Customers incorporated
designing business around customers

Research Note

CRM Update: Part 2 — The Four Trends That Really Matter

By Liz Roche, Managing Partner

Originally Published as META Group Delta 2801
February 26, 2004 by Elizabeth Roche

Note at a Glance: The press is rife with pundits prognosticating on the state of CRM in 2004, making often outlandish predictions about what the future holds for CRM (2H04 and beyond). Enterprises must distill the massive amount of CRM opinions and information down to actionable, pragmatic 2004 priorities, while not "designing out" future capabilities. To this end, there are only four trends that really matter in 2004.

The Take-Away: It is important to ignore CRM "noise" in the press and stay focused on four key planning trends. Technology investments must be balanced with business process re-engineering and customer life-cycle implementation, and organizations must be aware that upgrading will be critical, CRM will move from being niche to being mainstream, and there is an end in sight! CRM has the ability to provide competitive differential. Organizations can get it right the first time by planning around four key 2004 trends and avoiding compromising brand equity.

Organizations should expect the inevitable resumption of CRM speculation and soothsaying and therefore must avoid getting caught up in CRM "trends du jour" (e.g., real time for technology's sake) or making technology investments without sound business cases. There are various interesting CRM approaches, and four key futures should drive organizational CRM planning.

1. During 2004/05, lack of perceived value resulting from technology overinvestment will drive organizations to realign their CRM initiatives with their business strategies.

For the past three to four years, enterprises that have been actively working on CRM have been buying the technology with insufficient business justification (i.e., no business plan or customer strategy). As a result, many organizations are not experiencing anticipated value from their CRM investments, which is often manifest as lack of executive confidence in CRM as a whole. (Yet many would not recognize success if it came up and greeted them on the street, since they did not build measurement strategies into their CRM implementations). Still, the fact remains that lack of perceived technology value often goes hand-in-hand with technology over-investment as measured by overly complex new processes, underused applications, unimplemented seats, and usability complaints.

Organizations in this situation must immediately stop investing in technology (even if temporarily) and take a step back to re-balance their CRM initiatives according to customer life-cycle management (CLCM) design principles (see Delta 2800). Specifically, organizations must focus on re-engineering or at least re-examining business processes associated with the technology domains and ultimately add the ETFS transformation.

User Action:

- Retrofit a business plan around the technology, highlighting business strategies and customer philosophy associated with implementations. Identify (reasonable) key performance indicators and a realistic measurement approach. Address organizational issues and ownership (e.g., CRM PMO, chief customer officer).
- Create a measurement/metrics program to attain continuous value measurement (this means taking measurements before and after CRM improvements are delivered), which may be somewhat difficult, since the technology is obviously already in place.
- Sell and market CRM and its business benefit and credibility.

2. During 2004/05, legacy applications nearing end-of-life will motivate organizations to upgrade to next-generation CRM architectures.

CRM technology evolution has kept pace with the IT community at large - therefore, proprietary vendor architectures have been largely overhauled to accommodate open standards (e.g., XML, WSDL, SOAP) and service-based component architectures. The architectures of current releases of CRM suites (e.g., PeopleSoft 8.8, Siebel 7.5.3, mySAP CRM 4.0) represent a major advance in technology, but not always accompanied by the functional enhancements necessary to demonstrate business ROI. As a result of this, plus very tight IT budgets during the past 12-18 months, many firms have put off making this step-change in technology and postponed what are very expensive upgrades until the last possible moment. That moment is here: virtually all suite vendors are beginning to talk about application end-of-life scenarios. Indeed, vendors are starting to make it very uncomfortable for their customers to remain on legacy releases, using tactics such as significantly increasing maintenance and support costs on all releases prior to x.x or reducing the number of support staff providing technical support on these older releases. Some vendors want to see upgrade plans before re-signing annual maintenance contracts (and if these are not in place, additional fees will be waived).

User Action: Organizations must take note and immediately start planning their upgrades with the goal of a fully upgraded system no later than 1Q05, or else face being "de-supported."

3. By 2006, CRM transformation will become strategic for mainstream organizations, supported by industry-specific products, service-oriented architectures, integration frameworks, and articulated value propositions.
Within the next 24 months, CRM will move into the business mainstream, taking a trajectory similar to that of ERP, moving from being a new, leading-edge technology idea to a requisite business state of mind. CRM will no longer have the buzzword connotation associated with it and will be an accepted and quite strategic business best practice, enabled by:

- **Improved process "fit":** Applications are becoming increasingly verticalized, which means "out of the box" solutions will provide a much better business fit, requiring fewer extensions and less customization (lowering implementation costs by as much as 25%-30%). Yet a more important feature of verticalization is achieving the right functional and process fit with a much improved application time to market.
- Ability to more seamlessly leverage heterogeneous technologies within a process: The promises of Web services and component architectures inevitably point toward a "Lego" paradigm of application assembly: fine-grained services are written and assembled into courser-grained components (Lego pieces), which are stored in a component library for business-oriented users to assemble into end-user applications (Lego race cars or castles). The key is the integration server ("Lego board"), which ultimately impounds all the requisite integration instrumentation and abstracts much of the complexity away from the user.
- Continuous process measurement and metrics monitoring: CRM's strategic use is enabled by building metrics and the ability to take continuous measurements into the DNA of a process.

User Action: Organizations must begin now to position CRM as a business best practice.

4. By 2006, 15% of Global 2000 organizations will approach end-state CRM, having succeeded in imbuing customer life-cycle management into their business practices.
End-state CRM brings the CRM state of mind into sharp focus. It is not achievable in a single project, but will take on average five to seven years for a Global 2000 organization to complete the full transformation.

User Action: CRM programs must be structured to be iterative and time-boxed, delivering something of value every three to six months. Be patient.

Conclusion

It is important to ignore CRM "noise" in the press and stay focused on four key planning trends. Technology investments must be balanced with business process re-engineering and customer life-cycle implementation, and organizations must be aware that upgrading will be critical, CRM will move from being niche to being mainstream, and there is an end in sight! CRM has the ability to provide competitive differential. Organizations can get it right the first time by planning around four key 2004 trends and avoiding compromising brand equity.

About the Author

Liz Roche is an industry recognized expert in the design and delivery of comprehensive, high-value customer relationship management (CRM) business systems. Liz has 20 years of IT experience managing strategic enterprise technology and business programs, and has worked in the CRM field for the past 10 years. A leading authority on CRM business principles, enabling technologies, and related technology architectures, she is a frequent industry keynote speaker and author.

About Customers Incorporated, LLC

Customers Incorporated is a business and technology consulting firm with a singular passion — to help our clients maximize their customer equity. We start with a very simple premise: a business and technology strategy should be designed around the customer rather than an individual department, a particular product line, or a specific technology. Using a customer lifecycle lens (engage, transact, fulfill, service [ETFS℠]), we help our clients compete and win by balancing their investments in customer relationships with optimizing the return on those relationships; investing in the right products with the right feature set in the right market. Our business experience is proven. And so are the results we bring to our clients. We've helped them unlock value in areas such as sales, marketing, customer service, sell-side commerce, order management and fulfillment, enterprise architecture, application provisioning and procurement, and CRM business strategy. We've shown them how to transform their business, their thinking — and their bottom line.

Customers incorporated
designing business around customers