CRM is Dead; Long Live CRM

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CRM has been defined at many enterprises as technology to support sales, marketing and customer service, but that idea is dead, replaced by the more-important concept of customer-oriented strategies.
WHAT YOU NEED TO KNOW

The end of customer relationship management will be hard for some enterprises to take, and its impact will be debated for some time. This doesn't mean that customers are no longer important or enterprises will stop automating marketing, sales and service. Nor does it mean a new market space or even a new acronym. What it does mean is that the initial promise of CRM, that of centering on the customer to increase the likelihood of doing more business with customers, can now begin to be realized. We're not going to see vendors offering special functionality in this area, but we will see more blurring of the walls between CRM vendors and other operational providers. It also means that CRM has grown up to take its place in the pantheon of IT-enabled business strategies. However, this will only happen when enterprises stop thinking exclusively about CRM as technology, and start thinking about CRM as customer-oriented strategies and processes.

STRATEGIC PLANNING ASSUMPTION(S)

Through 2006, customer-oriented strategies will be among the top-five corporate objectives in 60 percent of enterprises, even though the term CRM will be used in fewer than 30 percent (0.7 probability).

ANALYSIS

Customer relationship management (CRM), at least, as defined as a suite of applications or a technology, is dying. The industry is suffering because the term "CRM" is obsolete, and there are many reasons why this is true.

Why CRM Is Dead

Reason No. 1: In many cases, major vendors view CRM as simply a set of capabilities within a broader product suite. The idea of stand-alone functionality is fading from the market.

Reason No. 2: The CRM acronym is fading from many enterprises. Several terms are replacing it, but CRM has acquired a bad image at many enterprises, even as the emphasis on the customer is increasing in many enterprises. Some would argue that it's not important what you call it, as long as the concept has meaning in your organization, but clearly the fading of the term from general usage is important.

Reason No. 3: Most enterprises do not have a person responsible for CRM. It continues to be an amorphous concept in many enterprises, involving several departments, but, in general, no one has ultimate responsibility for it.

Reason No. 4: Many enterprises feel that their large investments in CRM have yielded few benefits. This is not entirely true, but the perception persists. Many haven't measured the benefits, or are unsure of how to measure them, which makes CRM a luxury, rather than a necessity. If enterprises don't feel that buying CRM technology will yield real benefits, they'll find other places to spend their money.

Reason No. 5: CRM hasn't worked for many enterprises because it's been used as a patch on top of operational/product/geographic strategies. For all the industry talk of being customer-centric, most enterprises are still operationally centric. Many clients have been trying only to automate some customer touchpoints, not thinking in terms of customer strategies. As traditionally defined, CRM gets overpowered by operational and financial strategies. Enterprises
that have tried to implement CRM without changing their organizational structures often find that politics tends to silo their technologies.

**Reason No. 6:** Common usage has equated CRM with technology. Gartner has argued for many years that CRM is not a technology, but a business strategy built around the concept of customer-centricity. However, as reflected by the popular press, the market as a whole views CRM as a technology, plain and simple.

**Market Pressures**

Although the reasons are valid, there are counterbalancing pressures in the market that weigh against the notion that CRM is dead. These make it important to rethink this area. If it were not for the market pressures, it would be easy to simply dismiss CRM and say that it's time to move to the next "big thing."

**Market Pressure No. 1:** Customers are still demanding higher levels of support. Hence, customer strategies are important. In many ways, "the genie is out of the bottle." Customers — both business and consumer — know they have clout, and they'll continue to exercise it.

**Market Pressure No. 2:** Customer intimacy is still a driving force for many businesses. Many industries compete with rather-generic products. If they can't compete on product differentiation, their only opportunity is customer intimacy.

**Market Pressure No. 3:** Enterprises have taken most of the operational initiatives they can, and are looking for the next big thing. Now that they have their operations running as highly efficient machines, they need to turn their attention to revenue growth. This is especially true in sales and customer service and support (CSS), and it is even starting to become a factor in marketing.

**Market Pressure No. 4:** The problems that led to the initial explosion of CRM — multiple channels; huge amounts of data; different segments; and functional needs in marketing, sales and CSS — still obtains. They aren't going away, and strategies to deal with them are needed. In fact, CRM can exacerbate the problem, because there's now more data, in potentially more silos, than ever before. The result is that data accumulates faster than enterprises can understand it.

**Market Pressure No. 5:** Base products are being commoditized. This is not going away. Interactions and relationships are how enterprises can differentiate themselves in a commoditized world.

**Market Pressure No. 6:** Privacy is paramount. Many enterprises feel that they can't worry about CRM, because they have to worry about privacy, and the latter invalidates the former. It shouldn't be a choice between CRM and privacy — CRM should take privacy into account in its customer interactions.

**Market Pressure No. 7:** Margins in many industries are decreasing. How do I grow customer profitability and value in client portfolios to meet my shareholders' demands?

**Market Pressure No. 8:** Competition has been heightened. More enterprises are competing for the same or, in some cases, dwindling numbers of customers, purchases and assets. The winner will be the enterprise that is smartest in this area.

It's important for players in the market to come to grips with the idea that CRM, as defined in the broader marketplace, has taken enterprises about as far as it can. Marketing, sales and CSS are automated, and the systems to automate interactions are in place, but, to achieve real value, clients have to stop thinking about CRM that way. They need to realize that CRM is dead, or, at a minimum, that it's done all it can for them, and that they need to look beyond CRM.

**Indicators of Life Beyond CRM**
So what are the indications of what life will look like beyond CRM?

**Indication No. 1:** The key will be customer-oriented strategies and processes, not a patch on other systems and strategies. Customer-centricity needs to be an equal partner in a set of business strategies. The key here is to move away from technology and embrace the idea of customer-oriented strategies. This enables enterprises to stop thinking of CRM software as the only way to meet customers’ needs. It may use other systems, it may not involve technology and it may be done in different ways.

**Indication No. 2:** Enterprises will inject the customer’s voice into the enterprise’s decision making, and it will be equal to operational and financial considerations. Enterprises tend to make their decisions based only on operational and financial considerations, but the impact on the customer needs to be considered, enabling enterprises to think in terms of “win-win” scenarios. Some are starting to do this with customer focus groups, but, in many cases, the customer has already told us about their opinions across many different channels, if we only knew how to listen. This is one of the keys to the real-time enterprise (RTE) concept of “sensing.”

**Indication No. 3:** Enterprises will move away from stand-alone CRM systems into embedded, customer-oriented strategy support in broader applications. This has already begun in financial services, with CRM capabilities, especially CSS, embedded as part of a broader operational system (such as a deposit or loan system). This will continue to accelerate, enabling these strategies and their support to be more ubiquitous enterprisewide. A good example of this is the trend of embedding loan origination into customer-service applications in financial banking process flows.

**Benefits of the New Forms of CRM**

Benefits become apparent when we start to change our thinking from CRM technology to customer-oriented strategies.

**Benefit No. 1:** It will work better with organizational structures. CRM runs headlong into established, product-oriented structures, but once we begin thinking in terms of customer-oriented strategies, with associated reporting and metrics, we can start to infuse the customer into our established way of doing business. This is not to say enterprises don’t need to change. As processes need to be redesigned, quite the opposite is true. This is possible within established organizational structures when CRM is not marketing, sales or customer services’ job, but is everyone’s.

**Benefit No. 2:** Enterprises can use other systems to implement these strategies, such as enterprise resource planning (ERP) and supply chain management (SCM). Once they stop thinking of CRM as a technology, other systems become available to support the broader customer strategies. An order entry system has a direct impact on customer experiences, even thought it is thought of as an ERP function. Product life cycle management (PLM) is similar. Relationships with suppliers becomes important as they affect enterprises’ ability to promise. CRM goes from small departmental systems to enterprisewide processes when we move from technology to customer-oriented strategies.

**Benefit No. 3:** The next generation of CRM strategies leverages investments and opens up new systems with more functionality, embedding CRM capabilities into other processes, expanding processes past the front office and enabling broader customer ecosystems. As enterprises shift their thinking, there’s no need for them to replace established systems; instead, they can expand and more fully use what they already have.

**Benefit No. 4:** The new forms of CRM emphasize customers, but don’t impose system constraints on their needs. Siloed systems often interfered with serving the customer. Many
customers have personally experienced the frustration of giving an account number to several people at different stages in a service call. When enterprises shift to customer-oriented strategies, they begin to think in terms of crossing departments and systems, because they’re redesigning processes to better meet customers’ needs.

**Benefit No. 5:** New forms of CRM enable customers to be supported by strategies that are equal in importance to financial and operational strategies. This doesn’t mean the customer always wins, but unlike today, the customer wins often and has equal footing with other important strategies.

**Benefit No. 6:** Enterprises will begin to follow a process flow, looking from the customer back into the organization, redesigning and remaking themselves to achieve real customer value.

**Key Issues**

What is a customer relationship management strategy, and how is it created?

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<tr>
<th>Acronym</th>
<th>Definition</th>
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<tr>
<td>CRM</td>
<td>customer relationship management</td>
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<td>CSS</td>
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<td>ERP</td>
<td>enterprise resource planning</td>
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<td>PLM</td>
<td>product life cycle management</td>
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<td>RTE</td>
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