



"turning data into dollars"

Tom's Ten Data Tips – September 2006

CRM

CRM, Customer Relationship Management, is a business strategy. CRM gained interest at a time when customer centric marketing became the fashionable thing to do. It is an attempt for large corporations to mimic the customer intimacy that small scale suppliers can offer because they understand their customers' needs.

Major Research firms like Gartner (80%+) and Forrester (70%+) report appalling failure rates for CRM projects. This is caused more by executives' expectations not being met than by projects that are never completed. Why? Because CRM is often seen as a software solution which it is not, and because the impact on the overall business and amount of change required are often severely underestimated.

1. CRM Is A Business Model

CRM is a business model that follows from customer centric marketing. There are 4 components required:

- A business philosophy centered around customer needs
- Insight in what it is that customers want and value
- An organization that can deliver this strategy
- *Sometimes*, software to help automate processes

2. CRM Projects Need To Be Selective Which Data To Integrate

A 360° view of the customer is what is sought in CRM projects, but what does this mean? All data relevant for interactions with the customer, need to be available at all customer touch points.

Many CRM projects become unwieldy when companies try to consolidate *all* available data. What is needed, however, is *all data relevant for the immediate interaction*. And even those data can and should be prioritized with regards to prevalence, necessity and value.

3. Unjust Emphasis On Software Has Nearly Capsized CRM

The word CRM has become strongly associated with vendor names. Why is that? CRM is a business philosophy, in which software *may* play a role.

The confusion of CRM with software is at the heart of its supposed failure. Software salespeople play a questionable role in this (often setting false expectations), even if it 'is their job'.

4. How Do You Make Your CRM Implementation A Success?

To make your CRM project a success, the required change from participants must be in line with existing job demands, remuneration, and business practices. If not, this puts the project at risk. Some examples:

- Success metrics for the CRM project must be aligned with 'regular' performance objectives. If people are not rewarded for behavior required for success, well..., then count on failure.
- Senior Board level "champions" must 'walk the talk': people believe what they see, not what is said.
- The data needed to change the way you interact with customers must be available and reliable.

5. CRM Solutions Buy Or Rent?

Recently, "renting" CRM solutions has been introduced. The financial model may be very different, but this should not distract from the main considerations when deciding to invest in software to *support* CRM initiatives.

The choice is *still* typically between build or buy: however, now this means buy a vertical pre-cooked solution or build a customized solution. Whether buying or renting: expect a large part of the investment to be spent on customizing.

6. Software Systems Must Support Front-Line Work

As obvious as this may sound, the majority of CRM projects start out by imposing additional effort from front-line staff in order to operate the new CRM system. This can not work.

Customer facing staff are busy enough as it is providing quality service. They don't have time to perform additional tasks, or manually record the outcome of interactions. If a customer is on hold, should she wait because the new "CRM procedure" calls for legwork? No!

7. For CRM To Succeed, It Must Transform Marketing

So much effort goes into changing processes, IT, and organizations that we sometimes forget why we do this. The end result must be to create more value *for* customers, in order to keep them longer and to command a premium price (or escape commoditization).

The outcomes of the CRM transformation are hard to quantify, are slowly achieved, yet are adamant! Unless the customer's experience has improved, and more value is delivered to the client, the effort is useless. Value for the client may come in the form of a more appropriate response to inquiries (less need to call twice for the same issue), made-to-fit and personalized recommendations, or 'simply' remembering previous interactions.

8. A CRM Business Case Should *Never* Be Based On Cost Savings Alone

The problem with *cost savings* is that they are not in and of themselves a business goal. And you absolutely need to align the CRM project with "ordinary" business goals.

Examples of true business goals may be: become the market leader for travel insurance, maintain a constant (non-eroding) wireless customer client base, etc. "Spending less money" is never an ulterior business motive.

9. CRM Success Factors

Given that so many CRM projects fail to deliver upon expectations, abundant experience has been gathered as to what actually makes them *succeed*.

- Senior management buy-in; uncompromised support is a must
- Corporate wide project team; all silo's need to contribute knowledge, and share resources
- No strategy available; if the company hasn't implemented a clear strategy yet, the project start is too late to begin this
- Aligned business unit goals; failure to set mutually reinforcing goals across departments will stop the CRM project in its tracks
- Change, change, change; as with any paradigm shift, expect a rocky road

10. CRM Is Here To Stay

Despite the hype that nearly killed CRM, its fundamental contribution has a lasting impact. As a business model we now customarily look at acquisition, churn, cross-sell rates, and customer development.

As with any new model, once your eyes are opened to certain phenomena related to customer development it is not possible to “unsee” these things anymore.