor on the organization's requirements previously agreed upon.

On average, it will take about 3 to 6 months to reach this stage, depending on the data availability, organization size, number of departments involved, and consultant's ability. Since the organization will have to obtain the CRM software from the vendor, the system set up is normally part of the vendor responsibility. Generally, the CRM consultant may also pause

or end his/her contract at that juncture and leave the organization and its vendor in charge of installing the system[3].

STEP THREE: IMPLEMENTATION & MONITORING

The system is now in place. In most cases, close to a year will have elapsed by the time this stage is reached. While the system is ready to be utilized, it may not be operating problem-free; hence the need to monitor and maintain it at the onset so as to maximize the CRM solution.

3.1 Monitoring and Maintaining the CRM System

Depending on its size, manpower, and resources, an organization may set up a CRM department to maintain its CRM system or simply put the marketing department in charge of it once the new process has been put in place. Some of the steering committee members will be selected and responsible for monitoring, maintaining, and updating the system and will report directly to top management or the steering committee as provided. The committee's duties include measuring and diagnosing the results, and setting up a follow-up meeting to take corrective measures. In most cases, it will be the marketing department at first and possibly a new department after some time.

However, it is also recommended that a pilot be organized so that the project can be tested in a live environment over a period of several months by a selected group of users (Gentle, 2002); its main goal being to validate the business case and increase users' acceptance. Setting up a pilot, however, will result in running a double system (a pilot and the original system) and placing an additional burden on the staff as well as increasing costs. By the same token, it will also substantially increase an organization's odds to see its project successfully implemented (Peelen, 2005) and should therefore be put in place whenever possible.

While the project (and the pilot) are being implemented and tested, system integration and data migration (retransferring from the existing system to the pilot /CRM system) should not be contemplated at least until all those using the system have been trained and are familiar with the CRM system and until the system has proven to run smoothly. Running the new system before the staff has fully been trained may cause the system to collapse.

Quantitative measurable CRM objectives should be set by the company in order to provide a benchmark of the performance (Kim, Suh, and Hwang, 2003; Kale, 2003). Collecting customers' information without proper usage leads to sub-optimal utilization of the CRM system and may discourage cooperation from involved personnel in collecting and using available information and finally hinder the success of the CRM project (Kotler and Keller, 2006).

3.2 Operating CRM: Making the Most of IT

Using the data mining technique, analysts can automatically retrieve relevant information from data warehouses containing giga or even terra data (Brachnann and Anand, 1996) and transform stored transactional data into insights on customer needs. Data mining will allow them to leverage customers' data that have been pulled from all customers' touch points to create a complete view of the company's target customers so as to respond to and communicate with them more effectively. It also makes it possible for that organization to create homogeneous customer groups from a heterogeneous mass (Nairn, 2002) and concentrate its marketing efforts on the groups which it can serve most profitably. Thus, through converting CRM information into knowledge, CRM arms an organization with knowledge that will enable it to better position itself with regard to its target customers.

3. One alternative is to use an Application Service Providers (ASPs) such as, for example, www.salesforce.com.

Analysts, however, should always interpret data mining results from a substantive business perspective and work in close collaboration with domain experts, as people with limited experience and training in survey data analysis may not be aware of potential pitfalls (Crosby, 2002). This knowledge can then help the organization understand its customers' (e.g. needs, wants, and perceived values), Furthermore, in the worse case, some people may just be searching for results to support a decision they have already made without being aware of the faulty reasoning such as confusing correlation with causation, cutting the data too thinly for it to be reliable, performing other data manipulation, etc. Not to mention that, given enough data, it is possible to build a case for just about anything (Crosby, 2002).

Some of the major objectives that an organization should have as its goal to attain through a CRM system include:

- Cutting the expense-to-revenue ratios by, for example, redesigning their routes to markets (Abbot, Stone, and Buttle, 2001) or by redesigning its processes to improve operational efficiency (Iacovou, Benbasat, and Dexter, 1995);
- Reducing customer defection by determining the cause of customer attrition and estimating how much profit is lost when it loses customers as well as by figuring out how much it would cost to reduce the defection rate (Kotler and Keller, 2006; Hansotia, 2002);
- Keeping and increasing the longevity of customer relationships by, for example, erecting high switching costs (Aydin, Ozer, and Arasil, 2005) or by delivering high satisfaction (Mittal, Kumar, and Tsiros, 1999; Anderson, Fornell, and Lehmann, 1994);
- Enhancing the growth potential of each customer through, for example, increasing share-of-wallet, reactivate customer purchases, cross-selling (Peppers and Rogers, 1993), up-selling (Rust and Zahorik, 1993) or by applying a customer life cycle approach (Mack, Mayo, and Khare, 2005; Stone et al., 2003);
- Reacquiring (winning-back) lost customers who will be profitable for the organization (Homburg, Hoyer, and Stock, 2007; Tokman, Davis, and Lemon, 2007; Thomas, Blattberg, and Fox, 2004).

To maximize its use, the organization should use the CRM system to facilitate the processes for planning and executing the conception, pricing, promotion and distribution of ideas, goods, and services so as to create exchanges that satisfy individual and organizational objectives in a long-term win-win relationship (Pass and Kuijlen, 2001). It should also be used for planning and executing the organization's operations that aim to improve its internal efficiency. This can be achieved through process re-engineering, such as customer support, front-office management, as well as all other customer-related activities (Reichheld, 1996a; Iacovou, Benbasat, and Dexter, 1995).

The former usage could simply be classified as CRM "strategic perceived benefits" and the latter as "operational perceived benefits". On the other hand, marketers may find the former similar to "integrated marketing" and the latter to "internal marketing", a terminology first introduced by Kotler and Keller (2006) in reference to holistic marketing concepts. By categorizing CRM utilization into at least two streams, the organization can avoid problems such as missing out on the full benefits of the system.

Conclusion

CRM focuses on segmenting customers on the basis of needs or profitability and on designing and implementing programs to allocate the appropriated resources to each customer efficiently and effectively (Srivastava, Shervanie, and Fahey, 1999). Appropriate resource allocation enables benefits to flow to both the firm and its customers (Ramsey 2003). Correctly implementing CRM systems can enhance an organization's ability to improve customer service, which in turn can generate

revenue as well as a competitive advantage (Nguyen, Sherif and Newby, 2007). Proper management of the projects, good budgeting, timely involvement of the users and the like should all lead to a smoother implementation of the system. Finally, as some previous studies also indicate, without a clear understanding of the corporate culture, CRM can hardly succeed (Bentum and Stone, 2005). Nurturing a CRM culture should thus be a continuous task of the leadership at all organizational levels. Since interactions between an organization and its customers are essentially social exchanges between people, the perceptions of these interactions will invariably be affected by an individual's values and culture (Patterson, Cowley, and Prasongsukarn 2006). Thus, in order to be a genuine customer-centric organization, a global corporation applying CRM should also be aware of its customers' different value orientations and have its CRM locally developed to better suit its local customers' behaviors and preferences. However, while issues such as taking into account corporate, national, and individual cultural values when implementing CRM are also critical to its success, they fall outside the ambit of this paper and should be addressed by future CRM research.

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