

Culture Emerging As Key To CRM Success Or Failure

With the ongoing effects of the economic downturn, customer retention is once again a key commercial objective. In the context of CRM, retaining existing customers emerged as the single most important goal, according to a new survey carried out by The Database Group.

Based on results from Top 500 companies in banking, telecoms, insurance and retail, the need to hang on to existing customers has obviously been recognised in these sectors, with one exception. Retailers put far more emphasis on increasing their share of customer by making more sales to existing shoppers (see Table 1).

The need to reduce churn in telecoms was evident from the high scores given to retention by companies in this sector. For banking, however, an equally important goal was cross selling to customers.

Richard Lees, managing director of The Database Group, says: "With tightening economic circumstances, top UK companies are evidently looking to extend existing customer relationships as their first priority, over and above the expensive business of new customer acquisition. However, that puts enormous pressure on an organisation's ability to build a complete view of the customer - their tastes, preferences, propensities and likely future requirements. Without the fullest possible picture of the customer, successful growth strategies cannot be built, tested and measured."

Table 1 - Commercial Objectives of CRM

	Banking (%)	Telecoms (%)	Insurance (%)	Retail (%)	Total (%)
Retaining existing customers	47	67	50	6	39
Getting customers to buy new products	47	8	16	17	23
Getting existing customers to buy more	7	-	25	50	23
Winning new customers	0	25	8	28	16

(Source: The Database Group)

In fact, accurate customer data is under-recognised as a critical success factor in CRM (see Table 2). Only insurance companies gave this a high score, ranking it alongside full cultural adoption. Overall, the most important CSF identified in the survey was attributing measurable results to CRM systems, although this was far less important in insurance and of over-riding importance to retailers.

This underlines that many companies are still looking at CRM as principally a technology-driven activity, rather than a process change. The second most important CSF - full cultural adoption - suggests that there is an emerging awareness that changes to the way the company operates will matter as much (if not more) than getting systems in place, however.

Said Lees: "Many companies are having to recognise that the seemingly straightforward principles of CRM are not always that simple to put into practice. It is certainly not enough for the Board to just agree to a CRM investment and then not appoint a senior sponsor to closely manage its implementation and ability to deliver value. In fact, the senior CRM sponsor is also responsible for ensuring that preparation for CRM strategy development is rigorously conducted."

Telecoms companies appear to have the broadest understanding of what will make for successful CRM, giving measurable results, cultural adoption and technical integration equal ranking. But they also undervalue the importance of accurate customer data, which suggests they are storing up problems for the future.

Retailers appear to have a more technology-based and tactically-directed view of CRM, with very high rankings given to attributable results and the ability to refine and improve strategies. This may reflect the fact that many retailers are driving marketing campaigns first and foremost from their CRM systems.

In banking, full cultural adoption is seen as the key to success, with all other factors achieving below average scores. Lees believes there is still some way to go before companies fully understand how to make their CRM projects a success.

"Organisations have to first be able to identify any weaknesses in the existing business processes which may be undermining and diluting customer value. This, combined with insights based on a full customer view, enables CRM objectives and strategies to be set which are both achievable and measurable," he said.

Table 2 - CRM Critical Success Factors

(Index:100=Average)	Banking	Telecoms	Insurance	Retail	Total
Measurable results attributable to CRM systems	81	146	37	249	139
Full cultural adoption	110	146	146	102	117
Flexibility to refine and improve strategies	81	95	73	176	110
Technical integration of CRM into whole enterprise	51	146	73	73	88
Clear business objectives and systems expectations	51	96	110	73	81
Accurate customer data	81	51	146	22	73

(Source: The Database Group)

The steady emergence of a broader view of CRM, beyond just systems, is emphasised by the high score given to lack of senior level buy-in as a reason for failure. This gained the highest ranking among banks and second highest among insurance companies, but was only seen as of average importance by telecoms and retailers.

Technology factors still tend to dominate, despite this recognition of the role of

cultural change. Lack of systems functionality and problems with technology integration came equal second as reasons for failure. Telecoms companies in particular emphasised lack of functionality, while retailers struggled most with integration.

The emphasis put on technology as being the core of CRM is also a reason for failure, with companies giving above average scores to having too high expectations of technology. Only in banking was this not seen as a cause of failure.

Surprisingly, only insurance companies recognised that having a patchy view of the customer could undermine their CRM goals, with neither telecoms or retail organisations scoring this factor at all.

Lees believes that CRM projects must start to hook-up all of the information they can provide in order to become more successful. "Customers and markets do not stand still, and it is imperative to use campaign and commercial outcomes to refine and improve strategies and tactics. This kind of closed-loop learning was evidently an important success factor for our survey respondents, and no doubt reflects the emerging concentration on methods of deriving tangible payback on CRM investments," he said.

Table 3 - CRM Failure Factors

(Index:100=Average)	Banking	Telecoms	Insurance	Retail	Total
Lack of senior level buy-in	169	100	169	100	131
Lack of systems functionality/flexibility	115	238	85	100	123
New technology integration problems	146	0	46	223	123
Too high expectations of technology	85	146	131	123	115
Patchy view of the customer	115	0	215	0	77
Lack of ability to use results to improve tactics	31	192	0	77	69

(Source: The Database Group)