

# Resisting the herd instinct in a down market

A Maverick's Guide to CRM Outcomes

# Resisting the herd instinct in a down market

## A Maverick's Guide to CRM Outcomes

By Adam Honig, President, Akibia Consulting

Sure, economic times are tough. There is a strong tendency to look around, observe what everyone else is doing, and then take a similar course of action, with the assumption that there is safety in numbers. And indeed, what most businesses are doing is hunkering down and focusing on efficiency and cost reductions.

But what about growth? The rest of the herd is acting as though growth is unachievable. This might just be the perfect time for business executives and companies with vision and courage to break away from the huddled masses, grab market share, and prepare to emerge from this downturn roaring while others whimper.

The fact is that business leaders today are going to need a major dose of creative, bold thinking if the economy is to claw its way back to sustained good health. This may well involve thinking out of the box and acting in an almost counter-intuitive way.

### What are CRM Outcomes?

*Every CRM program must begin by answering the question, "What are we ultimately trying to accomplish through CRM?" CRM Outcomes are the business results achieved by implementing and managing CRM, and there are three primary types: business growth; operational efficiency; and customer value. Business growth Outcomes include criteria like increased sales volume, improved lead conversion rates, and enhanced campaign effectiveness. For operational efficiency, Outcome examples include reduced cost of sales, service, or marketing, and improved employee retention. Improved customer or partner experience, increased customer satisfaction rate, and enhanced service quality are examples of customer value Outcomes.*

Consider the case of computer hardware giant IBM, established more than a century ago. Back in the throes of the Great Depression, with businesses all trying to ride out the storm by focusing almost exclusively on internal efficiency, "Big Blue" took a different tack. It focused on doing what it could to improve revenues, significantly increasing its hardware sales staff and sales support. In doing so, IBM consolidated the lead it enjoyed in some markets while establishing new leadership positions in others. It took guts and foresight to break away from the prevailing business modus operandi, which at that time advocated efficiency above all else.

### Death by efficiency

"No one ever cost cut a business to greatness," says Christopher Lochhead, CEO of strategic growth consulting firm, LOCHHEAD Corporation. In today's penny-pinching economy, perhaps three quarters of the CRM projects undertaken are geared toward maximizing efficiency. On many levels, this makes sense. For sure, it's a strategy that appeals to controllers and CFOs. When times are tough, business strategy almost naturally gravitates toward belt-tightening and away from aggressive sales growth. Besides, if just about everyone else is doing it, there must be some merit to a pronounced disequilibria among the CRM Outcome types, right?

Wrong. Ignoring or largely ignoring some CRM Outcomes while overly focusing on what may seem the logical areas on which to concentrate can have serious counter-productive effects. Consider the company that, to promote overall operational efficiency, altered its CRM call-center strategy to include less direct support-staff contact and more phone trees. This operational-efficiency thrust was the product of a drive internally to focus laser-like on the bottom line in order to promote shareholder interests in the near-term.

The result was disastrous. Customers were livid as a result of dealing with the phone trees. With fewer direct touch-points between phone support staff and customers, there was less data and information coming directly from the customers to help guide the development of new products and services or changes to existing ones. Customer retention plummeted, and profitability sank. And in some small way this company, with its "logical" CRM strategy, contributed to the perpetuation of an ailing economy.

In fact, an exaggerated focus on any of the three CRM Outcomes can have a negative impact overall. An organization focusing very heavily on CRM Outcomes that improve sales with the hope of growing the business may do exactly that, for a while. But increased sales invariably lead

When the herd is thinking value and efficiency, greater attention is needed for CRM Outcomes promoting business growth and sales. Or when the herd is thinking sales growth, bucking the trend would dictate thinking more about customer value and improving the overall customer experience. In this way, and perhaps only in this way, can you avoid the tender trap of overly focusing on what looks like the most compelling CRM Outcome, only to shoot yourself in the foot down the road.

## A call to action

The concept of balance is as old as civilization itself, and it certainly predates modern business. The ancient Greeks preached the merits of seeking the golden mean. Eastern philosophies taught about cosmic harmony between passive (yin) and active (yang) forces. The point here is arguably more worldly and simple: *Seek balance among the different CRM Outcomes, but not necessarily equality among them.*

In practical terms, start by reviewing the intended Outcomes established when the CRM program was first planned. What were the assumptions used then to set those Outcomes? Have business or economic dynamics changed in a way that makes these assumptions no longer valid?

Then ask if the metrics you developed to measure CRM Outcomes are working as planned. For example, if one of the metrics was to reduce the time per call spent by call-center staff, are you still taking care of customer needs? Have conditions changed such that it is possible that increasing the amount of time per call could allow for greater cross-selling and up-selling, driving more revenues and bottom-line performance? Don't let a new program for up-selling fall victim to an old efficiency metric that disallows the time needed to make incremental sales.

As conditions change and you want to make adjustments among the Outcomes by outcome type, do you have the right tools in place to do so? Efficiency efforts aside, there may come a time when spending on tools for enhanced business analytics and business intelligence may be the right

thing to drive sales and move ahead of the competition, just as IBM did in the 1930's by bucking the business trends.

It is clear that blindly and obediently following the herd in business can prove disastrous, especially in difficult times. Survival and prosperity result from being flexible and agile, not predictable and like everyone else. Whatever your situation, remember that balance among the CRM Outcomes is not a static thing, nor does it imply total equality among the different Outcomes. In a world where the only constant is constant change, your CRM strategy must be a fluid, proactive one.

For more information about Akibia Consulting, please contact us at 508.621.5178 or [crmquarterly@akibia.com](mailto:crmquarterly@akibia.com)