

# Chapter 5

## Implementing a Customer Relationship Management (CRM) System

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### ABSTRACT

*CRM systems offer companies a unique ability to manage their customers more effectively. There is a wealth of benefits to CRM both internally and externally, and if used correctly, they can grow a company's customer base and profits. Despite this, the implementations of these systems have a high rate of failure, with companies often spending large amounts of money without gaining anything other than an internal reporting tool. This chapter looks at the reasons behind these failures, looking at previous case studies, theories, and problems to decipher the main issues. The authors then use a recent CRM implementation as a case study to see how these issues relate to a real-life scenario. The research concludes with a 10-step plan which can help academics and practitioners in gaining a better understanding of the implementation issues involved with such complex systems.*

### INTRODUCTION

A report published by Gartner shows that the worldwide CRM market grew 13.7% from \$18B in 2012 to \$20.4B in 2013. They anticipate that CRM usage will increase to \$36.5B worldwide by 2017, which is a significant increase from the \$20.6B forecasted for this year. However, research also suggests that 80% of CRM implementations fail (Rowley, 2002; Muhmin, 2012; Nguyen & Mutum, 2012). Although there has been extensive research into CRM implementation and why it often fails, studies predominantly concentrate on the technical performance of the implementation (Payne & Frow, 2005; Xu & Walton, 2005; Cox 2013), or data migration issues involved (Manjunath, Hegadi & Archana, 2012; Canter, 2013). Therefore, the purpose of this study is to research CRM implementation and the challenges involved in such complex implementations.

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This paper will start by exploring the benefits of CRM systems and why companies decide to implement them. We will review the literature on the challenges that companies face during implementation and then we will examine a real-life implementation case study. Our conclusions will provide academics and practitioners with a clearer understanding of the CRM implementation and will summarise the main aspects that need to be taken into consideration during such complex implementations.

## **BACKGROUND**

Clemons (2000), defines CRM from a customer's viewpoint and suggest that in essence a tiny proportion of a company's customers will generate the bulk of its profits, "identifying, collecting and keeping these clients is the very essence of customer relationship management" (Clemons 2000:25). However, according to Krauss (2002) a CRM implementation and strategy can only be deemed successful only if it can actually improve customer loyalty. One of the main reasons for failure is the reluctance to put CRM and the customer at the heart of the company. Girishankar (2000) proposes that for CRM systems to become successful companies must take a holistic approach to their implementation.

Research claims that corporate structure, employee involvement and management support are the key factors for the successful implementation of a CRM system (Galbreath & Rogers, 1999; Lindgreen, 2004; Pinto & Rouhiainen, 2001). Companies need to be connected and open to communication while management must be de-centralized and encourage subordinates to innovate since often employees are the ones that can steer the vision of a CRM system. A good project leader will set out a clear mission on what the CRM system will achieve, gain management support, schedule a clear implementation plan, communicate frequently with the end user, recruit a successful well trained team, train employees successfully and gain end-user acceptance once the implementation is finished.

Siddiqi, Akhgar, and Wise (2011) agree that a clear report must be produced and analysed before a formula for success is produced because success depends highly on how the company views and aims to use the system in the first place. Organizations must choose between a customer focused system that allows a personalized service, or a company focused system that is mainly used for analysis and forecasting. It is likely that using a "soft" approach to the system, targeting specific customer in tailored ways will bring the best financial gains, and therefore employee motivation and support. Furthermore, Kotorov (2003) suggests companies must view CRM as a strategy rather than a technology solution.

Payne and Frow (2005) and Parvatiyar and Sheth (2001) believe that the lack of expertise and communication from IT departments is the most important factor in failure. Payne and Frow (2005) state that due to marketing and IT departments having no previous link, the lack of communication can lead to migration problems. This is a continuation of Parvatiyar and Sheth (2001) model, who suggest that in an enthusiasm to implement CRM, companies can hastily pass the implementation on to the in-house IT department. In order for a CRM implementation to be successful, employees must be involved in the design since the ineffective communication between IT and other departments leads to the implementation of a technically biased system, rather than one with wider benefits (Lindgreen, 2004; Pinto and Rouhiainen, 2001).

Xu and Walton (2005) state the reason for most failures is the lack of technology advancements and companies not pushing for greater analytical power from the systems. They believe that by being

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