Editorial

Journal of Database Marketing & Customer Strategy Management (2006) **14**, 1–3.
doi:10.1057/palgrave.dbm.3250039

It's that time of year again. Time, that is, to make a little time and read through entries for the BCS Information Management Awards. A perennial pleasure: my chance to review a number of initiatives in Business Intelligence and to look at them from the point of view of Business Benefit and Innovation.

This journal carries out a similar exercise when it comes to the BCS CRM awards — and our summary of what's new, what's going on in the field of CRM usually appears in the spring or summer following each Award ceremony.

And yet, perhaps I am becoming a little jaded — or turning into a 'grumpy old man' as far as CRM is concerned. As year follows year, I am less and less convinced by the degree of real innovation that is going on in this field — more and more concerned that while many businesses are making real strides, sometimes implementing systems that deliver some fairly major benefits, they still aren't quite 'getting it'.

Now — to add to the general melee of database marketing and CRM, the consultancy world is awash with talk of Customer Experience. Again, an idea and a set of principles that I am wholly in favour of. But will it make any difference?

For once, I shall hand the baton to another to make the key point: Andy Green, Director — Customer Management at Christie's, writes:

'At an overall (cynical?) level, I'm beginning to observe that Customer Experience in practice is actually just a new label for the same old thing!

First we had 'loyalty' (marketing/programmes/etc) — solid ideals about gathering customer insight (transactional, interaction & personal data) that could then be used to inform product & service design and make communication more relevant in order to drive desired behaviours.

But it became corrupted into an expensive form of sales promotion by the belief that it had to include a points collection/reward scheme instead of seeing this merely as a necessary 'cost' to bribe customers to identify themselves at point of sale, so their behaviour could be tracked (most notable = mobile telcos who could effect 100% marriage of behaviour to individual on the data base, but still offered points). Most of the practitioners didn't really use the data they collected (except perhaps in marketing), and didn't put in place the infrastructure to deliver the insight to customer touchpoints.

Hence, the need to reinvent the concept under a new label (because loyalty now synonymous with collection schemes) and implement the technology to gather, store and deliver the insight: enter CRM and the big systems like Siebel. Still little use of the data, because now it became a systems led initiative and still failed to address the fundamental need of changing attitudes, beliefs & behaviours across the organisation. So the insight is generally available, but the desire to use it doesn't exist and developing the skills and processes to use it effectively across touchpoints aren't developed. Yet more investment (and promise of returns) without the focus on how the benefit is to be realised. So CRM gets tainted.

Enter Customer Experience — actually just the next iteration in the quest to realise the benefit from knowing one's customers better. Yes, in its pure sense, it focuses on

changing behaviours at the front line, but from what I've seen in practice it is already being misinterpreted by some as (i) a means to do CRM cheaply — focus away from IT investment; (ii) process efficiency & cost reduction (focus on internal 'painpoints' under the guise of improving customer experience, without listening to what customers really want and what their expectations are; (iii) the Operations initiative to counter IT's CRM system projects and Marketing's loyalty/insight driven initiatives.

The winners, in my opinion, will be those who recognise all 3 are the same thing and manage to align the 3 functions behind the same goal — but not easy as many IT departments seem to see it as a loss of control of part of their empire.

Behind all this, pockets of capability improvement can be seen in most organisations: yet few have joined the constituent capabilities up to capitalise on the effect they can have and drive business benefit. I suspect that less improvement (if any) has been seen in the softer side of practices that focus on creating the right environment/attitude, focussing behaviour/action with correct metrics, reward, etc. and actually actioning the customer insight in general decision making (i.e. considering customer impact and allowing it to influence everyday decision making at all levels of the organisation).

The difficulty with any of the above — CRM, customer experience, etc. — is that whilst each individual component can deliver a degree of benefit, it's the overall lift in end-to-end experience that will influence customer behaviour most and therefore drive compound benefit (the whole being greater than the sum of the parts), but investment committees tend to require defined projects (usually system focussed) with specific payback on which to decide. These are then ranked according to return/value and a limited number selected. Each of these projects is competing for life/budget and so tend to focus on creating world class in one tiny area of the business/customer experience — often double counting benefit that is actually not entirely attributable to the limited project in question.

The initiative that seeks to raise the bar incrementally across the whole client journey

is too big, too complex, involves too many parts of the business and suffers the disbelief that a collection of minor improvements without huge investment could yield that much benefit. 'It's just not sexy enough' — no shiny new toy and fraught with risk because there are so many things that could go wrong/not be delivered. Hence, better invest in a clearly ring-fenced project that promises the best return. Then of course the bandwidth of staff in the organisation is insufficient to fill in the gaps and link the disparate initiatives together (plus there is no benefit left to claim for the minor investment needed to join the bits together so the benefit can be realised. Hence, it doesn't get done and the investment is largely wasted)'.

Cynicism — or realism? Andy is a practitioner with many years experience. He has grown up with the industry, as I have, and like me, he has been involved in attempting to put in place many step-change solutions into a wide range of companies and organisations.

I think the answer is mixed. As I said at the outset, many major projects are really about consolidation: bringing together systems and activities and views of data that have been historically separate, and whose unification is literally essential to joined-up thinking and responses by organisations.

These projects are about pulling together the infrastructure that was identified as necessary 10, 12, 15 years ago — and finally putting it in place. So yes: CRM may be coming — but a little later than all the hype promised.

There's the optimist in me. But there is also something of a pessimist. There is an elephant in the room — talked about by everyone: managed by very few. The elephant (to mix metaphors to the extreme) is no longer the organisation, but the customer. There can be few business managers left unaware that the customer is somehow central to what they are meant to be doing.

Unfortunately, despite the profusion of papers on the subject, businesses still appear to be paralysed by the thought of actually connecting strategically with this valued beast. Customer Management was about identifying customer needs and focussing on those customer segments that provided value. Customer experience is about listening to customers and identifying the organisational scratchpoints.

It doesn't happen. Most organisations are still oscillating between extreme prescription (how customers are meant to behave) and extreme surrender (over-fulfilling customer needs). The absolute killer finding in a recent survey of how businesses evaluated customer-focused initiatives to find just one out of 25 had gone back to the customers to ask whether the initiative had worked for the customer. The remainder relied on anecdote and internal feedback.

A new year, a new buzz-phrase. Over the next 12 months, I suspect we will be publishing a range of insights about customer experience. In the meantime, I will also be looking backward, asking practitioners what they expected to happen — and whether the reality has lived up to the promise.

This issue starts the process with a review of CRM software applications and business performance (Ang & Buttle) and channel performance measurement (Valos & Vocino). In addition, a range of technical issues are covered: word-of-mouth effects in estimating lifetime value (Lee, Lee & Feick); crossed-basis segmentation (Malthouse & Elsner) together with a statistical practitioner paper on analysis of customer satisfaction data (Spais).

We will be returning to the issue of how far CRM is working in the next issue.

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