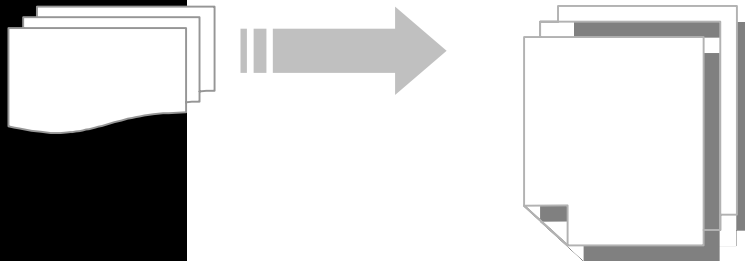


Putting Customer
Relationship Management
into Context:



***Who in New Zealand's
business community is
using CRM, who isn't and
why?***

**Summary of Survey Results
January 2002**



Report commissioned by the NZ
Direct Marketing Association,
Ceritas Digital, Microsoft New
Zealand and Pivotal Corporation.



Background to research project



- The NZ Direct Marketing Association commissioned this research study late last year. It sought to establish the level of interest in CRM and the degree of uptake amongst NZ's business companies and organisations. Furthermore it sought to ascertain the key issues senior managers are grappling with as they turn to CRM as a key driver of business strategy.
- To conduct the research the DMA invited three key parties – Pivotal Corporation, Microsoft and Ceritas Digital - to sponsor the study and be part of the project team to ensure a snapshot of NZ business's involvement in CRM was captured.
- An independent consultancy, Eklektik, conducted this study on behalf of the group late in 2001.
- Senior managers from a cross section of 800 of NZ's leading businesses and organisations were invited to participate. In total, 262 senior managers participated (43% were marketing managers, 32% were IT managers and 25% were a mix of sales managers, CEOs, MDs, and business managers).
- This is the first time research of this nature has been conducted in New Zealand and equally it is the first time a group such as this has worked together on an information gathering project of this nature.
- This study provides a starting point for understanding the pertinent issues and for putting our industry's current state of uptake and understanding of CRM into context.



Why conduct this research?

- A key assumption underpinning this research project is that CRM will become increasingly important to the NZ business environment. Indeed the group involved in this study believes it will become imperative that NZ companies and organisations integrate CRM strategies into their core business.
- Why? Globalisation and the Internet mean that competition can come from international markets as easily as from domestic ones. The quality and features of products are becoming so undifferentiated that the real differentiator is the customer relationship between companies and their customer-base. Consumer power is stronger than ever before and sits firmly on the customers' shoulders. Companies are having to work harder at forging close relationships with their customers, offering value propositions aimed at retaining their loyalty and purchasing power. CRM plays a key role in helping them achieve this.
- How does it do this? It integrates all of the information a company collects about its customer-base, the transactions and interactions that occur throughout the demand and supply chain and provides analytical tools that help companies understand the effectiveness and value of these transactions. In short, it offers total visibility throughout the demand and supply chain. This then enables companies to improve the productivity, efficiency and effectiveness of their marketing, sales and customer service resources to increase their profit.
- Internationally CRM is becoming a growth industry as more and more businesses incorporate CRM as a core business strategy that underpins their business operations. It is becoming increasingly popular with NZ companies and organisations, however, no formal facts or figures have been collected to date regarding NZ's uptake and use.



Key findings

- CRM has captured the business community's attention.** 86% of respondents said their companies and organisations are either currently investing in a CRM strategy to drive their business or are considering implementing CRM in the future. Of this total, 52% were already implementing CRM, 13% were about to and 21% were seriously considering CRM's merits. For the 13% not intending to invest, the cost of investment was mentioned as a key inhibiting factor (see further on for details on Inhibitors).

"It is central to the success of our business. We have a lot to do – but the commitment to maximise CRM potential is strong", Marketing Manager.

- The business community is not using CRM to its best and most powerful advantage.** This is evidenced when considering the top objectives managers hoped to achieve by investing in CRM and comparing this expectation with the experiences of managers who are actually currently using CRM.

Top five important factors – what expect to achieve by investing in CRM	Total: Expected goals Sample 227	Total: The reality Sample 137
Improve loyalty / retention of customers	82%	51%
Improve efficiency of our sales and marketing	79%	41%
Increase sales to existing customers	75%	35%
Increase revenue	71%	39%
Increase ability to identify high value customers	69%	50%

(Note: to gather this information we asked all respondents to rank a series of 17 factors from 1 to 5, to indicate how relevant each factor was to their organisation when setting goals about CRM. The 'expected goals' summarises the top five factors that came through as highly relevant to respondents. This question was answered by respondents who were either currently investing or intending to invest in CRM (227 respondents).

To gain a sense of what is happening in reality, we asked respondents who were currently using CRM (137 respondents) to rank the same 17 factors according to how successfully CRM was delivering results to their company with regards these particular factors).

These findings indicate respondents are finding CRM is delivering on its promise to an extent, but that they would like to see greater results being achieved.



- **Companies are not necessarily taking an integrated approach to implementation.**

When considering the success of CRM implementations to date, the findings overall indicate a dissonance in opinion between IT managers and their marketing and other senior managers.

For instance, when focusing on analytical features of CRM and the sales results, IT managers were at odds with their peers as to how successfully they felt their CRM strategy was delivering results.

When considering analytical features IT respondents were more satisfied than their peers in other departments that their CRM strategy was successfully delivering results in these areas. However when considering sales results, IT managers were far less satisfied than their peers that their strategy was meeting their expectations.

Reality of implementation – how effectively CRM is delivering results for companies implementing a strategy	Marketing	IT	Other Senior Managers
Improve market segmentation analysis	32%	46%	23%
Improve our ability to conduct trend analysis	25%	38%	16%
Increase accuracy of forecasting	16%	35%	19%
Improve loyalty / retention of customers	55%	38%	55%
Decrease cost of selling to existing customers	31%	15%	25%

(Again, these responses are from respondents who are currently implementing CRM and they ranked each of the 17 factors from 1 to 5 to indicate how successfully they believed their CRM strategy was delivering results for them with regards these factors. Of most interest here is the dissonance of opinion between the different department areas).

- **The cost of investment is a key concern and inhibitor.**

The prohibitive cost of investment was ranked as the main inhibitor stopping companies from further investing in CRM (51% of all respondents). This factor, combined with the perceived lack of information regarding the efficiencies that can be achieved through CRM, appears to be stopping companies from making a full commitment to CRM.



Top six factors that are stopping companies making better use of CRM	Total Sample 262
Cost of investment prohibitive	51%
Can't quantify the return on value for the investment required	36%
Lack internal knowledge regarding the solution's capability	32%
Unable to commit to the org. change required to embrace the solution	31%
Too difficult to integrate our disparate systems	31%
Technology too complex for our needs	22%

(Note: to gather this information we asked all respondents (262 in total) to rank a series of 14 factors from 1 to 5, to indicate how important each factor was with regards to inhibiting their company from making better use of CRM).

- **Not surprising then, senior managers are thirsty for external assistance to more effectively implement their CRM strategies.**

In order of importance the following list indicates the key areas that managers feel they need further help in. (Note: this question was left open-ended and so the responses provided were unprompted. The significance of this result is that the themes indicate the most topical issues faced by the industry at present).

1. 'Hard' facts showing how CRM has been implemented in other companies – including case studies and testimonials from these companies. (13%)

“Evidence of proven effective implementation of such a system on a comparable business model to our own”, Marketing Manager.

“Application in non-sales arena, in health industry in NZ business in general”, IT Manager.

2. Provision of quantifiable information showing bottom line results achieved within companies as a result of implementing CRM. (12%)

“The value and ROI associated with putting in place a company-wide CRM strategy”, Marketing Manager.

“What would be the real cost and benefit compared to what we have?”, IT Manager.

3. Assistance to help companies bring about the cultural change required to ensure companies and organisations best equip and organise themselves to gain the greatest value from their CRM strategy. (8%)

“The key is how to get cultural change to take advantage of the technology opportunities in CRM”, Marketing Manager.



*“Instilling the CRM culture throughout the organisation – finance, admin etc”
Marketing Manager*

“Understanding the full business impact – (the) cultural changes required to support – (it is) not just a piece of software”, Marketing Manager.

- 4 Demonstration by vendors they have in-depth industry knowledge as well as knowledge of their client's business and the business environment clients are working within - only then can they adequately understand their clients' needs and provide tailored consultancy advice. (6%)

“Knowledge of our markets and the ability to build business case around our specific needs”, Marketing Manager.

*“External consultants having industry experience and the ability to understand us”,
IT Manager.*

- 5 More information on CRM applications available plus their technical and operational requirements. (6%)

“An impartial comparison of the features and benefits of the different CRM applications available on the market”, Senior Manager.

“Clear understanding of the application's operational requirements, i.e. bandwidth, performance considerations”, Marketing Manager.

- 6 Business needs analysis skills and tools to help determine their company's specific needs regarding CRM. (6%)

“Business Analysis and process re-engineering prior to deployment”, Marketing Manager

- **Confusion abounds when it comes to CRM.**

This is particularly evidenced through the un-prompted comments provided by respondents to the open ended questions (as outlined above) but is also suggested in the gap between expectations and reality of implementation. Companies are not currently getting the best out of their strategies and the reasons for this need to be clarified to ensure a far better result is recorded in future research.

In the open ended section of the survey, the degree and level of information senior managers said they required was very much at the 'introductory' rather than 'sophisticated user' end of the scale, suggesting that as an industry we have limited knowledge of CRM and what it can offer.



Mention was also made of the 'buzz' around CRM, and this is perhaps fuelling cynicism as companies hold back from getting caught up in a fast moving trend or fad. Additionally there is confusion around its definition – suggesting it means different things to different people.

“There is a lot of confusion around what CRM actually is. Everyone has their own definition which suggests it is not very well understood”. IT Manager.

“Will it be just a fad or will it be the way of the future. With limited understanding of CRM it would appear the focus is on the segment of the market that provides current sales. What about those potential customers of the future”? Marketing Manager.

“CRM appears as another buzz word with many companies able to supply a CRM solution. Could be expensive with hidden implications for a company - without necessarily delivering”. IT Manager.

- **CRM belongs in the business space, driven from the top by the CEO. It is much more than an IT solution.**

From the qualitative responses gathered it appears that managers do not necessarily view CRM as a piece of software or an add-on application. Rather it appears to belong in the 'heart' of a company, as opposed to the IT department. Because of this it needs to be owned at the top level with leadership and direction provided by the CEO and Executive team, and to be valued or viewed as a integral business strategy. Indeed, mention was made by respondents about the cultural changes that are required within their organisations to organise their business around their CRM strategy. Again, this suggests that a CRM strategy permeates a company's operations and approach and is an integral element of the business strategy.

“(CRM) needs to be promoted as a business discipline requiring process changes & behaviour changes/training rather than a software solution”, Senior Manager.

“Too often I hear folk talk of CRM as a piece of software. It's not. It's an attitude - a cultural thing which must start at the top and be owned by everyone”, Marketing Manager.



- **CRM lacks an obvious champion within companies and organisations.**

Interestingly, given the above finding, there is a lack of ownership of CRM at any one level or in any one department. The lack of an identifiable driver or champion within business could be one of the reasons why CRM does not appear to be delivering results as anticipated by companies. For best use of the strategy to be derived it needs to have a clear champion driving the implementation and ensuring departments within a company work as a team in collaboration not isolation.

Who currently 'owns' CRM in your company?	Total
Marketing department	34%
Sales department	24%
Customer service department	19%
IT department	17%
Senior Executive/CEO/Board	17%
Finance department	5%

"A CRM strategy must result from a 'high-level', clearly defined business strategy that identifies how the product will add value". Marketing Manager

CRM has an obvious champion within the industry however.

When asked what body currently acted as the greatest advocate for CRM in the industry, the NZ Direct Marketing Association was by far the leader in the field.

Two thirds of respondents 66% agreed the NZ DMA held this position with the Sales and Marketing Executives International (SMEI) posting second with 36% and the Telecom Users Association of NZ (TUANZ) posting third with 23%.



Discussion points

- The gap that exists between respondents' expectations of CRM and their experiences in reality is of great concern to us. Unfortunately as this study is only a stating point it is difficult to ascertain why this gap exists to the degree it exists. Without knowing where companies are at in their implementation cycle, how integrated their implementation is, to what degree they are using CRM etc it is difficult to draw conclusions about this result. To fully understand this gap and its implications for the NZ business community we need to investigate these issues further.
- However these results suggest that companies need far greater assistance in implementing their CRM strategy, in understanding its capability and how to make the best use of its tools and technologies. Importantly they need help in re-organising their business and corporate culture around CRM to ensure they maximise its value. There is much to be said for creating a 'knowledge community' within the business environment to ensure intelligence is shared about CRM and companies learn from one another's' experiences.
- It is of concern that no clear CRM 'champion' exists within the companies surveyed. This exacerbates the general lack of understanding and direction experienced by managers surveyed. The full potential of CRM will not be realised until the C level embraces CRM as a key business issue. The results suggest to us that CRM belongs in the business realm and not in IT so it makes sense that CRM must become a C level issue.
- Further to the above point, successful implementation of CRM requires fundamental cultural changes within companies and some respondents have indicated they are struggling to successfully implement these types of changes. Again this suggests to us that CRM is a key business issue – it lives within the heart of a company not in its IT department. That is why the C level must drive its implementation and ensure the business strategy works in tandem with the CRM strategy.
- The apparent dissonance between IT, marketing and other senior managers suggests 'departments' or specialist areas within companies are not working as closely together as they could when implementing their CRM strategy. This means they are not necessarily sharing specialist knowledge of the potential of their CRM tools and technologies.



- Overall this study has created a starting point for more questions to be asked and research to be conducted. We have established a baseline regarding current issues and experiences of companies implementing CRM in NZ and we have gathered feedback regarding why the current situation is as it is. Now we need to delve further and test assumptions we have made to truly understand how NZ businesses are faring with CRM. We now intend working with a small group of CEOs and MDs to workshop these results, focusing on the key issues that have emerged. We will then produce a White Paper and circulate it to interested parties. As part of our on-going commitment to building a knowledge community around CRM we also plan on holding a number of initiatives throughout the year to provide the additional help and intelligence respondents tell us their companies need to improve their understanding and use of CRM.



Research team behind this survey

The Direct Marketing Association

Established in 1974, the New Zealand Direct Marketing Association is the business organisation for New Zealand's direct marketing industry, with members ranging from the country's largest corporates to individuals – more than 3,700 marketing professionals.

Microsoft New Zealand

Founded in 1975, Microsoft (Nasdaq "MSFT") is the worldwide leader in software, services and Internet technologies for personal and business computing. The company offers a wide range of products and services designed to empower people through great software -- any time, any place and on any device.

Pivotal Corporation

Since 1996, Pivotal Corporation has enabled businesses worldwide to make, serve, and manage customers, by providing solutions that help maximize revenue, customer retention, and improve efficiencies. Sold in 35 countries, Pivotal solutions unify Internet commerce, CRM, eSelling, and wireless technologies.

Ceritas Digital

Ceritas Digital is part of the \$150m Ceritas NZ group of companies, and has been operating since 1997. Ceritas Digital delivers software solutions that allow clients to capture, manage, analyse, use, and share information in ways that help clients grow revenue, improve margins, decrease costs, and improve the loyalty of customers and employees. Solutions include CRM, Knowledge Management, financial/accounting applications, eBusiness and custom software development.