

Climbing back into

Companies that have had bad experiences of CRM shouldn't be put off trying again, say our Round Table panel of four consultants. Pat Sweet talks to CSC's Lynette Ferrara, Danny Thomas of the Thomas Bamber Partnership, John Stewart at Unisys, and Rob Brickle of Bsquared Consulting.

THERE IS WIDESPREAD disillusion with CRM applications. Companies' early hopes of using the technology to cut costs whilst simultaneously improving their customer service have given way to the realisation that, once implemented, the software often makes very little difference to the way they operate.

Yet some organisations are now starting to reap the anticipated benefits – provided they are prepared to tackle the organisational and change management requirements within CRM, as well as the technical challenges.

To examine these issues more closely, *Conspectus* invited four industry experts to give their views on the current key trends in the CRM software market (see Box, below right)

We spoke to Lynette Ferrara, a researcher with IT services group CSC; Danny Thomas, a consultant with the Thomas

Bamber Partnership; John Stewart, CRM practice director with IT consultancy Unisys; and Rob Brickle, managing director of Bsquared Consulting, an organisation which specialises in customer-driven change.

Business drivers

All the panel agree that organisations are now engaged in a second round of CRM developments, often designed to address the multiple failings associated with their initial attempts. Their reasons for adopting CRM have not altered, but their perceptions of how to go about a CRM implementation have undergone a radical re-think.

"In their first iteration, lots of companies 'did' CRM because it was the fashionable technology and they often simply re-branded projects as CRM implementations when they were actually point solutions," said John Stewart.

"The business drivers now have not really changed, but have become more firmed up as companies are looking to get the benefits they originally set out to achieve."

Early implementations often represented little more than another attempt to jump on the latest IT bandwagon. The difference now is that many organisations are taking their CRM applications right back to basics, starting with a deeper analysis of what the technology can offer.

"Companies want to know what's in it for them and what it will do for their customers. They want to create a model of their interactions with their customers and be able to use the information they collect on customer behaviour to verify or adjust that model as patterns change. They want to learn about their customers and to use that knowledge to devise their entire approach to the market," Ferrara said.

"That's very different from the dotcom era when companies just saw CRM as a great technology without thinking through what it could do for them, and you saw a lot of implementations where the application was actually irritating the customer with inappropriate contact calls and so forth."

Getting closer to the customer in a way they like may be one of the new aims, but many companies still have their eyes firmly on the bottom line. Stewart spoke for the whole panel when he declared that "the number one objective is cost reduction, very closely followed by improved customer service."

Danny Thomas explained: "The recent economic circumstances have forced a degree of realism into



John Stewart: companies 'did' CRM because it was fashionable

the CRM saddle

expectations, so that retention of customers, rather than growth, has been more to the fore in most companies' thinking. Reduced expenditure and 'quick wins' have been top of many clients' agendas. As always, the impact has not been uniform and the more forward-looking firms have been seeking to exploit the weakness of others."

Stewart agrees that expectations of what CRM can deliver have become much more realistic in recent times, but feels companies must not be tempted to set their sights too low, in a reaction against their previous over-enthusiasm.

"It's important companies recognise that the benefits will not just trundle in. But equally they need to aim ambitiously high, because such projects are so big and costly that unless the benefits are commensurate with the effort, it's not worth it," he said.

Rob Brickle sums up the likely key benefits as the ability to improve customer retention, increase profits, acquire new business and improve customer satisfaction. But in his view, the problem in CRM implementations is not so much identifying the potential gains, it's working out how to get to them.

"I don't think you can say that the business drivers have changed, or that expectations now are much different than previously. However, I do believe that in many cases the business drivers are insufficiently understood and that this has been the root cause for CRM failures. In an area where technology spend can be so significant, it is amazing that often so little investment is put into planning and strategy for the implementation of CRM systems," he said.



Rob Brickle: little investment in planning

User acceptance

A similar theme runs through the comments from all of our experts – namely that many companies need to pay at least as much attention to the people and change management issues involved in any CRM implementation as they do to the technology.

"Unfortunately CRM systems are still often sponsored by IT and therefore seen as a technology solution. CRM systems should, however, be an holistic business-driven solution requiring a cohesive customer management strategy. Businesses need to recognise that adopting a CRM solution

requires significant cultural and organisational change," is how Brickle summed up the position.

One of the difficulties, as Thomas sees it, is that many companies have already put more money than originally planned into their CRM activities and yet feel they have not achieved the benefits they sought. Stumping up additional cash is not an attractive proposition while the economic outlook is mixed, to say the least.

"The biggest single issue facing CRM implementations is an unwillingness to continue the investment needed to see the process through. CRM projects usually require process and culture shifts alongside systems work. Difficult trading conditions have pressured the scope of those projects, leaving many only partially completed. This impacts existing benefit realisation plans and reduces the commitment to future work," Thomas said.

The result of this approach can be a system which does not function as intended, leaving many staff frustrated or annoyed at its introduction.

Ferrara makes the point that people who refuse to use a particular technology probably have a very good reason for doing so – usually, that it does not do anything to help their job.

"The best approach for any company is to start analysing, before they start developing any transaction systems, exactly what information they can put in front of people. That way, when the system is available, staff will want to pick it up and use it because they value what it provides," Ferrara said.

Stewart believes the way to overcome people's natural suspicions of new technology is

KEY ISSUES

Our panel of CRM and contact centre technology experts answered the following questions:

- What benefits are organisations currently seeking from their CRM implementations? Have the business drivers for this technology changed recently, and are expectations now more realistic than before?
- Is gaining user acceptance for new CRM systems a bigger hurdle than choosing the right software? How should companies tackle this?
- Is integration now the biggest issue facing CRM projects? What is the role for web services?
- Are hosted CRM applications the answer to a genuine problem in this area, or simply a solution looking for users?
- Given the disillusion many companies feel with their initial efforts in the CRM area, what is the role for consultants?

to give them something which enables them to do their job better and achieve more – in terms of better productivity or higher sales, for example.

“The other requirements for success are strong management support, a willingness to adopt new practices and proper training. A major challenge for many companies is committing the time and effort required to train people on the software, especially if the new system requires major changes to processes. The training costs can ultimately dwarf the original licence fees,” Stewart said.

Integration

Thomas agrees that organisational buy-in is essential for CRM to work, given the culture change required. But he also thinks companies should take a look at how they choose the software and how they evaluate and distinguish between different packages, many of which will offer very similar functionality.

“Recent experience should lead the selection process with factors such as software implementation timescales, levels of configuration and product maturity given more consideration than in the past. Solution providers with glowing reference sites are likely to be rare, and companies considering purchasing should take this opportunity to really test their provider,” he advised.

Although the technical challenges involved in a CRM implementation are likely to be less significant than the cultural changes required, nonetheless there are issues to be tackled.

“Integration is certainly the biggest technology issue, simply because CRM typically involves a large number of systems and business units, each of which has its own set of applications or has added new channels since the original systems were put in place. The net result is that those systems are not very tightly coupled,” Stewart said.



Lynette Ferrara: web services is an integration option

Brickle points out that the integration requirements within CRM are not a new issue, but remain a key inhibitor to implementation. “If the objective is to achieve some form of enterprise data warehouse to help manage customer interactions, this is hardly surprising when you consider that the data is often held in disparate source systems,” he said.

The ultimate aim remains to provide organisations with a single view of the customer, an enterprise-wide customer history available to all and a seamless channel experience for all customers.

However, getting to that point is considerably more difficult than defining the goals. “Web services may be able to help alleviate the problems, but not necessarily across all industries. To succeed, of course, will require a high degree of integration between the web services and the desktop,” Brickle argued.

Whilst Stewart agrees that most integration requirements can be matched, and points out there are tools available to handle the access to legacy and

back-end systems in a fairly straightforward way, he is somewhat sceptical of the role web services will play in all this.

“I think the idea that web services can be used to bundle applications and make them available through a browser to any point in the business is not realistic,” he said.

Ferrara takes a slightly different tack from her fellow panellists by encouraging some ‘out-of-the-box’ thinking on what it is companies are trying to do.

She points out that many organisations no longer talk about their CRM or ERP applications, but are moving towards an approach which emphasises the end-to-end processes at work within their enterprise.

“They recognise that there are a number of processes which need managing when it comes to handling a customer request, irrespective of which application the customer uses to make contact. Placing an order, for instance, can touch on five separate applications,” she said.

Companies are switching from a situation where they saw discrete applications as the way

to organise their operations to one where they are looking at each individual activity from an end-to-end perspective. That means they are looking for technologies which can link processes, as well as legacy applications.

“Companies need technology which makes it easy to configure and manage those processes. Wrapping an application in web services and exposing it to other applications in the same way is one option, and the leading CRM vendors are now making their software available as web services as well as through the traditional middleware options which people are already using,” Ferrara added.

But for her, the key technology is business process management (BPM). By putting BPM software on top of web services, it is possible to build a process model which can be used to control individual applications, so that any generic changes are automatically reflected in each of the separate underlying systems.

ASP

If all this seems rather complex and hard to assimilate, then one possible answer for potential CRM users is to look for a hosted solution.

Alone amongst our panel, Ferrara views this as a way for companies to get started in CRM, but with much less investment and heartache.

“For companies who are just starting to think through what CRM could do for a particular customer segment, an ASP service offers a very easy and very quick way to validate that approach. Once companies have done that, then they can consider the costs and benefits of bringing CRM systems inhouse,” she said.

But while she identifies hosting as a way to test the water, the rest of our panel are fairly convinced that the concept offers little of real value. At best, it may be a partial answer to a particular

set of circumstances, although Thomas doubts that even this could be the case.

“Unless the hosting company can provide a serious value-add, unavailable to the client, I see little benefit in a hosted solution. CRM should be about getting closer to your customer and gaining better insight into your corporate intelligence, and it is hard to see how a hosted solution enhances this,” he said.

Brickle points out that while this may be true of the larger organisation, which has the financial clout and the experience to manage a significant implementation, the situation may be very different further down the scale.

“Small to medium-sized businesses can rarely, if ever, afford the costs associated with a large-scale CRM deployment. Hosting provides applications effectively on demand and at low cost. However, whilst this has an obvious advantage, it still requires some form of inbound and outbound integration. The apparent increase in interest in this market is really being driven by the large application vendors, who are seeking new markets to sustain their revenues,” he said.

Stewart, too, is sceptical about how successful any hosted CRM application is likely to be. He concedes that many companies outsource the maintenance and running of whole IT systems (such as call centre applications) where the main driver is cost, but he is at a loss to see how this model can be made to work when it comes to CRM applications in general.

“The worry is that the company is unlikely to achieve the flexibility and adaptability it needs, since the whole concept is based on the idea that ‘one size fits all’. There is a high degree of customisation in CRM projects, and it’s hard to see how that could be reflected in a hosted service, unless the company concerned is one of the biggest in a group of customers using that host and can influence its direction.”

Outside help

Many organisations will feel the CRM market is confusing enough, without adding in the option of third-party provision. One obvious way to navigate a path through the maze is to bring in a consultancy advisor.

Interestingly, while all of our panel see a role for consultants, it is often a very different one from the traditional high-level strategic input. Nor are companies particularly likely to bring consultants in to evaluate competing software packages. Instead, the emphasis is more on looking for guidance on the specifics, rather than analysing the bigger picture.

“Consultants should be working to restore trust and confidence again. In particular, the emphasis should shift towards more evolutionary strategies with smaller steps and bigger wins. In many ways, consultants need to return to the basics of the business, with an increased emphasis on objective analysis and business improvement, and less of a push towards system acquisition,” Thomas said.

Brickle is another who would prefer consultants to keep a

strong business focus rather than being seduced by the lure of new technology.

“Consultants are employed to bring a breadth of understanding and to help organisations overcome the issues associated with new initiatives. Very often with CRM implementations they are hired to help the IT function, and therefore become part of the problem rather than the solution.”

Instead, in Brickle’s view, moving to a CRM approach requires the organisation to become customer-centric. Consultants can help by bringing their experience of such change in other organisations, and as subject-matter experts in particular fields.

Consultants’ experience of having done something similar before can prove relevant at many different points in a CRM project. In the very early stage, for instance, the consultant may be most useful in setting expectations, based on what has happened in other companies, or in helping to make the business case for CRM.

Later, their role may be to provide point expertise around certain products or the way to change certain processes, then on how to go about running a large project.

“Organisations often do not have sufficient resource to do all this themselves, or more commonly the people who are trying to work on the CRM project may also have other jobs, so consultants provide the drive and the desire to see the project through to completion,” Stewart said.

Ferrara argues that consultants have an important job to do in helping companies work out what they are going to do with all the information they collect within a CRM system and how to act on it. Ironically, having made a considerable investment in both cost and time to implement a CRM package, some companies are rather bemused about what happens next.

“The primary role for consultants is to help people make sense of all the data the company holds on its customers. Often companies don’t have anyone confident or competent enough to perform the customer analysis and pattern searching to develop a model of its customer interactions to guide future decision making,” Ferrara commented.

“Consultants with a strong marketing background can do this and can also help companies build their own capacity in this area, as the organisation needs people internally to carry out these tasks.”

What consultants cannot do is gloss over the difficulties and the challenges of implementing CRM.

But as our panel indicate, by taking a step back, analysing their requirements more closely and putting the business rather than the technology first, organisations stand a good chance of overcoming those hurdles to achieve some very substantial benefits.



Danny Thomas: consultants should be working to restore trust