seeking a meaningful relationship?

There is a view, although not widely held, that CRM evolved from the TQM philosophy. TQM, in its broadest sense, is about empowering people to take control of the quality of goods and services that they produce. TQM says that businesses don't buy from businesses; businesses buy from people, and it is people and their attitudes to quality that make a difference. John Coldwell, UK MD of InfoQuest Customer Relationship Management, wonders how well you know your customers...

Customer relationship management is about managing the relationship between a business and a customer - the other side of the TQM coin, as it is people who buy from businesses. Larger companies are recognising the need to treat customers as individuals and not as 'users', in every aspect of their business relationships, from product development to delivery and installation, and not just at the buyer/seller interface. As buying decisions become more sophisticated - influenced by total team requirements rather than price alone - cases in which the overall cost of purchase is taken into account show that the buying decision reflects a much wider relationship between two businesses.

Database companies such as Oracle and Siebel quickly took on the CRM concept, developing and selling computer programmes, such as MRP (material requirement planning), ERP (enterprise resource planning) and SAP (a German develop-

ment - a prize for the best explanation of the acronym!). These companies saw CRM as an opportunity to package their database systems into something more appealing to a wider audience; such was their success that most people now associate CRM with software, rather than its original manifestation as a business philosophy or approach.

CRM packages keep track of customer contacts - creating diary reminders (a system for follow-up calls and sales visits) and monitoring sales opportunities (suspects and prospects) - based on either sales or complaints issues. The various models on offer range from the cheap and cheerful (less than £200 per user licence), designed for just a few users and not particularly suitable for personalising and integrating with existing systems, through to highly configurable systems appropriate for call centres and e-business operations. However, these software programmes do not yet fully address the issue of CRM in a complete business sense.

The quality debate

Between the mid-1980s and mid-1990s, manufacturing companies fell into two types. On the one hand were organisations that employed quality controllers - wearing white coats and inspecting other people's work - to take the responsibility (and usually the blame) for quality issues. On the other hand, there were organisations in which operating procedures were readily accessible; tools such as quality circles and SPC charts were understood and used by the workforce; and the following motto hung over the door: 'Preventing bad products going out the door costs ten times more than preventing it from being made in the first place.'

The quality debate has, by and large, been concluded. Years ago, I argued against an MD who wanted to recruit a QC manager, that having such an individual would remove the workforce's responsibility for quality. 'Have a QA person, by all means,' I

'Studies have consistently shown that a totally satisfied customer is as much as ten times more likely to buy again than a customer who is merely somewhat satisfied.'

said. 'Have someone who is responsible for the systems, communication, training and infrastructure, someone who will maintain the standards and co-ordinate internal audits, but don't ask them to be responsible for quality!'

It is sad and worrying that companies around the world still fall, by and large, into two different categories. Nowadays, there are those organisations with customer service departments (extensions of the old complaints department?) and those that are focused on the needs, desires and expectations of their customers, both internally and externally.

The outcome of the new debate is a foregone conclusion; it is already a well-established fact that companies that exceed customer expectations keep their customers longer, gain more repeat business and can charge more for doing so.

Changing attitudes

Deutsche Post, the German postal service, is an example of the way that organisations can change their culture. Bettina Lesch, Deutsche Post's head of marktforschung, explains that six years ago the company had no customers: 'We had millions of users - we were in a monopoly situation - but we didn't view them as being particularly important.' Then came a cultural revolution, impelled by the German government and DP's new boss, Klaus Zumwinkel (formerly of McKinseys), which set the company on an acquisition

trail, buying up Euro Express, Securicor, Omega Express, Danzas and the worldwide courier DHL. After losing its monopoly position, Deutsche Post is now thriving in the heavy competition, and all of its operations are completely customer-focused. Some employees couldn't cope with the changes, but the majority have embraced the new ideals.

Studies have consistently shown that a 'totally satisfied' customer is as much as ten times more likely to buy again than a customer who is merely 'somewhat satisfied'. Unfortunately, for every customer complaint the typical company receives, there will be, on average, 27 others that are never reported.

InfoQuest conducts customer relationship audits. The client provides a database of the 100 or so most important customers, known as the 'Christmas card' list. These customers will be important either because their loss would seriously damage sales turnover or because the sales team would like to sell significantly more to them.
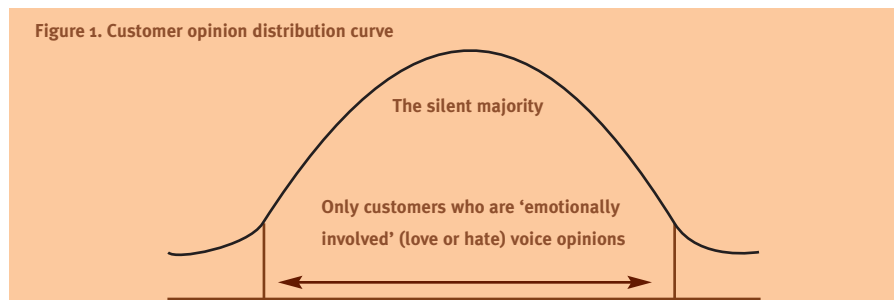
The database contains the usual contact information - company, address, telephone number, contact and position. Wherever possible, other information should be included, such as product group purchased, sales and market sector, age and size of the account and the estimated share of the customer's spend. This allows comparisons to be made from results; for example that customers in the north are more satisfied with sales support than customers in the south-

east. The results are benchmarked against the results of 44,000 previous surveys. InfoQuest's German clients have tended to be the most organised, their contacts seem to stay in a job far longer than their British or American counterparts and their databases are rigorously maintained. The (small) problem is that many of the customers' first names are missing, in that 'Dr Schmidt' or 'Herr Neersoe' is how they address one another. Conversely, the UK is one of the worst countries for keeping customer records, with mistakes occurring in up to a third of the contact information; the most glaring error is usually the contact name, as people move on and new contacts are not established. This attitude is the legacy of a time when sales people were encouraged to go out on the road and make sales calls rather than 'waste' time writing reports.

Romantic notions

To help understand the 'annoying little complaints' issue and the 27 other complaints that are never reported, compare your business relationships with romantic relationships. At the end of a long-term romantic relationship there will often be an airing of opinions before one party walks away. Issues as mundane as leaving socks on the floor and not putting the lid back on the toothpaste mount up to break the bond between two people. However, when a business bond is broken, the customer moves on, and the annoying little problems are never discussed or resolved.

The Forum Corporation of America analysed the causes of customer migration in 14 major manufacturing and service companies and found that 15 per cent migrated because of quality issues and the same amount changed supplier because of price issues. Seventy per cent moved on because 'they didn't like the human side of doing business with the prior provider of the product or service' - Tom Peters, *The Pursuit of Wow*.

Figure 1. Customer opinion distribution curve

The silent majority

Only customers who are 'emotionally involved' (love or hate) voice opinions

The value of customers

InfoQuest CRM undertook a detailed study of 20,000 of its customer surveys from around the world, in order to understand the true value of a customer. The results of the study were as follows:

- a totally satisfied customer contributes 2.6 times as much revenue as a somewhat satisfied customer
- a totally satisfied customer contributes 14 times as much revenue as a somewhat dissatisfied customer
- a totally dissatisfied customer actually decreases revenue at a rate equal to 1.8 times what a totally satisfied customer contributes to a business

This last finding is particularly worrying since it means that even with twice as many totally satisfied as completely dissatisfied customers, the business in question would actually be doing little better than standing still.

Increased sales

It is now possible to get a more complete view of customers' requirements. Halifax-based steel stockholding company, Abram Pulman Steel, was one of the first companies in Europe to use InfoQuest's survey method, which is popular in the USA but new to Europe. The results were surprising. Although the directors had assumed that customers were buying from them solely on price, many of them said that although price was important, customer service was a key selling point. As one director said: 'All customers are very price-conscious, but those surveyed considered our service to be equally important.' Armed with this insight, the directors encouraged staff to build on these service strengths. 'Since the survey, we have been very successful in increasing our business flow and we are currently discussing different working hours and increasing staff levels to meet demand. Just eight months after the new style survey, internal accounts showed that the business was looking at a 30 per cent increase in annual turnover' **Q**
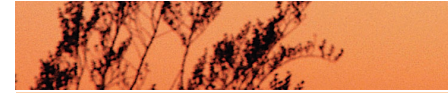
How the system works

The InfoQuest system has a high response rate (75 per cent), perhaps achieved because the survey is not a box-ticking exercise, but involves the respondent's participation in a game, playing with a deck of cards and a box. This method has far more appeal to busy managers than receiving yet another form to complete. Companies must have at least 60 significant customers or economic buyers to provide a sensible volume of respondents. These customers are contacted discreetly to ensure they are happy to participate. After that, InfoQuest monitors the replies until 75 per cent have been received, then it analyses the results, presenting the findings in a workshop environment.

For more information, visit: www.infoquestcrm.com