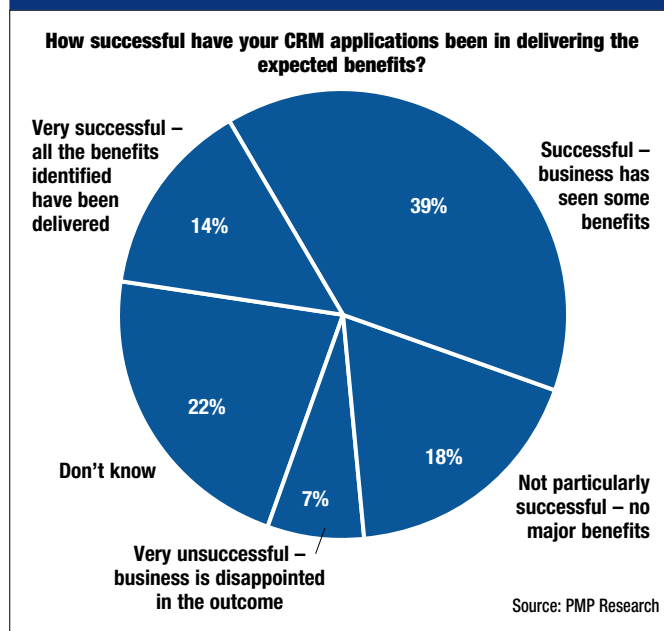


WORK IN PROGRESS

Views of CRM software are finally sounding more positive, says Pat Sweet, as she reports on our survey of UK CRM software users.

FIGURE 1: CRM benefits



The initial surge of CRM implementations that started almost a decade ago as companies revised their operational systems in the run-up to the millennium has turned into a trickle in recent times. Many companies have found themselves drowning in applications which cost a lot, promised much and yet deliver very little of value to customers. But now there are signs that some organisations have got their heads above water and are riding a second wave of CRM activity.

There has been substantial press coverage in the last few years about CRM project failures, where companies have either abandoned a CRM implementation altogether or admitted they have not seen any ROI for their efforts so far. Indeed, our last two annual surveys on this subject contained strong evidence to support this view: just 4% of our sample in 2004 were prepared to describe their CRM implementation as 'very successful', and that proportion remained the same in 2005. But the past 12 months has seen a real change in

attitude and in performance. The proportion who now say their CRM applications have been very successful and delivered all the anticipated benefits has leapt to 14% (see Figure 1).

A further 39% label their CRM efforts as 'successful' and say that the business has seen some, if not all, of the benefits they expected. Put together, this means that half the sample (53%) reckon to be seeing real improvements as a result of implementing CRM applications. In contrast, only 7% claim that their CRM applications have been 'very unsuccessful' and that they have been disappointed in the outcome. A further 18% feel their implementation has not delivered as much as they hoped for in the way of benefits, while nearly a quarter (22%) are reserving judgement for the moment.

This split response as to how useful a CRM application might be, probably explains the continuing relatively low levels of investment in this technology. The majority (47%) estimate that they have spent less than £250,000 on their CRM systems over the past three years. However, 15% have ploughed between £250,000 and £500,000 into CRM technology over that timeframe, and 6% have invested up to £1 million. At the top end, 11% have spent between £1 million and £5 million and 2% more than £5 million.

SURVEY STATISTICS

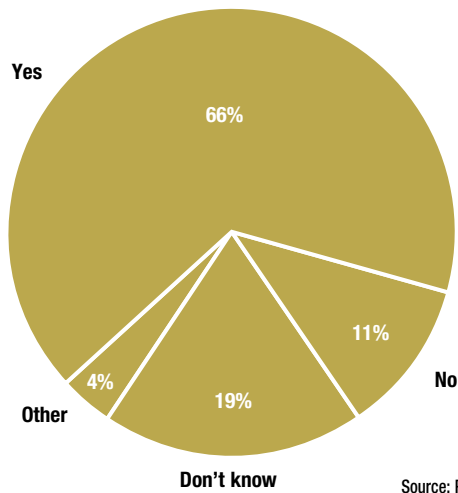
We spoke to a broad cross-section of organisations for this year's survey into CRM applications and trends. Around a third (30%) are from the public sector, as both local government and national agencies have made significant IT investments in this area as they are urged to develop closer links with their customers.

Of the remainder, 14% are drawn from financial services where competition for business has intensified in recent times, 14% from manufacturing, and 14% from the IT industry. There are also representatives from leisure & tourism (4%), retail (2%), distribution & logistics (2%), and education (2%), among others.

The companies vary in size from those with an annual turnover of less than £5 million (17%), to the very largest: 10% of the sample report a turnover of between £1 billion and £5 billion, while 9% exceed the £5 billion mark. In the middle of the scale, 19% have a turnover of between £50 million and £100 million, another 10% fall into the £100 million to £150 million bracket, and 21% have a turnover in the range £150 million to £1 billion.

FIGURE 2: Need for systems re-design

Are you making, or do you intend to make, changes to your CRM implementation to realise more of the benefits you originally sought?



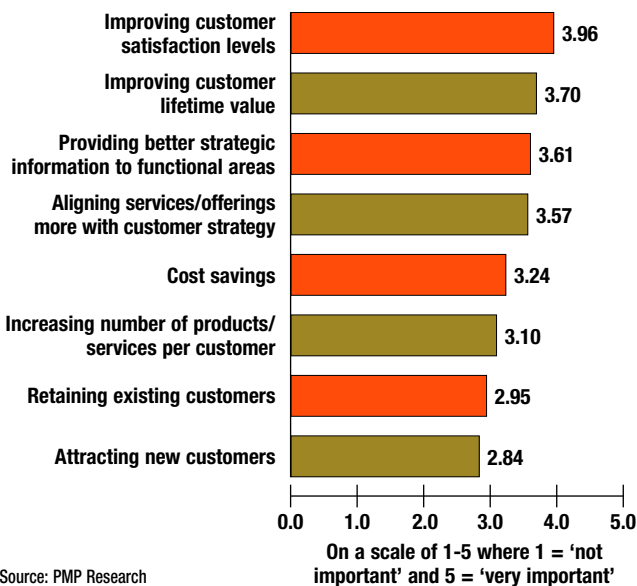
Source: PMP Research

Looking to the future, it seems unlikely that spending levels will remain as high overall. While the proportion expecting to spend less than £250,000 over the coming year drops slightly to 43%, so do the number of companies planning major investment – just 4% expect to invest £500,000 to £1 million and the same proportion (4%) say they will be investing up to £5 million. None foresee putting in more than £5 million, while a substantial proportion (41%) are not certain about their investment plans.

Certainly, organisations are unsure about how well CRM applications are contributing to the success of the enterprise overall. Only 19% believe that CRM technology is delivering sufficient competitive advantage, compared to 13% who feel it is not, while the majority either cannot assess this satisfactorily (51%) or simply do not know (17%). However, one of the most significant findings in this year's survey is that companies are not giving up on CRM, despite their lack of immediate success. Two-thirds (66%) say they are currently making changes and additions to their implementations in order to realise more of the benefits they originally sought, or have plans to do so in the near future (see Figure 2).

Only 11% have ruled out further improvements completely, with 19% undecided. Of the remaining 4% who cannot indicate their intentions, many would agree with the respondent who notes that “we need a system which meets our requirements – but we need to know what we need first”. In fact, most organisations are pretty clear about their key reasons for looking at any CRM system. We asked the respondents to rate their motivations for implementing this technology, using a scale of 1 to 5 where 1 stands for ‘not important’ and 5 for ‘very important’. The aggregated results place the customer at centre stage in most companies. The two most common drivers for CRM are the desire to improve customer satisfaction levels (3.96) and the requirement to improve customer lifetime value (3.70), as Figure 3 shows.

FIGURE 3: Key drivers for implementing CRM software



Source: PMP Research

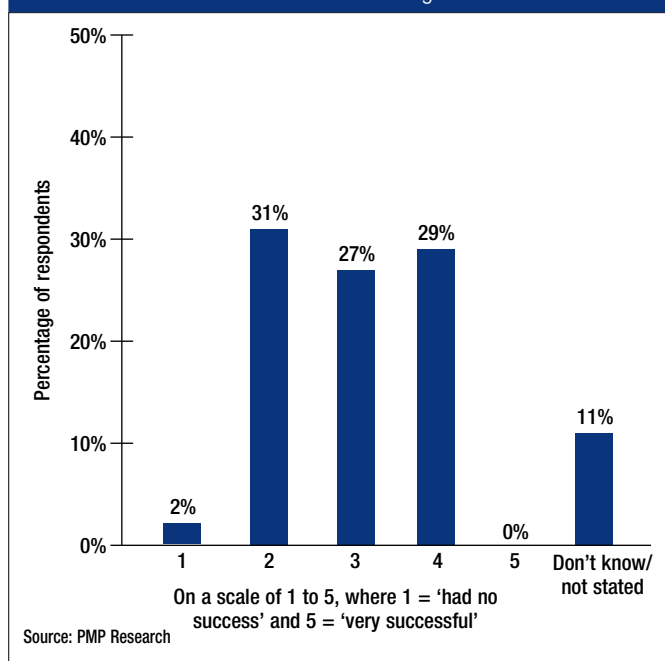
Organisations seem to have learnt the lesson that keeping a customer satisfied will mean they keep that customer longer term and that this is a much cheaper alternative to finding new buyers – attracting new customers comes bottom of the list of desirable outcomes (2.84). Creating cost savings through the use of CRM (3.24) also scores lower than the need to provide better strategic information to functional areas such as sales and marketing so that campaigns can be more closely targeted (3.61). This suggests that companies are looking for long-term gains to the business, rather than short-term financial advantages. Indeed, only a minority (9%) say they use financial measurements as the sole criteria for assessing whether or not benefits have been achieved. The majority (82%) plump for alternative ways of gauging how well they are doing.

Increased customer satisfaction levels are the measure companies are most likely to use to assess the success of any CRM initiative (cited by 62%). Cost savings (57%) are another key indicator, along with the amount of new business generated

(51%), while higher customer spend (36%) is also viewed as an important indicator. However, organisations admit to some difficulty in measuring how successful their use of CRM technology has been, with less than a third (28%) saying they have been able to use such metrics in practice. The majority (39%) claim it is simply too early to say how a particular implementation is going, while one in five (20%) cannot weigh up progress in any meaningful way.

Our survey does contain some broad assessments of the direction in which companies are going. For example, virtually all (91%) say customers can contact them via their website, which suggests that online working is now the norm. Looking at this issue in more detail, it seems most companies are at the early stages of such initiatives since email is the most common way of communicating (87%), along with web forms which are provided by 64%. While 15% offer customers a 'call me' button on the website, just 4% are making use of VoIP (voice over internet protocol) despite the current publicity for services such as Skype.

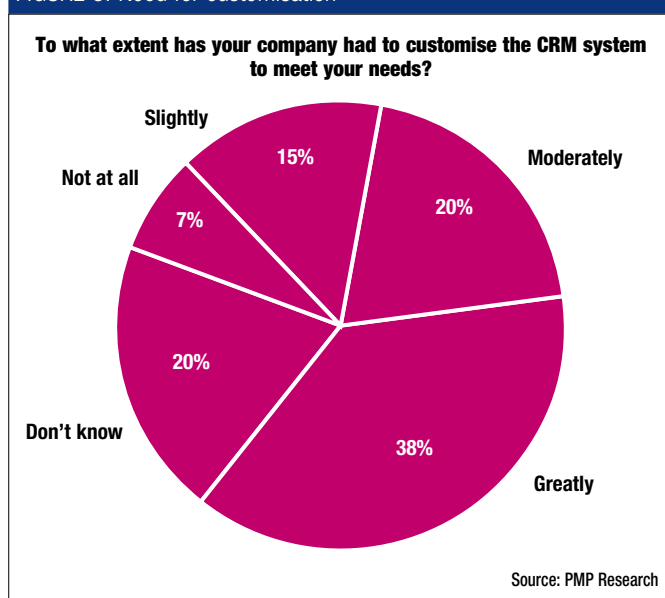
FIGURE 4: Level of success in channel integration



As well as online connections, companies report a bewildering array of communications channels for customers. While some, such as the telephone (used by 96%) and fax (85%), are well-established, there is also enthusiasm for mobile phones (68%) and PDAs (17%). The one channel which excites little interest is interactive TV (4%). Interestingly, despite the plethora of options available, companies feel they are getting better at integrating different customer channels. We asked our sample to rate their success in this area using a scale of 1 to 5, where 1 stands for 'no success' and 5 represents 'very successful'.

Although none of the respondents score themselves as a 5, half opt for a score of either 3 (27%) or 4 (29%), suggesting that achieving a seamless approach is less of a challenge than it used to be, with many companies well on the way to cracking this particular problem (see Figure 4). Only 2% give themselves a score of 1, indicating that they have not been able to tackle this at all. But it is not all plain sailing and there is some way to go for even the slickest operators when it comes to completing all online transactions successfully. The biggest proportion (44%) do not know exactly how many of their online sales opportunities fail to carry through, but 11% reckon it is more than 50% of all transactions.

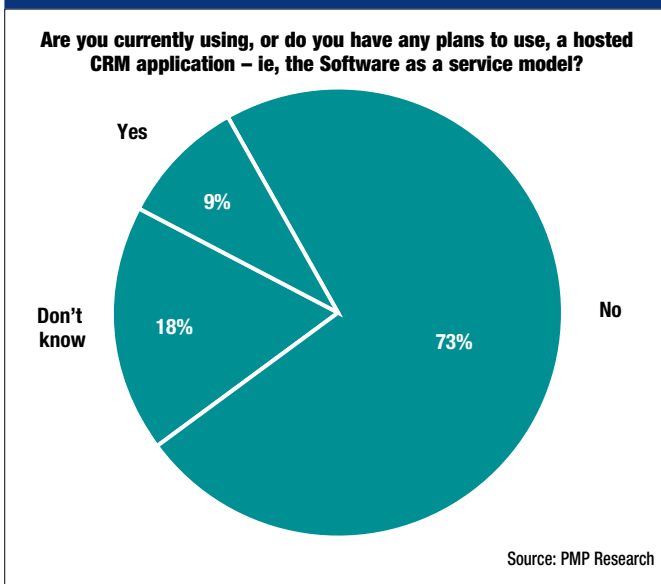
FIGURE 5: Need for customisation



As well as online transactions which are lost completely, a quarter of companies (24%) report that in over half their dealings, transactions which start online involve the customer using the telephone to finish. Companies also identify problems integrating their CRM applications with other existing software and data sources, an essential requirement if customers are to receive top-class service. While 14% maintain they can integrate easily, the majority (63%) admit this is a struggle. Only 7% say they have no requirement to do so, while 5% would like to integrate some applications but cannot.

Given that two-thirds of those polled are planning to revise their CRM applications, and that many others have a clear need to improve integration between their CRM systems and other operational applications, it is encouraging to note that

FIGURE 6: Use of hosted CRM



most report a good working relationship with their chosen CRM software vendor. We asked the sample how easy they found it to work with suppliers after they had purchased their application. A third describe this as either 'very easy' (11%) or 'easy' (22%). Only 2% say this is very difficult, with 29% taking the middle course.

Although 27% also state that they have no requirement to get along with the vendor once the software has been bought, most companies do not use packages straight out-of-the-box. As Figure 5 (previous page) shows, around half of those polled customise CRM applications either 'moderately' (20%) or 'greatly' (38%), while 15% make slight alterations to the standard offerings. Just 7% use CRM software exactly as it comes.

However, the budget for all this additional work is often quite modest. Most of our sample estimate they spend less than £100,000 a year on the annual running costs for their CRM

systems, with 30% putting in less than £50,000 and 30% between £50,000 and £100,000. One alternative for organisations wary about the costs of customising software to meet their needs, plus the ongoing expenses of running a sophisticated IT infrastructure, is to look at a hosted CRM application – where the software is rented from a third party rather than purchased outright.

Software as a service (SaaS) is the latest IT industry concept to hit the headlines and has attracted considerable interest in the CRM field. However, our survey suggests it may be some time before vendors find themselves preaching to the converted, as just 9% of those polled are either currently using a hosted CRM application or have plans to do so (see Figure 6).

Respondents are equally unenthusiastic about the other well-publicised cost saving trend within the IT industry, namely outsourcing overseas to lower-cost economies. Just 4% currently use offshoring and only 6% are contemplating doing so in the future. Certainly, this year's survey suggests companies are unwilling to sign up for the latest IT fad, perhaps because of suffering so many disappointments in the past. But, significantly, they are prepared to stick with solutions which work – and all the signs are that CRM applications now fall into that category, even if the majority of current implementations represent work in progress rather than the finished item.

● *Pat Sweet is the research analyst for PMP Research. If you are interested in this study, please contact Steve Markwell at PMP Research. Email: stevem@pmpresearch.co.uk.*

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