

Configuring performance measurement scorecards for CRM

6th International Marketing Trends Congress
Paris (France) on the 26th and 27th of January 2007
organised by both
ESCP-EAP Paris and University Ca' Foscari Venezia

Final Paper

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Summary

Scorecards are a concept for structuring systems of key figures and the anchoring of such systems in the reporting system of the enterprise. Recently such performance measurement systems are increasingly being discussed in academia and in practice as a basis for the development and implementation of holistic CRM concepts. The present paper sketches the concept of the customer management scorecard for CRM and its primary configuration possibilities.

Key words

Performance measurement, CRM, scorecards, marketing controlling

1. Introduction

In recent years, with the increasing importance of **Customer Relationship Management** (CRM), many concepts and tools have been developed in academia and in practice, with the help of which customer relations can be efficiently controlled. Exemplary of this are tools for the measurement of customer satisfaction (cf. *Casper/Boecker/Hoose* 2003; *Schneider* 2000; *Kaiser* 2002), programs of measures for problem management (cf. *Stauss/Seidel* 1998) or models for determining customer values (cf. *Cornelsen* 2000; *Wiedmann/Siemon/Hennigs* 2003) which in the meantime have been adopted into corporate practice with more or less success.

Common to all of these concepts and tools is that they were conceived for the solution of specific (individual) problems in the framework of **management of customer relations**. A further commonality often consists of the generation of relevant information for monitoring relationship management with the help of which an alignment of marketing or CRM tools is made possible. This also applies analogously for all CRM concepts which are used in e-commerce and m-commerce (cf. in greater depth *Wiedmann/Frenzel/Buxel* 2001; *Wiedmann/Buxel/Buckler* 2000).

If one understands CRM as a holistic conceptional approach central to which is the orientation of the entire enterprise to the shaping of customer relations (cf. *Bruhn* 2001, pp. 8 ff.), the utilization of separate, distinct individual concepts and tools misses the point. While individual problems in the management of a customer relationship can be solved with such an approach, it does not facilitate a customer-oriented alignment of the enterprise which encompasses all processes of the enterprise. But it is specifically this integrating view which is necessary in order to be able to win customers, to fully satisfy them, to gain their sustained loyalty and as a result to be successful in the market on a long-term basis. What is needed therefore are integrated CRM concepts which overcome the narrow perspective of specific problems (cf. *Wiedmann/Buxel* 2003).

In this connection, the development of **performance measurement systems specific to customer management** and the anchoring of them in the reporting system of the company is now increasingly being demanded as the basis for the development and implementation of integrated CRM concepts. With respect to the **concrete configuration** of such systems, various forms are being discussed. Thus, *Kaplan/Norton* (1997), for example, propose in the **framework of a balanced scorecard** that selected central key figures related to customer management be plotted as one of four building blocks of an overarching system of key figures for the overall control of the enterprise. However, it must be taken into consideration that as a subsystem of an overarching system of key figures, a system of key figures formed in this way, for reasons of complexity (in particular on the basis of the interaction effects postulated in the concept and their analysis), in practice can achieve only a limited degree of detail which may not be adequate for monitoring the operational activities related to customer management. Therefore the development of **separate key figure systems for customer management** is also being discussed as control and reporting tools which usually are designated **customer management scorecards** (CMS) (cf. *Wiedmann/Buxel* 2003a). Occasionally the term "customer management assessment tool" (cf. *Woodcock* 2000) or "customer focus assessment" (cf. *Bäuerle* 2000) is also used. Such tools usually represent an extension of the traditional reporting system which should be consciously linked with the other control systems.

The purpose of this paper is to sketch out the concept of the customer management scorecard for CRM and its principle configuration possibilities. Using a derivation of the primary building blocks which must be formed in the framework of such a scorecard (Chapter 2) as a starting point, the development and application of the CMS (Chapter 3.1) will be discussed and a brief

presentation of the essential aspects with respect to key figure areas (Chapter 3.2) will be made. Finally, the paper will end with concluding thoughts (Chapter 4).

2. Parts of a holistic CRM

As already suggested, CRM measures and tools can develop their real potential for success only if they are used in the framework of an integrated approach. Of central importance in this regard is above all the **implementation of strategic goals** in the form of action programs that are likely to succeed and in an effective application of the CRM tools on the operational level. Thus, the greatest challenge is not only the development of CRM strategy but also its **implementation**; if one is not successful in anchoring CRM strategies in the enterprise on a lasting basis, the strategic CRM management remains ineffective and strategic planning remains a mere "intellectual game" (cf. *Wiedmann/Buxel* 2001). *Figure 1* gives an overview of the central **building blocks of integrated CRM concepts** (cf. *Wiedmann/Buxel* 2003, pp. 35 ff.).

Customer Management Scorecards (CMS) are utilized to support the CRM. They represent an integrated concept for targeted analysis of central value drivers or success determiners of customer relationship management with the goal of providing information relevant to decision making which, helps to support the analysis, planning, implementation and monitoring of programs for the strategic, tactical and operational levels of the CRM (cf. *Wiedmann/Buxel* 2003a, pp. 5 ff.). The **areas of application** of a CMS can be viewed in particular in the following areas:

- Use as an **analysis tool** with respect to identification and evaluation of “value drivers” of the CRM as of a given date
- Function as a **control tool** in the framework of planning of CRM strategies and their implementation
- Application as a **monitoring tool** in customer management with respect to the monitoring of the efficiency of individual programs of action and tools.

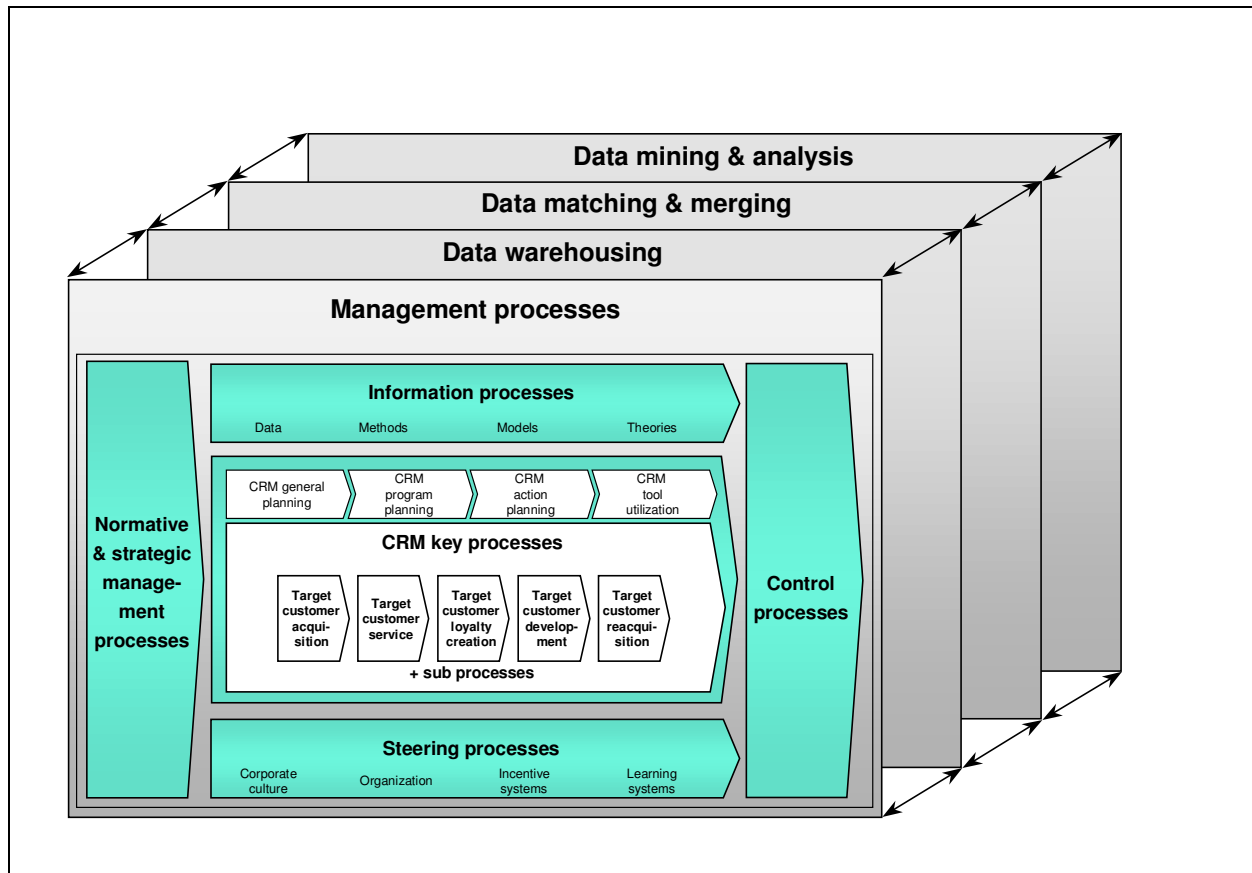


Figure 1: Parts of a holistic CRM

In order to **configure the customer management scorecard**, it must be inquired as to what central “control levers” or success determiners there are in the CRM through “repositioning” of which success in relation management can be influenced. In the end, they are the reason through which the enterprise needs decision-oriented information for control. The success of the enterprise as a whole and thus also the quality of the configuring of its customer relations are always dependent on how the enterprise is able to position itself in the classical marketing triangle between customer, competition and its own resources or potentials. If one concentrates on the question of what an enterprise can actively do to optimize its relations management, the configuring of marketing tools and of one’s own performance processes which have to do with finding an approach which is perceived as being superior to the competition ("better, cheaper, faster") will automatically come into focus. Correspondingly, **success-determining operating control variables** can be identified above all from the following three areas which should be

taken into consideration in designing a customer management scorecard (cf. *Wiedmann/Buxel* 2003, p. 42):

- indices concerning the **characteristics of the customer** (customer-related perspective)
- indices concerning the **utilization of CRM tools** (tool perspective)
- indices concerning the characteristic of **performance processes** within the enterprise (process perspective).

Customer-related perspective:

The **characteristics of the customer** play a very central role in the CRM system: relationships to the customers ultimately can be formed, stabilized, intensified and if applicable restored only if the enterprise succeeds in satisfying the needs of the consumer on a lasting basis. Considering and influencing the customer, his needs, behavior and all influence factors relevant to the relationship and the consistent consideration of its value potentials therefore are necessary prerequisites to success (cf. *Buxel* 2003).

Tool perspective:

The same applies on the tool level as well for the **range of products** as the central link between customer and enterprise and the "reason why" for the creation and maintenance of a relationship from the point of view of the customer. Accordingly it should be configured such that it creates the greatest possible benefit for the customer as well as for the enterprise. Consideration of products, their attractiveness, intrinsic value and development potentials therefore is an important prerequisite for success. The same also applies for the other marketing tools in the form of price, communications, and distribution policies.

Process perspective:

Last but not least, for the creation of a relationship, the **processes for customer-oriented value creation** must also be illuminated with respect to effectiveness and efficiency in order to be able to ultimately also satisfy the postulate of cost effectiveness. Here properties of the employees in direct contact with the customer play a primary role since their behavior exercises a central influence on the shaping of the customer relationship (cf. *Bruhn* 1999).

The above three primary determinants of success of the CRM are not separate and distinct from each other. Instead they only then develop their potentials for success when customer, tool and process perspectives are tuned to each other and interaction effects are taken into consideration. They must be considered the **central areas of a customer management scorecard**.

3. Design of a customer management scorecard

3.1 The process of developing and applying the customer management scorecard

In view of the multiplicity of enterprise-specific general conditions and challenges which are encountered in target-customer management it is very useful to develop a “situational approach” taking the sketched CRM perspectives thoroughly into consideration to **develop scorecard concepts for the individual enterprise** in order to thus create an optimal fit between the expectations and/or requirements for the tool on the one hand and its capabilities on the other hand.

The development and application process of the CMS takes place on the whole in a **four-stage process** (cf. *Kaplan/Norton 1997; Vettiger/Hofacker 1998*): The critical point is initially the conception of the scorecard on the enterprise level itself. Then, care must be taken that the scorecard is transferred to the individual CRM areas in the enterprise. In a third step, the strategic and operational goals suited to these areas must be established. In a fourth step, the assumptions made in the preceding step concerning strategic options can be reviewed with the aid of which an adjustment of the program of measures and of the utilization of the tools in customer management can take place (cf. *Figure 2*).

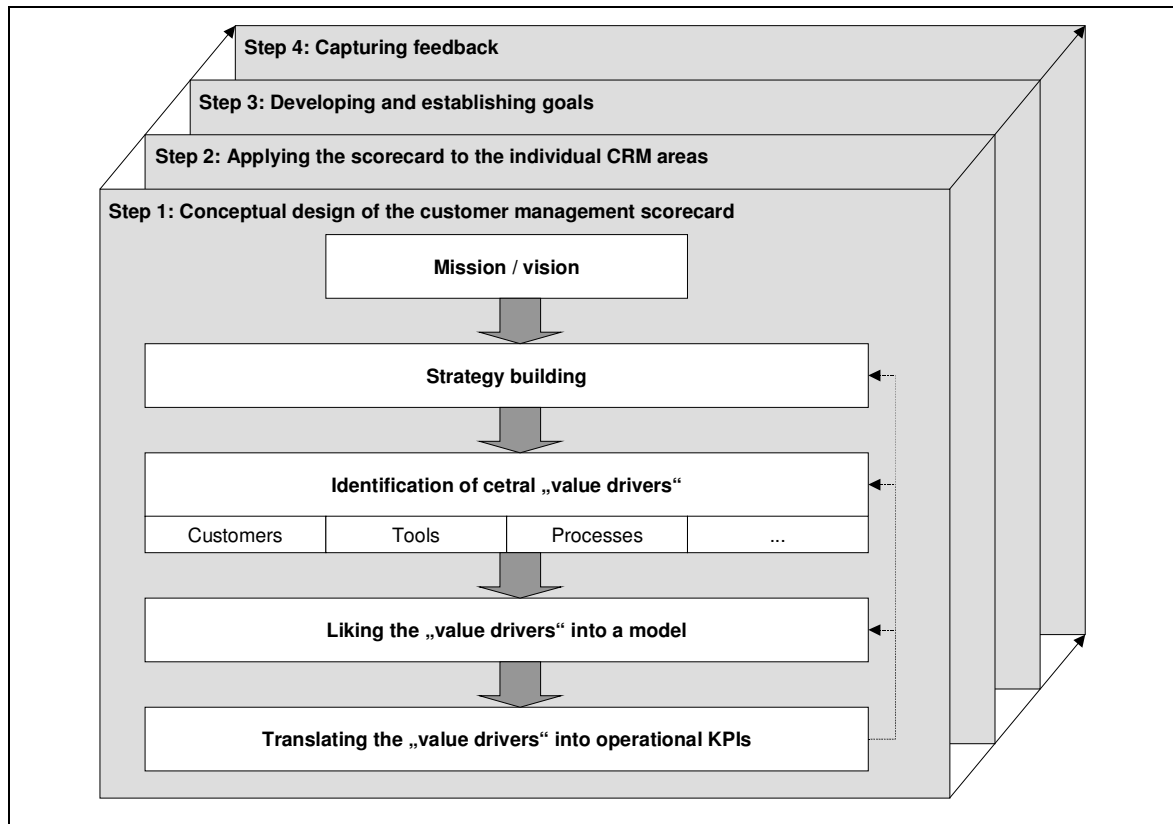


Figure 2: Process of developing and applying a customer management scorecard

1st step: Conceptual design of the customer management scorecard

Building on the establishment of the CRM strategy, an **identification of the “value drivers”** must first take place with respect to customers, tools and processes which can be utilized as the critical control levers in the implementation of the strategy. It must be examined whether possibly other success determinants, not considered in the base model, must be integrated into the scorecard. After the identification of the value drivers, they must be **reproduced** in an integrated **model** and linked with each other. This process often presents a problem which is not at all trivial and can be solved through utilization of intelligent mixes of methods. Building on this, the features of the value drivers must be transformed into **operating indices** as the measurement criteria for goals and actions in the CRM system (cf. Bruhn 1998). It is clear that the CRM control variables do not have to be restricted to the traditional past-oriented goals, but rather they may also take into consideration the ability of the enterprise to create added value by means of efficient management of customer, product, employee and process perspectives.

The procedure sketched out for the conceptual design of the scorecard is a more or less iterative process in which new insights are generally won at the subsequent process steps, giving impetus to reworking or expanding what has been developed in the previous process steps (cf. *Figure 2*). With a view toward the applicability of the scorecard, it generally must ultimately satisfy the following **postulates**:

- Completeness (in the sense of an integrated image of all central success variables)
- Practicability (in the sense of manageability of the model complexity)
- Cost effectiveness (in the sense of a balanced cost/benefit relationship).

2nd step: Transfer of the scorecard to the individual CRM areas

Building on observations on the level of the overall enterprise, in a second step the object is to transfer the CMS which has been developed to the individual **organizational units** involved with the CRM, thus in particular to the central support functions but ultimately all the way to the individual teams and employees. Only this connection between CRM strategy and the organizational units creates the basis for an effective and efficient implementation of CRM strategy (cf. *Wiedmann/Buxel 2003a*, p. 21).

To assist in realizing success in the implementation of strategy, open communications and training are required in this implementation step and the compensation system must be aligned consistent with the CRM strategy that is being pursued.

3rd step: Development and establishment of goals

Next, ambitious goals for the CRM must be formulated, which will lead to a sustained improvement of performance or value. Ambitious targets of this type are often viewed by the responsible operating management in a first phase as utopian and not realizable. In order to gain the necessary acceptance for these ambitious goals, the critical success factors must be identified in cooperation with the respective responsible persons with the aid of the CMS. Based on the identified and integrated cause-effect relationships, it then is important to establish the plausibility of the defined goals in the framework of scenario planning. Breaking down the goals into their influence factors and their verification by means of various future scenarios often creates the desired and necessary acceptance for high goals among all parties involved.

Against the background of the CMS that has been worked out and of the defined goals, the measures for achieving the goals must be defined and resources must be allocated. In order to achieve this, among other things the strategic and operational planning in the CRM must be tuned to each other.

4th step: Obtaining of feedback

Nothing is more constant than change. This fact requires that in the framework of the CRM, not only must deviations from the strategic orientation be measured and corrective measures defined, but also the assumptions made must be intensively reconsidered for current validity. Against this background, the assumptions on which a strategy and the utilization of measures are based, are tested, confirmed and modified in the feedback system. To this end, not only the data on the individual measured variables of the CMS must be considered but also the relationships between the various variables.

3.2 Index areas of a customer management scorecard

In the framework of the conceptual design of the CMS (step 1 of the development and application process), one must consider what indices are of interest for the control of customer-management related activities and therefore must be developed. There is no one system of indices that can claim universality, which will lead to success equally for all enterprises (cf. *Wiedmann/Buxel* 2003a, p. 23). Instead, a system of indices in the CRM must always be aligned with the enterprise-specific circumstances and needs. Against this background, the index areas presented below should be understood as an **example framework**.

3.2.1 Customer-related perspective

The customer is in the center of the CRM. The examination of his characteristics and behavior is a necessary prerequisite for successful customer relations management. There are above all three

levels of consideration of importance which provide valuable information for the CRM (cf. *Buxel* 2001):

- Psychological characteristics
- Behavior characteristics
- Economic characteristics.

Psychological characteristics:

Psychological characteristics of the customer are related directly to the behavior relevant for purchasing. Thus, for example, the satisfaction of the customer directly affects his decision to continue buying products from an enterprise in the future (cf. *Walsh/Wiedmann/Buxel* 2003, p. 411). Relevant psychological characteristics include but are not limited to the **satisfaction of the customer** with the products and the enterprise (cf. *Simon/Homburg* 1998), the existing **commitment** to the enterprise (cf. *Weinberg* 1979), the perceived **image/reputation** of the enterprise (cf. *Wiedmann/Walsh* 2002), **brand perception** (cf. *Keller* 2001), the degree of **awareness** of the enterprise (cf. *Kroeber-Riel/Weinberg* 2003), etc.

Behavior characteristics:

Psychological characteristics of the customer provide an explanation of his behavior and make it possible to state trends concerning expected behavior. The CRM of course also requires direct information concerning the **actual customer behavior**. Relevant areas of investigation in this respect can include **purchase behavior** (for example statements on the number of first-time, repeat and complementary buyers), **complaint behavior** (for example frequency of complaints, causes of complaints) **information behavior** (for example frequency of inquiries; number of inquiries by telephone/in writing) **integrative behavior** (for example frequency and value of the customer contribution to the development of product/service) and **referral behavior** (for example number and percentage of outspoken lead users, adopters and market mavens (cf. *Buxel* 2001; *Wiedmann/Walsh/Buxel* 2000)).

Economic characteristics:

It is also necessary to take into consideration economic properties in order to determine the value contribution as well as the classification and selective handling of individual customer segments.

Of central importance here are analyses of **customer contribution margin**, **customer lifetime value** (cf. *Wiedmann/Siemon/Hennigs* 2003, p. 310) **cross-selling value potential** (cf. *Buxel/Buckler* 2003, p. 243 ff.), **sales volume**, **structure of accounts receivable**, **bad debt losses** and **creditworthiness**.

3.2.2 Tool-related perspective

While the customer-related perspective allows statements concerning the strategic potentials and position, in the framework of the tool perspective, indications are primarily obtained for the effectiveness and efficiency of the marketing tools with respect to the CRM. Of central importance here are consideration and development of **indices concerning product, price, communications, and distribution policies**. *Table 1* gives an overview.

Tool-related perspective of a customer management scorecard (examples)			
Perspective	Indicators	Measurement concerning ...	
Product	Competitive strength	<ul style="list-style-type: none"> Product features Market penetration Degree of preference of the product 	<ul style="list-style-type: none"> Importance/characteristics Buyer reach Rate of customer penetration
	Value contribution	<ul style="list-style-type: none"> Sales/contribution margin 	<ul style="list-style-type: none"> product income statement
	Development potential	<ul style="list-style-type: none"> Development of demand Development of competition 	<ul style="list-style-type: none"> Technological development Statutory development
	Quality level	<ul style="list-style-type: none"> Complaint rate Repurchase rate Old product rate 	<ul style="list-style-type: none"> Defect/rejection rates Satisfaction surveys Innovation rate
Price	Relative price level	<ul style="list-style-type: none"> Relative price level/price sensitivity portfolio Price elasticity of demand Price discount rate (bonus/discount/cash discount rate) 	
	Price sensitivity		
Promotion	Product image	<ul style="list-style-type: none"> Customer, employee survey 	<ul style="list-style-type: none"> Awards/prizes from media/customers
	Reputation	<ul style="list-style-type: none"> Media reporting 	<ul style="list-style-type: none"> Status of the enterprise
	Commun-ications efficiency	<ul style="list-style-type: none"> Range of coverage Chance of media contact Product/channel affinity Target group affinity 	<ul style="list-style-type: none"> Total contacts Contact frequency Contact quality Market coverage/penetration
	Market strength	<ul style="list-style-type: none"> Brand recognition Brand associations 	<ul style="list-style-type: none"> Brand value Brand consistency
	Awareness	<ul style="list-style-type: none"> Advertising/communications success quota Degree of awareness (recall/recognition) 	
Place	Product-related sales channel suitability	<ul style="list-style-type: none"> Product-related factors Enterprise-related factors End-user-related factors Competition-related factors Sales-intermediary-related factors Social and legal factors 	
	Customer-related attractiveness	<ul style="list-style-type: none"> Supply attractiveness Availability in terms of time Local availability Service/product availability 	<ul style="list-style-type: none"> Quality of availability Aesthetic attractiveness Social attractiveness Lost-order rate
	Employee potential	<ul style="list-style-type: none"> Motivation Customer orientation 	<ul style="list-style-type: none"> Competence Performance

	Value potential	<ul style="list-style-type: none"> • Sales/contribution margin • Territorial contribution margin • Number of customer contacts • Sales territory penetration 	<ul style="list-style-type: none"> • Number of products sold • Turnover rate • Successful bid rate • Profitability rate for field services
	Sales structure	<ul style="list-style-type: none"> • Sales cost/sales/order/discount structure 	

Table 1: Tool-related perspective of a customer management scorecard

3.2.2.1 Product performance

At the center of product policy considerations in the development of a CMS are the competitive strength of the products as perceived by the customer, their value contribution with respect to the income or loss of the enterprise and the development potential of the products. The answer to the question “What value potential distinguishes the products?” forms the central pivotal point.

In the framework of consideration of the perceived **competitive strength**, products are investigated with respect to whether they in the view of the customer possess one or more competitive advantages or a unique selling point (USP) (cf. *Ries/Trout* 1982). In this process, an evaluation of individual product features and performance characteristics can be used as the basis for a decompositional examination or an evaluation of the products on the basis of a general assessment can be used.

In a first step, the relevant features and performance characteristics of the products are determined. They are then assessed by means of a 2-component approach with respect to the questions of how important they are for the customer in general and how the customer perceives or assesses their concrete characteristics. Building on this, the individual features and performance characteristics can be arranged in a matrix of competitive strengths.

While such a matrix gives a visual impression of the worthiness of products to be preferred over competing products, it does not give any information on what the economic contribution made by the products to the earnings of the enterprise. Thus it is quite conceivable that while products are perceived by the customers as superior to all competing products, they nevertheless as a result of the costs associated with providing the product produce only a slight profit or no profit at all.

Worse still, such a product can even be a "profit burner." For well directed control of product policy in the CRM it is necessary to consider also the **value contribution of the products**. Of primary importance in this respect are the consideration of the product-related sales volume, the cumulative contribution margin (as is frequently used in ABC analyses, cf. *Meffert* 1998, pp. 336

ff.) and the economic cross-selling effects on the basis of which the corresponding value contribution indices can be calculated.

Competitive strength and value contribution are statistical variables which allow statements concerning a given point in time but do not take into consideration future developments. But since future developments are also of interest, it is advisable in the framework of evaluation of the product program to also take into consideration the future **development potential**. Of interest in this respect are the following, by way of example:

- Demand development over time (for example through observation of growth of the market and the phases of the product lifecycle)
- Competitive environment (for example through observation of the development of the intensity of competition)
- Risk of substitution in the product area which can result from technological advances and can lead to displacement of currently available products in favor of alternative technologies (cf. *Porter* 1983, pp. 49 f.).

3.2.2.2 Price-Performance

Of central importance in pricing policy considerations in CRM is above all price efficiency (cf. Simon 1992). The answer to the question "How efficient is my pricing?" forms the central pivotal point.

To determine **pricing efficiency**, products are investigated with respect to whether the profit of the enterprise can be increased on a sustained basis through raising or lowering the price and through an intelligent price differentiation and discount policy. In terms of the current practice of enterprises it can be determined that the profit potential which can (or could) be raised through smart pricing are only seldom fully realized (cf. *Wiedmann/Buckler/Ludewig* 2003). Thus, for example, investigations of typical value-added structures of major enterprises show that a price increase of only 1% can bring about an increase in net profit of approx. 12% (cf. *Dolan/Simon* 1996, p. 4). In considering price efficiency, two aspects are of prime importance: the importance of the price for the purchase decision in the sense of the **price sensitivity** of the consumer as well as the **relative price level**, as perceived by the customer, in comparison with competing products.

On the basis of price sensitivity and the relative price level, the products can be represented in a price efficiency matrix which provides the foundation for deriving the pricing recommendations. In addition to price efficiency, additional measurements can also be built into the CMS in the framework of evaluation of price policy. Among these, for example, are price elasticity and sensitivity, price image, perceived price fairness and the relative price position.

3.2.2.3 Communications performance

Of central importance in communications-policy considerations in the CRM are above all awareness, brand perception, image/reputation and communications efficiency. The answer to the question "How efficient is my communications policy?" forms the central pivotal point.

To answer this question, one must first investigate the degree of **awareness** of the enterprise and its products. In particular, an unaided survey provides an important indication concerning the anchoring of the enterprise in the awareness set of the consumer (cf. *Kotler/Bliemel* 1995, pp. 310 ff.).

With respect to **brand perception**, indications are gained as to whether and how well the brand is anchored as an "attractor" in the marketing mix of the enterprise (cf. *Wiedmann/Meissner* 2002). Brand perception itself depends on brand awareness and brand image (in comparison with the competition). Closely linked with brand image is also the **enterprise reputation** (cf. *Wiedmann* 1994; *Wiedmann* 2002; *Wiedmann/Buxel* 2004).

In order to achieve communications policy goals such as a high degree of awareness, a positive image, etc., an entire series of communications policy tools can be utilized in CRM practice which differ with respect to their mode of action and the costs associated with their utilization. These tools must be evaluated against the goal of the highest possible **communications efficiency**, for example with respect to their general attraction, availability with respect to time, editorial and advertising environments, the image of the communications medium, the usage price, the quantitative and qualitative reach (cf. *Freter* 1974, p 77 ff.). Important criteria include the profitability of contact with the advertising material, total contacts, contact frequency and price per thousand.

3.2.2.4 Distribution performance

Of central importance in distribution policy considerations in the CRM are primarily the suitability of a sales channel for the distribution of the product and service program, the attractiveness of the distribution channel from the point of view of the customer, the distribution employee potential and the value potential of the distribution channels. The answer to the question "How efficient is distribution?" forms the central pivotal point in distribution policy considerations.

In order to ensure efficient distribution, it must first be examined how well the **individual sales channels are suited to distribution** in terms of the products and services offered. Playing a role in this are product, enterprise, end-consumer and sales-intermediary related factors as well as social and legal factors (cf. Meffert 1998, p. 605; Ahlert 1991). Closely linked is the **attractiveness of the distribution channels** from the point of view of the customer which is primarily determined by two factors: the perceived supply function and the quality of the experience. The supply function involves above all the evaluation of the distribution channels with respect to factors such as availability in terms of time (for example operating hours, on-time delivery), local availability (e.g. location sites, density of the branch network, proximity to residence, place of work, ubiquity), product/services availability (e.g. number of products offered, possibilities for purchasing additional products, if applicable also from other suppliers) and quality of the availability (e.g. duration of the shopping process, congestion of a branch, quality of advice). The quality of the experience is essentially influenced by factors such as the design of the distribution channel, the appearance of the sales employees, the corporate identity of the enterprise, the image of the enterprise, etc.

Whenever in the distribution process the customer comes into contact with sales employees, the competence of the employees represents a central success variable. For the CMS, the employee potential must be closely examined. This can be derived from the motivation, customer orientation, competence and the performance of the employees (cf. *Stock* 2000).

Information concerning the attractiveness or the preference worthiness of the distribution channels, however, does not permit any statement as to what economic contribution the channels make to the profit or loss of the enterprise. Thus here too it is quite conceivable that while

distribution channels are viewed by the customers as being superior, they nevertheless may as a result of the costs associated with the the distribution yield only a small contribution to profit or none at all. Therefore it is necessary here to take into consideration the value contribution of the distribution channels. For this purpose, analysis of the distribution-channel specific sales volume, the cumulative contribution margin, the number of units sold, the turnover frequency, the number of customer contacts in a reporting period, the bid success rates, the sales territory penetration and the channel reach etc. are of central importance (cf. *Piontek* 1995).

3.2.3 Process-related perspectives

In addition to the customer-related and tool perspectives, the configuration of the enterprise's internal performance processes plays a central role in the CRM for the success of the enterprise. Therefore in designing a CMS, the processes which are associated with customer-oriented value creation must also be examined with a view toward their intrinsic value. Of importance here is above all a consideration of the employees who are in direct contact in the customer relationship as well as the efficiency of the performance processes.

3.2.3.1 Employee perspective

Employees exercise a direct influence on success in the CRM (cf. *Sujan/Weitz/Sujan* 1988, p. 8; *Vink/Verbacke* 1993, p. 20). Therefore the motivation, customer orientation, potentials, and the performance of the employees must be reflected in a CMS.

Indicators for determining motivation include the illness rate, the fluctuation rates, the workplace satisfaction and satisfaction with internal incentive systems. These indicators can be presented by means of adequate indices.

The positive ramifications of customer-orientation of the employees on customer loyalty and the success of the enterprise have been clearly confirmed by scientific studies (e.g. *Narver/Slater* 1990; *Rueckert* 1992). The degree of employee-related customer orientation is critically

determined by the customer orientation of the entire corporate culture, of the sales employees and of the incentive systems.

Information on employee competence pertains first to the technical expertise. In this regard, indices concerning the training, further education status and/or qualifications of the employees must be surveyed. They can pertain to factors such as product knowledge, market knowledge, customer knowledge, IT knowledge, knowledge of foreign languages and knowledge of tools.

Alongside technical competence, potential-oriented, process-oriented and results-oriented competences also play a role (cf. *Homburg/Stock* 2000, *Meffert/Bruhn* 2000, page 387).

Potential-oriented competences represent basic performance abilities (e.g. ability to work under pressure and stress tolerance). Process-oriented competences describe skills for the proper handling of work processes (e.g. manner of expression and ability to empathize). And finally, results-oriented competences relate to the ability to realize desired work results (e.g. with respect to accuracy, dependability and punctuality of an employee).

Beyond this, considerations of the age pyramid or structure can also provide interesting information concerning the status and the future development of employee potential.

Alongside employee motivation, customer orientation and employee competence, an evaluation of employee performance is also important for a targeted control of CRM in order to be able to quantify the value contribution of the employees in the CRM and to detect optimization potential.ⁱ

3.2.3.2 Efficiency of the production processes

In order to be able to draw conclusions concerning optimization potentials in the processes connected with the control of customer relations, these processes must be investigated to determine how efficiently they are directed toward the fulfilling of customer needs and what their level of quality is.

In identifying the key processes and/or core activities that are to be represented, a step model can be used which – starting, for example, from a subdivision of relevant distribution processes into the areas market preparation, acquisition of new customers and customer development as well as

sales administration – provides a hierarchical, top-down classification of subprocesses (cf. *Figure 3*).

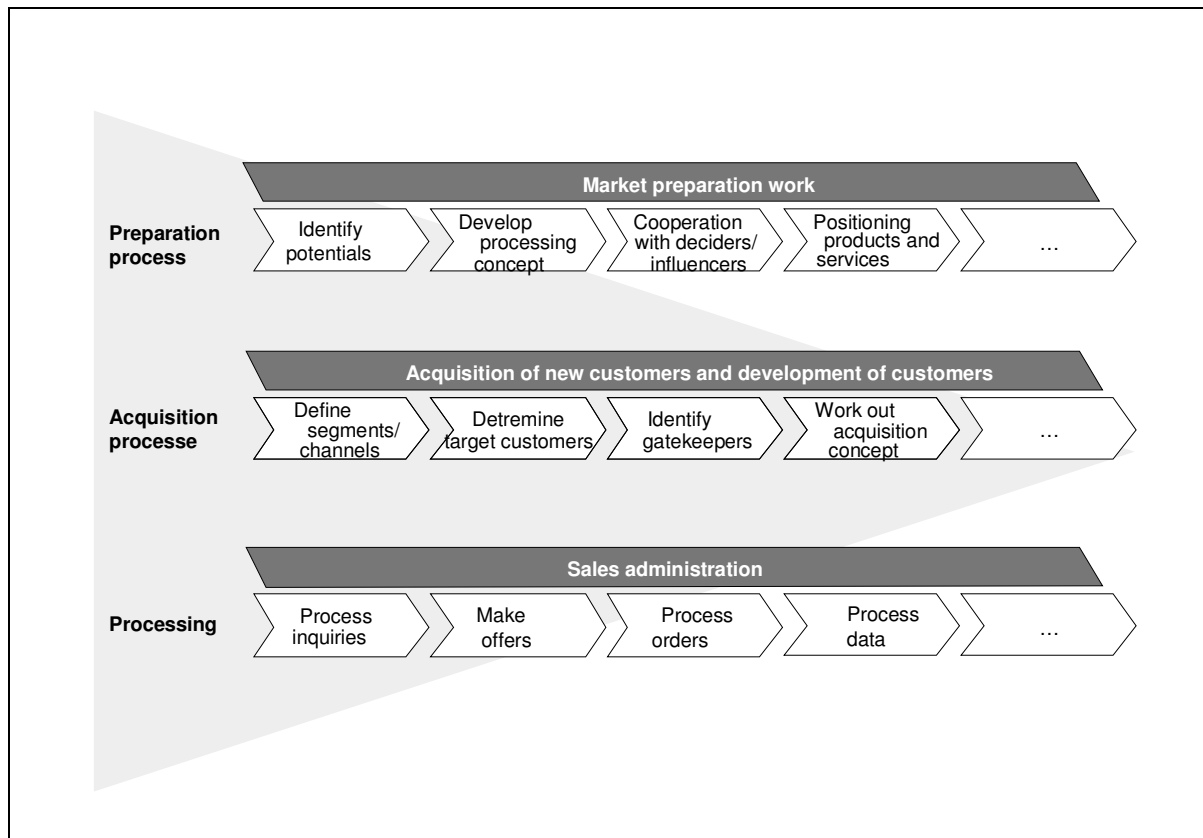


Figure 3: Identification of core processes in customer management (example sales)

Once the relevant customer management processes are identified, they must be recorded in detail, reproduced and systematically evaluated with respect to process efficiency (time and cost aspects) and process quality:

- Evaluation of process efficiency can for example be on the basis of cost per performance unit rendered, throughput times, the number of employees utilized per order, etc.
- Evaluation of process quality can be on the basis of criteria such as the number of complaints, satisfaction of customers with the overall performance of the enterprise, rejection rate, adherence to delivery schedules, etc. (cf. *Buxel 2005*).

4. Conclusion

Customer management requires integrated CRM concepts for the holistic orientation of the enterprise to customer relations whereby all central value drivers of customer relations are considered from the perspective of the enterprise and that of the customer in order to facilitate an integrated application of CRM measures, programs and tools. In the framework of implementation of CRM concepts, customer management scorecards can be used which represent an integrating concept for targeted analysis of central value drivers or success determinants of customer relationship management with the goal of providing information relevant to decision making. With the help of such scorecards, the analysis, planning, implementation and monitoring of programs on strategic, tactical and operational levels of the CRM are supported.

Admittedly, there is no single approach to developing a CMS. There are at all stages of the development process various configuration options which must harmonize with the requirements of the individual enterprise. In particular, the definition of key figures and the foundation of a suitable analysis concept permit some leeway. Ultimately a degree of complexity must be selected in the light of the data available in the enterprise which ensures a balanced cost/benefit relationship of the CMS.

The approach presented in this paper combines the various perspectives of customer management on the basis of scientific concepts and the use of intelligent methods of analysis into an integrating system of key figures which can provide valuable suggestions for the control and sustained improvement of all CRM activities of the enterprise and thus makes the critical control levers in customer management capable of being measured and controlled.

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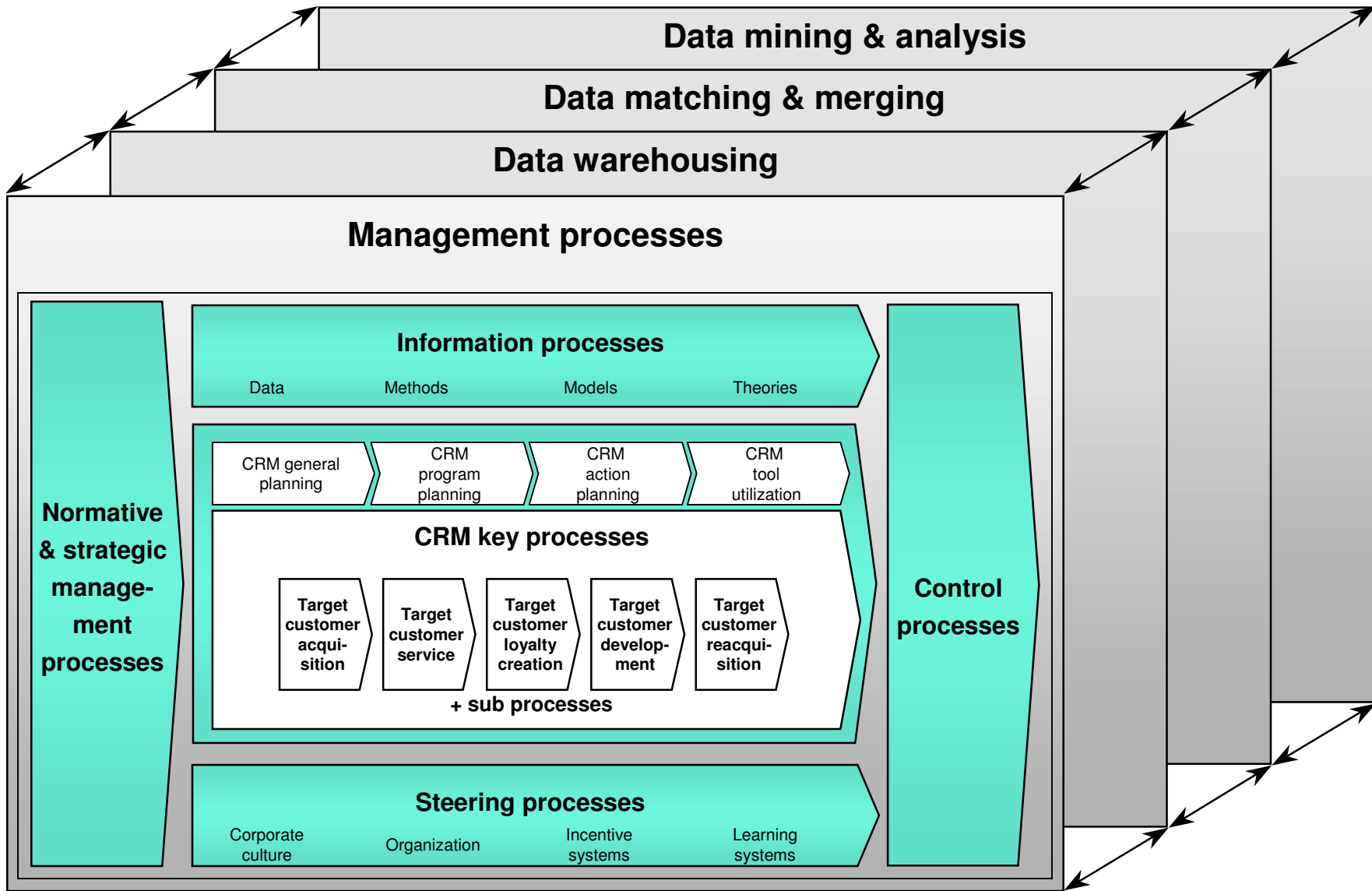
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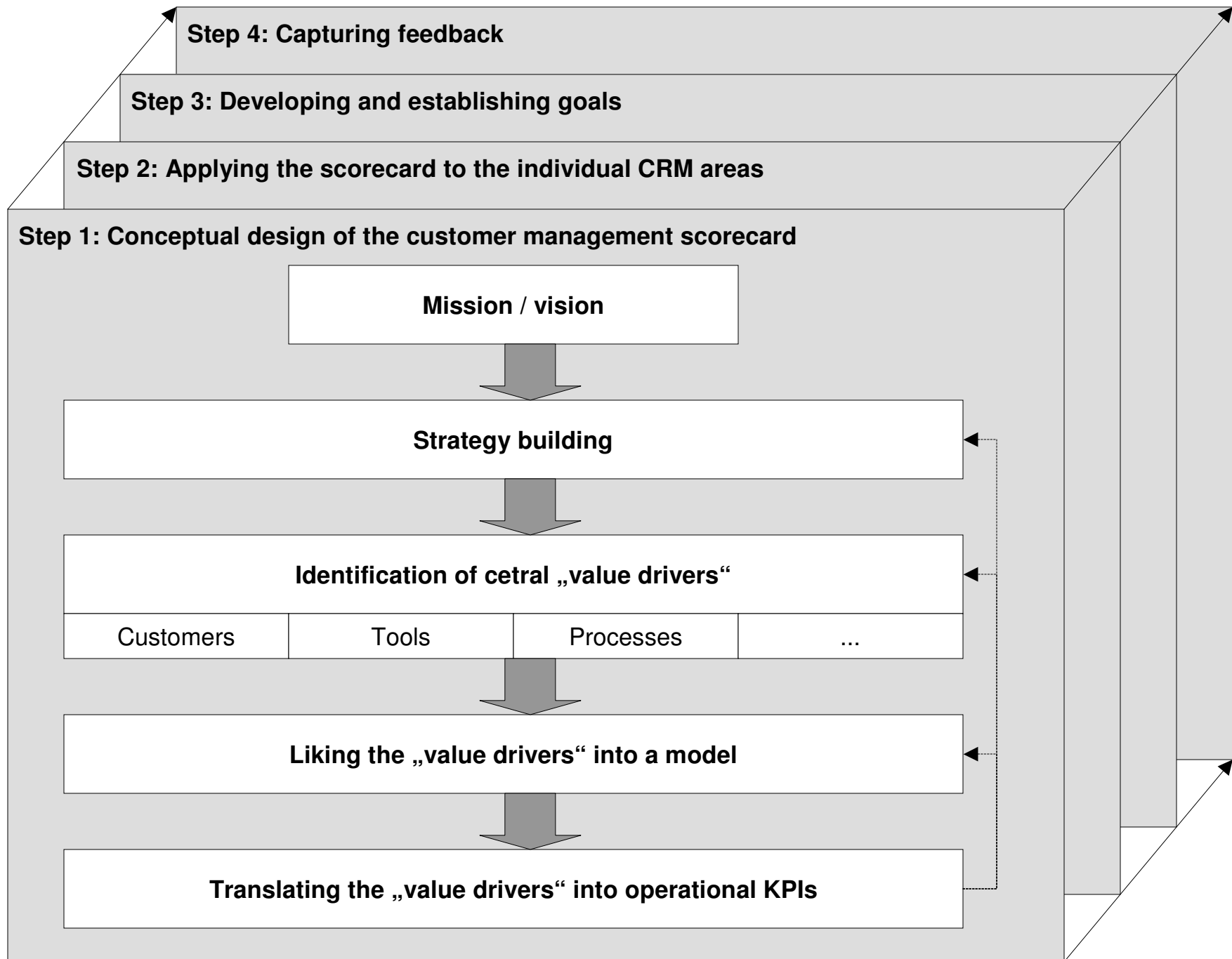
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ⁱ For Criteria that can be utilized in the measurement of performance see *Wiedmann/Buxel* (2003, p. 39).





**Preparation
process**

Market preparation work

Identify
potentials

Develop
processing
concept

Cooperation
with deciders/
influencers

Positioning
products and
services

...

**Acquisition
processe**

Acquisition of new customers and development of customers

Define
segments/
channels

Detremine
target customers

Identify
gatekeepers

Work out
acquisition
concept

...

Processing

Sales administration

Process
inquiries

Make
offers

Process
orders

Process
data

...