

AVOIDING A CRM BACKLASH

BY

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The market for Customer Relationship Management systems is expected to reach nine to ten billion dollars this year. This steep demand is fed by expectations that CRM can reinforce customer relationships at a time when customers' options and their resistance to marketers has never been greater. The timing could not be better. But in American enterprise, we tend to quickly fall in and out of love with new methodologies. Take reengineering for example. It promised quick cost reductions at a time when it was nearly impossible for companies to raise prices. Demand was so intense that most consulting firms were too busy counting their money to notice warning signs of an impending backlash. Many of those same firms are now riding the CRM wave, seemingly unaware they could be reliving history.

Will CRM retain its inaugural luster or come to be viewed as another over-hyped buzzword for consultants to cash in on? A CRM backlash can be avoided, but not by virtue of what CRM systems providers say or do. The lure of near-term riches is too attractive to expect providers to tone down the hype or turn away clients craving a quick panacea. Instead, it will be up to wary buyers to keep CRM from plunging into a backlash abyss. A comparative analysis with the reengineering saga offers lessons for managers in charting a more prudent course for CRM.

CRM is a methodology, not a strategy. Whenever a promising, new methodology becomes a substitute for strategy, it becomes vulnerable to a fall from grace. Many organizations embraced reengineering as strategy, raising their expectations well beyond the reach of an otherwise useful methodology. The same is happening with CRM as many providers advise executives to view CRM as the strategy for creating a customer-centric enterprise.

The decision to become truly customer-centric is the strategic choice. CRM technology can help execute that strategy, but much more is needed to be a customer-centric organization. Customer value must be managed as the core asset of the enterprise and audited with the same rigor applied to other assets. Compensation systems should be tied to customer value metrics in lieu of more easily accrued, yet less telling, customer satisfaction measures.

A customer-centric organization knows the future economic worth of customers within its portfolio. This ensures that equity capital is productively employed as investments are weighted toward high value customers. Shareholders are not asked to subsidize unprofitable customer relationships, or to fund 100% customer satisfaction across the board regardless of cost. This is how a customer-centric enterprise distinguishes itself from the mass of other businesses competing for investor support. The flywheels that drive CRM (e.g., data warehousing, data mining, personalization, collaborative filtering) are important tools in the customer-centric mix, but certainly not the whole answer.

What CRM means, matters. As more products and services are shoved under the CRM umbrella, the label becomes less meaningful. The president of one CRM company has even suggested the term be retired because customers may resent companies presuming to manage their relationship. At the height of the reengineering frenzy, the number of definitions seemed about equal to the number of reengineering gurus. As a result, the term came to mean everything and therefore nothing. Right now, CRM appears headed on the same path of self-destruction.

Companies can ill afford to be confused over the meanings of initiatives that affect customers. And yet, interviews with executive teams have revealed a frequent lack of consensus on what CRM means, even after a CRM-labeled project has begun. In some cases, CRM is just a buzzword clouding such straightforward objectives as reducing call center costs or increasing direct marketing response rates.

CRM should be humanistically driven. CRM has evolved from its roots in sales force automation applications to become the New Testament of relationship marketing. It represents a collaboration between technologists and relationship marketers with the objective of making buying experiences more sensitive to individual human behavior. But the collaboration is out of balance. Technology is the dominant force behind the CRM movement, not principles of behavior.

Technology was also the driving force behind reengineering. But postmortem diagnostics by some of the more esteemed gurus revealed that neglecting the human factor, or “soft side” of reengineering, was its fatal shortcoming. If CRM is to have staying power, it needs to be guided as much by the subjective realms of customer behavior as by objective, mathematical manipulations.

A strong bias toward technology nudges us down the path of trying to make relationships more scientific by using statistical renderings of customers to match the right product with the right profile. But many dotcom businesses that excelled in this science are now gone. They still failed to build a sufficient number of enduring relationships to survive. Technology allowed them to form so-called “one-to-one” relationships with customers, but it is just as easy to be insensitive on a one-to-one basis as on a mass marketing basis.

Enduring customer relationships depend on more than matching product offerings with consumers' profiles. They also depend on companies establishing empathic connections with customers by speaking with them in their language, identifying the root motivations behind their actions and understanding the contexts that influence their behavior. Mutually rewarding and lasting relationships depend on empathy. No CRM mathematical protocol has a capacity for empathy. Neglecting this "soft side" of CRM jeopardizes the investment payoff many organizations are counting on.

High Stakes

Organizations can usually recover from the financial blow of bungled technology investments, or casual flings with the latest methodological wonder. However, the risk exposure with CRM is more than monetary. It is not unusual for employees to express contempt when management grabs onto fads, but a customer revolt against a new practice is far more serious. The president of one CRM firm has suggested the term be retired because customers may resent companies presuming to "manage" their relationship. People define events in personal terms. Many employees defined reengineering as, "I lose my job." If CRM runs amok, customers might ultimately define it as, "I lose my privacy," or "I get spammed." And once customer confidence is compromised, it is extremely difficult to recover.

Let's keep CRM in perspective and keep it useful. Publicity surrounding it has drawn attention to the importance of keeping an eye on the customer value ball. CRM is not a total solution for creating a customer-centric enterprise, but neither is it peripheral to the know-thy-customer challenge. It falls somewhere in between as a useful methodology for managing customer value better, which is still the shortest and safest route for delivering value to shareholders.



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