



Learning From CRM Success and Failure

**White Paper Based on Experiences of
Deploying CRM Applications in
Business to Business Enterprises**

**JI Management Consultants
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1. Introduction

During the last 10 years, companies trading business-to-business (B-2-B) have seen dramatic changes in markets, competitors, and buying patterns of customers. Commercial cultures have shifted, business models become obsolete, and customers have become more of a mystery. Changes in customer buying strategies, culture and uncertainty have been increasingly threatening towards margins and profitability.

Today every company needs to get closer to their customers. Are you now asking how your customer interface could be redesigned to help you to do that? What should your customer interface be expected to do? In your business growth strategy, would you be prepared to look beyond the interface itself and put the customer into a pivotal position in everything you do; becoming more customer-centric throughout the whole organisation? How would your customers experience something different (and indeed better) following such a move?

When we speak about the customer interface we mean Marketing, Sales and Customer Service and some additional customer touch points which are specific to different types of business. Multi-channel routes to market require greater attention to business process consistency, but in principle are really extensions of the coherent customer interface issue. In B-2-B enterprises, it is the customer-facing staff who create the customer interface, so a change in their processes, priorities, behaviours and culture would certainly be needed. They give life and substance to each customer's perception of the company. How well they are trained and supported by their CRM applications are vital factors in their success. For senior management, success is indicated by business growth; failure is indicated when customers take their business elsewhere. Customer churn becomes a key performance indicator.

The CRM application technology to support this interface has been evolving for over 20 years. Mainstream CRM packages now have the functionality demanded by real-world customer interface workload. In terms of ease of use, they are also more mature. This is a far cry from the late 1990's when CRM project failures began to come to light. It was claimed that over 70% of CRM projects left management feeling that the organisation

had not benefited as they had expected. This same statistic has been quoted in 2009. Why are we not improving?.

There is a greater choice of CRM solutions that have stood the test of time and there has been consolidation. On the plus side there is continuing innovation. On the negative side there is less uniformity on what a CRM system should do and sectors are taking shape. CRM is fragmenting. This creates uncertainty and anxieties for companies looking for a trusted CRM solution for the longer term. Choice of an appropriate package is still seen as one of the most difficult hurdles for companies new to CRM or even those emerging from a CRM disappointment. There is no longer a 'best buy'.

In our research we have interviewed key project people in search of the things they would caution people not to do and things they think lead to CRM project success. Their experiences tell an interesting story. In section 2, we look at the full-spectrum CRM solution. In section 3 the importance of stakeholders is reviewed, In section 4 our 6-Stage CRM Success Process is described. In section 5 and 6 we look at the CRM journey.

2. Integrating CRM Support Across the Customer Interface

For the successful company, the benefit of full spectrum CRM has meant keeping customers they might otherwise have lost, reducing customer churn. For companies in the early 1990's a customer lifetime of 10 years was possible but declining. Now customer lifetime has been hugely reduced; some

Contents:

1. Introduction
2. Integrating CRM Support across the Customer Interface
3. Stakeholder Viewpoints
4. Six Stage Project Success Plan for Package CRM Solutions
5. Sustainable CRM- The Journey
6. Creating a Customer Relatedness Climate
7. Conclusion

Executive Summary:

CRM failures are more to do with change management than system deployment.

Customer-facing success is closely linked to cultural development. CRM is a journey not an IT project.

Using mature CRM experience in project planning stage ensures pragmatic approach

Top level leadership creates success climate for CRM project and business growth.

Learning from CRM Success and Failure

companies losing half their customers every 2-3 years. The bottom line impact of this depends of course on the lifetime business value of a customer against the cost of creating new customers. Using CRM to support creative cross-selling and up-selling has become an important enhancement to customer retention. Some would claim that good longer-term relationships improve margins as well. In any case, companies experiencing high churn are now under pressure to put more resource into new business development supported by CRM systems.

Today's increasingly consumerist buying culture is seen as a significant change, making customer retention a more complex challenge. For consumerist customers, the quality of service received in the past may not be a strong determining factor in the placing of future business. There is a second dimension of the 21st century consumerist buying culture which is the growth of imperfection intolerance as a factor driving supplier change. Here, even a small failure in service may be considered as a betrayal of trust. The reaction on the part of the buyer may be to consider a punitive response like placing the next contract with a new supplier, even though they may be no better.

Account management are under heightened pressure to manage service issues so they do not result in the degradation of the relationship. Support of a full-spectrum CRM system keeps all of the relationship history together, available and shareable.

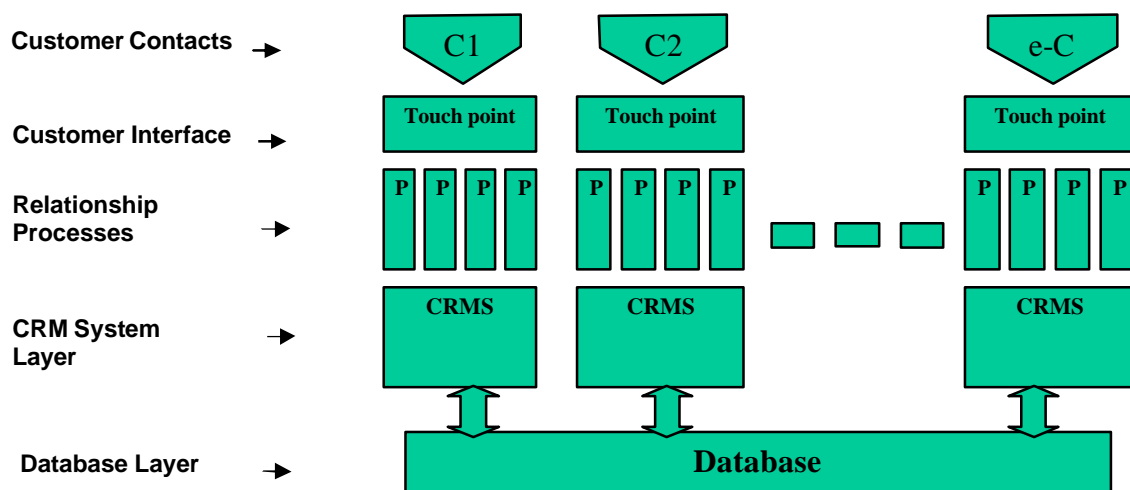
In the area of Marketing, CRM has brought benefits of having better targeted campaigns, communications options and even the option to create e-communities and use the web for marketing purposes never before considered like social networking.

The 4 Perils of CRM according to Rigby, Reichheld and Scheffer in HBR (February 2002) are:

1. Implementing CRM Before Creating a Customer Strategy
2. Rolling out CRM Before Changing Your Organisation to Match.
3. Assuming That More Technology is Better
4. Stalking Not Wooing Customers

They conclude: "Indeed while technology is a powerful facilitator in the process of customer relationship management, that's all it is - a facilitator. And the moment companies forget that, CRM will turn into a tool that, instead of building loyalty, does just the opposite."

Relationship Process Support- A Coherent Customer Interface



Having the sales people working on suspects generated from specific campaigns has been of huge benefit in assessing the success of each marketing campaign. With a proper sales opportunity pipeline, future business can be more accurately assessed. These then were the issues that precipitated the CRM revolution. Until the

late 1990's few companies had a clear view of CRM as a coherent customer interface application (above). Still fewer realised that the payback mechanism at each touch-point is different. In 2009, project failures caused by over-ambitious multi-touch-point implementations and oversized corporate CRM platforms are everywhere.

Learning from CRM Success and Failure

3. Stakeholder Viewpoints

Implementing a full-spectrum CRM solution requires the buy-in of users but has impacts in many stakeholder groups. Some stakeholders can have a significant impact on the success or failure of the project. The prime stakeholders usually are:

- Customers; marketing targets, suspects, prospects, repeat purchase
- Customer-facing staff (users); Marketing, Sales and Service
- Company Senior Management, and specifically the CEO
- Heads of Functions: IT resource management- IT infrastructure, IT Applications
- Advisors- Consultant, Solution Partner, System Developer

Customers: Understanding your customers is key. Your CRM project can be used as a vehicle for discussing their satisfaction or otherwise with the relationships you offer.

"We expected to see huge benefits in goodwill and involved our customers, raising their expectations. Where we as a senior management team failed was in allowing our training to concentrate on the system skills. The culture of our customer-facing staff was not up to delivering the customer experience we had promised. This did more harm than good, and yes, we had to take the system out and start again. And yes, we did publicly blame the system for the failure"

Contacting customers to explore how you could give them a better service can be a catalyst for change. Just the act of asking says something about your commitment to their satisfaction.

Be prepared for the reaction that by asking the question you may raise expectations that you will be changing their experience of your interface to their benefit. You won't want to let them down. Be prepared for other reactions too; like complete indifference. Some people just need a simple reliable no-nonsense supply service and that could be all they are willing to consider.

Users/Staff: Involving people who work at the interface is vital. Getting them to start thinking about how the interface could be improved will be a useful contribution. Their thinking on the matter needs to be given a corporate context so senior management need to provide a Business Development Strategy or customer vision which sets the scene.

Organisational and procedural change can be expected to provoke feelings of anxiety in staff unable to see how their jobs, roles, and skills will fit into the new regime. Such issues need to be addressed by senior management in their change leadership roles, and getting the issues handled early as part of the project is better than sorting out anxieties that have become established.

One of the most difficult issues at the customer interface is the cultural drivers that inform behaviour of staff towards customers and customers towards your customer interface staff. In looking at the customer representatives as stakeholders you can begin to see that understanding them better, generally and as individuals, can make a huge contribution to customer trading lifetime/profitability.

Through training and experiential development, your staff could be encouraged to see, understand and validate the customer position. The demanding (possibly rude and

maybe arrogant) customer can produce negative cultural shifts toward customer contempt which is a very counterproductive attitude. Staff can also be supported in developing their own more positive cultural drivers in the search for a higher level of cultural sensitivity and the flexibility to interface to each customer individually.

"We were very detailed in our research into our needs and the functions we would require of our CRM system. We looked at packages and learned what functions they offered. We specified an ideal system with the best of each added to our own vision. We came to believe that our specification was correct in every technical sense and we were disappointed in how all the packages that were proposed to us fell unacceptably short. We selected a software house which offered the basics as standard but had the capability of building anything we needed. We now use a set of functions that most packages support and the user interface is impossibly complex so people won't use it. We probably paid many times what the equivalent package would have cost."

Senior

Management: The place to start with any significant corporate change is in the Board Room. CRM failures in the past have been attributed to inappropriate delegation or abdication. This can result from an underestimation of just how far-reaching the CRM changes will be. Sometimes it has been a lack of comfort to engage with the

Learning from CRM Success and Failure

customer issues or the IT issues or the change management issues; which in our research have been major contributors to project disappointments.

Remember that as you involve stakeholders each thing you do can have many impacts. Using these spin-off items creatively will be important to help increase sales as you discover more about your customer interface. With this in mind it is clear that your customer-facing culture is an asset which is capable of development and can deliver value. The introduction of a CRM system is a huge opportunity to develop culture and customer comfort attitudes as well as precipitate customer attitude change. And it won't come as much of a surprise to hear that failure to see this human interaction and its change at the time of introducing CRM, has led to failure in spite of the selection of a perfectly adequate system.

Cultures change slowly. Talking about culture change does not change culture. When there is real change in the organisation there can be an accompanying cultural shift, and it can be in the direction you need. There is good justification for measuring the key cultural parameters of the customer interface team and include in the leadership process elements of cultural evolution so that the shifts are in directions supportive of increasing customer needs focus.

IT Resource Management: Introducing a new application is no longer as simple as installing software on a workstation. There are software standards issues and deployment issues which can only be resolved by your IT resource managers. This becomes even more important when different deployment options are being considered like thick/thin client, SaaS, Web 2.0, portals etc.

Advisors: Using management consultancy in the early stages of developing a new customer strategy is often a help especially with senior management vision workshops. Carrying this to the CRM Solution Partner selection stage is also sensible to gain the value of independence. It is important that consultants not become too detailed or proscriptive on how the CRM system will work at this early stage. This is not a system design exercise but there is a temptation that is difficult to avoid. Consultants stepping outside their brief has led to inappropriate package choice (too large and expensive) and has also caused projects to become bogged down in detail and theory, unable to proceed.

After many exploratory studies, some internally resourced and some with consultants, a CEO in frustration made the system decision to go for a mainstream SaaS package and gave the instruction to implement. He had correctly recognised that decision-making perfectionism and IT infrastructure was holding the project back. He saw that the cost of doing nothing was greater than the risk of not being provably sure about the CRM software platform selection. He was right.

Your chosen CRM Solution partner will provide an injection of CRM knowledge and skill related to the package system you are implementing. It is impossible for a package solution to be expected to work to consultant-created visions that are unconstrained, too big or too detailed. Fitting the CRM package to real needs at the interface is your partnership task and this is a matter where internal stakeholder involvement of users, IT and senior management is key.

4. Six Stage Project Success Plan for Package CRM Solutions

The design thinking for this programme follows from our research into the do's and don'ts of companies which have been there. The first principle is not to start with CRM as an IT project. Focus instead on;

- the customer and a payback objective to grow customer lifetime value
- increasing new business development effectiveness and productivity
- creative account management resulting in strong business growth.

As a precursor to the system search issue, this challenge should be offered to the customer interface management. The functional priorities for your CRM system can then be driven by the business process support needs of customer-facing stakeholder groups.

We advocate a high level customer interface visioning process followed by a short-listing of software packages capable of fulfilling the probable functional requirement. Because most mainstream packages will easily provide the basics, this can be relatively simple and quick.

Beware of the temptation to measure best-value to your organisation as related either to a high number of features or a low price. Another 'don't' recommendation is to suggest that if customer

Learning from CRM Success and Failure

interface staff could see several packages, they could pick the one they like best. This has been acknowledged by many senior staff as a case of underestimation of the complexity of the task and abdication of an important corporate decision to a popularity poll.

We advocate that the CRM Partner Selection stage should be driven by an Invitation To Partner agenda setting down your customer vision and CRM goals. The most appropriate CRM Partner is one which brings insight and innovation to the customer interface development objective, can deliver a tailored solution and is a company you can work with.

The stages are:

1. Exploration/Discovery- Establishment at board level of new customer commitment

- Customer CRM Vision/commitment
- Planning the journey- CRM is a journey with a continuing need for staff training and development
- Stakeholder and Customer Interface payback models

2. Partnership

- Leadership- Senior Management share customer vision
- Invitation to Partner... selection based on innovation and contribution to success
- Initiate relationship with CRM Solution Partner

3. System Introduction/Training

- IT infrastructure- Review of deployment options
- Database set-up
- Implement basic 'Vanilla' package and training: basic business process
- CRM basic Education-
- Staff become comfortable with the basics; Know your toolkit

4. Learn Your Stakeholder Needs and Drivers

- Relatedness- aspect, content, impact
- Mastery of relationship toolkit: support, workshop, comfort
- Enhancement of CRM support processes

5. Improve your skills.. Enhance your CRM toolkit

- Expand implementations, extend staff inclusion on customer visibility
- Keep software up to date; do not tolerate instabilities
- Confirm stakeholder relatedness

6. Review your Stakeholder Success; a continuing programme.

- Explore new ways to grow relatedness and business
- Development of enhanced value-added relatedness processes and paybacks
- Customisation of System functionality, Enhanced Payback

5. Sustainable CRM- The Journey

The customer interface is a complex organism. Seeing it as something which can be transformed simply by the purchase of a CRM package was never realistic. Visualising a simple project in which a system could be designed to meet the needs of the marketing, sales and services staff and at the same time provide a new sort of customer experience that would vastly increase sales sounds great, but it's just 'too big an elephant to chew'.

The need to use CRM to grow the business is real.

The place to start is with a more realistic change management programme and possibly longer timescales. Allow for the fact that customer interface staff need time to develop and change their ways of working with the customer. Separate the project into three Development Streams addressing the needs of

1. Sales
2. Marketing
3. Customer Service.

Plan for each to be the subject of a learning and evolving process for all involved staff. The first learning and deployment phase will be training on system basics to a simple design.

1. System introduction (3 months). Prime payback benefits to be in place and delivering.
2. Incremental System Enhancement- Inclusion of new requirements based on user workshops (3-6 months)
3. Evolutionary Tailoring- Modifying system to address needs on a continuous basis

"We failed to recognise the different types of people and different levels of IT aptitude in our staff groups. Specifically there were sales people who took to the system immediately and those who could not retain even the basics following a classroom session. When our IT people and technical advisors assessed the systems they were judging based on their own aptitudes and not in relation to the way staff would need to work. People who choose a career in selling can be less complaint than office based staff. We failed to allow for the need to ensure that there was personal benefit in using the system and not a threat to historical norms."

Learning from CRM Success and Failure

When business growth is the issue and customer churn is the area of greatest pain, the place to start is with the part of the customer interface that deals with business development. So begin with the Sales and Marketing development streams. Put in place a simple sales database to hold details of leads, suspects and prospects so that they can be worked on by sales staff targeting new business. The prime need is to support the sales processes of contact follow-up and relationship creation. Set up marketing campaigns to generate leads using the database as the new business resource management tool. Don't attempt to implement the sales opportunity pipeline and structured selling tools in the first phase of this change.

In each development stream there will be learning and development steps. This is a transformation process. It takes time. Trying to move more quickly than staff are absorbing the changes leads to disappointment and user cynicism.

6. Continuing the Journey- Creating a Customer Relatedness Climate

The positive experience of working with your organisation is what gives substance to the customer relationship. It is a clear objective to use this relationship as a communications channel to make the customer more aware of the value of your organisation, its products and its services.

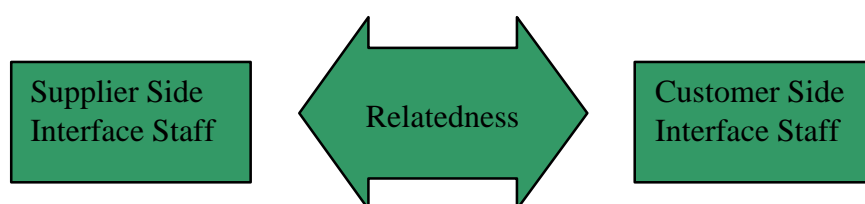
Relatedness exists in the hearts and minds of people at both ends of the commercial relationship. There are 5 components of customer relatedness:

- Familiarity
- Trust and comfort to trade
- Cultural congruency/Openness
- Understanding and mutual respect
- Clarity of business/value proposition

It is important that good relationships are not regarded as an automatic result of business transactions or even good service. The relationship is real when the customer experiences a feeling of relatedness. This is enhanced by good product and reliable service; but if every competitor can do that, what makes your organisation different?

It is in fact your relatedness proposition. When you do something for a customer there is only a small impact on his feeling of relatedness. When you explain the value of your service and it becomes part of their perception of why they continue to do business with you, then it is doing its job of building relatedness. Engaging in pro-active value perception management needs to become part of the repertoire of all customer-facing staff. This is a longer term development requirement. Building relatedness is a two way process with the supplier listening and communicating positively.

Relatedness is a Two Way Process But It's Not 50/50



Staff need training to manage this kind of relatedness activity because many customers will not see it as valuable to them. Such customers may be unwilling to engage in the relatedness creation.

To them relatedness is largely a matter of indifference, but when it's there it supports an intuitive inclination to buy. When it's not there it leaves an intuitive inclination to try buying somewhere else.

Learning from CRM Success and Failure

7. Conclusion

We have looked at the issues affecting corporate success on the CRM journey. Our points of view are consistent with much of the established thinking published in the last ten years. Our proposition applies in a more focused way to mid-size deployments of package CRM solutions so we believe our recommendations are a timely contribution specific to that need.

Our success proposition is based on 9 key points:

- Agree that customer strategy and CRM are a main board concern in B-2-B.
- The rebirth of the customer experience and transformation of the customer interface require CEO leadership at the organisational and cultural level.
- At the change management level significant business compromises will be needed to keep to a pragmatic agenda and will require sanction at board level.
- The benefits and ROI calculations should be validated by the board at project feasibility stage and that the project resourcing must reflect the commitment of the board to achieve the targeted payback. The feasibility study should also attempt to assess the business impact of a CRM implementation failure; resource, disillusionment customer impact, questioning of management capability, lost business?.
- Customer interface staff should not be asked to choose between alternative CRM system platforms based on a system features presentation. Their involvement should be about customer interface objectives and customer experience vision.
- IT staff should not be requested to go out and select the 'best' or 'safest', or 'biggest' mainstream software developer. Finding the most appropriate CRM system (by any set of technical criteria) is impossible because 'appropriateness' is a business development requirement, not a system attribute. Success at the customer interface. Is a main board concern, driven by them paid for by them and assessed by them.
- The CRM supply partner for customer interface transformation projects should be appointed by the main board early in the process. Selection should focus on how your partner will help you achieve your payback/growth objectives.
- Designing and building a CRM system to full detailed spec for 'big bang' implementation is not to be considered safe for the business.
- The CRM system should initially be installed to deliver the basic 30% of functionality which is vital to basic operation and then be developed in incremental steps as management identify needs with real payback.

As the customer is in fact changing more quickly than ever before, our proposal of an evolving customer interface is important. Sensitivity to customer issues will be needed from interface staff. Perhaps more important still is not to be entirely reactive in customer interface strategy. This is a pro-active part of the business and agility requires some innovative input, ensuring that customer relatedness is continuously improving.

Learning from CRM Success and Failure

Author Profile: David Jefferson

David is Managing Director of JJ Software, specialists in Customer Relationship Management and Sales Force Systems. JJ Software was responsible for setting up European marketing and distribution of one of the top 6 world brands in the Sales Force Systems software market. JJ Software has 19 years experience of installing and supporting CRM applications and was an offshoot of JJ Management Consultants in 1990. David is active in IT industry affairs and has served for 4 years on the Council of INTELLECT, the trade association of the Information Technology, Telecommunications and Electronics Industries. He was founding Chairman of the Association's SME Group; The Business Growth Forum.

David undertakes CRM consultancy assignments for a small number of key clients every year working through a sister company JJ Management Consultants. He has worked as a consultant in Unilever, Natwest Bank, Royal Ordnance, BP, and many smaller organisations. He is a Certified Management Consultant and a Fellow of The Institute of Business Consultancy. He is past Chairman of Richmond Group, the UK's most influential association of independent Management Consultants. He writes occasionally for magazines with a focus on using IT successfully in sales and marketing. He is also one of the authors of the book entitled 'How to be Your Own Management Consultant' published by Kogan Page.