

Twelve Steps to CRM by **Stephen E. Lipka, PhD, CMC**

Tough economic times call for measures that build – or at least maintain – revenue. Theoretically, at least, there are lots of choices but one approach helps business today and positions your company for the rebound: Better relationship management.

Why? The goal of good relationship management is to maximize the lifetime value of your customer. A price promotion or an advertising blitz, for example, may trigger increased purchases but the effect is short-lived. To get customers to buy now and to remember you when they make the next purchase, you'll need to leave them with the impression that you serve up what they want and treat them right.

Let's take an unconventional look at the steps to relationship management. We'll forget about sales management and marketing programs for the moment, but you'll see how they fit in. And to see why each step is needed, we'll start with the last step and work our way forward.

Step 12 – Invest in Your Customers

A value proposition is a combination of product, service, price, and perception. Based on your knowledge of the customer (or customer segments) and the previous success of your value proposition (or success within segments), invest in value propositions that keep them coming back. It's cheaper, after all, to sell to an existing customer than to find a new one.

By contrast, this is the opposite of promoting and prolonging the life of a product through marketing and sales tactics. If the customer gets too far ahead of you in their thinking, you could lose a customer for life.

Step 11 – Measure Success of Value Propositions, Not Tactics

You can measure the success of your marketing campaign. You can measure the effectiveness of your sales reps. You can compare channels. But if the dogs won't eat the dog food, you've got a problem. And if you keep throwing good money after bad in tight times, your profitability will get worse.

You can't invest in value propositions that keep customers from coming back (Step 12) unless you measure the value proposition's success from the customer's perspective. If the proposition isn't selling, ask the customers why. Don't just blame the marketing program,

the sales reps, or the website.

Step 10 – Study and Classify Your Customers

Every value proposition doesn't appeal to every customer. You can't learn what works unless you can measure what works (Step 11), and you can't measure what works unless you can track value proposition success back to characteristics of customers and customer need. So study your customers. Make a habit of collecting information about them – their needs, their size, their industry, their business model, their profitability, and their comments and reactions to service, to marketing campaigns, and to sales attempts. Survey them, and ask about their characteristics as much as anything else. Some of this will be useful in segmenting your customers for use in Step 11, and some will be useful in thinking ahead in Step 12.

Step 9 – Manage Opportunities to Sell Products/Services to Your Customers

OK, sooner or later you have to sell something, so this step is it. But managing opportunities isn't managing the sales process. Focus on the customer. Focus on what they've bought before, on the service calls they've made, on the marketing they've responded to, and on their characteristics and the value propositions customers with those characteristics buy – in short, on their interests, not what you have to sell.

This is a big learning loop – Step 9 drives the history that lets you do Steps 10 and 11, and Steps 10 and 11 help you learn how to do Step 9 better.

Step 8 – Start Recording Customer Interactions

You can't have corporate memory of your relationship with your customer unless you do two things: Provide a repository of interactions, and then fill it with contact events. Keep track of every interaction – every marketing contact (track those direct marketing campaigns, website self-identifying events, and, where possible, deduced web visits), every sales contact event (e-commerce, mail, or sales team contact), every purchase, and every service event. While Step 9 drives history, this step is the mechanics that make it possible.

Step 7 – Start Keeping Your Customers and Products/Services Consistent Among Systems

We're not talking extensively about systems in this article, but consider the customer interactions you'll want to know about as you manage your sales opportunities. Wouldn't you like to know about the customer's payment record? Wouldn't you like to know that the products and services the customer paid for in the finance system match what's in the CRM system? How else can you do this unless the data across the systems is consistent? And by the way, Finance shouldn't be sending bills to "IBM" while Sales is writing proposals to

“International Business Machines, Inc.”

If you don't integrate, at least find a way to maintain consistency. Don't lose a sale because a sales rep can't figure out a billing issue or the website doesn't answer a buyer's question about his last check.

Step 6 – Define Your Products or Services

You've read Step 12, which creates value propositions – your products and services – so you're probably thinking this is repetitious. Step 12 is almost “continuous improvement,” and you have to start somewhere with your list of products and services. This is it if you haven't catalogued them before. While some readers may dismiss this, client experience tells me that companies often fail to formally define product names, service packages, bundled products, or bundled products and services, and that they make up invoice “products” or “services” or “SKUs” as they go. Unless you're providing straight professional services (hourly or custom but fixed price services), you must do this step, or you'll never be able to measure anything in Step 11. Besides, wouldn't it be convenient to be able to record interactions by incorporating a well-understood product or service name?

Not only that, but you can now have standard pricing, discounting standards, and a quick answer for customers, all without fumbling around. Seems simple, though not every company does this. But why lose a sale because a hot prospect couldn't get a quick or straight answer on a purchase?

This list will be the source of standard products and services you keep across systems in Step 7.

Step 5 – Decide Who Owns Products or Services

Who is actually doing Step 6? This is not an inconsequential question since the answer also determines who leads Step 12. And of course, if you're going to use a CRM system, then someone has to define the catalog of products and services. My vote lies somewhere among Product Engineering, Service Management (for service-based value propositions), and Marketing. (It's probably not Sales or Finance.) Your culture and structure will guide. Regardless, someone in the organization should be responsible for this and should develop the product/service vision and the historical perspective to be able to do Steps 7 and 12 well.

Step 4 – Create and Maintain One Clean, Central Customer Repository of Record and Use It

You've heard the expression “the left hand doesn't know what the right hand is doing,” right? When you label a company that way, you're not happy. At best, you look sloppy. (For example, I have fiber-optic Internet service, and yet I still get marketing mail for the same thing from my provider.)

You can prevent this by creating one central repository of record about your customers,

associating everything you know in Step 8 with this single “list.” Sloppiness here means that everything you’ll collect in Step 8 will have questionable value, and your sales reps will look inept if they can’t find out everything about the customer’s history because the systems are confused.

And let’s talk about data hygiene too. Keep addresses clean by post office standards, keep contact names current, and empower everyone in the company to fix errors.

Step 3 – Decide Who Owns the Customer

Step 4 is certainly achievable without doing this but nonetheless, consider this: who sets the standards for data quality? Who decides the customer’s name is “Steve” and not “Stephen”? I vote for Sales but it almost doesn’t matter. There should be one “decider”, organizationally speaking, and that organization owns the customer data (regardless of which system it’s housed in). This doesn’t mean others can’t enter customer information or update it but don’t allow divided ownership, or worse, “my local copy.”

Step 2 – Adjust Your Company Culture

For this to work on a broad scale, you must adjust your company culture to place the customer at the center of all thinking. This does not mean that the customer is always right, it means instead that your customer’s interests are your company’s interests. If your company was a company of just you, you’d remember everything about each customer, and you’d know each customer’s preferences and needs, and you’d address each customer’s problems. It’s not about designing products and services that you like, nor is it about cool marketing or the latest sales techniques. It’s about what the customer finds valuable.

Step 1 – Adjust Your Own Beliefs

How many times have you seen management promote some new idea or trend, giving it only lip service? It usually doesn’t work, and experience shows it doesn’t work with customer relationship management unless it’s a core belief of company management. You can’t just serve the Kool-Aid, you have to drink it.

Relationship management is not a “system.” It’s a process and a philosophy. At this point in the adoption cycle of practices and technologies, it’s old hat. Yet few organizations really do it well, and many don’t do it at all. These 12 steps should suggest a path to implementing relationship management and reaping the financial benefits. And in these times, we all know it pays to have the very best relationship you can have with every single customer.

The Author



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