

The CRM Evaluation Method – CRMBodyCheck

A careful evaluation of the people, processes and technology involved in CRM implementations can yield effective, customer-centric brands in China and beyond.

Sampson Lee, GCCRM



Let me ask you one question, do you have a CRM evaluation method or a full set of measurement metrics to judge how good (or bad) your CRM initiative is?

Not a surprise. Most answer no, though it doesn't make sense not to measure when you spend huge resources (both money and manpower) on any CRM initiative; and customer, customer service, customer-centric, customer-focus, customer experience management, whatever you want to name it, is crucial today to all enterprises around the globe.

The next question is, is it possible to have a CRM evaluation method? There is probably no one-size-fits-all solution in defining the standard of CRM, but there is a relevant set of benchmarks available. CRMBodyCheck, the CRM evaluation method developed by GCCRM, with input from 24 global advisors, provides a full set of measurement metrics based not only on technology, but also on customer, strategy, people and process. In fact, the tool has been used as the evaluation criterion for the Best CRM Practice in China Award since 2002.

Keys to CRM Success

There are numerous factors determining the success or failure of CRM. One of the most critical and fundamental factors is the implementation sequence. Start from the domain of technology (i.e., you buy or build your software first, and you try to build the process complementing it, then recruit people who can manage it, and then create a strategy to bring all the parts together). Yet at the end of the day, you realize that you still don't understand your customer well. Indeed, most companies don't ever really think about customer strategy. This was the classic approach to CRM implementation that failed over 70 percent of the time in the past.

The CRMBodyCheck approach uses a very different logic. With this approach, you start with understanding your customer, and then you formulate your customer strategy based on their needs, and this foundation gives you a solid ground for your CRM strategy. You can decide what type of people you need to train, motivate and retain according to your overall strategy. Process is also built on a logical and practical ground following this customer-centric approach. The final step is to decide your technology support by choosing an appropriate software or tool that can fulfill your particular needs.

CRMBodyCheck – 17 Measurement Metrics

CRMBodyCheck proposes five key elements for success for any CRM initiative: customer, strategy, people, process and technology (see Figure 1).

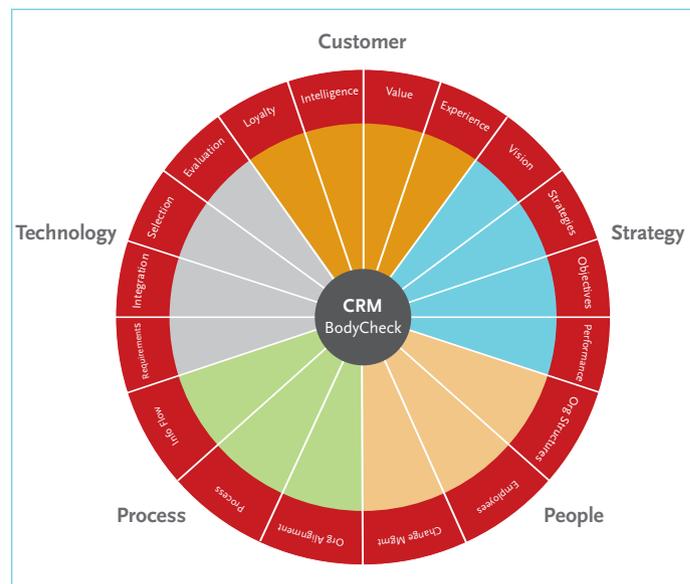


Figure 1: 17 Measurement Metrics in Five Key Elements

LIVE Customer

- **Loyalty** – It could be defined and measured by means of transactional loyalty (recency, frequency, customer share, length of business), emotional loyalty (recommend your company, make you the standard, pay premium price, perfect your product) and satisfaction level across all customer touch points.
- **Intelligence** – Define the what, why, how, when and where of your customers' needs. Customer data is managed in its best degree of accuracy, completeness, updates and sufficiency.
- **Value** – Measured in terms of customer revenues (up-buy, cross-buy, referrals), customer profile (demographics or industry codes), customer profitability and customer lifetime value.
- **Experience** – Design the optimal customer experience; maximize customer satisfaction by far exceeding customer expectation on critical

The CRM Evaluation Method – CRMBodyCheck

moments (customer touch points that the customer values the most). This should also be aligned with your company's desired brand values.

VSOP Strategy

- **Vision** – CRM vision should be aligned with your company mission and values and applied to all stakeholders. It should be concise, verifiable, feasible and inspirational. It reflects perspectives of your company to your customers and prospects.
- **Strategies** – CRM strategies should aim at learning more about customer needs and values, changing customer behaviors, better customer relationships, which eventually lead to higher loyalty, revenue and profits. Customer interactions could only be meaningful when they are coming from the eyes of the customer.
- **Objectives and Performance Metrics** – With clear CRM objectives and performance metrics, customer loyalty, customer value and customer process efficiencies could be measured and quantified, and be assured to align with the vision and strategies.

CEO People

- **Change Management** – Change management strategy must be in place to tackle people, from managing resistance to designing motivation and rewards system as well as different kinds of organizational and structural change, including crisis management. The ultimate aim is to integrate customer-focused philosophy throughout the entire company's culture and values.
- **Employee Buy-in** – Employees should be equipped with proper software/system, skill-set and mind-set trainings. CRM vision and strategies must be communicated clearly to all employees, together with proper rewards and performance measurement systems.

- **Organizational Structure** – Effective organizational structure enables different departments to work as one team to serve customers, with common language and goals. Their performances are measured and rewarded by customer satisfaction and loyalty, customer value and customer process efficiencies.

IPO Process

- **Information Flow** – Customer information flow, from PRE-purchase/consumption (marketing) to AT-purchase/consumption (sales and fulfillment) and POST-purchase/consumption (service) of the whole customer process cycle is customer-focus, interconnected and fully integrated.
- **Process Design** – Same as information flow, process flow of the whole customer process cycle should be designed in such a way that pre-, at- and post-purchase processes are customer-centric, interconnected and fully integrated.
- **Organizational Alignment** – Process design (functional requirements) is mapped in accordance with business requirements, technical requirements and is aligned with the vision, strategies and objectives of the customer relationship management initiatives.

RISE Technology

- **Requirements Mapping** – Technical requirements are based on the functional (process) and business requirements, and are aligned with the vision, strategies and objectives of the CRM initiatives.
- **Integration and Compatibility** – Customer systems (marketing, sales, fulfillment and service) are well-integrated and compatible with other front-end and back-end systems. Customers can be viewed by all related parties in a 360-degree prospective in real time and in common interfaces.
- **Selection of Vendor** – Technical requirements are well-communicated to vendors or in-house IT team, with proper negotiation, reference check and pilot run. Evaluation should be made from both end-user and customer perspectives.
- **Evaluation** – Quantitative measures (total costs of ownership, timeliness, return on investment) and qualitative measures (user acceptance, problem-solving capabilities, other direct and indirect benefits) should be taken into account to evaluate the effectiveness and efficiency of the whole customer relationship management system.

Weighted Metrics

Not all measurement metrics carry the same weight. To allocate a proper metric weight for each component, we sought the advice of 24 of our GCCRM global advisors. Based on their collaborative intelligence, the customer sector carries the heaviest weight and accounts for 31 percent in sector sum. Strategy and people come in second – each carries 22 percent in sector sum – while process accounts for 15 percent and technology accounts for 11 percent (see Figure 2).

As for individual metrics, employee buy-in scores the highest at 8.4 percent, and customer experience, customer value and change management follow with 8.22 percent, 8.09 percent and 8.08 percent, respectively. All four metrics fall in the customer and people sectors.

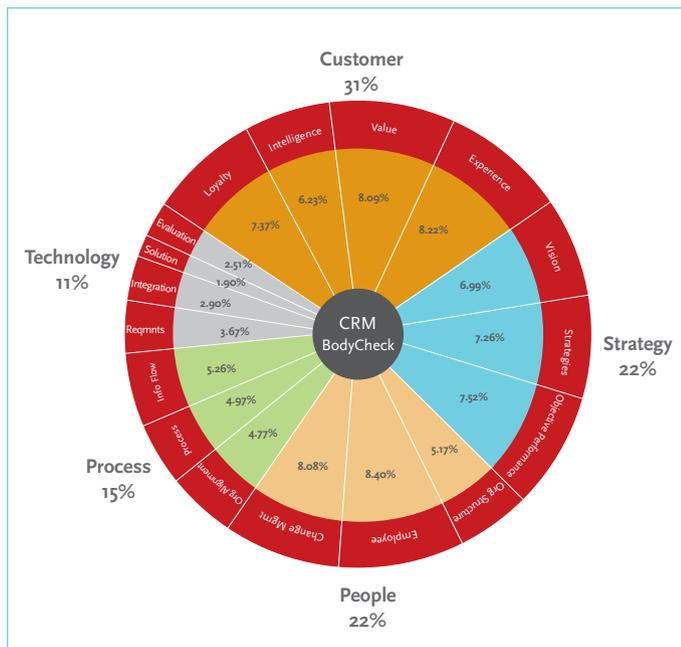


Figure 2: Weighted CRM Metrics

3 : Insight

Comparatively speaking, the least important components are evaluation, selection of vendors, integration and compatibility, and requirements mapping – all in the technology sector.

An interesting finding: Technology and process have been, and to some enterprises still are, regarded as the highest-priority factor in CRM projects. However, based on the collective knowledge of our 24 GCCRM global advisors, the key factors affecting the degree of success or failure of CRM initiatives lie elsewhere – in customer, strategy and people.

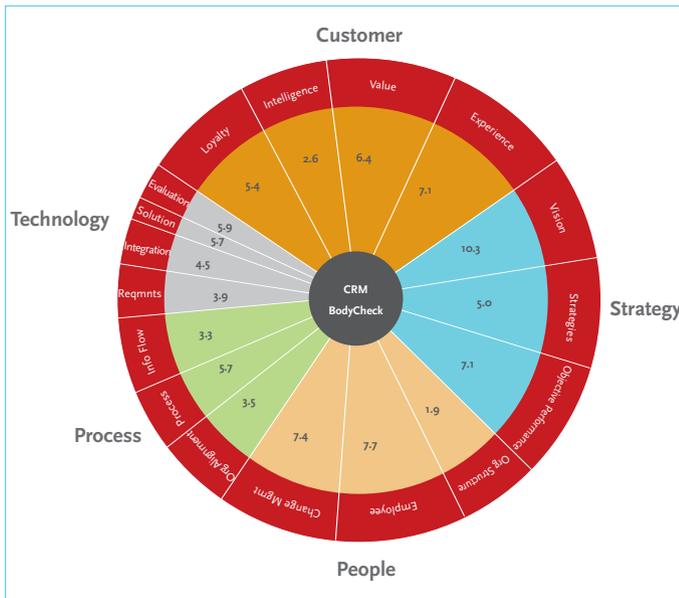


Figure 3: The five greatest differences belong to the customer, strategy and people sectors.

Findings and Insights From Best CRM Practice in China

As stated, CRMBodyCheck has been used as the evaluation criterion of the Best CRM Practice in China Award since 2002. Gap analysis of those Best Practice Award Winners was made based on this CRM evaluation tool. The findings provide meaningful insights in understanding and measuring the status and maturity level of CRM developments in different enterprises in China.

Comparisons have been made between two groups of data – MNCs (multinational corporations) and local enterprises in China. MNCs are defined as foreign-invested companies with local operations in China, whereas Chinese enterprises include both state-owned and privately owned local corporations that originate in China.

Quantitative Findings

Multinational Corporations

The MNC group performs better in customer, strategy and people sectors, while the process and technology sectors are weaker. The three highest scores are vision (81.0), customer loyalty (79.4) and customer intelligence (77.6). The three lowest scores are vendor selection (69.4), vendor evaluation (70.2) and integration and compatibility (70.2).

Local Chinese Enterprises

The local group performs better in customer and strategy sectors, while people and technology are weaker. The three highest scores are customer intelligence (75.0), customer loyalty (74.0) and strategies (72.0). The three lowest scores are vendor selection (63.7), vendor evaluation (64.3) and integration and compatibility (65.7).

An interesting finding: There are many similarities between the MNC group and the local group in the three highest and three lowest scores. They have the exact same five metrics in the list; with the exception of vision, which is one of the highest scores for the MNC group. For the local group, strategies replace vision. Obviously they have similar strengths and weaknesses.

The Comparison – MNCs vs. Locals

In a nutshell, the MNC group performs better than the local group in all 17 measurement metrics (in absolute scores). Though MNCs perform better than locals in all 17 measurement metrics, the gaps vary in different metrics.

The five greatest differences lie in vision, employee buy-in, change management, customer experience, and objectives and performance metrics. They all belong to the customer, strategy and people sectors, while the least different are the process and technology sectors, with narrower gaps (except organization structure and customer intelligence). These are the exact figures (see Figure 3):

- Vision (10.3);
- Employee buy-in (7.7);
- Change management (7.4);
- Customer experience (7.1); and
- Objectives and performance metrics (7.1)

An interesting finding: The largest gaps between MNCs and locals are customer, strategy and people. In other words, using the weighted metrics to evaluate the results, the gaps between MNCs and locals are being widened, based on the performance of their CRM programs.

Qualitative Insights

Apart from quantitative results, what else we can draw from the last three years' observations? Honestly, China is still far from global CRM standards, especially for local Chinese enterprises. We have identified three key areas that lag far behind. They are data management, brand management and change management.



Weblink

Learn about the new customer ecosystem in the paper "CRM's New Generation is NOT the Pepsi One" in this book.

The CRM Evaluation Method – CRMBodyCheck

Data Management

China's data quality and data management are still at a very primitive stage. China's enterprises need to segment their customers, i.e., to define the best customers, so that they can treat different customers accordingly. But that's not an easy job. One of the four national banks has 100 million customers with 400 million saving accounts. On average, one customer

consistent customer experiences across different customer touch points. Most of them still focus on price wars, which could only generate low customer experience, thus low value to customers. In China, brand trust remains in the hands of foreign brands. Chinese enterprises need a complete revamp in brand building in order to improve the overall customer experience.

In China, brand trust remains in the hands of foreign brands. Chinese enterprises need a complete revamp in brand building in order to improve the overall customer experience.

holds four saving accounts! The bank has to spend years cleaning and de-duplicating the data to do any kind of segmentation, not to mention data mining and business intelligence. A local automobile manufacturer had to pay about \$60 on every single piece of clean customer data it bought from its distributor. Since it has over 200,000 customers, that equals \$2 million to purchase the data. Obviously, Chinese enterprises need better data management to segment customers.

Brand Management

What are the global Chinese brands? Is it Lenovo because it buys IBM PCs, or Yao Ming, the basketball star? I would say no, though they are both very visible. We know brand or brand value is not built by advertising, but by the total customer experience across all customer touch points. Chinese enterprises spend a lot on advertising. We can tell from the fast-growing and big-ticket spending on major China media (\$16 billion in 2004) that the country will become the third-largest ad market in the world in 2005), but they fail to provide value-added and

Change Management

China has changed dramatically in the past 26 years since the economic revolution in 1979. But the pressing trend of globalization requires change to go even faster. The WTO opened the door for international trade as well as much fiercer competition. Chinese enterprises cannot rely only on their old competitive advantage as the world's low-cost manufacturing center. They need to understand the concept of customer-centric and develop it. Propaganda doesn't work in the face of hard reality.

However, in most cases, customer-centric remains corporate talk. To make it work, it requires strategy-level (supported by department or division heads) or vision-level (supported by enterprise heads) involvement, but also a top-down, bottom-up change process. It should be a long, sustaining culture-building process rather than workshop-type projects or training. In simple terms, the concept of customer-centric should be incorporated in the company's DNA, i.e., its values, to become part of the company culture. Chinese enterprises need change management to migrate from product-centric to customer-centric. ■

CRMProject.com

Can't find what you're looking for? Go to CRMProject.com to search through this book plus the entire contents of Volumes 1 through 5. The Website also includes white papers and other features that haven't been published in book form.

CRMProject.com has the resources and information you'll need to help evaluate, select and implement the best strategies and solutions for your company. A worldwide community of more than 100,000 people with a strong interest in CRM have used the Website to:

- Email the authors;
- Review case studies;
- Browse through white papers;
- Forward articles to colleagues;
- Order books and reprints; and
- Subscribe to our newsletter.