

The Wizard of Oz in CRMLand

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For several years now the focus of CRM has been to make it easier for companies to “reach out and touch” their customers, and vice versa. We’ve seen an explosion of technologies (wireless, chat, Web portals, voice recognition, analytics and so on) that have made it convenient for customers to contact vendors, for employees to obtain information, and for companies to hone in on their most valuable assets – profitable customers. Over the last year, CRM company revenues have soared as the big get huge, and the small pick up sizable crumbs left over from the CRM table. Sure, the market is consolidating, but the CRM money machine rolls on.

Last year over \$6 billion was spent by American business on Sales- and CRM-related products and services. For what were they searching, and for what is the next company implementing CRM searching? Quite simply they are all looking for the business world’s version of *Home* – that place where they find advantage, efficiency and profit. How do they get *Home*? Why, by travelling on a long, arduous journey through many perils and dangers to the money-colored city of CRM.

Unfortunately, for up to 70% of those completing the journey, they find only a very imposing automaton, and a mysterious curtain that hides a troubling reality, and behind the curtain - *an empty promise*. The journey has been for naught. More to the point, Gartner Group and others have reported that up to 70% of CRM implementations fail to meet basic company goals. Why? And what can be done about it? We’ll explore these two questions below.

Every CRM implementation is its own story because every business has its own history, culture, values, competencies, leadership and practices. The reasons for CRM failure or success often lie in the complex interrelationships between all of these things. The obvious reasons for CRM failure, like lack of executive sponsorship, relying on technology to fix bad business practices, and poor system design, have adequately been explored in the business press. Like building a house, careful design, planning, leadership and teamwork are essential to make sure the foundation is solid and the roof doesn’t leak.

Another significant reason for CRM failure is only recently being highlighted in business literature. The onion has finally been peeled back sufficiently to reveal something very fundamental in how many CRM systems and implementations fail to deliver one important thing that is as basic to good business as wheels are to transportation. What is it? Well, it’s *fulfillment*. In the context of CRM, fulfillment means simply this: *meeting a customer’s, employee’s or partner’s request*, from a sales order to a need for information to handling a complaint. The fact is, studies conducted by reputable, objective organizations like Celent Communications and CRMGuru have brought to the light of day that, as pretty and interactive and interesting as today’s CRM systems are, they are

consistently *not* delivering on fulfillment – measurable, reliable, manageable, recognizable actions that are completed as the result of a request. Dick Lee has labeled this as the “process gap.” Recent project reviews reveal it to be more like the “process chasm.”

A fundamental fact of good business is that *customers* appreciate the tangible results of their interactions with a company more than being seen by employees in a 360° view; *employees* appreciate a system that acts as a tool to reliably and verifiably get things done more than one that generates work; and *partners* appreciate both of these things.

Before you wonder if I am merely creating a “straw man” argument that can be un-stuffed with little effort, I will bring the reality of it into focus.

“The Internet is a mixed blessing.... Opening the Internet channel has certainly provided customers with greater opportunities for self-service. At the same time, however, it has served to further increase customer’s expectations of the organization and the complexity of service delivery.” – Primus

"Retailers must scrutinize online customer-service response times, contact-center service levels and staffing resources. The implications of unsatisfying online service remain particularly harsh."- Jupiter Media Matrix

A recent report by CRMGuru (www.CRMGuru.com) titled “**Multi-Function CRM Software: How Good Is It?**” castigates eight leading CRM vendors for failing to merit passing grades in any of the five Industry Satisfaction Ratings scored by their customers.

The ratings were:

- Ease of Implementation
- Customer Focus
- Price Satisfaction
- Support
- Functionality

While the overall Industry Satisfaction Ratings for other major industries (except airlines) tend to score in the 80’s and 90’s, no rated CRM vendor scored higher than a 67, and several scored in the 50’s. In a damning comment, David Mangen of Mangen Research Associates who crunched the numbers for the study, said the only other major industry that tends to score so low is the airlines.

In a separate satisfaction survey published January 18, 2002, Datamonitor surveyed 10,000 consumers in Western Europe and the United States. Their conclusion? “Despite significant CRM investment, many customers remain unhappy with the service they receive from companies.”

What’s going on here?

The above quotes and report are an appropriate lead-in to the following statistics. We all know to be wary of statistics because “figures lie and liars figure.” Yet statistics occasionally take on a human face and compel you to look upon it. To succeed, CRM has to directly address the human experience and to remember that customers fundamentally do not care about the technology of business or the methods of business or the challenges of business. They care about the expectations you have set, and your ability to deliver on them. Realistically, there is a correlation between setting high expectations with a CRM system, and the resulting complexity of delivery. Most CRM vendors today have ignored this integrated relationship, and have instead focused on half of the equation.

The following results speak for themselves, and are based on analysis performed by Celent Communications. Celent posed as several highly qualified, individual prospects interacting with over 150 institutions through their call centers and Web sites. Celent was seeking to measure three basic categories of interaction: immediate response, follow-up response, and cross-sell/up-sell attempts.

(Statistics here)

What we have seen in the CRM industry over the last 24 months are the cascading effects of setting higher expectations, resulting in higher volume and more complex delivery requirements, which then ultimately result in the inability to fulfill a significant portion of those deliver requirements.

A year ago at DCI in Chicago, I sat in on a media roundtable comprised of the CRM industry’s top 15 vendors. Mike Cleary, a writer for **Interactive Week**, wrote an article based on attending the roundtable. The title of the article was “Airing CRM’s Dirty Laundry.” The premise of Mike’s article was that the CRM industry had no focus, and was still trying to define itself. Out of the same roundtable, an editorial was written titled “The CRM Promise vs Reality” by Gerhard Gschwandtner, publisher and founder of **SellingPower** magazine. Gerhard pointed out two disturbing things: 1) No consensus existed in the industry as to what CRM is – even among the leading vendors who sell it; and 2) the failure and dissatisfaction rates among CRM customers were alarmingly high.

Fast forward one year. Same event. Same roundtable. Many of the Top 15 CRM vendors are the same (Siebel, SalesLogix, WorldTrac, Onyx, Pivotal, Staffware, etc.); several are not. What had not changed was the brutal understanding that virtually no progress had been made in the last year to clarify or refine the definition of CRM, and, worse, the industry appeared to have gone backwards in terms of customer satisfaction.

Several vendors had, in fact, actively sought to coarsen and redefine CRM into the old functional silos of Sales Force Automation, Marketing Management Automation, and Customer Service Automation. Gone is the idea of enterprise data integration, functional integration, and the almost visionary 360° view of the customer. Gone are the ideas of a comprehensive, integrated business strategy; and the resulting culture change from a “product-centric” culture to a “customer-centric” culture. Gone is the understanding that CRM is a program that touches the entire company and implies a company life-style change instead of a face-lift. Gone is the requirement of analyzing and re-engineering key business processes to improve efficiency and effectiveness across the company.

It seems that CRM is now all about speed, limited impact, projects and technology. In effect, CRM is all about the ignoble task of becoming a commodity. Before our eyes, are we witnessing the regressive dumbing down of the CRM industry? Is this a return to basics or a retreat to the easier path more travelled, the path of least resistance, in other words, the path to quicker vendor revenues?

Gerhard, a long-time observer of CRM, suggests that the current convulsions in CRM are symptomatic of a splitting of the ways: one way leads back to the roots of CRM: Sales Force Automation; the other way leads to the enterprise. One way leads to the mid-market; the other way leads to the Fortune 1000.

Frankly, from my point of view I don't really care which way it comes down. I'll explain in the following discussion of business processes and workflow.

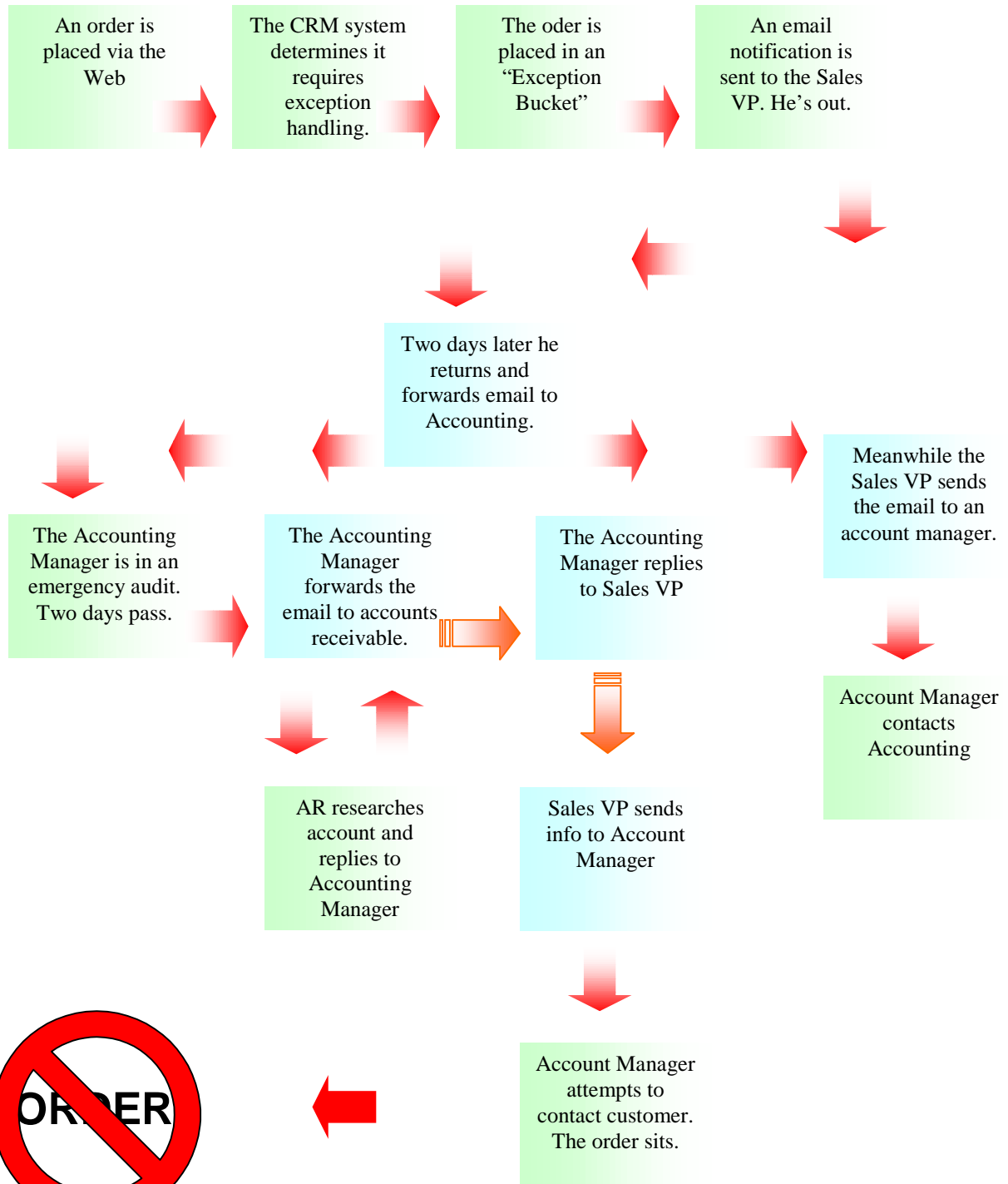
Although the CRM industry is in turmoil and the reasons for CRM failures are numerous, industry analysts and experts are beginning to zero in on one significant cause of tepid performance and disappointment: *the failure of CRM systems to address cross functional business processes between various roles, departments and functions within a company – even a mid-market company*. On February 19, 2002, an indicative article by Angela Eager was published in issue 4357 of *ComputerGram* called “The Rise of Business Process-Based CRM Software.” The point of her article is that companies that rely on database-centric CRM applications (i.e. almost all of the traditional CRM vendors, including the mega-vendors) eventually find them to “lack flexibility and the ability to rapidly incorporate business change.... the underlying architecture puts constraints on what can be done and to what extent it can be tailored for company-specific business processes.” On the other hand companies that look for business process-based software find solutions that are “highly flexible and configurable, which enables a closer fit between the software and the way an organization operates.” Others like Dick Lee have been warning business of the “process gap” in CRM systems for well over a year now.

At the heart of business process automation is *workflow*.

Def. **Workflow**. n. underlying processes to enable the management and co-ordination of activities.

Following is a common example of workflow. It involves the placing of an order over the Internet that requires exception processing.

Typical Scenario



Customer Cancels Order

In describing the business process above, I'm really not trying to be funny. This kind of broken business process is repeated a hundred-thousand times in tens of thousands of offices across multiple industries. Customers and your bottom line inevitably suffer. Part of the problem is that the CRM system actually loses sight of the transaction as soon as it begins to wind its way through the different organizations, functional areas and systems of the company. As long as the CRM system has the data, it can deal in some fashion with the business process. But as soon as the fulfillment of the process lies outside of the CRM system's database or the CRM system's users, it loses sight of and control over the fulfillment of the process. Herein lies the process gap.

It does not have to be so.