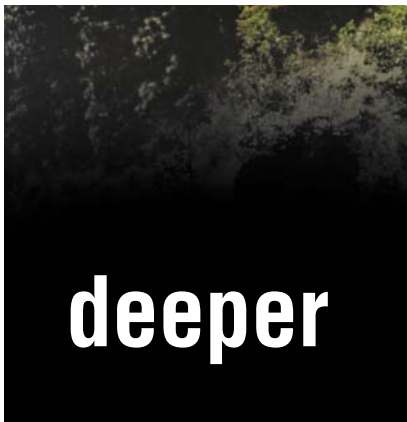
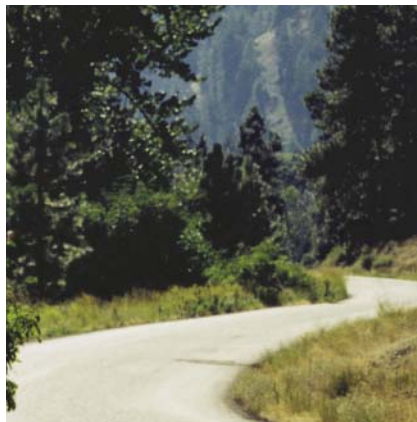
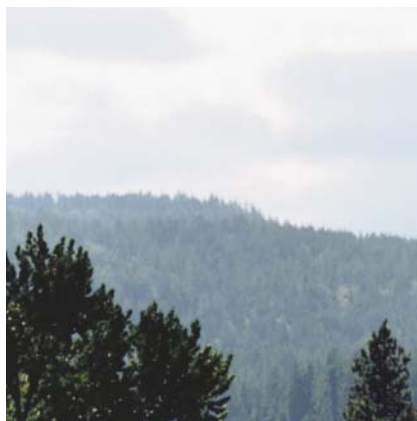


CRM done right



An IBM Institute for Business Value executive brief

The IBM Institute for Business Value develops fact-based strategic insights for senior business executives around critical industry-specific and cross-industry issues. This executive brief is based on an in-depth study created by the IBM Institute for Business Value. This research is a part of an ongoing commitment by IBM Business Consulting Services to provide analysis and viewpoints that help companies realize business value. You may contact the authors or send an e-mail to iibv@us.ibm.com for more information.

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Introduction

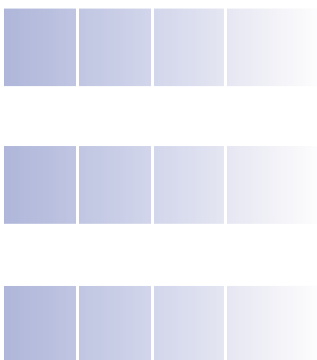
In its recent research study on *CRM Done Right*, IBM set out to understand what separates companies that are successful with their CRM efforts from those that are not successful. To address this issue, IBM conducted a large-scale online survey in the U.S. and interviewed CRM decision-makers across industries.¹ The results pointed to the fact that achieving success with and driving value from CRM is no small task. In fact, fewer than 20 percent of survey respondents reported that they are fully succeeding with their CRM efforts. At the same time, with over half of responding companies pursuing enterprisewide CRM and another quarter pursuing divisional initiatives, it appears that CRM is here to stay.²

Figure 1: Compelling need for CRM.

Competition is requiring it
<ul style="list-style-type: none">• Profitability – CRM promises new customers; more value from existing customers; improved marketing, sales, and service; better customer relationships• Differentiation – Customer service/satisfaction becoming a greater piece of a company's value proposition
Stakeholders are demanding it
<ul style="list-style-type: none">• Shareholders – Pressure from Wall Street to make better use of customer data• Customers – Want convenience of multichannel access with seamless customer experience• Employees – Require integrated 360 degree view to provide improved customer satisfaction, customized offerings, and faster response time
Business transformation is relying on it
<ul style="list-style-type: none">• Enterprisewide – Companies need to be outward-facing versus inward-focused• Integration/unification – Communicate across silos and databases, and show one face to the customer

Source: *IBM Institute for Business Value, 2003.*

In this U.S. based study, the IBM Institute for Business Value identified and prioritized the key CRM approach steps driving CRM success. The study proved that companies performing these approach steps can improve their likelihood of CRM success from 20 percent to over 60 percent.³ Furthermore, the study singled out which are the truly differentiating steps, identified those steps that are significant contributors to a comprehensive effort, and determined which steps are the foundation building blocks for CRM. The study also investigated how aligning the goals of the three stakeholder groups – shareholder, customers, and employees – can further a company's likelihood of success. The results of the study indicate that companies



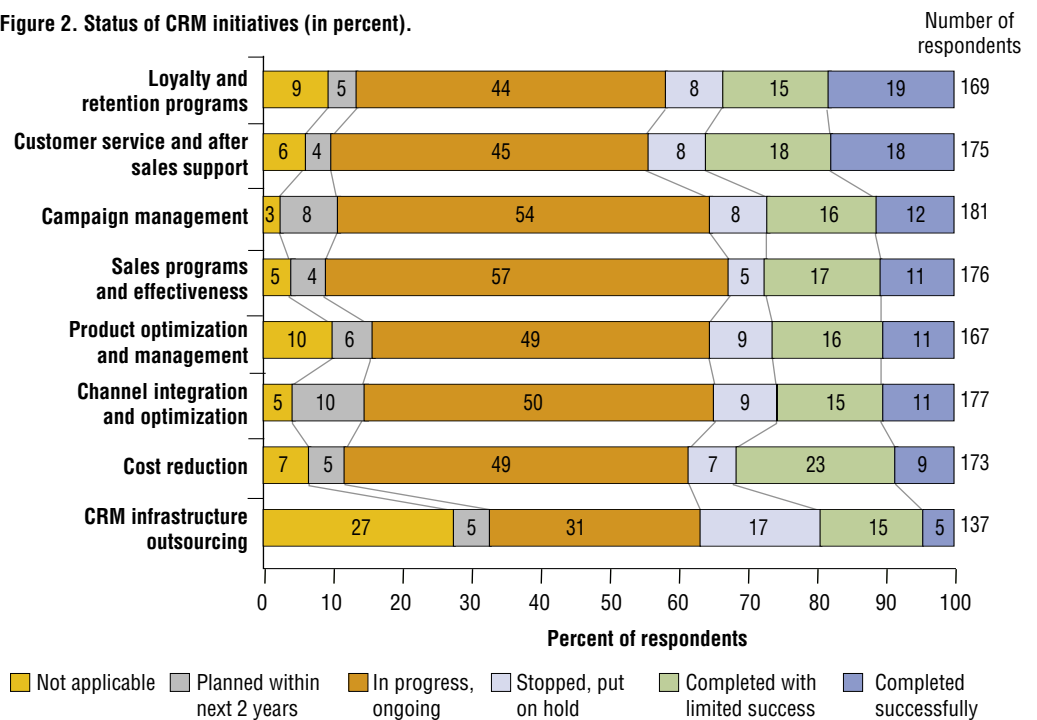
which diligently perform and adeptly prioritize the key CRM approach steps, while also balancing the goals of the stakeholder groups, are the companies that are having the most success with CRM initiatives.

With customer satisfaction fast becoming integral to a company's competitive advantage, CRM must play the critical role of providing companies with the means to improve service to and the relationship with the customer. Over 90 percent of companies continue to report that CRM is relevant to *sales, marketing, and service*. However, CRM is more than just sales and marketing; nearly two-thirds of surveyed companies report that CRM is *Important or Highly Important* to addressing corporate level business issues, such as "Increasing speed and flexibility to respond," "Shifting fixed costs to variable costs," and "Impacting shareholder value."⁴

CRM initiatives

Companies are pursuing a broad spectrum of CRM initiatives, from *after sales support*, to *product optimization*, to *cost reduction*. Only 10 to 20 percent of companies reported having *Completed Successfully* their CRM initiatives (see Figure 2). Our research analysis focused on determining what is enabling these companies to realize full success with their CRM initiatives and how their approach differed from companies reporting that their CRM initiatives were *Completed with Limited Success, In Progress, or Stopped*.

Figure 2. Status of CRM initiatives (in percent).

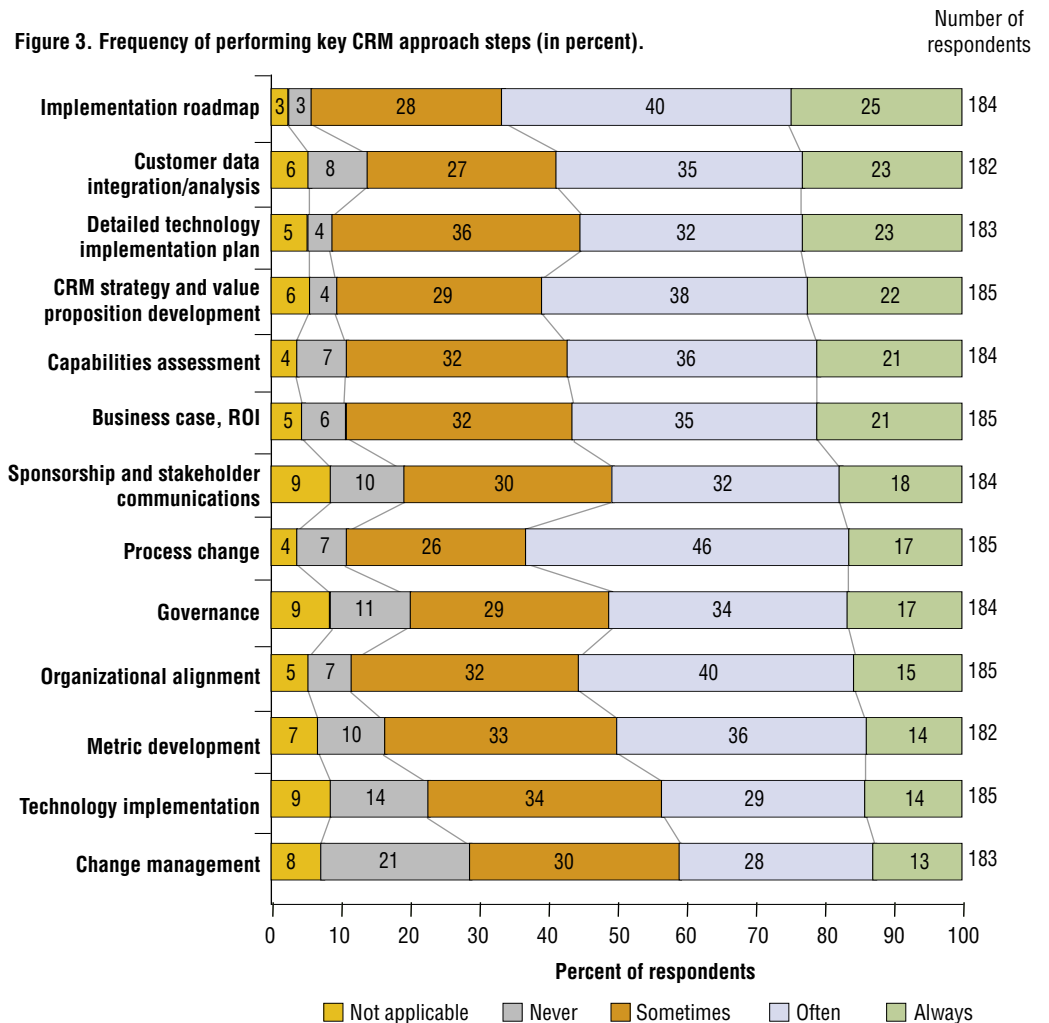


Source: IBM Institute for Business Value "CRM Done Right" online survey, 2003.

CRM approach steps

Less than 25 percent of companies *Always* perform the key CRM approach steps (see Figure 3), and about 35 percent of companies reported they *Often* perform the steps. That leaves the remaining 40 to 50 percent of companies *Sometimes* or *Never* performing the key CRM approach steps. It is interesting to note that while only a small percent of companies are performing the approach steps on a regular basis, 80 percent of companies rate the approach steps as *Highly Important* or *Important*.⁵ This tells us two things:

- 1) Given their high importance rating, these steps are the right drivers to explore in understanding what is propelling CRM success.
- 2) There is a level of difficulty at play here, which is represented by the gap between those believing in the importance of the steps and those actually able to get the job done.

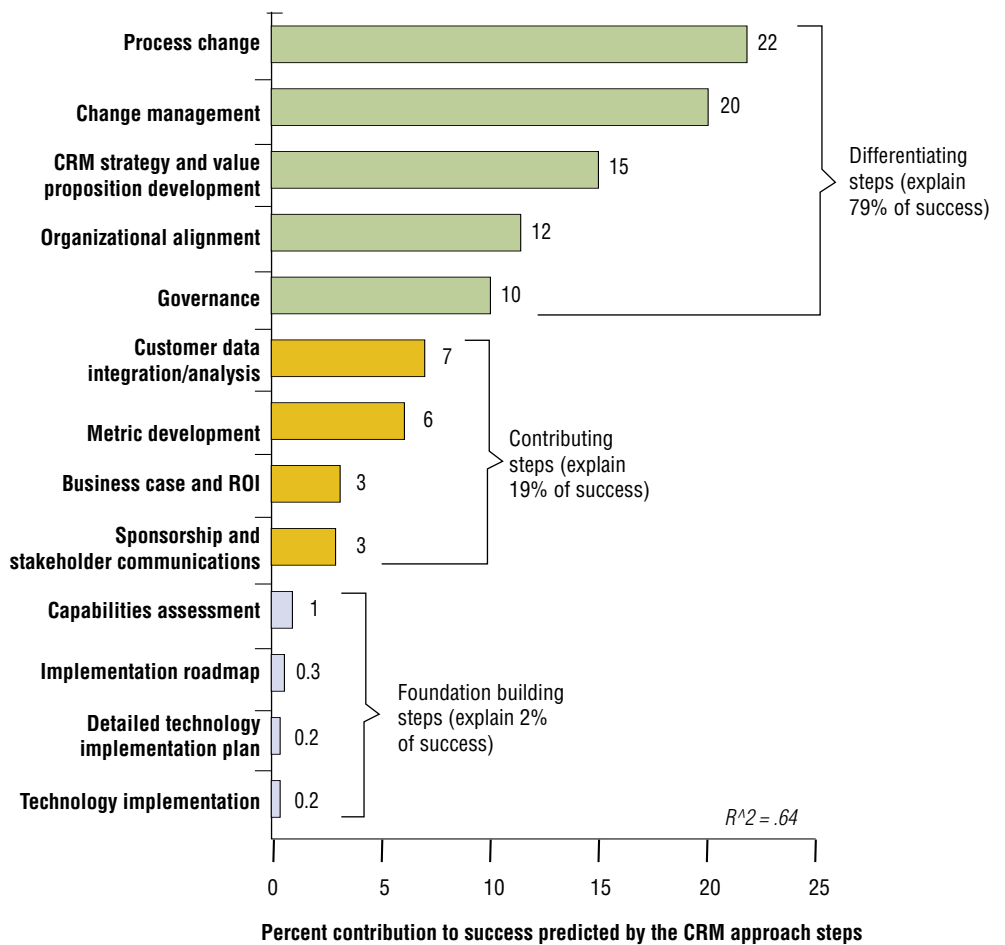


Source: IBM Institute for Business Value "CRM Done Right" online survey, 2003.

Drivers of CRM success

To determine the drivers of success, our analysis focused on the relationship between the frequency of performing the key enabling steps and the success of CRM initiatives. We determined that while performing a single approach step in isolation cannot drive CRM success, when the steps are regularly performed in combination with one another, they can significantly increase the likelihood of CRM initiative success – from 20 percent to closer to 60 percent.⁶ The *Differentiating Steps* (see Figure 4) are the steps that contribute the most to CRM success. These steps include the people-focused steps, such as *process change*, *change management*, *organizational alignment*, and *governance*. While the human aspect of these steps

Figure 4. Driver of CRM success (in percent).



Source: IBM Institute for Business Value "CRM Done Right" online survey, 2003.

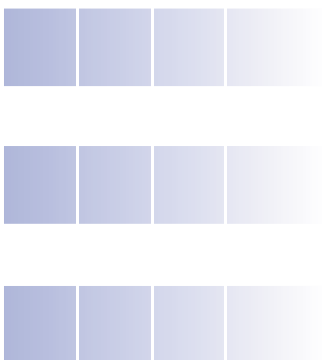
makes them difficult, less clear-cut and often unpredictable, they are the steps that – when executed according to plan – can truly differentiate a company and position the organization to derive and sustain value from CRM.

The next tier of steps, which includes the *business case* and *data integration*, are the *Contributing Steps* – those steps that ensure CRM starts strong, builds good habits and keeps CRM efforts on track. The bottom tier of steps, the *Foundation Building Steps*, are the "big ticket items", such as *Technology Implementation* that are necessary for CRM initiatives to be completed, but are not sufficient in and of themselves to ensure success. Companies that regularly perform the key enabling steps and consciously prioritize their resource allocation among the steps, have a substantially greater likelihood of CRM success than those companies not doing so.

Top three CRM approach steps at work in leading companies

Speaking with executives at companies undertaking large and small CRM efforts validated the importance and competitive advantage that results from performing the key approach steps. A couple of examples will help illustrate this point.

Process change: A leading global media company serves as a good example of how linking CRM-related process changes in the call center to the company's strategic business objectives can drive value. The company's goal was to gain competitive advantage through improved customer service in the call centers. The first step to achieving this goal was enabling call routing based on customer understanding and segmentation. Process changes included improving customer service representatives' skill sets and expanding their responsibilities. The company created new, detailed scripts to guide dialogue with different segments of customers and to expedite problem resolution. The company empowered and trained the customer service representatives to better handle customers' issues by establishing protocols for how to solve certain issues and when to escalate others. These process changes resulted in more effective and efficient delivery of customer service. The executive with whom we spoke said: "CRM is about strategy and process changes first... It is important to remember that the technology can be customized later to meet your needs."



Change management: A leading digital mobile phone company linked employee incentives to its CRM goals to help the company achieve its CRM objectives. The company created a new compensation plan and tied it directly to its CRM goal of improving customer satisfaction at each point of contact. The new compensation plan had enterprisewide impact; employees from front-line staff to vice presidents were rated and compensated based on meeting customer satisfaction metrics. To further encourage adoption of the CRM process changes designed to improve customer satisfaction, the company created bonus programs and awards to recognize those who excelled at the new methods of customer interaction.

CRM strategy and value proposition: Many companies with whom we spoke emphasized the importance of aligning the CRM strategy with the corporate strategy. An executive from a top credit card company said: “Yes, absolutely, our CRM Strategy is linked to our corporate strategy of customer focus... CRM is a part of everything we do; it is not a separate business unit that does its own thing.” An executive from a top three wireless company told us: “At our company, every CRM project is rated against two things for funding and approval. One, does it grow the business, and two, will it result in measurable improvements against one of the company’s three key strategic goals?”

On the other hand, in those companies where CRM is not linked to the company’s strategy, companies are struggling to realize value from CRM. An executive from a major entertainment company told us: “We have two big issues. First, senior managers think that because we have a CRM technology system that now we have CRM, and second, the company mindset about CRM is limited to cost reduction in a specific area of marketing. The big question is how do we change the culture to make CRM a way of life and have big impact overall?”

Aligning stakeholders for CRM success

In addition to performing the key enabling steps, companies having the greatest success with CRM are aligning the business objectives of the three primary stakeholder groups – shareholders, customers, and employees. Where the business objectives of all three stakeholder groups overlap, optimal CRM value is realized.

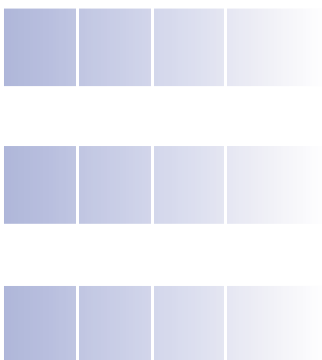
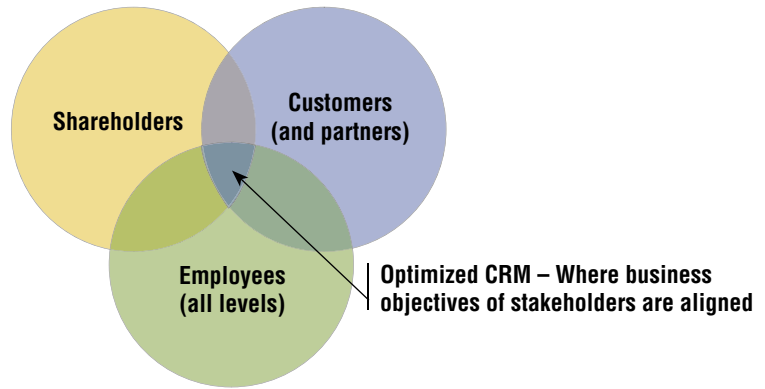


Figure 5. Aligning stakeholder groups.



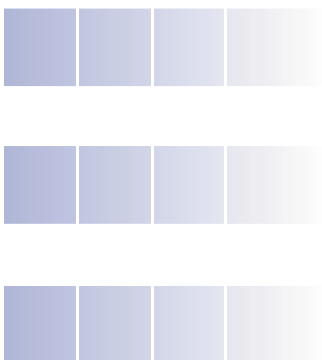
Source: IBM Institute for Business Value, 2003.

	Relevant measures	Business objectives
Shareholders	Stock prices, company profitability, corporate growth	Enhanced and sustained shareholder value
Customers	Customer satisfaction, customer retention, on-time delivery, in-stock position	Improved customer satisfaction, personalized service
Employees	One call resolution, job satisfaction ratings, commissions	Improved ability to serve customers intelligently and profitably, integration of the organization across silos to improve working relationships and productivity

A leading regional retail bank with whom we spoke benefited from aligning the CRM goals of its three key stakeholder groups. While each stakeholder group had slightly different business objectives, by focusing on where the business objectives of the stakeholders aligned and overlapped, each stakeholder group, and the company as a whole, realized value. The objectives and realized value for each group are as follows:

- Shareholder business objective: Aligned cost to serve based on product and customer profitability, and increased share price.

Shareholder realized value: Increased top and bottom line.



- Customer business objective: Improved targeted marketing campaigns and efficient problem resolution.

Customer realized value: Expedited problem resolution and more customized service.

- Employee business objective: Job risk avoidance, increased compensation opportunities, ability to complete job responsibilities more effectively.

Employee realized value: Improved job satisfaction.

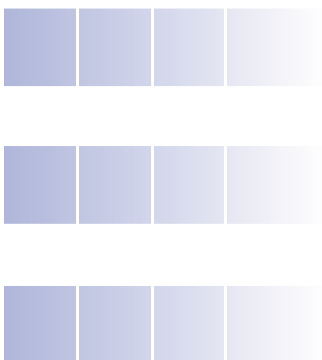
- Aligned business objective: Improved visibility of customer data enabled through a 360-degree view of the customer.

Realized value: Improved profitability.

By improving visibility into customer data and enabling a comprehensive view of the customer, this leading regional retail bank was able to deliver value to each stakeholder group and significantly improve profitability.

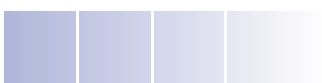
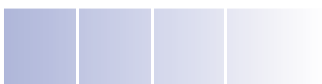
Conclusion

While effective and successful CRM is not easy, it is necessary. Increased competition is requiring companies to improve customization and accelerate response time to changes in the marketplace. Customers are requiring that companies show them one face across multiple channels and across all internal silos. Shareholders are demanding that companies improve customer satisfaction and improve profitability. Successfully setting and executing on CRM goals can help companies meet these demands and obtain the competitive differentiation they need to win in the marketplace. Companies that align the goals of the stakeholder groups and expertly balance and prioritize their scarce resources to perform the key CRM approach steps, can improve their likelihood of CRM success from less than 20 percent to closer to 60 percent.

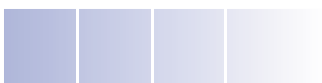
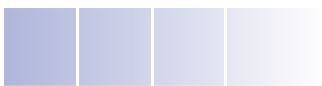
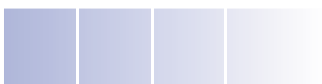


Key survey findings

- *Where companies are today:*
 - 63 percent of senior executives view CRM as a *Strategic Enabler* or *Way of Life* in their companies.
 - 85 percent of employees *Somewhat* or *Fully Adopt* CRM processes (only 26 percent fully do so).
 - 72 percent of companies find *Incorporating the Customer Viewpoint* to be *Highly Influential* or *Influential*.
- *Corporate level relevance:*
 - Over two-thirds of companies find CRM *Highly Relevant* or *Relevant* to *Key Corporate Level Business Issues* and thus impacting shareholder value.
 - 55 percent of companies pursue *Enterprisewide* CRM versus 22 percent that pursue *Divisional* CRM.
- *Key CRM approach steps:*
 - Despite the fact that nearly 85 percent of companies view CRM approach steps as *Highly Important* or *Important* to success, only 40 to 55 percent actually do them *Always* or *Often*.
 - By focusing on and prioritizing *CRM Approach Steps*, companies can improve their likelihood of success from less than 20 percent to closer to 60 percent.
 - *Process Change* and *Change Management* are the two most differentiating steps, contributing 22 percent and 20 percent respectively to initiative success (but not in isolation).
- *CRM initiative status:*
 - Fewer than 20 percent of companies feel they are *Fully Successful* with their CRM initiatives.
- *Major roadblocks:*
 - The number one roadblock companies face is *Parallel and Uncoordinated Activities*, encountered by 41 percent of respondents.
 - The number two roadblock companies face is *Insufficient or Unclear Involvement of Internal Stakeholders*, encountered by 33 percent of respondents.



- *Business case and ROI*
 - Only 15 percent of respondents *Use the Business Case* to its full advantage, beyond internal compliance or setting ROI targets, but actively using it to manage scope and track benefits.
 - 30 percent of companies are not successful with or did not attempt key *ROI Related Activities*, such as pursuing a phased approach and balancing short-term and long-term initiatives.



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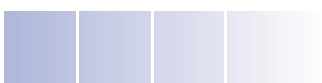
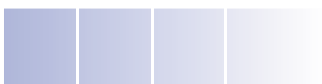
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With consultants and professional staff in more than 160 countries globally, IBM Business Consulting Services is the world's largest consulting services organization. IBM Business Consulting Services provides clients with business process and industry expertise, a deep understanding of technology solutions that address specific industry issues, and the ability to design, build and run those solutions in a way that delivers bottom-line business value.



Appendix: Survey methodology and demographics

The IBM "CRM Done Right" Survey was a 30 question online survey. The survey was sent to 4,835 panelists. One hundred and eighty-six clean responses were received, a 3.8 percent response rate. Respondent demographics are as follows. (Percents indicate the percent of total respondents.)

Titles:

- Manager, Assistant Manager (41 percent)
- Director, Assistant Director (19 percent)
- VP, Assistant VP (9 percent)
- CEO, President, Owner (8 percent)
- Partner, General Manager (6 percent)
- Analyst (9 percent)

Functions:

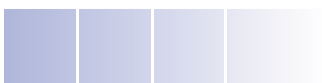
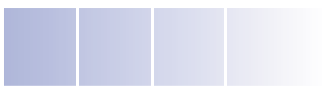
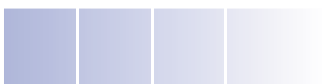
- Senior & Executive Management (25 percent)
- Sales (21 percent)
- Marketing (16 percent)
- Business Development (11 percent)
- IT & IS (27 percent)

Annual revenue (in US\$):

- \$50 billion plus (10 percent)
- \$10-49 billion (12 percent)
- \$1-9 billion (20 percent)
- \$500-999 million (17 percent)
- \$100-499 million (19 percent)
- \$50-99 million (9 percent)
- Less than \$49 million (14 percent)

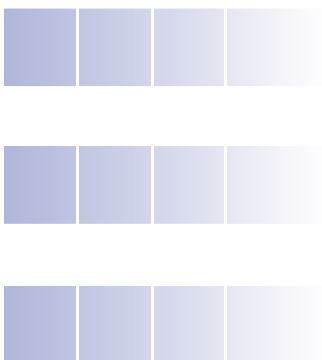
Industry:

- Manufacturing, Other (13 percent)
- Retail (10 percent)
- Technology (9 percent)
- Diversified Services (8 percent)
- Financial Services, Banking (8 percent)
- Financial Services, Insurance (8 percent)
- Financial Services, Other (5 percent)
- Leisure, Media & Transportation (5 percent)
- Telecommunications (4 percent)
- Healthcare (3 percent)
- Consumer Packaged Goods (3 percent)
- Energy & Utilities (3 percent)
- Financial Services, Wealth Management (3 percent)
- Aerospace & Defense (2 percent)
- Education (2 percent)
- Pharmaceutical (2 percent)
- Manufacturing, Auto (1 percent)
- Metals & Mining (1 percent)
- Chemicals (1 percent)
- Other (9 percent)



References

- ¹ IBM "CRM Done Right" online survey was sent to 4,800 panelists in summer 2003. One hundred and eighty-six cleaned responses were received, a 3.8 percent response rate. See Appendix for details on respondent demographics. To support online findings, IBM conducted 20 interviews with CRM Decision-Makers at 17 North American companies.
- ² IBM "CRM Done Right" online survey, 2003.
- ³ Ibid.
- ⁴ Ibid.
- ⁵ Ibid.
- ⁶ This analysis was based on a Logistics Regression of the relationship between status of initiatives (Figure 2) and frequency of performing the key enabling steps (Figure 3). The logistics regression tells us that these 13 CRM approach steps explain 64% ($R^2=.64$) of the likelihood of having CRM initiative success. The percents total to 100%; each percent indicates the percent of the 64% likelihood of success that is explained by that individual approach step. Number of responses = 179. Our acceptably low sample distribution indicates that at the 95% confidence level the obtained scores are reasonably reliable. The R^2 of this analysis is a Nagelkerke's R^2 , an R^2 for discrete models which indicates the model's explanatory ability.





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