

## Key Issues for Customer Relationship Management Strategy

**Most CRM initiatives have failed to deliver the expected value, because enterprises have not yet mastered this rapidly evolving business competency at a strategic level.**

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### Core Topic

Customer Relationship Management:  
Creating Business Value for CRM

### Key Issue

During the next five years, how will business strategies, behaviors, processes and technologies evolve to enable enterprises to develop more profitable customer relationships?

In a world where trust in business is declining and economic uncertainty is increasing, enterprises worldwide need to look at customer relationship management (CRM) as a strategic competency to achieve corporate goals and stakeholder returns. However, most enterprises have not yet set critical, corporate-level objectives for CRM initiatives to create a customer asset base. Many have also failed to develop a unifying strategy designed to build up vital new business skills. Instead, CRM has been implemented in a piecemeal and uncoordinated fashion. For this reason, many enterprises have failed to realize the promise of CRM. They remain confused about exactly what CRM is, and uncertain about how it can deliver value in their specific circumstances. The result is a crisis of confidence in CRM that could well mean it goes the way of other eagerly adopted management theories — such as total quality management and business process re-engineering — that offered opportunities that many enterprises never realized.

However, business simply cannot afford to ignore CRM. Profound changes in world economies — notably, the increasing trend toward globalization, virtualization and transparency — demand that enterprises become more skilled at managing customers, employees, partners, suppliers and other stakeholders, such as investors. The increasing trend toward outsourcing means an enterprise's relationships may be its most valuable assets. Any enterprise that takes relationships for granted risks suffering extreme competitive disadvantage. This is why, despite the difficulty of the current climate, enterprises are continuing to work toward developing CRM competency, and why Gartner sees it increasing in importance on the business agenda. CRM is absolutely critical to enterprises' continued success and, perhaps, to their very survival.

For this reason, enterprises urgently need a clear, actionable understanding of CRM: What it is, how it creates value for them

### Gartner

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and their customers, and how it can be implemented strategically and effectively. This understanding is not easily achieved. CRM is an evolutionary process, not a revolutionary one. It demands not only the deployment of rapidly evolving enabling technologies, but also the development of new and advanced management skills. True CRM success requires that enterprises address these key issues:

**What is CRM, what drivers are emerging to force its adoption, and how will it evolve?**

Enterprises cannot remain competitive if they do not recognize the powerful environmental factors at work in the global economy and develop new, cross-functional relationship management capabilities to address them. Economic forces, technological advances, regulatory shifts and cultural changes are rapidly transferring power from enterprises to the individual. Most CRM initiatives have not yet addressed these factors adequately, nor built up an understanding of how CRM will create value for the enterprise. CRM has evolved as a set of fragmented, confused ideas about loyalty and retention schemes and about using emerging technologies to increase the productivity of sales, service and marketing operations. Moreover, CRM initiatives are typically undertaken to support tactical objectives — such as cost reduction — rather than to build up the value of the customer asset base. Gartner's research will help enterprises understand how CRM can deliver value in their markets and guide them on how their strategies should respond to changing environmental pressures.

**During the next five years, how will business skills, techniques and technologies evolve to enable enterprises to develop more profitable customer relationships?**

CRM — both the technology and the business practice — continues to evolve at an extremely rapid pace. Enterprises are constantly evaluating emerging technologies, but many have not yet developed the business techniques and practices that CRM success demands. CRM's scope is broadening, and it requires the application of technology and techniques from a wide range of other disciplines, including e-business, knowledge management, human resources, change management and accounting.

Ongoing Gartner research into CRM will address many critical issues relating to emerging technologies and techniques, such as: How can CRM decision makers differentiate between industry hype and true business value? Which CRM tools and techniques — for example, attitudinal segmentation, loyalty schemes and dialogue planning — are being used by enterprises? What is

being learned from their implementation, and what, if any, value is being created by them?

**What is a CRM strategy, and how does it relate to and integrate with other enterprise business strategies and operations?**

A unified CRM strategy is absolutely critical to CRM success, but developing and implementing such a strategy is a complex, difficult and intensely political process. Enterprises must find the answers to many tough questions. For example, what exactly is a CRM strategy, and how does it integrate with business strategy? How can the value of a customer asset base be established so that financial markets will consider it acceptable as a tool for market valuation? What tactics should be considered, and what role should be played by evolving marketing science techniques, such as market positioning, econometric modeling, branding and customer experience design? How does CRM give direction and guidance to other operational strategies, including sales, service and marketing? How does a CRM strategy differ from a CRM implementation plan? All of these issues will be addressed through continuous Gartner research.

**Which employee behaviors and organizational changes will best enable enterprises to capitalize on CRM?**

People, as opposed to products, pricing or technology, are ultimately the key to achieving competitive advantage — particularly through CRM. This simple fact means that enterprises must achieve radical cultural change to transform product-centric, functionally separated organizations into streamlined operations capable of meeting rapidly changing demands. Enterprises must be self-renewing, innovative, agile and aligned with customer needs and expectations. Gartner CRM research will examine the demands that this transformation will place on enterprises. How can enterprises develop leadership that gives firm direction, offers up-to-date information, mitigates risk and enables effective decision-making? What are the best practices in organizational design compensation and incentive schemes, cross-functional employee collaboration, decision-making processes and employment of the right skills and competencies? How can enterprises employ the latest behavioral thinking and practices to support a customer-centric approach?

**How can enterprises control the investments and identify the benefits needed for CRM?**

CRM requires substantial investment, whether it is in new funding, resource allocation or opportunity cost. All of these need

to be justified, especially in times of severe economic constraints. However, it takes time to achieve the objectives of a CRM strategy — acquiring a valuable customer asset base, building sustainable relationships or establishing return on investment. CRM objectives are not, and should not be, short-term. However, realizing the long-term goals of CRM means building up the short-term benefits that lead to them. Gartner research will highlight the issues that enterprises must consider to achieve this: How should an implementation be organized and initiatives prioritized, particularly when this has been a cause of failure in the past? How can CRM success be evaluated and measured? What are the best ways to define, monitor and manage a CRM value proposition?