



Key Factors for Optimizing CRM Project Success

A survey of 1,337 firms uncovers the five key issues that companies need to address to optimize the success of their CRM initiatives.

by Jim Dickie CSO Insights

For the past 10 years, CSO Insights has conducted an annual sales excellence research project to assess how companies are successfully (or unsuccessfully) optimizing the way they market to, sell to, and service customers. For the 2003 research initiative, 1,337 firms provided complete data on 83 metrics associated with sales performance. Participation was global: 50 percent of the respondents were from North America, 25.5 percent were from Europe, 13.8 percent were from the Pacific Rim, and 10.6 percent were from the rest of the world.

The scope of the study involved assessing how well salesforces are currently performing, what barriers are impacting their effectiveness, and how they are leveraging people, process, and CRM technology to deal with those challenges. This includes the marketplace's attitudes toward, and experiences with, CRM. Over the past three years, the CRM industry has changed dramatically. At one time, this type of technology was seen as the answer to all the sales and marketing challenges a company faced. Today it is looked upon with a great deal more skepticism. A primary goal of the study was to determine the types of results CRM systems are delivering, as well as to determine some perspectives on how to maximize the success of a project.

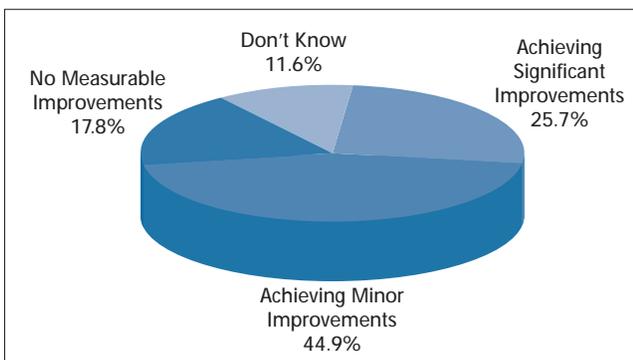


Figure 1 CRM's Impact on Salesforce Performance

Of the firms surveyed, 67.9 percent had formally evaluated CRM software systems. Of those, 53.9 percent purchased a software application from one or more vendors, while an additional 19.1 percent implemented a sys-

tem that they designed internally. Figure 1 is the breakdown of participants' responses in regards to the results achieved after implementing their solutions.

Figure 1 summarizes the problem the CRM industry is facing today. If you ask the 25.7 percent that achieved significant results, they will tell you that CRM is at the minimum a critical part of their business strategy, if not a key competitive edge in their marketplace. Firms in this category reported achieving impressive results such as revenue increases of over 42 percent per representative, sell-cycle length decreases of 27 percent, threefold improvements in the number of qualified leads generated, 37 percent reductions in order errors, 28 percent improvements in customer satisfaction ratings, and a margin-per-order increase of 1.7 percent. These companies believe that CRM is a must-have.

If you talk to the 44.9 percent of firms that reported achieving minor improvements, you will enter into a debate about whether the glass is half-full or half-empty. Some executives argue that in today's marketplace, even minor improvements in performance are helpful. But none of the executives said they went into their CRM initiative with this goal in mind. All were expecting much more out of their CRM investments and now feel that CRM, while useful, has been over-hyped. They will tell you that CRM should have a place in your overall plans, but it is a tactical solution, not a strategic one.

The 17.8 percent that achieved no measurable results feel they have been "burned." One company said that after spending \$20 million over several years attempting to implement an enterprise-class CRM application suite, they finally pulled the plug on the entire project when the adoption rate dipped below 18 percent of the salesforce.

Finally, we come to the 11.6 percent of the firms that couldn't provide any assessment of the impact their CRM initiative had on their operations. Some of that can be explained by the fact that the systems have not been in place long enough to make a determination. In the majority of cases, the reason for their inability to give an answer was that they never had a clear picture of how they were selling to begin with, so they have nothing to compare their current performance too.

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Who should we believe? After talking to hundreds of executives during the past year, the figure we all need to focus on is the 25.7 percent that are very successful. These are companies that are fundamentally changing how they target, acquire, retain, and extend customers.

How do more companies achieve this type of success? After talking to numerous CRM project teams that implemented systems that failed to achieve their desired objectives, we found that a great starting point is to know your enemy – identify up front the issues that can derail your project somewhere down the road.

Over the past 10 years, we have seen the evolution of the types of hurdles CRM project teams need to overcome. In the early-to-mid-'90s, many initiatives failed because of the maturity of the software systems. Often, the applications were not scalable, stable, or robust enough to meet customer expectations. But, to a large extent, those issues have been significantly reduced. Today when we do an autopsy of an unsuccessful initiative, the tools themselves are rarely the primary reason behind the failure.

To help surface the issues companies are encountering today, we asked the firms that had implemented a CRM system to highlight for us the top three challenges they encountered during the course of their project. Their responses are highlighted in Figure 2. When you take a deeper look at this chart, you find there are five key issues you need address to optimize the success of your initiative.

Solving the Data Dilemma

Populating and maintaining the information contained in CRM systems has been the top reason, which historically has been under-recognized. For years many industry watchers, including me, used the analogy of a three-legged stool when describing the formula for successful CRM initiatives. The legs represented people, process, and technology. More recently, as CRM systems have grown in complexity (encompassing

sales, marketing, support, manufacturing, finance, and more), the complexity of the data repositories these systems are built on has also increased. To get the full benefit of CRM, you need to be able to pull information from a wide variety of sources, both inside and outside your company, to create a single and comprehensive view of each customer.

Failure to do this correctly can kill a project. If your data is flawed, the whole project falls apart. When users lose confidence in the validity of the information they get from their CRM application, they just stop using it. To overcome this challenge, successful project teams often reported turning to data management specialist firms, such as OneSource, Dun & Bradstreet, or DataFlux, to assist in doing the initial data rationalization and ongoing data update tasks. While this is an additional expense for most projects, the costs associated with not doing it (i.e., project failure) are far greater.

Selling the System to Users

Item No. 2 has been at or near the top of the list for years. When implementing a CRM initiative, you are not so much creating a new way of selling as you are replacing an existing one. There is an important difference; there is already a sales process in place. It may be based on outdated printed reports, company-wide hail-Mary email blasts, and post-it notes, but it does work to some extent, and people are familiar with it. Implementing CRM requires change, which most people instinctively push back against. This resistance to change needs to be dealt with early on, or the very people that the process improvements are designed to help will be the ones to see that it fails.

Over the years, we have seen many approaches for dealing with this challenge. For example, Southern Companies implemented a sales advisory board, which was chartered with representing the voice of their fellow users and helping to collect, review, and prioritize all the functional requirements for the system. In addition, to

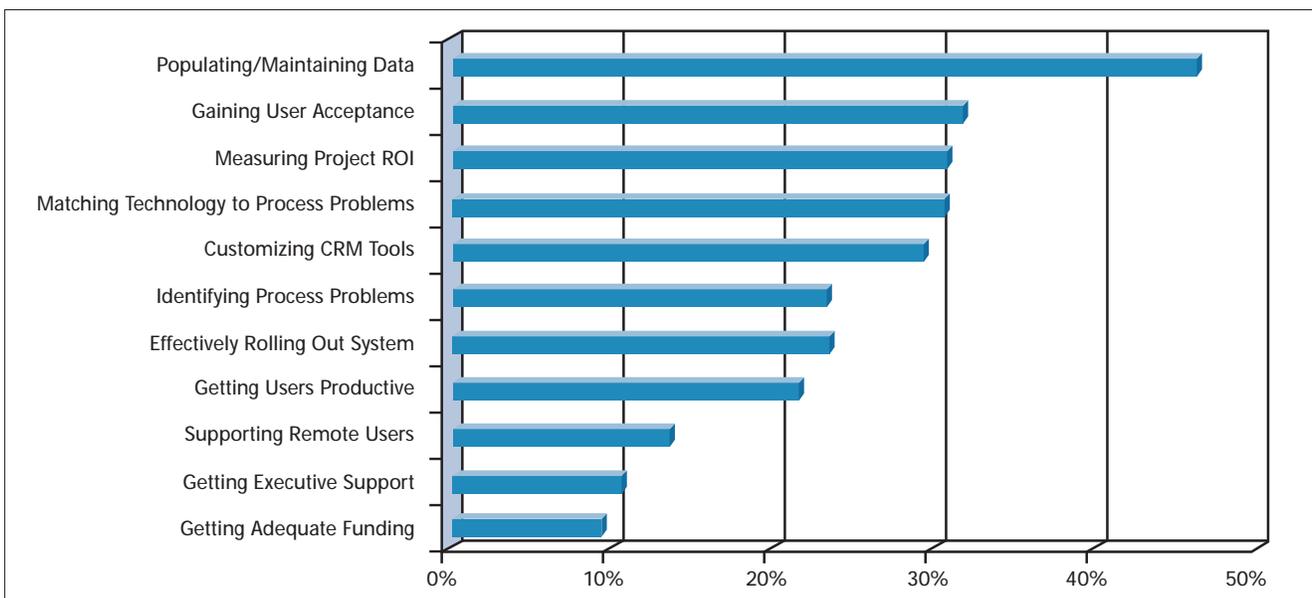


Figure 2 Toughest Challenges Encountered in CRM Implementation



ensure that the rank and file were kept up to date on what was happening on an ongoing basis after the kickoff, a direct mail dribble campaign was implemented to help further educate the user community. Whatever tactics you utilize, be aware that the first sale you need to make with these types of systems is an internal one.

Financial Responsibility

Items three, 10, and 11, (measuring project ROI, getting executive support, and getting adequate funding) are interrelated. In today's tight economic environment, any new CRM purchases are going to be highly scrutinized. To get executive buy-in, (and the investment to fund the project) you need to be able to show a justifiable ROI.

The first thing project teams should do is develop a solid understanding of what the total project costs will be for at least a three-year horizon. In addition to pressing vendors for hard numbers, several firms we talked to said they went the extra mile and contacted other end-user firms who were a year or two ahead of them to get their input on what to expect to spend.

Part of your project culture should be the commitment to prove to management that the ROI is there to justify the expense. For example, when Pitney Bowes started its CRM initiative, it established a policy regarding beta testing new versions of the system. The vast majority of the companies we surveyed use beta testing to see if the software works. Pitney Bowes' objective for beta testing was to prove that the system produced real business value. New applications were not put into full production unless a measurable ROI was proven.

Process/Technology Alignment

How does a company like Pitney Bowes reach a point where it can show ROI? It addresses items four, five, and six on the chart (identifying process problems, matching technology to process, and customizing CRM tools). The starting point is to gather metrics regarding your current operations: the number of leads generated per marketing program, the amount of time required to ramp up a new representative, the average length of a sell cycle, the current win/loss/no-decision rates, etc.

Once you understand the "as-is," then you can explore the "could-be." This typically involves process redesign. For example, after reviewing their call center operations, Global eXchange Services found that the average rep was generating one and a half leads per day. By optimizing the process these representatives used, and then leveraging CRM tools to support the new practices, the company was able to increase the leads per representative to seven per day. Determining exactly where and how improvement will occur is how to get buy-in and funding.

Many companies said that companies should not have to go through this stage of the project alone. Large consulting firms, such as Accenture and Deloitte, as well as smaller boutique firms like Extraprise and Statera, received high marks for the help they can provide in determining the problems associated with existing CRM processes, determining how CRM tools could help optimize the process flow, and finally customizing the applications so they support the new way you want your people to work.

Supporting the Troops

Lastly, items seven, eight, and nine (effectively rolling out system, getting new users productive, and supporting remote users) point out that companies need to make ongoing investments in their CRM projects to ensure they start off on the right foot and stay there.

It is worth noting that the most commonly reported under-budgeted items associated with CRM projects are training and ongoing support. As was mentioned before, CRM introduces new ways of working. Unless the new work skills are taught up front,

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users will go back to doing things the way they have always done them. Once the systems have been deployed, if a user runs into a problem and has no one to call for help, has their hardware crash and no easy way to get a replacement unit, or they get a new version of the tools and no one explains how to use them, their adoption rates will erode rapidly.

To assist here, many CRM vendors provide training and support services for their products. In addition, firms like C3i and TRG can take over the full training, asset management, and helpdesk responsibility for your project.

Summary

CRM can work, and CRM has to work. By "can work," we mean that there are enough solid successes to serve as templates for how to make CRM successful for your organization. Companies like Cisco, General Electric, and Hewlett-Packard are proving that technology can be a critical part of our business optimization plans. By "has to work," we mean that CRM is not an option. If a competitor achieves significant success through its CRM technology investments, you will find yourself at a severe disadvantage in the marketplace. We hope the concepts outlined in this paper will help you achieve your sales excellence goals. ■

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