

## Philip Grant – White Paper: CRM Programmes Aren't Working Effectively



### The background

For any business serious about optimising the value of customer relationships and sustaining profitability, the calibre of customer interaction is a critical differentiator in a deregulated, competitive and dynamic margin environment. The aim of a company's customer acquisition and retention strategy should be to build customer relationships by making your business more valuable to the customer than any rival offerings.

Not so long ago Customer Relationship Management (CRM) was seen as the great white hope for companies to solve the critical issue of how to manage their relationships with their customers – cost-effectively and profitably. The result was a proliferation in software sales and contact centre operations but, ultimately, an increasingly disenchanted public.

### The sober reality

The truth is, many CRM initiatives haven't delivered. Recent surveys paint a bleak picture:

- Over 40% of customers surveyed had changed at least one of their major financial, utility or telecommunications service providers within a given year.

*Source - KPMG 2001*

- Nearly half of all customers had made at least one complaint.

*Source - KPMG 2001*

- Seven out of ten people expect to be dissatisfied with the level of service received from a call/contact centre.

*Source - KEYNOTE REPORT 2001*

- In 1997, 65% of Customer Service Representatives were encouraged to build individual relationships with customers. In 2001, this was down to 34%.  
*Source - MERCHANTS BENCHMARK 2001*
- Employee attrition rates in those service provider organisations surveyed are as high as 32% p.a. Up 10% inside two years.  
*Source - MERCHANTS BENCHMARK 2001*
- Approximately only 24% of Financial Services Institutes have seen a positive return on their investments in central customer databases. Almost 40% of those surveyed say it is too soon to tell if a positive return can be realised from this investment.  
*Source - DATAMONITOR 2003*

For customers, the experience has often led to lengthy phone queues and confusing keying options, followed by an automated announcement that your call is really important, and your 'reward' for this importance is delightful, tinny-sounding music. This situation is then compounded by being unable to talk to a human being, and even if you do, that person seems to know nothing about you or your account – despite the numerous keying menus you have worked your way through. Alternatively, you are constantly subjected to receiving mailings/emails/cold calls that at best bear no relevance to your individual needs, aspirations or current circumstances.

Not a pretty picture. Highly frustrating yes, but actually deadly serious if the call or contact is of an urgent or emergency-related nature. In reality, the CRM experience has so often intensified the very problems it promised to alleviate. So where did it all go wrong?

### **The causes of failure are not rocket science**

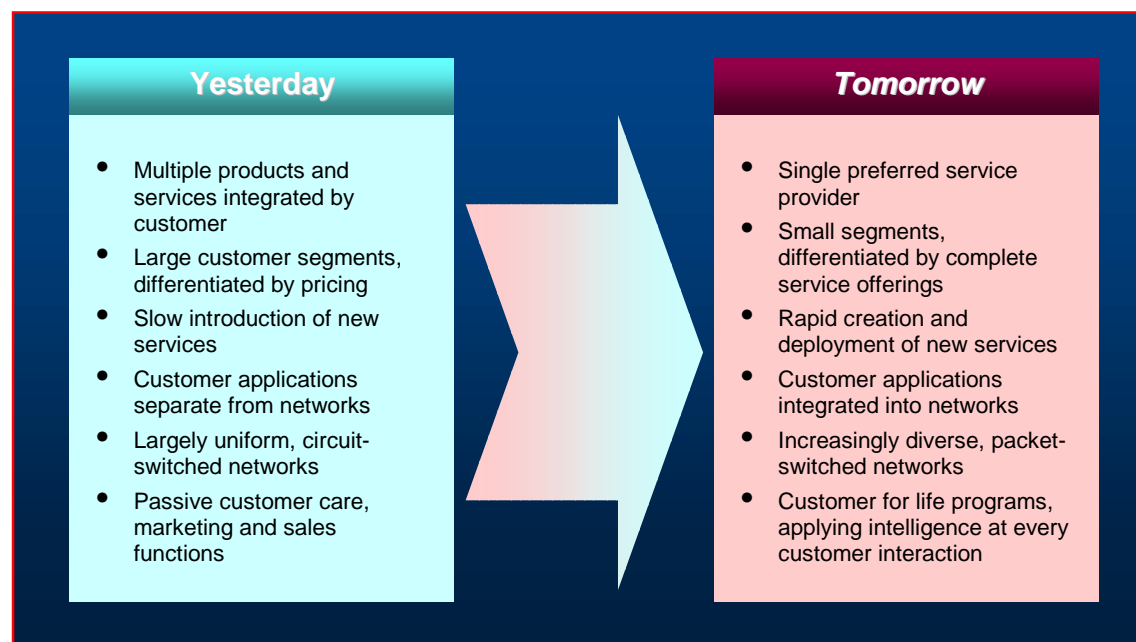
Fundamentally, CRM has been perceived as a blanket technology solution to increase sales through new and existing customers. It was a way to reduce costs, particularly vital in very competitive high volume low margin industries. The premise makes sense: stop those expensive print mailings and use the phone. Even better, and cheaper, why not use the Internet? But by selecting and implementing 'one size fits all' systems without specifications based on tailored service offerings, individualised customer requirements and bespoke business processes, CRM managers have created mismatched solutions simply 'not fit for purpose'.

Using technology in this way might be a very rational approach, but one which is basically out of line with the way we all make purchasing decisions, essentially an emotionally-led process. Along the way, despite protestations, the person who gets left out of the equation is the customer. Essentially, many businesses lack a cohesive understanding of how CRM can aid intelligent customer targeting and profiling, and hence fulfil and exceed customers' individual needs and aspirations. In extreme cases CRM has been perceived as little more than a shortcut to profit, with mere lip service being paid to the customer acquisition, management, retention, and endorsement lifecycle.

We all say that in order to increase sales you have to know your customers well. But do we? In some cases customer management is enacted by businesses as a mere platitude, while values, policies and standards are poorly communicated and not 'lived' from board level to 'shop floor'. With no internal customer 'champion' appointed at a senior level, this attitude is too often reinforced by poor training programmes and demotivating operational environments. This means that the inability to fulfil promises and service commitments, or an indifference to them, is compounded by employees who don't care because the company doesn't seem to care!

Curiously, despite approaching CRM from a technology and not a customer perspective, many CRM programmes fail because they do not take sufficient account of changing market characteristics, and offer poor integration of products and services, business processes, people skills, systems functionalities and technology infrastructure.

### Meanwhile, customer expectations continue to rise



Customers expect, for example:

- Services tailored to their *individual* needs
- Innovative, affordable and flexible pricing plans
- Service accessibility and self determination
- Convenience, ease and choice (including web self-service)
- Bundled services for one stop shopping
- Seamless, 24/7 single point of contact
- Responsiveness, reliability and integrity
- Personalised account management
- Rapid, accurate and timely service fulfilment
- To be kept informed of work-in-progress
- To be made to feel welcome, wanted and special

And if expectations are met, the results are significant. International experience has shown that a “5% improvement in customer retention can increase profits by up to 85%, and up to 90% of revenue can be attained from the top 10% of a customer base”.

*Source – HARVARD BUSINESS SCHOOL*

### **And non-compliance makes CRM more likely to fail**

The exposure of questionable business ethics and practices at some major corporations, notably Enron and WorldCom, has led to a crisis of confidence in the business world. The recent spate of new legislation and regulation to try and restore public confidence in business has focused on IT and Corporate Governance; however, compliance is an international issue that is particularly relevant to CRM. Failure to meet compliance regulations could make a poor situation worse – without compliant policies, processes and procedures that are integrated with technology and people, a company and its directors will be vulnerable in the event of a customer dispute or regulatory requirement.

As CRM involves the building of customer knowledge, a business will increase the information held on its databases, together with the number of electronic records that will be stored and archived for defined periods of time. Consequently, the risk of being non-compliant grows with the quantity of records stored. Furthermore, the use of email, text messaging and the Internet as customer self-service transaction tools and communication media, has grown exponentially. For many companies well over 50% of their correspondence is now in an electronic format. E-business compliance has to be part of a strategic approach to long-term customer management building and retention. Both CRM and compliance, at their heart, should be concerned with helping a company operate in a manner that is ‘Best Practice’.

### **Where does all this take us?**

Effective CRM should build and maintain customer loyalty and manage customer requirements whilst promoting sustainable business growth and profitability. It should encompass the ability of a business to offer higher level and more targeted services to its potential marketplace and existing customer base.

More than ever, acquiring and keeping customers is about meeting and exceeding their individual expectations in every single aspect of their interface with you.

## The Customer Management Lifecycle



Retaining profitable customers must be a business priority. After all, it is generally accepted that acquisition is at least five times as costly as customer retention. Furthermore, what price customer and employee dissatisfaction, churn and negative brand image? The ramifications on public perception and a company's stock market value are incalculable.

Developing a winning customer relationship strategy means thinking hard about all aspects of customer interactions with you and everything that underpins them – PROCESS, PEOPLE, TECHNOLOGY and ORGANISATIONAL STRUCTURE. It should encompass:

- Continuously identifying customers' uniqueness and developing intelligent profiles and knowledge bases
- Adding to the perceived value of the product or service by consistently delivering superior, bespoke services relevant to customers' individual needs and lifestyles
- Keeping promises – timely, consistent and accurate fulfilment in line with company policy and regulatory requirements

- Making customer contact and access to services easy, convenient, and self-enabled
- Responsiveness – paying attention to the minutiae of day-to-day transactions, orders, requests, disputes and enquiries
- People empowerment – ensuring employee skills and motivation is maximised through bespoke training, learning and career path development initiatives
- Compliance – ensuring that electronic records of each and every customer interaction and transaction are held in line with legal and regulatory requirements
- Making the customer feel good about doing business with you – continuously – whilst endorsing your brand in the process.

Maximising a return on CRM investment will be accelerated by paying attention to every aspect of customer interactions throughout the customer management lifecycle. Only when key ingredients such as corporate strategy, market drivers, service descriptions and business processes have been fully developed will an organisation be in a real position to select, implement and operate the most appropriate customer management technologies to underpin its business objectives.

By developing the correct blend of customer self-enablement and human interfaces, together with the cohesive integration of front and back office best practices, companies will be able to reduce operational inefficiencies and increase business opportunities, growth, protection and market competitiveness.

### **About the author**

Philip Grant is a former senior customer services manager at BT and American Express, and latterly Director of Customer Operations at Arthur D Little (EMEA). He is currently Director of Customer Management at Consensus Consulting Ltd. Philip's background includes the planning, management and transformation of customer contact centres, customer interface strategies, business processes, systems functionalities, government licence bid preparation and people skills. His extensive experience encompasses new entrant, merging, converging and established service providers in Europe, Asia-Pacific, and Africa. Philip is the author of the internationally selling customer interaction manual "[Achieving Excellent Customer Relationships](#)", published by BWCS Ltd ([www.bwcs.com](http://www.bwcs.com)) and priced at £2300 (US\$3500). For further details, please email [Eileen.Fisher@bwcs.com](mailto:Eileen.Fisher@bwcs.com)

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