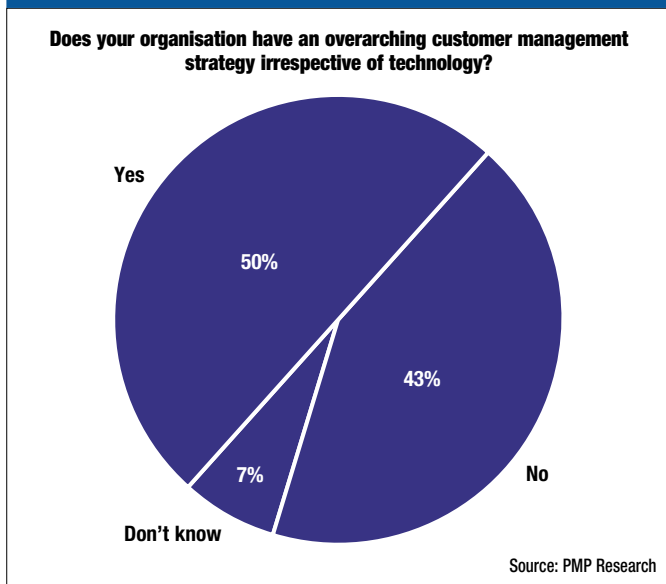


CRM'S MONEY-GO-ROUND

The budgets stay healthy but what about the benefits? Cliff Mills reports on our latest survey of CRM system users.

FIGURE 1: Customer management strategy



Profitable customer relationships are the lifeblood of any commercial enterprise. Yet we know from personal experience that many organisations fall far short in treating their customers as they would expect. Do they build up customer or brand loyalty? The answer in many cases is no, and so the customer moves to another supplier at the first available opportunity.

It is an oft quoted fact that it costs five times more to acquire a new customer than to retain an existing one. So why do organisations regularly fail to look after the very people they should care for the most? Maybe they think by installing a CRM system they have addressed the issue.

If so, they will be sadly disillusioned as the technology is only an enabler and not a replacement for a well-thought through customer management strategy.

According to our latest CRM user survey, only half the respondents have an overarching customer management strategy that is independent of any technology solutions they might use (see Figure 1). This compares to 43% who lack such a strategy – which may indicate why so many organisations still fail to deliver good customer service.

For those companies with a strategy, then it is the responsibility of the company board in 48% of cases, the sales and marketing director in 37% and the IT director in 4%.

The majority of organisations (59%) are keen to measure customer satisfaction on a regular basis although a substantial number (30%) only do so occasionally and 8% not at all (see Figure 2).

The most common way of collecting feedback is for the company to periodically send out a customer satisfaction survey to its clients. Other popular methods are to use a third party to undertake research (26%), making a 'satisfaction call' to a random sample of customers after a transaction (26%) or sending out an email to selected customers after a completed transaction (17%).

FIGURE 2: Use of customer feedback



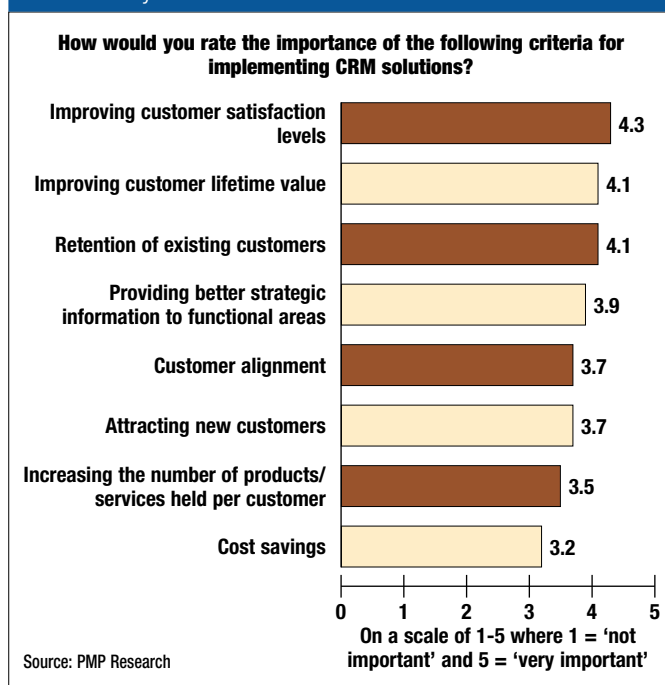
Anecdotal feedback from the sales team is also used by 19% of companies.

But while many businesses are keen to collect customer feedback, it is essential that the results are analysed and used to improve customer service. As Figure 2 shows, 19% of the respondents say that such information is used 'a great deal' to drive change in the organisation while a further 39% take a 'significant amount' of notice of it.

This leaves a third of organisations (33%) who make only a 'moderate amount' of use of it and 7% and 2% respectively who take little or no notice.

Many organisations have an integrated CRM system to help them implement their customer management strategy. We asked our respondents to rate their drivers for deploying CRM applications, using a scale of 1 to 5 where 1 stands for 'not important' and 5 for 'very important'.

FIGURE 3: Key benefits of CRM software



As Figure 3 shows, the most important motivation is to improve customer satisfaction levels (4.3); many organisations take this very seriously, and it allows them the opportunity to enhance their operations and improve their overall offerings and service levels to their customers.

This goes hand-in-hand with improving customer lifetime value (4.1) and the retention of existing customers (4.1).

Organisations have realised that by keeping their customers happy, they will retain them for much longer and therefore derive increased value from them. As it costs considerably more to acquire new customers, then by providing the products and service levels they demand, it will keep existing clients happy.

Providing better customer information to functional areas of the business such as sales & marketing is also a key objective (3.9). This allows a company to introduce more effective and targeted marketing campaigns.

The least important reason given for implementing CRM is to reduce costs (3.2); while this is a desirable objective it is very much a secondary issue to developing business opportunities, such as increasing the number of products purchased by clients (3.5) or improving customer satisfaction.

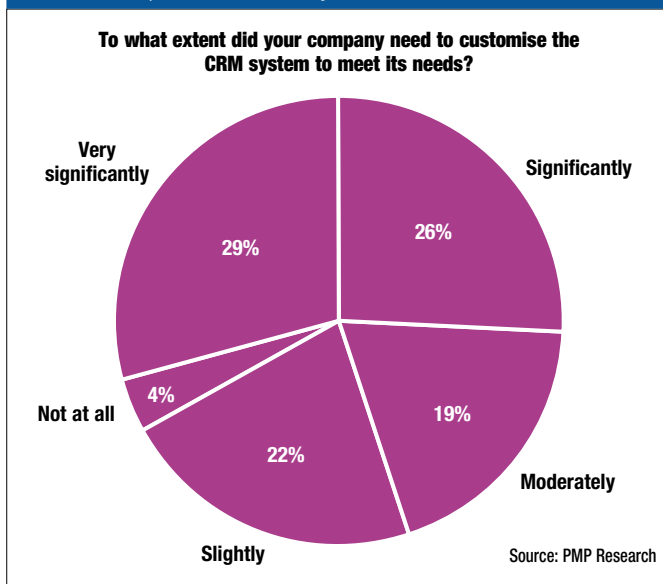
To realise more of the benefits originally sought from their CRM system, 30% of the companies are currently making changes or additions to their system and a further 52% expect to do so in the future. However, 59% of organisations say they now apply a more rigorous cost justification procedure for new investments than before.

Customer analytics – including insights into need, wants, lifestyles, behavioural trends, transactional histories and purchasing patterns – can improve the relevance and perceived value of offers to clients. Providing good intelligence at the front end can also greatly assist in the formulation of more targeted products and services, supporting up-sell and cross-sell opportunities.

Yet only 10% of respondents say they are using customer analytics to a 'great extent' with a further 20% using them to a 'significant extent'. The largest proportion (32%) only use them a 'moderate' amount, with 20% making 'very little' use and 15% making no use of analytics at all.

It is important that a CRM application has the buy-in of everyone in the organisation and is not viewed as just a piece of

FIGURE 4: Requirement to modify software



technology being implemented by the IT department. All interested parties, particularly the users of the system, should have input into its selection and development.

Fortunately in most cases, non-IT personnel have either had a great deal of influence (48%) or a significant influence (22%) on the development of the CRM solution. However this still leaves 11% who have only moderate input, 11% with little influence and 4% with no say at all.

Every organisation has its own way of working and it is not surprising that CRM applications need tailoring to meet a company's exact requirements (see Figure 4). The majority of companies either have to modify the software 'very significantly' (29%), 'significantly' (26%) or 'moderately' (19%). Only 4% of companies have got away with no modification and 22% with just slight changes.

Once a CRM system is bought, you would expect there to be an ongoing relationship with the supplier during implementation and for future development of the system. So it is somewhat surprising that 15% of companies say their relationship with the vendor is 'very difficult' and 11% 'not very easy', while the largest number (30%) see it as only 'moderately easy'. On the plus side, 15% find the relationship 'very easy' and 7% 'easy'.

Clearly, CRM systems need to store or have access to as much customer information as possible so that a complete picture of all customer interactions is available. This is not only beneficial to internal staff, it also means that if a client contacts the company then all their information is immediately available to quickly resolve any query.

While 30% of companies maintain they can integrate easily with other systems, the majority (55%) find it difficult to provide the level of integration they would like. This means that valuable information is not immediately available to deal with customer issues.

The alternative to maintaining your own CRM system is to use a hosted solution (often referred to as Software as a Service), which is available from a number of suppliers. The benefits are that you avoid upfront investment in hardware and software, as well as ongoing support and maintenance charges, in return for paying a fixed price per user per month.

Only 8% of the companies polled have adopted this approach, with 2% at the planning stage. A further 36% might consider a hosted solution but 31% would not entertain this option.

SURVEY STATISTICS

We spoke to a broad cross-section of organisations for this year's survey into CRM applications and trends. The public sector accounted for 16% 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 remainder, 16% are drawn from manufacturing, 13% from the IT & telecoms industry, 12% from banking & finance and 11% from business services.

Companies vary in size with 10% having in excess of a £5 billion turnover, 7% in the £1 billion to £5 billion bracket and 18% in the £250 million to £1 billion range.

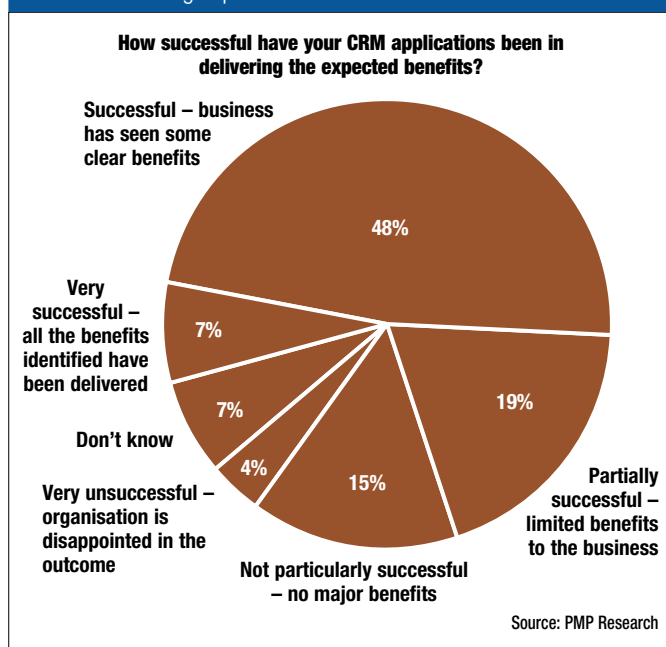
In the mid-market 7% are between £100 million and £250 million turnover and 10% £50 million to £100 million. At the smaller end, 22% have a turnover of between £10 million and £50 million and 19% £5 million to £10 million. Not-for-profit organisations make up 3% of the sample.

Another way to deliver a more cost-effective CRM solution is to offshore the operation to another country. This is being done by only 7% of organisations although a further 12% may consider it in the future. The majority (69%) have no plans to go in this direction.

With technology advances, companies are able to offer an ever-increasing variety of ways for customers to interact with them. Options such as email, fax and the telephone are provided by all companies and the internet is almost ubiquitous, with 95% uptake.

There is also a rapidly growing capability to interact through mobile technology, with mobile phones (89%) and PDAs (59%) supported by many companies. Interactive TV has also grown in popularity, with 42% of companies offering this capability and the remainder expecting to do so in the next two years.

FIGURE 5: Meeting expectations



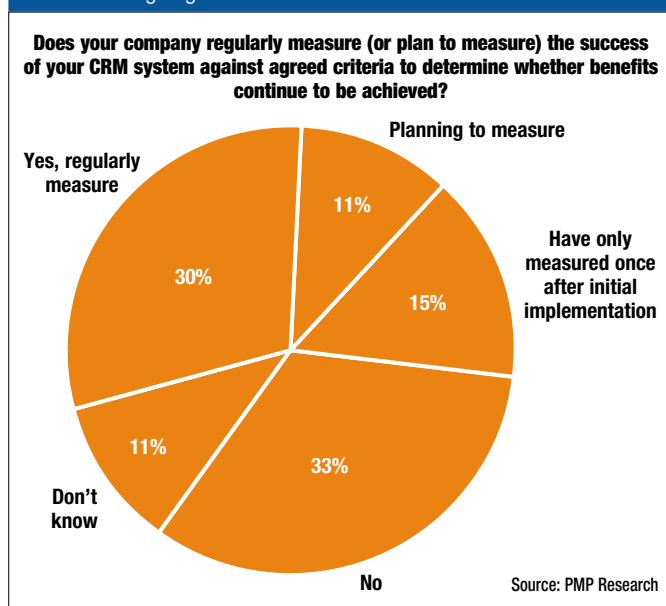
With the variety of different access channels, it is becoming increasingly difficult for any organisation to keep track of all the contact points it may have with its customers. However, it is desirable to do this so that a consistent approach is presented to the customer.

Clearly this is a challenge as only 3% of companies feel they have been 'very successful' in achieving this, although 22% see themselves as being 'successful'. The largest number (36%) are only 'moderately successful' with 27% having 'little success' and 5% 'no success' at all.

With all the various ups and downs of CRM solutions over the years, it is interesting to see how respondents feel about the success or otherwise of their implementations.

While only 7% see their CRM system as being 'very successful' and achieving all its original objectives, the largest proportion (48%) see the implementation as 'successful' and that the business is seeing clear benefits (see Figure 5).

FIGURE 6: Ongoing assessment of software



This leaves 19% who see their CRM system as only 'partially successful' and providing only limited benefits to the business, 15% who feel it is 'not particularly successful' with no major benefits provided and a small number (4%) where the organisation is very disappointed with the outcome.

How companies determine the success or failure of their CRM system is a moot point since only 30% say they measure the results of their implementation on a regular basis (see Figure 6). Another 11% plan to do so in the future but 15% have done so just once after the initial implementation and 33% undertake no measurement at all.

When it comes to ascertaining whether their CRM technology is delivering sufficient competitive advantage, 44% of companies believe it is compared to 15% who think it isn't. The remaining 41% are unable to assess this satisfactorily.

In summary, having an effective customer management strategy is seen as important by the majority of organisations. Some companies feel they are doing this well, others less well.

No-one claims that customer management is easy or an exact science, it requires continuous hard work, re-appraisal of the outcomes and analysis of the feedback from customers. Some companies are geared up to do this but others are still falling short of the mark.

● *Cliff Mills is research manager for Evaluation Centre publisher NCC. If you are interested in this study, please contact Cliff on +44 (0)870 908 8767. Email cliff.mills@ncc.co.uk.*

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