

# Implementing a Successful CRM Strategy

Second of a two-part article on

## Customer Relationship Management in Marketing Value-Added Grains.

by Joan Fulton, Frank Dooley and Kathleen Erickson

In golf, there is a physical game and a mental game. It's much the same in Customer Relationship Management, or CRM. While the physical game is important, to truly excel at golf or to satisfy your customers, you need to be able to play the mental game well.

CRM is a long-term collaboration with customers in identifying their individual needs and in finding solutions to their unique problems. It's a different approach than the traditional product/sales focused approach, where the emphasis is on your product line and in turning sales in the short term.

### Meet the Challenge

The changing food preferences of the American consumer are affecting changes all along the food chain, as was detailed in last month's article. Consumers are purchasing foods to perform specific functions — food that is more healthful, safe, easily prepared and consistent from package to package. It's important for all food and agricultural businesses to understand how these changes affect their customers, whether they are the end consumer of the product, or a customer further along the value chain. CRM can help a company be responsive to those changes, and better able to meet customer needs as they evolve.

### Deliver a Successful CRM Strategy

There are six major factors in successfully delivering a CRM strategy. First, your approach must be **relevant** — in

understanding your customer's business, where they are going, and the key decision-makers involved. Second, you need to communicate how you are **unique** in providing value to your customers. Third, your organization must sustain itself financially, by making informed choices about which market segments will be **profitable**. Fourth, there must be some way to **measure** the quality of the customer relationship — where are you now, vs. where do you want to be. The fifth factor is to **reward** your employees for delivering on a customer relationship strategy, balancing people, process and technology. And lastly, your entire organization needs **commitment** to the strategy to ensure its success.

The end goal of CRM is to capture a greater share of your business' margin potential. Margin potential is the difference between the value created by a company and the cost of creating that value. Customer relationship management can be a source for competitive advantages that increase the amount of margin a company captures as profit. As more is learned about a customer, it becomes possible to use that knowledge to capture a greater share of margin — by differentiating your product from the competition in the eyes of the customer.

This differentiation can begin at the farm gate, for example, with grains or animal products that are tested for consistency, or in food ingredients made in accordance with protocols set by the customer. The special qualities that differentiate the product from its competitors may make it possible for you to sell the product for a higher price—allowing you to capture a greater margin.

## Closing the Loop Through Key Account Management

This August, Purdue University's Center for Food and Agricultural Business (Center) began offering "Key Account Management," a new program that hones in on managing customer relationships with large or key sales accounts.

Scott Downey, associate director for the Center and Key Account Management (KAM) seminar co-instructor said, "Large operators continue to become more important to many companies. Based on information harvested from the Commercial Producer study, we have excellent information on how large operators make decisions and what is important to them. Sales managers and senior sales people interested

in adopting a key account selling approach will be able to deepen their understanding of service to this segment and learn how to identify key accounts in their portfolio."

The KAM seminar explores the concept from a practical perspective, Downey said. "We'll interview some large producers to understand what they expect from relationships with their suppliers. And, we'll explore means to best uncover needs for these key accounts: how to position to gain information and how to partner with the larger, more complex business entities these producers represent."

Dave Downey, seminar co-instructor said, "As sales people, we often

have a paradigm that we are serving these key accounts, when we're really still just offering them products. The KAM seminar will show ways that some outfits are successfully bridging that gap to bring value to key accounts."

Guest speakers include representatives from organizations that have fully integrated a key account management strategy into their organization. For seminar dates and information, call the Center for Food and Agricultural Business at 765-494-4247, e-mail W. Scott Downey at [downeyws@purdue.edu](mailto:downeyws@purdue.edu) or go to [www.agecon.purdue.edu/cab/programs/scrm](http://www.agecon.purdue.edu/cab/programs/scrm).

## Capture Long Term Customer Value

Over the course of many years, the margin that you capture from each customer can add up and significantly impact your firm's bottom line. The lifetime value from a customer is the yearly gross margin, minus the cost of servicing that account, times the number of years in the relationship (see figure). Like a net present value, the annual values are discounted to current dollars to reflect the time value of a customer.

Businesses can't afford to lose customers – it costs them in two ways: through lost sales

Annual Value of Goods Sold
- Cost of Goods
- Cost of Servicing the Account
= Annual Value of the Customer
Annual Value of the Customer
x Number of Years of Relationship
x Discount Factor
= Customer Lifetime Value

and the cost of recruiting and attracting new customers. In spite of this, the typical American business loses roughly half of them every five years. It's much easier to retain customers than to continue seeking new ones.

To determine customer needs and ways to meet those needs, CRM strategies depend on customer data collection and analysis — *who* are your customers, *what* are they purchasing, *what other products* are they purchasing at the same time, *how much did they pay* for it and *when* and *where* did this transaction occur? Retail businesses collect this data as the products are scanned at checkout. Companies that don't sell retail products can still develop extensive databases on their customers by collecting data as the sales are made and matching it up with information on each customer. There are many ways of collecting this data — asking customers to evaluate products and services on a survey can provide a look into the *why's* of your customer's purchases.

## Close the Loop

Once you have the information in hand, you can begin to identify your customers by segments — not only by the usual discriminators such as their volume of business and what they buy, but possibly by their company culture, how they prefer to do business, their overall value to your company and other factors. With this information you can then complete the circle — as your customers shift to meet the changing needs of a choosier American consumer, you'll be poised to capture a greater share of the margin by better knowing their needs and being better able to help find solutions to their unique challenges.

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*This column is based on a new distance education program on Marketing Value-Added Grains offered by Purdue University through the Cooperative Extension Service and Agricultural and Biological Engineering, Agricultural Economics, Agronomy, Animal Science, Botany & Plant Pathology and Entomology. For more information, contact Dr. Joan Fulton at [fultonj@purdue.edu](mailto:fultonj@purdue.edu).*

## New Varieties

• **Nematode-resistant line for natto soybeans** — A new soybean line from the Agricultural Research Service and the University of Missouri delivers a rare combination of resistance to two leading nematode pests. The release is good news for consumers of edible natto soybeans, which get their name from a popular Japanese fermented soybean dish.



The germplasm line, designated S99-3181, was initially bred for resistance to both soybean cyst nematode (SCN) and southern root-knot nematode and was found to be resistance to SCN. Very few soybean lines, especially natto type, have this combination of broad nematode resistance and high yield potential. Additionally, the line also has shatter resistance, which means it will hold its seed after maturing.

The new line, a cross between S93-1344 and Camp, is expected to be used as a parent in breeding programs to develop new varieties that reduce soybean yield loss and reduce the need for pesticides. But growers can plant S99-3181 seeds directly.

• **DuPont patents corn plants and products with higher oleic, lower linoleic acid** — E.I. duPont de Nemours and Company was issued Patent No. 6770901 on August 3, 2004 for corn (*Zea mays* L.) seed and grain that has a significantly higher oleic acid content than conventional corn, by virtue of heritable genes for increased oil and oleic acid content and/or lowered levels of linoleic acid. The patent also relates to the production of high oil, high oleic grain, its oil, its progeny and its uses.

## Calendar

### October 2004

19 — Atlantic Seed Association.

19-23 — AMSAC Annual Convention; Villa Mercedes Hotel, Merida, Yucutan.

26-27 — Iowa Seed Association Annual Convention; Gateway Holiday Inn, Ames, Iowa.

### November 2004

6-9 — ASTA Farm & Lawn Seed Conference and Western Seed Association Convention; Westin Crown Plaza, Kansas City, Mo.

11-12 — Corn Belt Seed Conference, "Survive or Thrive;" Marriott East, Indianapolis, Ind.; Contact Indiana Seed Trade Assn., [www.indianaseed.com](http://www.indianaseed.com) or call 888-572-2900, 317-423-0307.

14-16 — Texas Seed Trade Association Convention; Sheraton Gunter Hotel, San Antonio, Texas.