

# The Complete Customer Relationship Management Handbook

Peter Flory



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# About the author

Dr Peter Flory is an independent information technology consultant working in the not-for-profit sector. He describes himself as an information systems professional who, many years ago, learnt how to communicate with ‘real people’ as well as ‘techies’. His first degree is in mathematics and he is a Chartered Engineer and a Chartered IT Professional. In later years he obtained an MSc in Information Systems Management and he has a PhD on the subject of CRM.

Peter has been in the IT (or ICT, whichever you prefer) industry for more than 45 years (yes – 45 years!); the last half of that time was solely in the not-for-profit sector. He spent the first 16 years in the traditional IT areas of programming, systems analysis, project management and general management before joining a London firm of management consultants as an IT specialist where he became a bridge between real people and the techies.

In 1989 he decided to become completely independent and formed Athena Consultants to provide the highest level of independent, honest and ethical consultancy services to a wide range of clients. Almost immediately he took a decision to concentrate his efforts on the not-for-profit sector and since 1990 he has worked solely in this sector. He assists clients with the complete IT life cycle: IT strategy development, requirements specification, invitation to tender procedures, project management, quality assurance, implementation support and operational reviews.

Peter also lectures extensively on CRM and IT strategy and is a research fellow at Brunel University. This book draws heavily on his PhD research and on his more than 20 years of experience as a consultant to the not-for-profit sector.

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I would like to thank the following authors and publishers for their permission



this industry, by the time you read this book the list will be out of date, but we hope it will still be useful.)

Many thanks also to John Bird formerly of the Access Group and Aaron Woods of the British Red Cross Society who reviewed the text, found typos and offered many helpful suggestions (most of which found their way into the final copy).

And last but definitely not least, special thanks to my wife Sandra, who once again has had to put up with me locking myself away writing in the study for hour after hour, day after day, week after week.

## About the Directory of Social Change

The Directory of Social Change (DSC) has a vision of an independent voluntary sector at the heart of social change. The activities of independent charities, voluntary organisations and community groups are fundamental to achieve social change. We exist to help these organisations and the people who support them to achieve their goals.

We do this by:

- providing practical tools that organisations and activists need, including online and printed publications, training courses, and conferences on a huge range of topics;
- acting as a ‘concerned citizen’ in public policy debates, often on behalf of smaller charities, voluntary organisations and community groups;
- leading campaigns and stimulating debate on key policy issues that affect those groups;
- carrying out research and providing information to influence policymakers.

DSC is the leading provider of information and training for the voluntary sector and publishes an extensive range of guides and handbooks covering subjects such

# Foreword

A book with the word ‘complete’, or even ‘compleat’, in the title is inevitably a hostage to fortune. Scientifically, a body of knowledge is never complete – or it is only until something new is discovered. For example, the seminal work by Isaak Walton, *The Compleat Angler*, was dedicated to the Art and Spirit of Fishing, and was first published in 1653 but added to in subsequent editions over the next 25 years, all in the spirit of science and art. Hopefully we can look forward to Peter regularly updating his book on the art and spirit of CRM as technology and our wish to take full advantage of it continue to develop at a rapid pace. I can visualise Peter, like Isaak on the river bank, seeking the ideal specimen with hook and line. In Peter’s case it’s the perfect CRM solution.

Peter’s had a lot of experience of implementing or advising on CRM systems in the not-for-profit sector. I have turned to him myself for CRM project support when I was the IT director at The Salvation Army. The role of independent adviser is a crucial one, as the motives and biases of IT Directors tend to be regarded with some suspicion within charities when there’s a project affecting some aspect of the organisation through the use of technology. Peter never disappointed with his advice and his clarity and now some of his knowledge and experience are available without even requiring him to be present!

The history section of this comprehensive book is fascinating to some of us who lived through the period in which computers, organisations and individuals have developed significantly but separately. This book makes us appreciate the ongoing difficulties that organisations, even quite small ones, continue to have in operating departmentally in silos rather than working together cooperatively. The essence of CRM systems is to break down those barriers.

Early on in the book he makes it clear that CRM is not only for computer geeks, though IT directors and managers in the charity sector are frequently given the lead responsibility for system selection. But responsibility is not just for those making the IT aspect of the organisation work. Failure to appreciate and act upon this means that the organisation gets what the IT department wants or

hint at the lack of imagination popularly deemed to be a characteristic of people working in IT, it also means that IT may share with the illegal drug industry a peculiar disinterest in the effects of its products on customers!

It is clear, from the thorough nature of the book, that there are intensively logical and complex aspects of CRM that make IT professionals not just useful but essential to ensuring that any new CRM system serves the required purposes. Those who don't naturally work in the logical, rational way so beloved of IT professionals, may wish to skim-read the more difficult technical sections, but I recommend that they read them all: they will provide themselves with a language to converse with IT people and gain a deeper understanding of what they really want from a CRM system.

Similarly, I believe that more technically interested people should concentrate on the many sections with more business language in them. It's a great way to absorb what is important to the not-for-profit organisation – a shortcut to understanding business needs and appreciating the value of different commercial offerings.

The latter parts of the book focus on planning, procuring and implementing a CRM system, and offer some excellent vignettes and examples to expose common pitfalls. Some terrific checklists enable avid readers to keep themselves on the right track.

I am convinced that reading, understanding and applying the knowledge in this book can reduce the many costly and painful mistakes made by not-for-profit organisations in their quest to improve their interactions with customers.

Good Fishing!

**David Clayden**  
**Former Director of Strategic Information for The Salvation**  
**Army (UK and Ireland) and Non-executive Director of the Society**  
**for IT Management (Socitm)**

Part one:

**What is**

**CRM?**

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# 1 Introduction

## 1.1 ABOUT THIS BOOK

Customer relationship management (CRM) was originally developed in the commercial world in the 1990s, but did not become well established in the not-for-profit sector for almost ten years. With this background in mind, this book describes what CRM is, where it came from and how it is applied in the not-for-profit sector. It outlines CRM strategy considerations, what is required of CRM systems and how to choose and implement these systems. It also provides hints and tips on the effective usage of CRM in practice.

The book is divided into seven parts. This first part, ‘What is CRM?’, introduces the subject and describes:

- the historical background and how CRM developed, including the role of relationship marketing;
- how it is applied to the not-for-profit sector, i.e. some of the similarities to and the differences from ‘traditional’ (or commercial) CRM;
- the difficult question of ‘Who is the customer?’

The second part, ‘CRM strategy’, describes the eight major principles underlying CRM, the ‘360 degree view’ and other common CRM concepts, issues to consider when developing a CRM strategy, and how to manage a CRM project.

The third part, ‘CRM systems architecture’, moves on to the information technology systems required to support the implementation of a CRM strategy. It outlines the different ways of looking at CRM, how these views relate to each

The sixth part, 'CRM systems procurement', outlines the problems faced by a prospective CRM systems purchaser, how to go about purchasing CRM systems and introduces some of the main CRM system suppliers.

The seventh part, 'Implementing and using CRM', describes how to go about the process of implementing CRM systems, the tasks involved, the management of the project, what to do when it all starts to go wrong, and more things to do when it is all up and running. It concludes with hints and tips when using CRM and, finally, a look into the future direction of CRM.

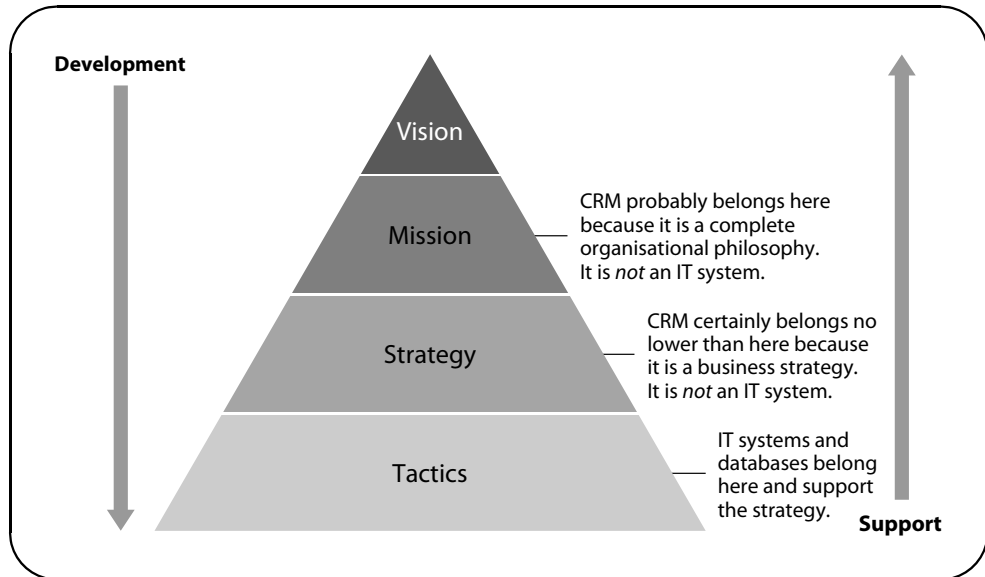
## 1.2 BACK TO BASICS

Before examining CRM in any depth, it is important to establish where it belongs in terms of organisational thinking. Many people place CRM firmly at the door of the IT (or ICT, information and communications technology, in today's terms) department and associate it simply with their 'database', but this is only one part of the story. Most readers will be familiar with figure 1.1 or some variation of it. It has been a mainstay of management philosophy for decades.



interact with your ‘customers’ – however you define them – and the aim of everyone in the organisation, whatever their job function, must be to keep the customer satisfied, otherwise you will soon have no organisation.

Thus, CRM is about you and everyone else in your organisation, what you do, how you do it and the tools you use (and the database is just one tool). To dispel another myth immediately, when CRM implementations fail, the failure is almost always people and/or process-related (more on this in section 8.4). The technology rarely fails, and when it does, it is the easiest part to get right.



**Fig. 1.2** The place of CRM in the organisation

### 1.3 CRM OVERVIEW

In a competitive world where a customer can change their allegiance quickly and easily, anything that provides facilities to attract customers and keep them loyal



- ‘Your best future customers are your current customers.’
- ‘Look after your customers and the £££s will look after themselves.’

CRM is not rocket science; it is common sense. Look after your current customers, keep them coming back for more and get them to tell all their friends about you because they have had such a good experience with you. That is CRM.

So, it is all about keeping customers satisfied, but what do customers actually want from you? Some years ago, manufacturing systems guru, Richard J. Schonberger, identified the four basic customer needs as quality, speed, flexibility and value, about which he says that ‘all customers want ever better quality, ever quicker response, ever greater flexibility and ever higher value’ (Schonberger, 1996, p. 31). What has changed in the meantime? Absolutely nothing! Customers want the best quality at the lowest cost, in the quickest time and they want the ability to change their requirements at any time.

There is, however, something to add to Schonberger’s list and that is *customers want recognition and to be treated as individuals*. We can all relate to the cry ‘I am not a number!’ Customers are people. Even when dealing with organisations such as a corporate sponsor or a grant-giving trust, you are still dealing with people. People have feelings and want to be treated with respect. If you ignore them or you are rude to them, they are unlikely to remain as customers for very long.

There are many definitions of CRM, some of which will be examined in Chapter 3. However, a very simple definition was provided by the research and consultancy company Ovum, as described by Bradshaw and Brash (2001, p. 520): ‘CRM is a management approach that enables organisations to identify, attract and increase retention of profitable customers, by managing relationships with them.’ One of the key words in this definition is ‘profitable’. This introduces the major objective of CRM: to make more money, i.e. to be more profitable, and this is to be achieved by managing the relationships with customers.

The definition of CRM above gives rise to a number of questions:

# 2 CRM: An historical perspective

## 2.1 A BRIEF HISTORY

Where did CRM originate from and how did it develop? A brief summary is provided below and the major elements are discussed in the rest of this chapter.

### 2.1.1 1960s and 1970s: consumer marketing

**Marketing mix** describes the choices that an organisation must make in the process of getting services or products to market, i.e. the organisation's 'offering'.

This was the time long before CRM and it was the heyday of mass marketing to large groups of individuals. There was little personalisation and brand awareness was everything. To quote common buzzwords, it was very 'product-centric' rather than being 'customer-centric'.

This approach is referred to as consumer marketing or transaction marketing and continues today as part of the overall **marketing mix**, but in the 1960s and 1970s it was *the* way to attract and sell to customers.

### 2.1.2 1983: relationship marketing

By the 1980s much more emphasis was being placed on maintaining and enhancing relationships with existing customers. Leonard Berry, marketing guru, published a seminal academic paper entitled simply *Relationship Marketing* in 1983, but the concepts expressed in it are much older and the origins can be traced back to the 1970s. It revolved around the concept of putting the customer

allowed people to keep track of their contacts/customers and their interactions with these customers. It wasn't what we know of today as a CRM system, but it was the start. This was the first step in computerising relationships, as opposed to pencil and paper, and gave people the power to start implementing relationship marketing principles on a large scale.

#### **2.1.4 1988: database marketing**

The first definitions of database marketing appear in 1988 and revolve around large organisations with very large numbers of customers that could be segmented in a number of relatively simple ways and targeted with products and services especially suited to that group or segment.

#### **2.1.5 Early 1990s: sales force automation**

Contact management software soon began to be expanded into other areas for managing the sales process and to contact management the functions of lead management (the processing of sales enquiries), opportunity management (collaborative working to identify sales opportunities) and deal tracking (following the processes related to a sale) were added, which together constituted another buzz-phrase, sales force automation.

#### **2.1.6 1995: customer relationship management**

The term CRM was first coined by the Gartner company or by Tom Siebel (the jury is still out, but the author's money is on Tom Siebel) in 1995. Several terms including CIS (customer information system) and CIM (customer information management) were around for several years, but CRM won out in the end.

#### **2.1.7 1997: data-driven marketing**

As computerised system facilities developed, huge amounts of data were being generated and computer systems started to be developed that utilised data

### 2.1.8 1998: marketing, sales and service

The scope of CRM systems expanded to become a more complete customer-centred solution. After-sales service facilities were added to systems which had originally just focused on the sales process (with a bit of marketing thrown in).

### 2.1.9 1999: mobile CRM, eCRM and Salesforce

**SaaS** (also referred to as on-demand software) is a service which allows users to get software delivered via the Internet, rather than installing it on a local, office-based machine or needing updates and security patches to be done in-house (see also 21.2.2).

The first handheld device linked to a back-office CRM system was developed by Siebel all the way back in 1999. Also at this time, the Internet and the concept of outsourcing started to become important. Salesforce, the company and the CRM system that bears its name, arrived on the scene and it was provided on a Software as a Service (**SaaS**) basis. The term eCRM

(electronic CRM or e-commerce CRM) started to appear, and indeed still does appear in some literature, but it is now largely redundant as almost everything in the computing world is ‘e’ based.

### 2.1.10 2002: Microsoft Dynamics CRM

Microsoft entered the CRM market (but it took them nearly ten years to get it right).

### 2.1.11 2004: SugarCRM

The first **open-source** CRM system, SugarCRM, appeared. It opened the way for even the smallest organisation to take advantage of the automation of

**Open-source** software allows the user access to the program’s source code and can be freely redistributed and modified

## 2.2 RELATIONSHIP MARKETING

This is the first element of the brief history that is fundamental to the development of CRM. After the mass-marketing days of the 1960s and 1970s, in the early 1980s Leonard Berry and many other academics and marketing people started to seriously consider the question of retaining existing customers as opposed to attracting new ones. They reasoned that retaining an existing customer costs a great deal less than attracting a new one. This gave rise to the concept of relationship marketing. This differed from transaction or consumer marketing, which relates to single short-term communication exchanges. Relationship marketing relates to linked communication exchanges over a period of time that usually involve both financial and personal elements.

As Berry (2002) points out, relationship marketing is about retaining existing customers and making them 'loyal', as opposed to attracting new customers with no experience of the vendor and their products and services, which was the predominant aim of marketing before the 1980s. He sets out five relationship marketing strategies, namely:

1. **'Core service'**: a base upon which other services can be added and sold to existing customers.
2. **'Relationship customisation'**: identifying individual customer needs and offering them tailored products or services to meet that need.
3. **'Service augmentation'**: adds extra services to the standard offering, services that are unlikely to be offered by the competition (the origin for the later buzzword 'cross-selling').
4. **'Relationship pricing'**: offering special deals for existing customers.
5. **'Internal marketing'**: this is all about attracting, retaining and motivating staff so that they provide customers with a better service (something a lot of people forget about).

When Berry reviewed his original 1983 paper in 2002, he placed less emphasis on service augmentation and relationship pricing but added 'service quality' and 'trust' to the equation. Thus we have five elements that form a basis for the later

A key quote from Leonard Berry is:

*Relationship marketing at its best is a philosophy, not just a strategy, a way of thinking about customers, marketing and value-creation, not just a set of techniques, tools, and tactics. Relationship marketing is holistic, a sum of integrated parts that drive a firm's marketing competencies.*

Berry 2002, p. 73

Other writers stress the concept of one-to-one marketing and the fact that 'people sell to people'. So, although in many instances organisations might buy the products and services, it is people who make the decisions; thus the importance of personal relationships in marketing, sales and service functions.

A much-quoted concept in marketing is targeting 'the right message, at the right customers, at the right time via the right channels'. This also implies one-to-one marketing and treating people as individuals. It is vitally important to treat people with respect, but relationship marketing goes much further than this. You need to understand the customer, their motivations and their needs, and then you have to respond appropriately in order to provide the customer with the best experience possible.

## **2.3 THE BIRTH OF CRM**

The second major element for discussion is CRM itself. The origins of CRM lie in relationship marketing and consequently can be traced back to 1983. The brief history outlined – relationship marketing in 1983, contact management software in 1986, database marketing in 1988 and sales force automation in 1990 – eventually combined and culminated in 1995 as customer relationship management.

Arguments about who originated the term are of little consequence. The point is that it appeared in 1995 as an overall organisational concept and has continually developed and become increasingly functional ever since.

When considering the subject of computer systems, the forerunners of today's personal computers (PCs) and laptops were developed in the mid-1970s, and in 1981 the first IBM PC was released. The entry of the computing giant IBM into the desktop computer market started a rush of IBM-compatible machines produced by many companies. This, and the adoption by IBM (and all the others) of an operating system from Microsoft, was the start of the standardisation of computing and its take-up by the mass market, i.e. by people like you and me.

This timescale overlapped completely with the thinking of marketing gurus such as Leonard Berry. Consequently, the development of relationship marketing theory and mass market computer systems that could support those theories went hand in hand. Before this time, all sorts of sales and marketing systems had been developed, but they were mainly the preserve of very large companies with huge mainframe computers and enormous computing budgets and were completely inaccessible to most of the workers at the coalface of sales and marketing.

The first major development in CRM was the formalisation of the very highest level of subject breakdown, namely, marketing, sales and service. This gave people a simple starting point in understanding CRM and it reflected both the sequence of operations (you market, you sell and then you service) and the breakdown of staff into separate, and separately functioning, departments (the marketing department, sales department and the service department). They may have operated independently before; for example sales force automation helped the sales department in the selling process, but when the customer called to complain about something, the service department knew nothing of the history of the sale. CRM made both departments realise that they needed to work together and know what the other was doing for the maximum benefit of both the company and the customer.

## **2.4 CRM AND THE NOT-FOR-PROFIT SECTOR**

organisation paid on a per-transaction basis, so they had no large development costs. Later in the 1980s, these bureaux began to develop communications links so that the organisation could enter its own transactions if it wanted to. The biggest of these bureaux serving the sector was Southwark Computer Services, which still exists today under its new name of Acxiom.

- **To use manual recording methods.** This was the preferred option for most organisations, and involved paper or cardboard record cards and hand calculations.

By the early 1980s, a small number of packaged systems had appeared. CMG (Computer Management Group), Minerva Computer Systems and Care Business Solutions were early pioneers (which have now either gone or merged into AdvancedNFP which is part of the Advanced Computer Software Group). Unfortunately, these systems were large, cumbersome and expensive such that they could only be afforded by the very big not-for-profit organisations. At this time, 1981, the PC was beginning life, but it took a long time before sector-specific packages were developed. A system called Donorbase appeared in 1983, and although it has long since disappeared, it really started a revolution. It cost much less than its

**A transaction processing** system is a back-office system that processes transactions one at a time, such as individual income items.

predecessors and brought early CRM-type facilities (in this case, focused on fundraising) within the reach of much smaller organisations.

All the systems of the 1970s and 1980s had a number of things in common.

They were ‘green screen’ (because the screen was usually black with green characters displayed on it), character-based (letters, digits and symbols – no pictures) and they were pure **transaction processing** systems. The emphasis was on automating the boring tasks of

**Segmentation** is the process of