

## Customer Relationship Management – Does it Deliver?

Customer Relationship Management is essentially a way of treating your customers like they're more than an entry in a database, when in fact they are an entry in a database.

As databases have grown more sophisticated, it has become possible to use them more actively to foster relationships with customers. Only a few years ago, databases were capable of holding only basic customer information like name and address. In marketing terms, they were mainly used for direct mail, so that sort of crude information was sufficient.

Then IT companies realized that they could expand their databases with a few simple functions - say, including a piece that could remind the sales force when a customer's warranty was up for renewal. Another example is the florist who kept a database of customer's details and is able to invite all those who bought bouquets on Mother's Day to do so again the following year.

The addition of customer behavior tracking capabilities made it possible to deepen the relationship with the customer by delivering a service more suited to their individual needs. Customers, runs the theory, will feel reassured by the interest shown in them and will appreciate the enhanced service they get as their contact with the business is more personalized.

Thus was born the new category of software known as customer relationship management or CRM, the definition of which is as hazy as that of any other technology acronym. In its broadest sense, customer relationship management can mean just about anything your company does, apart from cleaning the office floors.

It's a kitchen sink term. It can cover sales, marketing, product development, customer service, complaints, internal IT systems, external IT systems, e-commerce, ordering, purchasing, and even billing and collections. Wherever, whenever and however your business touches its customers, customer relationship management is involved.

Such broad definitions are generally unhelpful, but in this case it is instructive because it shows the immense scope that true customer relationship management systems need to have. It is that breadth that makes customer relationship management systems so difficult to, well, manage. Done properly, such a system will pervade most of your vital business functions, providing a holistic and up-to-date view of each of your customers. Imagine how difficult that is to install and properly implement.

This may be why so many customer relationship management projects end in failure or disappointment. A recent survey carried out by JD Edwards, a CRM software specialist, found that 85 per cent of IT directors in the UK believed their CRM application delivered the lowest level of business value of all their software. Gartner Group, the technology research company, estimated last year that 55 per cent of CRM implementations failed to deliver benefits. It gets worse: many executives surveyed last year said CRM initiatives had actually damaged customer relationships.

One of the reasons for such widespread disillusionment, according to Tony Murphy, a technology analyst company Gartner Group, is that companies fail to decide in advance

how they will measure the success of their CRM initiatives. Should you be hoping for a rise in sales? Or an increase in customer loyalty? Or settle for better customer satisfaction rates, measured by qualitative survey. A sliding scale aiming first for easier targets like customer satisfaction and moving on to harder aims like increased revenues is probably best.

In practice, sweeping CRM installations joining up myriad functions at once are relatively rare. Instead, companies tend to install CRM systems piecemeal, frequently starting with the company's call center, where the operators need to have instant access to a caller's identity and history, and then progressing into the marketing department.

Many companies want to expand their call center's' role into sales. Cross selling of services is an obvious place to start. For instance, a bank might invite customers who phone up to have their over-draft extended, to apply for a loan, or to offer insurance to customers seeking a mortgage.

One step further and call centers can be merged with telesales. Kevin Lucas, senior analyst at AMR Research, explains: "Call center workers may not be fully occupied all the time, so when they don't have calls coming in for their immediate attention, the system can switch to give them the information to make sales calls."

Selling by phone is so old-fashioned, though. As companies increasingly turn to electronic means to do their marketing - website advertising, e-mail, SMS and interactive television - they can manage entire advertising campaigns through one software system. Campaign management software allows the utmost in measurability. Companies can be informed immediately when their customers visit a website, return an e-mail or an SMS, or click through an interactive TV ad. Online purchases or requests for product information can be totted up.

For companies worried about measuring the return on investment from CRM systems, seeing these tangible returns can provide a clear indication of whether or not CRM actually works for them. The trick is to take a long-term view and not judge the system based only on immediate returns for current marketing campaigns.