

**MASTERING
CUSTOMER INTERACTION WITH
BACK-OFFICE CRM**

**WHITE
PAPER**

MASTERING CUSTOMER INTERACTION WITH BACK-OFFICE CRM

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In the 19th Century, business could sell products and services to customers based on the quality of those products and services. Companies could develop a reputation for quality that would allow them to become market leaders. In the 20th Century, as mechanized manufacturing and quality systems made predictable quality ubiquitous, marketers had to differentiate their products on the basis of qualities rather than quality. Different portions of the market would feel the need for and identify with different products. Mass communication and advertising created brands that espoused the differentiating qualities of one product versus another.

But today, your customers' horizons are no longer limited by the mass media. Consumer marketers need to understand who is buying what when – and why – and then use a micromarketing strategy or mass customization to satisfy individuals rather than markets. Even highly specialized industrial vendors can no longer expect to simply position themselves in trade magazines, or take repeat orders for granted. Their customers can easily search and find another supplier of end deckle rolls, doctor blades, hydraulics, custom assemblies or other items.

You are no longer marketing to one universe, but to a universe of one.

Services and products have become more and more alike in consistency, appearance and quality, but the expectations and demands of the customer have become more individualistic. Products must either be individualized for the specific customer or the relationship between the customer and vendor must be strengthened enough to build loyalty. This means that in the 21st Century, the main differentiators between companies are customer relationships and personalized services. The better you understand your customer's needs and behavioral patterns, the more you can cater to their specific needs, and it is this deep relationship that will keep customers away from competitors and engaged with your company on an ongoing basis.

The saying goes that you do business with people you know, but more and more, it may be true that you do business with people who know you! After all, their knowledge of you, your company, your needs and corporate culture, is what differentiates one vendor from another. This is what good CRM should be about.

Some purveyors of Customer Relationship Management (CRM) products seem to imply that simply installing and running their software will deliver the benefits that CRM has to offer. First of all, many CRM products facilitate only a portion of the CRM process – namely sales and new customer acquisition. CRM is a discipline that requires the development and use of a platform based on knowledge about your customer's specific conditions and needs long after the initial sale. In order to realize true CRM benefits, a wide spectrum of information needs to be accessible at the right time and place for each person who has contact with your customers, and this data resides in numerous back-office systems throughout an enterprise. Coupled with appropriate enterprise applications including enterprise resource planning (ERP), data in all of these disparate systems can be pulled into a CRM system and brought to bear to understand the customer, creating the leverage that strengthens the customer/vendor relationship.

What is CRM?

CRM, is not a technological tool or initiative, but rather a business strategy that can in fact be facilitated by technological tools like enterprise software. CRM is a strategy to select and manage customers to optimize long-term value and to extend your share of your customer's business. CRM extends the concept of selling from an individual act performed by a sales person to a continuous process involving marketing, lead generation, opportunity handling, sales management and ordering. Unfortunately, many CRM products and initiatives stop here. Back office CRM – the level of functionality IFS offers – involves a seamless coordination between sales, customer service, marketing, field support and other functions that touch your customer long after the sale is completed. Back office CRM integrates people, process and technology to maximize all of your relationships – with your day-to-day customers, distribution channel members, internal customers and suppliers. Data in a number of systems – finance, maintenance, manufacturing, supply chain management and others – can be brought to bear during these ongoing communications and used to deepen the relationship with each customer.

But how do you go about tying data from sales and marketing applications into back-office systems? Purveyors of major CRM packages often sell the benefits on an integrated system, only to reveal later that significant budgets and separate project timelines become necessary to integrate their product with other internal systems.

In contrast, an enterprise application built on a service-oriented architecture (SOA) should allow you to easily access data throughout your systems, and organize that data by customer.

IFS CRM solution flexibility and agility gives you the complete package and a solution that will grow and evolve with your company enabling proper and timely adjustment to your business processes as those are added, changed or removed overtime. This complete package gives you the right tools that enable performing simple tasks like personalizing corporate Web sites to be used by users, customers, partners, ...as well as it captures myriad interactions with all of these factors enabling analyzes through IFS Business Performance as well as other sophisticated reporting tools, and finally connecting to other major functions such supply chain management and ERP .

IFS CRM supports the entire sales process, from the unqualified lead to a qualified prospect, opportunity handling, from quote management to the final order and the after sales process. It supports every step in the CRM loop, from analysis to aftermarket sales.

The challenge of customer-centrism

In part because many business leaders realize that building closer connections with individual customers is more important than ever, the term “customer-centered” is becoming almost ubiquitous. It seems like almost every other company is not describing itself as “customer-centered.” Yet when you look at their internal systems, it becomes clear that they are transaction-centered, product-centered or process-centered. Within the organization it is easy to access information on specific transactions, on sales or revenue by product or service line or obtain an overview of how much time and effort is being allocated on various processes within the company. Accessing deep information on a specific customer, however, is not as feasible. Without this information, a company is ill-prepared to proactively approach existing customers with opportunities to work more closely together or cater to their customers’ specific needs.

In a customer-centric environment:

- A capital equipment manufacturer may be able to examine a customer’s after-market service requests and suggest an appropriate equipment upgrade.
- A producer of industrial consumables could view a customers’ order and payment history and recommend appropriate order levels or even create a discount program for advance payment or offer a vendor-managed inventory plan.

- A product design team could view after-sale communications with a customer and design in options that address their unmet needs.

For companies with more complex business models – including engineer-to-order (ETO) and project-intensive businesses, back office CRM becomes much more complex and in many ways more important. After all, the completion of a sale is only the beginning of communication with the customer. The customer is often intimately involved in design or engineering phases. Project-oriented businesses – including many federal government contractors, manufacturers who put equipment into place for their customers and construction companies – often need to communicate with their customers on a continuing basis, throughout a product or project lifecycle. Those working for government agencies or in certain industries are often required by regulation to collect information on the project and develop reports at specific intervals through tools including Earned Value Management. A quality back-office CRM should facilitate all of these communications activities, and allow access to the resulting information so the company can use and leverage it to help retain the customer. A record of positive and negative variances on past projects for a customer might help establish appropriate pricing during subsequent sales cycles. A thorough record of communication during the project can also help a vendor participate in scoping of the next project, thereby creating a competitive advantage.

The intense communication needs of ETO and project-oriented companies is proof that no single CRM system will meet every company's needs. That is why modern SOA-based applications need to be configurable and flexible enough to meet disparate needs. Older CRM and ERP applications are often difficult to update, and this creates difficulties when new products are added, new companies purchased or divisions added. After all, a back-office CRM is tightly aligned with the underlying business system, and must along with that underlying system be able to change along with a company's business model. If a make-to-stock manufacturer adds ETO functions to meet customer needs, they need to be able to easily alter their CRM and business systems to accommodate this change.

How to create back-office CRM

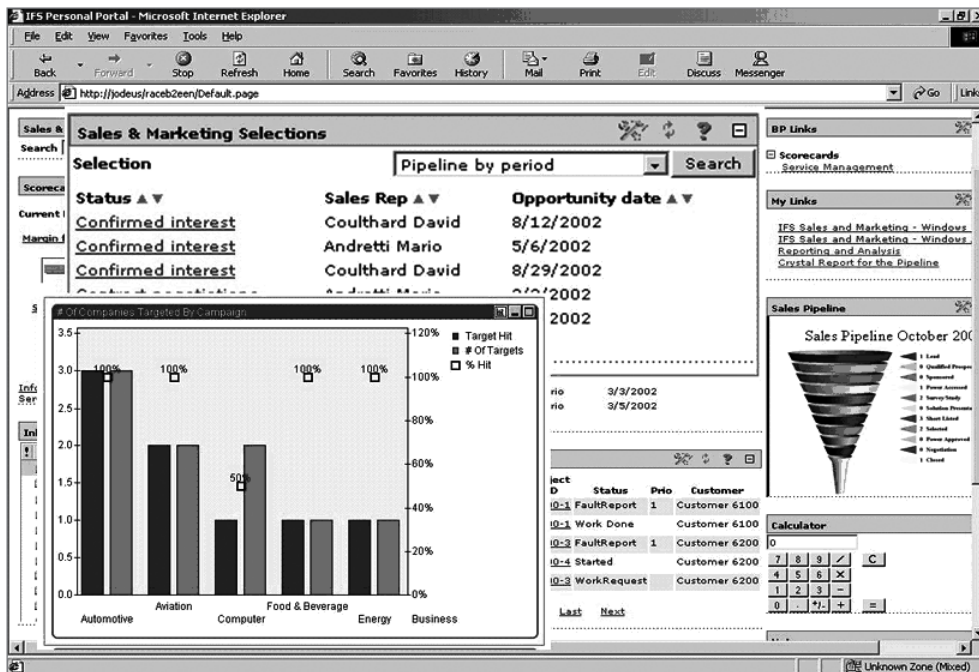
Creating back-office CRM functionality by uniting a stand-alone CRM with the various old-guard ERP packages that are still based on monolithic architectures (as opposed to true SOA) can be difficult and expensive process. Many major ERP products that purport to be based on SOA still only offer a handful of SOA plug-points into their system. This means that exposing other functionality to SOA-enabled middleware connected to the CRM involves significant custom programming.

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So companies with more complex business models could face significant custom programming costs before they can realize the benefits of back-office CRM, and can expect major expenses any time they add new products or services, purchase other companies or make other changes to their operations. Moreover, users of the combined CRM/ERP system will have to navigate two different user interfaces, and the ability to track customer activities across both systems may still be limited because data may not reside in a single database platform.

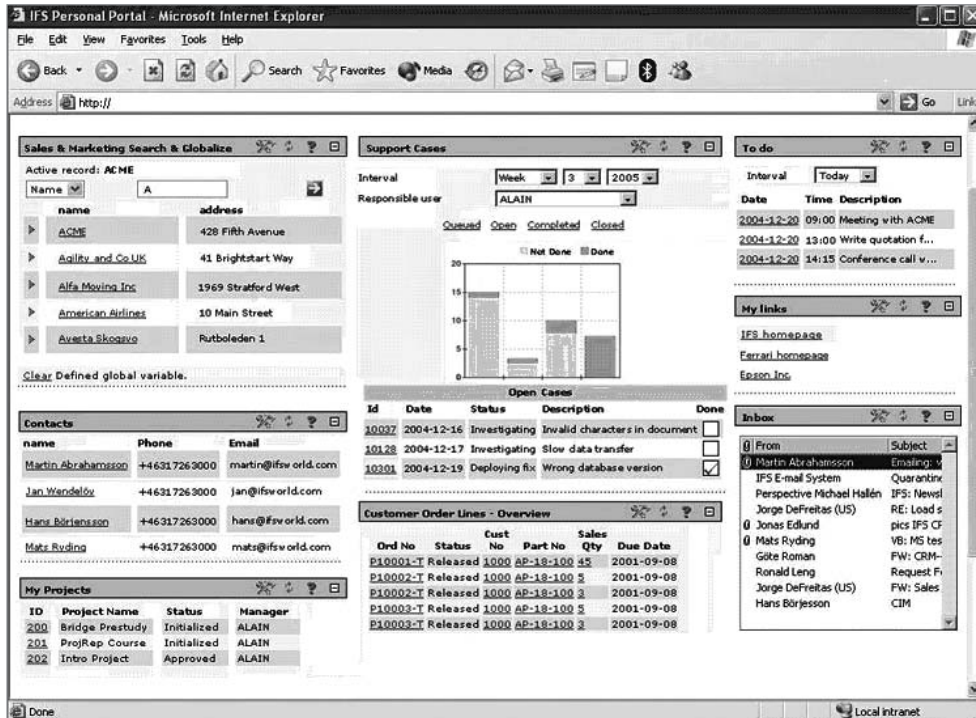
Rather than trying to unite a stand-alone CRM package with an ERP product, it makes more sense to work within an SOA-based enterprise application that offers ERP and CRM capabilities like contact and sales management and the flexibility to organize information by customer throughout the enterprise. This allows you to keep all of your customer data in one place, creating a corporate memory about each customer. Just as the knowledge of a single sales or customer service person about a given customer may be key in retaining and growing an account, the collective knowledge company-wide of that same customer – if kept in one place and analyzed properly – can be a powerful tool.

This powerful knowledge base can be most easily created by selecting an enterprise application with powerful CRM capabilities. The success of a back-office CRM solution is limited by the functional capacity and flexibility of its underlying enter-



Functionality for lead handling and sales management is an important part of CRM, but it is only the first step in the process of customer generation and retention.

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In IFS Applications, vast amounts of customer data are organized by making the right information accessible to each person within an organization. This means that each person a customer comes in contact with has the appropriate information to deliver intuitive, outstanding customer service.

prise application. A company that sells and services complex capital equipment, for instance, can use records of the machinery as purchased, as installed and as modified to ensure that service teams have correct replacement parts when they visit each customer. The company may also be able to mine data on a company's machinery purchase and service requirements to help them budget for subsequent machinery acquisitions, and suggest appropriate selections based on variables like duty cycle and resulting service and operational expenses.

Organizing customer data is a difficult task, but IFS customers take advantage of the ability to configure views for each person and role in their company. This means that each person can automatically have access to the customer information that they need to do their job (see figure 2).

Implementing Back-Office CRM

Because back-office CRM involves people throughout an enterprise, people throughout the enterprise need to be involved in planning and implementing the initiative. Perhaps no single factor can be as critical in determining the success or failure of a CRM project as the quality of communication during the early planning stages.

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More specifically, here are some points to consider as you plan your back-office CRM project.

1. Get the right people involved early on. Who are the right people? You will need senior managerial staffers from each department your project will touch. These people need to bring an intimate understanding of their functional area and also be empowered to make decisions and move their portion of the initiative along.
2. Don't try to push the project along too fast. Break the project down into steps with milestones in between, and don't try to complete the second step before the first one is completed. Make sure that your project team – as well as senior management and/or company owners including a board of directors – understands the value of each step. This will help you develop the organizational capital to power through roadblocks in your progress, and can make it clear to those in the C suite why things need to be done in the manner that you have planned.
3. Prioritize back-office CRM deliverables. With an unlimited budget and timeline, every item on a wish list of functionality could be achieved by a single project. But this is just not reality. That is why it is important to start with a very short list of exactly what a back-office CRM project needs to achieve. One way to arrive at this list is to circulate an email to everyone on the project team asking for a number one priority and a number two priority for the project. This will force people to think critically about what they really need and separate must-haves from nice-to-haves.

Jorge DeFreitas has more than 10 years in CRM technology management, and holds degrees in computer science and economics from the University of Boras, Sweden. DeFreitas came to IFS from a CRM vendor purchased by IFS, where he was a product manager.

About IFS

IFS, the global enterprise applications company, provides solutions that enable organizations to respond quickly to market changes, allowing resources to be used in a more agile way to achieve better business performance and competitive advantage.

IFS was founded in 1983 and now has 2,600 employees worldwide. IFS has pioneered component-based enterprise resources planning (ERP) software with IFS Applications™, now in its seventh generation. IFS' component architecture provides solutions that are easier to implement, run, and upgrade. IFS Applications is available in 54 countries, in 20 languages.

IFS Applications provides extended ERP functionality, including supply chain management (SCM); enterprise asset management (EAM); maintenance, repair, and overhaul (MRO); product lifecycle management (PLM); customer relationship management (CRM); and corporate performance management (CPM) capabilities.

IFS has over 500,000 users across seven key vertical sectors: aerospace & defense, automotive, high-tech, industrial manufacturing, process industries, construction & facilities management, and utilities & telecom. IFS also provides a cross-industry solution for Retail & Wholesale Distribution.

More details can be found at www.ifsworld.com. For further information e-mail info@IFSWORLD.com

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