

Commentary

Seven Key Reasons Why CRM Fails

CRM projects often fail, but they don't have to. Enterprises that know the seven key reasons for CRM failure — and how to avoid them — will have successful CRM projects.

Customer relationship management (CRM) is still a rather new business strategy. Many enterprises are still in their first generation of CRM solutions, and although it has been rather widely accepted by Type A enterprises, many Type B and Type C enterprises are still debating whether they should undertake such initiatives. The value of having waited is that these late adopters have the benefit of watching those that have gone before to see what works and what doesn't. Gartner has examined hundreds of failed CRM initiatives, and we have identified seven key reasons that are the "usual suspects" for failure.

Reason No. 1: Data Is Ignored

At its core, CRM is about data — customer, product, inventory and transaction. This is a huge amount of information that must be in the right place, in the right format, at the right time. Although a CRM initiative may have multiple vendors and timelines that take months or years to implement, the vast majority of enterprises pay no attention to the data that will support investments and systems. As such, enterprises must have a detailed understanding of the quality of their data — how to clean it up, how to keep it clean, where to source it and what third-party data is required. Only when a foundation of good data has been built will enterprises find that subsequent investments will generate acceptable payback.

Action Item: Have a data quality strategy. Devote one-half of the total timeline of the CRM project to data elements.

Reason No. 2: Politics Rule

By politics we mean the tendency of one organization to worry more about its individual CRM needs and less about enterprisewide CRM requirements. In such cases, CRM is, at best, departmentalized and, at worst, completely disconnected. In a political enterprise, every organization believes they "own" the customer and, therefore, will not share data or support other channels. Always remember that departmental CRM is suboptimal, and can only yield departmental efficiencies and benefits. CRM is about enterprises forming enterprise-level relationships with customers, and allowing individual organizations to maintain control of individual interactions.

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Action Item: Formulate CRM strategies at the enterprise level. Appoint a senior manager to be responsible for cross-departmental CRM.

Reason No. 3: The IS Organization and Business Users Can't Work Together

CRM is a business strategy, but it is dependent on technology. Therefore, business users need the IS organization to select the right technologies, the appropriate systems infrastructure and the overall architecture required to support the strategy. The IS organization needs business users to establish priorities, requirements and the overarching vision to make the CRM pieces come together. If they don't or can't work together, enterprises often find they have nice, shiny technologies that solve nothing, or large consulting reports that can't be implemented. Neither one is conducive to CRM effectiveness.

Action Item: Establish cross-discipline teams early in the process, requiring the IS organization and business users to work together. Ensure that both sides sign off on all steps of the CRM process.

Reason No. 4: There Is No Plan

No one builds a house or a bridge, or anything that is the least-bit complex, without a plan. Yet most enterprises still undertake CRM with no idea of what they are hoping to build in the long term. One solution is haphazardly joined with another, initiatives come and go, and soon enthusiasm is waning throughout the enterprise. We recommend that enterprises create a three-year plan for their CRM initiatives, then tactically invest toward that vision.

Action Item: Establish a high-level CRM plan that addresses issues of tactics, processes, skill sets and technology, and publicize it enterprisewide so everyone knows how the enterprise is transforming itself.

Reason No. 5: CRM Is Implemented for the Enterprise, Not the Customer

CRM is about people and, in particular, the customers. That applies if the customer is a consumer, an enterprise or a partner. Therefore, CRM has to make the lives of those customers better and should not be implemented to solve an internal problem. Solving the problem may happen as a fortunate side effect, but it should not be the driver of a CRM initiative. For example, sales automation should make easier the lives of sales representatives and customers. Instead, the most common reason for sales automation is better pipeline reporting, which makes it difficult for the enterprise to motivate its sales representatives to use the tool. Usually, the initiative collapses and there is still no pipeline reporting, and the enterprise has wasted millions of dollars. In addition, future CRM projects are tainted by association.

Action Item: Involve employees and customers throughout the CRM process to ensure that their interests are represented in the project.

Reason No. 6: A Flawed Process Is Automated

Most enterprises have customer-based processes that are flawed because of years of minor corrections and failure to keep up with customers' demands. Therefore, when automation is added, it's not CRM — it's an automated flawed process. Making a flawed process run faster means that the enterprise can more quickly and efficiently anger its customers. This is not what CRM is all about. Instead of assuming that the current process should be automated, think back from the technology and ask, "How can we do things different now, and is this a process that we even need any more?"

Action Item: Use CRM as a springboard to examine all customer-related processes, to remove those that are not needed, and to rework those that are impacted by technology.

Reason No. 7: No Attention Is Paid to Skill Sets

All the money in the world can't save a CRM project if, at the end of the implementation, it is put in the hands of underskilled and undertrained employees. By doing so, enterprises reveal that they believe employees are unimportant. Nothing could be further from the truth. CRM is an opportunity to put powerful tools into the hands of employees; it should not weaken the customer experience by shortchanging employees with poor training on those tools. Whether it's a sales associate, a call center representative or another customer-facing individual, the employee should reinforce CRM and vice versa. CRM's potential should be fulfilled at the point of sale or service.

Action Item: Educate employees on the CRM initiative and train them on CRM tools and technology to enable them to communicate with customers more effectively.

Bottom Line: There is no panacea for implementing CRM successfully. There are, however, some common pitfalls that can be avoided. Enterprises that pay attention to these seven reasons for CRM failure and plan accordingly will be well on their way to having world-class CRM strategies and, as a result, happier and more-profitable customers. Enterprises that don't will become case studies for what not to do with CRM.