NOT ALL DOOM AND GLOOM

Despite the recession, Rob Brickle points towards a successful future built on customer knowledge.

Rob Brickle: CRM market is still young, immature and largely unproven

With the economy in free-fall and so many countries officially reporting a recession, it would be understandable to feel gloomy about the prospects facing us in 2009.

But challenges, despite being tough, bring opportunities as well. One of the periods of greatest business diversification and growth happened during the Great Depression in the 1930s, with a shift towards more service-based and small and medium-sized enterprises. It was then that entrepreneurs flourished by clearly addressing the demands of their customers and finding appropriate niches that needed to be filled.

Downsizing allows a company to rethink and connect with its core strategy. Redundancy allows individuals to rethink their own priorities and goals. Economic retrenchment allows countries to develop more sustainable economic policies.

The challenge for companies in times of recession is not unique, but the margin for error is smaller. It is vital to focus on your key results, understand what your customers want, and discover how your business needs to develop to meet the needs of your customers.

None of us has a business without customers. So in order to survive in today's competitive environment, companies have to both retain their existing customers and develop new ones.

Organisations constantly seek new and innovative ways that will help them out of this problem. CRM systems have been viewed by many as that Holy Grail. This may well be true – but before accepting this, let's explode a few myths…

I would argue that the CRM marketplace is still young, immature and largely unproven, particularly in the business-to-business environment (I would accept that technology can be a huge asset in the business-to-consumer market).

If anyone disputes that, I would like to see clear and unquestionable evidence for the business case and benefit that CRM technology has brought in that market.

We still lack an accepted, definitive statement of what CRM encompasses – it can be as broad or narrow as the vendor or customer chooses to define it. New products have surfaced and died with astonishing regularity, in the same way as there has been significant consolidation of vendors and their products in the market.

We have seen vendors in closely associated markets (especially ERP) re-package, extend and re-brand their product offerings as their traditional markets have declined.

There have also been some interesting, and sometimes disturbing, statistics quoted in the press. Analysts say that as many as 80% of CRM applications fail to meet expectations, that the failure rate in implementations could be as high as 60% and that as many as 32% of implementations fall into disuse after just 12 months. This is all pretty sobering stuff when you consider the cost of some of these implementations.

So is CRM a technology to avoid? The answer is not at all: inevitably companies need technology to help manage the business and produce the information to enable that. These requirements become increasingly sophisticated.

So the key question is: why do things go wrong and how we can manage that risk?

One problem is that the solution is often viewed as a technology project. This would be acceptable if people were the naive users of technology of a few decades ago but today we live in the information age.

Unless you can first articulate your customer management strategy and what you are seeking to achieve, how can you possibly determine the type of benefit you expect to gain from implementing any kind of technology? More importantly, how can you control it or the organisation that has sold you the solution (be they a software vendor or a consultancy)?

This is borne out by the evidence that suggests a large number of organisations have either seen no major benefits from their CRM implementation or don't know what that contribution is. Likewise, many are unable to assess whether or not their CRM system is delivering competitive advantage.

A successful customer management strategy focuses the organisation on itself and the customers, and the opportunities that exist for both – not just on the transactional aspects of the relationship.

In order to achieve this, there has to be an appropriate mechanism for capturing the 'voice of the customer' and using that input to help define the customer management strategy. This element is often missed or ignored.

So how do you maximise the benefits of a CRM strategy and its supporting technology? There are a number of key actions:

1. Involve the customer-facing components of the business – in particular, account management functions – in defining the functionality and, more importantly, the objectives of a CRM solution.

2. Obtain customer feedback on existing processes. The ultimate aim of any CRM solution should be to increase customer loyalty, reduce the cost of sale and increase revenues. This can only be achieved if the customers' needs are fully understood and you have planned accordingly.

3. Create a client model that can be accessed at multiple levels throughout the organisation, whilst providing different view that different parts of the organisation need on customer data in order to service that customer community.

4. Let the business model – not the software technology – drive the CRM application specifications.

5. Define the objectives and benefits you expect to achieve. Ensure these are measurable, and then manage and measure the success of your implementation as it develops.

6. Consider a progressive development of your management strategy. Great benefits can sometimes be achieved by taking small manageable steps rather than a giant leap. They are often also more controllable!

In summary, CRM technologies can provide benefit and should be embraced. This must, however, be in the context of an over-arching customer management strategy.

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