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CRM in financial services: Are companies realising the benefits of CRM in practice, and how is the strategy being implemented in organisations?

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Abstract

As a potentially very powerful business strategy that can deliver significant economic benefits for organisations, the subject of CRM has attracted growing attention throughout the 1990s to date. There has, however, been increasing criticism recently of the approach, because it does not appear to be delivering the expected results in practice. The concept of relationship marketing has also been criticised for being difficult to implement in practice, with many organisations failing to implement the approach according to the advocated principles.

Based on data collected from financial services organisations in Surrey and Hampshire, this research study was conducted to address these two issues.

The research findings show that the actual results being measured and achieved in organisations are consistently and significantly falling short of expectations, supporting the criticisms that CRM is only producing disappointing results in practice. Based on an analysis of these results in the context of the theoretical work, it is highlighted that practitioners need to ensure that the measurement systems in place are adequate and specific to CRM to measure the full benefits of the approach; that they are setting realistic, long-term time scales over which to measure the effects; and that realistic objectives and expectations are being set.

Comparing how CRM is currently being implemented in organisations to the recommendations for the adoption of the approach, some clear areas are identified where organisations are falling short in practice. It is recommended that organisations concentrate on implementation issues very carefully, ensuring that their adoption of CRM, both at the organisational level and for the implementation of specific CRM initiatives, is well executed and therefore successful in terms of delivering real results.

Introduction and background

The term 'relationship marketing' was originally introduced as early as 1983, when it was described as a concept representing a longer-term

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approach to marketing, focusing on 'attracting, maintaining and . . . enhancing customer relationships'.¹

The impetus for CRM

But it was not until Reichheld² modelled the economic effects and benefits to organisations of adopting a relationship or loyalty marketing approach and developing long-term relationships with customers that the impetus for CRM really began. Based on evidence from nearly ten years' work as a consultant at Bain and Company, studying the problems and successes of a wide variety of American companies, Reichheld demonstrated that a company can achieve significant increases in its profits from only small improvements in customer retention rates, eg a 5 per cent improvement in customer retention can boost company profits by almost 100 per cent.³

A new paradigm for marketing

Subsequently, throughout the 1990s, the concept of relationship marketing attracted considerable attention in the marketing literature and quickly gained significant amounts of acceptance among the marketing community. Described as a new paradigm or concept for marketing that replaced the traditional approach of the management of the marketing mix, relationship marketing is now arguably the leading marketing paradigm. It is now also recognised as a way for companies to achieve a source of sustainable competitive advantage in increasingly competitive markets, rendering it a potentially very powerful and attractive approach for organisations.

But since the end of the 1990s there has been increasing criticism of the relationship marketing approach, both by the academic community in general and among practitioners in commercial organisations. This is because it does not appear to be delivering the expected results and economic benefits where it has been adopted by organisations in practice. Companies are failing to capture the potential of CRM, and are experiencing difficulties turning the promise of the theory into bottom-line results. It has also been observed that the positive bottom-line effects of creating loyal customers, such as increases in company revenue and profitability, are usually difficult to measure and determine in practice.⁴

Furthermore, the concept of relationship marketing has also been criticised for being difficult to implement in practice: many organisations appear to have experienced significant difficulties and problems with implementation and consequently are failing to implement the approach according to the principles.

Objectives of this research

This research study was primarily conducted to identify whether the economic benefits and effects of a customer relationship marketing or customer relationship management approach are being measured and therefore realised in practice, providing evidence to support the theoretical work.

A secondary objective was to identify whether and to what extent CRM is being implemented in practice according to the principles advocated for implementation, and, to a lesser extent, the level of difficulty organisations are experiencing with implementation.

Definitions of CRM

The term CRM has many different meanings and definitions among both the marketing community and practitioners, but is primarily used to refer to both customer relationship marketing and customer relationship management. (CRM is also used as an abbreviation in this paper for both customer relationship marketing and customer relationship management.)

In terms of definitions, the term relationship marketing represents the original conceptual work, describing developing and maintaining long-term, loyal relationships with customers. The term customer relationship management has been adopted more recently (late 1990s to date), and is more associated with the use of information technology as a means of implementing a relationship marketing approach.

It is generally recognised, however, that both terms are based on the original principles of relationship marketing, and therefore tend to be used synonymously.

On this basis, the research was deliberately kept very broad by using the term CRM to encompass all the different meanings and definitions of the approach that currently exist. Clearly, the responses received would depend on the individual responder's own understanding or view of CRM, which, as a potentially large area of enquiry, was not included in the research.

Research methodology

The research was based on a sample of 253 financial services organisations in Hampshire and Surrey, selected using the systematic random sampling methodology from the Dun and Bradstreet (2002) Business Directories for Hampshire and Surrey.

All sizes of organisations were included, based on the Department of Trade and Industry's definition of companies by size — an organisation with ten to 49 employees is defined as a small-sized company, one with 50–249 employees as a medium-sized company, and one with 250 or more employees as a large-sized company. Micro businesses (ie those with less than ten employees) were excluded, on the basis that very small and often entrepreneurial organisations are less likely to adopt formal management strategies such as CRM.

The sample also included organisations involved in both business-to-business and business-to-consumer marketing.

Branch locations were excluded from the research sample, on the basis that they are unlikely to have any responsibility for CRM, therefore only head-office or single-site locations are included.

A quantitative questionnaire was used to collect the data, which was administered by e-mail. Companies were contacted initially by telephone to identify whether they engage in any CRM activities, so that only those organisations that have adopted the approach were included.

The contact targeted in each organisation to complete the questionnaire was the individual primarily responsible for CRM, although specific job titles were not collected because of the anticipated diversity of these data. Non-responders who had agreed to participate were then followed up with

Terms for CRM are used synonymously

Quantitative research

14 per cent response rate

up to three telephone calls, to try to maximise the overall response received to the survey.

Following this methodology, 37 completed questionnaires were returned and therefore included in the research, representing a response rate of 14 per cent. This number of responses exceeds the minimum sample size of 30 that is generally identified as being sufficiently large to be reliable for this type of survey.⁵ It should be noted, however, that although a sufficiently large sample size was obtained overall, the sample breaks down into relatively small numbers in some of the results tables, with the percentages based on these less reliable numbers of responders: in these cases, clearly, the results of the research are less robust and reliable.

Other limitations of the research methodology are as follows.

- In terms of the profile of responders by the size of their organisation, the profile is heavily skewed towards large organisations, ie 62 per cent of responders were from large organisations with 250 or more employees, compared to only 12 per cent of the sample. Correspondingly, small and medium-sized companies are under-represented, ie only 27 per cent of responders are from small-sized companies, with ten to 49 employees, compared to 70 per cent of the sample, and only 11 per cent are from medium-sized companies, with 50–249 employees, compared to 18 per cent among the sample. As already mentioned, this is likely to be a reflection of the fact that smaller companies are less likely to adopt management strategies such as CRM, and were therefore unable to respond to the survey.
- The use of the systematic random sampling methodology to select the sample of organisations to be included in the survey from the Dun and Bradstreet (2002) Business Directories means that the results are representative of the total population of financial services organisations in Surrey and Hampshire, ie similar conclusions can be drawn about this total population from the results of the sample. The use of this methodology does not strictly allow the results and conclusions to be generalised to companies in other industry sectors or to those in other geographical areas, however, or on a national basis. A similar survey conducted in other geographical areas or nationally, and among other industry sectors, would be necessary to identify if the results are similar on a wider scale.

An opportunity for further research

Table 1: Profile of respondents' organisations by company size

Number of employees	Sample		Respondents		Index
	Number	% sample	Number	% respondents	
10–49 — small company	180	70	10	27	38
50–249 — medium company	46	18	4	11	60
250 or more — large company	30	12	23	62	530
Total	256	100	37	100	100

- Due to the limited time that was available to conduct the survey, no detailed qualitative research was undertaken to support and verify the findings of the quantitative data. In particular, qualitative research would have established more detail of how organisations are measuring the overall outcome of their adoption of a CRM approach, especially in terms of the effects on the bottom line, as well as the measurement of the performance of specific initiatives.

Discussion of the findings

Investment in CRM projects and systems

As a prelude to the main objectives of the research, the questionnaire asked respondents to identify the number and types of CRM-related projects and systems that had been invested in to date as a result of their organisation's adoption of a CRM approach.

The questionnaire included only numbers and types of projects, rather than the monetary value of investments made, because the latter was considered to be too commercially sensitive.

In terms of CRM projects, the results show that measuring customer satisfaction and marketing communications programmes are the most frequently occurring, with a majority of 76 per cent of all respondents undertaking both of these activities. Furthermore, 73 per cent of responder organisations are undertaking cross-selling activities, with 70 per cent also having invested in customer care or service initiatives.

Surprisingly, only 30 per cent of respondents are undertaking customer lifetime value modelling, and only 24 per cent have invested in a customer reward programme. Overall, each organisation included in the survey has invested in an average of 4.9 CRM projects or initiatives as a result of their adoption of the approach.

In terms of CRM systems, the majority of organisations have invested in a marketing database (70 per cent), with a significant number also having a separate customer service system (62 per cent). Only 19 per cent of respondents reported their organisation as having invested in a

**An average of 4.9
CRM projects per
organisation**

Table 2: Investment in CRM projects and systems

Rank	Project/system	Number of respondents	% respondents
Projects			
1	Measuring customer satisfaction	28	76
2	Marketing communications programme	28	76
3	Cross-selling activities	27	73
4	Customer care/service initiatives	26	70
5	Lifetime value modelling	11	30
6	Reward programmes	9	24
7	Other data analysis projects	6	16
Systems			
1	Marketing database	26	70
2	Customer service	23	62
3	Call centre	19	51
4	Web based	17	46
5	Data warehouse	13	35
6	Sales force automation	11	30
7	Combined customer management system	7	19

An average of 3.1 CRM systems

combined customer management system. The average number of CRM systems per respondent or organisation is less than the average number of projects, but still relatively high at 3.1.

Overall, it would appear that investment in CRM projects and systems is relatively high, with organisations having engaged in a high number and wide variety of projects, and also a relatively high number of systems, to support their adoption of a CRM approach.

CRM measurement systems

As with the adoption of any business strategy, an organisation that is serious about relationship marketing and creating customer loyalty must measure the outcomes or results of its adoption of the strategy. Clearly, measuring outcomes is an essential step for the economic benefits and effects of relationship marketing to be realised.

Reichheld⁶ highlights the importance of the right kind of measurement system for measuring the effects of customer loyalty. Customer retention is the key statistic: as a direct measure of the number of customers your organisation is retaining year on year, it measures the primary objective of creating customer loyalty and reflects the real value a company is creating for its customers. Other specific measures include customer lifetime or net present value, to identify increases in customer value over time as loyalty and retention increases, and customer share of wallet, ie the share of a customer's spend that is being spent with your company.

Although also commonly used as a loyalty measure, customer satisfaction is not necessarily an indicator of customer retention, as evidence shows that satisfaction measures do not correlate with actual retention behaviour — 65–85 per cent of customers who defect say they were satisfied or very satisfied with their supplier.⁷

Impact on the bottom line

An organisation also needs to measure the economic effects of a loyalty approach, in terms of the impact on the bottom line. This implies a measurement link between these customer statistics and an organisation's financial performance results, in terms of company revenue and profitability. Although a potentially difficult measurement link to make, especially among organisations with outdated financial reporting systems, the literature advocates the use of company-wide systems measuring the specific CRM customer metrics but also integrated with the financial reporting of bottom-line results to achieve this objective.

The research questionnaire asked respondents to confirm whether their organisation is measuring the outcome of its CRM strategy overall, and in general terms how the results are being measured (the use of the detailed measures is highlighted in the next two sections of this paper).

The results show that the vast majority of respondents' organisations — 84 per cent — are measuring the outcomes of CRM, with only 11 per cent not measuring the outcomes at all and only 5 per cent not sure whether the outcomes are being measured or not. Of this 84 per cent, however, only 24 per cent are doing so consistently on a company-wide basis, with the majority (59 per cent) measuring outcomes on an *ad hoc* or project basis only.

Furthermore, in terms of the metrics being used overall, only 13 per

cent of respondents say their organisation is using specific CRM measures or measurement systems. Many respondents — 39 per cent — report using different metrics defined for individual activities or projects, and 26 per cent are using company financial measures only.

Although these results are promising in terms of the high proportion of respondents who are attempting to measure the outcomes of their adoption of CRM, there is clearly room for improvement in the way that measurement is being made, ie by the greater use of specific customer loyalty metrics that are used more consistently on a company-wide basis. Where possible, these measures could also be more widely integrated with existing financial reporting systems.

Stated objectives or expected benefits

In order to identify whether the positive effects and economic benefits of a CRM approach are being realised in practice, it was first necessary to determine the stated objectives or expected benefits of the adoption of CRM among respondent organisations. Collecting these data provided a benchmark for the actual reported results, allowing a direct comparison to be made between the actual results and expectations to identify if actual results are falling short of expectations.

The possible responses to this question on the questionnaire were derived from the key outcomes expected from the adoption of CRM, and the corresponding CRM metrics and measures (as in the previous section), eg an increase in customer loyalty/retention, an increase in customer value, an increase in customer satisfaction and an increase in company revenue.

The results of this part of the survey show that the most popular expected benefit or stated objective is an increase in customer satisfaction, selected by a majority 84 per cent of respondents, with an increase in customer loyalty/retention also selected by 81 per cent of respondents. Increases in company profitability and revenue are also very popular objectives, selected by 76 per cent and 68 per cent of respondents respectively.

A measurement benchmark

Table 3: CRM measurement systems

Rank	Response	Number of respondents	% respondents
Is measurement being made overall?			
1	Yes — <i>ad hoc</i> /project basis	22	59
2	Yes — consistently/ company-wide	9	24
3	No	4	11
4	Don't know	2	5
What is the main way measurement is being made?			
1	Individual project/activity metrics	12	39
2	Formal company financial measures	8	26
3	Return on investment	6	19
4	CRM measures/metrics	4	13
5	Don't know	1	3

The average number of stated objectives or expected benefits selected by each respondent is five, which is a relatively high number considering the average number of CRM projects per responder is slightly less at 4.9 (as mentioned earlier). Indeed, 54 per cent of respondents selected five or more expected benefits, and only 3 per cent have none.

These results clearly reflect the main key deliverables and benefits identified in the literature as those expected from an organisation's adoption of CRM, rather than the more tactical benefits such as improving internal efficiencies and cost reductions (both selected by only 35 per cent of respondents). This would indicate that the individuals responsible for CRM in organisations have a good understanding of the main deliverables and benefits, as defined by Reichheld.⁸

High expectations of CRM

These results also indicate that companies have very high expectations of their CRM approach and corresponding initiatives, both in terms of a high number of expected benefits or stated objectives, and with a high anticipation of a direct impact on the bottom line, ie on company revenue and profitability.

Actual benefits measured and achieved to date

This part of the survey was designed to identify the actual benefits that organisations have both appropriately measured and achieved to date as a result of their adoption of a CRM approach and their corresponding investments in CRM projects and systems.

The possible responses to this question on the questionnaire were kept the same as those used for the stated objectives or expected benefits (as in the previous section) to allow a direct comparison to be made between the anticipated and actual results.

The results show that the benefit being measured and achieved most often, by 48 per cent of respondents, is an increase in retention rates, with an increase in customer satisfaction being achieved by 45 per cent of respondents and an increase in average customer value by 26 per cent. Only 19 per cent of respondents reported an increase in company revenue as an outcome, and only 16 per cent an increase in company profitability.

Some support for CRM theory

Clearly, actual benefits are being measured and achieved in practice as a result of companies' adoption of CRM, providing some evidence to support the theoretical and modelling work. Furthermore, it appears that

Table 4: Stated objectives or expected benefits of CRM

Rank	Response	Number of respondents	% respondents
1	Increase in customer satisfaction	31	84
2	Increase in customer loyalty/retention	30	81
3	Improve company profitability	28	76
4	Increase company revenue	25	68
5	Increase customer value (LTV)	13	35
6	Improve internal efficiencies	13	35
7	Cost reductions	13	35
8	Reduce customer complaints	10	27
9	Increase customer share of wallet	8	22

some organisations are making what is considered to be the potentially difficult measurement link between CRM initiatives and statistics and their organisation's bottom-line results in terms of company revenue and profitability (although unfortunately this survey did not identify in detail how this measurement link is being made in organisations).

Comparing these results to the stated objectives or expected benefits (as in the previous section), the percentages of respondents reporting each actual benefit are consistently much lower than those reported for each expected result. This is most notable with company revenue and profitability — an increase in company profitability was expected by 76 per cent of respondents and an increase in company revenue by 68 per cent, compared to only 19 per cent who reported an actual increase in company revenue and only 16 per cent who reported an increase in company profitability.

Furthermore, the average number of actual results measured and reported for each respondent is 1.9, compared to the average number of expected benefits of five. A *t*-test was undertaken to establish whether there is a statistically significant difference between these two averages: the *t*-test confirmed that at the 95 per cent level of confidence the two averages are statistically different from each other. Further analysis also identified that 77 per cent of organisations reported actual results that failed to meet their expectations, and that no respondents achieved a higher number of benefits in practice than the number expected.

It would appear that actual results of CRM are falling short against company expectations, supporting the recent criticisms of this approach that it is only producing disappointing results in practice compared to the promise of the theoretical work. With the notable shortfalls in company revenue and profitability against expectations, it would also appear that organisations are particularly experiencing difficulties turning the promise of the theory into bottom-line results.

Viewing these findings in the context of the theoretical work allows the following points to be made.

- *The economic effects and benefits of a relationship marketing approach are only revealed over a longer-term time period.* This applies particularly to the bottom-line effects of increases in company

But actual results are disappointing

Table 5: Actual benefits of CRM measured and achieved to date

Rank	Response	Number of respondents	% respondents
1	Increase in customer loyalty/retention	15	48
2	Increase in customer satisfaction	14	46
3	Increase customer value (LTV)	8	26
4	Increase company revenue	6	19
5	Increase in company profitability	5	16
6	Improved internal efficiencies	4	13
7	Cost reductions	3	10
8	Reduced customer complaints	2	6
9	Increased customer share of wallet	2	6

revenue and profitability, which are the last effects to be realised; Reichheld and Sasser provide an example showing these effects are only revealed over an eight-year time period.⁹ On the basis that it is not known when CRM was initially adopted by the organisations included in this study, or when investments in specific initiatives were made, it is possible that it is too early for significant results to be identified in practice. This may provide an explanation as to why the actual benefits reported for company revenue and profitability in this research are particularly low compared to expectations.

- *The benefits are not being identified by the measurement systems in use.* As already identified, specific metrics and measurement systems are necessary to measure the effects of a loyalty approach, requiring measurement on a company-wide basis. Considering that only 29 per cent of respondents reported their organisation as using specific CRM measures or measurement systems, it is possible that the full effects are not being revealed because of inadequate measurement systems. Again, this would particularly apply to the effects on company revenue and profitability, which are notably difficult to link in measurement terms directly to CRM initiatives.
- *Organisations may be setting their expectations too high.* The results identified that expectations of CRM among the organisations included in this survey appear to be very high, in terms of both a high number of expected benefits or stated objectives and an anticipation of a direct impact on the bottom line. Although Reichheld's work¹⁰ is generally regarded as being very powerful and does provide real evidence demonstrating the benefits of a relationship marketing approach, it is possible that organisations have been swept along with the high level of impetus for the topic and are setting expectations that may be unrealistic.

Implementation of a CRM approach

Is CRM being implemented according to the principles?

The majority of the literature on CRM includes a number of key implications or recommendations for the adoption and implementation of a CRM approach, ie how to implement the principles and theory in practice. These implications describe the adoption of CRM at an organisational level rather than for the implementation of specific or individual activities and initiatives.

Corresponding to the secondary objective of this study, to identify whether and to what extent relationship marketing has been adopted in organisations according to these principles and recommendations, the research included a number of statements about key aspects of implementation. Respondents were asked to rate each statement according to how strongly they agreed or disagreed with it regarding their organisation's adoption of CRM. This would allow a comparison to be made between actual implementations and the advocated recommendations.

The results for this part of the research are as follows (Figure 1 and Table 6).

Adoption of CRM at an organisational level

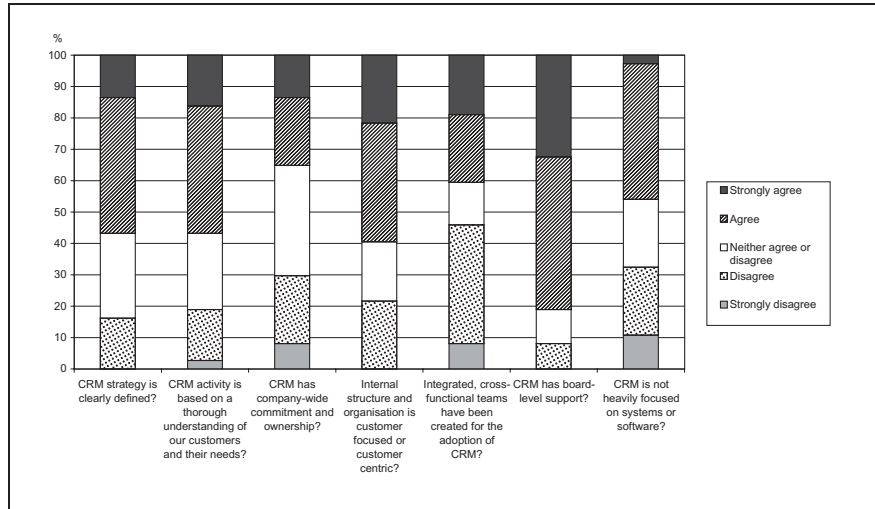


Figure 1: Implementation of a CRM approach

A business strategy

- *CRM strategy is clearly defined* — again, from his experience spanning ten years' work with a variety of American companies, Reichheld¹¹ highlights that the process of building customer loyalty in a company needs to be viewed as a business strategy rather than as a tactical activity. Furthermore, it must be central or integral to a company's basic business strategy, rather than simply an add-on. Overall, a clearly defined customer strategy must be created before any CRM projects are put in place, especially before the purchase of any technology — the technology must support the strategy rather than drive it. Response to this statement is fairly promising, with just over half of respondents — 57 per cent — either agreeing or strongly agreeing with the statement that a CRM strategy is clearly defined in their organisation, and only 16 per cent disagreeing with this statement.

Deliver superior value for customers

- *CRM activity is based on a thorough understanding of our customers and their needs* — in order to create and deliver real value to customers, and therefore achieve customer loyalty and retention, an organisation needs to gain a thorough understanding of its customers and their needs and be able to identify what constitutes superior value to them. Indeed, failing to focus on real customer needs and preferences is regarded as a common mistake that many companies are falling into with their implementations of relationship marketing.¹² Again, response to this statement is fairly promising, with the majority — 57 per cent — of respondents confirming that this is another aspect of implementation that organisations are achieving overall.
- *CRM has company-wide commitment and ownership* — a CRM approach cannot be organised in the traditional form of a separate marketing department. The approach needs to be embraced by all employees throughout an organisation, with a culture of relationship

Table 6: Implementation of a CRM approach

Statement	Response	Number of respondents	% respondents
CRM strategy is clearly defined?	Strongly agree	5	14
	Agree	16	43
	Total agrees	21	57
	Neither agree or disagree	10	27
	Disagree	6	16
	Strongly disagree	0	0
	Total disagrees	6	16
CRM activity is based on a thorough understanding of our customers and their needs?	Strongly agree	6	16
	Agree	15	41
	Total agrees	21	57
	Neither agree or disagree	9	24
	Disagree	6	16
	Strongly disagree	1	3
	Total disagrees	7	19
CRM has company-wide commitment and ownership?	Strongly agree	5	14
	Agree	8	22
	Total agrees	13	35
	Neither agree or disagree	13	35
	Disagree	8	22
	Strongly disagree	3	8
	Total disagrees	11	30
Internal structure and organisation is customer focused or customer centric?	Strongly agree	8	22
	Agree	14	38
	Total agrees	22	59
	Neither agree or disagree	7	19
	Disagree	8	22
	Strongly disagree	0	0
	Total disagrees	8	22
Integrated, cross-functional teams have been created for the adoption of CRM?	Strongly agree	7	19
	Agree	8	22
	Total agrees	15	41
	Neither agree or disagree	5	14
	Disagree	14	38
	Strongly disagree	3	8
	Total disagrees	17	46
CRM has board-level support?	Strongly agree	12	32
	Agree	18	49
	Total agrees	30	81
	Neither agree or disagree	4	11
	Disagree	3	8
	Strongly disagree	0	0
	Total disagrees	3	8
CRM is not heavily focused on systems or software?	Strongly agree	1	3
	Agree	16	43
	Total agrees	17	46
	Neither agree or disagree	8	22
	Disagree	8	22
	Strongly disagree	4	11
	Total disagrees	12	32

marketing established where all employees, whether customer facing or not, adopt a customer-oriented marketing consciousness.¹³ Response to this statement was very mixed, with only 35 per cent of respondents agreeing or strongly agreeing, 35 per cent neither

Customer-centric organisational design

- agreeing nor disagreeing and 22 per cent actually disagreeing. This appears to be an aspect of implementation that overall organisations are failing to achieve.
- *Internal structure and organisation is customer focused or customer centric* — the adoption of a CRM approach also has implications for organisational design or structure. A customer-centric design is needed to allow marketing to become spread throughout the organisation and to support and facilitate the processes necessary to meet customers' needs best. Generally it is also advocated that company structures must be changed before any significant investments are made. With 22 per cent of respondents strongly agreeing with this statement and 38 per cent agreeing, this is identified as an aspect of implementation that organisations are achieving in practice relatively more successfully.
 - *Integrated, cross-functional teams have been created for the adoption of CRM* — coordination and integration across the different functions and departments of a company are also required for the successful adoption of a relationship marketing approach, and for the implementation of CRM projects and initiatives. Cross-functional, company-wide integration allows the business to focus on building quality relationships with customers, rather than being restricted by traditional vertical structures where functional responsibilities take precedence. This is the only statement where the disagree responses outweigh the agrees, with 46 per cent of respondents disagreeing that integrated, cross-functional teams have been created for CRM, and only 41 per cent agreeing. This represents another aspect of implementation in practice that the majority of organisations are not currently undertaking or achieving.
 - *CRM has board-level support* — because of the potentially extensive and far-reaching organisational change involved with implementing a relationship marketing approach (ie the need to develop a culture of relationship marketing throughout the organisation, implications for organisation structure and design and the need for integration and coordination across all the different parts of a company), the need to obtain the full commitment of a company's board is another key implementation issue. A very high percentage of responders — 81 per cent — either agreed or strongly agreed with this statement, with only 8 per cent disagreeing. As the most positive result compared to any of the other statements included in this research, this is clearly the most successful aspect of implementation currently being achieved by organisations.
 - *CRM is not heavily focused on systems and software* — focusing on CRM technology rather than a strategy of strengthening relationships with customers is possibly one of the most common pitfalls that companies have fallen into while implementing a CRM approach.¹⁴ It is common to mistake the adoption of CRM technology for the definition of a marketing strategy: a clearly defined customer strategy must come before the purchase of any technology, to support the strategy rather than drive it. The results for this statement are very

A common implementation pitfall

mixed, with 46 per cent of respondents agreeing that their organisation is not heavily focused on systems and software, but with 32 per cent of respondents disagreeing, highlighting their organisation as having fallen into this common pitfall. This represents another aspect of implementation where there is room for improvement among organisations.

Although response is mixed regarding these aspects of implementation, it appears to be promising overall and it is likely that organisations are gradually undertaking the vast amounts of organisational change required for the adoption of a CRM strategy. The aspects of implementation that are currently being achieved relatively less effectively are achieving company-wide commitment to and ownership of CRM throughout the organisation; creating company-wide, integrated, cross-functional teams for the adoption of CRM; and focusing on defining a CRM strategy before any investments are made in CRM systems and software.

What level of difficulty is being experienced with implementation?
 On the basis that the concept of relationship marketing has also been criticised for being difficult to implement in practice, with many organisations reported to have experienced significant problems with implementation, the research also included a question to identify the level of difficulty that organisations have actually experienced, based on the opinions of respondents.

The majority of respondents — 59 per cent — reported having experienced a moderate level of difficulty with implementation, with 16 per cent reporting implementation as very difficult. In comparison, only 22 per cent have experienced implementation as not very difficult, with no respondents reporting no difficulty.

With only limited data on this aspect of the research, it is difficult to draw meaningful conclusions. It would appear that although difficulties are clearly being experienced with implementation, they are not occurring to the high level that has been implied recently in the literature, or to such a severe level that would render implementation according to the principles too difficult to achieve in practice.

CRM is not too difficult to implement

Summary of main findings and conclusions

The main findings and conclusions of this paper can be summarised as follows.

Table 7: Level of difficulty experienced with implementation of CRM

Rank	Response	Number of respondents	% respondents
1	Moderately difficult	22	59
2	Not very difficult	8	22
3	Very difficult	6	16
4	No opinion	1	3
5	No difficulty	0	0

- The vast majority of companies included in this survey are measuring the outcomes of their relationship marketing strategy and initiatives. But there is clearly room for improvement in the way that measurement is being made, as the specific CRM measures and metrics necessary to fully realise the benefits of a loyalty approach are not being extensively used.
- Actual benefits are being measured and realised in practice in commercial organisations as a result of their adoption of a relationship marketing approach and their relatively high investments in CRM initiatives and systems. But the effects and economic benefits actually being measured and achieved are consistently and significantly falling short of the objectives and expectations set by organisations, particularly in terms of the bottom-line effects on company revenue and profitability, which provides support for the recent criticisms of the approach. Viewing this result in the context of the theoretical work, it could be argued that this is because of inadequate measurement systems that are failing to report the full benefits of the approach; the need to measure the effects of relationship marketing over a longer-term time period, which may not be happening because of both internal and external pressures on executives in organisations to deliver results in the short term; and the observation that organisations may be setting expectations that are too high and therefore unrealistic.
- In terms of the implementation of a CRM approach at an organisational level, response is promising and overall organisations are achieving a reasonable level of implementation according to the principles. But there are specific aspects of implementation where organisations are falling short in practice: achieving company-wide commitment and ownership of CRM throughout the organisation; creating company-wide, integrated, cross-functional teams for the adoption of CRM; and focusing on defining a CRM strategy before any investments are made in CRM systems and software.
- Organisations are experiencing difficulties with the implementation of CRM, but only to a moderate level and not to the high or severe level implied in the literature, nor to a level that would render implementation of the approach too difficult to achieve in practice. Combined with the previous point, it is possible that organisations will gradually improve their implementation of CRM as difficulties are overcome and the vast amounts of organisational change required for the adoption of the strategy are gradually made.

Implications for practitioners

Based on the main findings and conclusions of this research, a number of recommendations can be summarised for practitioners of relationship marketing, as follows.

- *Concentrate on the right measurements* — because the effects and benefits of a relationship marketing strategy can be difficult to measure and determine in practice, the implementation of specific

- CRM measurement metrics and systems is key to allow the benefits to be measured and therefore fully realised.
- *Set realistic measurement timescales* — ensure the time period over which it is planned to measure the outcomes of a relationship marketing strategy is of a sufficient period of time to allow the long-term effects and benefits to be revealed.
 - *Set realistic expectations* — because expectations of relationship marketing appear to be currently set very high, it may be useful for individuals responsible for CRM in their organisation to review the current objectives and targets, and set expectations more in line with the current level of benefits being achieved.
 - *Concentrate on implementation* — as the overall success of an organisation's adoption of a relationship marketing approach, in terms of delivering the expected positive economic effects and benefits, is likely to depend to some extent on implementation, the various aspects of implementation, both at an organisational level and for the execution of corresponding CRM initiatives, need to be considered very carefully.

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