

Why CRM implementations fail...
and what to do about it.

By
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About the Author

Peter R. Chase is Executive Vice President and founder of Scribe Software Corporation. With over 1,500 customers, Scribe is the leading provider of CRM integration solutions. In his capacity at Scribe, Mr. Chase has advised numerous CRM vendors as they formulated their strategic integration strategies. He has also worked with many of Scribe's customers to ensure a successful rollout of their CRM integration solutions.

Companies everywhere have spent, or are about to spend, huge amounts of cash on Customer Relationship Management (CRM) systems. According to an October 2000 report by the Aberdeen Group, the CRM market totaled \$8 billion in 1999 and is forecasted to grow to \$24 billion by 2003. Why are companies rushing to get into the CRM game? The answer can be found by looking at some fundamental market dynamics.

The Internet has completely turned the business world on its ear. This new and seemingly limitless selling channel is driving a massive power shift from suppliers to buyers. Customers today have more information than they ever did. When they come looking for you, they know what they want... they also know where else they can get it. Customers expect immediate gratification. At the “moment of truth”, when your company interacts with the customer (and remember, it could be anyone in your business), will you know what they want? Will you be able to deliver better than your competition? If not, prepare to be left behind. It doesn't matter how big you are or how much market share you have. Every business is facing the same reality. The stakes have never been higher.

So what do companies want from CRM? They want to leverage technology to deliver better and faster than their competition, at each and every “moment of truth.” It can't be that hard, can it? Well it is... and there are many surveys and statistics to prove it, showing that upwards of 70, 80, even 90 percent of CRM implementations don't deliver on their original promise, even though CRM has been around for over fifteen years with hundreds of packaged applications available. So why is it so hard to make CRM work? Why do so many CRM implementations fail?

To understand the challenges facing CRM, it is important to study its history. CRM evolved from the Sales Force Automation (SFA) market, which was in turn born of contact management. Contact management gave salespeople a place to keep information about their prospects; things like addresses and phone numbers. They also wanted a way to keep track of conversations with these prospects and a way to set reminders for follow-ups. By integrating all of this information with their personal calendars, they could more efficiently manage their time and customer interactions. Contact managers filled a huge void, and salespeople purchased products like ACT!, Goldmine, and Maximizer by the millions.

Somewhere along the way, companies had the notion that the same thing that worked for individual salespeople could work for the entire sales organization. What if we could figure out a way to consolidate all of this contact information, not just for the salesperson, but also for sales management's benefit? Sales reps could enter their opportunities into our SFA application, and we could apply some criteria to these opportunities to determine their status in the sales pipeline. We could finally understand our sales cycle... we might even be able to generate accurate sales forecasts. We would gain much greater control over our business.

The next evolution of thought was the idea of Customer Relationship Management. We realized that salespeople are not the only ones that interact with our customers. What if we extended the same technology that we used within our sales force to the field service groups, the marketing organization, the billing department, the help desk... in fact, the entire company? Great idea! Then why are so many CRM implementations failing? They are failing because we insist on clinging to the old “control” approach of SFA. We continue to focus inwardly, emphasizing better management of our own business at the expense of a better customer experience.

The problem with the “control” approach is two-fold. First, its success depends on the compliance of your sales force. Relying on sales reps to feed the one-way flow of information from the customer to the corporate “Ivory Tower” is a risky proposition. If reps enter the information, you run the risk of turning your sales force into data entry clerks; if they don’t, you’re left with a very expensive contact manager. Most reps have chosen the latter. The result: dismal adoption of CRM by sales reps has become the industry’s “dirty little secret.” The way to solve this problem is to turn the flow of information around. Provide your sales force with leads, order status, account history... information that draws them to the system and helps them sell more.

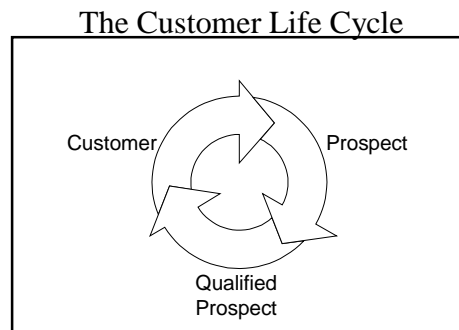
The second problem with the “control” approach is that it keeps the focus on us, not the customer. Customers have the control, we don’t. If we can’t give them an accurate price, if we can’t give them a delivery date, if we can’t give them an accurate account status, then we have a dissatisfied customer who can, and will, take their business elsewhere. The way to eliminate this problem is to have a complete, unified view of the customer. This means taking all of the information that resides in various systems within our company and making it available to each person that interacts with the customer. Until we embrace this fundamental shift in the approach to CRM, we will continue to see high failure rates.

These two problems point to one solution... a solution that can get these CRM projects back on track. It’s all about integration, and empowering your CRM system to actually *manage customer relationships* with the information you already have.

Before implementing or fixing CRM, your focus should be more on the “CR” (the customer relationship), and not on the “M,” (management). Do you know what its like to buy something from your company? Go ahead and try it. You probably won’t like what happens. Get out and place an order with your company. Leave the building. Make a phone call. Complain about a product problem. Interview your customers. Find out about their buying experiences. Document what happens and dissect the process breakdowns. This information should then drive the steps that follow. Understanding your company from the customer’s point of view is the first step to successful CRM.

The *customer life cycle* model, as depicted in the diagram to the right, summarizes major phases of the customer’s buying process. Understanding the entire customer experience allows us to see the system breakdowns that can occur at each and every “moment of truth.”

Many companies experience their first breakdown right at the beginning of the cycle, when sales reps can’t respond fast enough to a prospect’s inquiry. During the second phase of the cycle, sales reps are actively engaged with qualified prospects to determine their needs and promote the company’s offerings. The next major system breakdown typically occurs at the end of this phase when the prospect requests a quote. Sales reps have to rely on more than just the information in the CRM system; they now need accurate pricing, inventory levels, and account information



from back office systems. Things can really get ugly, once the customer accepts the quote and places the order. Without integration, placing an order typically involves a series of manual steps across multiple departments, often resulting in duplicate data entry, wasted effort, and numerous errors.

The customer phase begins when products and services are delivered and payment is settled. The customer then needs to be supported, and the ongoing customer relationship needs to be managed. Having a unified view of the customer across all departments is essential to providing superior customer support, thereby turning your customers into prospects for additional goods and services. Customers represent limitless opportunities for future revenue. Getting CRM right has lasting implications.

Most companies find that the biggest breakdowns across the customer life cycle are posed by the limitations of their internal systems. Each of these systems was designed to support specific internal company processes, without any regard for the customer's experience in the buying process. The result is that the most significant breakdowns in these internal systems occur where one system ends and the other begins. Knowing that it is not practical to tear out these systems and start all over again, we must find a way to get them to seamlessly work together so that when it comes to supporting the customer, they appear as though they are one system. Getting to the root of these system breakdowns is critical to rolling out a successful CRM initiative. In short, CRM success is all about integration. Get your CRM system to work in concert with the rest of the enterprise, including ERP systems, the Web, and other enterprise applications, and you will finally unleash its potential.

Attached to this paper is a methodology, with examples, to help you identify these system breakdowns and establish strategies to address them.

One-Pager Integration Methodology

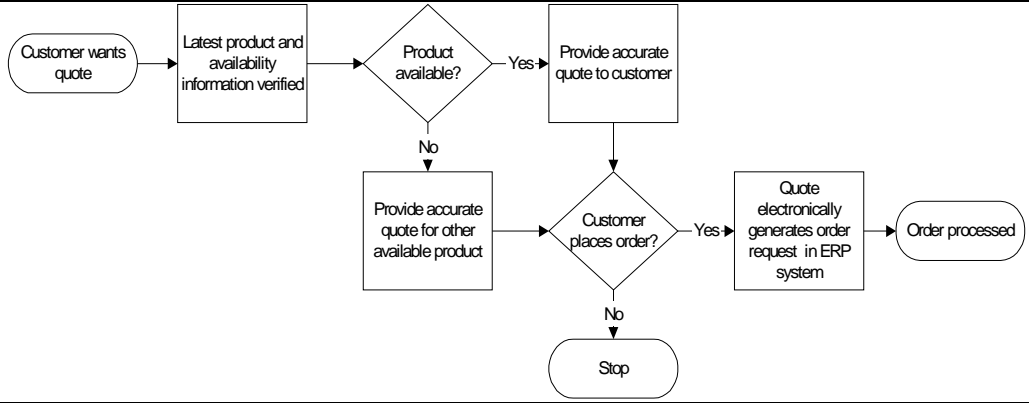
Now that you understand your customer’s buying process and have a conceptual model to address the CRM challenge, what do you do next? First, map out the customer buying process. Next, outline each integration problem, their financial impacts, the goals you would like to achieve, and create a strategy to address each problem. In short, create the basis for your implementation methodology. Below is a guide for a “one-pager” detailing these steps. Sample “one-pagers” for three integration problems are also attached, covering every phase of the *customer life cycle*. The first “one-pager” details a lead integration challenge during the prospect phase, the second outlines quote and order integration at the end of the qualified prospect phase, and the third supports a common customer profile during the customer phase.

Phase	State the phase in the customer life cycle.
Integration Challenge	State the integration challenge.
Problem/Opportunity	State the problem(s) you have observed or the opportunity that the company is missing due to the integration challenge.
Financial Impact	What do these problems or opportunities mean in terms of increased revenue, decreased cost, customer satisfaction, or stock price. State these in quantifiable, financial terms.
Objective	What is the measurement of success? How do you know when you have fixed the problem or capitalized on the opportunity? State this in quantifiable metrics.
Process/Workflow	Describe the steps in the process, spanning multiple applications, without regard to current integration limitations. If you were using one system to support this entire process, how would it work?
Strategy/Design	Outline the approach to fix the problem or capitalize on the opportunity. How are you going to get it done?
Integration Touchpoints	Outline the various areas within the applications where integration processes need to be supported.
Event Management	Describe the events that trigger these integration processes. What is their frequency? What is the volume of information that will need to be integrated?
Pitfalls/Impediments to Success	What are the things you need to avoid to ensure success? Articulate a clear understanding of any risks and describe your mitigation plans.

Prospect Phase Example

Integration Challenge	Lead Integration
Problem/Opportunity	The company uses a manual process to distribute leads from its Web site and from trade show lists to the sales force. A statistical sample of these leads found that 25% of Web leads and 40% of trade show leads received no follow-up.
Financial Impact	<u>Inquiries per year:</u> Web = 8,000, trade shows = 2,000 <u>Average sale:</u> \$5,000 <u>Expected close rate on new leads:</u> 10% <u>Revenue opportunity per lead:</u> \$500 (\$5,000 * 10%) <u>Lost revenue:</u> Web site: \$1,000,000 (8,000 * 25% * \$500) Trade shows: \$400,000 (2,000 * 40% * \$500)
Objective	To reduce the number of leads not receiving follow-up to less than 5% for both the Web site and trade shows.
Process/Workflow	<pre> graph LR A([Lead Received]) --> B{Lead in customer database?} B -- Yes --> C[Customer database updated] B -- No --> D[Lead is assigned to sales rep based on territory rules] D --> E[New customer record added to customer database] E --> F[To do is created for sales rep followup] F --> G([Rep followup]) C --> F </pre>
Strategy/Design	Design an approach that requires no manual steps or intervention Employ real-time data standardization to improve accuracy Provide for precise record lookup to avoid duplicates Utilize the rep assignment within the CRM system Isolate rejected records and notify administrator by email of failures Query Web database periodically for new lead records Poll network directory for new trade show lead files periodically Develop a report within CRM to track the lead from origin to completion
Integration Touchpoints	Web site: leads table in SQL Server database Trade shows: files generated by card reader system CRM system: company, contact, address, opportunity, lead source, rep assignment, and activity tables
Event Management	Web site to CRM: Process and distribute 35 new leads every hour. Trade show to CRM: Process and distribute all new leads on an ad-hoc basis as files (aver. size 100 records) are received.
Pitfalls/Impediments to Success	Developing a reliable record standardization and lookup approach Utilizing a technical approach that uses CRM's assignment function

Qualified Prospect Phase Example

Integration Challenge	Quote and Order Integration
Problem/Opportunity	<p>Sales reps are providing inaccurate quotes to customers resulting in lost revenues. A statistical sampling determined that 15% of all quotes were inaccurate with an average deviation below standard pricing of 10%.</p> <p>They are also quoting inaccurate delivery dates that are resulting in customer dissatisfaction and cancelled orders. In the last quarter, 34 orders were cancelled with missed delivery date given as the reason.</p> <p>The manual order process is resulting in errors and delays. It takes an average of 4 days and \$100 in labor to process an order from end to end.</p>
Financial Impact	<p><u>Total revenue per year:</u> \$ 250 Million <u>Average sale price:</u> \$5,000</p> <p><u>Annual lost rev. from quoting errors:</u> \$3.75 Million ($\\$250M * 15% * 10%$)</p> <p><u>Annual lost rev. from cancelled orders:</u> \$680,000 ($\\$5K * 34 * 4$)</p> <p><u>Annual cost of order processing:</u> \$ 5,000,000 (50,000 orders @ \$100)</p>
Objective	<p>Reduce quoting errors to 5% resulting in new revenue in excess of \$2 Million</p> <p>Reduce cancelled orders by 50% resulting in new revenue of \$340,000</p> <p>Reduce order processing costs by 50% resulting in \$2.5 Million cost reduction</p>
Process/Workflow	 <pre> graph TD Start([Customer wants quote]) --> Step1[Latest product and availability information verified] Step1 --> Dec1{Product available?} Dec1 -- Yes --> Step2[Provide accurate quote to customer] Dec1 -- No --> Step3[Provide accurate quote for other available product] Step2 --> Dec2{Customer places order?} Dec2 -- Yes --> Step4[Quote electronically generates order request in ERP system] Dec2 -- No --> Stop([Stop]) Step4 --> End([Order processed]) </pre>
Strategy/Design	<p>Design an approach that requires no manual steps or intervention</p> <p>Quotes to be created and owned by CRM system</p> <p>Quotes can be “sold” in CRM and CRM automatically places order request</p> <p>ERP owns the order once it is made</p> <p>CRM receives ongoing status of order but cannot change it once placed</p> <p>Dynamically maintain a table of matching lookup keys between CRM & ERP</p> <p>Reps may generate quotes and make order requests while working from local customer database i.e. not connected to central CRM database</p> <p>Update product pricing and availability data from ERP to CRM every 30 min.</p> <p>Where possible, only changed data will be integrated to reduce data volume</p>
Integration Touchpoints	<p>CRM system: company, contact, address, opportunities, quotes, products tables</p> <p>ERP system: company, address, forecast, and order objects</p>
Event Management	<p>ERP to CRM: Update 400 pricing and availability updates every 30 min.</p> <p>CRM to ERP: Process order transaction in “real-time” when placed (200/day)</p> <p>ERP to CRM: Provide order status in “real-time” as it changes (100/day)</p>
Pitfalls/Impediments to Success	<p>Support for order processing by remote reps could escalate cost and timeline</p> <p>Rules for resolving update conflicts need to be determined</p>

Customer Phase Example

Integration Challenge	Customer Profile Integration
Problem/Opportunity	The company has three major applications that support its customer processes; a CRM system, an ERP system, and a field service system. Each of these systems maintains different customer profiles. This is resulting in: A high volume of returned or duplicate correspondence Wasted internal effort tracking down data from other systems Customer attrition to more adept competitors
Financial Impact	Returned correspondence: 240,000 pieces; Ave cost per correspondence: \$2.00 <u>Total cost to returned correspondence:</u> \$480,000 per year Internal time spent on acct status inquiries (acct. dept and sales): 300 hr / mo. <u>Cost for inquires per year:</u> \$144,000 per year = (300 @ \$40/hr @ 12 mo.) Revenue per year from existing customers = \$175 Million <u>Impact of 1% increase in attrition = \$1.75 Million</u>
Objective	Reduce returned correspondence by 75% Reduce acct. status inquiries by 80% Reduce customer attrition by 2%
Process/Workflow	<pre> graph TD ERP[ERP System] --> OH[Order status Invoice/pmt history] OH --> CRM[CRM System] ERP --> CA[Company Address Contacts] CA --> CRM CA --> FSS[Field Service System] FSS --> SI[Service Incidents] SI --> CRM CRM <--> FSS </pre>
Strategy/Design	Design an approach that requires no manual steps or intervention Provide for precise record lookup for new records to avoid duplicates Dynamically maintain a table of matching lookup keys between 3 systems ERP system will always win in the case of an update conflict. Conflicts between CRM and Field Service will be updated based on last update time Only fields that change will be processed to minimize update volume Isolate rejected records and notify administrator by email of failures
Integration Touchpoints	CRM System: customer, contact, address, opportunity, activities tables ERP System: customer, contact, address, order, invoice, payments objects Field Service System: customer, contact, address, incidents
Event Management	All change events will be processed every five minutes (Est. 50 every 5 min.)
Pitfalls/Impediments to Success	Rules for resolving update conflicts need to be determined