

*Smart CRM Solutions:  
The Key to Competing in the Net Economy*

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## *Executive Summary*

One of the most pressing challenges for today's businesses is how to leverage Web-enabled information technologies to effectively build a loyal base of customers. The the same enabling technologies that have opened up new channels of commerce are simultaneously contributing to decreased levels of personal interaction with the very customers that keep businesses profitable. This paper describes some of the issues associated with maintaining personal interactions with customers in the age of electronic commerce, and explores how corporations can begin to integrate more smart information technologies to solve the traditional business challenge of acquiring and retaining loyal customers while increasing business profits.

Integrating Smart Customer Relationship Management (CRM) solutions into the overall enterprise information architecture enables companies to more effectively target, interact with, sell to, and retain loyal customers. As a leading provider of solutions for the Network Economy, Sun Microsystems delivers both the technologies and the expertise to help companies build profitable CRM solutions.

## *The Economics of Customer Retention*

Retaining a strong customer base has always been a vital component of running a successful business. Industry experts agree that it costs far more -- possibly ten times as much -- to acquire a new customer as it does to retain an existing one. According to one major investment banking firm, "U.S. organizations lose one-half of their customers every five years, and a five percent incremental improvement in the customer retention rate could have the effect of doubling profits."

The increasingly competitive economic climate dictates that companies take a close look at the effectiveness of each marketing dollar. In addition, companies must look beyond the initial sale and implement cohesive programs for generating repeat business through improved levels of post-sale customer service and communication. That is, rather than continuing to flood prospective customers with expensive mass



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marketing campaigns, companies may do better to invest in technologies that enable them to increase the level of one-to-one customer contact, even across the highly-impersonal medium of the Internet.

Unfortunately, most organizations are paralyzed in their ability to effectively use information technologies to identify, attract, and retain profitable customers. Although companies have multiple points of contact (“touch points”) with each customer, the information gleaned from each contact is rarely incorporated into a single data system that merges historical data with intelligent analytical models. As a result, companies cannot easily pinpoint which customers are profitable and which are not, which are likely to default on a loan, or which are likely to respond to particular products or promotional offers. More importantly, few companies can identify those customers or prospects that have the greatest potential to become profitable customers over time.

## *The Role of CRM Solutions in the Enterprise*

With the increasing popularity of the Internet and Web-based commerce, the challenge of retaining customers is greater than ever. Customers can compare alternative products and services with a mouse click, making it difficult for companies to “close the sale” through traditional selling techniques. In the new Net Economy, successful companies will understand how to harness the power of advanced information technologies to “personalize” every electronic interaction with a customer.

Integrated into core enterprise information systems, Customer Relationship Management (CRM) solutions can help companies increase customer loyalty and retention rates by enhancing customer service before, during, and after the initial sale. For example, CRM solutions can be designed to look at a customer’s long-term value to the company, analyze customer consumption patterns, and track areas of customer complaints. Among other questions, companies using effective CRM strategies are better equipped to answer such vital business questions as:

- Who are the low-risk, high-profit customers?
- Which products produce most profits?
- What is the lifetime value of a particular customer to the company?
- Who are our most loyal customers?
- How effective are our marketing programs for capturing qualified sales leads?
- How quickly do we respond to customers via electronic media such as the Web and e-mail?
- What types of post-sale services are most likely to increase repeat business?



CRM encompasses more than just the technology required to automate business functions such as sales, marketing, and customer service. To be used as an effective competitive strategy, CRM solutions must be integrated throughout enterprise information systems and business processes. Identifying target customers requires leveraging the customer information hidden in traditional operational systems such as customer order entry systems, enterprise resource planning (ERP) systems, and transaction processing systems. The foundation for this is a robust data warehouse environment that can gather, store, and cross-reference the enormous amounts of customer data generated through each touch point.

Other components of a successful CRM solution include:

- Business intelligence systems (BI) to collect, transform, analyze, and distribute data for better decision-making, and personalized customer interaction
- Analytical engines for understanding customer's preferences and buying patterns
- Campaign management for reaching customers with personalized marketing promotions
- Multi-channel communication (Web, fax, e-mail, voice, etc.) enabling the customer to respond in the most convenient and appropriate form
- Two-way asynchronous and real-time communication with the customer leveraging Web and personalized e-mail communications
- Processes and systems for integrating customer information from sales, marketing, services and ERP systems into a historical and cross-functional data warehouse
- Workflow management tools to automate marketing, sales and customer service business processes

Real-time, secure and reliable customer interaction requires integration of CRM solutions with operational and analytical systems. By integrating CRM with core enterprise information systems, corporations can personal every customer interaction, resulting in more opportunity for sale and improved customer retention.

A complete CRM solution would consist of a customer knowledge base of both structured data (such as sales data) and unstructured customer information such as e-mails and contracts. An estimated 85 percent of business information is unstructured. This information is spread around the organization in e-mails and documents locked in personal computers, not generally available to the enterprise. Any viable CRM solution should enable capture and re-use of unstructured information. A number of



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companies are offering technologies for capture, reuse of unstructured information, usable by anyone in the enterprise with a Web browser. Typically, these products are referred as Knowledge Management applications, or Enterprise Information Portals.

All the components of a CRM solution must work together in a cohesive architecture that supports the business's plans for both immediate success and sustainable, long-term growth. Broad and ubiquitous user accessibility, scalability, flexibility, investment protection, and interoperability with other business systems are critical. In the ideal world, companies will build CRM solutions into the core enterprise information system architecture; however, the reality is that most companies will need to find ways to modify and extend legacy operational database systems to support new CRM solutions. In either case, working with a trusted team of experienced network business leaders can make it easier to plan, develop, and deploy powerful CRM solutions in the shortest possible timeframe.

## *Building a Successful CRM Solution*

With innovations such as Java™ technology for ubiquitous customer communication from anywhere, reliable and scalable servers for real-time personalized customer interactions via the Web and e-mail, and world-renowned expertise in assembling teams of industry experts and mix of technologies, Sun Microsystems has taken a leadership role in driving the Net Economy. In addition to offering the products and services required for net-based business strategies, Sun also works closely with leading suppliers of complementary CRM, database, and business intelligence technologies to help companies build successful CRM solutions.

Sun's professional consultants and world-class service partners offer technical assistance and Best Practice models based on their proven experience in building effective CRM, BI, and e-commerce solutions for forward-thinking global corporations. Here are just a few tips Sun offers for companies in the initial stages of defining a CRM strategy:

### *Best Practices for CRM Solution Implementation*

- Start small and plan for expansion and ensure scalability: Implement CRM technology in phases to allow users ample time for training and becoming familiar with new processes and tools.
- Perform cost justification and ROI analysis. Select the initial projects based on availability of customer and product information and the anticipated ROI resulting from the CRM solution.



- Focus on the business, not the technology. Define your company's customer relationship management goals. Articulate how information will be used to support marketing, sales, and customer service goals.
- Find the right business sponsor. Get senior management on board and out front to endorse the technology-enabled CRM strategy and ensure its adoption throughout the organization.
- Put end-users on the implementation team. This assures development of CRM solutions with cross-department functionality and practical usability.
- Form a cross-functional committee involving representatives from every department who will use or manage the CRM systems.
- Align information technology strategies with marketing, sales, and service strategies to support the company's customer development and management objectives.
- Develop a CRM solution with multiple communication channels customized for based on customer preferences.
- Integrate marketing communications contacts for both direct and indirect communications channels to synergize programs, maximize customer interaction, and improve marketing ROI.
- Consolidate essential customer, sales force, and sales channel information in a central data warehouse to support both customer interaction operations (sales, call centers, campaign management) and business intelligence operations (query and reporting, customer segmentation, predictive modeling).
- Make it easy for customers to provide the information you need to serve them through multiple interactive communication channels.

Working with system integration partners and third-party solutions providers, Sun is able to develop complete CRM solutions. In addition to delivering reliable, high performance servers, storage systems, and network technologies, Sun's staff of professional service enterprise consultants offers expertise in the areas of project management, needs analysis, data modeling, enterprise information systems architecture design, and infrastructure design and management.

With the invention of Java technology and successful implementation of many reliable and scalable enterprise ERP and BI solutions for world-class companies, Sun has the proven expertise and credibility to help you build CRM solutions with predictable schedule and functionality and therefore minimize risk for real-time and reliable customer interaction via the Web and traditional communication channels.



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## *For More Information*

To learn more about Sun's vision, technologies, and best practices for implementing advanced customer relationship management and business intelligence solutions, contact a local Sun Microsystems sales office, or direct your Web browser to [www.sun.com](http://www.sun.com).

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