



**Microsoft**  
Business  
Solutions

Growing more  
**profitable**  
with your customers.

**INSIDE:**

How you can use CRM to grow more profitable

- Sell more, reduce costs
- Real-life examples
- 10 tips to making ROI

**Contents**

- Introduction ..... 1
- Growing More Profitable with Your Customers ..... 2
- Who’s in Control? ..... 2
  - If you don’t know what you did yesterday, how will you know what to do tomorrow? ..... 2
  - If you don’t have a clear business overview, how do you know what the customer is worth? ..... 2
  - If you don’t know the customer’s value, how can you get the most out of your relationship? ..... 3
- How Does CRM Help? ..... 3
  - The more you know about the customer, the more you’ll sell ..... 3
  - The more customer information you share, the better the relationship ..... 4
  - Long live the customer (if the customer is profitable, that is) ..... 5
- What Does It Take to Make CRM Work? ..... 6
  - Educate and train if you want to gain ..... 6
  - True customer focus requires integrated information ..... 6
- How Do You Get to There from Here? ..... 7
  - 10 Tips for Maximizing ROI. .... 7
- CRM Step-by-Step ..... 8
- Microsoft Business Solutions Helps You Make More Profitable Decisions ..... 8
- Bibliography ..... 9
- About Microsoft Business Solutions ..... 9

## Introduction

This paper describes how you can use CRM to help your business grow more profitable. It offers you:

- Ways to interact more efficiently with customers
- A proposal for how to obtain a better overview of customers and prospects
- Strategies for getting the maximum lifetime value out of your customer relationships
- Ten tips for maximizing your return on investment
- An overview of how Microsoft Business Solutions can help you make more profitable decisions

## Growing More Profitable with Your Customers

CRM is a business strategy that helps you increase profit by putting your customers' needs at the center of your organization. This white paper summarizes Microsoft Business Solutions view of how CRM can help you grow more profitable. It includes real-life examples of companies using a CRM strategy backed by a software solution to grow more profitable, and ten tips to help maximize your return on investment.

### Who's in Control?

Best-selling author Patricia Seybold has given it the title “the customer revolution.”<sup>A</sup> Gartner Group has called it “the age of the customer.”<sup>B</sup> Business consultant Regis McKenna took it one step further and called it “the age of the never satisfied customer.”<sup>C</sup> Whatever you want to call it, today's buyer has more choice, finds it easier to compare prices and has come to expect a high and consistent level of service.

“Fundamental economic changes that started in the 1980s and are still picking up steam have put customers in charge of buyer-seller relationships,” writes CRM pioneer Dick Lee. “Companies trying to hang on to their beloved ‘command and control’ to customers watch loyalty rates sink and find less margin for error. They're headed for the toilet—and even in there the good seats are already taken.”<sup>D</sup>

You cannot control the customer the way you once could. You can, however, control customer information. You can control it, and you can use it to turn the new-found power of the customer to your competitive advantage. How? By keeping close track of customer interactions, gaining a good overview of your sales pipeline and analyzing customer profitability. Improved tracking, overview and analyses will help you become more profitable and more efficient. It will help you get more out of every customer relationship.

#### If you don't know what you did yesterday, how will you know what to do tomorrow?

We all want to achieve maximum profitability. We want to move prospects through the [marketing machine](#)<sup>1</sup> and into the sales process. But in order to do that, we have to know where they are in the sales process to begin with. Keeping track of contact information and customer interactions can help you become more profitable by moving customers and prospects through the buying process more efficiently.

If Mr. Smith already bought a product or service from you, obviously he doesn't want to be targeted for a special offer on that same product or service. Nor does he want to receive a brochure explaining benefits, which he's already aware of. Such a marketing effort is wasteful for you and irritating for the customer.

On the other hand, Mr. Smith may be interested in a related product or service, or other new information that makes him feel good about his purchase. Similarly, if you know that Mr. Smith hasn't yet made a purchase, but that he has already been targeted by marketing, then you can plan necessary actions effectively (for example, by following up on a sales offer).

In addition to keeping track of contact information and customer interactions, it's also important to keep up to date on the latest product information. Just as with marketing and sales efforts, a service call meant to increase profit and customer satisfaction can have the opposite effect if it's not really necessary. If you know how often products need routine service, you can plan service visits for maximum efficiency.

#### If you don't have a clear business overview, how do you know what the customer is worth?

Keeping track of customer interactions helps you move customers further into the sales process and increase sales. However, increasing sales is just one way to increase profitability. The other side of the profitability coin is the ability to interact with customers efficiently.

In order to interact in the most productive way possible, you need a good overview of your sales, resources and services. Knowing your pipeline helps you plan cost-effectively. A surplus or scarcity of goods or resources in relation to actual demand will cost you in the end. Knowledge of pipeline information makes it possible to forecast demand, identify problem areas and keep track of which orders have been closed.

<sup>1</sup> [Marketing machine](#): the part of a business that communicates to customers and prospects about products and services with the aim of bringing them closer to a purchase.

A good overview of resources helps you plan more efficiently. You know what it will take to sell the product or service. For example, a certain product may be the kind that needs to be seen to really make an impression. In this case, you may need extra demo staff to move it through sales. On the other hand, another product may not need any demo staff at all.

Finally, a good overview helps you perform service more efficiently. For example, technicians know precisely which spare parts they need, and in this way, avoid making ineffective service calls. A good overview helps you plan to get the most out of interactions with customers.

### **If you don't know the customer's value, how can you get the most out of your relationship?**

Amazon CEO Jeff Bezos once said that the business statistic he was most proud of was the high percentage of daily sales that came from existing customers. Bezos saw it as a testament to Amazon's level of service.<sup>E</sup> Amazon won customer loyalty at a time when customers were becoming increasingly demanding.

But if you're asking *How do I meet every customer's demands all the time?* then you're asking the wrong question. A more appropriate question is *How do I achieve maximum profit from every customer?* The answer is that you need to find a way to focus more on your most profitable customers, and to reduce the burden of unprofitable customers.

When determining a customer's relative profitability, it is important to consider the **lifetime value**<sup>2</sup> of the customer. Lifetime value calculations take into account that profitability changes over time. Once you've identified which customers have the greatest lifetime value, you can begin to focus on meeting their personal needs. Conversely, you can reduce the burden of an unprofitable customer. For example, you could reduce the costs of servicing certain customers by requiring them to use Web self-service.

## **How Does CRM Help?**

CRM is a business strategy that helps you become more competitive by focusing on the customer's wants and needs. CRM solutions use technology to help businesses achieve that focus. By applying a CRM strategy across your organization and backing it up with the necessary tools, you can improve customer relationships, reduce costs and gain a competitive advantage.

In a study of the characteristics of market leaders in Europe, USA and Australasia, one of the key points of distinction found among market leaders was that they recognized the fast pace of technology development, competition, opportunities and increasing customer expectations. Furthermore, they understood that in order to deal with these competitive challenges, they must leverage information. Market leaders understood that "enduring advantage comes not from the technology but from how information is collected, stored, analysed and applied."<sup>F</sup>

Getting the most out of information, in general, is key to dealing with new competitive challenges. Getting the most out of your customer information is key to increasing sales, improving customer relationships and handling each customer as efficiently and successfully as possible.

### **The more you know about the customer, the more you'll sell**

Building a customer database that helps you sell more is a process that begins with the most basic information about your customers. First, you need information such as names, postal addresses, e-mail addresses and phone numbers, organized in a customer database. With this foundation, you can begin to categorize customers into useful groups, for example, by region, industry and previous sales. You can add further information, such as behavior, personality and concerns. Everything you know about your customers and prospects can help you focus your marketing efforts and improve your sales.

<sup>2</sup> **Lifetime value:** 1to1 marketing.com defines lifetime value as the stream of expected future profits on a customer's transactions, with costs subtracted and discounted at an appropriate rate to approximate their net present value. How about just defining it as the "net present value of a customer to your business?" You can read about how to calculate lifetime value on their Web site, [www.1to1.com](http://www.1to1.com).

You can also take the differentiation of customer types one step further, profiling individual customers, with the help of a CRM solution. By saving a history of customer interactions, you can build up records of personal information on each customer. The starting point for customer profiling is to know their purchasing history. You can then add information such as whether they prefer to receive e-mails or letters, which contact person they prefer, and which products they're interested in hearing more about in the future. Such information helps you sell more effectively in the long-term. For example, service technicians, who know the products and visit customers regularly, also function as sales representatives. And if they have access to customer information, they will be able to [cross-sell](#)<sup>3</sup> and [up-sell](#).<sup>4</sup>

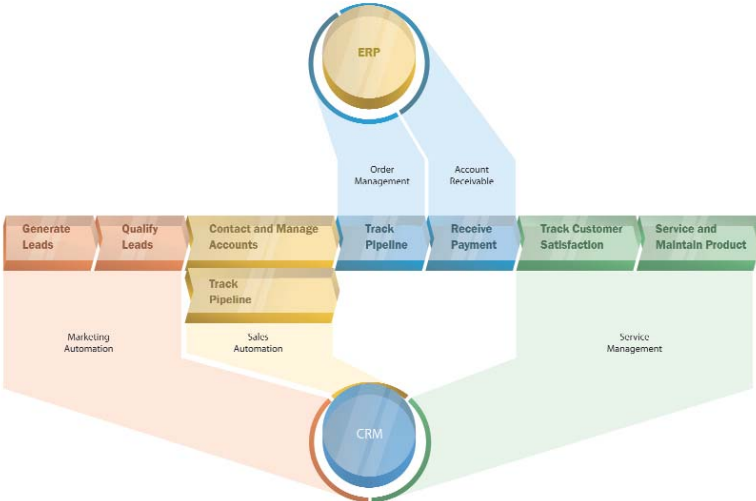
**Case in Point**

Microsoft Business Solutions is helping electrical service contractors McBride Electric sell more effectively. Employees at any location now have access to the latest customer information, including both incoming and outgoing customer e-mails. And it's easy to work with. "The general look, feel, and ease-of-use of the solution are just phenomenal," says David Fischer, IT Director at McBride Electric.

**The more customer information you share, the better the relationship**

Providing customers with good service involves processes that are integrated throughout the entire organization. In order to ensure that customers have a consistent and rewarding experience through every point of contact, CRM must be applied evenhandedly throughout the entire organization. An integrated CRM solution can help you get more out of customers by providing up-to-date customer information to more people. A simple scenario illustrates how an integrated CRM solution can improve customer interactions.

A sales manager analyzing the pipeline in her CRM solution discovers that there are not many leads for a new product in a certain region. She decides to initiate a lead-generation campaign. The marketing department executes the campaign. But they need a lot of customer information in order to direct the campaign at the right audience and generate interest in this new product. They also need access to the latest financial information in order to exclude customers that have overdue balances. In order to make the campaign effective, salespeople need access to live campaign information in order to follow up on leads. And, if the company manufactures the product themselves, then they need to be prepared to meet the increased demand for the product. If they don't, then the purchasing manager must make sure that they will be able to meet the demand. Finally, employees in call centers should be able to handle customer enquiries related to the campaign.



The figure above shows how customer interactions flow into the sales cycle affecting all parts of the organization. An ERP solution with integrated CRM functionality is necessary in order to give employees access to accurate customer information.

<sup>3</sup> **Cross-sell:** To cross-sell is to treat an existing customer for one product as a potential customer for other products, thereby selling a greater variety and quantity of products.  
<sup>4</sup> **Up-sell:** To up-sell is to sell the most profitable products that are relevant for the customer and thereby, indirectly, controlling customer demand.

This scenario shows how business interactions with customers affect various parts of the organization. It also shows how dependent different areas of the organization are on up-to-date, accurate information to do their job efficiently and service the customer successfully.

When everyone has detailed customer information at hand, you serve customers better. The degree to which you offer personalized service, however, depends on whether it is worthwhile for your business in the long run.

It's important to use customer information to measure sales against the effort and resources involved in order to determine the profitability level of each customer. Then you can decide what level of personalized service to offer each customer.

### Case in Point

Microsoft Business Solutions is helping software vendors IQ NetSystems to provide better after-sales service. Detailed and up-to-date customer information allows them to uncover the reasons behind service calls. "That information makes us more proactive, so we can do preventative work to keep calls from coming in," says Tom Racca, Senior Vice President of Sales and Marketing at IQ NetSystems.

### Long live the customer (if the customer is profitable, that is)

While loyalty can help you increase profits, it's important to remember that it does not always translate into dollars and cents. As business management authority Dr. Peter Drucker puts it, "There are no profit centers inside an enterprise, only cost centers exist. The only real profit center is the customer whose check does not bounce!"<sup>6</sup> It's important to have a customer loyalty strategy that includes building, monitoring and acting upon different levels of customer loyalty throughout the customer lifetime.

You should build loyalty from the very start of a customer relationship. One way to do this is to enroll customers in a loyalty program from the very start of your relationship with them, which rewards customers for doing business with you. This inhibits competitors from stealing the customer from under your nose before you've even had an opportunity to build on your relationship.

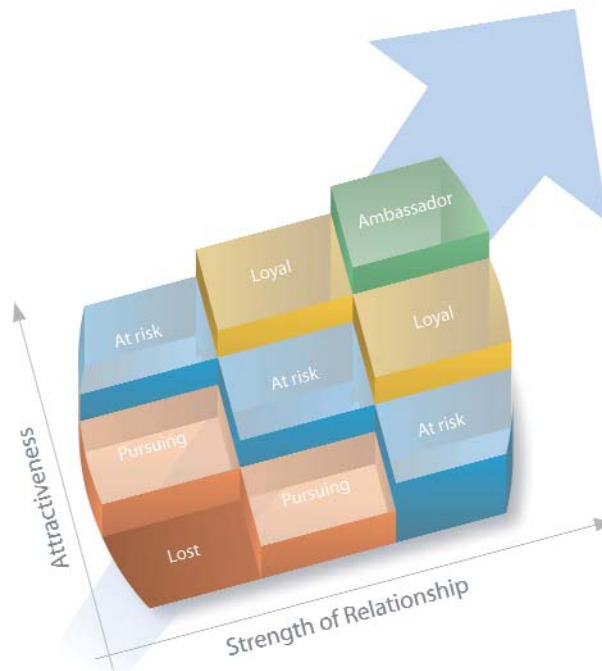
As the relationship develops, you can measure short-term goals by comparing expected customer behavior against actual behavior. For example, did Company X make the new purchase you expected them to make after two months? Measuring the loyalty of customers gives you an indication of the business customers are doing in proportion to the effort you are expending on them.

You can then act upon findings of nonloyal behavior. For example, you can make special offers to selected customers to increase their loyalty, or move the nonloyal customer down to a lower classification.

Sometimes you may find that regardless of the effort you spend on a customer, it is simply not in your interest to serve them. Customers can cost more than they're worth. This is why a customer loyalty strategy should include an exit strategy to rid the company of unprofitable customers (for example by raising prices).

### Case in Point

Microsoft Business Solutions is helping Maximum Impact, inc., providers of leadership training, access the information it needs to improve its marketing efforts. "It's giving us the ability to gather more intelligence and the agility to change on a dime with the use of that intelligence. We're able to do more marketing campaigns—and more successful marketing campaigns—than we've ever been able to do," says Joey Smith, Maximum Impact's Chief Technology Officer.



The loyalty segmentation model (LoyaltyMatrix™) above illustrates the fact that building customer loyalty depends on a combination of the attractiveness of the company compared to alternatives and the company's ability to build a long-term relationship with the customer.

LoyaltyMatrix™ is a registered trademark of Loyalty Group International.

## What Does It Take to Make CRM Work?

CRM cannot be seen as a business project owned solely by marketing and sales, or only as a technology project owned by IT. It must be seen as way of doing business, backed by the organization's managers, owned by the whole company and integrated into all tools that involve customers. Success requires a wholehearted commitment from top management to integrate CRM into the overall strategy of the company.

As with any other business strategy, there are best practices for CRM. But don't expect them to function as a gift-wrapped package for success. They have to be applied in a way that fits your unique business and its strategy. If a low-price strategy is central to your business, then you may want to focus on using CRM to improve operational efficiency (through customer self-service on the Web, for example). If your strategy revolves around rapid growth, then you may use CRM mainly to increase revenue (by automating sales, for example).

### Educate and train if you want to gain

Your CRM initiative will undoubtedly bring change, both to business processes and to the company mindset. This makes it important to educate employees in the new way of thinking and acting, and to train them in the new tools necessary to execute on this new way of thinking.

"The most critical aspect of CRM is the relationship that you establish with the customer. Your employees will be the ones to initiate and maintain those relationships. Therefore, make sure they know how to interact, influence and service your customers," writes Richard F. Gerson on CRMguru.com.<sup>4</sup>

The whole organization needs to be educated in the business principles and processes that your CRM strategy involves, and trained on any new systems that they need in order to carry out that strategy. It is not enough for sales, marketing and service alone to focus on the customer. The entire organization shares vital market information, and the entire organization should focus on the market.

### True customer focus requires integrated information

Stand-alone CRM solutions gather all the information about a company's prospects and customers and their interactions in one place. Employees can use this information to improve customer-facing business processes. However, a fundamental problem with such CRM systems is that, in reality, customer interaction processes

extend to the **back office**<sup>5</sup>—beyond what is handled in a **front office CRM solution**,<sup>6</sup> and across the organization. Any function or process that affects how a company interacts with its customers must be considered in a company’s CRM strategy. Optimal interactions depend on accurate, up-to-date financial and product information. And according to Gartner, Inc., the benefits of CRM are proportional to the quality of the information:

“High-quality, well-integrated customer data is the cornerstone of a successful CRM effort. It is also the key to achieving several critical benefits—such as eliminating excess operational costs caused by redundant data, and enhancing revenue through improved customer targeting and retention.”<sup>1</sup>

An ERP solution with integrated CRM delivers up-to-date and accurate information that helps everyone do a better job.

## How Do You Get to There from Here?

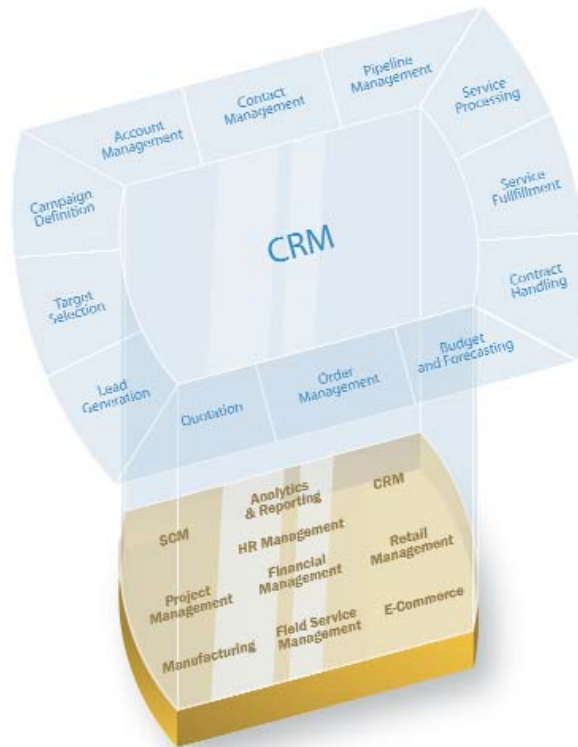
### 10 Tips for Maximizing ROI

<b>Strategy</b>	<b>1</b> <b>Develop a comprehensive plan that pinpoints your CRM goals.</b> Evaluate where you stand in relation to those goals so that you can monitor your progress toward them.		
<b>Stakeholders</b>	<b>2</b> <b>Find how you can best leverage your strengths to deliver value to stakeholders.</b> Give equal weight to input from customers and other stakeholders. Develop a framework for determining how to make the most money while producing the most benefit for the customer.	<b>3</b> <b>Drive the CRM process from the outside-in.</b> Create a culture where the customer is the focus rather than departmental interests. Think from the customer’s point of view, and get your partners and employees on-board with your CRM effort.	<b>4</b> <b>Bring front-office and back-office employees into the planning early.</b> Employees who participate in daily business processes, such as purchasing, production, sales, marketing and service, can offer great insight into how you can improve your operations.
<b>Project management</b>	<b>5</b> <b>Be prepared to manage change.</b> You will have to coordinate the alignment of strategy, operations, technology and people. Designate a person to own and manage the CRM project. It doesn’t have to be an IT person, but it should be someone who wields authority and has a good understanding of your business.	<b>6</b> <b>Back it from the top.</b> Top management needs to drive the project through the organization by demonstrating commitment and by showing how the company and individuals will benefit from it.	<b>7</b> <b>Find a software solution that works the way you do.</b> Look for an IT platform that you can adapt to your way of serving the customer. Make sure that the software vendor’s technology platform is customizable, upgradeable and based on industry standards, so that it can grow with your company as your needs change.
<b>Implementation</b>	<b>8</b> <b>Make an implementation plan.</b> Develop a detailed project plan for implementation. Include a focused pilot program for initiatives that require a greater deal of change. Revisit the plan periodically to make sure it is still on track.	<b>9</b> <b>Implement according to your needs.</b> Implement in stages according to the readiness of your company to adopt CRM tools and processes. Some elements of CRM do not require a great deal of change, and will simply make it easier for employees to do their job. Quick wins will build support and stimulate enthusiasm and momentum.	<b>10</b> <b>Look for a well-integrated solution.</b> Find out how the CRM solution integrates with your existing systems and those you plan to implement. Integration is critical to the accuracy of the information that you depend on in the solution.

<sup>5</sup> **Back-office:** Business functions include accounting, purchasing, order entry, warehouse management, production and costing.

<sup>6</sup> **Front office CRM solutions:** Solutions that gather all the information about a company’s prospects and customers and their interactions in one place in order to automate and optimize handling of contact information, leads, team selling pipeline reports, and other tasks.

## CRM Step-by-Step



Software that fits your business: pick the functionality you need, and one of our specially trained partners will make it match your business.

## Microsoft Business Solutions Helps You Make More Profitable Decisions

Microsoft Business Solutions gives you insight that helps you make more profitable decisions.

Our business management software puts you in touch with information from every corner of your business, and lets you analyze it in any way.

Pick the functionality you need, and a specially trained Microsoft Business Solutions partner will fit it to your business. You'll get information from every corner of your business, which will help you:

- Make smart decisions about your customers, prospects and partners.
- Improve the quality of every business interaction.
- Deliver superior customer service profitably.

## Bibliography

- A: Random House; March 12, 2001
- B: Gartner Group (A. Sarnier, W. Janowski, T. Berg); "Personalization: Customer Value Beyond the Web"; September 10, 2001
- C: Fast Company; "Preparing for the Age of the Never Satisfied Customer"; June 16, 1999
- D: CRMguru.com; "Why Climb the CRM Mountain?"; December 2001
- E: www.annonline.com; January 6, 1997
- F: Willcocks, Leslie and Christopher Sauer and Associates: *Moving to E-Business: The Ultimate Practical Guide to Effective E-Business*, Random House 2000, p. 21
- G: *Delphi Group, Collaborative Commerce Summit San Diego*, June 3, 2001
- H: *Secrets of CRM Success*, February 8, 2001
- I: Scott Nelson, Rahul Singhal, Walter Janowski, Ned Frey, *Customer Data Quality and Integration: The Foundation of Successful CRM*, November 26, 2001

## About Microsoft Business Solutions

Microsoft Business Solutions helps you make more profitable decisions. You work smarter because your solution is tailored to the way you do business. You work faster because you have immediate access to information from all around your company. You can count on us for long-term support as your needs change and your business grows. More than a quarter of a million companies rely on Microsoft Business Solutions for profitable ideas. Find out how we can help you.

The information contained in this document represents the current view of Microsoft Corporation on the issues discussed as of the date of publication. Because Microsoft must respond to changing market conditions, it should not be interpreted to be a commitment on the part of Microsoft, and Microsoft cannot guarantee the accuracy of any information presented after the date of publication.

This document is for informational purposes only. MICROSOFT MAKES NO WARRANTIES, EXPRESS, IMPLIED OR STATUTORY, AS TO THE INFORMATION IN THIS DOCUMENT.

Complying with all applicable copyright laws is the responsibility of the user. Without limiting the rights under copyright, no part of this document may be reproduced, stored in or introduced into a retrieval system, or transmitted in any form or by any means (electronic, mechanical, photocopying, recording, or otherwise), or for any purpose, without the express written permission of Microsoft Corporation.

Microsoft may have patents, patent applications, trademarks, copyrights, or other intellectual property rights covering subject matter in this document. Except as expressly provided in any written license agreement from Microsoft, the furnishing of this document does not give you any license to these patents, trademarks, copyrights, or other intellectual property. Microsoft Business Solutions Corporation is a wholly owned subsidiary of Microsoft Corporation.

© 2003 Microsoft Corporation. All rights reserved.

Microsoft is a registered trademark of Microsoft Corporation in the United States and/or other countries/regions.

The names of actual companies and products mentioned herein may be the trademarks of their respective owners.

