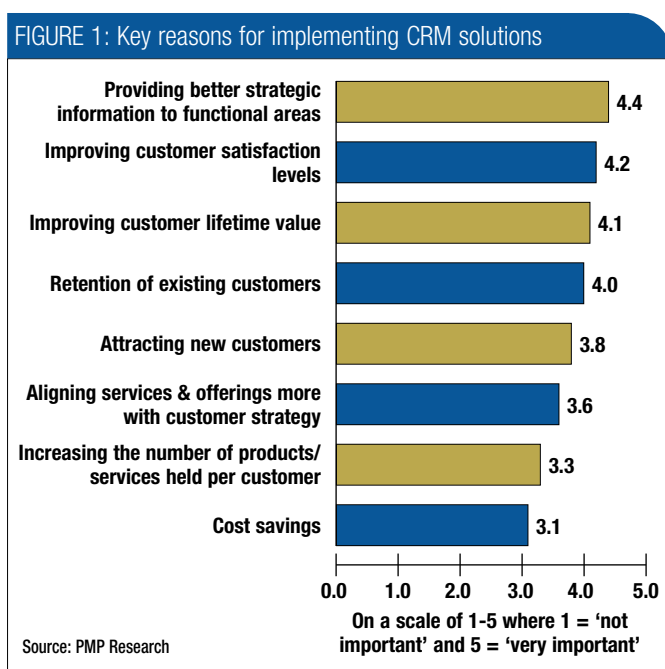


LIVING IN HOPE

Companies remain optimistic that their investment in CRM technology will pay dividends, says Cliff Mills, analysing our latest research study.

For years companies have been implementing systems under the general banner of ‘customer relationship management’ with two main aims. The first is to improve the customer experience in dealing with the organisation so they return and buy more products and services. The second is to help the organisation understand their customers better and devise the most effective way to interact with them, structure sales propositions and hence maximise their sales, turnover and profitability.

Between these two objectives, which is the most important will vary from company to company, and change as experience with the technology grows.



High hopes

However, according to the latest Evaluation Centre research, most organisations are clear on the reasons for implementing CRM systems and have high hopes for the improvements they can make to their operations.

We asked our respondents to rate their drivers for implementing CRM applications, using a scale of 1 to 5 where 1 stands for ‘not important’ and 5 for ‘very important’. As Figure 1 shows, the top reason is to provide better strategic information to functional areas of the business such as sales and marketing (4.4).

This allows the organisation to better understand the way it interacts with customers and so introduce more effective and targeted marketing campaigns. It also allows the company to enhance, where necessary, its interface with clients to improve service and customer satisfaction levels. This is highlighted by

the next most popular motives, which are to improve customer satisfaction levels (4.2) and improve customer lifetime value (4.1).

Organisations have realised that by keeping their customers happy, they can hold on to them longer and therefore derive higher value from them. This is highlighted by the fact that retention of existing customers (4.0) is rated highly – although attracting new customers (3.8) is also seen as an important objective.

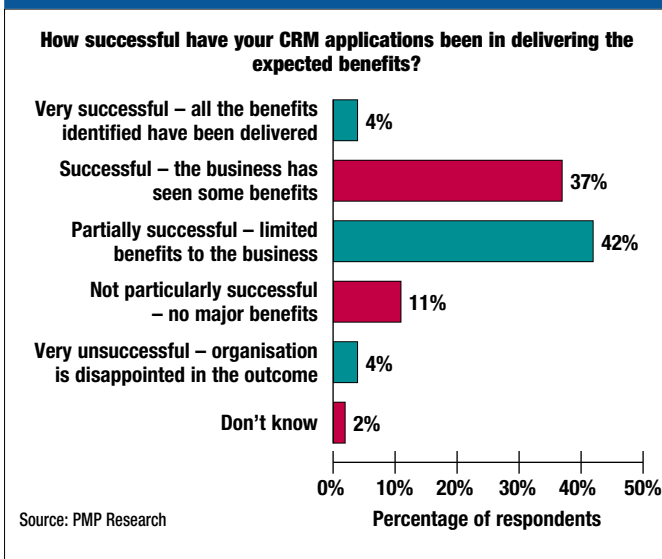
The least important reason for implementing CRM is to achieve cost savings (3.1). For while this is always desirable, it is very much a secondary consideration to increasing business opportunities and customer satisfaction.

Success rates

Although organisations appear to have a clear understanding of their CRM objectives, achieving them is a different matter – with only 4% feeling they have been very successful in delivering the expected benefits (see Figure 2, next page).

A further 37% label their CRM efforts as ‘successful’ with the business seeing some, if not all, of the benefits expected. But the largest group, 42%, have experienced only limited benefits and – taken together with the 11% who see their implementation as ‘not particularly successful’ and the 4% who view it as ‘very unsuccessful’ – this probably accounts for the well-publicised levels of dissatisfaction with CRM implementations.

FIGURE 2: Success of CRM software

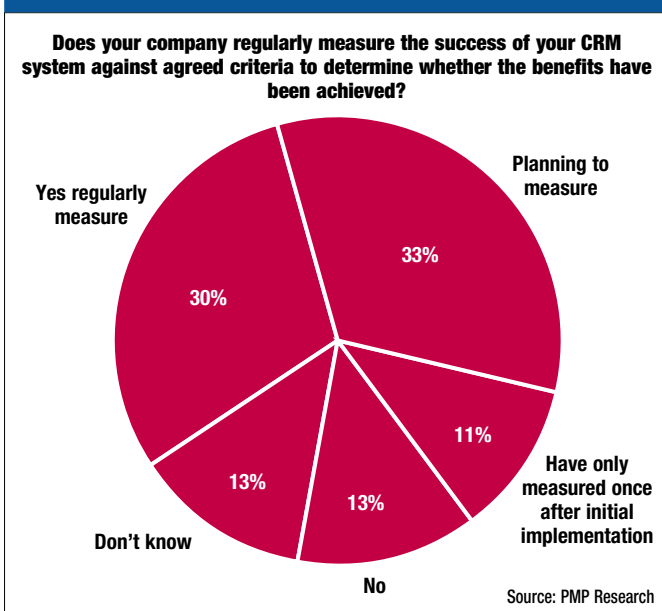


This dissatisfaction is made all the worse by the fact that our respondents view an effective customer relationship strategy as more essential now than three years ago. This is regarded as much more important by 44% of companies and slightly more important by 39%. No-one sees it as less important.

But the conundrum is: how do you know how successful your CRM system is? Only 30% of the respondents regularly measure their CRM system against agreed criteria (see Figure 3).

A further 33% are planning to measure CRM in the future, while 11% have measured success just once after the initial implementation, and 13% have never tried to measure the benefits. This suggests that any judgement as to the success of a CRM system is often made on subjective grounds rather than quantitative information.

FIGURE 3: Assessment of CRM software



For those companies who do regularly measure the effectiveness of their CRM system, the major criteria are mainly customer-centric – with higher customer satisfaction levels (69%) and more retained customers (69%) being the key areas. Not far behind is the amount of new business generated (63%), while cost savings are seen as significant by 50% of respondents.

There are also mixed views as to how successful companies have been in measuring the impact of their CRM systems. While 25% rate their systems as 'very successful' and 19% as 'successful', the largest group (38%) have achieved only partial success and a few companies (6%) are experiencing little success.

When it comes to determining whether their CRM systems are delivering sufficient competitive

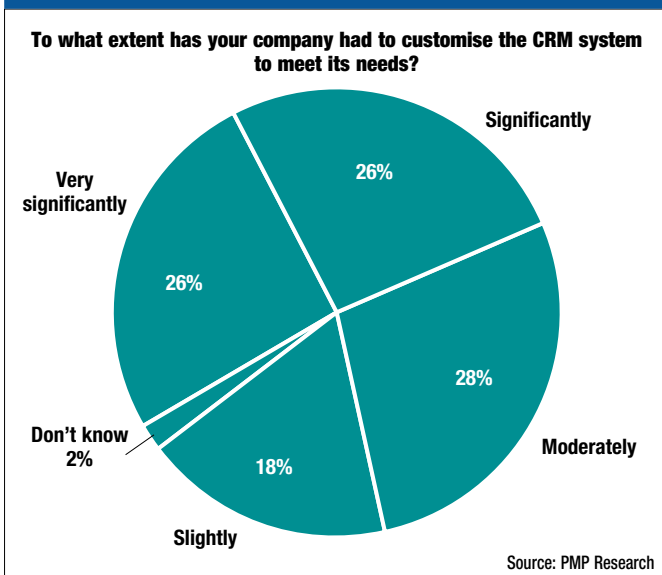
advantage, most organisations (59%) find this impossible to assess. Nearly a quarter (24%) consider they are providing competitive edge, compared to 13% who think they are not.

But one thing is very clear: companies are not standing still, with 78% planning to make additions to their CRM system in order to realise more of the benefits they originally sought. Only 11% have ruled out enhancing their system in the foreseeable future.

Customisation is a fact of life for CRM systems, with 26% of organisations having to customise them 'very significantly', 26% 'significantly' and 28% 'moderately' (see Figure 4, next page). Only 18% are able to make do with 'slight' modifications.

As the majority of CRM systems are designed to be highly customisable this is not necessarily a costly or difficult undertaking, provided it can be done inhouse and does not require expensive third-party personnel.

FIGURE 4: Customisation of CRM software



Given the high level of enhancements and customisation underway, it is somewhat disappointing that less than a quarter of respondents find it 'very easy' (11%) or 'easy' (13%) to work with their CRM vendor once the initial software is purchased. The majority regard vendors as only 'moderately easy' (30%) or 'not very easy' (28%) to work with. Obviously vendors need to take a dose of their own medicine and improve their customer relationship management!

Sponsorship

It is essential for the success of any CRM initiative that it has high-level sponsorship and strong input from the business. From our survey, the main driving forces for the implementation of CRM systems are the sales & marketing director (33%) and the company board (27%) – which underlines how strategic CRM systems

are for many organisations. In contrast, relatively low numbers are sponsored by the IT director (13%) or the finance director (4%).

Equally important is the finding that non-IT personnel have a 'very significant' influence on the development of CRM systems in 54% of organisations and a 'significant' influence in 24% more. Only in a few companies is the input 'moderate' (13%) or 'low' (9%).

Our survey also looked at the ways companies interact with their customers. Virtually all (91%) say customers can contact them via their website, with email (89%) or web forms (71%) being the most common way. Other communications methods still have a low take-up, with 'call me' buttons being used by 15% and web chat by only 4%. Even with the growing popularity of VoIP, only 4% of companies offer this facility.

Touchpoints

As well as online contact, companies are offering an ever-increasing number of ways for customers to get in touch with them. While some are long-established, such as the telephone (94%) and fax (95%), there is also a growing capability to interact via mobile phones (79%) and PDAs (60%).

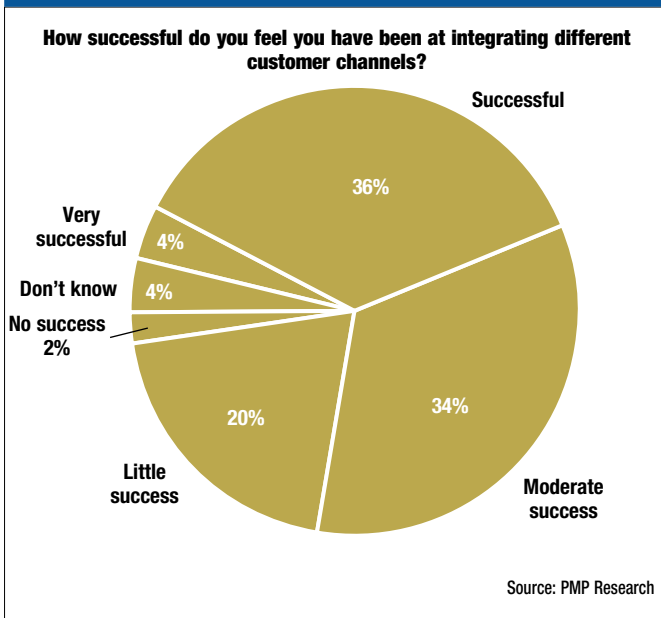
Within the next two years these latter options will be offered by nearly all companies. Even interactive TV is starting to gain in popularity with 14% of companies offering this facility and the remainder expecting to embrace it within the next two years.

With all these different access channels available, it's becoming even more vital that companies can integrate them to provide a seamless interface with the customer. Clearly this is a challenge and only 4% of organisations claim to be 'very successful' at achieving it (see Figure 5, next page). The bulk of companies say they have been 'successful' (36%) or 'moderately successful' (34%). However, this still leaves 20% who have had 'little success' and the struggling few, 2%, with no luck at all.

The key requirement for using CRM systems is to collect information on customer interactions and to use this to tailor customer propositions or improve the customer experience. This in many ways is the 'holy grail' and not simple to achieve.

While no company feels it has been totally successful, the majority think they are 'successful' (33%) or 'moderately successful' (24%) at doing this. However, a significant number of organisations have seen little (20%) or no success (15%) at using customer analytics to tailor their customer requirements.

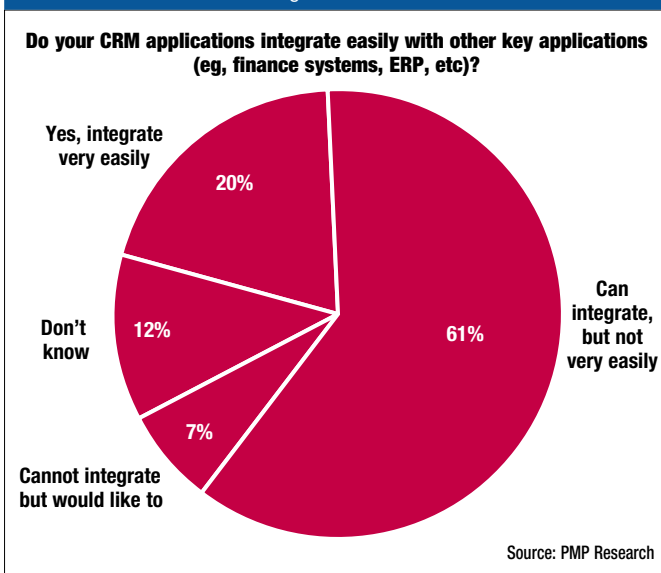
FIGURE 5: Channel integration



CRM systems should not be viewed as standalone, but need to integrate with a variety of other applications to provide higher levels of service to the customer – as well as operational benefits to the company. While 20% maintain they can integrate easily, the majority (61%) find this is a struggle, and a further 7% would like to do this but cannot (see Figure 6).

The alternative to having an ‘on-premises’ CRM system is to use a hosted solution (also called ‘software as a service’) – an option that’s available from an ever growing number of vendors. The benefits are that you avoid upfront investment in hardware and software, as well as ongoing support and maintenance costs, in return for paying a fixed price per user per month. Only 15% of the companies surveyed have gone down this road, but 30% say they would consider it, as against 35% who would not.

FIGURE 6: CRM software integration



Another potential way to save money is to use offshore facilities to manage or supply your CRM applications. Just 9% of companies are currently doing this, while 2% are at the planning stage, and a further 13% may consider this option in the future. The majority, 65%, have no plans to shift in this direction.

So, after all these years of implementing customer relationship applications, do organisations feel the technology has improved their overall level of customer service? The answer is mainly positive, with 33% strongly agreeing and 46% somewhat agreeing it has. Less than 5% strongly or somewhat disagreed. However, this is the view of those implementing CRM systems and not the customer’s view, which in the end is what really counts.

SURVEY STATISTICS

We spoke to a broad cross-section of organisations for this year’s survey into CRM applications and trends. The public sector accounts for 17% of the sample, as both local government and national agencies have made significant IT investments in this area as they are urged to develop closer links with their customers.

Of the rest, 15% are drawn from financial services where competition for business has intensified in recent times, 15% from business services, 15% from the IT & telecoms industry, and 11% from manufacturing.

The companies vary in size from those with an annual turnover of less than £5 million (15%), to the very largest – 8% of the sample report a turnover of between £1 billion and £5 billion, while 8% exceed the £5 billion mark. In the middle of the scale, 23% have a turnover of between £5 million and £50 million, another 15% fall into the £50 million to £150 million bracket, and 21% have a turnover in the range of £150 million to £1 billion.

Improving and understanding their relationship with the customer is essential to the long-term success of any organisation. CRM systems provide an important element in achieving this, yet many companies have had mixed results with their implementations. There are no quick fixes. Companies require frequent reappraisal, modification and investment in order to achieve the desired results.

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