

# Customers: are you thinking

How much will CRM technology get you close to your customers, or is there more needs to be done? Rob Brickle reports.

SAY 'CUSTOMER relationship management' to most people and they automatically think software. Not one type of software, interestingly, but a range of applications – from contact management and sales automation systems through to sophisticated enterprise systems.

This hasn't changed much in the 10-plus years that CRM has been around. Granted that there is now a lot more definition about the various ranges in the CRM spectrum but it is still a very mixed marketplace.

Seen potentially as the Next Big Thing and a way of driving customer loyalty and profitability, CRM has attracted considerable interest. Cynically I would suggest some of this interest has been cultivated by those organisations that stood to gain most from any implementation, usually at significant cost.

Over time we have read a lot about implementation failures or the failure of applications to meet expectations, but not a lot about success.

Personally I haven't yet seen any big showcase articles heralding the indisputable benefits provided from the investment in CRM technology. The general feeling in the user community has consistently been reported as one of disappointment rather than joy!

With this as a backdrop, it may be surprising to discover that the demand for customer

relationship management systems is on the increase. This is reflected in the fact that CRM accounts for significant increases in the IT budget of many organisations (because there isn't anything else to spend the money on?) and, according to AMR Research of Boston, tops the list of technology investments for 2006.

Companies' budgets for CRM applications and services are projected to grow by more than 8% this year compared to flat growth for the last two years, says AMR. This translates into a market value of about \$12.3 billion in 2006 and \$15.7 billion by 2009.

Perversely, this upturn in CRM's fortunes appears to be a direct result of the shift to online hosted versions, rather than the previous mould of software programs installed onsite.

This has enlarged the market of possible purchasers of CRM technology, with decisions relating to CRM implementation no longer being taken solely by IT directors.

## Good news

In essence, increased exposure to the concept of CRM means other departments within organisations can invest in the technology (approximately 39% of CRM spending decisions are made by non-IT departments). Good news for the CRM vendors.

So the online provision of CRM is rapidly expanding as a branch of the industry, allowing businesses to subscribe to CRM applications, hosted on the supplier's servers. And evidence suggests that, following initial scepticism of CRM, the concept of an online service may be the catalyst that leads to a mature and developed CRM market.

Interestingly, it has been the negative experiences of organisations getting burned by large onsite installations that have turned them to online offerings.

With many organisations having found themselves buying into sophisticated technology they really didn't need, the new strategy of implementing CRM online provides for much greater flexibility in implementation, with a higher degree of customisation to meet business needs.

## Implementing CRM online provides for more flexibility

So what are the advantages of this approach?

Clearly the CRM-on-demand model removes all the headaches of software installation and network maintenance.

Users simply pay a regular fee, per user, per month, then upload all their customer data and access the data through the internet, wherever and whenever it is most convenient.

Another significant advantage is that one segment of the organisation and its customers can try out an online service, then roll it out further only if this trial implementation is successful. This avoids risking large chunks of the organisation's IT budget on a huge software installation – attractive indeed to any finance director looking to de-risk their spend.

It also provides an opportunity to objectively

assess the return on investment. Last but not least, effectively outsourcing the implementation releases pressure on the valuable inhouse resources who have a host of other issues pressing on their time.

There is, however, one significant disadvantage. Customer data security and the related issue of compliance require greater and greater focus.

The requirements vary greatly, depending on the type of organisation, line of business and type of customer relationships. But there are increasing amounts of legislation forcing companies to account for more and more of the information flowing through their systems.

With this in mind, worries about compliance could be seen as an obstacle to the on-demand industry – why take the extra risk of storing your valuable customer data on somebody else's machines?

Again, while an online CRM service is potentially great news for the IT industry, this only takes a technology view of the problem.

Whatever happened to things like process, people and organisation? What does the technology do to tell you what your customers are actually thinking?

More importantly, what is the technology going to do to help your organisation drive alignment with its customers and to help you address and cope with any change in the way you do business as a result?

If customers are one of your company's most important assets, shouldn't you apply the same rigour and discipline to customer management as you do to financial or business management?

# what they're thinking?

## Relationship piece

CRM technology may have some value but it does not, nor can it, deliver the 'relationship' part of customer management. What CRM technology does is manage the transactional nature of the company's relationship with a customer.

So let's focus for a moment on a new perspective on customer relationship management. I would suggest that CRM is actually about a number of things:

- Knowing who your customers are and how they deliver value to your business.
- Understanding what the key relationship drivers are between you and them, and how performance in these areas affects the business you do with them.
- Being able to recognise strengths, acknowledge weaknesses and having the ability to both sustain the positives and change the negatives.
- Over time being able to demonstrate an alignment with your customers that drives value in the relationship to the benefit of both parties.

## Maturity

Normally it is only those organisations who are truly customer focused that have the maturity to implement the culture and processes to support this view of CRM.

Interestingly it doesn't matter if you are a private or public sector organisation, or even one that has only internal customers, the application of this philosophy and the benefit it derives is consistent.

Peter Drucker, one of the foremost management gurus of recent times and who sadly died in November 2005, is quoted as saying: "It is almost 40 years since I first advised

executives to 'walk around' – that is, to get out of their offices, visit and talk to their associates in the company. This was the right advice then; now it is the wrong thing to do, and a waste of the executive's scarcest resource, their time.

"For now we know how to build upward information into the organisation. To depend on walking around actually may lull executives into a false sense of security; it may make them believe that they have information when all they have is what their subordinates wanted them to hear. The right advice to executives now is to walk outside."

What Drucker was saying is that you need to listen to the voice of the customer, act on the information provided and not just rely on what your transactional measurement systems or your internal corporate lines of communication are saying.

In this way you can discover what it is that you need to act

on that will affect your customer's perception of you as a supplier and their confidence in your future ability to meet their needs.

Without this you can at best only achieve a reactive relationship with no formal ability to plan the future in an appropriate way.

John Preston of Boston College made an interesting observation about plans when he said: "The nicest thing about not planning is that failure comes as a complete surprise and is not preceded by a period of worrying depression."

Think about the last time you lost one of your most significant customers and why you lost them. How far in advance did you know they were at risk or did their loss come as a complete surprise? Is there anything you could have done to prevent or mitigate their loss?

Are they the thin edge of the wedge and are any of your other customers suffering from

the same problems? What have you done to react to this? Could it happen to your organisation again? Why didn't it happen to your competition?

In order to manage customer relationships in the most effective way, you need to have a formalised approach to engaging with them. You need to understand the different aspects of this engagement, how your organisation improves in these areas and measures progress along a vector.

Technology cannot address these issues, no matter how good it is.

## Dynamic forces

Ultimately, managing customer relationships and competing in the modern world is about two things – alignment with your customers and driving change to maintain or achieve this. Both of these are dynamic.

In that context I would like to provide two other quotes: "In times of change, learners inherit the earth, while the learned find themselves beautifully equipped to deal with a world that no longer exists" – *Eric Hoffer, philosopher.*

"It is not necessary to change, survival is not mandatory" – *W Edwards Deming, management consultant and quality guru.*

To sum up, many executives may need to stand away from CRM technology for a time and explore another way to manage their customer relationships.

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