

CRM's CROWN SLIPS

PMP Research finds that the CRM software market is still slumbering.

For most companies, the customer is king. Yet many of the CRM systems which should be their crowning glory are looking distinctly tarnished. Putting the shine back on those applications is now proving to be a major challenge and one PMP Research survey of the CRM market confirms the widely held view that sales of CRM applications have slowed substantially since the heady days of the millennium and the internet boom.

When e-business first took off, so did the growth of systems designed to streamline a company's interactions with its customers. Now, 55% of our sample (see Survey Statistics box, page 4) reckon to have an integrated CRM system in place which links together more than one department in their management of customer relationships. The remainder do not, although they may well have introduced standalone applications targeted at one particular area of activity or channel.

Looking ahead, it appears unlikely that there will be a significant change in these figures any time soon. The proportion who expect to implement an integrated system within the next two years remains the same (54%), although 11% declare themselves undecided about their plans. However, a third (35%) rule out any such investment. Nor are companies opening the corporate coffers very wide when they do buy in some CRM technology. A considerable proportion find it hard to gauge how much their organisation has spent on hardware, software and consultancy over the past three years, but the majority (40%) estimate it to be less than £250,000 (see Figure 1). That said, 12% of companies reckon to have spent between £1 million and £5 million or even more on CRM systems in recent times, but this is not a trend which looks likely to continue.

Asked to anticipate what they might be spending in this area next year, the respondents show even greater uncertainty about what investment might be available, with a third (34%) unable to produce any estimate (Figure 1). Of those who do put a figure on their future spending plans, most have a cautious outlook. The proportion reckoning to invest under £250,000 goes up slightly to 42%, but the biggest change is at the top end of the spending tree, where only 2% anticipate spending between £1 million and £5 million on CRM systems next year. None venture above this level.

Estimates of the annual running costs of CRM systems are equally modest, with the biggest group (39%) putting this at less than £50,000 and 21% calculating that they spend between £50,000 and £100,000 on keeping their applications going. These findings confirm that the CRM buying bonanza is well and truly over – and one of the principal reasons for the slowdown in spending is quite simply that few systems seem to perform as expected.

FIGURE 1: CRM investment levels

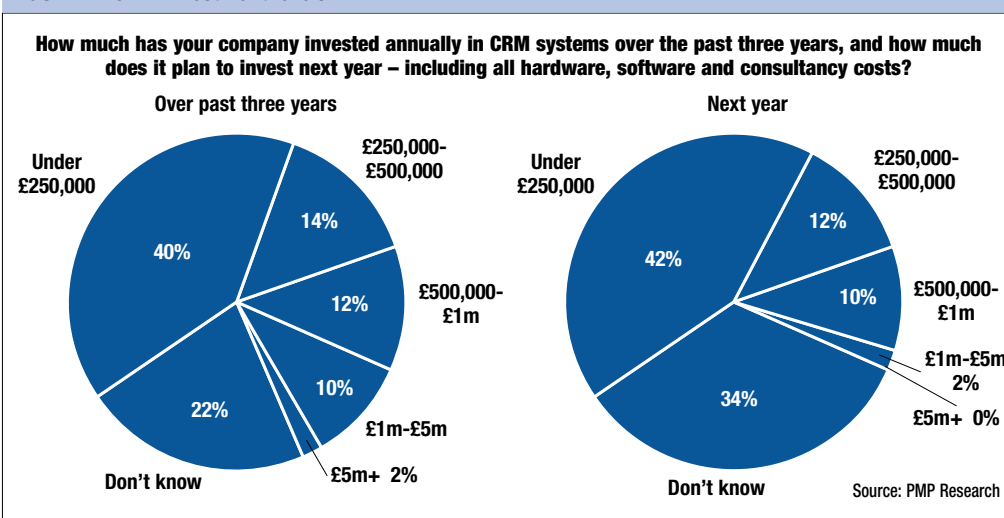
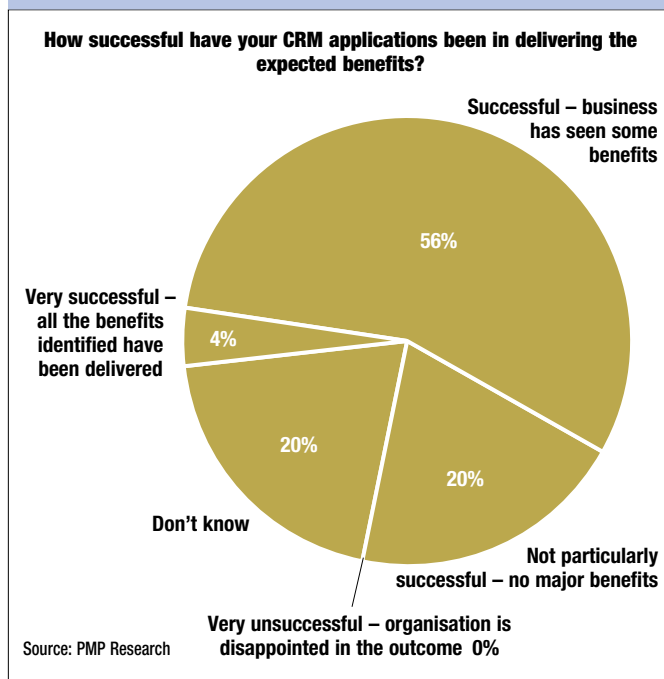


FIGURE 2: Benefits realisation

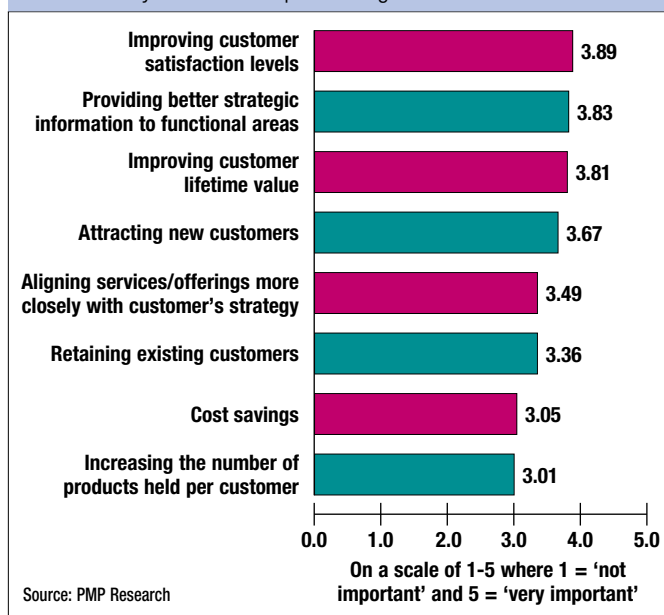


Just 4% of our sample describe their CRM implementation as very successful and delivering all the benefits they expected (see Figure 2). This proportion is exactly the same as that recorded in last year's survey, which suggests that problems with achieving benefits are deeply rooted and not easily solved. While none of the companies in our survey go so far as to admit to complete disappointment with their CRM systems, most are lukewarm in their assessment. Over half (56%) claim their implementation is successful and has delivered some of the benefits they sought, but one in five (20%) continue to feel that their CRM systems are not particularly successful and that they have identified no major benefits from using them.

More worryingly, only half (53%) say that their company has agreed criteria for measuring whether or not benefits have been achieved, while 38% do not. The remaining 9% declare themselves unsure about this. This finding suggests that some companies are employing little more than a 'finger in the wind' when it comes to judging how well their CRM application is performing against expectations. It will be difficult for them to mount a convincing case for further investment without a more stringent approach to assessing costs and benefits. These results come against a background where 60% of respondents have had to customise their CRM system fairly substantially to meet their needs – 36% report 'moderate' customisation, with 24% making more substantial changes. In contrast, only 18% have put in CRM systems as they come out of the box, and 15% have made just 'slight' alterations.

The overall picture is one where companies are struggling to get CRM applications to do what they want. Yet our analysis also shows that most companies have fairly straightforward ambitions for their systems. We asked our sample to rate their most

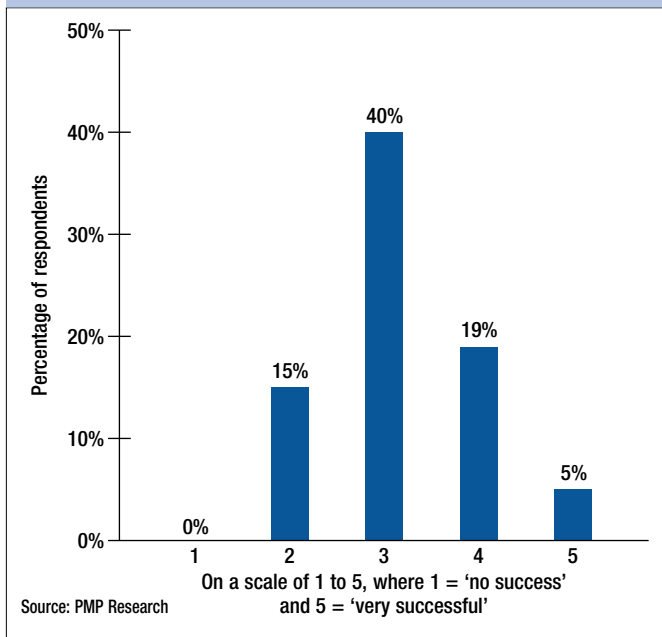
FIGURE 3: Key drivers for implementing CRM software



important motivation for implementing CRM applications, using a scale of 1 to 5 where 1 indicates 'not important' and 5 stands for 'very important'. The aggregated scores (Figure 3) make it clear that the key issue for most companies is improving their customer satisfaction levels (3.89). In addition, organisations want to provide better strategic information to functional areas such as sales and marketing, so that managers can respond more appropriately to customer demand (3.83).

Significantly, improving customer lifetime value is another key goal (3.81), and one which scores more highly than attracting new customers (3.67). Giving customers more of what they want, and in a way that matches their needs or expectations, emerges as the key theme from the list. But the survey indicates that this remains a wish rather than a reality for many of the organisations we polled. For some years, companies have been pursuing the Holy Grail of a

FIGURE 4: Success in integrating different customer channels



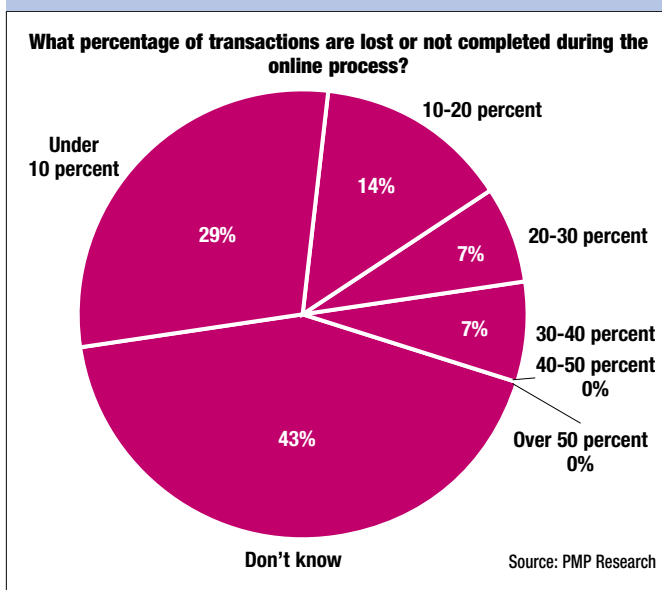
'single view of the customer' whereby all of the customer's dealings with them, whether online, by telephone or in person, are captured and recorded in a way that means identical, up-to-date information is available in any of those channels.

Such an approach has obvious advantages for the customer, who no longer has to repeat the same personal details, and is also very attractive to the company, which can then leverage all of its data on that customer, their spending patterns and their preferences, whenever someone within the organisation comes into contact with them. However, although none of the organisations in our survey admit outright defeat in this area, most are having only limited success in integrating different customer channels.

We asked them to score their efforts, using a scale of 1 to 5, with 5 indicating 'very successful'. As Figure 4 shows, the biggest proportion (40%) plump for the mid-point, with a mark of 3, while 19% give themselves a 4 and just 5% feel they can report complete success with a score of 5. But few can afford to let matters rest there, since most remain committed to a broad mix of communication channels to customers. The telephone and email are the most popular choices, both used by 96% of the sample, with fax and the internet close behind (88% use each medium).

Newer technologies, including PDAs (10%) and interactive TV (6%), attract substantially less interest, but the findings suggest organisations intend to go on using them at slightly increased rates over the next two years. All of the companies surveyed offer customers the facility to contact them via a corporate website. In most cases, this is via email (94%) or web

FIGURE 5: Web-based CRM

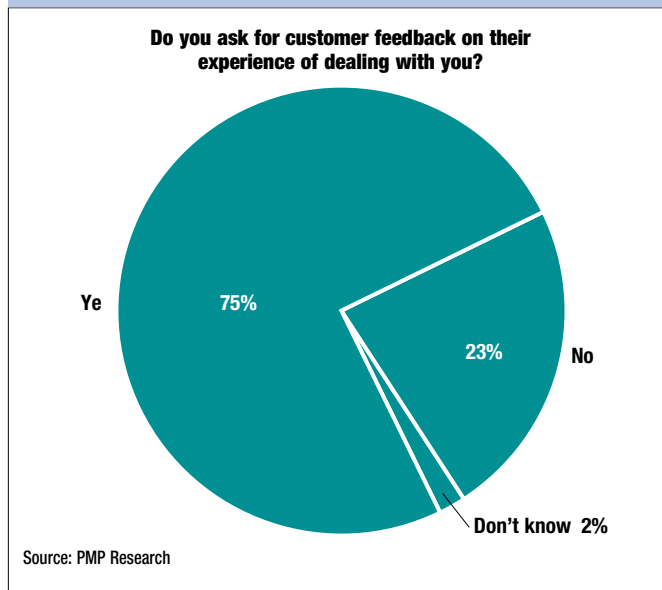


forms (66%), although there is a small but significant move to adopt new technologies here. For example, 8% have a 'call me' button on their site, 4% provide VoIP access and 2% provide web chat facilities.

But despite the widespread availability of online services, making them work successfully is by no means straightforward. Only a quarter (24%) take active steps to measure the percentage of transactions which are lost or not completed during the online process, and their experience indicates there is still some way to go before operations run smoothly. Analysis shows that most companies (29%) reckon that less than 10% of transactions are affected, while 14% put the figure at between 10% and 20% (see Figure 5). However, 14% estimate that anywhere between 20% and 40% of customer contacts online do not go through to completion.

In addition, one in five (20%) admit that some transactions which start online involve the customer using the telephone to complete, although they reckon this affects less than 10% of customers. However, for some companies this is a significant issue – 18% say that more than half of their customer transactions initiated online are completed by phone,

FIGURE 6: Interaction with customer base



and 4% estimate between 40% and 50% of customer contacts follow this pattern. Yet handling the same transaction through two different channels is bound to increase both cost and potential inefficiencies. There is also the question of what companies are doing with all the information they gather from these interactions with their customers.

Three-quarters of the sample report that they ask for customer feedback on their experience of dealing with the company (see Figure 6). Yet the proportion who use more formal customer analytics to determine customer requirements is much lower. Less than a third (29%) do so to any significant extent, and only 6% to a 'great extent'. In comparison, 37% do little in this area and 23% make moderate efforts. Such knowledge of customer preferences can be crucial in devising new products and services. By adding the customer's knowledge to the company's own

resources, it is possible to refine and define how your organisation operates. At the moment, companies are only dimly aware of the potential involved here. The majority (73%) have adopted criteria for measuring the benefits of any CRM application which go beyond the purely financial metrics commonly used to assess IT projects. The two most important measures are increased customer satisfaction levels, cited by 58%, and the amount of new business generated (50%).

But there is still some way to go. Only a third (34%) report that they have been able to measure the success of their CRM initiatives using these metrics, while 17% have failed in this task and 41% feel it is too early to assess how well they have got on. This mixed bag of responses is in many ways typical of this year's CRM survey. While much has been done, much still remains to be achieved, and with IT spending levels remaining low and benefits realisation still problematic, it could be a while before the optimism of CRM's early years returns.

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SURVEY STATISTICS

For this year's survey of key trends in CRM applications, we spoke to a broad sweep of organisations across several market sectors. Getting on for a quarter (22%) are involved in the provision of IT products and services, an area where customer service has long been a contentious issue and one where many companies are actively seeking to make improvements. In addition, 10% of the sample are from the financial services sector, where cut-throat competition has made good customer service a prerequisite for maintaining market share, along with 4% from the transport industry, 4% in education and 2% from the retail sector, amongst others. The public sector is also under pressure to deal more effectively with its many user communities, and 18% of the sample are drawn from a variety of local and national government agencies. The survey organisations are equally varied in size, with 14% of the sample having a turnover of under £5 million. At the top of the scale, a similar proportion (14%) report a turnover of between £1 billion and £5 billion, while 4% top the £5 billion mark. In between, the largest group (22%) have a turnover in the £150 million to £1 billion range. Below this, 6% are in the £5 million to £10 million bracket, 14% in the £10 million to £50 million range, 6% have a turnover of between £50 million and £100 million, and 8% report turnovers of £100 million to £150 million.