

Turnkey or Time Bomb?

Marketers should take a closer look at turnkey CRM solutions

CRM architectures are a complex collection of processes that must be kept in alignment. At times, even the best architectures could get out of step with business requirements.

BY DAVID BERNARD

CRM architecture: trust but verify

In today's challenging economic environment, marketers are on the hook for achieving and proving enhanced performance from their CRM programs. Seeing this as an opportunity, agencies and marketing service providers have developed "turnkey" packaged services to address this challenging responsibility. Problem solved, right? Not so fast.

What many marketers may not realize is that blind reliance on turnkey CRM solutions is a time bomb that will destroy their marketing efforts to acquire and retain profitable customers, because CRM architectures are a complex collection of processes, technologies, vendors, data and tools. They must be kept in alignment. Left on their own, even the best architectures with the best vendors and the best tools will start to operate out of phase with business requirements within eight months of implementation. And these variances can be very pricey.

What you don't know can cost you!

The typical underlying objective of CRM practices, whether they are programs, creative, systems or processes, is to improve marketing performance and increase efficiency of a company's efforts to strengthen customer relationships and make them more profitable. It follows, then, that senior executives do not look kindly on marketing when CRM programs fail. The calamity and opportunity here is that 90 percent of



CRM failures are completely avoidable with effective management and ongoing oversight.

Consider that the typical CRM architecture consists of eight layers:

- 1. The CRM Framework.** The intersection of internal and external systems, vendors, agencies and channels that drive CRM programs.
- 2. Vendor/Partner Quality.** The degree vendors/partners are delivering on what is needed for CRM excellence.
- 3. Data Collection.** How information is obtained directly from customers through surveys, online forms and other vehicles across channels.
- 4. Interface Management.** The design, creation and management of inbound and outbound customer data feeds between channels and databases.

5. Database Management. How customer data is housed and managed to support CRM requirements.

6. Campaign Management. The design, creation and management of direct marketing activities to achieve business and marketing goals.

7. Reporting & Business Intelligence. Tools and deliverables that increase the transparency of operations, illustrate performance and provide customer insights.

8. Analytics. Tools that deliver quantitative, predictive and illuminating customer insights.

Given this complex structure, typical points of failure often include:

- Inconsistent data collection causing data integrity issues
- Inconsistent measurement methods and lack of support on the backend
- Customer data and operational processes scattered across the enterprise that limit data access and reduce the timeliness and accuracy of operations.
- Ad-hoc oversight and manual validation that permits routine errors.
- Inconsistent business rules, resulting in reporting and fulfillment errors.

And here is the kicker. The annual cost of these failures for a typical brand looks something like this:

- Production and fulfillment of replacement mailings (\$125K)
- Development costs for correction (\$135K)
- Labor costs for partners to troubleshoot and correct issues (\$110K)
- Routine development costs due to inefficient design (\$130K)

That is roughly \$500,000 a year of unnecessary cost, not including any quantifiable negative impact on customer behavior or dips in customer satisfaction. These are recurring hard costs that cumulate year over year.

So how do these failures turn so ugly? Let's say there is a problem with data capture in a specific channel, say a Web form that causes data anomalies driving errors in reporting and fulfillment. You need to clean the data and re-run the reporting and fulfillment processes. This costs time and money. And while it may address the immediate need of getting the mailing out and delivering reports, it does not correct the root cause of the problem. And if the root cause of this problem was introduced by a flaw in the overall process, the problem will recur. Each additional correction effort will require additional costly resources from internal and external stakeholders, not to mention introducing on the risks of customer dissatisfaction and legal action.

Since errors in CRM architectures, as demonstrated in the data capture example above, spawn webs of downstream errors, the sooner the issues in the CRM architecture are fixed, the lesser the impact on the business and its customers. Identification and correction of CRM architecture anomalies can save businesses considerable amount of budget dollars on an ongoing basis.

Bullet-proofing CRM

In my previous article for this publication, "Six Steps to Building a Successful Database – A Primer for Marketers," (March 2009) we explored how marketers must take rigorous steps during the build of their CRM databases to get them right the first time, and that getting it right the first time saves valuable time and budget. But a good build is just the beginning. Marketers must be vigilant to ensure that their CRM architecture evolves in sync with the ebb and flow of their business requirements.

The best way to ensure a business is receiving maximum value from their investment in CRM is to perform a periodic CRM architecture audit. It doesn't matter which vendors are used for CRM, or how skilled the internal teams are. A top to bottom audit performed at regular intervals reveals errors, anomalies and design flaws that are draining budget and harming customer relationships. There are just too many moving parts involved to keep the players or systems from slipping out of alignment. The only question is will you catch it early with an audit or late when the CRM architecture starts to crumble and you experience systemic failure, where reported numbers have to be recalled, the brands cannot get their campaigns out, costs soar and everyone is calling for vendor change. By proactively identifying issues, however, audits give vendors the opportunity to make corrections and improve their services to their clients, reducing their costs and improving CRM performance.

CRM architecture audits demystified

To eliminate the risk of error and unnecessary cost, marketers must have a complete picture of the capabilities, skills, tools and processes that are used to manage customer relationships. And since these components of the CRM architecture continually change with the organization, brand and brand goals, updating this picture regularly – once every 18 to 24 months – is key.

A CRM architecture audit develops this complete picture, incorporating assessments of CRM/marketing databases, marketing strategy, business rules, and vendor skills and processes, among other components. So to be successful, these audits must include:

- 1. Historical context and future needs.** Past decisions, *(Continued on page 32)*

Audit Category	Key Areas of Review	Approach
<p>CRM Architecture <i>The array of internal and external systems, vendors, agencies and channels that drive CRM</i></p>	Functional Landscape	<ul style="list-style-type: none"> Review and document the functional footprint of each internal and external partner to determine how CRM and database marketing are delivered across partners, vendors and systems.
	Process Landscape	<ul style="list-style-type: none"> Review and document process, validation and business rules of each touchpoint (internal and external) to identify inconsistencies and/or errors that impede performance and contribute to error and, in turn, increase cost.
	Quality, Integration & Performance	<ul style="list-style-type: none"> Review the products, services and core competencies of vendors/partners, providing an assessment of current state and opportunities to improve performance and lower costs.
<p>Interface Assessment <i>Interface reliability is essential to flawless execution. Interface design can affect the efficiency of operations, while interface validation ensures that only the proper records are processed.</i></p> <p><i>Improperly structured/ managed interfaces can continually put the utility and accuracy of the marketing database at risk.</i></p>	Structure	<ul style="list-style-type: none"> Review the core elements of transfers of data between vendors, including: <ul style="list-style-type: none"> Layout of data that is transferred Fixed vs. variable formats Dynamic formats (e.g. XML) Ability of the design to accommodate ongoing changes to data elements, survey, questions and answers
	Validation	<ul style="list-style-type: none"> Review how vendors protect data quality across the architecture: <ul style="list-style-type: none"> Business rules that drive endpoint validation Proactive handling of validation dependencies across vendors Application of best practice.
	Production	<ul style="list-style-type: none"> Review the methods used to process feeds: <ul style="list-style-type: none"> Degree of automation Transparency and reporting
<p>Database Assessment <i>Data models that are difficult for stakeholders to use or manage can encourage improper reporting and querying. Improperly structured data models can cause errors that impair campaign execution.</i></p> <p><i>Data anomalies, as a result of legacy information or inconsistent validation, are an obstacle to reporting and querying and can potentially trip up campaign execution.</i></p>	Content	<ul style="list-style-type: none"> Identify data anomalies that interfere with query and reporting accuracy, analysis validity and/or marketing execution. Uncover patterns of errors that reveal potential causes.
	Structure	<ul style="list-style-type: none"> Determine the degree that the database design supports the marketing requirements. Determine the degree to which that database design provides the flexibility needed to support reasonable and customary changes to marketing programs.
	Validation	<ul style="list-style-type: none"> Determine the degree to which data is validated prior to ETL Determine the degree to which validation rules are consistent and support brand requirements.
<p>Vendor Assessment <i>The highest level of service is obtained when vendors are aligned and empowered to deliver their core capabilities.</i></p>	Infrastructure	<ul style="list-style-type: none"> Review the equipment used to house databases and execute CRM programs, including hardware, software and tools with which the vendor has domain expertise. Determine the degree of expertise with each solution to reveal core vs. fringe competency.
	Process/IP	<ul style="list-style-type: none"> Determine the degree standard operating procedures and institutional controls are robust and mature. Assess methodologies and productized services based on soundness, relevance and rigor.
	Personnel, Skills & Domain Expertise	<ul style="list-style-type: none"> Determine the degree team members are appropriately skilled and trained for the project. Assess how the team navigates through its own company structure based on knowledge sharing, communication, executive oversight, etc.

Audit Category	Key Areas of Review	Approach
Customer Data Collection <i>Data collection anomalies can hinder the accuracy and value of the marketing database. Each day that anomalies are permitted to exist is another day that potentially flawed data enters the database.</i>	Consistency	<ul style="list-style-type: none"> Review data collection across channels and brands, and highlight areas of inconsistency that can result in un-linkable data, flawed reporting and analysis.
	Core Profile	<ul style="list-style-type: none"> Review the degree to which core subsets of data collection are enforced across channels and brands—the core profile. The core profile consists of the key data elements that are needed at minimum for reporting and analysis to be accurate and relevant across the enterprise.
	Data Collection Strategy	<ul style="list-style-type: none"> Review the extent to which the CRM architecture's data collection activities continually manage customer profiles. Customer data has a shelf life, so it needs to be refreshed over time. The data collection strategy defines business rules to re-collect specific data elements at specific time intervals.
Campaign Management, Reporting & Analysis <i>Reporting accuracy is essential to proper program management. The reporting process can introduce inaccuracies into reporting output. Functional limitations and performance issues can impair how programs are designed, executed and measured.</i>	Tools, Calculation & Methodology	<ul style="list-style-type: none"> Determine the degree to which the reporting meets marketer needs. Assess metrics and measures based on accuracy and relevance. Benchmark brand needs against best practices. Assess tools used to create, build and access reporting, campaigns and analysis.
	Design	<ul style="list-style-type: none"> Design reporting based on the simplicity, relevance and ease of use requirements common to marketers. Determine the degree campaign designs achieve marketing objectives Benchmark against best practice.
	Process & Execution	<ul style="list-style-type: none"> Determine the degree to which the report production process is automated and stabilized. Assess the campaign development & execution process Identify process anomalies that could interfere with timing and accuracy of campaigns & reports.
Customer Data Integration <i>The level of integration of data collection, interface management and database management is a leading indicator of success or failure in managing customer relationships with CRM and marketing databases. Efforts to improve this integration have a significant impact on CRM performance and ROI.</i>	Data Collection Practices	<ul style="list-style-type: none"> Review the data collection practices at each channel and brand, including: <ul style="list-style-type: none"> What data is collected at each channel How data is collected and in what format Core profile definition assessment Ongoing data collection strategies
	Interface Structure & Management	<ul style="list-style-type: none"> Review: <ul style="list-style-type: none"> How data transfers are designed to effectively link the data collection practices at each channel with the data management needs of the marketing database. The degree the flexibility of structure enables normal and customary change.
	Database Design for Survey/ Question/ Answer Data Management	<ul style="list-style-type: none"> Review how the data models support insight-based management of survey data to reduce error and complexity of queries and reporting.

projects, vendors and stakeholder actions can have a lasting impact on multiple parts of the architecture. These histories must be reviewed for a complete assessment of the current state. Stated and un-stated future requirements reveal the degree to which the current architecture will be sufficient.

2. End-to-end assessment. CRM practices are the intersection of resources, skills, tools, processes and data – and

it is the CRM data which drives future actions including marketing tactics and decision making. As a result, a full assessment of CRM practices must include a detailed review of marketing activities, creative, surveys/forms, personnel, vendor capabilities and stakeholder involvement. Successful assessments tie all of these pieces together driving complete and accurate conclusions and insightful recommendations.

3. Assessment of both the impact on execution and the impact on insight availability and quality. To truly meet company needs, the CRM architecture must enable the organization to successfully execute programs – reaching the right people at the right time with the right message – and deliver accurate insights so that the company can develop the right message for the right groups of people and deliver them at the right time. Each element of the architecture is assessed for its ability to deliver on both levels.

Looking under the hood

To fully deliver on the need to reduce risk and eliminate unnecessary cost, a CRM architecture audit must examine more than just the customer database. A thorough assessment requires developing a complete picture of all the functions that effect CRM performance.

Past decisions, projects, vendors and stakeholder actions can have a lasting impact on multiple parts of the architecture.

Getting it done

Scrutinizing the work of internal and external stakeholders can be met with resistance, and it is incumbent on marketers to ensure that this does not interfere with producing a comprehensive audit. Typical approaches when introducing a CRM audit include:

- **Provide Advance Notice to Stakeholders.** Introduce the CRM architecture audit initiative to all relevant stakeholders at the beginning of the project with a comprehensive description of the audit's objectives, the value to the business and what is expected of stakeholders. Typically, stakeholders are expected to provide documentation and information in a timely manner, and be reasonably available to the audit team for interviews and questions.
- **Handle Vendors Carefully.** Third party vendors in particular can be defensive about cooperating in an audit. Help them understand that all vendors and stakeholders benefit from a stronger CRM architecture and that they may be asked to participate in additional project work driven by audit findings.
- **Make Findings Relevant to All Stakeholders.** Senior executives need summary findings that highlight what is working, what is not working, what needs to be done and how it will get done. Managers and vendors need detailed specifications regarding what needs to be changed and why, how the changes should be made and what the out-

come needs to be. As a result, the CRM architecture audit findings must be developed and presented in multiple formats and levels of granularity.

Getting to happily ever after

Once the audit is complete and findings communicated, marketers must act on the findings:

- **Development and Implementation of Corrections and Enhancements.** Armed with a complete assessment of the CRM architecture, marketers can achieve performance improvements and cost reductions that have a lasting impact on the business and customer relationships on an ongoing basis. Accomplishing this means developing a detailed plan to close important gaps based on the audit findings and business priorities.
- **When to Consider Vendor Migration.** In most cases, vendors prove to be excellent partners in the management and enhancement of CRM architectures. However, there are times the CRM architecture audit reveals patterns of vendor under performance. If these patterns are severe and/or are determined to be disproportionately linked to errors and unnecessary costs over long periods of time, a vendor migration may be needed. Since vendor migrations are typically costly and relatively painful, careful justification of this decision must be made through a business case that quantifies the cost benefit of the switch. Typically, vendor migrations make sense when the errors caused by the vendor and resulting cost from these errors can be shown to be significant and recurring, year over year. Cost benefits are then shown over a multi-year timeframe.

In summary, auditing CRM architectures ensures optimal performance of CRM programs and avoids exposure to financial and legal risk. Businesses are now recognizing this fact and have begun to perform CRM architecture audits every 18 to 24 months as a standard practice. And why not? Such careful management of the CRM architecture gives these companies a distinct advantage in the market place. They can get better information, insights and performance from their marketing initiatives – and keep their costs down at the same time. Now that's a win-win you can take to the bank. **DTC**

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