CRM: Taking One-to-One Marketing to the Next Level

An Executive White Paper

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Table of Contents

Introduction

Achieving the goal of generating profitable revenue has become increasingly difficult — challenging even the most seasoned marketing and sales executives.

Unfortunately, there have been very few advances that improve the marketing and selling process until recently.

The current economic situation makes it's more critical than ever to improve the efficiency of a company's marketing and sales operations.

Fortunately, new methods and technologies are helping marketers and salespeople deliver marketing messages that focus on the needs of each potential customer, present a clear and consistent message on how a company's products meet the prospects' needs, and then help close orders.

Improved precision in targeting marketing activities allows each message to deliver greater impact, which helps prospects quickly see why they should buy your product.

The result is greater efficiency in attracting the right prospects, and reduced time and effort in closing sales.

While the products you sell have specific features and functions, there can be many reasons why customers buy those products from you. Customers could consider straightforward technical requirements to more intangible attributes such as availability, reliability, dependability, and maintainability. In addition, the importance of competitive pricing can range in importance from low to very high.

This means improving marketing and sales presents management with some very complex challenges:

- Reaching the target market with messages that are more appropriate
- Reducing the time and resources required to generate leads, qualify prospects, and close sales
- Improving your marketing team's understanding of information needs of each target market
- Improving your sales team's understanding each prospect's individual needs and decision criteria

In other words, it's important to refine and manage each prospect's entire information gathering, product evaluation, and purchase decision experience. Since this buying process frequently requires many interactions with multiple departments over a lengthy period of time, you have an opportunity to develop a relationship between you and your customer.

This white paper is designed to help you improve the process of managing customer relationships by integrating online marketing, offline marketing, and direct sales activities to form a unified, one-to-one approach to managing customer relationships.

One-to-One Marketing Strategy

Marketing is about *markets* — communicating with, selling, and servicing them. *One-to-one marketing* is about individuals. Communicating with, selling, and servicing individuals by providing a unique and valuable personal experience. One-to-one marketing is a philosophy of understanding a customer's needs through asking questions and really listening to the answers, as well as through observing their actions.

We have moved from mass marketing to direct marketing, and now to one-to-one marketing. And, marketers are changing their practice of company-centric database marketing to customer-centric one-to-one marketing.

With direct marketing, marketers target customers so they can communicate more at less cost. With a one-to-one strategy, marketers focus on what the customer wants to buy rather than what the company wants to sell. This meets the customer's needs and helps the customer become comfortable doing business with you.

There are many ways to apply the principles of one-to-one marketing to improve communications effectiveness. In our book on one-to-one marketing, *One-to-One Web Marketing, 2nd edition* (1998, John Wiley & Sons), we covered seven technologies used to implement a one-to-one strategy. These technologies include targeted advertising and promotions, Web and e-mail personalization, customer care, and other methods of interacting with — and learning about — prospects and customers.

Applying Customer Relationship Management

The need to improve the way companies manage customer relationships has led to the term *customer relationship management (CRM)*.

Today, the field of customer relationship management has encompassed those technologies to help marketing and sales executives manage the process of implementing a one-to-one marketing strategy.

One of the first questions people ask about CRM is whether it is a process or a product. The answer is that CRM is both — just like other aspects of business.

For example, is financial accounting a process or a product? The technique of accounting is definitely a well-defined process, and many companies use an accounting software product to make the process more efficient and ensure that the process is followed and results tracked and monitored.

The same approach is needed for a company's marketing and sales operations.

It's time to unify marketing and sales functions by using tools and techniques that brings marketing and sales together as a team while maximizing the performance of both groups.

This approach to managing the customer relationship involves tracking the full range of interactions with prospects and customers:

- Every marketing interaction
- Every sales interaction
- Every customer service and support interaction

Only by tracking the interactions that lead to sales can the customer relationship be truly managed, maintained, and nurtured.

So, how do these elements of an effective customer relationship fit into a definition of CRM? In other words, just what is CRM?

CRM Concepts

Customer relationship management is the technique of providing information to prospects and customers, and collecting information about prospects and customers, that allows us to help them evaluate and purchase products that deliver the best possible value to them.

Or, as author/consultant Patricia Seybold has said, the purpose of applying techniques such as CRM, one-to-one marketing, and relationship marketing is to make it easier for the customer to do business with you.

Marketing and sales people have many opportunities to influence customer purchase decisions. Until recently it was normal for these functions to be performed separately — by different departments within a company — without acting as a unified team.

Customer relationship management has become a popular name for a variety of software tools and techniques aimed at attracting and retaining customers. In general, CRM uses a centralized database to bring marketing and sales activities together in a unified approach to serving customers.

CRM vendors like to think of CRM as a category of products that can be compared and evaluated against each other. However, CRM shouldn't be thought of as just a technology or product. Instead, marketers need to think of CRM as managing the company's resources to create the best possible experience and value for customers — plus the software tools needed to implement that philosophy.

While the name CRM is new, the idea has been around a long time.

Salespeople responsible for selling big-ticket items have always managed customer relationships by monitoring their customers' needs, product orders, shipments, and customer service requests. Many times they do this by making frantic telephone calls to headquarters demanding information that's stored in stand-alone computer systems.

By applying CRM principles, data that's now stored throughout the company is brought together in a unified database. This approach also brings employees together as a team to better serve customers.

CRM combines many of the traditional marketing techniques that have been used effectively by themselves, such as:

- Direct marketing
- Telemarketing
- Web personalization
- E-mail marketing
- E-commerce
- Sales force automation

Some CRM software providers want to provide a complete, enterprise-wide real-time system that replaces many of the tools and processes that are already in place. Other vendors want to provide just a piece of the CRM puzzle in what they call a "best of breed" approach where multiple products work independently but can exchange data with each other.

While it's usually best to keep the number of technology vendors to a minimum, other factors may be more important when implementing CRM. It's likely that a combination of technologies is needed in the beginning to keep the company functioning smoothly as it grows its CRM initiative for the future. For example, it may be best to start by using a sales force automation system that is part of an integrated marketing and sales system. Then, upgrade your Web site and e-mail marketing to use the CRM system's personalization and other techniques to gather profile data for use in one-to-one marketing.

A key to CRM success is understanding a company's needs and requirements, not just for the present but the foreseeable future. This requires that a multi-departmental planning committee examine all customer interactions, sometimes called "touchpoints," to fully understand how customers view the company. The analysis should cover how to track customer interactions from ad response through product delivery and follow-on service.

Customer history information can then be used to map the process of how potential customers gather information about a product and make purchase decisions. In addition, this analysis should include learning what customers want in a purchase experience and in the value delivered after the sale.

Understanding what customers want from your company — and how to provide it — is the foundation of the one-to-one marketing that is needed to implement a successful CRM system.

CRM Functions

CRM is typically composed of two functions:

- **Marketing automation** — Raising awareness and generating leads with online and offline marketing
- **Sales automation** — Responding to leads and communicating product features, benefits, and values, as well as closing sales

These functions are traditionally performed by separate departments working independently within a company. However, the application of one-to-one marketing and selling requires close cooperation and teamwork — and an effective CRM system can help achieve that goal.

The Challenge of B-to-B Marketing and Selling

For years marketers relied on traditional mass marketing methods to spread a general message across a broad spectrum of potential prospects.

Times have changed. The expression "business as usual" has become a phrase that practically no one uses any more. Today's expressions are:

- 360-degree view of the customer
- One-to-one relationship marketing to understand the customer
- 24/7 readiness to serve the customer

In other words, we now live in a customer-driven, value-focused environment where marketers and salespeople work as an integrated team to understand each prospect and customer.

Traditional Marketing

For many years the process of business-to-business marketing has used several reliable, but expensive, techniques, such as:

- Public Relations
- Advertising
- Direct Mail
- Trade Shows

These marketing activities are designed to generate responses from people who are interested in learning more about the company's products. In other words, they are designed to generate leads. Lots of unqualified leads.

Each of these marketing techniques performs well under the right circumstances, however there are problems with traditional b-to-b marketing:

- It takes too much time for an inquiry to be processed.
- It is too expensive to generate the inquiries.

However, by combining a comprehensive database marketing system with the precision of Web and e-mail marketing, it's now possible to integrate traditional marketing campaigns with online marketing to produce more leads that are more highly qualified.

Traditional Selling

Traditional business-to-business selling has been about as efficient as traditional B-to-B marketing.

The marketing department has either provided inquiries, or leads are generated by the salesperson through various prospecting techniques.

Salespeople then make telephone calls, leave voicemail messages, and send sales letters to these people trying to make contact.

Once the salesperson does make contact, it takes several telephone calls or in-person visits for the contact to decide to make a purchase or, for larger purchases, include the seller on a short list to be evaluated.

It's a slow, laborious, time-consuming process. The limitations of traditional sales practices are:

- Wasted time trying to contact people who have not indicated a sincere interest in evaluating the company's products
- Inefficient process to understand the prospect's real needs and evaluation criteria

The bottom line problem is that too little is known about leads that have indicated an interest. And, too much time is required to convey information in order to turn inquiries into prospects.

The solution is to automate the process of providing the information needed by potential customers to make that initial decision to visit with a salesperson. That's where integrating Internet-based marketing into traditional marketing and sales activities delivers significant value.

CRM-Based Marketing and Sales

For many years, salespeople have referred to the "sales cycle" as the period of time from when a salesperson begins working with a prospect until the sale is closed and the order received.

The problems with this thinking in today's marketplace include:

- It assumes that the selling process begins with the salesperson, which ignores the work of the marketing team to raise awareness and generate the lead.
- It assumes that marketing and salespeople don't care about a customer after the order is closed, which ignores the value of maintaining the relationship and encouraging reorders and buying additional products and services.

Working as a Team

In today's new customer-oriented view, it's more appropriate to look at the "customer life cycle" — a view that starts when a potential prospect becomes aware of a need or problem and starts to look for a solution.

Once they become aware and indicate an interest, they should show up on your radar screen — and remain there until you have successfully guided them to using your product.

Teamwork is a critical part of a flawless customer experience. A unified database and real-time access is needed for the team to guide potential customers through the awareness raising, interest building, evaluating, and purchasing aspects of the customer life cycle. This ensures that each customer has the best possible experience throughout the life of the relationship.

Tracking the Customer Life Cycle

The customer life cycle starts well before the salesperson starts talking to a prospect, and it continues well past receiving the order and shipping the product.

When you understand your target market's customer life cycle you have the information needed to understand how to answer questions such as:

- What attracts them to your advertisements, direct mail, and other marketing activities?
- What product benefits are they seeking to obtain?
- Which product features give them confidence that your product can deliver those benefits?
- Which marketing activities are most efficient in attracting inquiries from people who later make purchases?
- Does customer size vary with the type of marketing tool that attracted them to your company?
- How long are the stages of the life cycle stages of awareness, education, evaluation, purchase, and reorder?
- Does the cost to provide customer service vary according to which salesperson sold the account?
- What is the customer acquisition cost of each marketing tool, sales territory, customer type, and product type?

This requires understanding the needs and motivations not just for buying a product, but for the entire customer/vendor experience.

Today, a significant part of the product evaluation and purchase experience occurs when a prospect visits a potential vendor's Web site. Prospects may go to a Web site while searching for products to meet a need, or they may be drawn to the lead capture portion of a Web site by advertising or direct mail programs.

No matter how they find a Web site, it's important that they find information appropriate for them.

Using Web Personalization to Tell the Right Story

The idea of personalizing Web content is becoming well accepted because most of us already personalize the telephone and e-mail communications with friends and associates every day. Until recently, using personalization in a Web site had proven to be more of a challenge than many marketers had imagined.

However, advances in personalization software have almost eliminated the large, programming projects of early personalization and made the technology a simple point-and-click approach.

Now that the software is easy to use, it's time to deal with the next challenge — deciding how to use personalization.

Early in the planning process it's important to establish clear goals to guide what is personalized.

For instance, if the goal of personalization is to increase loyalty, then adding features to increase return visits would be desirable. On the other hand, if a company's customers usually make large purchases that involve a significant amount of research and evaluation then the use of personalization should focus on improving the prospect's decision making process.

Using Personalized E-Mail Marketing to Increase Frequency

No matter how you generate interest in your product, and no matter how good your Web site is at telling your product's story, it's a fact of marketing life that the average person spends only a few minutes reading a Web site. And, unless they are pulled back to the site effectively and repeatedly, you have lost a sale before you even get a chance to talk to them.

If every visitor to your Web site picked up the phone and called your sales team, you'd have more revenue than you could handle. What actually happens, of course, is that customers who finally make a purchase have probably seen your printed marketing materials and visited your Web site several times over a period of weeks or months. Only a few prospects are dedicated enough to make the effort to return to a Web site on their own. So, it becomes important for the marketing team to pull visitors back to your Web site over and over again until they are ready to talk to take the next step — talking to a salesperson.

E-mail marketing is proving its power to support both online and offline sales and marketing campaigns.

Forrester Research recently interviewed companies about their results in using e-mail marketing techniques. They found that e-mail marketing is both effective and efficient. Their study reported that sending e-mail to in-house lists cost about $5 per thousand messages sent, which is much lower than advertising and other marketing communications activities. They also found that clickthrough response rates average 10 percent, which is also higher than most other marketing activities.

Most marketing and sales executives know it's important to contact prospects and customers frequently to create "top of mind" awareness. What's not always clear is exactly why this is true and how to accomplish it.

In general, exposure to a message is cumulative, and each exposure to a message helps a person move above a "threshold of acceptance" where they will take action. However, impressions have a certain "decay rate," which means that if not reinforced with additional exposures, awareness will fade away over time.

This means that it's not just the number of exposures — it's the number of times a person is exposed to a message during a certain time period.

Today, e-mail marketing can deliver a company's marketing message more quickly and less expensively than many other methods. In addition, a combination of e-mail and Web behavior tracking can accurately pinpoint when prospects are ready to hear from a salesperson.

It's clear that until a prospect is ready to talk with a salesperson, these automated marketing activities can target appropriate marketing messages more efficiently than sales resources can.

Using Sales Automation to Close Profitable Sales

Salespeople are always looking for tools and techniques that will help them tell their story to more prospects and close more sales. Software for salespeople has evolved from simple contact managers to full-fledged applications that are typically called sales force automation (SFA) systems.

Sales automation systems provide several key functions, plus a wide variety of extra features that are used by a small portion of a sales force. The main functions of a sales automation system include:

- Contact management
- Opportunity management
- Action Items
- Appointment scheduling
- Messaging (e-mail, letter, & fax)

One important side benefit of providing a sales force with a sales automation system is that sales management is able to generate reports, such as:

- Sales activity reports
- Sales forecasts

Sales automation products have helped individual sales representatives keep track of prospects, customers, and opportunities. However, they have presented significant challenges that have limited the ability of sales managers to track sales activity and manage their team.

The problem occurs when sales representatives control the sales database on their individual computers. This makes it difficult for sales teams — and sales management — to work together as a team because the entire sales team does not have up-to-date information.

Many sales automation products provide a technique called "synchronization." This is a process of passing changes around to all other copies of the sales automation software, which is usually done via specially formatted e-mail messages or direct program-to-program connections over the Internet.

Problems with synchronization occur when a company has:

- Multiple offices that need to work together
- Field salespeople who are frequently on the road
- Channel partners who work directly with the company's sales representatives

For many small companies, synchronization is not a problem because the entire sales force works from offices at headquarters where computers are connected via a local area network. However, once remote sales offices are opened, synchronization problems begin.

In addition to the technical challenge of making synchronization work consistently and reliably is the workforce management issue. Managers at companies that depend on synchronization to obtain data from individual sales representatives frequently find that salespeople just don't synchronize their laptops to the central server.

With employee turnover and changing territory assignments, field salespeople controlling access to the data about the company's customer relationships can become a critical problem.

For companies with remote locations or field salespeople, the solution is to use a sales automation service hosted by a company specializing in this type of service. Companies that provide application hosting for companies are called application service providers (ASPs). These companies maintain a central server, database, and Web application software that can be accessed through a Web browser from anywhere there is an Internet connection.

There are a number of other benefits to using a unified sales automation system, especially one that is part of an integrated CRM system. Some of the intelligence that salespeople can have available with an integrated CRM system includes:

- List the Web pages viewed by a contact
- List the e-mail newsletter links clicked on by a contact
- View self-reported interest profile data
- List product catalog pages viewed
- Track online purchases made by contacts and entire accounts
- Integrate with legacy and offline database systems

In addition to viewing data about a contact, an integrated CRM system can allow the salesperson to supply data back to the server for use in personalizing the Web and e-mail newsletter experience for their prospects.

Getting Started

As mentioned earlier, it's important to keep in mind how these principles and technologies fit into a company's overall philosophy.

For companies that depend on customers making repeat purchases, or where purchases represent a major decision for a customer, two concepts come into play:

- One-to-one relationship marketing and selling principles motivate customers to *want* to do business with you.
- Customer relationship management tools and techniques make it *easy* for customers to do business with you.

While CRM embodies all marketing and sales functions, that doesn't mean that you must convert all of those functions to a new CRM computer solution simultaneously. With most CRM products you can start with one module and add others to your system as you are ready to absorb another set of functions.

Selecting a CRM Solution

Implementing CRM techniques usually requires using a computer-based solution that helps track and manage communications with prospects and customers.

The secret to CRM technology is to use a unified database, and not disjointed individual databases that don't share data. A unified database eliminates the synchronization problem caused by having multiple databases spread throughout departments and field operations.

This sets the stage for a number of very important benefits:

- **Complete Customer View** - Real-time updating of a centralized database allows customer interaction data to be instantly available across all channels. Information entered at the Web site is available to call center personnel, sales representatives, service teams, and authorized business partners.
- **Real-Time Customizations** - Changing customization settings by a system manager can be done in real-time when the system uses consistent software and one unified database.
- **Feature Enhancements** - Adding new features, either by your software vendor or your IT department, is much easier to implement with a unified system.

A few years ago large software companies focused on selling large, complex CRM software to large, complex companies. Unfortunately, many of those projects experienced longer than expected implementation times — with resulting cost overruns — because so many business functions were being automated at the same time.

An additional problem faced by early CRM implementations was the overly high expectations for benefits such as quick cost savings and additional revenue. It was only with the expectation for quick, high returns that senior management justified those early expensive projects.

In reality, much of the benefit of a CRM approach comes from a company's employees and channel partners adopting a new attitude toward customers, which occurs over time and produces long-term benefits.

And, it means that the CRM solution must be both modular and integrated.

In other words, the selected CRM solution must integrate Web and e-mail marketing, offline marketing, lead management, e-commerce and order entry, and sales automation. At the same time, it must be modular so that any one of the major functions can be adopted by each department or division of the company on a schedule appropriate for that unit.

Software vs. Hosted Solution

Until recently, CRM software systems consisted of software installed on desktop PCs that communicated with software installed on database server computers. However, this approach presented a company's IT department with a number of challenges in updating data and software throughout the company.

Practically all of a company's core computing functions are already handled by centralized servers — not on individual PCs throughout the headquarters and remote offices — so this is not a new approach to most companies.

For example, most companies depend on e-mail processed by a central server for communicating with remote offices and a mobile sales force. It makes sense to also use a centralized sales force automation system that is integrated with the rest of the CRM system and doesn't depend on synchronization.

CRM systems are now becoming available that use a standard Web browser to connect to a centralized database on a Web server.

Companies such as Siebel and PeopleSoft have created browser-based versions of their older software-based CRM software. At the same time, newer (and usually less expensive) CRM systems from companies such as Coravue, Salesforce.com, and Upstart.com (now owned by Siebel) began as browser-based systems.

The use of a hosted CRM solution reduces the implementation time and costs, and reduces (or eliminates) the IT resources needed to maintain a system. A hosted CRM solution is especially good for a mid-sized company that doesn't have the IT resources of a large enterprise.

However, a hosted CRM solution may not be appropriate for a large company that has very complex product and channel marketing needs. In these situations the best approach is to purchase browser-based software and hire the additional IT staff needed to maintain the system in-house.

Vendor Solution Matrix

There are many CRM products on the market today, as well as a growing number of application service providers offering hosted CRM solutions. To make the evaluation process a little easier, consider using a matrix to group solutions by these main attributes.

Representative CRM Vendors

	Size of Company	
Application	**Mid-Sized**	**Large**
Lead Capture & Campaign Management	Coravue LeadGenesys	Pivotal/MarketFirst Aprimo
Web/E-Mail Marketing	Coravue GotMarketing	BroadVision Siebel
E-Commerce & Order Entry	Coravue ShopSite	Broadvision Miva
Sales Automation	Coravue Salesforce.com Upshot	Siebel Onix PeopleSoft

Whether you use licensed software or a Web-based system, you can control costs and minimize disruptions to the organization by gradually introducing CRM functions. This approach allows you to grow into a comprehensive solution and avoid the lengthy analysis period where no improvements are made during the analysis phase.

Summary

Customers can now have a complete picture of a potential vendor and its products. So, it's essential for companies to have a complete picture of prospects and customers. This requires presenting a customized and coordinated message based on each prospect's interests, needs, and plans. And, it requires tracking all interactions that prospects and customers have with a company's people — and doing it instantly in real-time.

This type of one-to-one interaction starts with the online and offline marketing activities, and continues through the sales, and service activities.

The only way this type of totally integrated, real-time communications, tracking, and management can be accomplished is with a unified system that empowers everyone in a company to maximize the understanding of each customer and maximize the value delivered to each customer.

In addition to the challenge of pulling a company's diverse organizations into a cohesive team, companies are faced with a technology challenge.

The challenge of creating a unified system can be more easily accomplished by using a Web hosted CRM system that can be customized quickly and deployed using existing Web browser software.

In this way, companies facing increased market challenges can meet those challenges by delivering exceptional customer value and, in return, generating exceptional growth and profits.

About the Author

Cliff Allen is the author of numerous articles and books about one-to-one marketing. His most recent book is *One-to-One Web Marketing: Build a Relationship Marketing Strategy One Customer at a Time, 2nd edition*, published by John Wiley & Sons. He is also President of Coravue, Inc.

About Coravue

Coravue provides Internet-based software products and hosting solutions for managing marketing and sales activities. Coravue Connect includes functions for marketing automation, personalized Web and e-mail content management, lead capture and fulfillment, commerce, and sales force automation.

For more information about Coravue's software products and hosting solutions, call 310-305-1525.

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