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The craft of CRM

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IF YOU DON'T have a new idea, coin a new acronym.

Last year's fad was C-level positions. We had CKO (chief knowledge officer), CPO (chief privacy officer), and CCO (chief customer officer) -- it was a wonder nobody added CSO (chief sanitation officer) to the list -- all reporting directly to the CEO, retitled "chief ego-gratification officer" because that's the only possible reason a CEO would install all of these people in the executive suite.

That was last year. This year we're augmenting CRM (customer relationship management) with other relationships, such as PRM (partner relationship management) and VRM (vendor relationship management). With all due respect, the point of CRM is to scale up what the family butcher did with our grandparents -- build a strong relationship based on intimate knowledge of each customer, leading to repeat business while turning "up-selling" and "great service" into synonyms.

The corner store achieved this result with the proprietor's unaugmented brain. Replicating this strategy with millions of customers, thousands of sellers, and a half-dozen communications channels is a difficult proposition, with no parallel in the more manageable situation of dealing with partners and vendors. Besides, I want my vendors to manage their relationships with me. VRM inverts this responsibility in an unwholesome way.

CRM is a business strategy. It doesn't start with customer analytics, which are all about the customers you happen to have now, nor does it start with software. It starts with design, as any good strategy should. Just as a product strategy begins by redesigning the product line and the products in it, so a relationship-based strategy begins by defining targeted customer profiles and the desired relationship with customers in each of those profiles. That means figuring out how you want those customers to think of you, then designing a set of experiences and interactions that will lead them to think of you that way.

As a business strategy, CRM isn't about improving your company's key measures. Improving measurements is tactical. Strategies redefine goals, which means changing what you measure.

With CRM, this means shifting focus from transaction margins and process

efficiencies to customer retention and growth in customer lifetime value.

Sound risky? It isn't. If you stop losing customers and make more from the ones you have, profits will increase. They'll have to.