

**The Vision and the Reality – Why the current approach to CRM is marginalising return on investment**

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## **Introduction**

While Customer Relationship Management (CRM) technology has promised much, the reality for many has been disappointing. Industry analysts estimate 50-60% of implementations fail, or produce marginal return on investment. Our exposure to small and medium enterprises (SME) suggests that this rate may well be significantly higher. The irony is that the problem lies less with the technology itself (though that may *receive* much of the blame), but in much more easily addressed flaws in the way that organisations approach and implement CRM projects. The following white paper sets out our views on why this has happened, and outlines strategies for minimising the risks and maximising the returns from CRM.

## **The vision**

CRM technology is a unifying technology supporting the operational needs of 'front-office' departments such as sales, marketing, and customer support, sharing a single database of information about customers, prospective customers, channel partners, suppliers, competitors etc. The CRM database works as a central repository of data typically integrated into other key systems such as finance. The system is designed to be accessed remotely to meet the needs of organisations spread across multiple locations, and staff who may not be office based. Typical benefits to user departments would be as follows:

### ***Marketing***

- Better visibility of marketing activity and leads, allowing organisations to concentrate expenditure into the most productive campaigns.
- The quick and effective use of targeted, personalised, direct marketing, particularly low-cost email marketing.
- More effective up/cross-selling.
- Better control and promotion of the brand image.

### ***Sales***

- More successful selling through greater availability of information.
- Better coordination between sales teams, for example between telemarketing and direct sales, or, between territories.
- Smoother transitions as staff enter and exit the organisation.
- Increased selling time, through enhanced productivity.
- Better visibility and management of sales opportunities.
- Increased conversion rates through standardised sales processes.
- More accurate forecasting.

## ***Service***

- Improved service through a greater depth and availability of customer information.
- More effective handling of help-desk calls through enhanced tracking, prioritisation, and escalation capabilities.

## ***Management***

- A greater depth and immediacy of management information.

In summary, CRM technology should help organisations generate more leads, convert a higher proportion of them, and retain customers longer through enhanced service, and more profitably through the more effective promotion of additional products and services.

## **The reality**

So how has the vision fared in practice? If you were to examine the average organisation two years on from the initial implementation of CRM technology, a typical situation could be described as follows:

On the plus side the system would still be used by the majority of staff and would operate as a central repository for reasonably detailed information about customers and prospective customers. As such, staff would have access to more information than was the case pre-CRM, coordination between selling units would be enhanced, and sales territory management would be more effective. Individual users would be benefiting from some of the automation features within the system, such as scheduled follow ups, and search and query capabilities.

On the other hand some or all of the following issues would exist:

While the majority of users might be updating the system, a significant minority would not. This would typically be blamed on technical issues (especially where users are based outside the central location), a lack of training, or unsupportive functionality.

Data quality has degraded over time due to a lack of data entry and administrative controls. Marketing have imported lists into the system, and there is a major issue with duplicate data. The breakdown in usage means information is increasingly out of date.

While the goal was to consolidate information into a single location, as usage has broken down, new databases have started to spring up. Those that have ceased using the system have reverted to Excel, Access, or basic contact management packages. Units within the business are militating to break away from the central system and are threatening to purchase technology they argue is more relevant to their needs.

In light of the data quality issues, marketing feel they can no longer rely on the data for direct marketing, and are buying in lists for these purposes. Budget is being switched to other activities such as advertising or trade shows.

A breakdown in usage, and a lack of clearly defined processes within the system, has meant there is no useful management information being produced. The executive team are not able to use the system to manage the operation of the business.

***In summary*** - the vision hasn't been achieved. Expenditure is still being made on software licences, maintenance, services, and the internal resources to administer the system, but the returns are increasingly marginal, or have turned negative. The system is caught in a vicious circle, as usage drops off it becomes less useful, and, as it becomes less useful fewer people want to use it, so usage drops off, and so on and so forth.

This may look like a doomsday scenario, but in our experience it's very typical. If organisations are to achieve better returns from CRM, we need to better understand how we've arrived in this situation.

### **How did we get here?**

The heart of the issue is a fundamental misunderstanding of the complexities involved in implementing effective CRM, and maintaining it over time. Immense amounts of marketing dollars have been invested by the software companies in conveying the message that CRM is quick and easy. Conditioned by this messaging and perhaps a little wishful thinking, success has been viewed as a direct function of selecting the right software package. This has resulted in the following approach to implementing CRM:

- Little emphasis is placed on planning. Clear objectives and success criteria are not well defined. Benefits are anticipated but are not formally identified.
- A focus on technology as the means to determine a supplier of the system, rather than implementation capabilities, approach or track record. The long term viability of the technology or the vendor is often ignored in favour of functional considerations.
- Technology is selected without clarity over detailed functional requirements.
- Executive management are not sufficiently involved in the process.
- The internal resources and commitment required by the project are underestimated.
- The need to change existing, and introduce new, business processes in order to capitalise on the technology is not allowed for.
- Detailed consideration is not given as to whether functionality meets the practical demands of day to day usage in the business.
- It is assumed that with appropriate training users will diligently update the system without further prompting.
- No strategy is in place to address the long term up-keep and enhancement of the system.

### **The way forward**

The reality is that while CRM technology can generate very high returns, extracting this value can be harder than is often appreciated. The inherent complexities involved in driving effective CRM systems through an organisation should prompt a fundamental review of how businesses approach CRM projects. In particular greater emphasis needs to be placed on the following elements:

**Planning** – The delineation before commitment to the project of clear business objectives and associated deliverables, as well as careful research to determine the full costs and internal resources required to achieve them, addresses the risk, before substantial investment has been made, of embarking on a journey without the necessary resources to complete it.

**Detailed requirements before vendor selection** – While detailed requirements definition needs to take place in the context of the capabilities of the technology, it should take place prior to vendor selection. By undertaking this process in advance, the organisation reduces the risk of selecting an inappropriate software platform to meet its functional needs, increases the opportunity to build consensus and buy-in between disparate users and departments, and reduces the downstream implementation costs and the likelihood of overruns.

**Vendor selection** – needs to establish both the ‘fit’ of the technology in respect of the requirements of the business, but also needs to take into account the long term viability of the technology provider, and most importantly needs to judge vendors on their implementation capabilities and their track record in achieving enduring high return systems. Careful consideration should be given as whether a single vendor can meet all the skill requirements for the project, and appropriate arrangements to source specialist skill-sets such as data management, project management or business process re-engineering.

**Implementation** – The approach to implementing a CRM system should recognise that existing business processes will need to be incorporated and adapted, and new processes introduced to capitalise on the new capabilities. This can demand high levels of executive involvement, and needs to be accomplished in a way that facilitates ready user acceptance. The primary benefits of CRM rely on consistent and comprehensive data entry, and the whole aspect of user adoption needs careful consideration and planning. Critically, implementations will rarely succeed without the active support and involvement of the executive management.

**The days after** – getting a system up and running is a key achievement, but maintaining the utility of the system over time, as users come and go, and as markets, strategies, and requirements change, is equally challenging and demands a high degree of ongoing focus. Particular attention needs to be made to training new users, change control, ongoing administration, continued executive sponsorship, maintaining data integrity, effective support, and growing the system to deliver new functionality and meet the evolving needs of the business.

## **Conclusions**

Successful CRM isn't that difficult, but there's more complexity involved, and more commitment required than many organisations had envisaged. With greater levels of planning, executive support, and awareness of the challenges surrounding user adoption, organisations can effectively drive CRM technology to deliver the promised vision. With so many struggling to get it right, the rewards for those that do will remain very high.

## **Why Mareeba?**

Businesses are looking for long term measurable value from CRM. For reasons, many of which are outlined in this white paper, they have struggled to achieve it. Our experience gained from over 200 CRM implementations, and our tight focus on extracting value, means that we can achieve an order of magnitude higher return on investment than when organizations contract solely with the vendor.

We don't replace the CRM vendor, but we recognize their core expertise and capabilities generally relate to the technology itself, and though that's important, it's not sufficient to deliver high returns on investment. We also suggest there are key stages in projects such as business case formulation and requirements definition, where it's wise not to allow too much vendor influence. Independent advice at these, and the selection stages, can help structure a project based on what works for the customer rather than what works for the vendor.

Aside from a substantially enhancing pay-back from the investment in CRM technology, we can invariably drive initiatives faster and at less cost. We achieve this partly through the advice we can impart on price and contract negotiation, but also by helping cut the learning curve, release pressure on internal resources, and removing the costs of false starts and missteps.

Our services include:

- Initial project planning
- Business requirements definition
- CRM technology selection
- Project delivery
- Benefit optimisation for existing CRM systems

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