'I wouldn't start from here': Finding a way in CRM projects

Received: 24th May, 2001

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Abstract Most customer relationships management (CRM) projects fail, with millions of pounds wasted. As CRM is getting more complex it is not going to get any easier to make projects work and companies are already not particularly robust in the way they manage customers, even though the prize is large. These two points put new pressures on project managers. Managers need to know, in as much detail as possible, where they are coming from and be more flexible about where they are going. A typical scenario is, in reality, that the plan is often set in stone and the starting point is vague. This paper discusses how to improve project management by prioritising activities based on factors most likely to affect performance and how to keep projects short and business focused. It is the programme rather than the project that should be managed.

MOST CRM PROJECTS ARE LIKELY TO FAIL

A CRM project is more likely to fail than succeed. And the larger the project the riskier it is. A review of various project failures and project studies illustrate the main reasons for failure. There are clear lessons for CM projects.

- '70 per cent of CM programmes started this year will fail!'¹
- 'an overwhelming 92 per cent of companies are dissatisfied with results achieved to date from their ERP implementations. Only 8 per cent achieved a positive improvement in

their performance.'²

- the dangers of very large projects (VLPs) — 'Any CM project greater than £10m will fail'.

Key findings of any significant survey of project success indicate:

- organisations have experienced a significant overall shortfall against anticipated business benefits: the biggest shortfall between expectation and reality is in customer service and responsiveness, staff productivity and business management
- specific targets and expected results

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have not been achieved: around half of those companies in the PA survey had sought to streamline and integrate business processes, or improve productivity. In reality, only 5 per cent felt that progress had been made in this area

- organisations are suffering from systems that are poorly aligned with business needs: companies often say that they ended up with a system which does not clearly support the business need. Usually this is due to an unclear definition of requirements (possibly due to an unclear business model) or poor project control procedures, leading to 'scope creep' (where the requirements of the system are never actually finalised). This happens in spite of the company having quality project managers and going through the pain of scrutinising existing processes and efficiencies, and asking users to think creatively about how processes ought to look. One of the difficulties is that CRM systems are often enterprise-wide systems, and enterprise process re-engineering is a major task, the significance of which is underestimated at the start of the project.

An article by Andrew Taylor³ backs this up by stating that there is no single cause for IT project failure. It can happen at any point for a variety of reasons. Taylor studied 1,027 projects and only 130 (12.7 per cent) were successful. The most critical success factors are:

- clear, detailed requirements
- strong business commitment
- clear project change controls (avoiding 'scope creep').

The Hewson Group believe that 'Of all CRM projects launched this year we estimate that between 50–60 per cent

will fail to give real business benefits — and international projects are high on the risk list!' According to Nick Hewson, sales force automation (SFA) projects are those which are most likely to fail. SFA projects do not involve direct contact with the customer and sales people can resist or hinder implementation. In fact, looking more specifically at customer management projects the most common reasons for failure⁴ appear to be:

- failure to think through the business strategy and model
- focus on technology, under-investment in data and skills
- setting objectives without a firm basis as to where the organisation is today, its ability to change, and receptiveness of customers to different ways of being managed
- lack of skills to put the whole thing together
- lack of experience so managers do not know how and where to start
- selection of the wrong partners to support the project
- integration of all aspects of CRM in a 'joined up' way is not common thinking and mindset for management and functional organisational structures do not support it, indeed they resist it
- trying to do too much too soon.

So it is tough making CRM projects work, and it is going to get tougher.

THE FUTURE BRINGS MORE UNCERTAINTY AND COMPLEXITY

In the 20 years that the first author's firm has been involved in helping clients manage customers, the landscape of customer management has changed beyond recognition. In that time, the firm has witnessed:

- the gradual evolution of buyer

Figure 1 Converging product quality⁵

behaviour and the shift of relationship control from supplier to customer. The implications are great for customer management culture and thinking (the concept of 'loyalty' does not fit well with the empowered consumer, who will behave in different ways) as well as for supporting technologies like Siebel, Broadvision, Clarify and Kana. Bob Tyrell⁶ has described the conditions for 'exit' behaviour in social relationships and how this relates to buyer behaviour and loyalty. Individuals are now more confident about making their own choices, partly as the result of having access to far more diverse information sources than previous generations (eg television, papers, e-mail, telephone, consumer programmes, Internet). They demonstrate this increased confidence by: accessing the company the way they want to and how they want to; controlling the relationship and not wanting to feel controlled; needing to be valued and feel special, especially if they are a major customer and switching suppliers if they feel

aggrieved, for instance if they receive unfulfilled or disappointing service 'promises'. The Henley Centre's report, 'The loyalty paradox',⁷ shows that while companies often talk about their need to manage relationships with their customers, few customers use this language or indeed behave in this way.

- product commoditisation and the erosion of brand loyalty in many markets. Buyers will increasingly accept a trusted relationship with only a very small number of companies, those that most appeal to their set of views, values and aspirations. Buyers will manage other relationships on a transactional basis where their view of the relationship will be very different to the company's view. Figure 1 shows an example of increasing commoditisation from the automotive industry. The reduction in defects per vehicle means products are now very similar. It is now rare to buy a car, and for 'car' read most other products, solely because it is the market leader in terms of product quality and reliability. The service

1995-2020-December 1999 Future Foundation forecast

Have you personally used the internet in the last 6 months? If yes, when did you first use the internet?

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Figure 2 Internet penetration in the UK 1995–2020 — December 1999 future foundation forecast⁸

- ‘wrap’ (which defines the customer experience outside of the product functionality and use; information search, enquiry management, purchase experience, welcoming, customer communication, complaint handling) is becoming vital in attracting and keeping customers
- the advent of e-commerce is seeing traditional business models torn apart and reformed around new channels of trade and ways of purchasing/selling. The implications for customer management in terms of the applicability of different business models (eg disintermediation and re-intermediation, auctioning, reverse auctioning, buying clubs), the changing attractiveness of new market segments (eg previously unprofitable segments may be made profitable by reducing service costs by offering self-service), and the changing nature of the competition (eg advent of new competitors using new channels from new geographies) have a massive impact on strategies, culture and technologies
- the arrival of many new customer management technologies. These include new media for managing customers — digital television, Web, mobile phones — and new systems for managing or supporting interactions (advanced data warehousing, customer contact systems, Web-based transactions, data mining etc.). Each has been heralded as providing companies with the tools to transform their customer management approach. Each has given companies new opportunities to improve their customer management ... or to make it worse by confusing customers and employees alike. New technologies are of little use if the

Table 1: Development channel/lifecycle/matrix by segment

	T	EM	W	GTK	OM	MD	WB
Web	H	H	H	M	M	H	L
Telephone	L	H	M	M	H	H	M
Branch	M	M	L	M	M	M	L
Home service	L	M	H	H	M	M	L
Direct response	H	H	L	L	L	L	H

T = targeting; **EM** = enquiry management; **W** = welcoming; **GTK** = getting to know; **OM** = ongoing management; **MD** = managing dissatisfaction; **WB** = winback

approach to customer management is fundamentally flawed. The phenomenal take up and access to the Internet and new technologies is real and continuing. The use and attitude to new technologies is well researched by The Future Foundation among others and is illustrated in Figure 2.

— the need to understand customers' preferences throughout the buying process and then to support different customers differently, through an integrated blend of channels, depending on their worth, their confidence in dealing with the brand and the product type and their preferences. Table 1 shows the different role and relevance of channels at each stage of the customer lifecycle from initial targeting through to winback. A common question is whether the rules for managing customers in a real world apply in a virtual world. The answer is that most of them do. The main differences relate to the speed of interaction required and the extent to which the customer can be given access and control. The new media through which e-businesses work do, however, add some complexities and more choice.

All of this implies that managing customers will become more complex. There will be different roles for different channels for different customer segments at different stages of their customer

lifecycle so defining the channel mix and integration of channels is central to customer management. Companies that do this well know that it has a fundamental impact on planning and analysis, proposition development, communication activities, competencies, processes and IT. Integrated customer knowledge bases across all channels must be developed to provide a full 'customer context' to all and a single set of business rules must apply to all channels.

All these 'drivers of change' provide significant challenges for companies even if they are expert at managing customers.

The speed of the market implies a need for speedy CRM project implementation and flexibility in long-term project plans.

COMPANIES NOT PARTICULARLY ROBUST AT MANAGING CUSTOMERS, EVEN THOUGH THE PRIZE IS GREAT

Customer management performance can be assessed using the first author's firm's Customer Management Assessment Tool (CMAT), which uses 260 best practice questions to arrive at an overall performance. The methodology is explained in some detail in the firm's report 'The customer management scorecard: The state of the nation'.

Overall customer management performance is surprisingly poor with an average score of 34 per cent and a range of 19 per cent to 56 per cent. Yet there

Table 2: Overall customer management performance — CMAT© scores

	Mean %	Range %
Overall	34	19–56
Analysis and planning	30	10–73
The proposition	32	1–83
People and organisation	40	25–70
Information and technology	40	13–94
Process management	32	7–75
Customer management activity	33	21–64
Measuring the effect	35	14–73
Customer experience	31	6–72

is now strong evidence^{9,10} of a strong link (correlation 0.8) between customer management performance and business performance, so the prize for getting CRM projects right is large.

IMPACT ON CRM PROJECTS AND PROJECT MANAGERS

From the above can be seen three key points which will affect any future CRM project anywhere:

- companies are not very good at managing customers (despite the prize being great) so there is a great need for projects to improve CRM
- most projects fail, especially if they are large
- the probability of projects failing is increasing, because almost all markets are changing more quickly than ever before.

Some conclusions can be drawn about how projects should change to increase the chance of success. The main areas for change are project speed, timing of benefits and a new realism in planning. The key is:

- to know the customer, what they expect from the company, what they think of the company, and to accept what the company does well and

badly, versus the competition. This will help the company develop the most appropriate business model(s)

- to get the service right now, to know the company's strengths and weaknesses and ensure that the customer experience is excellent
- to build in flexibility for the future: the customer base, channels and products are likely to change over time.

To achieve this the following approach to CRM project development appears more likely to work:

- taking a phased, steady approach to CRM development, not big bang
- developing a vision of the future, but not locking into detail too soon
- knowing where the company is starting from. Being clear and unemotional about how well it manages customers now. There are likely to be a number of easy actions which will lead to increased profitability
- cherry-picking key actions and getting quick wins across the model; building high-value foundations
- managing the phase 1 programme to ensure that what is expected to happen does happen, or at least understanding why it does not
- measuring and building on phase 1 in future phases

- being happy to accept challenges to the longer-term vision.

BIG BANG VERSUS PHASED APPROACH

The authors have identified two basic models of programme planning for implementing customer management, as follows:

- big bang: moving as rapidly as possible to implement customer management principles across the business. This generally only works for 'green field' businesses. It is very rare, and normally only works in direct-only businesses, where strong central control can be used to ensure implementation. Even many direct only businesses are product oriented and have not succeeded in implementing customer management as they planned
- steady progress: moving steadily towards a customer management vision, while recognising that the vision will continue to change. For larger companies, often with a background of several customer management initiatives, this is usually the better option. Some of these initiatives may be succeeding and some not. There is also usually a mixed history of relationships between marketing and IT people especially in the area of data warehousing projects. A very strong programme management discipline is required as a series of projects are rolled out across the business. They often start with pilot projects to establish possibilities and capabilities etc., before rolling out a customer management activity to the rest of the business. Tough choices have to be made about where to start, and where not to, and indeed whether parts of the business should

be left untouched. Eric Abrahamson of the Columbia Business School has been studying how organisations change. He argues that in order to change successfully companies should stop doing it all the time. Many organisations in implementing change programmes create overload and organisational chaos. This leads to strong resistance from the employees most affected. Abrahamson suggests that companies can manage change with an approach that he calls dynamic stability. He states, 'At its essence dynamic stability is a process of continual but relatively small change efforts that involve the reconfiguration of existing practices and business models rather than the creation of new ones. In addition to tinkering and kludging (kludging is defined as 'tinkering with a college education'), which differ from each other mainly in scale, dynamic stability requires what I call pacing — the big and small changes must be implemented at the right intervals'.¹¹

KNOW WHERE THE COMPANY IS GOING — AT LEAST IN OUTLINE

Establishing the vision is normally the starting point and should cover markets (segments), competitive positioning and broad distribution channel approach. Unless the company is a start up, or is undergoing a complete corporate personality change, it need only be in outline.

The company should look at the relative attractiveness and size of different sectors and its competitive differentiation in each one. This will help it understand the future direction. What distribution channels will be used to reach out to each segment? Will this change for different product groups?

The matrix shown in Figure 3 is an

Figure 3 Directional policy matrix

illustration of what some call a 'directional policy matrix' — it is a useful starting point and provides a context for all CRM projects. This type of matrix needs some work to set up, and must be done well to avoid it being trite and a 'consultancy exercise'. It helps to determine what type of customers the company is after and what elements of competitive positioning need to change to attract the desired segments.

I WOULDN'T START FROM HERE!

As with all journeys, knowing the destination is only half the story. If the starting point is not known it makes planning the route very difficult indeed. In fact, lack of knowledge as to the

competency of the company in managing customers is, in the authors' opinion, one of the major reasons for CRM project failure. They define competency as a combination of knowledge, attitude and skills. Enterprises develop competencies, through the combination of the competencies of their people, partners, customers and technologies.

Companies who do not know their starting position build future corporate competencies not on a solid foundation, but on shifting sand. Is it surprising, therefore, that much of their investment in future corporate competency sinks into the sand? But surely managers know how good their companies are at managing customers — surely they know what is wrong

QCi's CMAT™ model

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Figure 4 The QCi customer management model

and what to fix? The answer is that some do, but usually in the companies which are good performers already. In over 100 CMAT assessments to date, a major insight is the difference between management intention (and belief) and reality; the great customer management illusion. Sixty seven per cent of senior managers do not give clear, visible leadership in achieving excellence in customer management. This is particularly true in poor performing companies. The worst CMAT scorers (and therefore the worst business performers) are the ones most likely to believe that they are good, and the ones least likely to welcome 'bad' or critical feedback.

A full account of examples of poor customer management can be found in, 'The customer management scorecard: The state of the nation'.¹² Outlined here are some examples we have come across: retention rates and reasons for customer

loss are not known, targeting and set up costs are wasted on low value or loss-making customers. Enquiries from potentially high-value customers (and from existing customers) are wasted, cross-selling opportunities are wasted. Customers are ignored or, worse, subjected to irrelevant and brand-damaging communications throughout their relationship with the supplier. Customer propositions are undefined and too 'me too', staff or partners delivering customer management are poorly motivated and their objectives are unclear or conflict with customer service objectives (eg time on call, sales versus advice and service), measures are not customer focused, channel roles are confusing to customers and do not support the way customers prefer to do business. IT does not support the business model, critical processes are not customer aligned or measured, customer experience is unknown.

A focus on these and other basic factors is a key to financial success in any strategy. There are always a series of quick wins and medium term 'no brainers' that every company can implement that will pay back significantly. People within the organisation know many of these issues in their department or functional area. There may also be other practices used in other companies which may have immediate impact. It requires senior management to be aware of all of these and to look at all of them in the context of the vision, to determine the priority areas. The priority areas will contain a series of quick wins which will deliver confidence in the project and sponsorship of the rest of the project.

DEVELOP ENTERPRISE-WIDE PROJECT PLANS

Enterprise-wide focus

The CMAT model of customer management (Figure 4) has been documented and researched and illustrates the extent of customer management. The largest correlation on business performance will be achieved when an holistic view of customer management is taken. Silo-based focus will have a benefit, but the benefit is likely to be incremental. The step change will occur when the whole system in its widest sense (not in the IT sense) is considered and priorities selected from across the customer management model. It is not advisable to focus on perfecting a strategy when there are things that can be fixed immediately. For instance, a company may start a data mining project to understand customer worth and behaviour at the same time as fixing some data collection issues in the call centre, introducing a measures programme for enquiry management,

making the direct marketing campaign evaluation process more action oriented and introducing a win-back programme. All these projects can work in parallel as part of a holistic CRM plan.

Prioritisation process

A methodology for prioritising projects is shown in Figure 5. What is important, however, is that companies use a prioritisation process that is agreed with senior managers and the key functional members involved in the implementation team.

To determine the components of the first phase of a project, the activities or tasks in the business case need to be prioritised. The prioritisation process involves examining the following elements:

- expected net value of benefit over three years
- expected timing of benefit
- probability of benefit being achieved (which takes into account 'ease of implementation').

The matrix in Figure 5 has two axes. The *x*-axis (horizontal) looks at the net financial benefit of the project while the *y*-axis (vertical) looks at the probability of achieving the benefit. All projects in the top right corner of the matrix are important to consider for the first phase of any CRM project. For these projects, the matrix implies that there is a good probability of achieving relatively high payback for these projects. Table 3 shows an 'Ease of implementation' scoring system. For each of the possible activities, the ease of implementing them is a key factor in determining the probability as to whether the benefits are likely to be realised. The table should help the programme manager score the activities on the 'y' axis, looking at areas of culture, set-up speed and overall cost.

Figure 5 Prioritising projects

PHASE DEVELOPMENT

Phase 1 should last no longer than six months, and the cost should be no more than a few million pounds before payback is seen, even in the largest companies. This will be controversial for some, but the project failure statistics support this statement. Any projects longer or more costly than this will be a leap of faith. They may work but they are more than likely to fail.

Phase 1 needs to contain a blend of quick wins, longer-term foundation development, training and coaching and measurement. The latter two are key. What is the project trying to change? Is it working, does anything need to be fixed? It is important to coach people to ensure they are embracing any new ways of working. Their feedback as to why they find it difficult to deploy should be listened to. Changes should be made to the programme to ensure that deployment is made easier. The measurement process that told the company where it was starting from can be used to tell the company whether it has improved. The people involved should be talked

with, just as the attitude and behaviours of customers would be monitored if a CRM programme was being implemented. The internal impact of the CRM programme on the attitude and behaviour of employees and partners should be understood. What do they think of the programme? Do they behave differently because of it. Are these behaviours the desired ones, or have a different set of behaviours developed?

Secondary phases of the project cannot be set in stone at the outset. Future phases should be relatively flexible based on the vision, and the actual performance in Phase 1. If the work in Phase 1 gives different priorities than expected, the plan should be flexible enough to be changed.

STAGES IN DEVELOPING A CUSTOMER MANAGEMENT PROGRAMME

Having considered all of the points above, the authors believe a CRM strategy could sensibly proceed along the following lines. A customer management strategy

Table 3: ‘Ease of implementation’ scoring system

Scoring system				
5	4	3	2	1
Score 5 if: Culturally easy to implement (likely to be readily accepted by senior managers) Can be set up quickly (< 1 month) Is low risk (cost) Is low risk (in terms of achieving stated benefits) Reliant on simple system functionality		Score 1 if: Culturally very difficult to implement (unlikely to be readily accepted by senior managers) Will take over 6 months to set up Is high risk (cost) Is high risk (in terms of achieving stated benefits) Reliant on advanced system functionality		

comprises four elements, as shown in Figure 6. The authors recommend that these are not carried out all at once. Table 4 offers a simplified view of the types of projects used in improving customer management in a company. Stage 1, the CMAT assessment stage, can take as little as three to four weeks, depending on the availability of the company’s people to answer questions.

How is it decided which elements to include in Stage 2 and beyond? The CMAT assessment tells how a company is performing, helping to determine which are the main areas it needs to improve in. It also identifies some quick wins, often an important element of winning credibility for the project. The CMAT assessment should be accompanied by a customer value management (CVM) assessment, which identifies areas that are important to a

client’s customers and can provide improved returns from efforts.

CVM is a business improvement methodology^{13,14} and can be defined as:

‘A methodical approach to achieving the strategic, profitable and competitive positioning of a company’s essential capabilities. It aims to align enterprise processes and infrastructure with the highest priority needs of current and future target customers, so as to deliver the company’s products and services effectively. In order to do so, all those parts of the value chain that sustained the relationship with the customer will be managed to achieve this end’.

The seeds of failure are often sown in Stage 1 (eg poor diagnostics, unrealistic business case). Further stages then become a question of professional programme planning and implementation.

Current customer management capability and performance assessment — for instance using the CMAT diagnostic process	Customer needs — now and the future, and matching customer management capabilities to them via customer value management
Market situation — via market research and industry analysis	Customer knowledge management: analysis of data for strategic and tactical segmentation, transaction and response analysis

Figure 6 Setting customer management strategy

Table 4: CMAT and customer management improvement

STAGE 1	STAGE 2	STAGE 3	STAGE 4
Establish need for change Establish vision	Review of market dynamics and trends Additional customer attitude and needs research One-off data warehouse to provide basis for one-off mining and as proof of concept for full data warehouse or data mart(s) One-off data mining to understand customer behaviour and as proof of concept for full data mining approach — on-line or batch	Detailed customer management, programme design and project planning (see below) for Phase 1 in detail and outline towards a vision	Implement Phase 1
Diagnostic assessment	Carry out customer value management (see below) Define priorities and strategies Define project scope	Definition and implementation of quick wins Define required processes and policies (eg campaign management) Systems plan and technical architecture; insourcing/outsourcing	Begin Phase 2 (back to Stage 3) Review Stage 1; adapt Phase 2 and develop plan for Phase 3
Mini business case (to give a sense of the benefits) for Stage 2 project sign-off	Outline customer management strategy (value/needs analysis, market trends, knowledge management to determine in outline who, where, how, media, channels, results, measures); vision plus Phase 1	People; organisation structure leadership, competencies, objectives, targets, appraisals, motivation, remuneration, bonus	
Identify main components of solutions required to support capabilities	Business case for introducing or changing customer management approach	Data audit and management strategy; protection, quality, profiling, target setting, acquisition, maintenance, interfaces, policies	

SUMMARY AND BENEFITS

Millions of pounds are wasted on CRM, either through poor implementation of CRM programmes or through unfulfilled project promises. Competition is getting

tougher. To make CRM projects work it is necessary to re-evaluate how they are set up. The key is to know where the company is starting from and build on that.

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