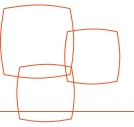


# State of Customer Relationship Management



## The Canadian Report 2010



Canadian  
Manufacturers &  
Exporters  
Manufacturiers et  
Exportateurs du  
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## **State of Customer Relationship Management: The Canadian Report 2010**

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IC# 60815

ISBN: lu44-82/2010

978-1-100-52362-0

Aussi offert en français sous le titre

**L'état de la gestion de la relation client :**

**Le rapport canadien 2010**



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# State of Customer Relationship Management

The Canadian Report 2010





## Highlights

In today's complex business environment, the extent to which manufacturing and services firms can effectively attract and retain profitable customers is a key determinant of their competitiveness. Customer relationship management (CRM) is a cross-functional strategic process utilized by firms to manage and develop their interactions with current and potential customers.

CRM is an innovation- and technology-driven process. To efficiently and effectively respond to rapid changes in customer demand, firms must have access to timely and accurate information regarding their current and potential customers. The integration of CRM technology<sup>†</sup> into a greater CRM strategy provides firms with appropriate tools to respond to this challenge and the potential to enhance business operations throughout the sales cycle.

Across industry sectors, firms are prioritizing their investment in CRM — through both in-house and outsourcing investment — while integrating CRM with their commercialisation strategies to develop their revenue streams through new and existing markets. It is important that firms and policy makers have the ability to access and utilize strategic information and performance indicators enabling them to focus on CRM initiatives and strategies that deliver business benefits.

Industry Canada has partnered with Canadian Manufacturers and Exporters (CME), Canadian Services Coalition (CSC) an affiliate of the Canadian Chamber of Commerce (CCC), Canadian Advanced Technology Alliance (CATA), and the Program for International Competitiveness at McGill University's Desautels Faculty of Management to review this valuable core business function. By collecting insights from industry, academia and international research organizations, and using economic analysis conducted by Industry Canada, this industry-academia-government partnership has produced a complete user / service profile of CRM in Canada, summarized here in this report. This unique analysis is intended to help Canadian business executives and policy makers enhance their understanding of current market trends, the latest key performance indicators (KPI), and best practices in CRM that improve domestic and international competitiveness across industries.

<sup>†</sup> *CRM technology* is defined as CRM business processes operationalized by the structured exchange and management of information over networks using Internet architecture. These systems are also referred to as Internet business solutions. The network can be open (e.g. accessible to everyone through the World Wide Web) or closed (e.g. accessible only to employees or suppliers on a LAN or WAN).

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## Key Findings

- CRM represented \$116 billion of investment and employed 502 000 people in 2009 in Canada.<sup>†</sup>
- CRM is a value-added core business function along with logistics and product design and development, and plays a vital role in the commercialisation of manufactured goods and related services.
- Targeted advertising, market research and skills development are among the leading CRM activities used by small and medium enterprise (SME) manufacturers that successfully increased their exports of recent innovative products.
- The allocation between in-house and outsourced CRM investment by the different industry sectors has not changed significantly over the past several years.
- CRM outsourcing to service providers is forecasted to increase by 15% between 2009 and 2012, to reach \$53.4 billion.
- The highest concentration<sup>‡</sup> of CRM service providers is in large metropolitan cities as these service providers are often established near the headquarters of their large corporate clients.
- Skills development within market research, marketing and promotion, and business development has been expanding beyond domestic and traditional CRM activities to include areas such as international market entry strategies and international trade practices and regulations.
- Although CRM technology can provide firms a competitive advantage in the marketplace, there is only limited adoption across sectors regardless of firm size.
- Best-in-Class (BiC) firms<sup>§</sup> are more likely to measure the performance of their customer relationship initiatives, utilize advanced lead management solutions and collaboration tools, and implement skills development to facilitate the achievement of business goals.

<sup>†</sup> *CRM investment* includes manufacturing, wholesale, retail, logistics and transportation and finance and insurance industries. Employment includes CRM roles within those industries and the marketing services sector.

<sup>‡</sup> *Concentration* is defined as the number of CRM service providers divided by the total number of all business establishments in a geographical location.

<sup>§</sup> *Best-in-Class* firms are defined as the top 20% of North American firms benchmarked to improvement in five performance metrics: average deal size, average annual customer revenue, sales cycle time, time to quota, and sales administrative time.





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## Background

In a global economy, the ability to attract, establish, develop and retain long-term profitable relationships with customers is integral to the strategic advantage of Canadian manufacturing and services firms. Customer relationship management (CRM) is a cross-functional core process utilized by firms to deliver value through their relationships with current and potential customers. CRM strategies can involve all client-facing departments and beyond, to increase profitability and customer satisfaction.

The CRM process is a cycle of continuous improvement over time with iterative feedback and recurring input from a firm's internal and external stakeholders. The CRM cycle involves three stages: market research and marketing; business development; and customer feedback and support (Figure 1).

**Figure 1**

### Customer relationship management cycle<sup>1</sup>



### Phase I: market research and marketing

The process begins with performing market research and marketing for a product or service. Developing a concept for commercialisation and marketing is integral at this stage and can occur in concert with product design and development.<sup>†</sup> Determining potential market size while developing appropriate promotion and pricing strategies are key activities.

### Phase II: business development

Once the marketing strategy has been developed, it is implemented during the business development stage, where sales generation occurs. Key components of this stage can include effective lead, bid, quote and pipeline management; cross-selling, personalisation and order management; sales forecasting; and logistics and distribution strategy.<sup>‡</sup>

<sup>†</sup> For an in-depth look at product design and development, see Industry Canada's report entitled *State of Design: The Canadian Report 2010*, available online at: [www.ic.gc.ca/pdd](http://www.ic.gc.ca/pdd).

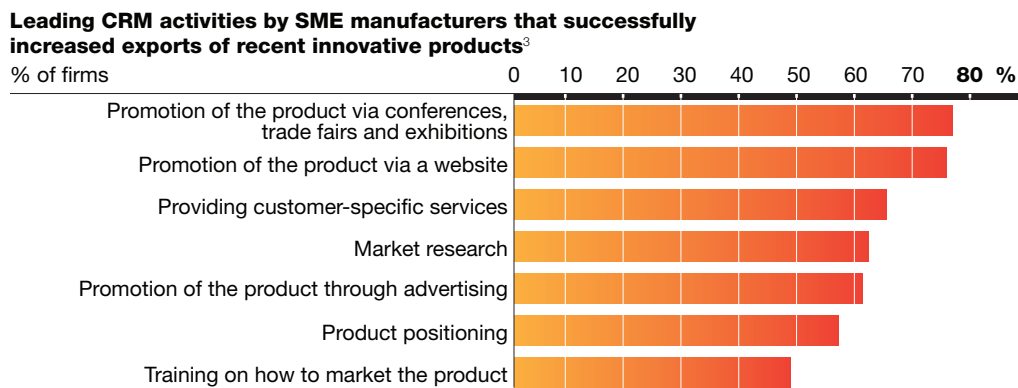
<sup>‡</sup> For an in-depth look at logistics and distribution, see Industry Canada's report entitled *State of Logistics: The Canadian Report 2008*, available online at: [www.ic.gc.ca/logistics](http://www.ic.gc.ca/logistics).

### Phase III: customer feedback and support

Finally, identifying customer satisfaction and future needs takes place during the customer feedback and support stage. This process leads to improvements and new opportunities for the next iteration of the cycle.<sup>1,2</sup>

The activities within the CRM cycle are integral for successful commercialisation. Targeted advertising, market research and skills development are among the leading CRM activities used by small and medium enterprise (SME) manufacturers<sup>†</sup> that successfully increased their exports of recent innovative products (Figure 2). In addition, those same firms were more than twice as likely to provide training on how to market the product as those SME manufacturers that were unsuccessful in increasing their exports of recent innovative products.<sup>3</sup> Further, providing customer specific services enable exporters to differentiate their global offering and increase profit margins in highly competitive markets.

**Figure 2**



Overall, Canadian manufacturers and service providers can benefit from quality and timely information on CRM trends and performance indicators. This strategic information can be used to identify best practices, develop benchmarks, and justify investment and innovation decisions for firms while helping inform policy makers of current and future industry trends and needs.

#### **This report provides insights on:**

- CRM investment by industrial sector;
- Growth forecast of CRM outsourcing;
- CRM service industry profile: geographic distribution and revenue growth;
- Skills and employment in CRM;
- Adoption of advanced CRM technologies and processes; and
- Business benefits of adopting advanced CRM technologies and processes.

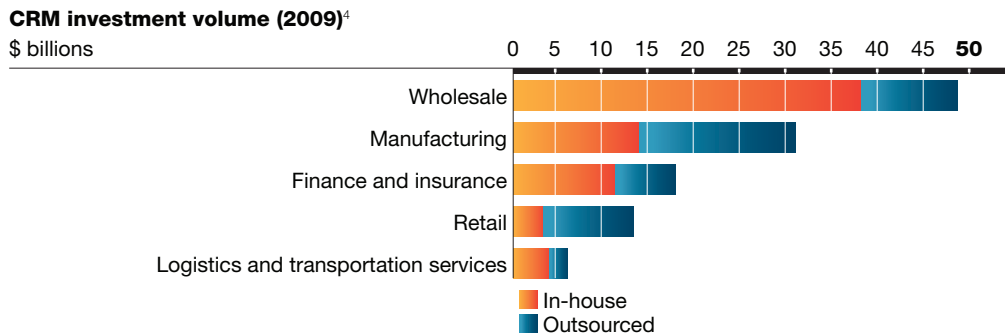
## Customer Relationship Management Investment

Firms can conduct CRM through a combination of in-house and outsourced investment. In-house CRM is defined as the internal investment a sector makes in terms of related personnel and capital in Canada, while outsourced CRM is defined as the purchase of CRM activities from service providers in Canada or abroad. A comprehensive view of CRM activity in Canada can be gained by examining investment volume combined with investment intensity. Investment volume reflects the quantity of CRM activity in a sector, while investment intensity represents the proportion of resources allocated to CRM activities.

### CRM Investment Volume

CRM investment across wholesale, manufacturing, finance and insurance, retail, and logistics and transportation services sectors was \$116 billion in 2009.<sup>†,4</sup> The wholesale sector made the largest in-house CRM investment in Canada, committing \$37.8 billion (Figure 3). This significant in-house CRM investment is due to the wholesale sector's main value-added activity of representing manufacturers' products. As such, priorities for the wholesale sector's investment include sales force development and commitment toward expanding inside sales channels.<sup>2</sup>

**Figure 3**



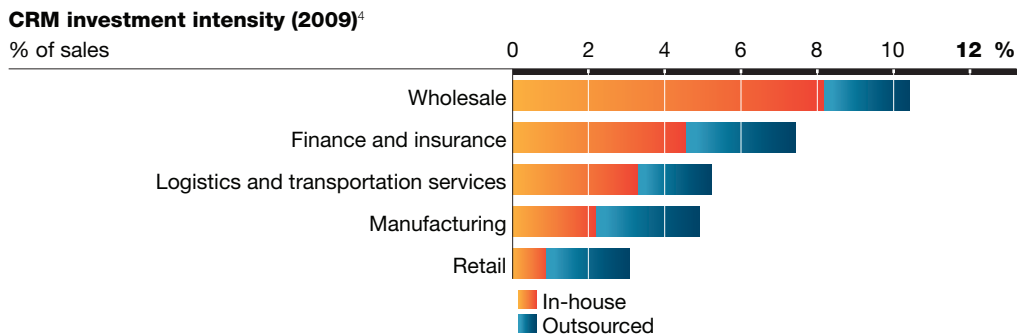
The establishment of product and brand recognition in the marketplace through advertising and promotion is a key CRM focus within the manufacturing sector. Manufacturers often rely on the specialized expertise and agility of advertising agencies to drive their marketing and promotion activities, contributing to the sector committing 56% of its CRM investment (or \$17.3 billion) toward outsourcing.<sup>2,4</sup>

<sup>†</sup> For a detailed breakdown of CRM investment volume, see Annex I.

## CRM Investment Intensity

CRM investment intensity<sup>†</sup> reflects the commitment of resources allocated to CRM activities within a sector. The variability of CRM investment intensity across sectors is influenced by different business models inherent to each sector. Again, given the business model of the wholesale industry, a larger proportion of their sales revenue is expected to be reinvested in CRM (10.3%) compared to other sectors (Figure 4).

**Figure 4**



The lower CRM investment intensity found in the retail sector is partially attributable to the considerable amount of CRM activity performed by consumer product goods (CPG) manufacturers and wholesalers promoting and supporting the products carried by retailers. The product and customer support provided to end consumers by CPG manufacturers is only part of the CPG manufacturers CRM after-sales strategy. The business-to-business (B2B) component of CPG manufacturers' after-sales support focuses on logistics and order processing and typically operates separately from the end consumer support.<sup>2</sup>

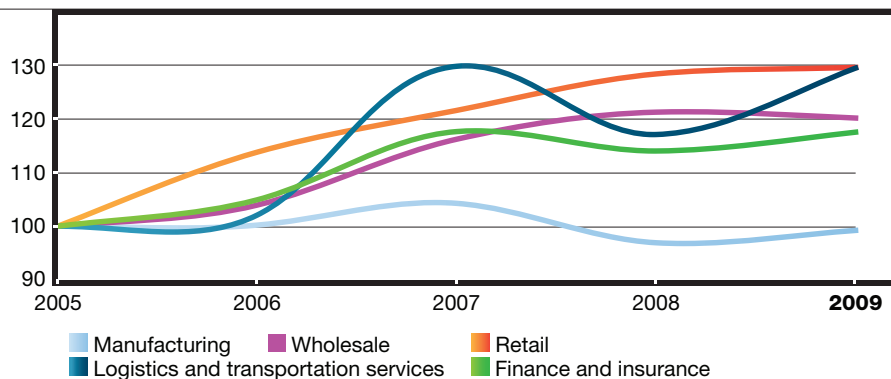
The main shift in sector rankings for investment volume versus intensity is due to the increased importance of CRM activities within the finance and insurance and the logistics and transportation services sectors, compared to the manufacturing sector. Competing within sectors in which they neither produce, represent nor sell tangible goods, the finance and insurance and the logistics and transportation services industry players focus on CRM activities to differentiate themselves from their competitors.<sup>2</sup>

## CRM Investment Trends

While the recent economic downturn affected the business plans and strategies of firms, investment in CRM has remained a priority. Across sectors, firms are increasing their focus on expanding their sales and offerings through inside channels as a means to control costs and drive short-term results.<sup>2</sup> Overall, sectors have maintained or increased their CRM investment to retain their current customers and market share (Figure 5).

**Figure 5**

**CRM investment trend<sup>1</sup>**  
Indexed, 2005 = 100

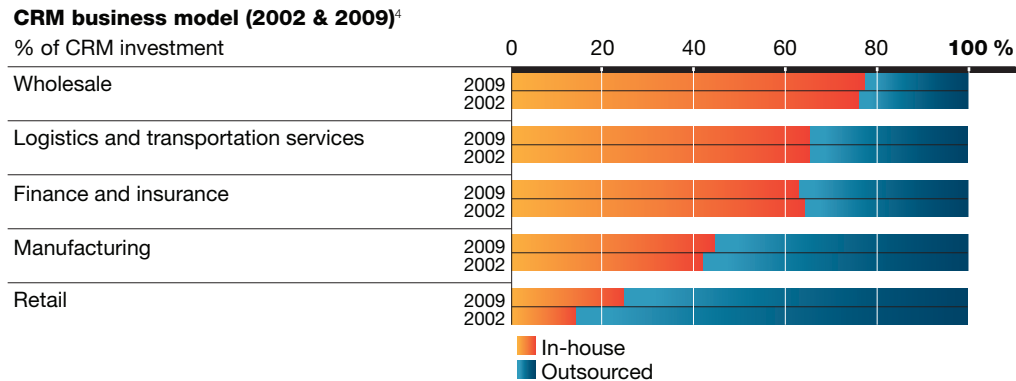


During the mid-2000s, the logistics and transportation services sector anticipated a continued era of high growth and firms invested heavily in CRM to attempt to capitalize on future business opportunities. However, the recent economic downturn left the sector with excess capacity due to volume reductions in 2008. Industry players reacted to the significant drop in volume and weak forecasts in the second half of 2008 by adjusting their internal efforts in marketing and sales force in some key segments. By mid-2009, firms cited an improvement in volume as well as growth forecasts as a driver for them to reinvest internally in CRM.<sup>2</sup>

Meanwhile, the manufacturing sector has maintained its CRM investment level over the past several years to minimize the impact of sales contraction. In particular, manufacturing firms have focused on their retention strategies while fostering growth through their existing customer base. Firms often measure the success of these efforts by tracking their market share rather than changes in sales volume, especially during periods of market fluctuations.<sup>2</sup>

Notably, the retail sector considerably increased its CRM investment by 29% between 2005 and 2009.<sup>4</sup> In addition, the retail sector increased its allocation of CRM investment by 10% toward more in-house activity between 2002 and 2009. Retail is the only sector that substantially altered its allocation of CRM investment between in-house and outsourcing over that time period (Figure 6).

**Figure 6**



A key aspect of the increase in CRM investment (both total and the in-house portion) by the retail sector has been retailers' integration of CRM activities into their business-to-business processes to improve their sales forecasting and supply chain management through collaborative planning, forecasting and replenishment (CPFR).<sup>2</sup> CPFR is an e-based system and joint long-term commitment of a retailer, logistics and transportation services provider, and a manufacturer that links point-of-sale information throughout the retailer's supply chain, enabling the retailer to increase sales and reduce both stockouts and inventory carried while improving the manufacturer's production planning.<sup>5</sup> Although large retailers originally developed the concept of CPFR, it is now being adopted across non-consumer product goods supply chains through the use of forecasting / demand planning software and advanced planning and scheduling (APS).<sup>†,6</sup>

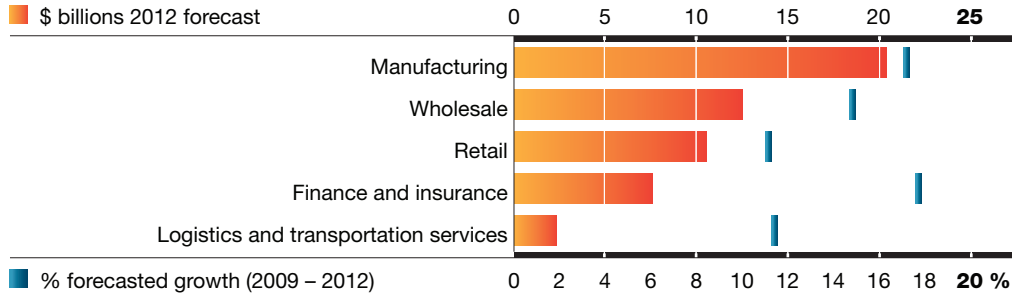
### Outsourced CRM Investment Forecast

The importance of CRM to firms' competitiveness is expected to remain strong over the next several years across sectors. In particular, the manufacturing sector is forecasted to increase its CRM outsourced investment by 17% between 2009 and 2012, resulting in the sector investing over \$20 billion in CRM through service providers in 2012 (Figure 7).

<sup>†</sup> For further information on CPFR, see Industry Canada's report entitled *State of Retail: The Canadian Report 2010*, available online at: [www.ic.gc.ca/retail](http://www.ic.gc.ca/retail).

**Figure 7**

**Forecasted outsourced CRM investment (2012) and growth (2009 – 2012)<sup>†</sup>**



In addition to the manufacturing sector, the finance and insurance sector is also expected to grow its outsourced CRM investment significantly over the next several years. A forecasted growth of 18% between 2009 and 2012 is partially attributable to finance and insurance firms aiming to capitalize on business opportunities presented by their strong position in the global market.<sup>2,7</sup>

**Customer Relationship Management Service Industry**

In a customer relationship environment that is rapidly changing due to multi-channel interactions, media fragmentation and continual market competition, firms are increasingly challenged to align their marketing, business development, and customer feedback and support strategies with evolving customer demands. Manufacturing and services firms often harness the expertise and experience of CRM service providers into their integrated multi-channel marketing and promotional campaigns, and customized customer feedback and support. In addition, CRM service providers can deliver international market knowledge enabling manufacturing and services firms to tailor their offering to the diverse cultural, social and business styles of targeted foreign markets. Overall, the CRM service industry plays a strategically important role in providing both CRM expertise and flexibility to firms throughout the CRM cycle.<sup>2</sup>

The CRM service industry includes many diverse CRM activities. For the purpose of this report, this industry can be categorized into two broad sub-sectors: marketing services and after-sales services. The marketing services sector is engaged primarily in creating, planning and delivering advertising, promotion and public relation services to clients, while the after-sales service sector is primarily engaged in providing customer feedback and support services for their clients through telephone call centres. Overall, the majority of the outsourced CRM service industry is dedicated to providing marketing services, while after-sales services are often contained within CRM users.<sup>†,8</sup>

<sup>†</sup> CRM users include manufacturing, wholesale, logistics and transportation, retail, and finance and insurance industries.

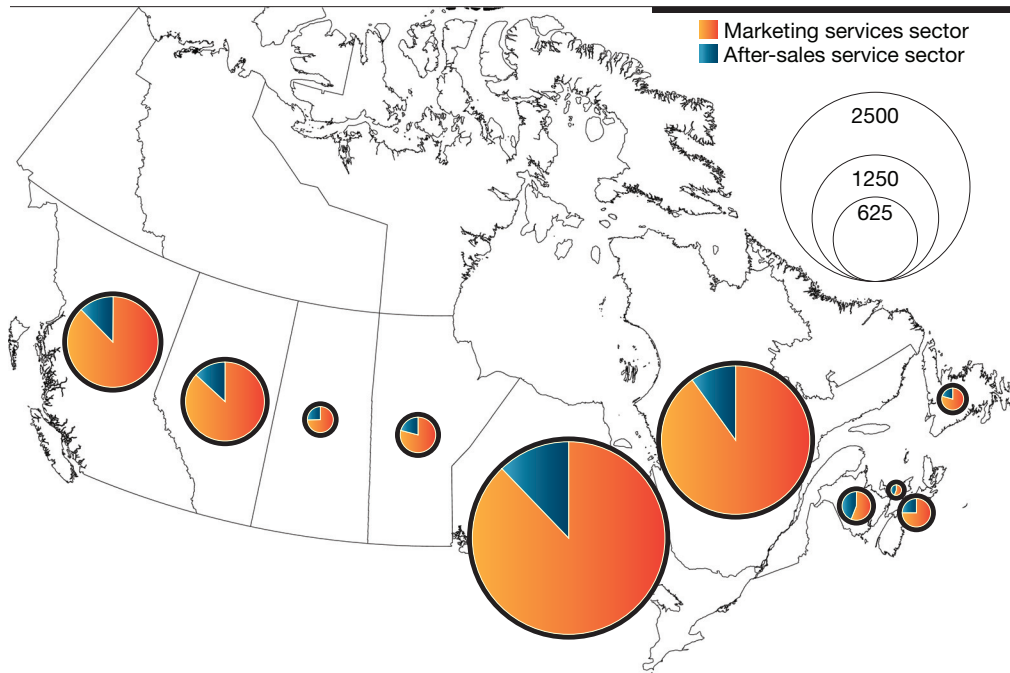


## Geographic Concentration of CRM

In 2008, the majority of CRM service providers were located in central and western Canada with approximately 2 900 firms in Ontario, 1 800 in Quebec, 800 in British Columbia, and 600 in Alberta.<sup>8</sup> The proportion of after-sales service providers compared to marketing services providers is significantly higher in Atlantic Canada (Figure 8).

**Figure 8**

**Geographic distribution of CRM service providers<sup>8</sup>**



The highest concentration<sup>†</sup> of CRM service providers were in large metropolitan cities as these service providers are often established near the headquarters of their large corporate clients. The three most CRM concentrated regions were Montréal, Toronto, and Québec City, all of which have strong CRM communities.<sup>2,8</sup>

## Marketing Services Sector Profile

Specific capabilities within the marketing services sector include creative development, art direction, copy writing, market research, media production and digital programming. Traditional areas of outsourcing have included advertisement and promotional campaigns, as these activities require particular expertise often not available in-house. While key aspects of marketing initiatives can be sourced through service providers, firms can also benefit from some degree of in-house marketing capacity. Integrating customer-specific knowledge along with firm-specific branding and goals into marketing strategies and initiatives are responsibilities typically found within firms at the executive level.<sup>2</sup>

<sup>†</sup> *Concentration* is defined as the number of CRM service providers divided by the total number of all business establishments in a geographical location.

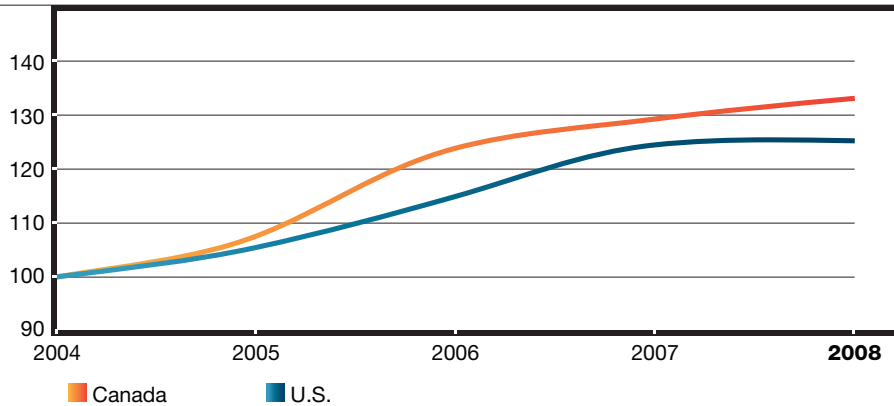


The Canadian marketing services sector operates mainly in the domestic market, with 94% of revenue generated in 2008 from Canadian clients. The sector has experienced significant growth over the past several years. In fact, marketing services sector revenue grew 32% between 2004 and 2008, outpacing the revenue growth of its U.S. counterpart (Figure 9). During this period of high revenue growth, the sector successfully maintained consistent profit margins.<sup>9</sup>

**Figure 9**

**Marketing services sector revenue growth<sup>9</sup>**

Indexed, 2004 = 100

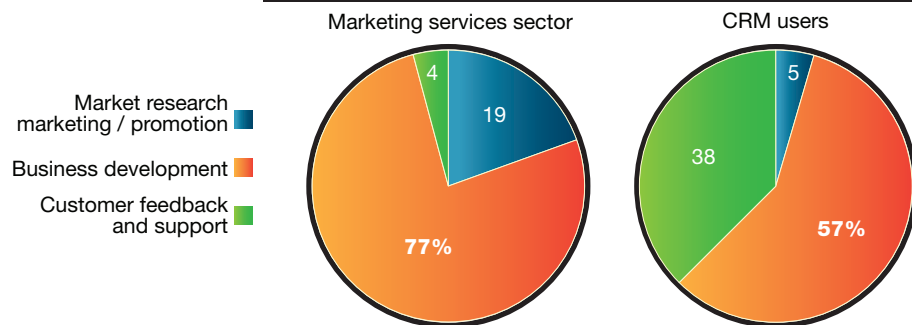


**Customer Relationship Management Employment and Skills**

The CRM process requires a diverse set of skills throughout its three stages. Approximately 502 000 people are employed in CRM occupations within CRM users and the marketing services sector.<sup>10</sup> When employment is assessed by CRM function, business development positions occupy the greatest share for both CRM users and the marketing services sector. Market research and marketing positions are more concentrated within the marketing services providers, while CRM users have a larger proportion of customer feedback and support positions within their organizations (Figure 10).

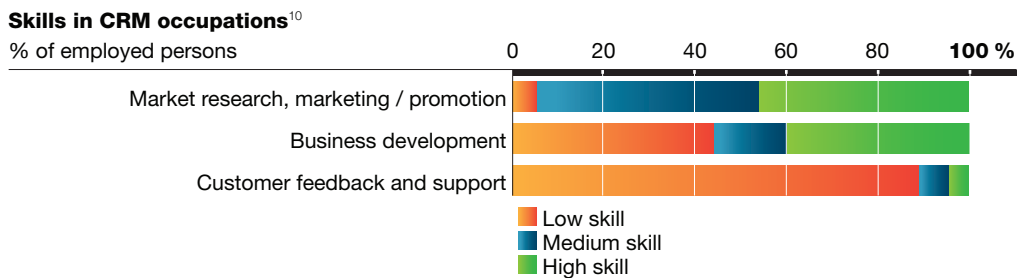
**Figure 10**

**Employment by CRM function<sup>10</sup>**



Skill requirements within the CRM process vary among the major business functions. The majority of positions within market research and marketing / promotion, as well as business development have medium to high skill requirements (Figure 11).<sup>†</sup> The training focus for market research, marketing and promotion, and business development has been expanding beyond domestic and traditional CRM activities. Specific areas of emerging skill development include geographic-specific marketing, international market entry strategies, integration of domestic and international trade practices and regulations (i.e. intellectual property, competition and anti-trust laws, etc.), and global supply chain management.<sup>11</sup>

**Figure 11**



Conversely, roles within the customer feedback and support business function are more operationally focused.<sup>10</sup> Specific training within this business function varies according to the clientele — industrial / commercial or end consumer. The focus for industrial / commercial customer feedback and support skills development includes logistics and distribution knowledge to respond to replenishment queries.<sup>2</sup> End consumer feedback and support training includes multi-channel communication, language skills development and conflict resolution.<sup>12</sup>

## Customer Relationship Management Innovation

To efficiently and effectively respond to rapid changes in customer demand, firms must have access to timely and accurate information regarding their current and potential customers. The integration of CRM technology<sup>‡</sup> into a greater CRM strategy provides firms with appropriate tools to respond to this challenge. For the purposes of this report, CRM technology includes the ability to:

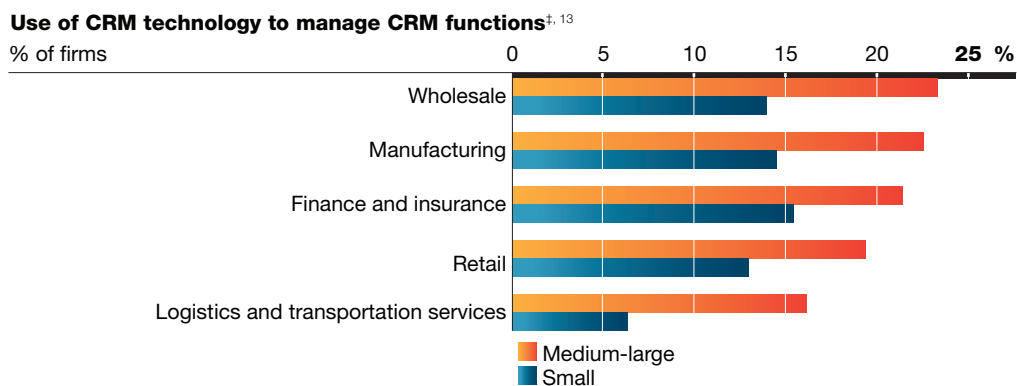
- Collect customer (or visitor) information online to build a customer (or visitor) database;
- Provide users with the ability to customize the information they see when entering the CRM system;
- Provide online after-sales support for customers; and
- Automatically link to back-end systems within own organization, to customers' systems and to suppliers' systems.

<sup>†</sup> *High skill* is defined as occupations usually requiring university education, *medium skill* occupations usually require college education or apprenticeship training, and *low skill* occupations usually require secondary-school and / or occupation-specific training.

<sup>‡</sup> *CRM technology* is defined as CRM business processes operationalized by the structured exchange and management of information over networks using internet architecture. These systems are also referred to as Internet business solutions. The network can be open (e.g. accessible to everyone through the World Wide Web) or closed (e.g. accessible only to employees or suppliers on a LAN or WAN).

Although adoption of CRM technology across sectors has been limited (Figure 12)<sup>†</sup>, these abilities can provide firms a competitive advantage in the marketplace. For example, the ability to recommend appropriate products to customers can increase the likelihood of a sale. Through proper customer data analysis based not only on their buying patterns but also the patterns of other customers, firms can improve the effectiveness of product recommendations. Providing the customer with the ability to customize information in a CRM system likely increases their sense of ownership over the customer-supplier relationship and thereby increases customer loyalty as well.<sup>2</sup>

**Figure 12**



CRM technology has the potential to enhance business operations throughout the sales cycle. The load on service personnel can be reduced through online after-sales support — enabling customers to access information themselves, while also automating numerous customer support procedures. As well, the automatic communication of data and information between customer-facing groups, back-end operations and a firm's global value chain presents numerous leveraging opportunities across sectors.<sup>2</sup>

As a firm's business grows, so does the complexity of effectively managing its relationships with customers. Providing a consistent, timely, customer-specific message becomes increasingly challenging as a firm expands to provide products and / or services across multiple channels (in-person, telephone, and online) to numerous customers. Thus, larger firms are more likely to be well positioned to identify business benefits of incorporating CRM technology into their CRM strategies, and ultimately have a greater adoption rate of CRM technology.<sup>2</sup>

In general, of the firms that have adopted CRM technology to manage their CRM functions, the focus has been primarily on gathering customer information and providing online after-sales support.<sup>13</sup> Within retail, the use of centralized customer and inventory data in CRM systems enables decision makers to introduce optimized initiatives that have an impact on the bottom line. Proper data management allows firms to not only use information to guide future initiatives but also to measure the effectiveness of current loyalty efforts and track the success of up-sells and cross-sells.<sup>2</sup>

<sup>†</sup> For a detailed breakdown of CRM technology adoption, see Annex I.

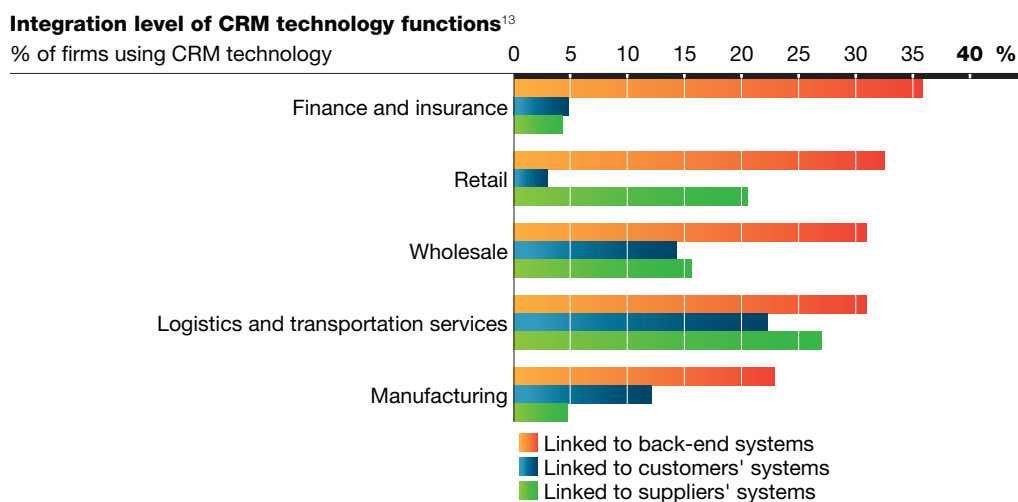
<sup>‡</sup> *Small* = 1-19 employees, *Medium-large* = 20+.

The importance of cross-selling — and ultimately CRM adoption — has been growing within the finance and insurance sector, partly due to the expanding insurance marketplace that now includes investment products provided by traditional insurance firms.<sup>14</sup> Also, the finance and insurance sector’s end users are now likely to engage a firm through multiple channels, which creates the need for a single, real-time source of customer data.<sup>2</sup>

### Global Value Chain Integration of CRM Technology

One particular focus of firms that have adopted CRM technology has been to link CRM functions to their back-end systems and to suppliers’ and customers’ systems as well. The integration focus of CRM technology to customers’ and suppliers’ systems varies among the industry sectors and by the nature of firms’ relationships with inbound and outbound supply chain partners (Figure 13). Understandably, customer integration is minimal in retail and finance and insurance, as the “customer” is typically the end consumer.

**Figure 13**



Notably, the manufacturing sector is not one of the most likely sectors to link their CRM technology to their suppliers’ systems as manufacturers have a tendency to focus more on production related technology.<sup>2,13</sup> However, with the growing trend to better respond to industrial and consumer needs, manufacturers’ adoption rates of linking CRM technology to their supply chain partners are expected to rise as the importance of supply chain visibility increases.<sup>2</sup>

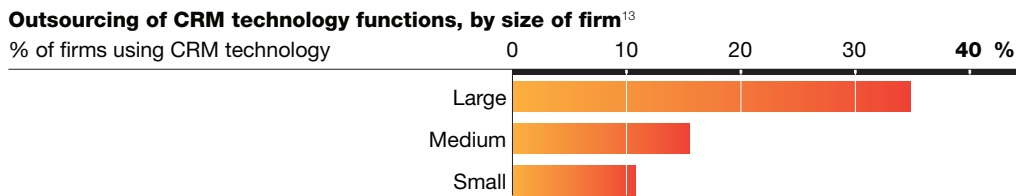
The business benefits and drivers for firms to link their CRM technology to supply chain partners vary by sector. For example, increased CRM integration provides manufacturers better supply chain visibility to adjust production schedules to changes in customer demand, and facilitates corporate responsibility processes such as product recall and public safety. Meanwhile, retailers integrate their CRM technology with their suppliers’ systems to better manage lead times for

product delivery, aiming to reduce both stockouts and inventory carrying costs. Logistics and transportation services providers integrate their CRM technology systems with their suppliers to focus on optimizing fulfillment strategies while lowering their total cost of distribution.<sup>2</sup>

### Outsourcing CRM Technology Functions

The outsourcing of CRM technology involves a firm using a service provider — commonly referred to as an application service provider (ASP) — to manage marketing and customer relations functions that are implemented using information and communication technologies. The majority of firms utilizing CRM technology to manage their customer relations do so through in-house resources. However, of firms using CRM technology, large† firms are more than twice as likely as medium or small firms to outsource some of their CRM technology functions (Figure 14).

**Figure 14**



As the ASP outsourcing model requires advanced in-house CRM applications that are mainly used by larger firms, it is expected that large firms are more likely to outsource some of their CRM technology functions. The ASP model focuses on integrated contact and lead tracking, sales and pipeline management, support ticket and service management, and technical support management. These advanced CRM applications are designed for and best support multi-site / multi-country and complex sales force operations, mainly present in larger firms.<sup>2</sup>

The amount of outsourcing of CRM technology functions varies by industry sector. The finance and insurance sector has added security concerns due to the large amount of personal information that is contained within customer files, which contributes to the limited amount of outsourcing performed within the sector. Meanwhile, with the increased need to develop CPFR supply chain platforms, retail and wholesale firms have the highest rate of outsourcing CRM technology functions.<sup>2,13</sup>

† **Small** = 1-19 employees, **Medium** = 20-99 (in services), 20 to 499 (in manufacturing), **Large** = 100+ (in services), 500+ (in manufacturing).

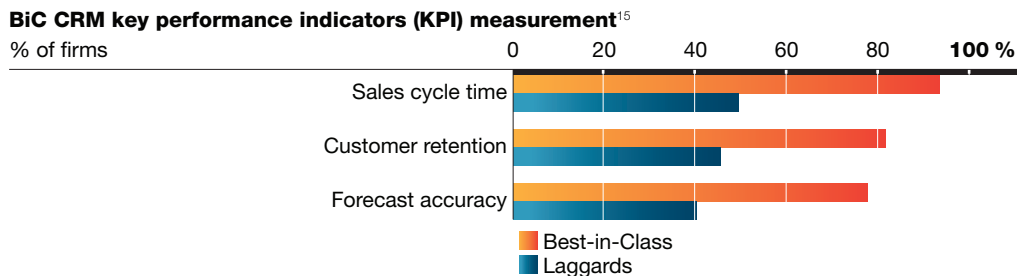
## Best-in-Class Analysis

This section examines how Best-in-Class (BiC) firms compare to Laggards regarding their use of performance measurement in CRM, their CRM organizational and knowledge processes along with their CRM business development technology adoption. BiC firms are defined as North American businesses that achieve positive results in five key year-over-year performance criteria: average deal size, average annual customer revenue, sales cycle time, time to quota, and sales administration time. BiC firms represent those North American businesses that constitute the top 20% of aggregate performance scorers while the Laggards constitute the bottom 30%.<sup>15</sup>

### CRM Performance Measurement

Tracking performance such as sales cycle time, customer retention and forecast accuracy provides BiC firms with the ability to promptly identify issues in their CRM process and take any necessary action (Figure 15). Key performance indicator (KPI) measurement also allows BiC firms to monitor progress of their customer relations initiatives and their return on investment (ROI) in CRM on an ongoing basis. Furthermore, once performance is being measured a firm can set performance targets — a key link between strategy and day-to-day operations.<sup>15</sup>

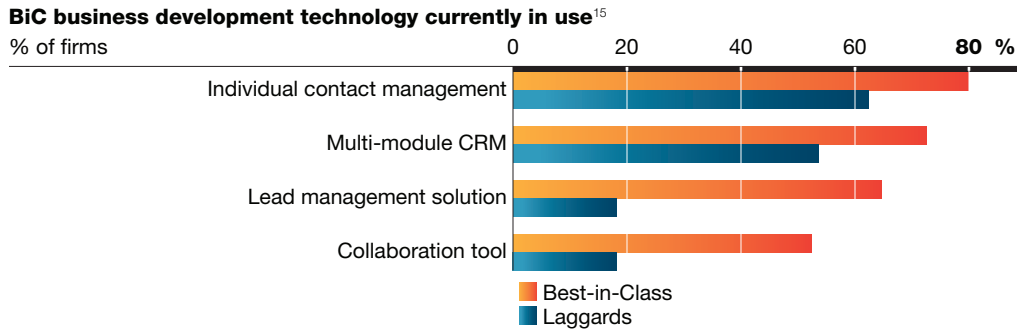
**Figure 15**



### CRM Business Development Technology Adoption

The adoption of business development technology beyond individual contact management and multi-module CRM distinguishes BiC firms. Enabling sales forces to benefit from a structured method of sourcing new business is a key BiC strategy. For example, employing a well thought-out approach to manage leads allows sales teams to efficiently pursue business opportunities and decrease sales cycle times. In particular, BiC firms are more than twice as likely to utilize lead management solutions and CRM collaboration tools (Figure 16).

**Figure 16**



**CRM Organizational and Knowledge Processes**

BiC firms not only excel in CRM performance measurement and technology adoption but also share similar priorities and excellence in their process, organizational, and knowledge management (Figure 17). The advancement of web-based business opportunities has increased the likelihood that a customer will have multiple touch points with a supplier: with the customer able to interact with the supplier often either in-person, over the phone, or online, the importance of creating a single source of up-to-date customer data is emphasized. Leveraged use of centralized customer and inventory data in CRM systems enables firms to optimize initiatives that impact the bottom line through sales force optimization, increased predictability of revenue flows, customized service for customers, reduced unnecessary discounting, maximized profitable customer loyalty, and reduction in customer acquisition / retention and recovery costs.<sup>15</sup>

**Figure 17**



The use of a formalized sales process increases the chances of a sale by ensuring that the customer is presented a consistent message along established timelines. Having dedicated sales support resources enables a sales force to commit more time to selling rather than administrative needs. Finally, BiC firms are 2.5 times more likely than laggards to utilize skills development to drive their competitiveness.<sup>15</sup>

## Final Remarks

CRM plays a vital role in the commercialisation of manufactured goods and services. It is a critical process utilized by firms to manage and develop their relationships with current and potential customers. To maximize benefits from innovative CRM processes and activities, individual firms should develop their own specific business cases and action plans consisting of a long-term vision, KPIs, return on investment targets and project time frames.

Overall, the CRM process is an integral business function both within CRM users and their service providers employing 502 000 workers and accounting for \$116 billion in investment in the manufacturing, wholesale, retail, finance and insurance, and logistics and transportation sectors.

The BiC analysis identifies specific CRM processes including skills development, innovation, technology adoption and KPI measurements implemented by BiC firms. BiC firms distinguish themselves by improving average deal size, average annual customer revenue, sales cycle time, time to quota, and sales administration time.

The findings in this report present important linkages between commercialisation, investment in CRM, innovation, skills development, and resulting business benefits. These connections can help inform a continued dialogue across businesses, governments and academia. This report also sets the stage for those interested in commercialisation and CRM trends to pursue new research and analysis opportunities. ■



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## Annex I – Tables

### CRM Investment<sup>4</sup>

#### 2009 CRM Investment Volume (\$ billions)

	In-house	Outsourced	Total
Wholesale	37.85	10.80	48.65
Manufacturing	13.71	17.27	30.97
Finance and insurance	11.19	6.55	17.73
Retail	3.19	9.68	12.87
Logistics and transportation services	3.93	2.08	6.01
Total CRM Users	69.86	46.38	116.24

#### 2009 CRM Investment Intensity (% of sales)

	In-house	Outsourced	Total
Wholesale	8.0%	2.3%	10.3%
Finance and insurance	4.6%	2.7%	7.3%
Logistics and transportation services	3.4%	1.8%	5.1%
Manufacturing	2.1%	2.7%	4.8%
Retail	0.7%	2.3%	3.0%
Total CRM Users	3.7%	2.4%	6.1%

## CRM Technology Adoption<sup>13</sup>

### Use of CRM technology to manage CRM functions (% of firms)<sup>†</sup>

	Small	Medium-large
Wholesale	14%	24%
Manufacturing	15%	23%
Finance and insurance	16%	22%
Retail	13%	20%
Logistics and transportation services	6%	16%

### Use of CRM technology to collect customer or visitor information online to build a customer or visitor database (% of firms)<sup>†</sup>

	Small	Medium-large
Finance and insurance	10%	17%
Manufacturing	10%	16%
Retail	9%	15%
Wholesale	10%	15%
Logistics and transportation services	4%	14%

### Use of CRM technology to provide users with the ability to customize the information they see when entering the system (% of firms)<sup>†</sup>

	Small	Medium-large
Finance and insurance	5%	14%
Wholesale	4%	9%
Logistics and transportation services	2%	7%
Retail	3%	7%
Manufacturing	3%	6%

**Use of CRM technology to provide online after-sales support for customers  
(% of firms)<sup>†</sup>**

	Small	Medium-large
Wholesale	9%	15%
Finance and insurance	10%	11%
Manufacturing	8%	11%
Retail	5%	10%
Logistics and transportation services	3%	8%

**Integration level of CRM technology functions  
(% of firms using CRM technology)**

	Linked to back-end systems	Linked to customers' systems	Linked to suppliers' systems
Finance and insurance	36%	5%	4%
Retail	33%	3%	21%
Wholesale	32%	15%	16%
Logistics and transportation services	31%	23%	27%
Manufacturing	23%	12%	5%

<sup>†</sup> *Small* = 1-19 employees, *Medium-large* = 20+.

**Outsourcing of CRM technology functions  
(% of firms using CRM technology)**

	Small <sup>†</sup>	Medium-large <sup>†</sup>	
Retail	12%	21%	
Wholesale	13%	19%	
Manufacturing	13%	12%	
Finance and insurance	7%	6%	
Logistics and transportation services	2%	5%	
	Small <sup>‡</sup>	Medium <sup>‡</sup>	Large <sup>‡</sup>
Private sector	11%	15%	35%

<sup>†</sup> *Small* = 1-19 employees, *Medium-large* = 20+.

<sup>‡</sup> *Small* = 1-19 employees, *Medium* = 20-99 (in services), 20 to 499 (in manufacturing), *Large* = 100+ (in services), 500+ (in manufacturing).

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## Annex II – Definitions

**Collaboration tool:** technology-based system or method to automate information sharing between groups to generate business development presentations, tenders and proposals.

**Cross-selling:** a business development technique in which certain additional products are recommended based on what a customer is purchasing.

**Forecasting / demand planning software and advanced planning and scheduling (APS):** management practices and technology that optimize production plans and schedules to meet demand based on available materials, labour and plant capacity.

**Individual contact management:** sales automation tools enabling individuals to manage contacts, leads, business opportunities, and account information.

**Lead management solution:** technology-based system or process to structure how a firm sources new business. It also coordinates and tracks past interactions and communications with leads, helping the leads to move through the pipeline faster and ultimately reducing sales cycle time. The system also enables a firm to track and forecast business development leads.

**Multi-module CRM:** technology tools that provide a system of record for all customer interactions utilized by all customer facing groups to provide an organization a comprehensive and uniform perspective of current and potential customers.

**Sales cycle time:** time between the first contact with a client or customer and the sale.

**Stockout:** a situation where demand for an item cannot be fulfilled from the current (on-hand) inventory.

**Up-selling:** closing a sale that is more profitable or otherwise preferable for the seller instead of the original sale.



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