

Benefits of Customer Lifecycle Management (CLM)

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Customer Lifecycle Management, or CLM, is often misunderstood to be the same principle idea as Customer Relationship Management, or CRM. Customer Lifecycle Management, however, has a key difference from CRM - the added factor of time. A fast approach & very brief definition of CLM is simply the measurement of your CRM program's success over time - providing you have CLM metrics from before and after your CRM implementation.

Approaching CLM must be done slowly, as there are a lot of different facets to consider when trying placing the term into its full perspective. Managing the Customer Lifecycle has many different metrics which need to be taken into account, but the overall theme of CLM properties is time. Your entire customer lifecycle must be properly measured throughout its duration, and can be examined on an individual customer or against a mean average. This includes things like purchase history, which includes regency frequency and quantity; gross amount of money spent on acquiring and retaining the customer through marketing dollars, resources spent generating each sale, as well as post sales service and support; and the duration or longevity of that customer's relationship with your business.



Table of Contents

- 1.0 Introduction 3
- 2.0 Which Comes First 3
 - 2.1 CRM 3
 - 2.2 CLM 4
- 3.0 Measuring CLM Success 4
- 4.0 The End Goal - What It All Means to Me 5
- 5.0 Contact Us 7
- 6.0 More Information 7

1.0 Introduction

Customer Lifecycle Management, or CLM, is often misunderstood to be the same principle idea as Customer Relationship Management, or CRM. Customer Lifecycle Management, however, has a key difference from CRM - the added factor of time. A fast approach & very brief definition of CLM is simply the measurement of your CRM program's success over time - providing you have CLM metrics from before and after your CRM implementation.

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The end result of all these metrics will likely show you what you've been told many times before - a customer costs far more to acquire than it does to retain. This is the idea behind CLM - managing your customer lifecycles to maximize customer retention and profitability rates. This key concept of CLM through CRM practices can be the difference between your small business succeeding or not, as every organization's most important assets are its customers.

In this white paper, we'll explore some key factors that tie CLM and CRM together - and others which set them apart. The importance of understanding the principles of CLM and how it can have a huge positive impact on your small business will also be discussed; along with steps you can take to make sure your business thrives with its CLM and CRM initiatives well into the future.

2.0 Which Comes First

A good start to understanding CLM is trying to understand where it fits in with the overall vision of CRM. Do you need to have CLM before you can benefit from CRM? Or is it CRM that you first need to understand before embarking on discovering true CLM? Well, the answer is in fact neither - CLM and CRM can both operate simultaneously and independently of one another. Let's explain:

2.1 CRM

Customer Relationship Management is the overall corporate philosophy of managing your relationship with each customer in order to provide a better overall customer experience. CRM, however, can wane in and out and be selective, practicing on some customers but not others. It can also be a practice of one department but not others, fluctuating at all the contact points within the organization. Perhaps you're practicing CRM with a few of your biggest clients, because they are worth exponentially more than all

your other customers combined. Whatever the reason, CRM can be selective and not at all static, as it's more of a practice than a measurement.

2.2 CLM

Customer Lifecycle Management however is a static entity, and is more based upon a single measurement (which incorporates multiple metrics) than a philosophy. Without practicing CRM whatsoever, a company can take various measurements of its customer lifecycles and find ways to improve, or 'manage' them better. CLM is also non-departmental, in that it by definition incorporates all interactions with the customer throughout that customer's life. The other key facet of differentiation between CRM and CLM is the element of time. CLM is always a measurement over time, whereas CRM can be an act at one particular contact point with the customer.

That being said, in an overall environment of CLM success, there is a basic formula of understanding for success:

Fostering an environment of CRM within your company will bring about a positive change in your CLM metrics. The CLM metrics can then be applied to measure the Return on Investment (ROI) of your CRM implementation.

While that seems circular and possibly confusing, it's rather simple when broken down. Taking a measurement, even if it's quick and not as accurate as it could be, of what your Customer Lifecycles are like prior to a CRM implementation, then taking a CLM measurement after your CRM implementation, will show you a rough percentage of change, which will then help you evaluate your CRM success. So just how do you take that measurement?

3.0 Measuring CLM Success

Measuring your gross change in customer lifecycles can be as complex or as simple as you like, depending on what type of accuracy you need. In some cases it can take years, even decades to get all the metrics measured and compared - in others it can be done in 6 months. It all depends on the type of business you're running, and for most small businesses the simpler, the better.

First, you need to segment your customer database into as many variables as you want to measure. The most important thing to remember when determining how to segment your customer database is that time is the most crucial factor in CLM measurements - so none of your segmentations should be one-time transactions, other than as a starting point to measure positive CLM success from. Separating your customer database into various groups such as repeat purchasers over time, frequency of those repeating purchasers, overall life span of each customer (first transaction to most recent) and more will all play a role in helping you better understand the state that your CLM success is at currently. Once you have these measurements taken, isolated and secured in a data silo which won't be removed after your CRM implementation, it's time to get that CRM practice up and running!

Now is the tricky part - sitting on your hands and waiting. You didn't think this would happen instantly did you? You've implemented a complex philosophy of practicing corporate CRM, augmented by a powerful hosted CRM software solution which meets the needs of your front and back office employees. Now you need to wait to see how your CRM philosophy effects your CLM measurements over a period of time. The only rule to how long you must wait before taking this measurement is that it cannot be sooner than the frequency with which the top 10% of your repeat purchasers have made purchases from your company. For preliminary results, measurements also should begin no later than the time lapse between purchases for your slowest repeat purchasers, though CLM measurements can continue throughout the lifetime of your business for continuous results, which can show new windows of opportunity to positively change your CLM metrics.

Now you compare the CLM measurements from before and after your CRM implementation. Did your customers purchase more frequently, more recently? Did they have larger overall transactions? Were they less costly to your business in terms of service and support? Did they respond better to marketing initiatives? Has your Total cost of Acquisition per customer shrunk, or grown? These are all questions to start asking yourself, after which you should get a fairly accurate idea of the ROI your CRM implementation is generating for your business. Most hosted CRM initiatives start generating positive ROI within 6 months of implementation - many even faster than that, so you should have a good idea if your CRM philosophy and CRM provider's solutions are a good fit to your particular business and customers.

4.0 The End Goal - What It All Means to Me

What CLM can mean to each business is as varied as businesses are themselves, but the act of measuring your customers throughout their lifecycles is the common denominator. CLM is an important facet of your business, and helps keep you focused on the big picture - spending money now on a hosted CRM package, or extra support for problem customers, or any other customer-orientated initiative can pay dividends if you're focused on the entire customer lifecycle. Every satisfied customer can make and save you tons of revenues that may have been otherwise spent on acquiring new customers or coaxing more purchases out of existing ones. Word-of-Mouth is the cheapest and most efficient form of marketing your business can invest in, so making sure your customer's are satisfied should be your number one priority. A good CRM strategy and software solution to reinforce it is the best way to achieve this goal. But keeping focused on the long-term effects of these solutions is what your business, small or large, should keep in mind every day. Customers don't become more profitable overnight with your new software solution - they require more pampering and attention before your full ROI, or more importantly, ROC (Return on Customer) can be realized.

CLM is a complex set of measurements taken over time to fully understand how your customer lifecycles work, and learn ways to improve them to make them more profitable. You won't understand all the complexities of CLM as it relates to your business until you more fully understand the actual lifecycles of your individual customers - the nuances that set your customers apart from your competitions, and the

nuances of your business that draws those particular customers back to you time and time again. And after you start to understand these things more and more over time, you'll begin to devise new and creative ways to maximize your CLM success, one customer at a time through a properly devised CRM solution.

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6.0 More Information

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