Beef up the business value of CRM by getting back to basics

November 1, 2001
Managed Healthcare Executive

Customer relationship management (CRM) is a business strategy designed to optimize profitability, revenue and customer satisfaction. With the many technical attributes required for CRM transformation, HMOs are especially concerned about ROI, including tangible and intangible benefits. As HMOs pursue CRM strategies, they are realizing that the benefits and costs of those strategies can be significant. Strategic initiatives as broad as CRM can be difficult to justify via measurable and tangible benefits. It often takes a significant amount of time to fully realize benefits because strategies are broken down into individual, tactically executed projects. Ultimately, it is important for HMOs to employ the necessary steps, actions and behaviors to realize benefits from CRM. There are key steps for HMOs to establish a CRM approach to identify opportunities and validate business value:

- **Build the Business Case.** Business cases are designed to assess the costs and benefits in terms of ROI and to show whether a proposed investment will bring greater benefit than investment elsewhere (opportunity costs). Creating a business case will mitigate the risk of marginal business returns and can guide CRM success. The business case should clearly identify problems to assist the HMO with focusing on identified opportunities, and not being swayed by vendor hype.
- **Create the Metrics Framework.** To more accurately identify and measure value from CRM initiatives within the business case, HMOs must take responsibility for tracking the total cost of ownership (TCO), ROI and benefits. As HMOs define their CRM strategies, they should identify the criteria by which the success of the CRM strategy will be measured (e.g., customer satisfaction, increased revenue and margins, TCO and ROI). HMOs also need to have the tracking metrics and evaluation techniques outlined within the business case to ensure that when the benefit becomes apparent, it can be quickly and accurately communicated throughout the enterprise.
- **Understand Customer Desires.** Environment and stakeholder viewpoints must be considered before credible business value for any IT CRM initiative can be understood. Enhancing credibility for the business value of CRM requires HMOs to set realistic expectations that take into account current pressures and past performance, create a win-win opportunity to minimize the threat of change, and identify soft benefits as additive, not foundational.
- **Assess the Vendor Market.** Appropriate vendor solutions-along with adequate resources for internal development-are critical for the justification and validation of CRM benefits. To attain realistic expectations, HMOs must assess vendor offerings and closely align them with CRM strategies and measurements. The vendor market for CRM-related technologies and applications is emerging and will remain fragmented and highly volatile through year-end 2002. HMOs must manage CRM strategies in the context to this volatility and execute appropriate risk management to succeed.
- **Master the Implementation.** Even those HMOs that follow these steps might find themselves in trouble. Most HMOs fail to identify realistic expectations, address appropriate change management and re-engineer business processes to accommodate the capabilities of the CRM solutions.

In the last few years, customer relationship challenges have proliferated, including increased demand for value. It's time for HMOs to get back to proven CRM fundamentals to achieve true business value and project success. HMOs should develop a solid business plan and a measurement system that captures the information necessary for calculating benefits prior to CRM investments. Also, HMOs must prepare end users, align business processes and understand the fragmented vendor market, or risk not achieving value from CRM investments.