
Software review

Using a business case to secure the gestation of an analytical CRM project

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Abstract In the author's experience few analytical customer relationship management (CRM) projects ever see light of the day. One of the key causes is that the project advocates do not understand the central role of a solid business case and senior management engagement in the gestation process. This paper describes how a solid business case was used to drive the creation of a successful analytical CRM project and facilitate senior management engagement. As an added benefit the business case development process enabled the project team to identify key capabilities that could be used to materially differentiate the technology vendors.

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INTRODUCTION

I often get asked how you drive an analytical customer relationship management (CRM) project to gestation in a typical slow moving organisation. My first reply is often — move to another more dynamic organisation. If that is not an option, then building a solid business case and using that as a tool to build senior management commitment to the project is probably the next best thing.

The following paper illustrates how a business case can be developed and used to secure the deployment of an analytical CRM project.

It is based on a US telecommunications company. The client has asked that we modify the details to prevent any

confidential information from being released.

BACKGROUND

The original opportunity surfaced as a need for a CRM solution. With little real understanding of the potential costs the client decided to issue an RFI (Request for Information) for a comprehensive CRM solution. This RFI was completed by a number of vendors and high-level capabilities and costs determined. The project outline was then surfaced at the board level and rejected on the grounds of overall costs. The CIO agreed with the board that a smaller focused analytical CRM project should be initiated.

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The analytical CRM project covered the following:

- Design and build of a marketing data mart.
- The deployment of an analytical CRM technology covering
 - Data mining
 - Campaign management
 - Reporting.
- Integration of this environment with the appropriate communication delivery channels, these included:
 - Direct mail
 - Email
 - Statement inserting
 - Statement messaging
 - Telemarketing (Outbound).
- Process changes required to exploit the environment.

DEVELOPMENT PROCESS

The information gathered from the original RFI was used to define business and technical requirements for the analytical CRM solution. An RFP (Request for Proposal) was then issued to five vendors after initial screening using data from the CRM RFI.

VALIDATE PROJECT VIABILITY

After the aborted CRM project started the project team was very worried that the analytical CRM project would go the same way. So a small team was put together to qualify and validate the viability of the project. This core sales team consisted of the following:

- Project Manager;
- Business sponsor;
- analytical CRM domain expert with knowledge of the telecommunications industry;
- financial analyst with experience in developing business cases for technology solutions.

After reviewing the documents and background on the scaled-down project the project team's assessment was that there was real business opportunity to create business value and that the technology vendors solution fit was good.

The project team was then expanded to include:

- Technology specialist(s)
- Technical architect
- Business domain experts.

The enhanced project team then issued the RFP and engaged in the evaluation process. The following were the key stages:

- Initial solution presentation by vendors;
- Technical architecture review with the vendor and internal IT team;
- Discussions on project phasing and delivery;
- Preparation of outline project plan and resource requirements;
- Vendor shortlisting;

(At this stage two main vendors were shortlisted)

- Final vendor presentation.

In parallel with this process the core project team had started building the business case and engaging with the business.

BUSINESS CASE DEVELOPMENT

It was agreed early on in the process that the development of the business case would provide a valuable tool during the project development cycle and subsequent project delivery.

The financial analyst and the domain expert had determined that the proposed solution would provide business benefits in the following areas:

- Increase operating income due to:
- Automating the marketing campaign process

- Better business intelligence
- Capability to run new types of campaigns
- Analytical insight — ability to better target marketing activities.

Reduction of operating costs due to:

- Improvements in data quality.

A full business case document was prepared.

A range of data sources were used including:

- Corporate web site
- RFI and RFP documents
- Corporate financial reports
- Industry data
- Experience of the business domain expert.

BUSINESS BENEFITS

The following section describes the business benefits in more detail.

Automating the marketing campaign process

The campaign management component of the solution would allow the client to automate many of the existing campaigns. A campaign summary was prepared using information provided in the RFP and discussions with the client campaign manager(s).

The business case assumed improvements in the following areas:

- additional cross sell campaigns;
- improvement in average conversion rate for retention and win back campaigns.

These improvements highlighted specific capabilities that would be required that were only present in one of the vendor solutions. This fact helped with the shortlisting process.

These capabilities included:

- Global contact rules
- Campaign prioritisation
- Access to disparate data sources.

Better business intelligence

The business intelligence component of the solution would provide better ability to monitor campaign performance. This would allow the client to refine campaigns through the resulting learnings.

The business case assumed improvements in the following area:

- Current campaign response rates.

These improvements highlighted specific capabilities in one solution, not supported by the other vendor. These included:

- Response management
- Campaign performance forecasting
- Extensive reporting capabilities
- Access to disparate data sources
 - contact, promotional, response and order fulfillment data required for daily marketing performance reporting.

Capability to run new types of campaigns

The campaign management component of the solution would allow the client to run campaigns that the current solution could not support.

The business case assumed improvements in the following area:

- Ability to run new campaign types.

These improvements highlighted specific capabilities in one solution, not supported by the other vendor. These included:

- support for automated event/trigger-based campaigns;
- support for multi-channel multi-stage campaigns.

Analytical insight – Ability to better target marketing activities

The data mining and campaign management components of the solution would allow the client to better target the marketing communications. This would result in improved response rates and above average response rates for the new campaigns.

The business case assumed improvements in the following area:

- Response rates for current campaigns.

These improvements highlighted specific capabilities in the solution, not supported by both vendors. These included:

- support for complex data mining;
- flexible data mining environment;
- support for integration of the results of the data mining process into reporting and campaign management environments.

Improvements in data quality

The data quality and Extract Transform (ETL) components of the solution would allow the client to significantly improve the quality of the data used by the campaign management, data mining and reporting components of the solution.

The business case assumed improvements in the following area:

- Reduction in data quality errors.

In this case, one of the vendors had limited or no capabilities in this area.

So the development of the detailed business case also helped the evaluation team identify key capabilities that could be used to differentiate the technology vendors.

FINANCIAL SUMMARY

The results of the individual benefits areas were combined with costs data to produce the Investment analysis.

This summary included:

- Profit and loss (five years)
- ROI calculation
- Payback period
- NPV at 9 per cent weighted average cost of capital
- Monthly cost of delaying the project by one month.

Impact on client financial statements

- Annual increase in revenue (steady-state)
- Annual increase in operating income (steady-state)
- Common shares outstanding
- Recent market capitalisation
- Increase in market capitalisation
- Recent share price
- Increase in share price
- Percent improvement in share price.

SENIOR MANAGEMENT ENGAGEMENT PROCESS

A template for the business case was created by the domain expert and used to engage in dialogue with the marketing team.

Once an initial set of numbers were agreed it was reviewed with the CMO, who then facilitated a review meeting with the CIO. The CIO and CMO took joint ownership of the document with support from us (the project team) and presented to the CFO. The final version of the business case was eventually used by the client to justify and monitor the delivery of the project.

In the end the business case allowed the project team to engage with the:

- Marketing team including the CMO
- IT team in particular the CIO
- Finance team including the CFO.

At each stage the document was refined to meet specific business or personal requirements of the stakeholders.

This collaborative approach to the development of the business case ensured that it was seen as a realistic plan.

USE OF BUSINESS CASE IN PROJECT GESTATION

The development of the business case allowed the project team to enter into a broader dialogue with the business.

The business case allowed the project team to

- show that the successful delivery of the analytical CRM solution would provide the client with significant financial value;
- differentiate the vendors and place financial value on the unique vendor capabilities;
- build a richer relationship with the business;
- show that the project team had a clear understanding of the business and the business issues that the project was trying to address;
- show the importance of time to solution delivery, this was latter used to show the potential impact if delaying a decision on the vendor.

But most of all it provided the CIO with a valuable tool that he could use to

- validate why the project was right for the business;
- drive through the project.

CONCLUSION

In my experience, few analytical CRM projects ever see light of the day. One of the key causes is that the project advocates do not understand the central role of a solid business case and the importance of senior management engagement in the gestation process.

To ensure your project gets the required resource and support:

- develop a solid business case;
- link capabilities in the solution to direct business benefits;
- use the business case to engage senior management;
- ensure that senior management buys into the business case and benefits realisation process;
- use C-level management to sell to other members of the executive.

Once you have secured the project, use the business case to show successful delivery, do not leave it in the bottom drawer.

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