

**CUSTOMER RELATIONSHIP MANAGEMENT SOFTWARE**

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**"CRM is the business strategy that aims to understand, anticipate, manage and personalize the needs of an organization's current and potential customers" PWC Consulting (Miller, 2002).**

## **Introduction**

Studies have shown that dissatisfied customers tell between 7-10 people of their bad experience while a satisfied customer will recommend a company to three or four of their friends. Industry analysts estimate that it costs 10 times as much for a company to bring in a new customer than it is to retain one. Perhaps this is why customer relationship management is emerging as one of the most important components of corporate strategy.

CRM software makes it easy to keep track of customers -- their needs, wants and history with a company -- so that a business prospers. CRM software is designed with the intent to establish happy customers who come back again and again creating long-term sustainable profitability. CRM software can improve a company's operations, reduce customer cost, and increase long-term revenue by keeping customers longer. Without proper planning on the front-end, however, risks exist for pitfalls and failures. The cost of CRM software packages can fall within an extensive price range depending upon the complexity of its functionality and the desires and needs of the purchaser. CRM software is a valuable investment for increasing and retaining customers, increasing sales, efficiency and customer relations information.

## **What is CRM?**

Advances in technology have made it possible for companies to collect vast amounts of data. Often times huge amounts of customer data sit in the servers of many companies, unutilized because of the lack of business and technical processes with which can find the data. Because the prospect of using such data to automate cross-selling and up-selling provides a clear-cut benefit, many companies are turning to CRM software to help them put the data to work. CRM systems are being implemented in order to collect, manage, and distribute data, with the goals of providing a better understanding of customer behavior and affording a personalized experience for customers (Keston, 2004).

CRM software is a business strategy, one that puts the customer at the heart of the business (Miller, 2002). It is a set of techniques that help organizations manage their customer activities in a way that maximizes value for the business while simultaneously maximizing value for the right customers. CRM is not just software but a tool to:

- Manage more customer interactions faster
- Consolidate customer information for analysis and viewing
- Turn large amounts of data into useful information

- Increase revenue
- Increases profitability
- Improve customer loyalty
- Competitive advantage gains

This is an effective way to manage numerous customer relationships when you cannot touch and see every customer (Kellen, 2001). With CRM software, a business can capture data about the customer and convert that data into actionable processes. Typically, CRM solutions include three core components: sales, marketing, and customer service modules. Each of these modules is usually tightly integrated, as are additional add-on modules that serve to extend the system based on the needs of the business. A number of technologies also exist that are being added to CRM systems to further the capabilities of the solutions. Among the technologies that are expected to impact the use and functionality of today's CRM systems include web services, speech analytics, and point of sale (PoS) solutions.

### **Who uses CRM?**

All types of companies use Customer Relations Management software - companies such as Merrill Lynch and Information Technology firms such as Opalis Software. Even small businesses such as doctor's offices use CRM to have holistic view of each and every one of their customers. Large enterprises, midsize enterprises, and small businesses use CRM to increase sales, improve internal efficiencies and retain clients. In short they use CRM to reach the competitive edge.

Unlike large enterprises, small businesses are starting small and taking a wait-and-see approach to CRM. Small businesses have a lot of choices - application suites, point solutions or hosted services. While small companies have some of the same needs as large enterprises, they often do not have the same resources but are looking for the same functionality. They require service functionality built into the software, requiring special attention to customer service. Since the process of integration is costly, time-consuming, and requires technical sophistication, small companies are looking for simplicity, flexibility, cost, and all - in one solution.

### **How does CRM software improve operations?**

- Allows companies to help manage more customer interactions faster
- Consolidates customer information for analysis/ viewing
- Turn massive amounts of data into insight while viewing several customer analyses
- Enables companies to share human resource data, accounts, documents, projects, logistical data, financial data and workflow internally
- Allows companies to communicate electronically with customers, resellers and suppliers through portals

- Extracts customer knowledge by collecting customer data
- Provides a continuous learning process for the customer over the web or through automated services
- Reduces costs around serving customers due to less customer churn and optimized customer relations management
- Can give companies a competitive advantage

## Possible Pitfalls

Although CRM is a valuable investment for increasing and retaining customers, increasing sales and profits, increasing efficiency and customer relations information, 60 to 80 percent of CRM implementations fall short of customer expectations. Most have failed to meet the customer's set expectations due to the misallocation of resources, poor visualization of objectives and the lack of company support, as well as the following:

1. **Failure to Adjust Business Process** – Many vendors give lip service about the technology and not the corporate processes; therefore business processes are not adjusted accordingly to the implementation of the system to achieve optimal performance. Also Communication channels must be established so that every department that is relying on the system to perform its work is kept in the loop.
2. **Complexity** – The complexity of CRM projects is a major hurdle. CRM implementation can consist of dozens of related goals and projects. The failure of several of these tasks can result in the entire project being labeled a failure, when in fact it is not so much a failure as an incomplete project.
3. **Customer Identification Parameters** – Defining customers is a hurdle to overcome in achieving a customer-focused organization. Because most companies include prospects and sometimes suspects, as oppose to segmenting customers based on demographics, behaviors, values and vulnerability.

Implementing CRM systems that meets company's expectations is difficult. The systems are complex and sometimes require companies to adjust their well-established business processes to use CRM software. In order to avoid these pitfalls and realize a better return on investment, it is widely suggested that CRM software be installed and executed through a phased approach that implements one module at a time (Keston, Geoff).

From fear of encountering significant problems resulting from CRM implementation, some companies avoid full-scale CRM systems and choose Contact Management Software (a database of detailed records on individual customers, suppliers and other partners). However, this software lacks the complex forecasting and reporting capabilities of CRM systems and software developed in house.

## Cost of CRM Software

While CRM implementation could be the boost that companies need to edge out the competition, it is not a cheap fix. CRM implementation can be extremely costly depending on the magnitude and complexity of the integration. Estimating the final cost can be difficult as well. A Gartner Group survey showed that a majority of businesses will underestimate the costs of CRM projects by as much as 40 to 75 percent over the next five years. Each project is different depending on the level of complexity involved.

**TABLE I**  
**CRM Project Complexity Cost Comparison**

<b>Complexity of Project</b>	<b>Processes Involved</b>	<b>Cost Range</b>	<b>Market Leaders</b>
<b>High complexity</b>	Sales, marketing and customer service processes; major application customization; any application with more than 70 screens; and any project that requires more than 10 difficult integrations	1,000 users start around \$50,000 and decreases to about \$15,000 as the number of users increases to 5,000	Siebel Systems SAP Amdocs Oracle
<b>Moderate complexity</b>	Two of the three categories of sales, marketing and customer service; moderate application customization; and 30 to 70 screens	Range from \$30,000 for about 500 users to a little over \$10,000 for 5,000 users	Siebel Systems MicroSoft PeopleSoft
<b>Low-complexity</b>	Sales or marketing or service; little application customization; fewer than 30 screens; and two or fewer difficult integrations	Range from \$15,000 for a group of 100 to \$10,000 for 5,000 users	SalesLogix MicroSoft NetSuite

While it is difficult to estimate the final costs at the beginning of the project, doing the necessary homework reduces the potential for making costly mistakes and

greatly enhances the probability of a successful implementation (Hasan, 2003). Nevertheless, the cost of data standardization is more often than not underestimated. For example, in a transportation application, shipments may be referred to in terms of weight, cube, freight class, etc. However, a CRM fulfillment application may label the same shipment order as SKU, quantity, etc. The data must be reclassified in a uniform manner – before integration occurs. Often times, as a project gets underway, people suddenly realize that more capabilities or applications are needed if the project is going to work as originally envisioned.

Yet another cost that often catches companies unaware is the expense and effort of training employees to use the system once it is in place. So can the time required to convince reluctant employees to use the application all the time -- and to use it correctly. On the other hand, studies have shown that 58% of companies that measured the return on investment of their CRM implementations achieved a positive return within one year. Another 35% realized a return within one to three years.

### **Conclusion:**

Today's organizations must manage customer interactions across multiple communications channels—including the Web, call centers, field sales, and dealers or partner networks. Many organizations also have multiple lines of business with many overlapping customers. The challenge for companies is to make it easy for customers to do business with their organization any way they want—at any time, through any channel, in any language or currency— and to make customers feel that they are dealing with a single, unified organization that recognizes them at every touchpoint.

Technology should be used only as a tool for customer management. The key to successful implementation of a CRM system is in the front-end planning and the use of the data collected. Companies should do extensive homework before jumping into the investment. By having an in-depth understanding of corporate goals and processes, organizations can plan the implementation of CRM software that provides useful insights into customer demographics, behavior, and vulnerability (Keston, 2004).

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