

# CRM Initiatives: The Path from Strategy to Implementation

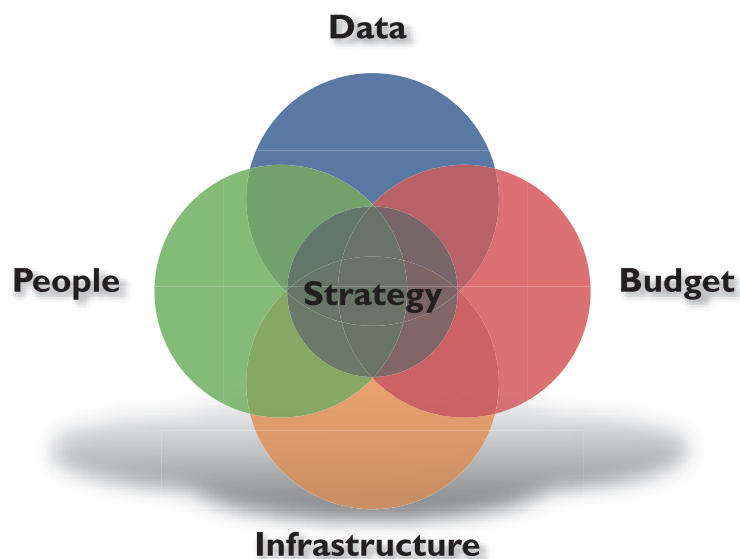
Preparing for CRM Success

# The Path from Strategy to Implementation

## Preparing for CRM Success

With the recent downturn of the market, sales and marketing executives are under increased pressure to ensure a positive return on the company's CRM (Customer Relationship Management) investments. As competition increases and companies fight to retain their best customers, it is critical that enterprise CRM initiatives are implemented on a solid foundation of strategy and planning. CRM efforts fail for a variety of reasons, but many failures can be attributed to the fact that the company was not ready to implement the processes and technologies of CRM.

This paper presents the four main areas that must be effectively addressed in order to support the desired CRM strategy. The information presented can help companies assess their readiness for either their first or their next generation enterprise CRM initiative. Understanding these key areas can also provide insight to help diagnose potential problem areas for existing CRM efforts that are struggling.



# 1 Data:

## How Reliable is Your Enterprise Data?

As companies continue to enhance their CRM solutions, it is imperative that they keep data reliability at the forefront of each project.

When companies plan for CRM, they often neglect enterprise data reliability until after the implementation begins, assuming that any problems can easily be resolved. Since data is the foundation of every CRM initiative, it is imperative to perform a thorough assessment of all data sources before the project begins. According to a study performed by the Gartner Group, almost 80% of CRM failures may be attributed to issues with data reliability. The Data Warehousing Institute (TDWI) reports that poor data quality is costing companies more than \$600 billion a year.<sup>1</sup> “Managing data quality and consistency” and “reconciling customer records” were the top two technical challenges cited by companies implementing CRM solutions in TDWI’s 2000 industry study.<sup>2</sup>

Companies that maintain a comprehensive view of their customers have greater success with CRM. Data about customers and their activities must be reliable and available. As companies continue to enhance their CRM solutions, it is imperative that they keep data reliability at the forefront of each project. Any CRM initiative that proceeds without reliable data is ultimately going to incur higher costs to resolve those issues later. These unforeseen expenses can make the difference between achieving and missing ROI targets.

Issues with data reliability fall into one of the following categories:

- 1 Inaccurate data, which is data that is simply incorrect. This is most often the result of data entry errors but may also be caused by incorrectly merging data from multiple sources.
- 2 Missing or incomplete data, which is data that was never received or incompletely entered. This can also result from merging systems where data fields do not exist in some sources, or where blank fields in a prioritized source overwrite good data from other sources.
- 3 Stale data, which is data that has not been verified for some period of time, and is most likely no longer valid. Note that data decays at different rates depending on the type of data as well as on other customer demographics. For example, e-mail addresses

<sup>1</sup> Data Quality and the Bottom Line, Wayne Eckerson, The Data Warehousing Institute, 2001. White paper available at [www.dw-institute.com/dqreport/](http://www.dw-institute.com/dqreport/).

<sup>2</sup> Harnessing Customer Information for Strategic Advantage: Technical Challenges and Business Solutions, Wayne Eckerson and Dr. Hugh Watson Ph.D., 2000-2001. Executive Summary available at [www.dw-institute.com/download/2000\\_Industry\\_Study.pdf](http://www.dw-institute.com/download/2000_Industry_Study.pdf).

# 1 Data: How Reliable is Your Enterprise Data?

There is no quicker way to negatively impact a customer relationship and undermine the CRM strategy than to make decisions based on inaccurate or incomplete data, creating a perception that the company truly does not know the customer and his or her needs.

decay more rapidly than home mailing addresses, and mailing addresses tend to change more frequently for adults under 25 years of age than for adults over 25.

- 4 Inconsistent data, which is conflicting data between sources. This occurs when two or more systems have different values for a single piece of data. A simple example is when the customer's home address is "One Main Street" in the sales system and is "250 Oak Lane" in the marketing system. For most companies, this is the biggest issue with data reliability and is often the most difficult to solve.
- 5 Unavailable data, which is data not accessible for the purposes needed. For example, a transaction processing system may be hosted outside the enterprise or may not be integrated with other enterprise systems. In this case, key transaction data may not be available for extraction, or the set of rules used to validate data may be inconsistently applied.

A thorough analysis is required to identify and understand these forms of data reliability issues. Once problems have been identified, steps need to be taken to correct data, prioritize conflicts, and establish ongoing validation criteria so that quality data is fed into the CRM system. There is no quicker way to negatively impact a customer relationship and undermine the CRM strategy than to make decisions based on inaccurate or incomplete data, creating a perception that the company truly does not know the customer and his or her needs.

Data reliability is so critical to a successful CRM strategy that it needs to be the first step in the process. The availability of reliable data, both from internal systems and from external sources, can actually have an impact on the strategies that can be developed. Making the investment into data reliability can typically benefit all enterprise initiatives, including enterprise resource planning, supply chain management, and customer support services. Addressing data reliability issues in advance of a major CRM initiative will allow investment costs to be spread, offer multiple opportunities to realize ROI benefits, and allow for the effective development of CRM strategies.

# 1 Data: How Reliable is Your Enterprise Data?

## *Data Reliability Checklist*

- Identify all possible sources of data, including customer data, transactional data, product data, and partner data. This data will likely reside in multiple systems and in a variety of diverse formats. Is this all of the data needed to support the desired CRM strategy?
- Review the accessibility, integrity, and freshness of each data source. How often is each source accessed and updated?
- Review the nature and frequency of changes to the data sources. How will future changes impact CRM initiatives?
- Identify where data is overlapping and possibly conflicting. Is the same piece of data stored in multiple systems?
- Determine which source of each piece of overlapping data is the most reliable, taking into account the varying rates of decay for each specific type of information. Which piece of data is more accurate or more relevant for the desired purpose?
- Determine the availability of each data source. Are there limits on when data is available for extraction? Are there external systems that need to process data before it is available for use? Will contention be an issue?
- Determine the ownership of each data source. Are there issues that may arise from the owners of data sources? Are there any privacy or regulatory issues?
- Design a strategy to provide CRM applications with reliable merged and standardized customer data. Ensure that updates to data are shared with necessary systems throughout the enterprise. How will data flow to and from the CRM system? How will reliability be maintained on an ongoing basis?
- Decide if third party data is necessary. Using prospect lists and customer overlay data can be complex and costly based on the difficulties associated with matching and merging a set of records that are outside of your control. How reliable and fresh is the data from the external source? What issues exist with matching and merging data? What restrictions exist on the term or use of the external data and how will that be managed?
- Determine the volume of data that needs to be processed, including customer demographics and transaction data. What system enhancements must be made to process very large data sets such as web logs or customer activity logs? How will the need to process large volumes of data impact costs? How will limitations on processing large volumes of data impact the strategy?

## 1 Data: How Reliable is Your Enterprise Data?

- Ensure that measuring and maintaining data quality become an ongoing process, and not merely a step in the implementation. Who will be appointed as senior “data steward” to be responsible for continuously reviewing and maintaining the quality and reliability of enterprise data?
- Develop enterprise-wide standards for the validation of customer data. Ensure that all systems with access to this data conform to those standards. What customer information must remain consistent across the company? What data points are critical enough to justify required fields across all applications?

## 2 People: Do You Have the Right Team in Place?

Since CRM initiatives involve changes to business processes that ripple across the organization and directly impact various business units, executive sponsorship and broad team participation become even more important.

As with any large-scale project, having strong and committed executive sponsorship is critical to success. Since CRM initiatives involve changes to business processes that ripple across the organization and directly impact various business units, executive sponsorship and broad team participation become even more important. Research has shown that lack of coordination and organization plays a major role in the failure of many CRM initiatives. One study noted that of companies reporting negative returns on their CRM investment, many cited corporate culture as a root cause. To combat this problem companies that are serious about implementing CRM should appoint a senior level executive to lead all CRM initiatives across the enterprise.

Another critical step is to include all of the right people early in the process. Companies have spent millions of dollars on software and consulting services before including certain internal business units into the project. When key business users are not included in the initial planning of CRM initiatives, there is likely to be resistance. The solution is to include key members of all affected business units early in the planning process. Their critical insight can eliminate barriers and unanticipated costs. Besides gaining the expertise that is vital to the planning effort, these individuals should feel that they are an important part of the team, giving them incentive to make the project a success.

## 2 People: Do You Have the Right Team in Place?

When selecting the right combination of business and technical members of the team, it is important to take into account the expertise and perspective of each individual. CRM initiatives will impact multiple channels throughout the enterprise, so there will be a need for subject matter experts from each area. From the technical side, representatives from the database, data warehousing, web site, and network teams should be included. From the business side, include experts from strategy, all marketing departments, each sales channel, and the call center. Members of the quality assurance team need to be included up front to support end-user and system integration testing.

For the implementation to be successful, the members of the project team will need to communicate effectively, openly share information, and work together to achieve the common goal.

### *People Checklist*

- Appoint a senior-level executive to drive the development of CRM strategies across the enterprise. This will ensure consistency and drive a unified view of the customer. Is this a person who can organize a large team of organizational representatives? Is this person empowered to make decisions that will lead toward a profitable CRM implementation?
- Assign a dedicated project manager that will serve for the duration of the project. Can this person manage the complexity of a large-scale implementation?
- Include members from all business groups affected by the CRM strategy. Have you included representatives from all affected customer touchpoints? (web, call center, e-mail, etc.). Have you included subject matter experts who can provide input into business processes that must change to support your CRM strategy? Can your team collectively represent the customer perspective?
- Include members of the IT organization. Does the team include knowledgeable technical members that can identify strategy decisions that rely on or impact IT? Does the team have the skills to make any necessary modifications to source systems in order to support the CRM initiative?
- Make sure an experienced CRM expert is part of the team. Is this an internal staff member, an external CRM consultant, or a CRM partner? Does the expert have the breadth of experience to provide insight and support during the preparation and implementation stages?

## 2 People: Do You Have the Right Team in Place?

- Remember to include the Quality Assurance department early on in the project. Rigorous end-user and system integration testing is critical and should be included long before the project is completed.
- Ensure good communication channels and practices are in place to promote information sharing and teamwork. Is the team co-located or geographically dispersed? What are the channels and frequency for team updates?
- Ensure the proper level of resources are allocated to the project to avoid poor communication and decision making that will cause delays. Are the right people allocated full time to the project? What level of commitment do they have? If the existing team cannot keep pace with the project schedule, how will resource allocations be adjusted?

## 3 Budget: Are You Realistic About the Complete Cost?

Miscalculating the budget often leads to missed ROI objectives.

Even with companies under pressure to control expenses and achieve positive ROI, CRM systems continue to be purchased without real knowledge of the Total Cost of Ownership (TCO) likely to be incurred. Implementing an enterprise CRM package will require a sizeable investment in hardware, software, consulting, and training. Since most CRM initiatives involve the movement, processing, and analysis of large amounts of data, hardware costs can be steep. It is also important to take into account the cost of internal resources to gather business requirements and then implement, manage, test, and enhance the CRM system. Training costs must also be considered.

Miscalculating the budget often leads to missed ROI objectives. A proper assessment in the discovery phase of the project should identify potential cost areas. As the strategy and implementation develops, cost estimates will be revised. Keeping the complete team apprised of strategy changes will help to identify cost changes early in the process. The greatest savings will come from effective up-front planning, since costs escalate as changes occur in later stages of implementation.

### 3 Budget: Are You Realistic About the Complete Cost?

#### Budget Checklist

- Engage an expert to perform a thorough up-front assessment on what preparations are required before moving into a full-scale CRM implementation. This assessment will help drive out hidden costs before the implementation begins. Are all key areas covered in the assessment? Are recommendations included where the company is unprepared? Is the assessment being conducted by an independent party that can be honest about where the company stands?
- Estimate a base cost for the entire project and identify potential decisions that could impact the cost over time. How will the project be phased in? What cost impacts can result from increased volume, data, or customer demand? How will the solution scale over time?
- Take into account servers, disk space, and network throughput for multiple environments (production, development, staging, and quality assurance). What is the cost of additional hardware that will be required? How does the selection of a CRM technology vendor impact these costs?
- The cost of the CRM software as well as any required operating system or database software licenses must be estimated. What is the cost of the software? What third party products such as application server or database server software may be required? What is the cost to train end users of the solution as well as to train the technical resources that will support the solution?
- Estimate the cost of consulting services time that will be required. A good partner will spend some time to provide more than a "ballpark figure." What does the initial estimate include? At what point could additional services or costs be required?
- Estimate the cost for internal resources on the project. What is the cost of employees' time? How does that impact the budget? What must be allocated for travel costs if the teams are not co-located?
- Decide if third party data such as prospect lists or customer overlay data is necessary. The quality of external data may require manipulation or more extensive data merging work.

## 4 Infrastructure: Will Existing Systems Support the CRM Strategy?

Oftentimes the internal technical team cannot objectively assess the strengths and weaknesses of these systems. Managers, administrators, and users of internal systems learn to work around the shortcomings and may not be aware of the demands a new CRM system will require.

The final area that needs to be reviewed is your company's internal systems and infrastructure. Oftentimes the internal technical team cannot objectively assess the strengths and weaknesses of these systems. Managers, administrators, and users of internal systems learn to work around the shortcomings and may not be aware of the demands a new CRM system will require. A CRM initiative could put increased bandwidth demands on the infrastructure to accommodate high volume e-mail promotions or require additional processing power to handle new peaks in demand for accessing data. Without a planning process that links the strategy to the wide variety of implementation barriers, many problems can arise.

### MINI-CASE STUDY

*One example of neglecting infrastructure planning is a company that initiated the addition of real time personalization to their web site. The personalization strategy required integration with a transaction processing system. Midway through the implementation process, the company discovered that transactions were handled by a third party and the transaction record could not be modified without a major system rewrite. This severely limited the organization's ability to track the results of real time marketing campaigns. Unfortunately, the company had spent a sizeable amount on software, hardware, and services before learning of this barrier. When developing a CRM strategy, a thorough up-front assessment will determine if existing systems and infrastructure can support the strategy and allow for planning to resolve issues before the implementation begins.*

### ✓ Infrastructure Checklist

- The network architecture must support the CRM strategy immediately and in the future. What must be done to get the right architecture in place? What are the current thresholds the infrastructure can handle? How will the infrastructure scale?
- Management of customer data must comply with privacy policies and regulations. Are there special security concerns that will impede the ability of the implementation team to meet the project goals?

## 4 Infrastructure: Will Existing Systems Support the CRM Strategy?

- Complete a thorough assessment of the company's infrastructure capabilities. Will existing database, application server, and network hardware support the new applications, or will additional hardware purchases be required? Has enough lead time been given for the acquisition of new hardware and software?
- An assessment must be made relative to the desired CRM strategy. Are there any known issues with existing business applications that may hinder the implementation of the strategy? Are the corporate web sites, call center, order entry, transaction processing, and inventory control systems all prepared for CRM integration?
- Requirements for server and operating system platforms that support the CRM technology must be determined. What is recommended by the CRM vendor and do these platforms fit within your corporate standards? What flexibility exists to consider these options? How will the decisions impact the time and cost to implement?
- Engage an objective party to perform a thorough assessment to determine how prepared the company is for a CRM initiative and what steps can be taken in advance to increase the level of success. This assessment will help ensure that potential issues are found early and will provide best practices for solving those issues. Is the internal or external CRM expert experienced in identifying potential barriers and issues?
- Assess the integration complexity and the resources required to deliver the large-scale CRM implementation to determine what firm should be selected as the company's implementation partner. Is the integration vendor experienced in integrating disparate legacy systems? What strengths does the vendor have with anticipating and avoiding potential problem areas?
- Determine if there are any other corporate standards that may hinder the implementation. Does your company have a policy regarding the use of web browser cookies? Are there any special customer privacy concerns?
- Involve the full team in the implementation planning. Are development processes and migration strategies clearly defined and understood by the team?



## 5 STRATEGY: Are You Truly Prepared to Succeed?

- Start small, the “big bang” theory rarely works with CRM. Plan the required functionality for each channel, but implement in small iterations to ensure success. How can the strategy be balanced so that the CRM solution is complete from the customer perspective but incremental from the company perspective?
- Set realistic and attainable goals. This will differ based on the company and industry, but make certain that the project team feels that they have a chance to succeed. What early indicators will be used to monitor and adjust the CRM strategy toward the long term goal of stronger relationships and increased profits?
- Define a measurable ROI. It is imperative to measure the current state and identify the measures that will determine the success of the project. What is the projected ROI? What are the critical expense areas to keep under control?

## Conclusion

There is no question that if problems are going to arise, it is much more cost-effective to identify these as early as possible.

A successful CRM implementation clearly must be built on a strong foundation of planning and preparation. CRM initiatives involve radical changes to long-standing business processes and require a clear-cut strategy and direction before any individual project begins. Part of this preparation should be an honest assessment about the company's readiness for CRM. Only after this assessment has been completed is a company ready to start down the road of CRM. There is no question that if problems are going to arise, it is much more cost-effective to identify these as early as possible.

Chatham Systems Group has been extremely successful helping companies achieve success with CRM initiatives based on our attention to up front assessments. Our services can be applied at any stage in the CRM development cycle. We offer **CRM Readiness** services to support the planning stage, **CRM Accelerator** to enhance a CRM initiative already underway, and **CRM Optimizer** to increase performance of an established CRM system.

## About the Authors

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## About Chatham Systems Group

To speak with one of our CRM experts, please call Chatham Systems Group at 973-410-5000.

Chatham Systems Group is a recognized leader in designing and deploying sophisticated Customer Relationship Management (CRM), personalization, and data warehousing solutions, serving Fortune 1000 firms. Through our comprehensive approach to personalization, we bring insight into the strategy process, help guide the organizational process, and ensure quality throughout the implementation. Our experienced team has brought personalization to e-commerce ventures, marketing campaigns, and call center environments for major corporations in diverse industries.

Chatham Systems Group, a privately held company founded in 1986, was ranked in the 2001 Inc 500 list of America's fastest growing companies, joining the ranks of Inc 500 technology alumni such as Microsoft, Oracle, Intuit, and E-Trade. Strategically partnered with E.piphany and Crystal Decisions (A Seagate Company), the company is rapidly expanding to serve the continued demand for improved customer relationships and marketing profitability.

The company is headquartered in Madison, NJ, and has offices in New York and Boston. Customers include Johnson & Johnson, Lehman Brothers, SBLI USA, Pioneer Investments, TD Waterhouse, and McGraw Hill.

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