

## RETURN ON YOUR CUSTOMER EXPERIENCE INVESTMENT

Return on investment (ROI) for CRM systems is often thought of as a return on a software investment. Technology may become obsolete after short periods of time (one to two years), but customer relations have been central to business for centuries. A long term view of ROI is more beneficial to realising the true benefit of future customer revenue streams and loyal relationships.

### 1. Who Drives The CRM Decision

Who is it that drives the CRM decision in your business? In truly customer centric organisations, it should be the customer that drives the decision. However, without a business system and program to listen to customers, how will an organisation ever know what customers want, expect and need?

So the question really is, who in your organisation drives CRM implementation, and is it a strategic decision or a knee-jerk reaction? If a strategic decision is made, then it is likely that a whole of organisational approach will be taken (see *CRM: The Whole Of Organisation Approach*). When a knee-jerk reaction occurs, the responsibility for specification and implementation of CRM often falls to the IT department, even though IT are quite removed from external customers, and customers are not thought of as core business.

The difference between how IT implement systems and how consumer-facing departments would implement CRM can be vastly different.

Firstly, technology people use technology as a tool for system performance. They may push for optimum systems that utilise the latest and greatest integrated technology combined with PDA, laptops GPS compatible mobile phones etc. Too many times, CRM systems are chosen because they offer the latest technology, regardless of whether this technology is relevant or necessary to the current customer base.

Return on investment (ROI) for CRM is not a measurement of return on the investment in the technology that your organisation purchases to create CRM systems, but on the outcome of better customer relations, customer repeat purchase and advocacy for product and brand.

CRM must be focused on bottom line results, customer loyalty and retention, and driven by appropriate technology, consumer understanding and value.

CRM is not a software system, it is the customer focused, business building strategy.

## **2. Customer satisfaction culture and the system.**

CRM does not respond to a one size fits all approach. There are many hard to define, hard to measure, fairly intangible but highly important elements in your CRM system.

An effective CRM system must view customer service, and the management of customer contact as an asset.

Think about your own organisation. Are your employees brand loyal themselves? Do your employees believe in your products? Can employees be given the authority to make decisions to satisfy consumer demands? Do your staff understand customer expectations? These are some of the questions that determine if your organisation is ready to effectively implement a CRM system.

CRM contributes directly to your bottom line. Investing in the people that have customer contact, especially in low involvement products, where this may be the only 'people' contact your organisation has with loyal customers is critical to your CRM outcomes.

Your return from CRM systems should take a longer-term view than technology ROI and the lifecycle of equipment and programs because it deals with relationships that take time to nurture and develop to the point of loyalty and advocacy.

## **3. Loyalty and Advocacy for Long Term Success**

Customer satisfaction is a good start for any CRM system, but there is not necessarily a "call to action" for repeat purchase.

The final outcome of a successful CRM system is growth in loyalty and advocacy.

But what is loyalty and why do we care about it? Loyalty (how much a consumer will persist with your product or brand) reduces customer attrition and increases customer retention to ensure future returns. It also multiplies your return on CRM investment through being able to cross-sell to consumers who already trust and like your brand, reducing the costs of acquiring new customers and support for those customers.

Advocacy, the next stage after loyalty, increases ROI through reducing the costs of acquiring new customers and ensuring current customers create customers for the future (your Silently Organised Salesforce).

If you manage this process throughout the customer lifecycle, you are investing in future revenue, increasing customer numbers while decreasing costs and multiplying bottom line profits.

The power of CRM is mirrored in the negative effects on brands and products when previous consumers tell others not to purchase.

#### **4. Return On Investment**

The customer returns that are going to give your business the real ROI that traditional CRM promised, but couldn't deliver comes from being able to predict a profitable sales base on customer retention, loyalty and advocacy.

Studies show most customers would rather pay a higher price for the security of adequate service and trust if something goes wrong rather than a low price and no service. While internal and external cost savings are great, (in most cases) these shouldn't be made to increase customer throughput at the expense of customer service and satisfaction.

An excellent CRM system increases ROI by reducing the potential costs of compliance and penalties, meeting customer expectations so they advocate products and brands to others, decrease the cost of sales and promotion per customers, decrease the cost of customer feedback and research, develop products that are known to meet customer expectations and desire, and minimize the costs of paperwork assessing complaints, return and inquiries.

A successful CRM system maximizes customer returns and minimises customer costs and ensures future customer take-up and revenue streams well past the technology and systems know how that drives today's customer-facing processes.

#### **SFI Cares**

SFI develop flexible systems that are customized to fit your business needs on a local, regional or global scale. They have developed CARE software for many medium to large companies that manufacture household and iconic brands, and a number of service based organisations and SMEs. As the Director of Global Solutions since the company was formed in 1993, Peter Gillson has witnessed change in the way business has approached CRM. Peter, in conjunction with Technical Director Mark Hudson, consults frequently with senior management to develop innovative and flexible solutions for changing business and consumer sophistication.