

## **Five Key Lessons To Improve Success With CRM**

Despite the poor scores on customer management reported by QCi from its CMAT assessments, there is plenty of "low hanging" fruit for companies to pursue. As well as identifying the failure points of current CRM projects, the consultancy also delivers detailed recommendations on how to improve. From these, it has drawn out five key lessons for any company pursuing CRM.

### **1 – Businesses don't put senior people in charge**

"CRM should be a CEO or senior board director issue," However, only one in three of the companies it surveyed had given their customer management projects this level of responsibility.

Even among those companies with a senior director in charge, "the majority chose not to understand what customer focus really means," he reports. This is despite the fact that margins can be increased by as much as 30 per cent through better management of sales channels, and that the correlation between high scores on CMAT and strong business performance is 0.8 (out of a possible 1.0).

"The big reasons for project failures are that companies have got superb systems, but the organisation is not ready to use them. They need to develop the business model first and understand how they want to manage customers. Often that can be done simply, then get the technology right to support it,".

Only 5 per cent of investments being made into CRM are going towards change management. Yet there is a significant uplift from improvements to processes that are currently poor.

"The S-curve effect is highly visible. The biggest increase in benefit is achieved by moving from a score of 2 to a score of 3. Currently, the modal score of customer management capabilities is around 2. Companies need to bring them together into an holistic CRM process. That needs the CEO or a board director's involvement to make it happen,".

### **2 – Stop leakages – get back to basics**

With investment into new projects currently hard to find, many benefits can be found from improvements which are "right under company's noses,". For example, in one European airline QCi audited, there were seven different segmentations being used, each of which cost six figures to implement.

Other examples of basic processes which could be improved include a mortgage company which was turning away high-value mortgage applications because it was not geared up to deal with customers whose needs were outside the norm; a telecoms company whose in-bound call centre left sales enquiry call-backs until quiet periods which never came, leading to a three month build-up of potential business worth six figures; and a High Street retailer catering to upmarket women which had rude staff and untidy stores.

One of the simplest and most basic processes which companies could derive benefit from are marketing to previous enquirers. "Any direct marketer knows that somebody who enquired, but did not buy is a good prospect,"

### **3 – Focus on high-value customers**

"This is not a new idea, but still very few companies focus on it,". Yet any decline analysis of customer profitability will show that the top 20 per cent of customers contributes the most to the bottom line. These customers want to be listened to, recognised, serviced and given information.

Most call centres, however, are set up to deal with the average customer who has little experience of the company and also little value to it. Conversely, high value customers often understand the sales or service process better than the call centre agent, which can lead to frustration.

According to QCi, only 19 per cent of companies have a separate contact strategy for high value customers. Further, only one in ten understand the true cost to serve of their customers. This is despite the fact that, for example, in retail bank 89 per cent of customers cost the bank money.

#### **4 – Don't focus solely on cost-savings and productivity**

A lot of boards confuse the issues of maximising profitability, which usually means cutting costs, and maximising shareholder value, which usually requires investment. "They need to balance those two things,"

Short-term cost-cutting can sometimes lead to surprising effects that are to the detriment of the organisation. One oil lubricants company that QCi audited had cut promotional merchandise that included filler funnels. Its customer retention analysis showed an average churn rate of 17 per cent, but more detailed analyses revealed that most of this churn was among small and mid-sized customers. Research uncovered the fact that these customers were unhappy that they no longer received the free goodies.

Driving customers onto lower cost channels makes sound business sense, provided it does not conflict with the lesson about managing high-value customers. "It is sensible to move low-value customers to low-cost channels. For high-value customers, only do it if it improves service,"

#### **5 – Resist 'acquisition at any cost'**

When sales or margins decline, many companies try to compensate by growing their gross customer base. Often "buying-in" customers through discounts and incentives do this.

"Those companies will lose on price because they are educating customers to become price-sensitive. It devalues your proposition and value chain,". As an example of how price promotions can attract the wrong kind of customer, one company achieved an acquisition rate of 17 per cent, but 73 per cent of these were in the lowest decline for value.