IBM Business Consulting Services

Doing CRM right: What it takes to be successful with CRM

Europe, Middle East and Africa view, CRM global study

deeper

Executive brief

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This paper is part of a three-part global series of white papers on *"Doing CRM Right,"* a global CRM study conducted by IBM Business Consulting Services. Within the series, there is a paper focused on each major geography – Americas, EMEA (Europe, Middle East and Africa) and Asia Pacific. Each paper includes both a global results section with key findings (common across all papers) and a geography-specific section with results pertaining to the specific geography being evaluated. In addition, there is an executive summary white paper which is an abbreviated global summary.

Doing CRM right: What it takes to be successful with CRM

Europe, Middle East and Africa view, CRM global study

Across the global business community today, it is common knowledge that "doing CRM right" is not a mantra to be taken lightly. When achieved, CRM done right can significantly impact and transform a company, helping enable it to grow more profitably by serving its customers more intelligently. At its best and fullest, CRM does more than just automate a call center or improve a sales report; for those companies up to the challenge of "doing CRM right," it can transform them – culturally, structurally, and strategically. CRM done right can make companies more:

- Responsive and targeted in the way they interact with customers
- Educated and smarter about extending product and services offerings
- Strategically in-tune with customer needs and values so that delivering on customer expectations enhances competitive advantage.

Trouble is, CRM is done right less than 15 percent of the time across the globe. In America, Europe and Asia, 85 percent of companies, large and small, are not feeling fully successful with CRM, according to an IBM Global CRM Survey of over 370 companies across industries.

It turns out, doing CRM wrong is much more common than getting it right. To the chagrin of many companies – from those with double-digit billion dollar annual revenues and up to US$100 billion in assets, to small businesses with less than US$50 million in annual revenue – CRM has yet to achieve the promised return on investment (ROI) goals that made it so appealing in the first place. Furthermore, in many cases, customers have yet to notice a decisive difference. Why? What is happening?

Most importantly, CRM continues to hold great promise for companies, with over 50 percent of companies surveyed believing CRM is relevant to increasing performance from a shareholder value perspective, and 65 to 75 percent looking to CRM as important in delivering revenue growth through improved customer experiences, retaining and growing existing customer bases, increasing customer acquisition rates and influencing development of new product and services. CRM can deliver great value; to fully realize this value, companies must improve success of CRM (see Figure 1). What is being done about it? Of those 15 percent of companies that are fully successful, what is driving CRM success, and how are they different than the 20 to 30 percent having some success, and the remaining 55 to 65 percent that are truly struggling? How can this success be replicated to improve CRM performance in other companies so that CRM yields its full potential?

Figure 1. The compelling need for CRM.

Competition is requiring it
• Profitability – CRM promises new customers; more value from existing customers; improved marketing, sales, and service; better customer relationships • Differentiation – Customer service/satisfaction becoming a greater piece of a company's value proposition
Stakeholders are demanding it
• Shareholders – Pressure from Wall Street to make better use of customer data • Customers – Want convenience of multichannel access with seamless customer experience • Employees – Require integrated 360-degree view to provide improved customer satisfaction, customized offerings, and faster response time
Business transformation is relying on it
• Enterprisewide – Companies need to be outward-facing versus inward-focused • Integration/unification – Communicate across silos and databases, and show one face to the customer

Source: IBM Business Consulting Services, 2004.

IBM Business Consulting Services set out to explore answers to these questions by reaching out to hundreds of executives across the world, through both qualitative interviews and a structured quantitative survey administered to a highly credible, global, executive panel from the Economist Intelligence Unit. IBM Business Consulting Services worked closely with a steering committee and an advisory board of CRM business experts from each major geography to help ensure market relevancy of research questions and results. The good news and single most compelling finding from the global study is that the likelihood of CRM success can be improved significantly within a company; clear guidelines, when applied during CRM implementation, bolster CRM success rates from less than 15 percent to greater than 70 percent, and in some cases up to 80 percent. That equates to a 55 to 65 percent greater likelihood of success, which is certainly significant. How compelling is the potential to boost CRM success rates by 55 percent or more?

Scenario 1: Consumer products industry

Suppose you are a **Global 1000 consumer products company**, spending tens of millions of dollars on a multiyear CRM effort. You are relying on CRM to transform your business from a siloed and inward-facing organization, with 15 sales organizations, 10 brands, numerous billing systems, disaggregated customer relationships and disparate 1980's computing platforms into one integrated company that is performing above par with competitors? The stakes are high at this level of investment, so improving your likelihood of success by 55 percent is more than compelling, it is essential.

Scenario 2: Financial services industry

Or, what if you are a **multinational financial services provider** with billions of dollars in assets under management, operating in numerous markets with differing regulatory issues and cultural challenges. In your competitive environment, many of the strongest competitors are one or two years ahead of you with CRM practices, enabling them to offer:

- Tailored investment products and services to customers, based on their ability to view full customer portfolios and complete transaction histories in realtime
- Full online investing capabilities and financial advisors who are highly knowledgeable about each customer's financial needs.

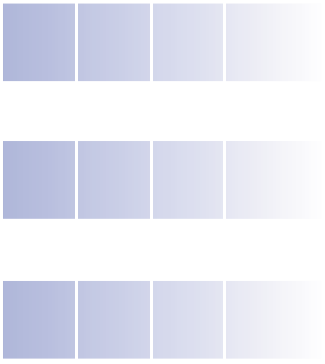
If customers continue to migrate to the competition at the current rate, your assets under management will attrite in the next two years. Even one to two percent shrinkage translates to multimillion dollar losses, and greater impact will be felt in reduction of future growth potential if it turns out these losses are your best customers. Increasing the likelihood of CRM success by 55 percent is more than compelling, it means survival.

Key findings from the global CRM study

The information in this paper is valuable because, with the right information – knowing top CRM success drivers, as well as the contribution and prioritization optimal to succeed – executives can plan for and guide CRM success. The results shared here arm CRM executives with information they can use to determine resource allocation, focus areas, and expertise required throughout a CRM implementation.

- **Companies are looking to CRM to help them improve performance and grow overall business.** Over 50 percent of companies believe CRM is *relevant* or *highly relevant* to improving performance from a shareholder value perspective. Sixty-five to 75 percent consider CRM important in delivering revenue growth.
- **CRM success can be improved significantly in companies, 55 to 65 percent.** Likelihood of CRM success can be improved significantly within a company, from less than 15 percent to over 70 percent (and in some cases 80 percent) by focusing on and prioritizing key CRM approach steps.
- **CRM approach steps having the greatest impact are not the big ticket items, but the human-oriented steps.** Differentiating steps are not the big ticket items, such as *technology implementation* or *customer data integration*, rather, they are the human-oriented steps such as c*hange management* and *process change* – good news for companies implementing CRM, this means significant improvement in CRM success for a small incremental spend (relative to total CRM implementation expenditure).

- **Some CRM success drivers are consistent; some vary by geography and situation.** Two CRM approach steps consistently drive CRM success, regardless of company situation: *change management* and *process change* are always differentiators or strong contributors. Other differentiating CRM approach steps are specific to a company's situation, impacted by influencers such as *competitive environment, regulatory issues, size and scope of project* and *company starting point.*
- **Implementing CRM across borders has economies of scale for multinationals.** For multinational companies, certain CRM project plans can be leveraged globally for economies of scale, such as *plans for integration of data/information* and *plans for CRM-related organizational change.* Others must be dealt with locally, such as *plans for addressing cultural issues* and *plans for addressing regulatory issues (taxes, employment law and legal restrictions).*
- **Proper allocation of resources, focus areas and expertise enhances impact of success drivers.** Knowing contribution to success, difficulty and frequency of performing each CRM approach step aids executives in planning for CRM success by identifying: 1) appropriate resource allocation of labor, time and money, 2) focus areas requiring special emphasis, and 3) when and where expertise is needed.
- **Ownership of CRM within companies today is largely in the wrong place.** Nearly three-quarters of companies have division-owned CRM, such as Marketing, Sales, IT or Customer Service; only one-quarter of companies give ownership of CRM to *Corporate,* a senior level team that spans multiple divisions and business units within a company. However, the study shows that when *Corporate* owns CRM, there is a 25 to 50 percent greater chance of success than with other ownership models.
- **Senior management, in over 35 percent of companies, is actually impeding the success of CRM because it views CRM as *useful, not critical.*** When senior management views CRM as *critical* or *strategic,* study results show it is a major contributor to overall CRM success. Viewing CRM as *useful, not critical* actually detracts from success because it sends a message within the company that CRM is not a priority.

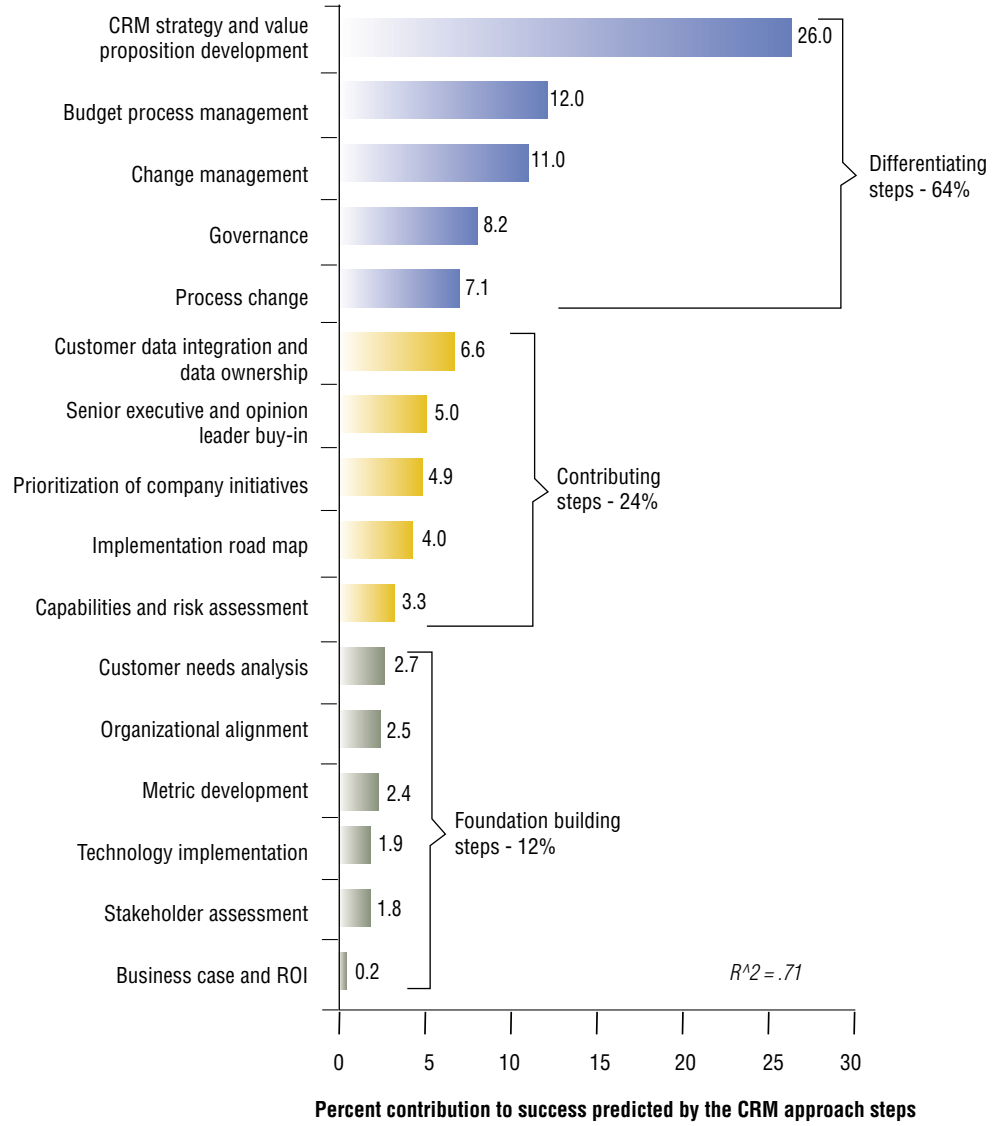


- **One reason projected CRM returns are not being fully realized is because over 75 percent of companies are not *fully using* CRM once it is implemented.** This can be attributed in part to companies underestimating the value of stakeholder alignment; study results show that companies having the most success with CRM are aligning with the business objectives of *employees,* with *customer* alignment a close second. Yet, only 21 percent of responding companies view *employee* alignment as *very important* to CRM success.
- **It comes down to culture, including top-down, ongoing support of senior executives and clear links to overall corporate goals.** A CRM effort of any magnitude needs to be top-down; if it starts bottom-up, the first item on the agenda should be to enlist senior management and stakeholder support. This is because the goals, strategy and performance measures of CRM have to be linked to those of Corporate. If employees do not see how adopting CRM fits into the big picture, they will not use it. Similarly, if senior management does not clearly believe that CRM enhances the company's overall value proposition, it will be squashed by competing priorities.

Success driver analysis

Likelihood of CRM success can be improved significantly within a company, from less than 15 percent to over 70 percent (and in some cases 80 percent) by focusing on and prioritizing key CRM approach steps. For such a statistic to be of any use, the rationale behind it must first be explored and understood, and second, it must be viable and applied. Success with CRM comes down to 16 critical success drivers, or CRM approach steps, identified as important to success by both CRM executive decision-makers and influencers of CRM decision-making (see Figure 2). These CRM approach steps should be prioritized and given full attention throughout the CRM implementation. Full attention refers both to the resources themselves – the people, time and budget allocated to a CRM effort – and to the endurance of those resources, which cannot just be present at the onset to champion CRM, but must remain integrally involved throughout.

Figure 2. Global drivers of CRM success.



Notes: N = 372.
Source: IBM Business Consulting Services, "Doing CRM Right" global study, 2004.

Three types of critical success drivers

Differentiating steps have the highest impact on CRM success, they are the human-oriented steps that, when done correctly, can sustain the value of CRM; however, the human aspect of most of these steps makes them more challenging to execute.

Contributing steps clearly add to CRM success but alone, they are not sufficient to derive value from CRM.

Foundation building steps play a role and are necessary, but not strong contributors.

To determine the prioritization of drivers and their contribution to CRM success, analysis focused on the relationship between frequency of performance of key approach steps and resulting success of CRM initiatives. Executives rated each approach step and each CRM initiative on a seven-point continuous scale from *never performed* to *always performed* and each CRM initiative from *failure* to *full success*. A multi-variate, linear regression determined that, while performing a single step in isolation cannot guarantee CRM success, when the steps are regularly performed in combination with one another and with focus aligned with the suggested prioritization, they can significantly increase a company's likelihood of CRM success, from 15 percent up to 70 percent.[1]

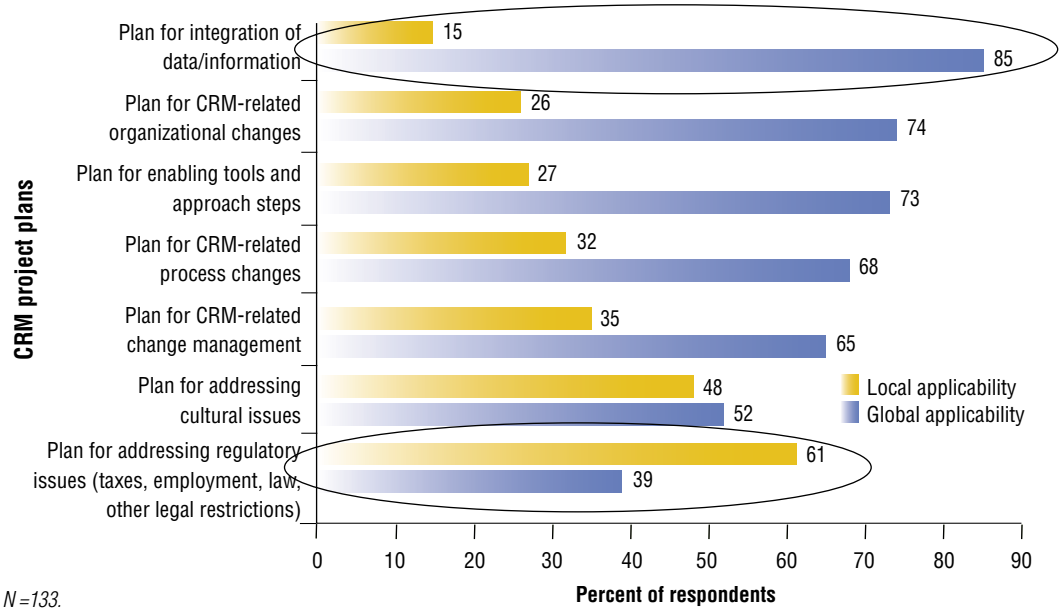
The top tier contains the *differentiating steps* (see Figure 2), those that contribute the most to CRM success. In the global view, these steps are, in order of priority: *CRM strategy and value proposition, budget process management*, *change management*, *governance* and *process change*, and they account for 65 percent (of the 70 percent) improved likelihood of success. While the human aspect of most of these steps makes them difficult, less clear-cut, and often unpredictable, when executed according to plan, these steps can truly position the organization to derive and sustain value from CRM. Ironically, the CRM steps that are big ticket items such as *technology implementation* and *customer data integration*, are not the differentiators.

The next tier of steps contains the *contributing steps*, which clearly affect success – 24 percent in this global view – but in and of themselves, they are not sufficient. The bottom tier of steps contains the *foundation building steps*, which are qualifiers, necessary but not strong contributors. Much like a man attributing 20 percent of the success of walking to his right foot, it does not mean he can walk without the left foot and ten toes and two legs as well; all parts contribute; and, even though the nose is relatively small, it is also necessary because he could not move at all without being able to breathe.

Influencers of impact

As can be attested by any company that has pursued CRM, especially at the enterprisewide level, there are additional layers of complexity muddying the waters. It is not as easy as having one analysis that cleanly applies to all companies in all markets in all situations. This is especially true for multinational companies pursuing a CRM effort that extends across borders, since there are some parts of CRM that have global applicability and are easily scalable while others must be addressed locally (see Figure 3).

Figure 3. Applicability of CRM project plans globally versus locally.



N =133.

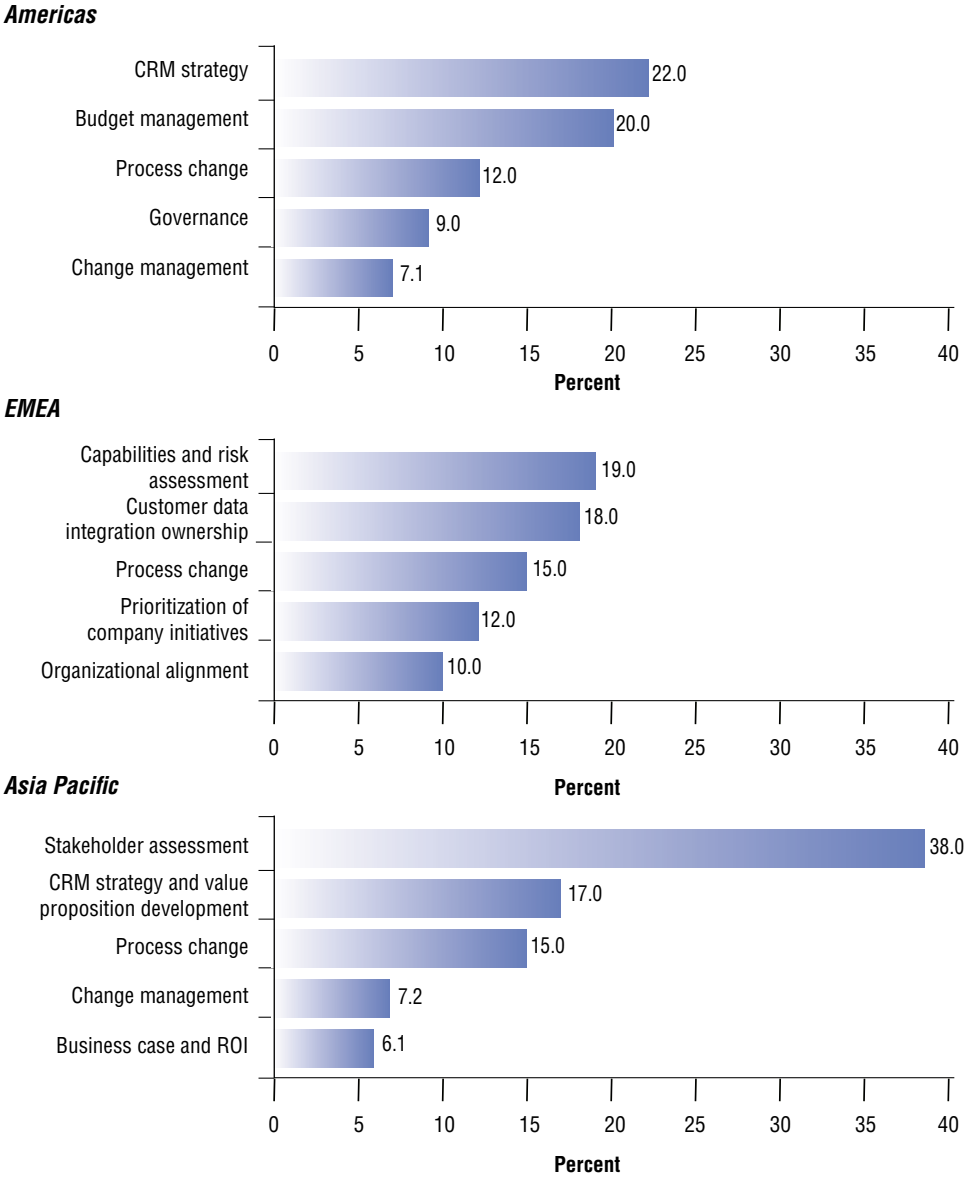
Source: IBM Business Consulting Services, "Doing CRM Right" global study, 2004.

There are external and internal influencers that vary the prioritization of the CRM approach steps in Figure 2, based on their degree of strength and how they interact with one another in a given environment. These influencers include:

- **Geography and cultural issues (including regulatory issues and economic climate)**: Is the market served highly fragmented? Is the culture risk-averse or risk-taking? Does the economic climate dictate cost-cutting or revenue growth? Do labor laws limit or encourage change and new skill development?
- **Company size**: Is the company small (under US$50 million in annual revenue) versus medium or large (greater than US$50 million in annual revenue)?
- **CRM scope**: Is the planned CRM effort enterprisewide (encompassing the entire company) or a point implementation (within one division, channel or region)?
- **Competitive environment**: What is the degree to which competitors have pursued CRM as a means of competitive advantage? To what extent are current customers being lured away by the better, more targeted offers and improved customer experiences of competitors?
- **Starting point for CRM:** What is the company's starting point when entering into a CRM effort? Is the company financially secure and able to afford a full-scale effort? Are existing technology systems two years or a decade old?

Looking across geographies, some key approach steps, such as *change management* and *process change,* appear consistently in the top tier of differentiating steps or near the top tier, regardless of influencers. Others shift in importance as focus is adjusted, much like an intensified view through a microscope, to allow for emphasis given particular situations which may result in one or more influencers significantly impacting CRM priorities (see Figure 4).

Figure 4. Differentiating CRM approach steps by geography.



N = 373

Note: In EMEA, change management is a Contributing Step, having 5 percent impact on success.

Source: IBM Business Consulting Services, "Doing CRM Right" global study, 2004.

The *starting point* will be different for each company – it must be evaluated and accounted for in developing the CRM Strategy and blueprint. However, the impact of the other four influencers, *geography and culture*, *competitive environment, company size* and *scope of CRM effort,* can be evaluated at the geography level, and thus are explored in detail in the Americas, EMEA and Asia Pacific portions of this study.

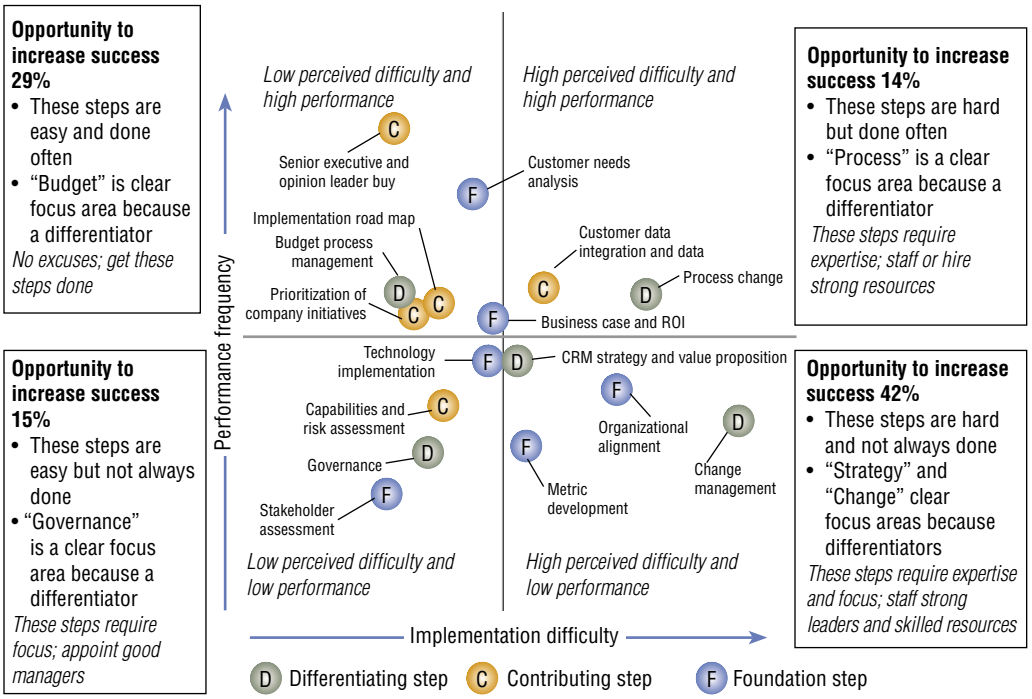
For example, the impact globally of *company size* shifts the emphasis of key approach steps, highlighting that *CRM strategy* has extreme impact for large companies pursuing CRM whereas *budget process management* should be emphasized for small companies.

Comparing *enterprisewide* to *point* implementations (point implementations are smaller in scope, such as divisional, regional, or channel efforts), *change management* surfaces as a key area of emphasis and impact when pursuing enterprisewide CRM efforts and *governance* has high impact for companies implementing point solutions.

The big question then becomes: What does this mean, in terms of focus and differentiation, when multiple influencers interact, such as, *large company* and *point implementation*? As stated previously, the answer depends on the strength of each of the influencers. There are too many possible scenarios to explore each one, but we will evaluate, at a geography level, how some of the major influencers can play out. Notably, success drivers that rise to the top in the focused views provide additional information to be taken into account given special circumstances. For example, Figure 1 shows that *change management*, *strategy* and *process change* are important success contributors for all companies tackling CRM. Small companies need to pay special attention to *budget process management* and to *governance* if they are pursuing a point implementation. The question of which *influencers of impact* and *CRM success drivers* most impact success for a given company situation is explored further in the Americas, EMEA and Asia Pacific portions of this study.

The great value in understanding these success drivers – as well as the difficulty and frequency of performing each step – is that executives can plan for and guide CRM success. Study results arm executives with information to help determine resource allocation, focus areas and the expertise required across CRM approach steps (see Figure 5). Each quadrant indicates suggested resource allocation and the opportunity to impact success.

Figure 5. Resource allocation across CRM approach steps.



Note: "Opportunity to increase success percentage" per quadrant was calculated as sum of the success contribution of the individual steps in each quadrant (see Figure 2 for the success contribution percentages).
Source: IBM Business Consulting Services, "Doing CRM Right" global study, 2004.

The lower right-hand quadrant of Figure 5, for example, shows those steps that companies find difficult to implement and that are not done frequently. A quick sum of the impact of steps in this quadrant shows 42 percent improved likelihood of success when these steps are done correctly. Strong resources should be staffed for these steps, particularly in *strategy* and *change management* since they are differentiating steps contributing 37 percent.

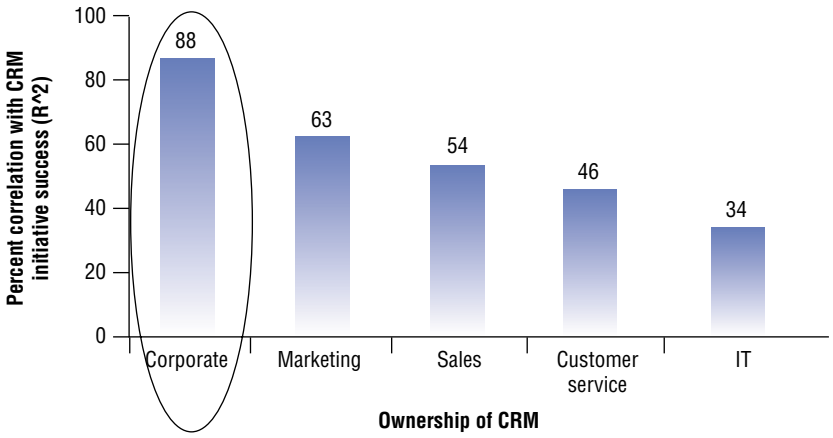
Furthermore, study results show that, within *change management,* some activities have more impact than others; *training employees* and *regular communications with users* have much more impact than, for example, *fostering internal performance competition.* Along the same lines, executives indicate that, when approaching *process change* (a highly difficult but frequently performed differentiating step) benefits come most from *involving employees* and *incorporating customer requirements* and least from *assigning a CRM process change owner.* Finally, when it comes to ROI activities, *developing and tracking metrics* has the greatest impact.

Rules of thumb

With the majority of *differentiating steps* being the human-oriented steps, it is absolutely critical that the people involved in a CRM effort are heard, their desires incorporated and proper leadership accorded them. Not surprisingly, the value of getting this right is underestimated. In fact, many companies meet their downfall in CRM by not providing the appropriate senior-level support and ownership. Companies that downplay the importance of senior management buy-in and stakeholder alignment are finding that a lukewarm attitude impedes success and leads directly to lukewarm adoption and use by employees.

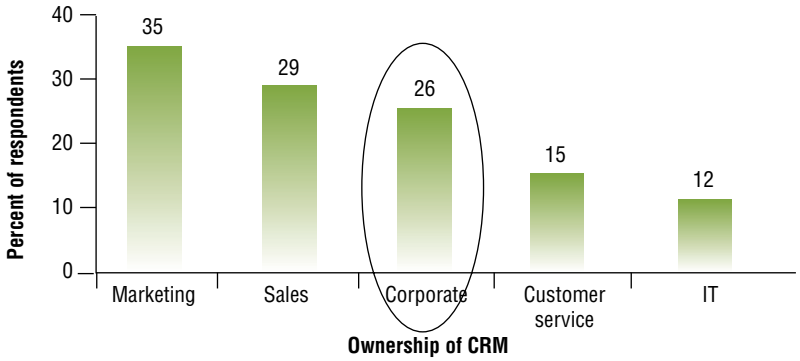
Rule 1: Within a company, *Corporate* should own CRM. When Corporate owns CRM, there is a 25 to 60 percent greater chance of success than with other ownership models (see Figure 6A). Today, only 26 percent of global respondents have Corporate-owned CRM (see Figure 6B).

Figure 6A. Actual impact of CRM ownership on success.



N = 372. [2]
Source: IBM Business Consulting Services, "Doing CRM Right" global study, 2004.

Figure 6B. Where companies are today: Ownership of CRM within companies.

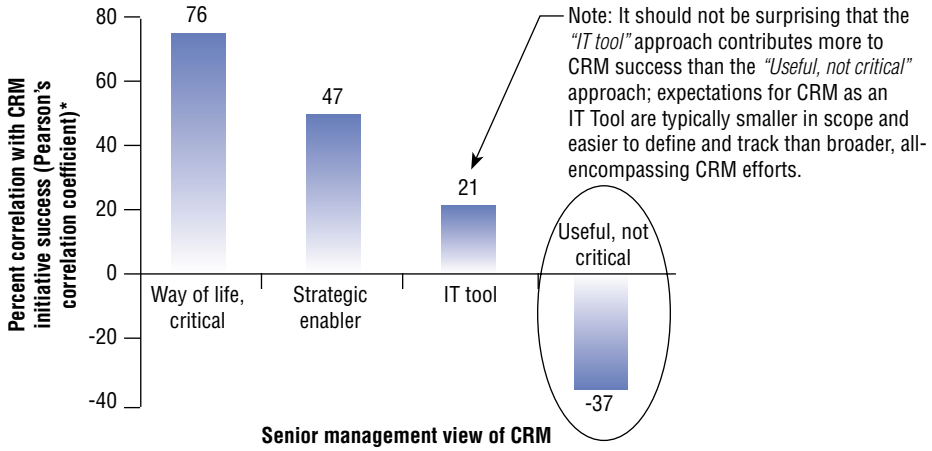


N = 78.
Source: IBM Business Consulting Services, "Doing CRM Right" global study, 2004.

Rule 2: Rally senior management to actively and strongly support CRM as strategic and critical. Otherwise, there will be trouble ahead.

When senior management supports CRM as *critical* or *strategic*, it is a major contributor to overall CRM success. It turns out, senior management viewing CRM as *useful, not critical* actually detracts from success (see Figure 7A); likely because this mindset sends a message to employees that the CRM effort is not a company priority.

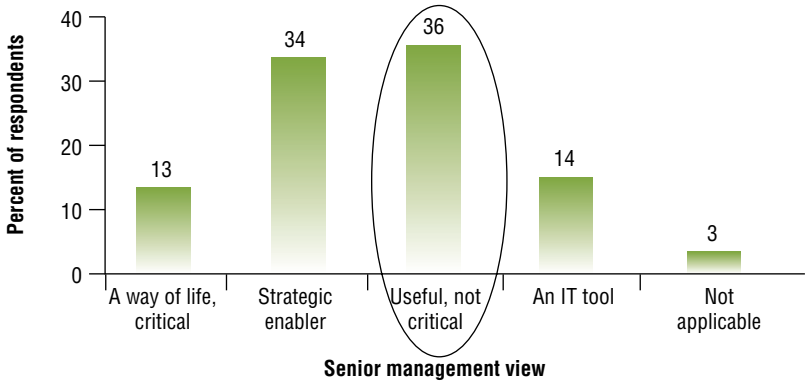
Figure 7A. Actual impact of senior management view on CRM success.



N = 372. [3]
Source: IBM Business Consulting Services, "Doing CRM Right" global study, 2004.

Many of today's senior managers are hurting CRM's chances rather than helping it by viewing CRM as *useful, not critical,* yet this is the most common view of CRM by today's senior management (see Figure 7B).

Figure 7B. Where companies are today: Senior management view of CRM.

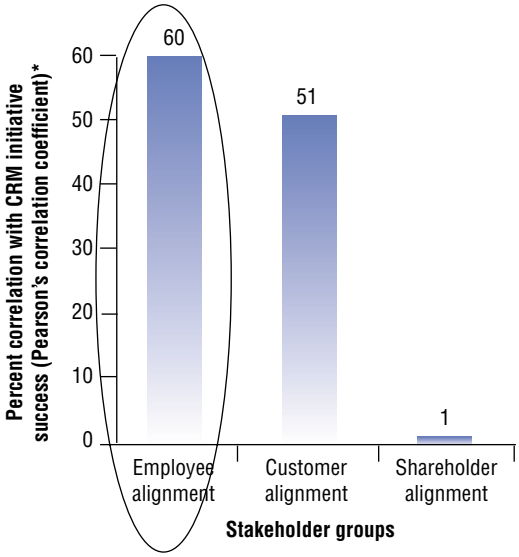


N = 372.
Source: IBM Business Consulting Services, "Doing CRM Right" global study, 2004.

Rule 3: Pay attention to stakeholder alignment, especially by aligning with employees; they are as important as customers.

Companies aligning CRM goals with the objectives of employees are realizing the most success with CRM; those aligning with customer objectives are a close second (see Figure 8A).

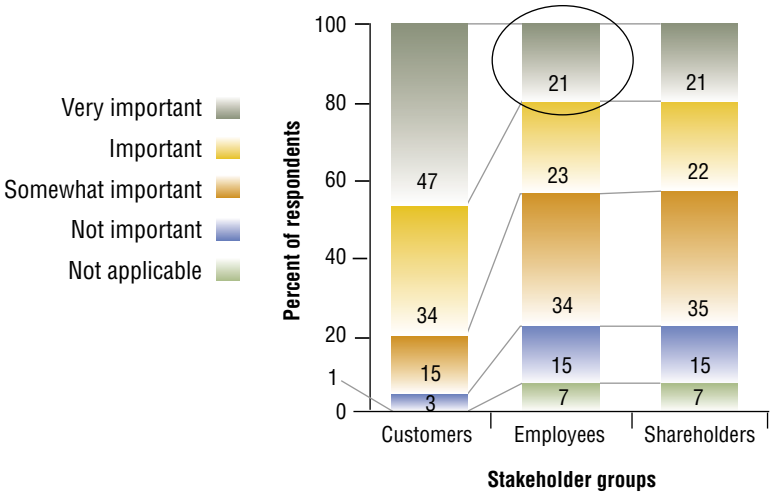
Figure 8A. Actual impact of stakeholder alignment with CRM success.



N = 372.[4]
Source: IBM Business Consulting Services, "Doing CRM Right" global study, 2004.

Companies today are not optimally aligning CRM with *employees'* business objectives to the extent they should be, and it is showing. Interestingly, companies underestimate the importance of *employee* alignment, viewing it as a distant second to *customer* alignment (see Figure 8B).

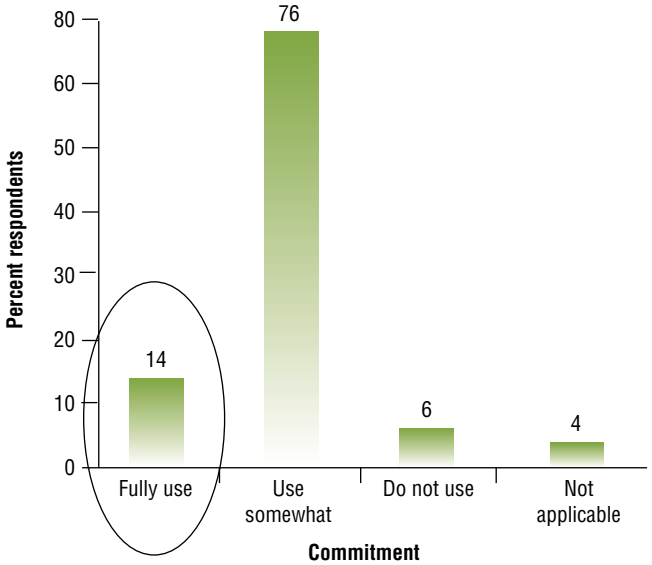
Figure 8B. Where companies are today: Alignment of stakeholder objectives with CRM.



Notes: Customers = 367, Employees = 347, Shareholders = 331.
Source: IBM Business Consulting Services, "Doing CRM Right" global study, 2004.

When employees and middle management were asked to describe their level of commitment and adoption to CRM, 76 percent globally said they *somewhat use* CRM; only 14 percent said they *fully use* it. Both upfront in aligning stakeholders and later in ongoing adoption and use of CRM by employees, there are clear opportunities to improve commitment to CRM (see Figure 8C).

Figure 8C. Employee adoption and commitment to CRM today.



N = 369.
Source: IBM Business Consulting Services, "Doing CRM Right" global study, 2004.

Summary

With the rules listed above, a company can set up its CRM culture to succeed. The rules themselves sound easy and straightforward, but require significant and, at times, arduous commitment, beginning with the senior leaders in a company and extending down through middle management and out to front-line employees. This is more than just agreeing that CRM is a good thing for the company; senior executives must do more than that for CRM to fully succeed.

Character

For many companies, CRM requires a cultural shift, from inward-facing and product-oriented to outward-facing and customer-oriented. The greater the extent of the required shift, the more executives will be required to lead the shift, and the more difficult it will be for an executive to truly enforce a new focus, largely because performance incentives companywide (both quantitative and informal) will be aligned to support the status quo. This will be the case even at the executive level, which is why character becomes critical; strong executives that will not waver or cave into old performance norms will need to lead the charge, embrace the new way of thinking and create new incentives and structures at all levels to support the customer-oriented culture. It will take time for the company to fully shift and grow into its new culture, so executives must put forth a strong character throughout the transition so that middle management and employees believe in it and realize that the customer-focused culture is lasting.

Conviction

Oftentimes, companies start strong, and then are side-tracked by competing priorities, thus falling quickly back into the old way of doing things. Companies today that encounter this are typically in one of two camps:

- Company having verbal support for CRM from senior management, but with few to no real resources and structure in place to support it
- Company having no top-level support, with CRM being cultivated from the bottom-up, with a department or division championing the effort.

For an effort of any magnitude, CRM needs to be top-down. If it starts bottom-up, the first item on the agenda should be to get senior management buy-in and support. This is because CRM goals and strategy and performance measures need to be linked to corporate goals and strategy and performance measures. If employees do not see how adopting CRM fits into the big picture, they will not use it. If senior management does not clearly believe that CRM enhances the company's

overall value proposition, it will be squashed by competing priorities. Encouragingly, companies have been successful at moving from a bottom-up effort to a top-down one by effectively getting management's attention in powerful ways.

Generating support for CRM

One global delivery company began using CRM in Customer Service as a means of automating its call center. This business unit so convincingly improved customer relationships, enhanced customer information collection and strongly linked CRM to the company's overall corporate strategy that Marketing and Sales took notice and wanted to share in the benefits. Ultimately, all three groups made requests to the senior executive team for CRM funding. Getting senior executives to approve and support took time and multiple efforts.

Finally, Customer Service hosted a full-day customer summit where all executives spent a day in the call center answering phones and talking to customers, as well as pretending to be customers and experiencing what it was like to interact with their company. Senior management emerged from the summit fully agreeable to the proposed enterprise CRM effort because they saw first-hand how CRM was integral to achieving corporate strategy. Today, CRM has rolled been out across three of the company's five subsidiaries, with plans to complete companywide implementation in 2005.

Communicating the value of CRM

One national telecommunications company began CRM as a sales force automation (SFA) project. To everyone's surprise, the project is turning out to be "the single most transformational initiative" the company has ever undertaken. Using CRM, the company has gone from 8000 representative types, 100 compensation plans and 15 SFA tools to three representative types, one compensation plan and one SFA tool. In looking at quantifiable metrics, the improvements in lead generation and solution selling were so significant, the CEO became interested. It was evident that the CRM initiative was delivering on the company's big three overarching goals by which all company projects and initiatives were judged: 1) one-call resolution, 2) increased retention and 3) improved customer satisfaction. Thus, a full companywide effort was launched, which is now in its first year.

Integrity

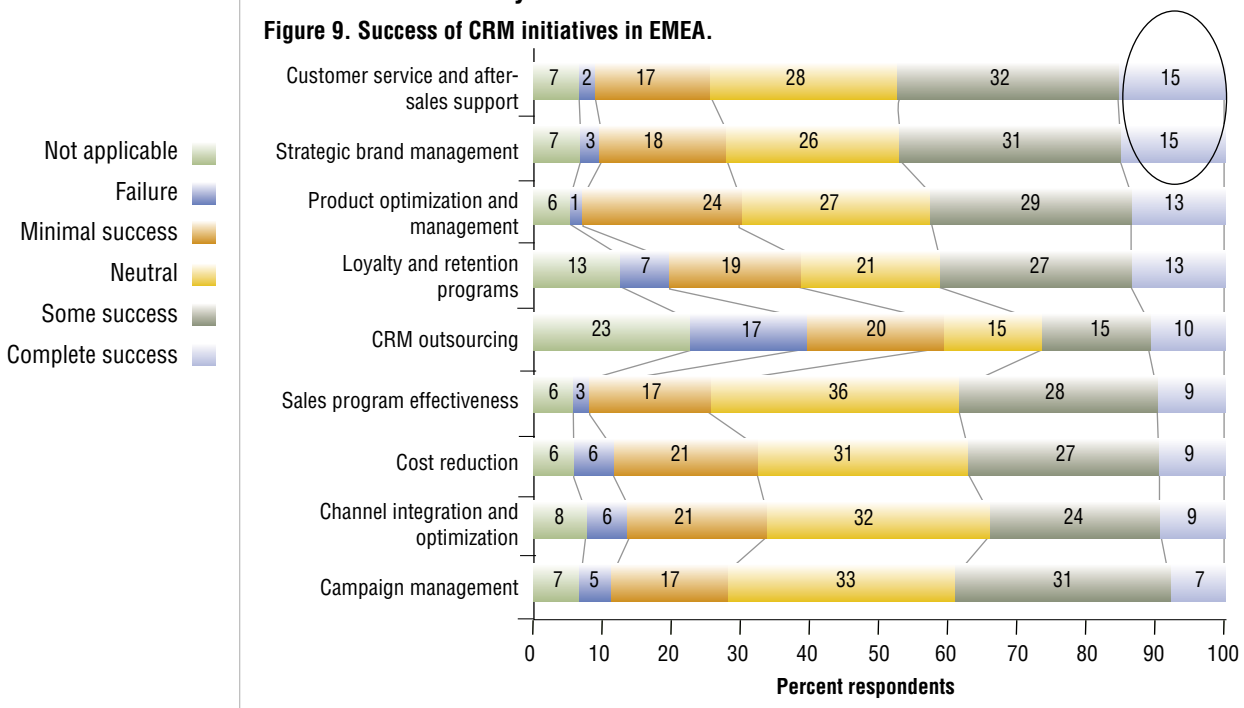
Moving toward a customer-oriented culture means the personality of an organization goes from being focused internally, on its products and its processes, to being focused on customers, ultimately to produce the best for both the organization and customers in the long run. By building lasting relationships that better meet customers' needs and by having more intelligent information and analysis to understand and deliver to those needs, companies can grow more profitably. This mentality will impact decision-making processes, prioritization of initiatives and treatment of employees, in terms of incentives and goals. These requirements make it an absolute necessity to get CRM approach steps right, especially the human-oriented ones such as *change management* and *process change*. Each of these approach steps reflects and ingrains the culture and inspires all involved to stay with CRM though implementation and transition to achieve and sustain the desired benefits.

Europe, Middle East and Africa (EMEA) results

Difficulty in succeeding with CRM is not geography specific; fewer than 15 percent of EMEA companies responding to the study[5] feel they are fully successful with CRM. However, that does not negate their need for CRM or mitigate the rewards for those companies getting it right. EMEA companies are showing determination in pursuing a broad spectrum of CRM initiatives, from *customer service* and *after-sales support*, to *cost reduction*, to *channel migration* and *optimization*. The majority of CRM initiatives in the majority of companies surveyed are falling into the gray zone (see Figure 9), the area between *complete success* and *full failure*; this is explained by either mediocre initiative performance versus expectations or because many initiatives are still in progress, with value realization difficult to assess mid-implementation. In both cases, the proper focus can turn around lukewarm performance and revitalize CRM initiatives stuck "in progress," helping companies move from the gray middle of the spectrum up to the dark green end of *complete success*.

Success driver analysis

Figure 9. Success of CRM initiatives in EMEA.



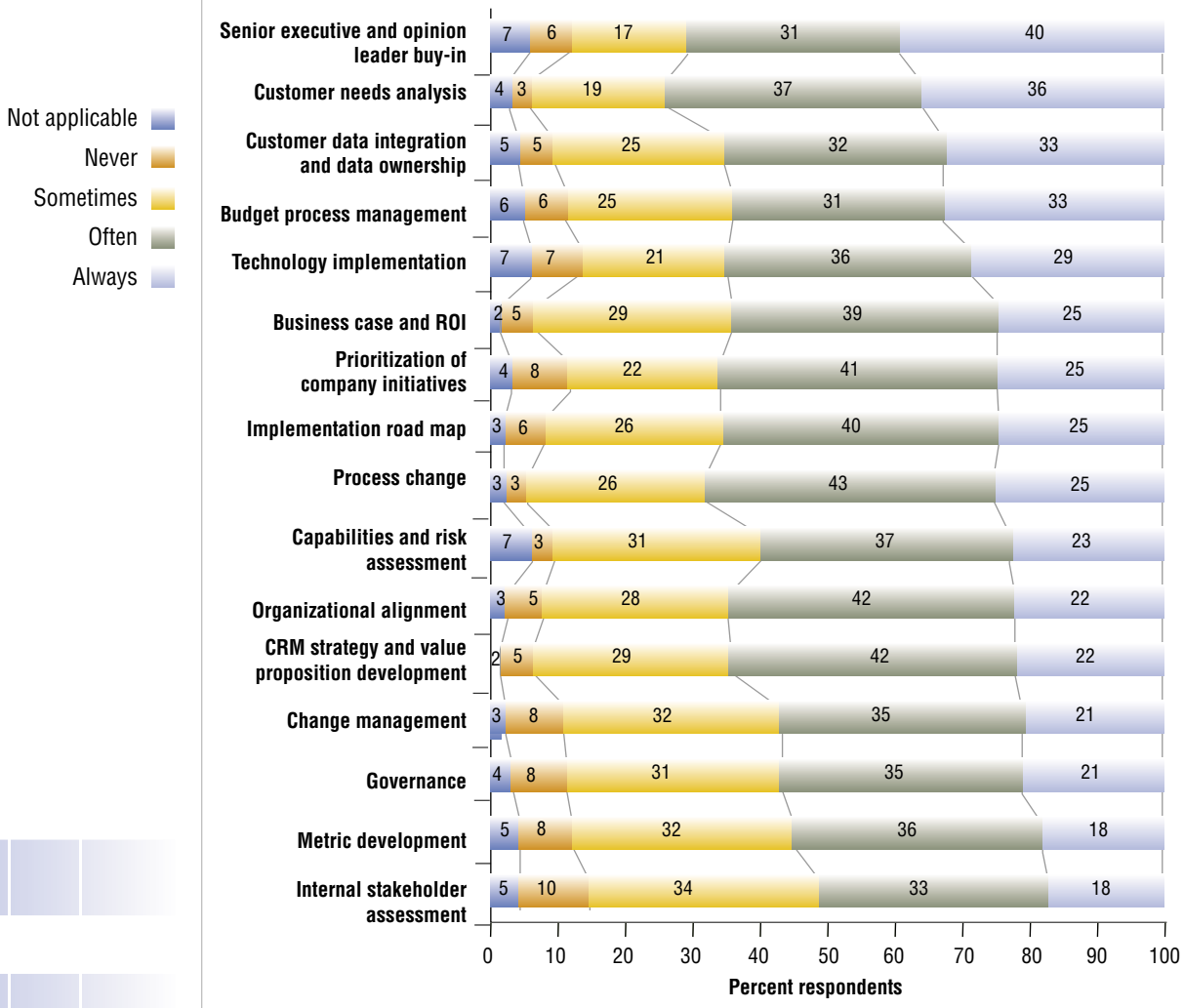
Notes: (A) N = ranged from 147 to 149, results include only EMEA respondents. (B) Please see the Appendix for full definitions of CRM initiatives.
Source: IBM Business Consulting Services, "Doing CRM Right" global study, 2004.

EMEA companies today are having the most success with CRM initiatives addressing *customer service and after-sales support, strategic brand management* and *product optimization and management*, and the least success with *campaign management* initiatives. EMEA companies define and measure CRM success by

bottom-line impact, relying on proven customer impact, such as customer satisfaction and customer retention, and on *quantifiable revenue growth*, both top-line sales and bottom-line profitability.

How does the approach of those companies having full success with CRM initiatives differ from those that are pursuing CRM, but struggling? Statistical survey analysis and executive interviews proved that paying attention to key CRM approach steps, those steps companies perform when undertaking a CRM effort, makes a significant difference in the overall outcome. Interestingly, only about 25 to 30 percent of companies on average report that they *always* perform CRM approach steps, and about 5 to 10 percent of companies say they *never* perform the steps (see Figure 10). The global results are nearly identical.

Figure 10. Frequency of performing CRM approach steps.



Question: How regularly do you perform these CRM approach steps when embarking on a new CRM initiative?
Note: N = ranged from 151 to 153, results include EMEA respondents only. Please see Appendix for full definition of CRM approach steps.
Source: IBM Business Consulting Services, "Doing CRM Right" global study, 2004.

As mentioned in the global section of this paper (pages 1-17), to determine the drivers of success, the analysis focuses on the relationship between frequency of performing the key enabling steps and success of CRM initiatives. As a reminder, while performing a key approach step in isolation cannot ensure CRM success, when steps are regularly performed in combination with one another, they can significantly increase a company's likelihood of CRM initiative success. In EMEA, prioritizing and executing CRM approach steps has the potential to increase success likelihood from 15 percent up to 70 percent. The differentiating steps (see Figure 11) are those that contribute the most to CRM success, accounting for nearly three-quarters (of the 70 percent) of the improved likelihood of success. These steps, in order of importance, are *CRM capabilities and risk assessment, customer data integration and ownership, process change, prioritization of company initiatives* and *organizational alignment.*

A comparison of the EMEA differentiating steps with the global differentiators reveals that the top steps differentiating success vary, with *Process change* the only differentiating step consistent as a differentiator both globally and in EMEA. For EMEA companies, *capabilities and risk assessment* claims the top spot (see Figure 11). While not a differentiating step in EMEA, *change management* still has relevance, not just as a contributing step but also its absence. *Lack of change management* is noted as the number one roadblock to CRM success by EMEA companies and *change management* is the action taken most often in EMEA to turn around CRM-related roadblocks. As discussed in the global section of this paper and in further detail in the paragraphs that follow, variances by geography are likely and expected, due to cultural, economic and internal influencers.

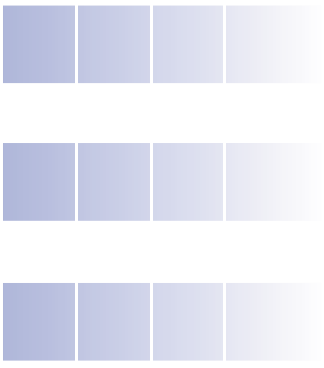
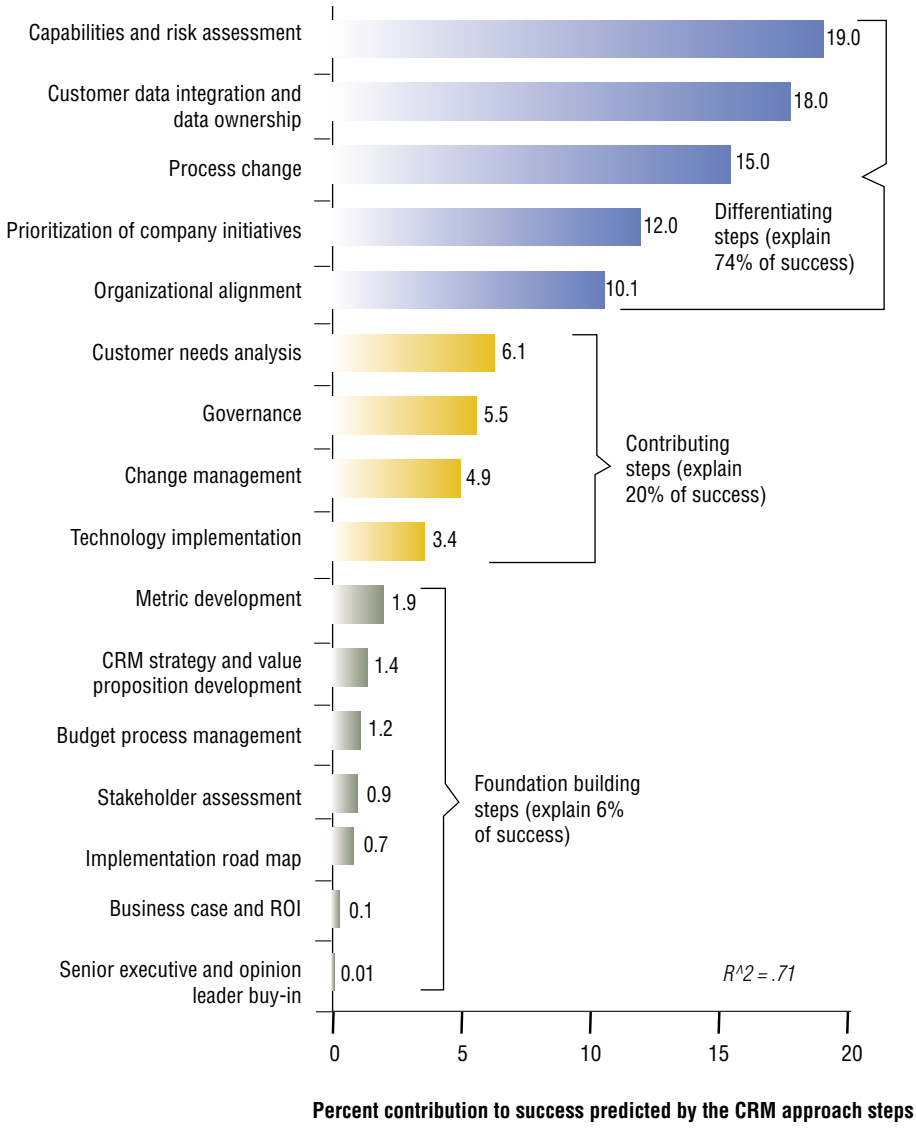


Figure 11. EMEA drivers of CRM success.



Note: Note: N = 153, results include EMEA respondents only. Please see Appendix for full definition of CRM approach steps.
Source: IBM Business Consulting Services, "Doing CRM Right" global study, 2004.

Case example: Benefits of involving employees in CRM planning

A leading digital phone company told us that involving employees in *capabilities and risk assessment* aided *CRM strategy development,* as well as *process change* and *change management* down the road. In the beginning of its CRM effort, the company sent a "pain points" chart to relevant business and IT groups within the company, those that ultimately would benefit most from CRM. Each group was asked to help build and prioritize the requirements plan for CRM, acknowledging gaps that existed in their organizations and planning how CRM would help fill those gaps and improve business performance. Because group members are the most knowledgeable about their specific business activities, sharing in requirements planning improved accuracy. Also, employees felt invested in the change because they had been a part of the planning process; "buy-in" was easier because those impacted by the change had suggested the changes.

Influencers of impact

Executive interviews indicate that the external and internal influencers play a role in the prioritization of CRM success drivers. Their weighting, strength and interaction with one another affect why certain approach steps contribute more to CRM success than other steps in a given situation, a situation created by the combined impact of the influencers.

A) Geography and cultural issues

Economic climate, and culture and regulatory issues play a role in the ordering of CRM success drivers. For instance, EMEA or Asia Pacific markets are less homogenous country to country than the United States is state to state. This, along with skepticism bred by the troubled global economy of the last few years, and now the need to "bet correctly" as the economy transitions toward growth, explains the reason *capabilities and risk assessment* is the top differentiating step for EMEA companies. The finding that *capabilities and risk assessment* is relatively more important for EMEA companies than for those in the Americas or Asia Pacific is because of the inherent risk when one company implements a large-scale CRM effort across heterogeneous and fragmented markets and countries. There is a need to plan, for example, around varying regulatory issues such as country-specific labor laws and business practices. In contrast, in the Americas, the market region to region is relatively homogeneous, with regulations and laws more standardized from state to state.

B) Company size and company scope

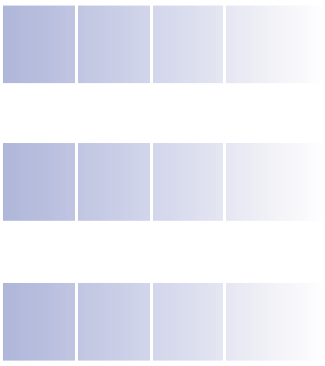
When concentrating on company size, *customer needs analysis* and *organizational alignment* increase in their considered contribution to success for medium and large EMEA companies. For smaller companies, *capabilities and risk assessment* plays a dominant role, rising in importance to success, from 19 percent to 34 percent. This marked increase in importance for small companies is likely a product of the fact that the investment in CRM is usually a larger portion of a small company's total budget, hence a greater proportional risk. Interestingly, *project scope* focuses greater importance on *capabilities and risk assessment* for *enterprisewide* CRM efforts (moving from 19 percent to 39 percent in degree of importance) and on *process change* for *point* (for example, segment, divisional or regional) CRM efforts.

C) Competitive environment

An important consideration when developing a CRM strategy and plan is understanding how and to what extent competitors are using CRM. This varies sector to sector and industry to industry and impacts both how a company positions itself to customers and how a customer uses CRM to enhance its go-to-market approach. In highly competitive markets, companies cannot afford *not* to treat their customers at least as well as their competitors do. In sectors where competitors have sophisticated CRM efforts underway, companies just embarking on CRM need to know precisely the type of customer experiences their competitors are already offering. In short, can CRM enable a company to lure other companies' customers away, or are other companies currently using CRM to do this to them?

D) Starting point for CRM

Company starting point varies company to company and includes company's financial security, ability to afford a full-scale CRM effort, employee readiness and current technology requirements. Are the systems used to run the core company functions two years old or nearly a decade old, for example? Honestly assessing the state of the company as it relates to CRM readiness allows the plan to start from a point of reality.

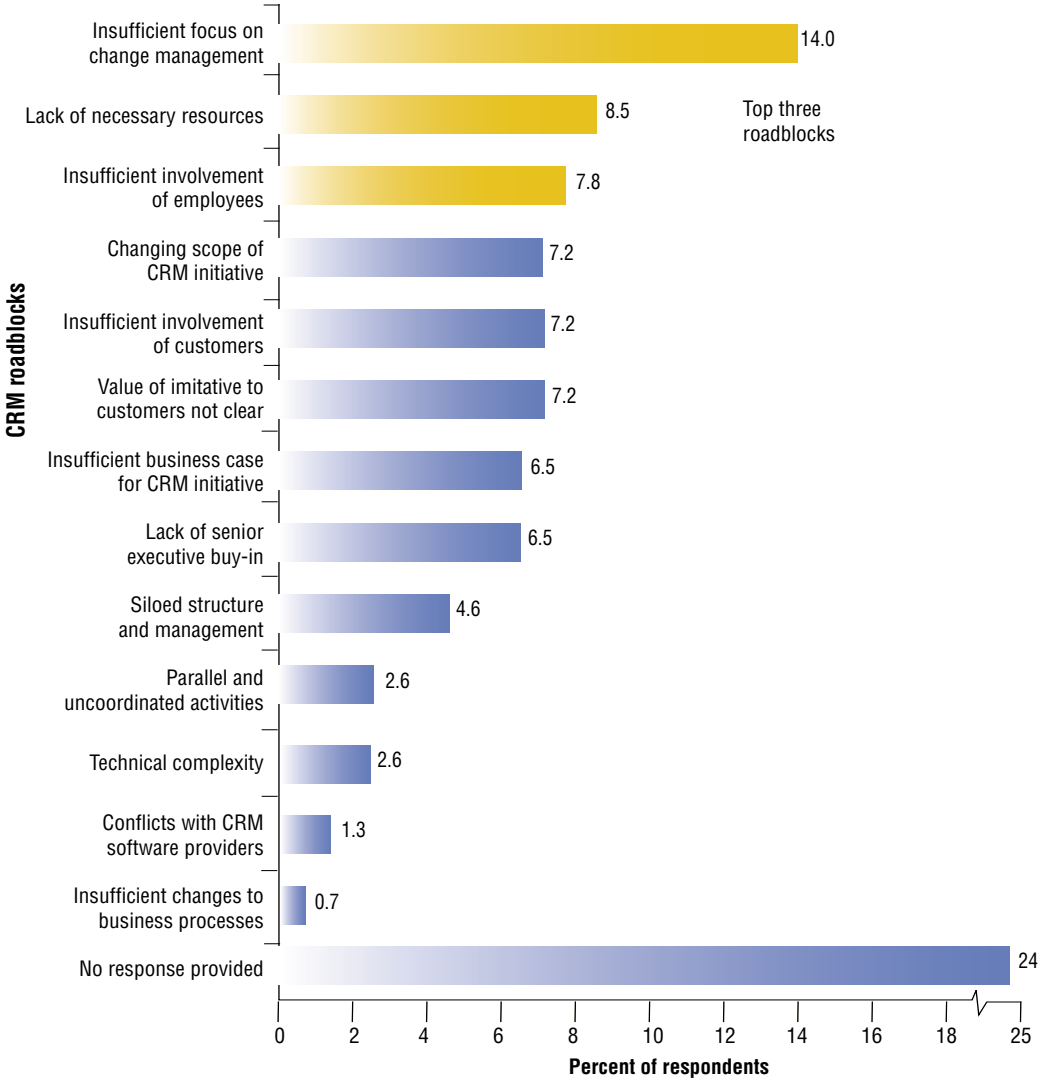


Other key findings: A comparison of global and EMEA results

Addressing CRM roadblocks

Several common roadblocks to hinder CRM success, from *lacking the necessary resources,* to *changing scope,* to *legacy siloed mentality*. In both EMEA and on a global basis, the two roadblocks companies struggle with most are *insufficient focus on change management and lack of necessary resources (see Figure 12)*. In EMEA, 14 percent and 9 percent of respondents, respectively, indicate these are the roadblocks they found most problematic. Companies also explained how they are using CRM approach steps to turn around roadblocks. In both EMEA and globally, companies rely on *change management* to address trouble points.

Figure 12. Roadblocks to CRM.



Question: Of the roadblocks you have encountered while completing CRM initiatives and performing CRM approach steps, choose the one roadblock you find most problematic.
Note: N = 153.
Source: IBM Business Consulting Services, "Doing CRM Right" global study, 2004.

The human side of CRM

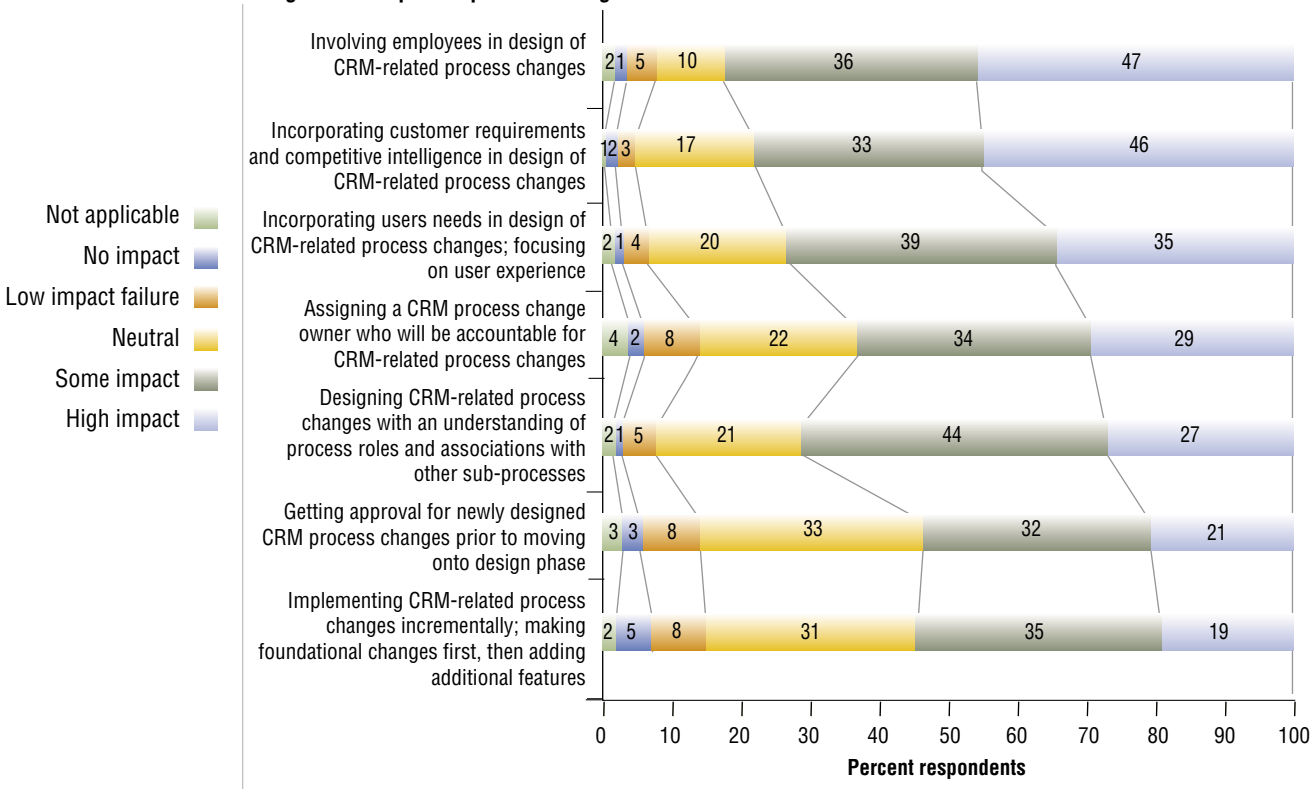
At both the EMEA level and the global level, companies report that about a third of senior executives view CRM as a *strategic enabler*, 35 percent and 34 percent, respectively. The percent of companies that view CRM as *critical and a way of life* is much lower, only 13 percent globally and 11 percent in EMEA. As with the senior executive view, employee adoption of CRM is also fairly similar. In EMEA, 74 percent of employees *somewhat* adopt and use CRM and only 17 percent *fully* do so. Globally, the corresponding responses are 76 percent and 14 percent. These results indicate, that both from the employee side and senior management side, there is room for improvement with regard to commitment to CRM.

Attempting a CRM effort without changing the culture

One top entertainment company put in "a Ferrari of a CRM system" in order to alleviate pressure from Wall Street to make better use of all of the rich customer data that was coming in the door. Senior executives approved the project because Wall Street demanded it, but did so without taking the time and effort to understand what CRM was; they thought if they had the technology, the company would "have CRM." As a result, there was no CRM strategy, the business case was built on faulty assumptions and the implemented technology is losing money. The company is now facing a big challenge: "How do we change the culture in order to make CRM a way of life?"

The success driver analysis proved that *process change* is an important driver of success. A drill-down analysis reveals that specific *process change* actions can have a high impact on tackling the difficult human side of CRM. *Involving employees in the design of CRM-related process changes* is the most important activity. For change management, *regularly communicating with target user groups and stakeholders* is the most important activity (see Figure 13).

Figure 13. Impact of process change activities.



Question: What effect do these change management actions have on tackling the human side of CRM?
Note: N = 153.
Source: IBM Business Consulting Services, "Doing CRM Right" global study, 2004.

The need for effective change management

One senior executive said "It's really hard to change the process without adequate investment in change management." In order to become truly customer-centric, behaviors have to change. Another executive said: "Implementation of CRM requires behavioral changes, and that [behavioral changes] is the hardest part." When it comes to effectively changing behavior, training employees and regularly communicating to target user groups have the greatest impact on tackling the human side of CRM.

The importance of the business case and ROI

The *business case and ROI* and *metrics* do not rank as differentiating success drivers in EMEA; nevertheless, they play the specific roles of quantifying, tracking and measuring success and are thus important to getting CRM right (see Figure 14). Surprisingly, in both EMEA and globally; few responding companies report using the business case to its full advantage. That is, relying on the business case as more than a vehicle through which to get internal compliance or set ROI targets, but actively extending it to be a "living, breathing," iterative document to manage scope throughout the implementation and track benefits. In EMEA, only 22 percent of respondents use the business case to its full advantage, and globally, only 20 percent do so. Of the ROI-related activities, in both EMEA and globally, companies think *creating a quantifiable business case* and *conducting a thorough assessment of benefits realized and costs incurred (after the rollout)* are most important.

Figure 14. One automobile club and insurance organization fully used the business case, not only in initial stages for buy-in, but throughout CRM implementation, to help deliver results close to plan.

Starting point	During CRM project	Benefits realization
• "Its all starts with the business objectives, which in turn drive the business case." • Quantified CRM strategy using the business case	• Business case modified after each phase to incorporate key learnings from prior phase • CRM leaders use business case at each check point to demonstrate to senior management that plan is being followed and metrics are being met • "We had a living breathing business case; I [CRM Program Director] reported regularly to the COO on how we were doing relative to the business case." • Business case followed very carefully; to date have been fairly close to plan	• Improved cross-services lead creation from 1% to 14% • Increased employee satisfaction and comfort with customer-related process from 50% to 83% • Improved help desk calls resolution (at the initial point of contact) from 60% to 80% • Improved call center system uptime to 100% • Expected cash payback of 3.2 years (vs. 3.3 years as budgeted) • Expected 12% ROI over five years

Source: IBM Business Consulting Services, "Doing CRM Right" global study, 2004.

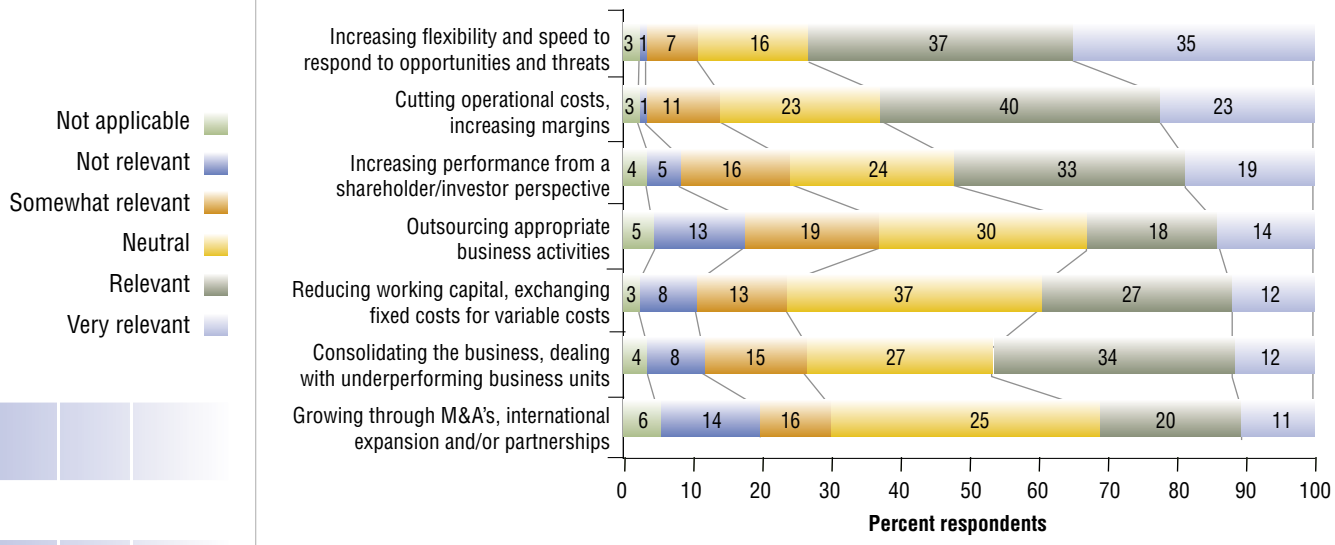
Tracking CRM metrics

A wireless company benefited from linking metrics to the CRM business case and tracking the results. The company monitored three primary CRM-related metrics, these being the three with the biggest overall impact on the company's success: 1) customer churn, 2) average revenue per customer, and 3) cost to serve customers. These CRM metrics were also linked to the corporate goal of increasing customer satisfaction by two points in 2003. By tracking these CRM metrics and conducting an annual customer survey to measure customer satisfaction, the company is able to gauge the impact of CRM on the primary drivers of success for the company, and also to track progress toward the corporate goal of improved customer satisfaction.

Corporate level relevance of CRM

Within companies, CRM is impacting more and more of the organization, both physically, with about half of EMEA (48 percent) and global (45 percent) companies pursuing *enterprisewide* CRM, and strategically, with CRM influencing and integral to corporate-level business issues. Fifty-two percent of EMEA companies today believe CRM to be *relevant* or *highly relevant* in increasing performance from shareholder value perspective. Companies are realizing value from CRM in many ways: In delivering on CRM value propositions, both globally and in EMEA, nearly half of respondents state *improving the customer experience* and *retaining and expanding the existing customer base* as top value creators. In delivering on corporate-level business issues, over 60 percent of companies acknowledge CRM as *relevant* or *very relevant* in *increasing flexibility and speed to respond* and *cutting operational costs and increasing margins* and over half believe CRM *increases performance from a shareholder value perspective* (see Figure 15).

Figure 15. Relevance of CRM to corporate-level business issues.

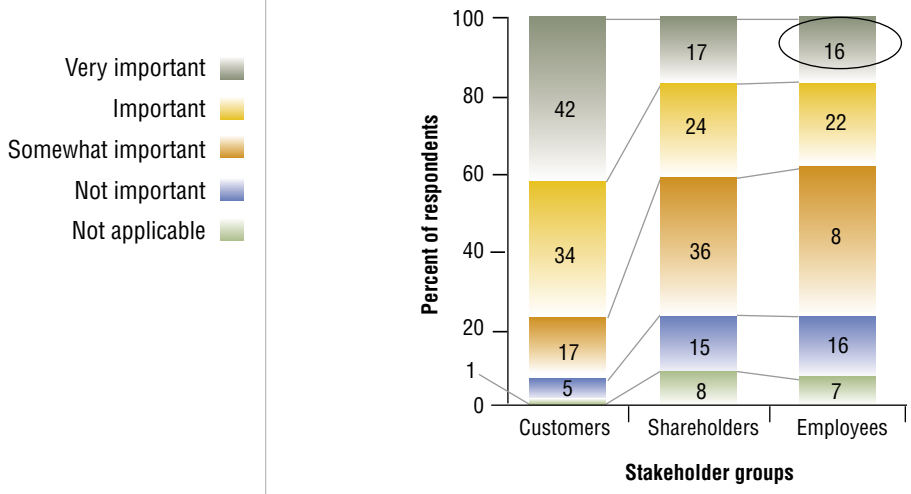


Note: Number of responses = 151 to 153, results include only EMEA respondents.
Source: IBM Business Consulting Services, "Doing CRM Right" global study, 2004.

Aligning CRM with stakeholders

Companies realize it is critical to align CRM objectives with the objectives of all three stakeholder groups: customers, shareholders and employees (see Figure 16). Once again, companies in both EMEA and globally feel similarly about this issue, with over 65 percent rating customer alignment as *very important* or *important*. However, as discussed in the global section, analysis shows that it is actually most important for the success of CRM to align the goals of CRM with employee objectives, though not at the expense of alignment with customers. EMEA companies are underestimating the value of aligning with employees, only 16 percent of companies view it as *very important* while global analysis shows employee alignment contributes more to CRM success than does customer or stakeholder alignment (although customer alignment is a close second). There is benefit to aligning with all three stakeholder groups and, in order to optimize the likelihood of success, companies should balance alignment, taking into account the overlapping business objectives of all three stakeholder groups.

Figure 16. Alignment of CRM with objectives of stakeholder groups.

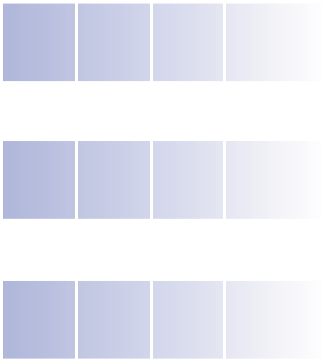


Question: How important to the success of a CRM initiative is aligning the business objectives of customers, employees and shareholders with the strategy for that initiative?
Note: N = 151, includes EMEA respondents only.
Source: IBM Business Consulting Services, "Doing CRM Right" global study, 2004.

Aligning CRM business objectives of key stakeholders during CRM initiative of multichannel integration and optimization

A leading regional retail bank benefited from aligning the CRM goals of its three key stakeholder groups. While each stakeholder group had a slightly different business objective, by focusing on where the business objectives of the stakeholders aligned and overlapped – improved visibility of customer data enabled a "360-degree view" of the customer – each stakeholder group, and the company as a whole, realized value. The objectives and realized value for each group are as follows:

- *Shareholder business objective:* Provide better accessibility and convenience to customers to facilitate growth. *Shareholder realized value:* Increased top line and bottom line.
- *Customer business objective:* Experience seamless interactions and relationship with the company across channels. *Customer realized value:* More convenient service, improved customer satisfaction.
- *Employee business objective:* View all customer transactions across channels so all communications and interactions will be integrated. Have the ability to complete job responsibilities more effectively. *Employee realized value:* Improved job satisfaction. Customers served more effectively and in a personalized manner. Employee incentives, aligned with customer satisfaction, improve.
- *Overlap of stakeholder business objective:* Provide multiple points of access to customers while maintaining one face to the customer. *Realized value:* Greater share of wallet per customer, thus improved growth and profit.

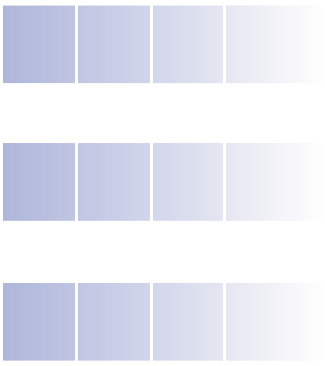


Conclusion

Ultimately, CRM must positively impact the bottom line or it is not worth any company's effort and investment. Translating the overall goal and value proposition of CRM – "to grow companies more profitably by serving customers more intelligently" – into realizing the full value of projected ROI is the clearest indicator of CRM success. These study results focus on how to make that happen, strategically and pragmatically. To succeed and realize full value from CRM, there must be a resounding focus on culture, manifested through the CRM approach steps of *change management, process change, CRM strategy, stakeholder assessment* and *governance,* while balancing *capabilities and risks* to enact the right plans and actions at the right time, given the impact of influencers such as *competitive environment* and *regulatory issues, size* and *scope of project* and *company starting point.*

Technology provides the system infrastructure for CRM; the business case and ROI projections provide the means of tracking, yet it is the human-oriented steps that create and sustain the value of CRM. More than just putting in a technology system or gathering additional customer information, the human-oriented steps help employees adopt and fully use new technologies and verify that customer data is actually analyzed and used to build stronger customer relationships.

The human-oriented steps rely on establishment of and adherence to critical measures (such as incentive alignment and customer satisfaction) in order to visibly link the importance of CRM to the overall business, as well as ingrain CRM in the day-to-day work of the company and its go-to-market approach. For CRM to fully succeed, everyone – senior management, middle management, and front-line employees – must be vested, not just in the implementation of CRM, but ultimately in embedding CRM as a long-term and integral piece of the company's value proposition to its customers.



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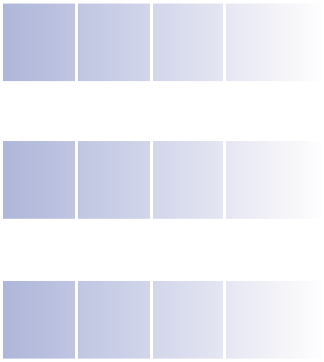
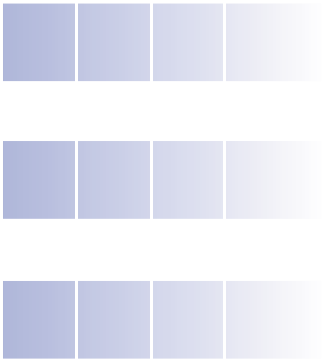


Appendix

	CRM initiative descriptions
Sales programs and effectiveness	Identifying and acquiring attractive new customers; creating targeted up-selling, cross-selling and service-to-sales programs; increasing efficiency of the sales force.
Campaign management	Developing innovative marketing campaigns and the required infrastructure to reflect the company's customer focus.
Channel integration and optimization	Integrating and optimizing existing and new channels to enable the company to provide an optimal customer experience, encourage customers to use low-cost channels and media.
Product optimization and management	Optimizing product usage; refining, migrating and phasing out current products; developing new products and services.
Strategic brand management	Developing a consistent brand image built around the strategic goals of the CRM initiative.
Loyalty and retention programs	Creating loyalty programs and retention schemes (customer cards, bonus systems) and building the required support infrastructure.
Cost reduction	Introducing programs to reduce marketing, sales and service costs; restructuring programs to reduce head count, closing branches, consolidating infrastructures.
Customer service and after-sales support	Standardizing customer service; optimizing customer service programs, channels and call centers; using customer satisfaction tools and complaint resolution processes; creating win-back programs.
CRM outsourcing	Giving part of your CRM IT infrastructure, business process, or application to an outsourcing partner to lower costs and increase focus.

	Approach step descriptions
CRM strategy and value proposition development	Assessing industry, business context, customer viewpoint and stakeholder environment as it relates to CRM. Developing an integrated marketing, sales and service CRM strategy and value proposition. Verifying CRM strategy aligns with corporate strategy.
Business case and ROI	Developing business case for change and quantifying ROI of planned CRM initiative/ effort. Conducting benefits-realization management.
Change management	Developing programs to ensure employees and management fully adopt CRM and customer focus. Setting specific CRM-related performance measurements, incentives, bonuses and targets. Creating a plan for communicating CRM strategy and implementation plan to all stakeholders and providing regular status/progress updates.
Implementation roadmap	Developing an implementation plan and transformation roadmap that details necessary process, organizational and technology-related steps.
Process change	Analyzing, optimizing and aligning marketing, sales and service business processes to become a customer-focused organization. Including aligning existing projects and processes such as marketing campaigns, lead generation sales pipeline management and customer service with CRM business objectives.
Prioritization of company initiatives	Prioritizing and coordinating CRM initiatives with other non-CRM corporate initiatives (ERP implementation, cost cutting). Verifying CRM initiatives have adequate visibility and resources for success.
Internal stakeholder assessment	Identifying and understanding individual needs of executives, frontline personnel and other key opinion leaders. Determining how to position initiative to align with needs of these stakeholders.
Senior executive and opinion leader buy-in	Securing senior executive sponsorship and support for CRM.
Governance	Establishing ongoing management of CRM initiatives.
Organizational alignment	Changing responsibilities and organizational structure of marketing, sales and service departments to support optimized processes and CRM business objectives.
Budget process management	Adapting CRM plan to company's capital allocation process. Verifying CRM plan is optimally aligned with company's project/initiative funding structure.
Capabilities and risk assessment	Identifying and prioritizing necessary capabilities and business requirements for a successful CRM initiative/effort. Identifying and addressing risk factors in order to increase likelihood of success and reduce likelihood of failure.
Metric development	Developing metrics to track progress and impact CRM initiatives.
Customer data integration and data ownership	Consolidating/aggregating customer, product and partner data. Cleaning and updating customer records. Addressing who owns customer data.
Customer needs analysis	Analyzing and understanding customer needs, values and buying behaviors. Reflecting analysis in CRM strategies and processes and in the new customer experience.



Survey methodology

The global "Doing CRM Right" survey had a response rate of 20 percent with a total of 373 responses.

Panel

- Teamed with the Economist Intelligent Unit (EIU) to gain access to their panel
- Panel was global; focusing on respondents from Americas, EMEA and Asia Pacific
- Panel was comprised of CRM decision-makers from EIU's executive Global 2000 database.

Survey

- 29 question online survey
- Used the WebSurvey online survey tool.

Response rate

- Survey sent to 1600 panelists from EIU global database
- Survey was promoted indirectly on EIU Website and in EIU newsletters
- Received 373 responses (estimated 320 from direct mailing)
- 20 percent response rate.

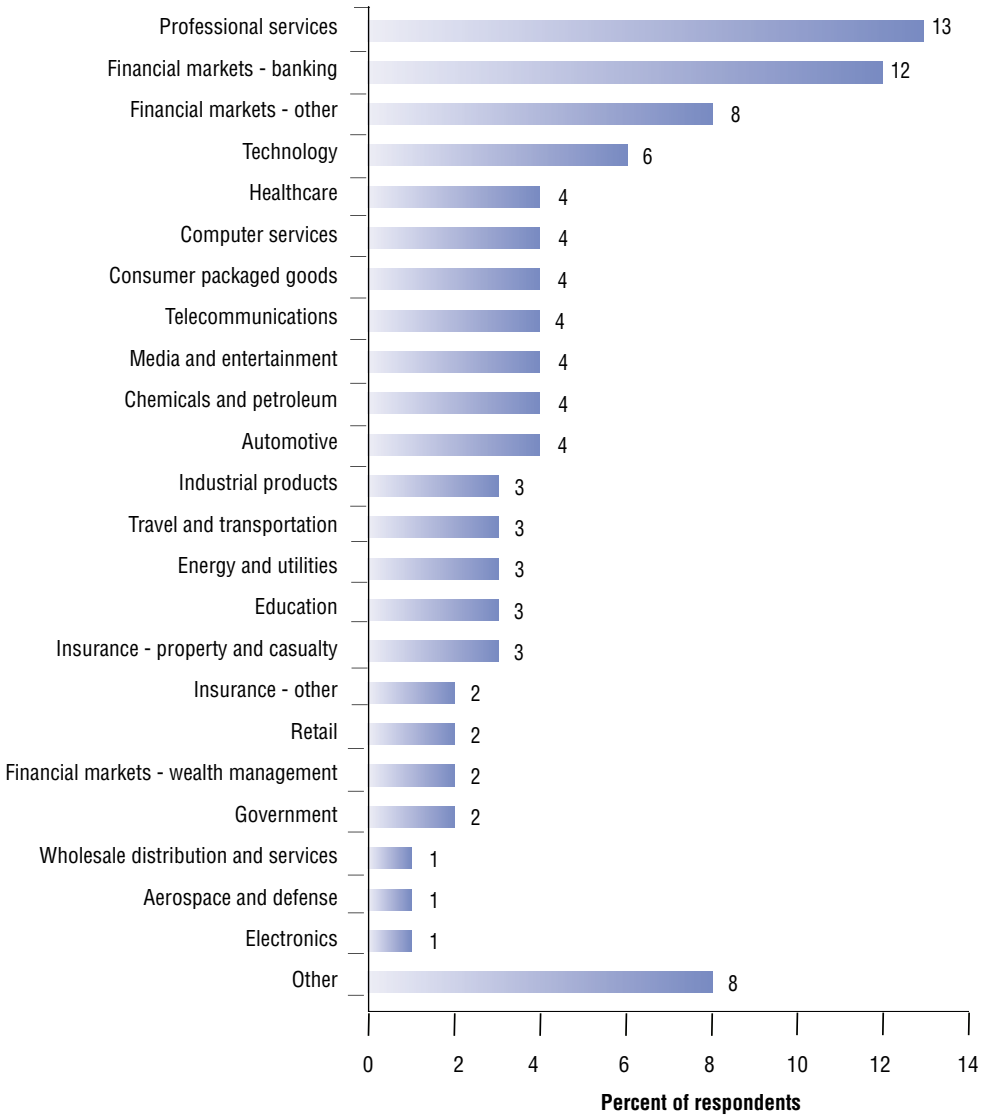
Sample size distribution by region

Global sample size = 373 companies

- Americas = 101 companies
- EMEA = 153 companies
  - Western Europe = 101
  - Eastern Europe = 22
  - Middle East = 30
- Asia Pacific = 92 companies.

Respondent profile

- Over two-thirds of respondents are either decision-makers or influencers of CRM-related decisions
- Respondents in senior management functions account for almost half of respondents
- Respondents span all levels of the organization, with about 90 percent of respondents being manager level or above
- Respondents represent a mix of small, medium and large enterprise companies; 56 percent were over US$50 million and 28 percent were over US$1 billion.



Source: IBM Business Consulting Services, "Doing CRM Right" global study, 2004.

For further detail

Executive briefs in this IBM CRM global study series:

Badgett, Melody, Steve Ballou, PhD. and Steve LaValle. "Doing CRM right: What it takes to be successful with CRM – Executive summary view, CRM global study." IBM Business Consulting Services, 2004. www.**ibm.com**/services/bcs

Badgett, Melody, Steve Ballou, PhD. and Steve LaValle. "Doing CRM right: What it takes to be successful with CRM – Americas view, CRM global study." IBM Business Consulting Services, 2004. www.**ibm.com**/services/bcs

Badgett, Melody, Steve Ballou, PhD. and Steve LaValle. "Doing CRM right: What it takes to be successful with CRM – Europe, Middle East and Africa view, CRM global study." IBM Business Consulting Services, 2004. www.**ibm.com**/services/bcs

Badgett, Melody, Steve Ballou, PhD. and Steve LaValle. "Doing CRM right: What it takes to be successful with CRM – Asia Pacific view, CRM global study." IBM Business Consulting Services, 2004. www.**ibm.com**/services/bcs

References

[1] The 15 percent success pertains to the approximately 15 percent or less of survey respondents that reported “Complete success” for each CRM initiative. The 80 percent is from the R^2 of the analysis that resulted in Figure 1. The analysis was based on a Regression of the relationship between status of initiatives and frequency of performing the key enabling steps. The regression tells us that these 16 CRM approach steps explain 71 percent (R^2=.71) of the likelihood of having CRM initiative success. The percents total to 100%; each percent indicates the percent of the 71 percent likelihood of success that is explained by that individual approach step. Number of responses = 372. Our acceptably low sample distribution indicates that at the 95 percent confidence level the obtained scores are reasonably reliable.

[2] Percentages are Nagelkerke R^2’s. Nagelkerke R^2’s can be interrupted like linear regression R^2. Higher percents indicate that there is a stronger, positive influence of a particular CRM ownership situation on overall CRM initiate success.

[3] Percents are Pearson Correlation Coefficients. Higher percentages indicate that there is a stronger, positive influence of a particular alignment on overall CRM initiative success.

[4] Ibid.

[5] Of the 153 total EMEA respondents, 66 percent are from Western Europe, 19 percent from the Middle East and 15 percent from Eastern Europe.

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