Tactics before technology

Erin Kinikin

High hopes followed by frustration and disappointment - that is what many companies experience when they implement CRM solutions. Either the benefits fail to materialise or they fall well short of expectations. But it needn't be that way, and there are some clear lessons to be learnt from past CRM failures. The most important is that technology is not the main determinant of success. Companies need to first understand what their customers want and how they behave, and then how IT systems can support and enhance competitive advantage. Multinational companies have an additional aspect to take into account: while it may be possible to use the same software across the whole organization, it may be necessary to tailor processes to the national environment.

CRM programmes have to be aligned with business processes and objectives. And the concept has to be embraced by the entire company to get results. If all this is done properly, the technology is secondary. You can't just go out and buy the best CRM software available. Systems have to be tailored to different corporate processes, culture and customs. Most companies still go about things the wrong way, earmarking too much of their CRM budgets for investments in technology rather than in people or processes. Often, the companies with the best CRM processes actually have very little technology, instead relying on simple tools and organisational incentives to get results. But a clear CRM strategy is essential, supported by top executives with incentives and processes to make it work.

There are no generally accepted or straightforward ways to implement CRM to achieve success. To get CRM right, companies have to do the hard work themselves - namely, find out what customers want and deliver it as effectively and profitably as possible. First, they need to ask who their customers really are. Companies that sell to consumers can usually identify target customers and interactions. But those selling to businesses must navigate a more fragmented decision process and web of influencers. Companies that sell through partners or distributors have a different challenge, which requires the building of relationships with both direct customers and the end-consumer. Then, companies must form a clear idea of who is involved in the marketing, sales and service chain. Some industries may have gaps between "selling" activities to partners or direct customers (doctors in the pharmaceutical sector, retailers in consumer products or dealers in the automotive business) and "marketing" or "service" activities to the end-consumer (branding or demand generation, after-sale warranty or service).

Companies also need to ask themselves where the problems or opportunities are. All CRM activities aren't equal in terms of providing a compelling return. Thus the key to effective CRM is finding opportunities to make a difference - making it easier for customers to do business with your organisation. Some companies focus on improving customer retention, while others improve new customer recruitment or focus on improving cross-selling and up-selling to existing customers. So you should identify critical interaction points where you can make the biggest difference - and build in measurement strategies to quantify results. Even the best companies have not found CRM to be plain sailing. Results have been mixed, with most businesses able to point to some positive returns on investment but with little overall impact on customer satisfaction. Most initial investments have focused on basic improvements to the sales and service process, as well as on integrating decades of product-centric, operational customer data. This process has enabled leading companies to understand customer behaviour across products, lines of business and households - subject, of course, to any limitations set by local data protection legislation. But relatively few have invested in the right customer-centric processes to make the most of this data; instead, they have replaced "technology silos" with organisational ones and in doing so have often inhibited CRM progress. Similarly, while companies have improved tactical management of the range of situations in which customers come into contact with them, most have yet to incorporate more strategic customer objectives into day-to-day interactions, again limiting the returns for CRM.

The right CRM solution and business approach depends on what you're trying to accomplish. If you can't define who the target user is, what the customer processes are and where the opportunities are to improve the customer experience and add value, you're not ready to select CRM software. If you are ready to go ahead, then you should build in ways of measuring usage and identifying problems as you implement new processes. You should watch carefully for areas where user acceptance is low. Don't, therefore, plunge into CRM applications without pilot testing with representative users - and plan to revise the application quickly as user obstacles surface. The most successful CRM project teams spend as much time on marketing, roll-out, training and user testing as they do on software implementation. Customers, whether individual or business, are more fickle and demanding in these days of increasing choice, shorter product cycles and the influence of the internet. CRM can help companies to meet their needs and desires more effectively, but it is not the whole answer. The hard work of analysing customers, markets and business processes has to be done thoroughly before CRM can be deployed across the enterprise. **Erin Kinikin** is an analyst at Giga Information Group, a global technology advisory company.