

# CRM Defined

CSI's Guide to Understanding CRM



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## Preface

It is difficult to find an article focused on small business amidst the vast number of white papers and technical columns discussing Customer Relationship Management (CRM). The majority of editorials focus on how CRM can benefit a large sized company. This article focuses on the needs of small business owners and how CRM can improve customer loyalty and enable growth.

### About the Author:

Jennifer Carnie is a managing director at Customer Systems, Inc. She has designed, trained, and implemented CRM solutions for thousands of users over the last 12 years.

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## CRM Defined

The first step to understanding Customer Relationship Management (CRM) is to realize that it is a business philosophy. Simply put, CRM is the belief that customers should feel like a VIP every time they communicate with your company. This philosophy encompasses every aspect of the business that interacts with the customer, starting with initial lead generation and continuing through to on-going customer service. This complete perspective is referred to as the 360° view of the sales cycle.

The second step to understanding CRM is to think back to the early days of your organization. Go back in time to when you only had a handful of accounts. Each customer was critical to the success of your business. As a result, each account received the highest level of attention and customer service. It is likely that you considered most of these people to be your friends. You probably took the time to get updates on their families and to call personally to wish them a happy birthday. Unfortunately, it is difficult to maintain this level of service as the client list grows. There is simply too much work to do and not enough time in the day. As a result, your customers do not receive the same high level of customer service as your business expands. This is where the software component of CRM comes into play.

The goal of CRM is to put the customer back into the spotlight. Customer Relationship Management is the philosophy that the customer should come first. Each client should feel that they receive VIP treatment every time they speak with a representative from your company. CRM uses software tools to enable execution. When combined, these two components ensure that your customers receive personalized attention whenever they interact with your company.

## Manage the Relationship

Managing your customers becomes increasingly difficult as you close more deals. The customer list continues to grow and your time continues to shrink. Efficiency is the key to providing a high level of customer service despite an overloaded work day. Some common challenges are listed below; ask yourself if you have ever experienced frustration from the following scenarios:

- ◆ Searching for critical sales related documents around your desk, through file cabinets, or on your computer
- ◆ Speaking with several of your employees to find out who knows the details of a significant sale
- ◆ Searching through your email inbox and sent items to find out where things stand with a large prospect
- ◆ Finding out that your sales team let a prospect slip through their fingers because no one followed up
- ◆ Being unable to continue working on another sales person's clients after he or she leaves the company

CRM can help you avoid these scenarios in addition to providing tools to improve the way you manage customer relationships.

- ◆ Keep track of all sales related documents by attaching the files to the corresponding customer. The documents can then be immediately located and to review the customer's information.
- ◆ Review past activity/history for a customer, including sent emails, without interrupting any of your sales personnel.
- ◆ Remove the need for handwritten reminders and Post-It notes by entering all of your sales notes and appointments in a CRM system.
- ◆ Monitor sales activity and history to ensure prospects are receiving follow up messages in a timely manner.
- ◆ In times of turnover or extended leave, easily transfer books of business between sales personnel.
- ◆ Track the success of marketing campaigns in order to determine how effective efforts are and where they should be concentrated.

The software component of CRM ensures that you have the technical means to achieve the philosophical goal: put the customer first. In addition to improving your relationship with your customers, CRM also has substantial cost saving impacts.

## Reduce Operating Cost

The decision to implement Customer Relationship Management is an investment. It is an investment because, once implemented, it will yield a return in terms of improved sales and efficiency. The time saving improvements come from storing all customer related information in one location. This allows your staff to quickly access this information as it is needed. The Butler Group, a London-based IT research and analysis firm, found that 10% of a company's salary costs are lost as employees search for information necessary for them to complete their jobs or assigned tasks. CRM addresses this and other money wasters by:

- ◆ Storing customer data and documents in a central location  
Centralized data storage prevents employees from wasting time searching multiple locations for the data they need. We turn busy people looking for information into productive people using information.
- ◆ Saving time spent on repetitive tasks  
CRM allows each of your customer facing employees to manage their own work load. Sales personnel, for example, no longer need to report on sales activity, file documents, or inform their sales manager of their pipeline status. Time for weekly sales meetings can be better spent on strategy and planning.
- ◆ Reducing administrative costs  
CRM allows you to deliver sales documents, marketing literature, and customer service updates online or via email. There is no longer a need to mail or fax physical copies to each customer. This eliminates the time traditionally spent printing, addressing, and waiting in line at the printer or post office.
- ◆ Identifying ineffective marketing initiatives  
Tracking the return on investment for marketing campaigns allows you to determine which marketing strategies are the most effective. This contributes to a focused marketing budget that makes the most of your financial investment.
- ◆ Providing a customer service self-service web page  
Case study research has shown that customer service web pages, or self-service portals, have been able to reduce the cost of servicing customers by as much as 70%. This savings comes from the significant amount of service calls that are deflected by the self-service web page.

The increased working efficiency and cost savings provided by CRM contribute to better customer service and increased sales margins. These impacts set the stage for your company to reach or exceed growth objectives.

## Enable Growth

The goal of CRM is to put the customer first. This can only be done by providing an efficient way to access client information as you engage with each customer. In addition to providing the customer with exceptional customer service, the tools that enable this strategy also reduce money wasting inefficiencies. These cost and time savings are key to enabling business growth.

- ◆ Happy customers become loyal clients

Do you know the difference between a customer and a client? The answer is simple: a customer only buys once. The cost of obtaining that first sale is substantially greater than closing a deal with an existing client. Time and money is saved by simply keeping your existing customers happy. Sales growth can be funded by this savings and the additional revenue gained by repeat business. Empowering your customer service staff with CRM will ensure that they have the tools they need to track customer complaints and product or service issues. The ability to react quickly will allow your company to resolve these complaints and maintain a happy and loyal customer base.

- ◆ Identify your top 20% and target those accounts

There is a saying in sales that states: 80% of your revenue is generated by 20% of your clients. With CRM, you will be able to review sales performance by customer. This provides you with the ability to quickly and easily identify your most profitable customers.

- ◆ Find out what marketing strategies work and stick with them

CRM allows you to track the performance of your marketing campaigns by linking each sales opportunity with the campaign that brought in the lead. This gives you a bottom line number which shows how many deals were generated, how many of those deals actually closed, and how much money was brought in by those sales. Having this information enables you to identify ineffective marketing strategies that tie up valuable resources. These resources can then be reallocated to effective strategies that will increase your sales performance.

- ◆ Remove obstacles so your sales team spends the most time doing what they do best

The more time your team spends on selling, the more profitable your company will be. CRM removes the obstacles of digging through paper work, old emails, and post it notes that waste so much time. Your sales personnel are empowered to focus on what they are paid to do: close deals.

## Is CRM Affordable

Since its debut in the early 1990s, Customer Relationship Management has become a standard in all industries that deal directly with customers. This is a result of the improved customer retention and cost savings that CRM brings to the table. The good news is that while the tools have proven themselves, the cost of using them has gone down dramatically. In the early days, Customer Relationship Management prices could reach \$3,000.00 per user license. They now range from a one time cost of \$500 - \$1,200 per user for a program installed at your company site. On-Demand solutions are also available and range from \$69 to \$150 per user per month.

In the past, the sheer cost of CRM made it difficult for small business to obtain the tools they needed to contend with larger organizations with fully staffed customer service departments. Now that the pricing of CRM has decreased, small business is realizing the benefits of the CRM philosophy.

Maintain your competitive edge, reduce your operating costs, enable your company's growth, maintain a happy and loyal customer base, take business away from your competitors, and keep your clients for life with Customer Relationship Management.

To learn more about CRM, or to request additional information, please contact:

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Related publications include:

- ◆ CRM Compared: CSI's Small Business Guide to Comparing On-Premise and On-Demand
- ◆ CRM Evaluated: CSI's Small Business Guide to Evaluating CRM.