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CRM Done Right

Key ideas from the [Harvard Business Review](#) article By Darrell K. Rigby, Dianne Ledingham

The Idea in Brief

Frustrated by high costs and dubious payoffs, managers that used the first customer-relationship management (CRM) systems came to view them as overhyped IT investments. Accordingly, CRM spending plummeted between 2001 and 2003. But now CRM system sales are soaring, as executives from a wide variety of industries tout CRM's value.

What's changed? Rather than trying to transform entire businesses through full-scale CRM implementations, companies are applying CRM in disciplined, focused ways--and getting more from it. How to realize the same benefits from *your* CRM initiatives? Use CRM to solve highly specific customer-relationship challenges--such as accurately diagnosing call center customers' problems. Invest in real-time information--the holy grail of CRM--only where it's needed. For example, a hotel manager requires real-time data on room availability, not on customers' opinions about room decor. Equally crucial, use what you learn from successful smaller CRM projects to tackle larger problems.

By knowing where in your business to deploy CRM, and how, you stand to score impressive revenue gains--as companies like Kimberly-Clark, Ingersoll-Rand, and Brother have done.

The Idea in Practice

To decide where and how to use CRM technology, ask four questions:

Is It Strategic?

Before spending a dime on CRM, identify the processes that most support your company's strategy. Target them for improvement through CRM.

Aircraft-parts distributor Aviall Inc. needed a well-trained sales force to achieve its strategic objective: becoming the premier industry provider of supply-chain management services. The company installed only those CRM elements required to enhance sales-force and order-entry productivity.

Sales representatives now had instant access to customers' credit history, a streamlined order-processing system, and the ability to deliver firm quotes immediately. They tripled their daily number of sales calls and expanded their customer base by one-third. The number of orders handled daily more than doubled--with no staff increase. And Aviall won an unprecedented ten-year, \$3 billion supply contract with engine maker Rolls-Royce

Where Does It Hurt?

Where in your customer-relationship cycle do performance-sapping problems arise? Is it when you're seeking to stimulate initial purchases? provide after-sale service? retain customers? Focus CRM efforts on your pain points.

Consumer-goods giant Kimberly-Clark's pain point lay in its retailer promotions. Running thousands of promotions annually, it couldn't discern which promotions strengthened retailer loyalty and sales. It installed a modest CRM system that enabled managers to track the return on investments in individual promotions. In the initiative's first year, Kimberly-Clark streamlined budgets and increased profits by redirecting \$20 million in promotion spending.

Do We Need Perfect Data?

Accessing and responding to real-time information requires expensive, complex systems. Distinguish between activities that truly demand perfect data and those that don't.

Japanese equipment maker Brother International's U.S. arm faced high product-return rates stemming from customers' dissatisfaction with call-center service. The company launched a new CRM system that enabled service reps to identify customers when they called, quickly locate their purchase records, and provide codified responses to common questions. Call times shrank by 43 seconds, saving \$855,000 annually. Product returns fell by one-third over three years.

Where Do We Go from Here?

Don't rest on your CRM laurels. Rigorously analyze system-generated data to pinpoint new, well-defined opportunities to extend CRM's power.

Diversified manufacturer Ingersoll-Rand recognized that customers who purchased its golf carts might like to buy other divisions' products, such as Bobcat mini-excavators and loaders. The company spurred cross-selling by expanding its golf-course division's CRM order-taking function to include other divisions. The initiative generated additional orders of \$6.2 million in its first few months.

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Further Reading

Articles

[Is Your Company Ready for One-to-One Marketing?](#)

Harvard Business Review

February 2001

by Don Peppers, Martha Rogers, and Bob Dorf

The authors offer additional guidelines for applying CRM in a disciplined, focused way. For example, before implementing a CRM effort, assess your company's readiness. Using responses to questionnaires filled out by managers, employees, and customers, discern whether your company is prepared to: 1) **identify** end-user customers' habits and preferences, 2) **differentiate** customers based on their value to you, 3) **interact** with customers through affordable channels that yield additional information about their value and needs, and 4) **customize** products and services based on what you've learned.

They Bought In. Now They Want to Bail Out

Harvard Business Review

December 2003

by Eric McNulty

This article provides experts' commentary on a fictional case study of one company that failed to use a focused approach to implementing CRM. Menswear chain Mathews & Co.'s Chief Technology Officer Barry Golding is angling for funding to implement CRM software. He has championed the effort for months, touting CRM's huge potential to department heads. But during the latest planning meeting, the executives express disappointment when they see that the initiative won't give them everything on their wish lists. Barry has fallen victim to the "blue sky paradox" that can derail CRM efforts: To "sell" the project, you have to get people to dream big. You encourage expectations so high that they can't be met--setting people up for disappointment. Top CRM experts provide advice for saving Barry's CRM project.

Book

Building Business Benefits from CRM: How to Design the Strategy, Process, and Architecture to Succeed

Gartner Research Report

May 2003

Gartner, Inc.

This guide provides additional insights to help you get the most from your CRM initiatives. The volume presents valuable findings from research--including technology trends. It provides suggestions for creating an integrated CRM strategy, fashioning optimal CRM business processes for automation, rescuing failed CRM initiatives, and preventing future disasters. The book also explains how to evaluate and select vendors, and it contains case studies of successful CRM initiatives and best practices.

About the Authors

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