

Customer Relationship Management –

Practice and preaching still far apart says Database Group Report

Research from “The Database Group” across four sectors has revealed a wide disparity between the proportion of top companies with a Customer Relationship Management (CRM) strategy compared with those who are actually putting their CRM strategy into action. Today, retailers lead the field for CRM strategy development, but are expected to be usurped by Utilities companies in two year’s time. Surprisingly, Banks and Building Societies are seen by their peers as having relatively poor CRM implementation levels, as are Insurers (less surprisingly). However, both sectors are expected to catch up significantly with best practice by late 2002.

The Database Group’s survey, concluded in November 2000, canvassed top company business managers in four key business sectors – Retail, Banks & Building Societies, Insurance, and Utilities – and gathered respondents’ opinions on how their peers are both building and implementing CRM strategies.

Across the whole survey, around one third of companies surveyed had a thought-out CRM strategy, but only 32% of those who had a strategy were actually putting it into practice, in the opinion of their peers.

Despite this, the main components necessary to execute a CRM strategy were felt to be in place in around a quarter of these top companies. These CRM components comprise: the ability to deal with customers consistently across all communications channels (21% of companies), and the linkage of key customer information databases (28.8% of companies).

Neal Rimay-Muranyi, Director, The Database Group, comments, “There is now so much anecdotal comment circulating on CRM that we are desperately in need of regular metrics which reveal a real indication of actual implementation. This survey, for instance, questions the accepted wisdom that the CRM leaders are the heavy spenders of the banking industry. Much was made at the point of deregulation of the Utilities leveraging their near-universal reach to capture greater customer value. Our research seems to indicate that they have been quietly getting on with the job, and look like overtaking Retailing – one of the pioneering sectors for CRM. The very cautious approach which the insurance industry is adopting is also revealing of difficulties encountered by the indirect business model when looking for viable and practical ways to develop customer relationships.”

Although retailers top the bill for CRM strategy development (42.75%), their actual implementation level (15.1%) is already lagging behind Utilities (17.9%). The Insurance industry scores very low for both CRM strategy development (16.4%) and putting it into practice (4.4%). This may be the result of the majority of insurance sales still following the indirect route, with the product itself a distress purchase in the consumer’s mind. Perhaps insurers should take a leaf out of the Utilities’ book. Despite the fact that power, water, gas and basic phone services are also distress purchases, the Utilities seem determined to invest heavily in understanding their

customers' different preferences and habits. They then offer them non-core products to try and fulfil those needs, and thereby to capture greater share of the consumer total shopping basket.

Interestingly, when CRM execution is expressed as a percentage of those with a CRM strategy, Banks and Building Societies score lowest. This may be a result of the fact that CRM is so much a boardroom subject in these financial institutions that the disparity between talk and action is necessarily widened.

In two years time, the overall gap between CRM strategy and execution narrows considerably. The proportion of companies actually implementing their CRM strategy rises to over half in late 2002, compared to less than a third today.

In two years time, insurers are expected to have played a great deal of CRM catch-up, although remaining in fourth place. However, Retailers' CRM implementation levels will have become just average across the sectors surveyed, and the Utilities will have established a commanding and clear lead in both strategy and implementation, most likely as a result of their 'share of customer' policies today.

CRM Strategy and Implementation – A Database Group Report

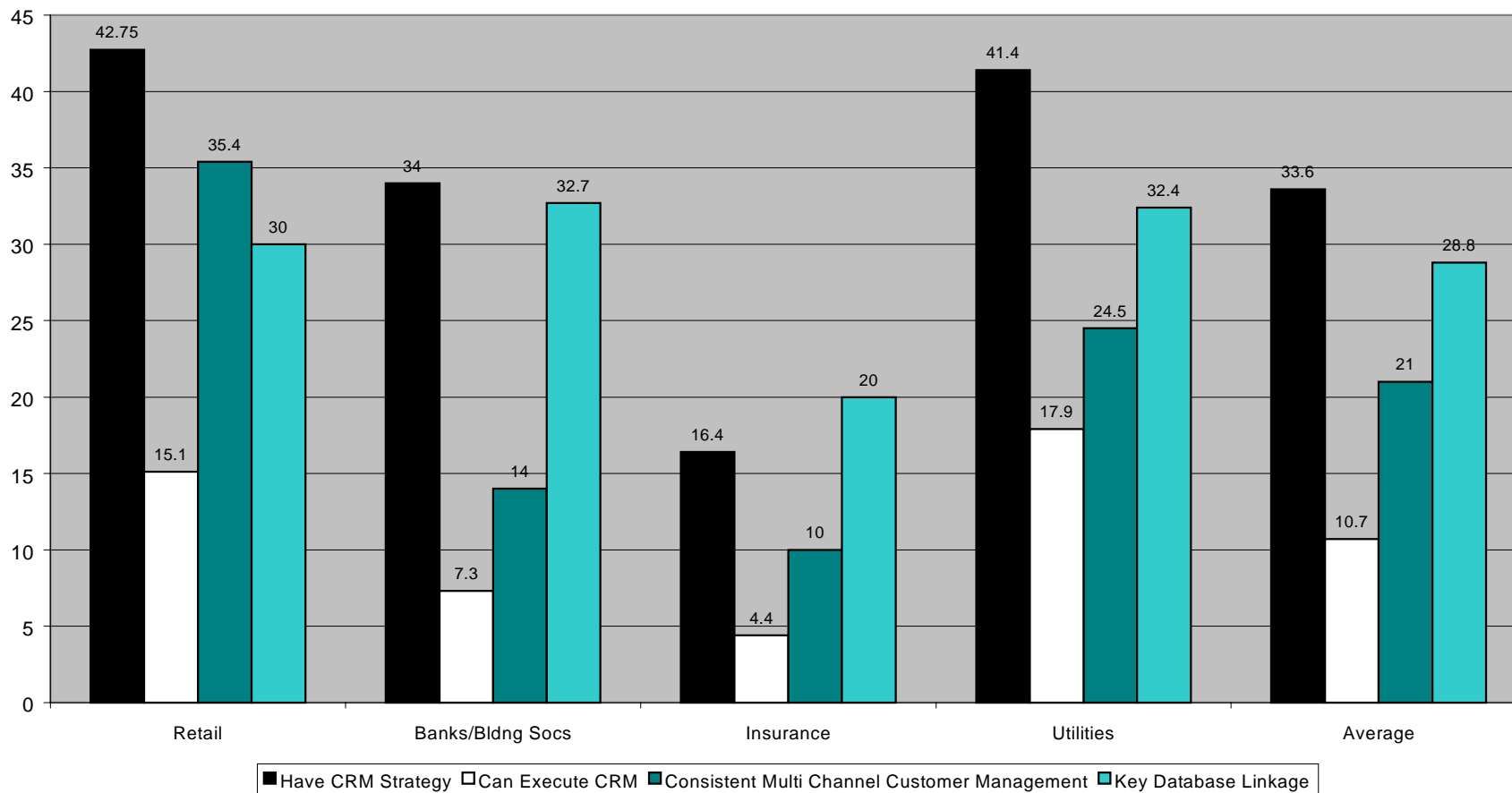
Survey base: Top 100 companies in each of the retail, banking, insurance and utilities sectors

Survey Period: September – November 2000

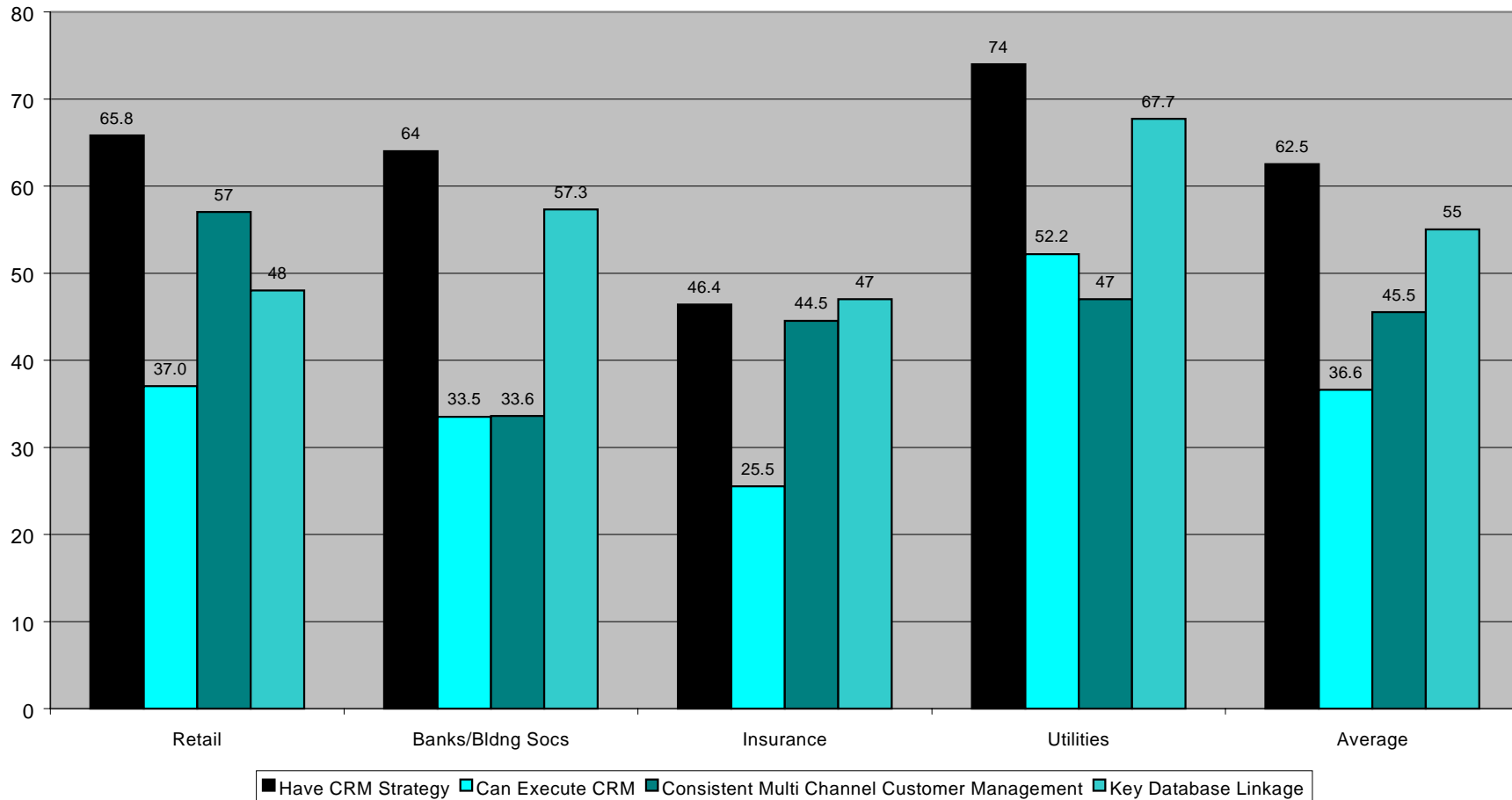
Fieldwork: LMR Business Opinion Surveys

Charts

The CRM Picture Today



The CRM Picture in 2 years



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