Trying to "Manage Relationships"? GET A MAP

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> HAVING A CRM MAP IS THE BASIS FOR BUILDING THE IMPLEMENTATION STRATEGY TO SUCCESSFULLY MANAGE B2B CUSTOMER RELATIONSHIPS.

Sellers have sought to understand buyers for centuries. The most recent iteration has manufacturers spending millions of dollars on software designed to manage customer relationships. Recent estimates have over 60 percent of CRM projects deemed failures. How did these efforts become so misguided? They didn't have a MAP!

Why Do You Need a MAP?

Simply deciding that your organization will embrace B2B CRM and investing in software will not ensure the organizational changes necessary to realize the very real competitive advantages building strong customer relationships can afford. The major reason B2B CRM initiatives fail can be traced to a lack of clear vision and strategy. To effectively implement the organizational structures and processes while aligning the culture and reward systems to support the effort requires that you first develop a clear vision of CRM and its implications to your organization as well as a pragmatic, detailed strategy for its implementation.

CRM mapping, like a road map, allows you to visualize the current state or starting point for your organization, the end state or where you are going, and how you will get there. The results of CRM mapping are powerful:

■ Mapping lends clear, immediate definition to the vision by graphically representing the end state in a way that can be easily communicated and understood by the entire organization.

■ The CRM MAP acts as the basis for building the implementation strategy. It allows the organization to answer the questions, "What must we do to reach our goal? How quickly must we take action? What should our actionable priorities be?"

■ "Better relationships" are impossible to measure because what constitutes a "good" relationship is subjective. The quality of the relationship with your customer is, in fact, defined by how well it meets the needs and expectations of both parties (regardless of how strategic or independent the relationship is) and how well you can execute against those expectations. CRM mapping allows you to objectively determine the "best" relationship with any individual customer based on specific activities that add value to each contact with that customer.

■ CRM mapping helps you build conviction for the required investments by establishing the incremental value associated with the strategies for reaching the end state. To maintain your organization's conviction, you must be able to quantify returns for CRM. Mapping allows you to clearly identify these returns by customer.

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Independent	Cooperative	Collaborative	Strategic
▪ LTL/TL Best Way Shipments	▪ Ship with Other Products – Same Customer	▪ Block Delivery Scheduling	▪ Cooperative Supply Chain Efficiency & Cycle Time Reduction Initiatives
▪ Loose Case Pick/Ship	▪ Integrated LTL	▪ VMI	▪ Focus on Perfect Order
▪ No Appointments	▪ Backhaul/Customer Pickup	▪ One Order/One Invoice	▪ Multi IOC Shipments Considered
▪ Focus on Case Fill	▪ Dock Appointments	▪ Plant Direct Shipments	▪ Collaborative, Planning, Forecasting & Replenishment (CPFR)
▪ DC Shipments	▪ Pallet Exchange	▪ CHEP Pallets	
	▪ ASN	▪ Product Reservation	

How Do You Develop A CRM MAP?

CRM mapping leads to a disciplined structured approach to managing customer relationships. Dechert-Hampe & Company has developed a proprietary *Customer Relationship Mapping Tool®* that guides organizations through the process of developing an effective CRM MAP (See Case Study on page 8). The process of developing a CRM MAP results in an accurate representation of your current state and the desired state of customer relationships along with a gap analysis and the basic business case for change.

DEVELOP RELATIONSHIP PROFILES – To accurately reflect your organization, profiles must be customized to your business and characterized as activity sets which describe relationships in ter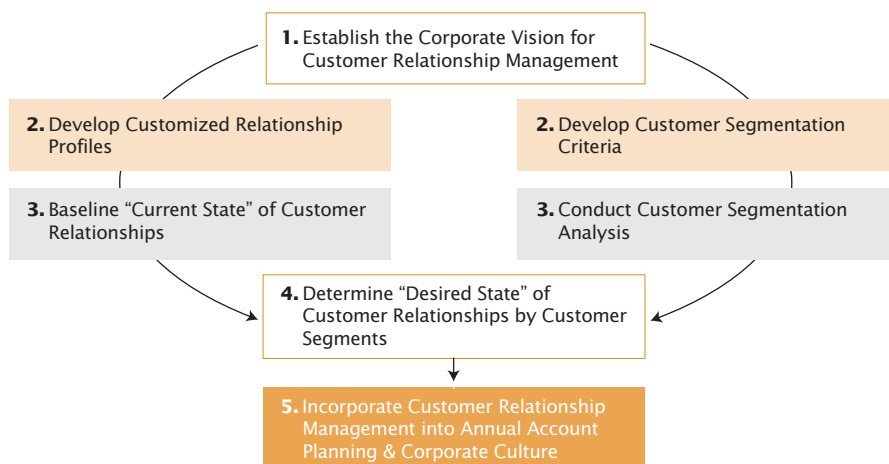ms of specific behaviors and actions. The key to developing the relationship profiles is to identify the relationship in terms of "what we do" rather than "what we say the relationship is."

Describing relationships in this manner allows your organization to objectively determine the type of relationship you have with a customer based on actual day-to-day interactions rather than a "gut feel" for the relationship. B2B relationships can be classified as Independent, Cooperative, Collaborative or Strategic relationships. Any one of these relationship types is not "better" or "worse" than another in and of itself. It is merely personified by the activities you engage in.

BASELINE THE "CURRENT STATE" OF CUSTOMER RELATIONSHIPS – Having removed the subjective elements from the relationship definitions, your organization can easily and objectively identify the current state of your B2B customer relationships without concern for the "goodness" of the relationship. Your key account managers or others who have a clear understanding of how you work with your customers can easily determine the current relationship type by the actions taken in the course of business with the customer.

DETERMINE THE "DESIRED STATE" OF CUSTOMER RELATIONSHIPS – Accurately determining your customer's needs and expectations is critical to the success of your B2B CRM initiative. The most accurate and effective way to obtain this information is to engage the customer in a joint session to develop it. DHC has found that organizations typically shy away from involving the customer in this process for fear of creating an implied obligation to do things that are later determined to have a poor return. DHC believes that the accuracy gained

DEVELOPING A CRM MAP

1. Establish the Corporate Vision for Customer Relationship Management

2. Develop Customized Relationship Profiles

3. Baseline "Current State" of Customer Relationships

2. Develop Customer Segmentation Criteria

3. Conduct Customer Segmentation Analysis

4. Determine "Desired State" of Customer Relationships by Customer Segments

5. Incorporate Customer Relationship Management into Annual Account Planning & Corporate Culture

by involving the customer far outweighs the potential risks, which can be managed with appropriate communications and expectation setting. A less accurate, although less risky, way to determine the desired state is to have the Account Team serve as a surrogate for the customer's perspective.

IDENTIFY AND ANALYZE RELATIONSHIP GAPS – By comparing the current and desired state of customer relationships, a road map for planning emerges. This road map consists of activities that can be analyzed for incremental value to be gained from adjusting the relationships. "Gaps" consisting of activities can be evaluated in terms of cost and return on investment. Therefore, a business case, including an analysis of the risks associated with closing/not closing gaps, should follow.

Dechert-Hampe & Company has worked with organizations to incorporate the *Customer Relationship Mapping Tool®* and institutionalize the B2B CRM strategy process into the annual account planning cycle to ensure alignment with where the customer is going. A post evaluation of activities implemented in the previous year identifies which customers and/or activities are the most rewarding investments.

Whom Do You Do This For?

The resource implications of applying this approach to all customers quickly become overwhelming and impossible for organizations to commit to. A more realistic approach comes from the realization that not all customers are created equal. In fact, most organizations know that approximately 70 percent of their business is driven by approximately 30 percent of their customers.

To ensure the greatest benefit from

CUSTOMER SEGMENTATION

Customer Segment	Relationship Types Established	Who Determines Relationship Type?	What Determines the Relationship Type?
A	Customized Relationships	Customer and Manufacturer	The Customer's Capabilities, Operations, Practices & Preferences
B	One Relationship Type For All Customers	Manufacturer With Input From **B** Customers	The Manufacturer's Most Efficient Way of Doing Business & Consideration of The Practices of Most **B** Customers
C	One Relationship Type For All Customers	Manufacturer	The Manufacturer's Most Efficient Way of Doing Business

their B2B CRM efforts, organizations must segment their customers. This means the organization must stratify their best or first-tier customers ("A" customers) from their second ("B") and third-tier ("C") customers. Segmentation allows the organization to identify those customers who will provide the greatest return on investment and are most critical to the success of the business. Then, resources can be allocated to ensure the greatest efforts are aligned with the right customers. Segmentation criteria should be developed with volume and profitability in mind.

"C" CUSTOMERS AND CRM – Although they are not key accounts, "C" customers may nonetheless be profitable customers. Rather than relinquish these customers outright, manufacturers should establish a "one-size-fits-all" relationship type with these customers based on the most cost-effective way of doing business with them. For example, "A" customers may be serviced by a direct sales force, by a broker, or a hybrid of the two depending on their preference, while "C" customers are handled exclusively by a broker. If the key elements of the rela-
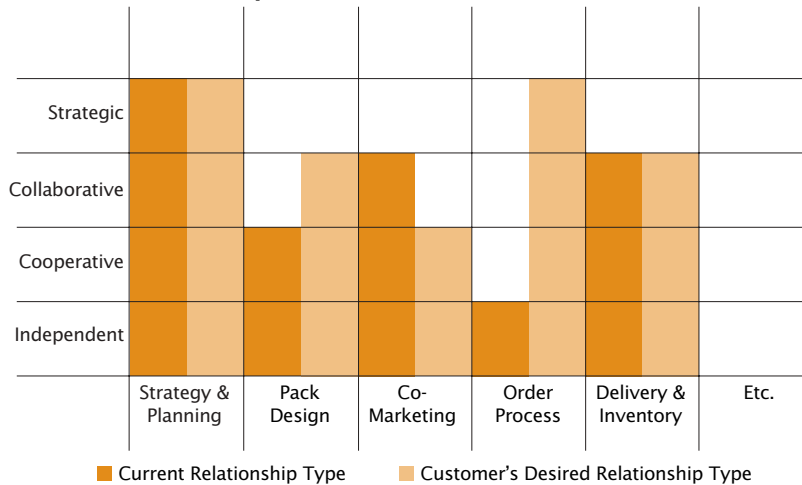
tionship allow it, they may even be serviced exclusively via telesales or the web. Performance against the appropriate relationship activities should be executed with the same high standards as afforded all customers, but standards may be different for "C" customers than those applied to "A" or "B" customers. For example, fill rates of 98% are the company standard for all customers, but that might include customized packs for "A" customers whereas "C" customers would only be able to order standard case packs and configurations.

"B" CUSTOMERS AND CRM – "B" customers tend to be more like "A" customers than "C" customers, but do not meet the criteria for the first-tier customer segment. They are often collectively as important to the organization as an "A" customer. For these customers, manufacturers should also establish a single relationship type upon which the transactions with the customer will be conducted, but the manufacturer should determine the appropriate relationship type based not only on the most cost-effective way of doing business, but

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CASE STUDY

Corporate "A" Customer Name Withheld

	Strategy & Planning	Pack Design	Co-Marketing	Order Process	Delivery & Inventory	Etc.
Strategic						
Collaborative						
Cooperative						
Independent						

■ Current Relationship Type ■ Customer's Desired Relationship Type

A leading consumer packaged goods company retained Dechert-Hampe & Company to assist in the migration of the organization to a Customer Development culture. As part of this effort, the company incorporated Dechert-Hampe's *Customer Relationship Mapping Tool®* into its annual sales planning process.

A management team developed segmentation criteria and stratified all customers. For the initial application of the *Customer Relationship Mapping Tool®*, the management team developed detailed relationship descriptions by identifying specific activities associated with the relationships across all B2B customer touchpoints. Then, representatives from all key account teams and select "B" and "C" customer representatives met with members of the sales support functions. The group met for a full day at the start of the annual sales meeting and completed the analysis for over 80 customer accounts, including all "A" customers and representative accounts from the "B" and "C" customer ranks.

Working in account teams, the group baselined the "current state" of B2B customer relationships and established their customers' "desired state" relationships. The chart above is a sample relationship map developed for an "A" customer. Notice that the relationship gaps between the "current" and the customer's "desired" states become readily apparent.

After identifying the relationship gaps, the teams began the risk/reward analysis that led to development of business cases for resource re-allocation across all accounts. In the above example, it was apparent that the organization needed to develop strategies for adding to the services provided in Packaging Design and Order Processing to remain competitive. At the same time, the team was providing services in the Sales Process that were of little incremental value to the customer.

This team developed strategies and business cases to shift resources from the Sales Process to other customers where the resources would provide a greater return. In addition, to bolster resources in Packaging Design and Order Processing the team was able to secure resources previously deployed against "C" customers from areas where the organization determined no incremental value was derived.

The Customer Relationship Mapping Tool® allowed the organization to objectively leverage its greatest resources against those customers who were most crucial to its corporate success and provided an objective, quantifiable foundation for account strategies established during the sales meeting for the coming year.

also take customer needs and expectations into consideration.

"A" CUSTOMERS AND CRM – Because of their importance to the organization's financial success, "A" customer relationships should be perfectly aligned with the individual customer's business processes. This implies that the relationship with the "A" customer should be completely customized to yield the best return on resources applied against the customer. For example, if an "A" customer expects a strategic relationship in demand creation but the manufacturer is currently providing activities and behaviors associated with a cooperative relationship, the manufacturer should develop and support additional activities that will match the customer's processes. On the other hand, if the customer desires only a collaborative relationship while the manufacturer is providing activities and behaviors associated with a strategic relationship the incremental activities the manufacturer is providing will have little or no return. It would be more effective for the manufacturer to reduce the services provided to the customer and apply them against other customers where the resources will provide greater incremental return on investment.

When customer profiles are aligned against customer segmentation, your organization's B2B CRM initiative becomes a powerful way to focus your resources to achieve the greatest return on investment. Adopting this approach has many potential payoffs. Perhaps the greatest, if not most obvious, is that it forces management of customer relationships into a disciplined, structured approach that can be defined, mapped, debated, planned and evaluated to build successful B2B CRM strategies. �V