



# Don't Put the Cart Before the Horse

## - The Role of IT in CRM

### Introduction

Increasing numbers of companies have spent millions on CRM systems only to find that the benefits they anticipated have failed to materialise. Industry analysts Gartner suggest that up to 80% of current CRM programmes will fail to deliver satisfactory returns for the companies concerned. Meanwhile Nucleus Research report that 61% of Siebel reference customers are having difficulty generating an acceptable ROI.

However, such problems are typically not due to weaknesses in the software *per se* but rather in how companies are approaching its development and deployment. In this article we examine the role IT plays in CRM and how companies need to manage its development if they are to secure the potential business benefits.

### The Scope of CRM

Before examining the issues involved in developing IT applications to support CRM programmes, it is useful to review the underlying rationale for CRM.

Customers differ in their value to a company. Some may generate sales across a company's portfolio, be poised for growth and generate extensive profits for the company once one deducts the costs involved in serving them. In contrast, others may generate far fewer sales, have little prospects for growth and actually cause the company to incur a net loss in its dealings with them.

Clearly a company will maximise shareholder value if it focuses its efforts on acquiring and retaining the most profitable customers in the market rather than lower value or loss making ones. This is the underlying rationale for CRM. However, in a competitive market, a company's success in securing the business of these more profitable customers will depend upon the degree to which it offers them greater value than competitors.

CRM is thus fundamentally a business strategy concerned with how a company will compete for the business of the most valuable customers in a market. As such it entails addressing the following raft of interconnected questions :

#### Strategy

Where does the company expect any increase in shareholder value to come from?

Which customers and segments is it targeting in its CRM programme?

What behaviour is it seeking to effect in them?

What will it offer them to induce such behaviour?

#### Business Process Design

How will the company operationalise this strategy?



What processes does it need in place:

- to communicate the company's offer to the customers it is targeting?
- to deliver it to them in practice?
- to monitor their satisfaction with it to identify any areas requiring future improvement?

## IT Infrastructure and Applications

What technical infrastructure and applications will be needed to support the effective operation of these processes?

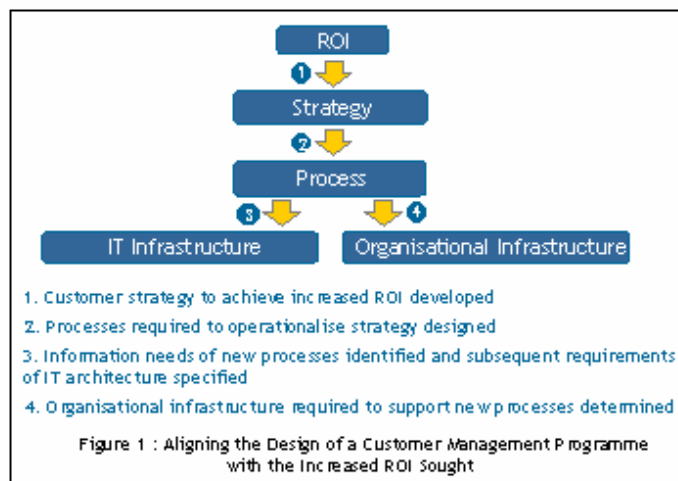
## Organisational Infrastructure

What organisational infrastructure needs to be in place to support the new ways of working involved in these processes e.g. management structures, performance objectives and assessment metrics, reporting lines, workplace culture etc?

## Implications for the Role of IT

Introducing CRM thus involves far more than the simple installation of an IT system. Each of the above issues will be critical to a CRM programme's likely success. For example, even if a company attends to all the other areas, if it fails to address the organisational infrastructure required to support the processes it is seeking to introduce, it is unlikely to see the widespread adoption of these new ways of working within the organisation and the programme will fail to become operational.

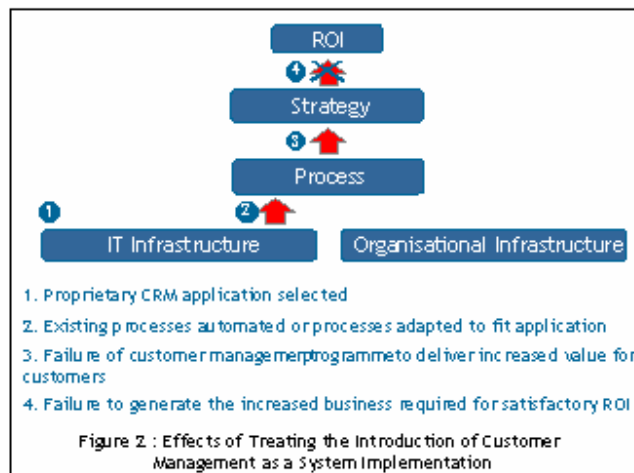
Moreover, these issues are interdependent and form an ordered sequence of stages through which a company needs to go if its efforts are to result in the achievement of the returns it is seeking, as shown in Figure 1. Thus, before a company can effectively specify the functionality required of any IT applications, it needs to have identified the specific processes such applications will be required to support. Similarly, before the company can design these processes, it needs to have first established the specific strategy that they are required to operationalise.



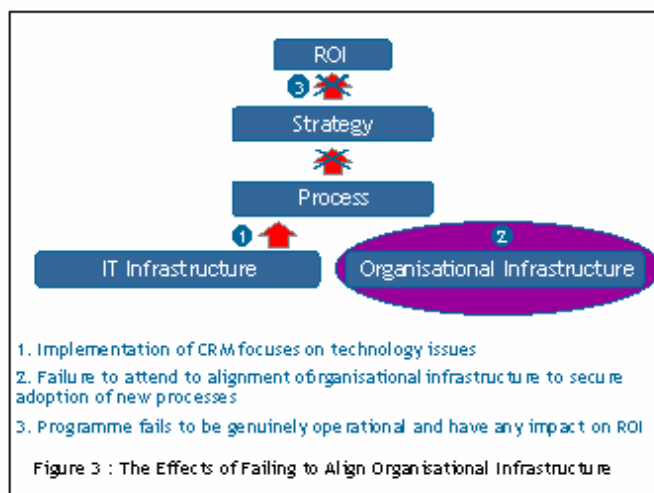


## Common Errors

However, many companies attempting to introduce CRM actually approach matters from the other direction, embarking on system selection and implementation before determining the specific strategy it is to support, as illustrated in Figure 2. As a consequence, their focus typically falls either upon automating existing business processes or adapting the organisation's processes to meet the requirements of the application involved. However, neither of these courses of action is likely to lead to the creation of any additional value for the company's customers. As a result, this approach is unlikely to succeed in effecting any significant change in customer behaviour to deliver the increased level of business needed to justify the investment involved.



Similarly, as noted previously, technology is only one aspect of a CRM programme. With such companies' efforts focused primarily on the implementation of a system and dealing with technological questions, as shown in Figure 3, they risk overlooking the other critical issues involved e.g. the organisational infrastructure required to secure the adoption of new ways of working. Focusing on technological matters simply will not solve these other issues and a company following such a course of action risks the subsequent failure of its programme as a result.



Finally, making decisions about system selection and configuration before determining the



specific processes that it is required to support carries with it the serious danger that the system purchased will be over-specified, containing extensive functionality that the company pays for but which goes largely unused. Quite simply companies find themselves paying for features and modules that simply are not needed, inflating the programme's costs and making the achievement of a satisfactory ROI all the more difficult.

## Conclusion

Technology plays a key part in enabling a company to pursue a CRM strategy. However, a company simply implementing a proprietary CRM system and expecting business benefits to follow is likely to be disappointed.

Unless system selection and development is ultimately driven by the delivery of a prior specific business strategy designed to generate increased value for the company's target customers, it is unlikely to result in the increased level of business needed to make the investment involved worthwhile.

### About White Whale

White Whale assists companies in the development and implementation of customer management strategy. Through its work with blue chip clients, it has developed a range of practical tools to support companies introducing customer management to ensure they achieve the business benefits they are seeking.

If you have a problem with your customer management programme and would like to discuss how White Whale could help, please call our Customer Management lead Chris Bebbington on 0800 058 8158 or contact him by email at [chris.bebbington@whitewhale.co.uk](mailto:chris.bebbington@whitewhale.co.uk).