

2.7 Customer Relationship Management

Craig Park, FSMPS

President

Craig Park Consulting

There is an increasing interest by many firms in the building industry in creating more customer-centric business strategies. As a result, many firms are evaluating and implementing some kind of Customer Relationship Management (CRM) functionality. This can range from contact management to e-business, from customized project proposal configurations to alliance partner management. Developing an effective strategy for a CRM implementation based on those functions that span and help integrate the processes of the practice will increase the chances of enjoying a successful CRM implementation.

However, despite all the hype about enterprise-wide software solutions that can help consolidate the wealth of information about customers and their history, CRM is not really about technology. Implementing a successful CRM program is about understanding the relationship between how everyone in the firm interacts with each customer's needs and expectations. It is through the collection, categorization and dissemination of that collected knowledge that allows a professional service practice to benefit from lessons learned, and leverages knowledge to better serve each new and existing client.

I noted in the chapter entitled 'Interaction,' which appeared in my book, *Design. Market. Grow: Building an Enduring Practice through Expertise, Excellence and Experience* (SMPS, 2003) that developing an overriding knowledge-based customer-centric culture is the goal of the ultimate CRM solution. Getting there requires the same discipline that strategic planning, best practice, and process execution utilized by the best-of-class companies throughout the business world. I've excerpted some of the following information from that original writing, as well as from the chapter on Technology for Marketing that I wrote for the second edition of this book, and expanded it to include specific implementation guidelines for a successful CRM program.

What is CRM?

CRM is the application of a strategic framework for knowledge management. It works only when processes are implemented that match the business needs to the client's requirements.

Look at CRM technologies by asking what they can do from the customer's business

perspective. The goal of an effective CRM system is to organize internal knowledge history in way that maximizes customer value through simplified, and preferably, customized engagement and transactional processes, and increases profitability by clarifying and defining the effort required to exactly match the client's expectations.

To be effective a CRM solution needs to engage the customer in ways that simplifies their interaction with your company, speeds delivery of services to them, and ideally, saves them money, while increasing the service provider's profitability. At the same time, the CRM systems collects, categorizes, and sorts information that will provide the opportunity for increasing value-added services to the same customer, and attract new clients as well.

In some cases, process changes may be necessary to engage technical staff in providing valuable information. This is one of the key factors that is often overlooked, and leads to most CRM implementation failures. It is the important to have the CRM system make the firm's staff's work easier, not harder. If CRM provides value internally, it will be more likely to be utilized as a primary tool for collecting the data needed to increase knowledge.

Why CRM?

Every firm goes through distinct phases in its interaction with its customers: *acquisition*, *retention*, and *enhancement*. It is important to define CRM goals for each phase. Clarifying current strategies and practices is critical before undertaking any CRM solution.

The business processes of the typical professional services firm interact with the customer at many different points. *Acquisition* data includes from front-end developmental contacts of marketing, business development and sales. *Retention* information includes data collected during the mid-cycle contracted services of design, engineering, construction and post-construction service. This also includes the ongoing back office services of purchasing, billing, and collections. The *enhancement* data comes from the creation of customized services specific to each client's needs and preferences. When done correctly, the customer's experience can be documented and mined for trends, hiccups, and successes.

Consolidating, categorizing and analyzing that information and experience can provide invaluable data that would allow a company can better serve each customer with services that

anticipate their buying patterns, lower their budgets, exceed their expectations for quality, and better their typical scheduling requirements.

Steps to CRM Success

It is easier to find stories of failure than stories of success for CRM. However, this does not decrease the importance of CRM as a core business strategy. It points out the difficulty most firms have in becoming truly customer-centric. Historically, when the motivation for CRM is improving effectiveness with customers (value) the project succeeds. When the motivation is efficiency-driven (time/cost) the success rate is much, much lower.

The real key to successful CRM is developing a customer-centric view. Ask how they use your services and why (don't assume). What category of service do they see you in (this may surprise you)? Determine the process they use to decide when they need the service and what criteria they use to select which firm to work with. How do customers view your organization (the ultimate 'brand' question)? How aware of your firm's presence are they? How do they rate you on a value/price scale? How strong are your relationships? Ask them. Don't take internal views here.

What is the demand for your services? Is the demand growing? What market trends have an impact on your customers (i.e., inflation, regulation, security, technology, etc.)? How do customers view your competition? Can you maintain competitive differentiation?

Review your last 3 years sales history. What commonalities can you draw from your contracted client base? What is the history of marketing and promotions efforts (and expense)?

Typically, a failed implementation is implemented on a tactical level using an outside supplier or consultant. Driven by technology and internal goals alone virtually ensures failure. And when it fails the blame falls squarely on the outside 'change agent.' People and work processes are the key and a strategic approach is necessary to success. The solution is fairly simple.

First, define how CRM will help your firm improve its effectiveness with clients. Then determine what impact these strategies will have on information transfer and workflow (internally and externally), and develop a 'change management' strategy. Implement new work

processes to correspond to the new workflow strategy. Finally, apply appropriate CRM technology to support these work processes (not the other way around).

Following these four steps will allow for effective measurement and analysis of improved customer relationships and the return on investment for the CRM program.

The CRM Planning Team

To ensure success, a CRM system needs the support and approval of both management and user groups. Without management support, the system will fail due to lack of credibility; without user support, the system will fail from lack of relevant, accurate data. During the CRM development phase it is essential to solicit involvement and feedback from both of these groups.

When embarking on a CRM program, it is equally important to have the right team involved in the initial analysis, as it is with the final implementation. Typically this will include representatives from marketing, sales, IT, and the other divisions of the business that will be affected by the new system. This can and should include project management, design, engineer, finance and procurement. The core team should be kept small and resources brought in as needed and appropriate during the planning and execution phase of the project.

Project leadership for the team should come from marketing, and preferably the most senior member of the marketing staff. This is a facilitation and organizational (not dictatorial) role, and a keen understanding of team dynamics is important.

Outside consultants can bring added value to the planning for a CRM project. They provide a level of objectivity and ability to provide time resources that may not be available with internal staff. Selecting a consultant should include an analysis of their ability and knowledge of customer-centric business planning, change management expertise, work process analysis and design, system architecture and design, and system integration experience. Other skills may include CRM technology selection (be wary of potential conflicts of interest with specific vendor partnerships), project management, custom software development, and training.

CRM Value

Value creation is at the core of an effective CRM system. What value does the customer receive (and more importantly, perceive) from your service? How is that value measured? Is it objective (dollars/square foot or technology, improved productivity, etc.) or subjective

(improved morale, communication, or identity)? Either way, the customer can tell you — if they are asked.

Equally important in the assessment is the value an organization receives from the relationship it has with each client. Evaluating the acquisition economics (What did it cost to get this project?) and retention economics (What did it cost to keep this client?) are necessary to focus on those customers who provide profitable work, and to avoid those that do not.

Integrating all of the physical (business development, direct marketing, telephony, office visits, project management, project documentation, project execution) and virtual (email, website, intranet, extranet, e-commerce) customer touch points in a way that seamlessly collects and retrieves information from a common data repository is the key to a successful the CRM solution, and its greatest challenge.

It takes a mutual understanding (vocabulary) and desire (practice) at all levels of the organization, combined with an investment in information technology systems, analysis tools, and integrated front office and back office applications, to make it all work together. Targeting specific granular segments within the core competencies of the practice (e.g., the interior design within a multi-discipline A/E firm; or a specific vertical market, like healthcare) is an excellent way to start an effective CRM process and begin to define true value creation in the eyes of the customer.

Selecting a CRM Solution

Studies have shown that despite recommendations from software vendors to the contrary, slow-paced, strategic implementations of CRM systems (as opposed to rapid tactical implementations) have a much higher success ratio and measurable return on investment.

Similarly, there seems to be no direct link between the brand of software selected and the perceived results. This points to the importance of developing an overarching and management-supported strategy before beginning, and committing to provide supporting training and organizational change to reach the CRM objectives.

When selecting a particular CRM software solution there are several key factors to analyze. They include the internal functions where communication is:

- Staff to Client

- Staff to Staff
- Staff to Alliance Partner (Team Member)
- Client (or potential customer) to Company
- Client to Project
- Alliance Partner to Company
- Alliance Partner to Project
- Alliance Partner to Staff
- Alliance Partner to Client

In the building industry, these communication points trend toward a focus on marketing analysis, marketing communication programs, business development, design-phase management, finance/operations, construction-phase management, and post-construction services. Each firm will need to look at its own functions to rank order the importance in selecting a solution that best fits its needs.

CRM software can be ranked in several levels.

- Tier 1 - Systems are designed for very large organizations with thousands of potential users, and a market of greater than \$500M. Solutions from Clarify, Oracle, SAP, PeopleSoft and Siebel typically fit this need.
- Tier 2 - Systems are targeted at mid-size firms doing business between the \$1M - \$500M, and include Onyx, Pivotal, and SalesLogix. Building industry-focused suppliers include Cosential, Deltek, MarketEdge, Update, and Wind2 Award.
- Tier 3 - Systems are designed for smaller firms (and by their nature have limitations in effectiveness), and include ACT!, Goldmine, MS CRM, Salesforce.com, and Upshot.

Most of the Tier-1 vendors will make a case for their software to a Tier-2 customer, as Tier-2 suppliers will make a case to Tier-1 buyers. One of the biggest trends is the bundling of CRM functionality with other back-office systems (e.g., Deltek's "Vision"). These trends toward comprehensive enterprise resource planning (ERP) solutions from common in Tier-1 providers and will undoubtedly continue to migrate down to more Tier-2 solutions.

There are two main types of CRM software implementations. Most utilize traditional Client/Server technology (i.e. the software resides locally with the firm's information

infrastructure on individual client desktop/laptop computers). Alternately, some (e.g., Cosential, Salesforce.com) utilize an Applications Service Provider (ASP) approach, hosting the software on their servers, and having clients input and access their data through the Internet. Both approaches have merit. However, when looking at an ASP solution, be sure to evaluate the security, stability and redundancy of the provider's data warehousing.

In selecting software suppliers and their solutions it is important to check several factors. These include stability (the financial history/health of the company), customer service (the ability to support an implementation), functionality (does it meet specific needs), flexibility (can it be customized), implementation (easy or hard?), price (does the value/cost ratio consistent with goals), and support (do they provide technical and training support during and after the implementation).

Implementing CRM

CRM technology can support and enhance any building industry firm's effectiveness. Determining the appropriate CRM system requires an assessment methodology for the creation, implementation and eventual planned use of the technology.

Before looking internally, determine what information relating to customers exists. This can be drawn from customer satisfaction research, customer attrition, and other quantitative data from project and business development staff. Determine what customer descriptive data is or should be included? Important information can include:

- Demographics, psychographics, firm-specific data?
- Transactional categorizations or summary customer data?
- Strategic customer value (growth potential, per customer)?
- What other outside data is overlaid on the customer database?

Defining and ranking customers by segment is a valuable way to prioritize marketing efforts. Analyzing how your services provide benefit to those segments will help focus your delivery strategies. In the end, determine what services they are looking for that they are not getting. What prevents that? Can you provide a solution? CRM allows you to quantify and compare, and ultimately focus your efforts where the best opportunities and profits exist.

Performing an in-depth analysis of the firm's existing (and historic) data should be part of the initial program evaluation effort. This needs assessment is more effective when the analysis is based on business goals and available resources. Available resources includes not only existing software (i.e., contact management, finance/billing, project management, information management, etc.), but also the capacity of the technology infrastructure (i.e., to support building to provide on-going professional development programs for those that will be using the new technology. Ask questions such as:

- How many members of the staff have access to each database?
 - What kinds of projects do they track and/or manage?
 - Are clients or potential clients using collaborative technologies (e.g., project-specific Internet sites, or electronic RFPs)?
 - Do individuals share their personal database (e.g. contact management) with the firm's master database?
- How is new or updated information inputted into each database now?
 - Who has authority to enter new information?
 - What internal and external systems automatically feed information into it?
 - Who oversees and supervises the processes?
- What physical interconnectivity exists that can support distribution of the new CRM database?
 - Are there appropriate Local Area Network (LAN) and Wide Area Network (WAN) systems to support the flow of information?
 - Do the company's network, servers, routers, firewalls, etc., support the needs of distributed secure data?
 - What supporting technology is available to utilize/manipulate/present the information in each database?

How a firm does business will determine the kind of information to be tracked. A large firm with multiple national or multinational offices will need a much more robust system than a small boutique design firm. Both will benefit from applying technology appropriately. Final decisions

should be made based on goals and resources, and the determination of the extent to which technology will be incorporated into the operations of the business.

Typically, allow as much or more time as went into the CRM planning for the implementation of the technology. Keep in mind that any CRM system will need to grow with the business. Software should be upgradeable allowing for growth, and customizable to meet the specific needs and vocabulary common to the practice. Including network capabilities and multi-user licenses will allow for increasing the number of people who can utilize a technology-based system as the business grows.

Whether a simple personal information manager or a more robust sales automation toolset, the selection of the CRM engine should meet the demands of the company now and be able to expand into the future.

Analyzing CRM Data

In today's competitive business environment firms need to do more, faster, and better in finding and qualifying new clients, analyzing and researching markets, calculating and monitoring success and defining new opportunities.

It has been shown in many market analysis that the best new clients will always closely resemble your best existing clients. Using CRM technology to “mine” the database of characteristics (e.g., industry, size, location) of your existing client-base can help in the identifying the demographics of potential new customers. By cataloging a firm's project history and comparing the client demographics in the successful projects (i.e., projects that were profitable), can help identify the types of clients your firm should (or should not) pursue.

Information is the key element that gives any firm a leg up on the competition. Learning as much about a prospective client as possible can make the difference. Insights into the client's perspective of their real needs for a project are often that which differentiates the winning firm from the rest of the short list. In profiling both existing and potential new clients, some questions to ask might include:

- What are their principal lines of business?
- How big are they?
- Where are they located geographically?

- Who are their competitors?
- What is their history of building?
- Do they own or lease their properties?
- What is their history of capital expenditure for buildings (or infrastructure)?
- Does their current market growth support the need for more building?
- Do they have internal resources for designing, engineering or managing projects?

The advantage of a thorough profile is the potential for useful data reduction. The key is the development of an information base that includes the mass of potential clients that can be filtered down to specific target groups. That data set can be further refined to specific postal codes to help define regional and local marketing efforts. With sufficient input data the dimension of information can be focused down to the smallest imaginable level, the individual who can be traced by name and address.

CRM technology provides the means to move from generalization to the specific and identifiable. Another aspect of the profile is the type of information used. Generally it is research data combined with larger demographic trends. It can include changes in economic conditions or societal and behavioral attitudes. Which industries are growing? What business-types are expanding or consolidating? As the technology becomes more sophisticated, we gain tools that assist in forecasting future opportunities.

From a practical standpoint, gathering data should include as much consistency as possible. A single record (the information about a person, company or project) is only as good as the individual fields of specific data about that record (e.g., first name, last name, title, address, phone, etc.). So much of professional service marketing is person-to-person it becomes imperative to ensure the completeness of all fields of the database. This applies equally to CRM at a small level (i.e., personal information or contact management software) as it does to large-scale implementations (i.e., enterprise-wide relational database on that includes information on project history, costs and schedule).

Matching a service-provider's strengths and offerings with client database demographics and a prospect list's characteristics yields the best matches and establishes the priority for the firms marketing efforts. From this it is easy to create customized communication pieces that are

tailored to the immediate and long-term requirements of each qualified prospect. This information, in turn, can be used by the front line business development personnel making sales calls that are more effective and more memorable.

Prioritizing the marketing effort with CRM technology helps avoid the “shotgun” approach to blanket marketing every possible customer with generic information. Accurate and useful data can help prioritize the firm’s “reactive” response to the qualifications or proposal request that was not anticipated. It can also focus the firm on “proactive” marketing and selling to the customers most likely to buy your firm’s services.

Once a CRM database of existing and potential customers is created the profile information can be used to identify and qualify potential prospects. One of the great advantages of technology-based marketing is the ability to personalize the offer to the target market. The marketing effort is much more effective when comparative analysis is utilized. By closely matching the services offered to the needs of the potential clients with similar demographics to other, existing clients, the firms marketing effectiveness can be improved.

Reaching the target audience in the A/E/C industry is a combination of determining the best sequence of contacts to communicate the message. An effective CRM implementation helps produce and deliver appropriate collateral information that is specific to project requirements. It enables direct presentation of qualifications and solutions that focus on the prospect to develop new business. While introducing your firm to the client can come as a result of relationships with other service providers in the industry, it is more effective when your database is setting the strategic direction to the potential clients you want as customers.

Utilizing CRM

By defining key criteria for prospect data, CRM systems also provide flexibility in tracking business development effectiveness at various levels. The data can be sorted to provide information such as:

- Are projects coming from new clients, repeat clients, or additional services?
- How much service has been committed and how much is actually under contract?
- How many new service opportunity initiatives have been identified?
- What kinds of facilities and services are clients buying?

- What has each marketing effort cost in terms of labor and expenses?
- What is our hit rate from prospect to proposal? Proposal to short-list? Short-list to award?

CRM technology is a tool not only for tracking information on leads and business development performance, but also for supporting the marketing function by storing and organizing data on firm resources and past project histories. The amount of information and detail required in proposal requests is increasing as both new and existing clients search for ways to differentiate between professional services firms.

Project history data fields should contain information on projects costs (estimated and actual and number of change orders), schedule information, square footages, special features of the facility, project team, consultants or associate firms, and client references. Special firm resources and services and staff resumes should also be stored in the marketing information system.

No CRM system has value unless it provides a means for measuring response and results. By profiling responders, measuring project profitability, and calculating the return on investment, the CRM technology system can provide the necessary analysis for building a profit model that can be replicated again and again.

Graphic depiction of data helps communicate results. Exporting the data to a spreadsheet program or graphing software can graph any information that can be quantified such as budget and project size. This information in turn can be used to evaluate current and existing markets and determine the barriers to entry into new and evolving markets where your firm may want to pursue opportunities.

Profiting from CRM

The new technology paradigm of “information everywhere” requires constant and consistent effort to keep CRM data accessible and current. Without currency the data has limited or even potentially damaging value. Therefore, one of the top priorities in any technology implementation needs to be maintenance.

Leverage the data in ways that will benefit the customer. Share successes, publicize services and demonstrate qualifications as the source for their solutions. CRM technology can be used to poll and survey customers, keep personnel and position data up to date, and foster

strategic collaboration between internal teams and external alliance partners to meet mutual goals.

There is a virtually endless list of ways that you can effectively use the data drawn from CRM to boost marketing effectiveness and a company's professional image. CRM information provides a look at your current and potential clients, and helps target marketing and business development efforts. Electronic mail can be used for sending newsletters, marketing messages and creating electronic public relations campaigns. The Internet (or an Intranet or Extranet) can be a forum for online interaction with your staff, your vendors, your peers and your clients (and potential clients). And, e-commerce is increasing as the future of transactional and service contracting.

To be successful in professional services marketing today demands understanding of a vast body of information about prospective and current clients *and* their businesses. Market intelligence is critical to any firm trying to secure and perform work that creates and retains clients. Increased competition requires a greater number of leads and prospects to attain or maintain desired market share. With the demand for more and better information, computer-mediated marketing information, CRM technology becomes a necessary tool to organize, retrieve, analyze, communicate and present the data that will lead to new and profitable business.

References and Resources

Anderson, Kristin and Carol Kerr. *Customer Relationship Management* (McGraw-Hill), 2001.

Dyché, Jill. *The CRM Handbook* (Addison-Wesley), 2001.

Jacobson, Ralph. *Leading for a Change* (Butterworth-Heinemann), 2000

Lee, Dick. *Strategic CRM* (HYM Press), 2003

Lee, Dick and David Mangen. *The State of Customer Relationship Management Software: 2003-2004* (HYM Press), 2003.

Park, Craig. *Design. Market. Grow!* (SMPS), 2003.

Schmitt, Bernd H. *Customer Experience Management* (John Wiley & Sons), 2003.

About the Author

Craig Park, FSMPS is the President of Craig Park Consulting. He provides advisory services in marketing, technology and management for firms in the AEC industry. He has over 30 years' experience in the building industry, and has held leadership roles in design, project management, operations, marketing and business development for consulting, engineering, contracting and manufacturing firms. He is an Associate member of the American Institute of Architects, and a member of the Construction Writers Association, the International Communications Industries Association and National Systems Contractors Association. He was elevated to Fellow of the Society of Marketing Professional Services in 1993, and served as their national president 2002/03.

Craig holds a BS in Architecture from California Polytechnic State University, San Luis Obispo, and completed continuing education in Computer Technology at New York University and Leadership at the Advanced Management Institute in San Francisco.

His professional work in facilities design was twice recognized with awards for technical excellence by the International Communications Industries Association. Craig is a frequent author and presenter on the contemporary challenges of marketing, management and collaborative work processes. His book, ***Design. Market. Grow!:** Building an Enduring Practice through Expertise, Excellence and Experience*, was published by SMPS in 2003. He can be reached at his website, www.craigpark.com.