

CRM Adoption Framework and Its Success Measurement

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Abstract– Customer Relationship Management (CRM) has been becoming first issue in marketing strategy. By implementing CRM, company could generate better profit, because CRM could increase customer retention, customer satisfaction and customer loyalty.

However, implementing CRM is not an easy task. Adopting CRM into any organization is a challenge. The existing CRM adoption framework is still no longer to cover all aspects in it.

This paper comes up with a more complete version of CRM adoption framework; suggesting two additional key success factors to be added into the framework to better enhance the successful CRM implementation and minimize the failure rate.

Keywords– Customer Relationship Management, CRM adoption framework, CRM implementation

I. INTRODUCTION

Since many organisations have large number of customers and managing customer relationship more effectively is an essential managerial implication to sustain the business, customer relationship management (CRM) has become an important implementation in companies today which combine marketing strategies using information technology (IT). CRM provides a bridge between IT and marketing strategies to build long term relationship with valuable customers and enhance customer service that leads to increase company profitability.

Because of 'information intensive strategies' [4], CRM uses existing customer information to deliver insights for managerial actions. CRM is important because it provides enhanced opportunities for using better database in order to targeting, acquiring and retaining the right valuable customers.

From a customer perspective, a well implemented CRM system provides "unified customer interface" [10], which means that at each transaction, customer preferences are stored in the system; thus, enables past transaction to be tracked at any time onwards. This can result in an excellent service improvement for customers.

From an organisation perspective, CRM enables the manager to better understand their customer, build and maintain customer loyalty through well-developed relationship marketing strategy. This can generate more income and revenue for organisation.

Recently, there are many publicized records regarding both the successful and failed implementation of CRM. A study from Gartner Research Group reported that only 50 percent of CRM implementation projects met the criteria for success [2] whereas Giga claims that it to be around 70 percent [3].

Hence, this paper is aimed to critically examine the core principles required in adopting and integrating CRM system within an organization and to critically analyse the CRM adoption framework proposed by many leading CRM reviews, combine and come up with a more complete version of revised CRM adoption framework. To achieve this aim, this paper further investigates a group of failure cases of CRM implementation and examines the current theory of CRM knowledge area. The successful implementation of CRM is also analysed to bring the key success factors for CRM adoption within organizations. These are drawn from the successful CRM implementation case found in Bayer Crop Science Industry.

This review paper is structured as follows. First, literature about development stages in CRM is described to provide fundamental theories in this context. Thereafter, the adoption of CRM in organisation including its barriers when implementing it will be discussed. Then, the revised CRM framework is proposed. Next, measurement of CRM success will be mentioned. Finally, the review concludes with key factor suggestions for successful CRM implementation and revised CRM adoption framework and states several recommendations for further research needed with respect to CRM issues.

II. CRM ADOPTION FRAMEWORK

There are four necessary components for successful implementation of CRM [12]. These four components are drawn from conceptual framework for CRM adoption as illustrated in Figure 1.

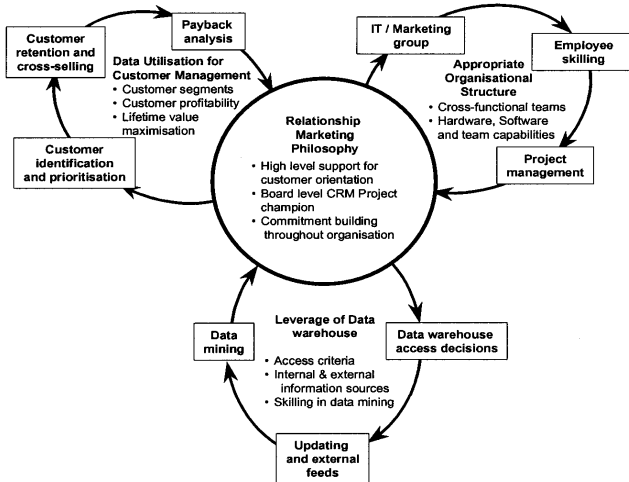


Fig.1. A framework for CRM adoption [16]

Consideration of all these four elements is necessary when any organization wants to adopt CRM. These components are as follows.

The first aspect is a **relationship marketing philosophy**. This philosophy involves a strong emphasis on building long term relationship with appropriate customers and recognition of the role of IT as a tool to achieve the goals. Relationship marketing has two objectives, namely attracting and retaining customers. Hence, CRM adoption strategy is the key solution to achieve these goals. Successful CRM adoption depends on the executive support. Since CRM implementation is a strategic initiative, it needs support from top management.

The second aspect is an **appropriate organisational structure**. Since IT people possess a rich knowledge about IT and technology issues but lack of marketing knowledge, establishing cross-functional team between IT and marketing people is needed. In order to implement CRM successfully, all team members within a company must have responsibility to design and implement the system (which consists of hardware and software). End users should be involved in the design phase of the system since they will run the system in every day operational; hence, developing a user-friendly and helpful system can be done properly.

Leverage of data warehouse is the next important aspect to focus on to successfully deliver a successful CRM implementation. Data warehouse is a crucial issue; it needs broad access to all corporate data. By exploring data warehouse, customer information and their characteristics can be obtained; however, to get the knowledge of them, data mining is needed. Data mining tools include several analysis to identify similar behaviors or profiles across various customer information, explore pattern and relationship between variables, and identify preferences between them.

The last important aspect to emphasize is **data utilization for customer management**. A very large data

warehouse is not efficient for manipulating customer data. Hence, a more practical approach by downloading a subset of data into a data mart or database for manipulation process is further needed. This technique is useful for customer management, for example for the purpose of customer identification, customer prioritization and target segment determination.

Consideration of these four components in CRM adoption should assist companies to better adopt and integrate CRM into their business operations [12].

On the other hand, there are some barriers in developing and adopting CRM system [12], such as lack of skills, inadequate investment, poor data quality and quantity, failure to understand the benefits, and inadequate measurement systems.

Lack of skills in developing and using the new system is the major problem of CRM adoption. Using trained and experienced consultants who are well-trained and certified by the software providers will help to solve this problem. Providing enough training for end-user is necessary for successful CRM adoption. The training should cover all related materials like demonstrating features and functionality of CRM, change management and adaptation into new business processes [7].

Gaining adequate funding for CRM adoption is an essential factor in successful CRM strategy as CRM needs a huge investment in developing, adopting, and socializing the system itself into the whole unit of business within an organization. Furthermore, commitment from top management and change management culture put in place in the implementation stage are the key success factors to consistently and continuously embrace CRM implementation in day-to-day operations basis.

Data quality is a crucial aspect in developing customer data warehouse. Data cleansing and data de-duplicating are necessary tasks to prepare data input for CRM system.

It is important to establish business benefits, goals and objectives to be achieved in a CRM adoption. Inexact and unclear objectives will create low awareness of CRM shareholders within CRM project.

Measurement and reward system are crucial factors. Organisation that successfully in adopting CRM usually set-up benchmarks for their business process and identify the performance metrics against those process and measure the effect of CRM application in the metrics. Unfortunately, there is inadequate measurement system for CRM performance [12].

III. NEW COMPONENTS NEEDED FOR CRM ADOPTION FRAMEWORK

The facts that several organizations that have already implemented the CRM adoption framework proposed by Ryals and Payne [12] experience the failure in installing CRM implementation consistently and continuously within

the organizations indicate that there is a lack of key success factors in the CRM adoption framework. Hence, the proposed CRM adoption framework by Ryals and Payne [12] is still incomplete.

Organisations often face the issue of successful CRM implementation in the beginning of implementation project but then lose the spirit or mechanisms in place to consistently embrace CRM adoption in every day operations basis. This points out that there is a lack of strategic objective and success measurements put in place in CRM implementation. Hence, **strategic objective and success measurements of CRM implementation have to be included as part of the CRM adoption framework**. This technique is one of several ways to succeed CRM project since less of strategic objective and inadequate measurement system are two frequent barriers found in CRM practice that explain most of failure cases in CRM adoption. Another growing concern in the area of **human resources management in a project** as other key success factors for CRM adoption needs to be considered to be added to the CRM adoption framework in the near future.

Strategic Objective

Strategic objective has to be defined at the initial stage of CRM implementation. This is important because there are different CRM solutions for different objectives which each organization must prioritize on what it wants to achieve and chooses CRM technology accordingly to suit its unique needs [7]. The defined objective has to be aligned with the organisation's strategic goals. A real CRM strategy reflects the direction and financial goals of business strategy and sets out the guidelines on how the enterprise is going to build their customer loyalty system [10]. This successful implementation of CRM can be evidenced from Bayer Crop Science Industry that sets the whole strategic objectives at the initial stage of CRM implementation [9].

Several main causes of the **failure** of CRM strategy are as follows. There is a thought that technology is the sole solution [1]. **CRM is considered as being a new technology instead of a new way of doing things**. This is a wrong paradigm since technology only makes sense after the business objectives have been properly defined. CRM is not just about technology; technology is just one part of CRM that enables the necessary analytical insight and operational interaction [10]. Technology is only a mean to achieve the desired goals; further on, let the business goals drive functionality of the technology [7]. Another cause is a lack of vision and strategy. It is common not to have a well-defined strategy and measurable business objectives in the area of CRM [1] as found in many cases of real practice of CRM.

Success measurement of CRM implementation

Success measurement of CRM implementation is critical and has to be included in the CRM adoption framework as well. Every organisation implementing CRM

has to set measurable, specific CRM objectives and monitor indicators/candidates for successful measurement. Absence of clear and well-working performance indicators in the CRM results' analysis may lead to CRM project to be failed [6]. Similarly, Radcliffe [10] states that without performance management, a CRM strategy and associated program is destined to fail. Companies that do not attempt to quantify the benefits are much less likely to be successful than those who do [11].

Measurement system might be a metric that provides the feedback mechanism for continuous development of strategy [10]. These metrics have an internal and external focus and link operations to strategy and corporate benefits. Moreover, metrics can be viewed as a hierarchical structural measurement that each level has to follow. These hierarchical structural measurement is designed unique at each level depend on the purpose and the user. According to Radcliffe [10], there are two primary challenges in developing CRM metrics, i.e. understanding the linkage points between the levels and avoiding over-complex and over-simplified internal and external measure of CRM success and failure.

Moreover, Kellen [5] proposed several formal measurement frameworks. This measurement has some categories, such as brand performance measures, customer asset management, customer behavior, marketing performance, sales force performance, service center performance, field service performance, supply chain and logistic performance and web site performance.

Customer Management Assessment Tool (CMAT) developed by QCi is another useful tool [13]. CMAT is an assessment tool, backed up by a model of customer management that enables organisations to understand how well they manage their customers. It is supported by a methodology, software toolset, and best practice knowledge library and benchmark database. CMAT assessment includes interviewing and observing people involved in CRM strategy within a business unit of a company from senior management down to front line service providers that directly serve and interact with customers.

Furthermore, one way to measure success is the achievement of strategic objective set prior to the implementation process [8]. In the IT project management methodology, the project overall goal and measure of success is referred to as the project's measurable organisational value (MOV).

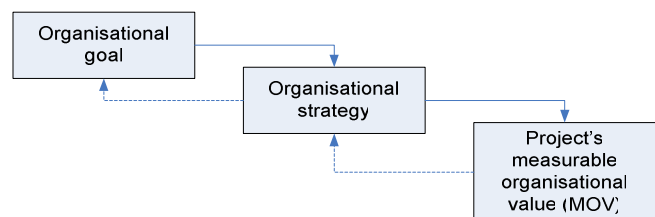


Fig.2. The IT value chain [8]

It is clear from Figure 2 that an organisational goal defines an organisational strategy and project MOV support organisational strategy. This mapping shows how a project's goal aligns with an organisation's strategy and goal. Then, at the last step of project, the project's actual achievements can be compared to its initial MOV to determine whether the project was successful. If the project is succesful (it either met or exceeded its MOV), the project will explicitly support the organisation.

There are six basic steps in developing project's MOV. The first step is identifying desired area of impact of the project. The sample of impacts are summarised in Table 1.

Table 1. Potential areas of impact for project (Adapted from [8])

Potential Area	Examples of Desired Impact
Strategic	<ul style="list-style-type: none">- Penetration of new markets- Increase market share
Customer	<ul style="list-style-type: none">- Customers receive better products- Transaction process are more efficient and effective- Customers have more choice of products
Financial	<ul style="list-style-type: none">- Increased profits- Increased margins

The second step is determining the desired value of CRM project to the organisation. We can identify the value of a project by key words: better, faster, cheaper and do more. The first three criteria (better, faster and cheaper) focuses on quality, effectiveness, and efficiency, while the last criteria 'do more' focuses on growth.

The third step is developing an appropriate metric. This metric should provide the CRM project team with a target or direction, set expectations among all stakeholders, and provide a mean for evaluating whether the project is success or not later on. The metrics may be expressed as money, percentage and numeric value. For example, an organisation wants to increase profits 20 percent or around \$2 million.

After the target metrics was created, setting a time frame for achieving the MOV is the next step. The project stakeholder should decide on how and when CRM project MOV will be evaluated. The MOV should be flexible to accommodate all expectations and needs of organisation.

The next step in developing MOV is to verify and get agreement from the CRM project stakeholders. Sometimes, this is not easy, since several CRM project sponsors need to agree on what will make a project successful or what exactly will bring value to the organisation.

The final step is making MOV summary in a clear, concise statement. MOV summary will provide an important chance to get final agreement and verification; provide a

simple and clear direction for the project team; and set explicit expectations for all project stakeholders. The example of MOV is described in Table 2.

Table 2. Sample of MOV

Year	MOV
1	15% return on investment 500 new customers
2	20% return on investment 1000 new customers
3	25% return on investment 2000 new customers

IV. CONCLUSIONS

The CRM adoption framework proposed by Ryals and Payne [12] points out four key success factors for a successful CRM implementation within an organization consists of: relationship marketing philosophy, an appropriate organizational structure, leverage of data warehouse, and data utilization for customer management. However, the study on the successful CRM implementation in Bayer Crop Science Industry suggests another key success factor of defining a strategic objective in the initial CRM implementation.

Due to the study on factors that enhance the successful CRM implementation and analysis on the contributing causes of several failure cases of CRM implementation, two additional key success factors to be added into the framework to better enhance the successful CRM implementation and minimize the failure rate. The two new added components are strategic objective and success measurements of CRM implementation.

Defining measurable strategic objective at the beginning of the CRM implementation is essential. On the other hand, defining the success measurement of CRM system is also critical. Both tasks should be included in the CRM adoption framework.

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