

MICROSOFT BUSINESS SOLUTIONS—NAVISION

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CRM

This document informs the reader about the general principles of Customer Relationship Management (CRM) and about how companies can use the CRM offerings in Microsoft Navision as part of their business strategy.

The first section describes in general terms the concept of CRM as a business strategy.

The second section describes in general terms what companies require from CRM applications.

The third section explains how companies can use CRM as part of their business strategy.

AN OVERVIEW OF CRM AS A BUSINESS STRATEGY

In recent years, companies have started to focus on the concept of the customer as a business asset – an asset that needs to be actively managed to get the best return on investment. Companies can then use the information gained from their relationship with their customers to help deliver better products and personalized service, and to facilitate individualized marketing. This is necessary nowadays, when the main difference between competing companies is often nothing more than the relationship they have with their customers. Everything but the relationship can be copied from the competition.

Some people define CRM in terms of the software applications required to deal with customers, but it is better defined as a whole business strategy: a way of thinking, in which companies no longer concentrate only on their own products and services, but instead start to concentrate more on their customers in order to be more competitive. After all, without customers there would be no business or profit.

An equally important part of a CRM strategy is the relationship to other parts of the supply chain. To involve the suppliers and the resellers in the CRM strategy makes the customer-centric approach a wholehearted way of doing better business. For the customers, it means the company can meet and exceed their expectations regarding exact deliveries, precise invoicing and efficient service.

Hence, better management of customer relationships is not just a technology issue. Businesses committed to successful CRM must first initiate the cultural change necessary to ensure that any CRM technology acquired can be effective. This means re-aligning whole organizational structures and individual mind-sets to focus on the customer. Indeed, according to PricewaterhouseCoopers, 75% of successful CRM implementation is connected to process, people and culture, whereas only 25% is attributed to software.

The leadership needed for introducing CRM must come from the executive level, followed by the vision required to implement CRM successfully from top-level management. CRM is about people – behaviors, relationships and employee actions – so change management is essential for many projects. A top-level program management team that can coordinate the implementation of CRM throughout a whole organization best manages this. This ensures that as many members of the same workforce as possible can face the customer with the same goal in mind: to deliver superior customer service.

COMPANIES' REQUIREMENTS FROM CRM APPLICATIONS

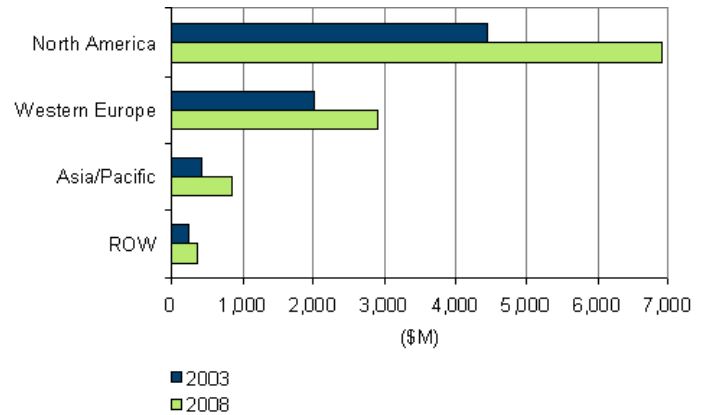
Background

In the past, many companies treated their customers as accounting entities. There were separate application areas for each front office department, such as sales, marketing and service. Companies are now starting to realize, though, that today's customers expect a higher quality of service than ever before. In order to meet the needs of the customers, a CRM application must be an integrated part of an enterprise solution. Marketing, sales and service departments must work closely together, coordinate their efforts and always present a united profile when they interact with their customers, be it through phone calls, online questions, face-to-face communication, and so on.

CRM has become a catch-all term to describe a broad scope of functionality from an application perspective. In fact, CRM applications are considered to be a subset of business relationship management (BRM), a term that describes technology designed to manage the relationship of a business with all its business partners, including customers, resellers, suppliers, employees and other stakeholders.

The CRM opportunity is real, as shown in the following IDC survey from March 2004.

Figure 1: Worldwide CRM Applications Revenue by Region, 2003 and 2008



Source: IDC's Worldwide CRM Applications 2004-2008 Forecast, March 2004

These survey results indicate a clear demand for CRM solutions.

How Companies Can Gain a Greater Awareness of Their Customers

Companies need to discover new ways to strengthen their customers' attachment to them, and maintain good relations so that the loyalty that the customers have for a company and its products deters them from switching to other suppliers. This is especially important as far as profitable customers are concerned. When talking about profitability, it is important to consider the life time value of the customers. This means that the evaluation of the customer base has to take into account that the profitability of a customer today might not be the same as in the future. The focus should be on the customers with the biggest life time value. As a general rule of thumb, it costs ten times more to attract new customers than to keep old customers.

In order for it to be an effective strategy, CRM must be applied evenhandedly throughout the entire organization, ensuring that customers have a consistent and rewarding experience through every point of contact (the customer touch points). These touch points, from the receptionist to the sales person, are an excellent opportunity for all employees to collect information about the customers. Within the traditional CRM focused departments, for example, it is important that call-center representatives have immediate access to their customers' information, so that the customers do not need to re-describe their situation every time they call.

Being truly customer-centric means taking the customer into account in every aspect of product and process. Attracting the right customers involves precise customer profiling, segmentation and marketing that is consistent across all channels, such as the direct sales force, indirect channels (such as shops and sales partners) and the Internet. The advantage of being customer-centric means there is a personalized approach in every customer interaction a company makes.

The necessary starting point for customer profiling is to know at the very least customers' buying behavior. You can then find out, for example, whether they prefer to receive e-mails or letters, which contact person they prefer, whether they only want to hear about one product and do not want to hear about other products, and so on. You then use the information gained from profiling to segment your customers. You define your segmentation criteria to find common homogenous groups, both at the company level and the contact person level. You can use the segments in various ways, such as for marketing campaigns, cross-selling, and so on.

Examples of Customer Interactions

The following examples show how companies use a structured approach to interact with their customers.

Sales Example

Companies have contact with their customers in different ways, such as through direct sales (normally using salespeople), call centers, automated telephone systems and e-business. Most companies use a mixture of these different ways of selling. For example, if a company discovered that 20% of its customers appear to be more profitable than the other 80%, it could then concentrate the traditional and often most expensive resources (such as salespeople) on the 20%; yet still keep the remaining 80% satisfied by using a semi automated process within a CRM solution.

In order to have a sales force that is at all times working on the deals with the highest potential closing rate, some companies use pipeline management. The concept behind pipeline management is that it helps salespeople decide how profitable each deal is, and which step to take in the next phase of the sales cycle. It also allows for sales management to keep close track on the win/loss ratio.

Marketing Example

Companies can target their customers using different kinds of marketing campaigns. Firstly, they can profile their customers individually to find their characteristics. Companies can then segment their customers into different mailing groups, for instance, according to the data gained from profiling. Examples of marketing campaigns could be advertisements, television commercials, direct mail or e-mail marketing campaigns.

The process of converting potential customers into actual customers can be done in a structured way. There can be a loop, starting with a suspect that becomes a prospect, then a lead, followed by a hot lead. By using a systematic approach, companies can focus on the prospects that are most likely to become customers.

Another task that is usually necessary within marketing is the updating of contact information. It is always important for companies to have an updated database for marketing campaigns.

Service Example

Service covers the maintenance of products that customers have bought. Companies have information about what each customer has bought in order to help with maintenance, upgrades and item tracking.

Companies can have a call center that customers can call rather than contacting a technician directly. When customers contact a call center, they initially speak to a service coordinator that has a general knowledge of products and customer history. As not all technicians know about all products, the service coordinator then transfers the customers to the most suitable person to deal with their service request.

Customers can also use the Internet as a self-service knowledge base.

How Companies Can Use a CRM Strategy in E-Business

While offering vast opportunities to suppliers of goods and services, the Internet has also opened up a whole new world to customers, that are now finding it easier to use more sophisticated services, such as trading exchanges, auction technology and product pricing information. It is also becoming easier to find new suppliers, especially for commodity goods. This is the paradox of the Internet: new opportunities are everywhere, but they are also available to everyone.

E-business can be beneficial both in terms of its potential for branding and in terms of price: not much human interaction is needed. By using the Internet in a professional way it is possible to customize and personalize the communication with potential and existing customers and in this way nurture good relationships without having to invest in too much human contact.

In addition, with a good e-commerce system on the Internet, customers can purchase exactly what they want, and companies can follow the individual customer's needs by using technology, such as click stream analysis (tools designed to analyze the log files that record the mouse clicks of e-customers on a Web site).

It is no secret that effectively managing customer relationships is the heart of e-business. But customer management is also something that must be done profitably. It is, of course, important to constantly attract new customers and provide them with topnotch service, but it is equally important to monitor these relationships using all available data, in order to ensure that these efforts pay off.

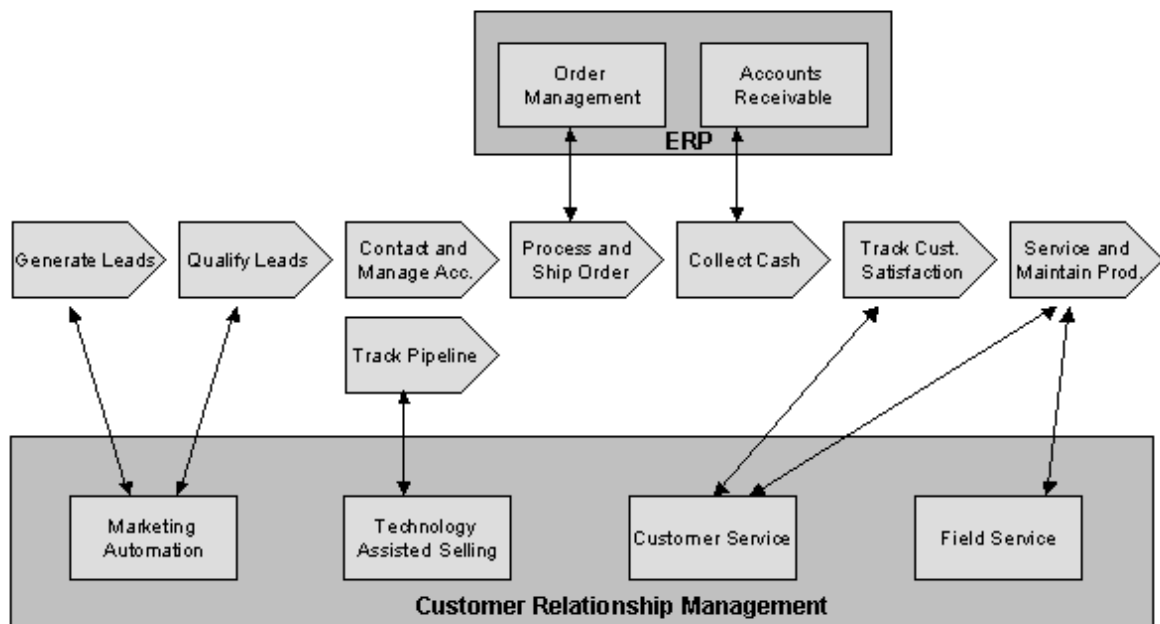
MEETING THE NEEDS OF CUSTOMERS

How CRM Compliments Enterprise Resource Planning

CRM solutions evolved out of stand-alone systems for sales force automation, marketing automation, call-center and service automation into all-encompassing solutions for the front office. The purpose of front office CRM solutions is to gather all the information about a company's prospects and customers and their interactions in one place. Employees must be able to share this information with their partners in order to make market-facing business processes more efficient, and to enhance customer satisfaction and loyalty by consistently providing customers with better levels of service.

However, a fundamental problem with CRM systems today, and one of the biggest challenges for CRM solution vendors, is that customer interaction processes are no longer isolated to the front office. Providing customers with good service involves processes that are integrated throughout the entire organization, as is illustrated in figure three. This means that any function or process that affects how a company services its customers must be considered part of a company's CRM strategy, regardless of whether or not these functions or processes reside in the back office.

Figure 2:



Source: AMR Research

The selling process, whether through a sales force or through electronic channels, must be tightly integrated to order fulfillment processes, in order to ensure the ability to commit to and deliver orders consistently. To fulfill orders successfully, companies must take the entire supply chain into account, and not just what is currently on inventory.

Furthermore, the level of integration needed between the front office and back office tends to be inconsistent. For example, not all salespeople need real-time access to stock and price information, especially if this information does not fluctuate. On the other hand, field service technicians may need up-to-the-minute information on parts inventory, contract terms, and credit status and call scheduling. Subsequently, there are "gray zones" – areas that cannot be defined as either front or back office. Field service management is one of these gray zones, and is only offered by a few CRM vendors.

Why It Is Important to Have an Integrated Solution

CRM solutions cover a class of front office applications designed to acquire, manage and retain long-term, profitable customers. CRM complements back office ERP applications and depends on integration with ERP suites to deliver a complete picture of customer activity.

The full breadth of CRM also includes functionality normally located in ERP suites and new Web-based e-commerce suites, such as:

- Order processing
- Billing
- Accounts receivable
- Online storefront
- E-customer interaction management
- Click stream analysis

Microsoft Navision already includes functionality for order processing, billing and accounts receivable. E-customer interaction management describes the ability to manage all types of customer interaction whether by telephone, fax, e-mail or Web form processing interaction "channels". Click stream analysis refers to tools designed to analyze the log files on a Web site to better understand the online behavior of e-customers.

Today, no single CRM application suite covers all of the above functions, but many CRM vendors are targeting this breadth of functional scope as their applications mature.

Examples of Integrated Problem Solving

The following examples show how companies can use an integrated solution to interact with their customers.

Sales Example

Salespeople need to know if a product is available to promise before accepting new orders, to ensure that the products can be delivered to suit the customer's needs; this information may come from an item card in an inventory management module. At the same time, the salesperson has the possibility to initiate a sales order instantly and without involving any of their colleagues.

Marketing Example

Marketing people need to know what customers have bought in the past before attempting to interest customers in new products or cross-selling opportunities; this information may come from an order history file in the ERP system. But in this process the possibility to exclude the customers that have overdue balances is also very important.

Service Example

Service people need to know if a customer has been billed for or paid for their support contract before responding to support incidents; this information may come from billing or cash receipt information held in an accounts receivable module.

Partner Example

Partner self-service functions need to be able to see customer-related ERP data, and e-customers ordering from online stores need to know that what they are ordering is on inventory and that they are being quoted the latest price; this information may come from an inventory control module.

How Companies Can Use a CRM Solution in E-Business

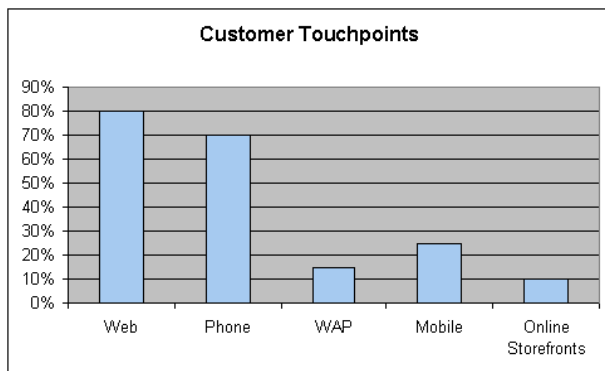
CRM is an important part of e-business management because it encourages organizations to integrate front office and back office applications to provide a single view of all aspects of the customer relationship. CRM also helps to realize the vision of the extended enterprise – that is, an enterprise systems environment that encompasses both internal employees and external business partners, including customers.

A derivative of CRM, termed eCRM by some vendors and analysts, recognizes that the Internet has become an important part of managing customer relationships. Web-based self-service provides accessible information to customers, prospects and partners, thus enabling a personalized communication without human interaction. Allowing, for instance, customers to serve themselves on the Web by directly submitting, checking the status of, and updating service requests is a way of doing this. Prospects can, on the other hand, sign up for different activities and update their contact information directly

into the database. Online storefronts are also a vital part of eCRM, because they offer the opportunity to reach both existing and prospective customers over the Internet, using online catalogs and virtual shopping carts.

The importance of the Internet is clear. Most of the interactions that customers have with a company involve the Internet at some point of time, as can be seen figure 5.

Figure 3:



Source: IDC's European Software End-user Survey, 2001

CONCLUSION

Customer interactions are no longer isolated to the front office. Getting the most out of customer relationships involves processes that are integrated throughout the entire organization. Any function or process that affects how a company interacts with its customers must be considered part of a company's CRM strategy. An

integrated CRM solution delivers up-to-date and accurate information that helps everyone focus on the customer. By leveraging this information, you can meet customers' demands consistently.

About Microsoft Business Solutions

Microsoft Business Solutions, a division of Microsoft, offers a wide range of integrated, end-to-end business applications and services designed to help small, midmarket and corporate businesses become more connected with customers, employees, partners and suppliers. Microsoft Business Solutions' applications optimize strategic business processes across financial management, analytics, human resources management, project management, customer relationship management, field service management, supply chain management, e-commerce, manufacturing and retail management. The applications are designed to provide insight to help customers achieve business success. More information about Microsoft Business Solutions can be found at www.microsoft.com/BusinessSolutions.

Address:

Business System Solutions
401 Mobil Ave. Suite 8
Camarillo, CA 93010
Phone: (805) 484-6995
Fax: (805) 484-4289
www.navisioninfo.com