Chapter 7.14
Customer Relationship Management (CRM) Metrics:
What's the Holdup?

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ABSTRACT

Adopting a focus on CRM has been an industry standard for nearly two decades. While evidence suggests that a majority of the attempts to implement CRM systems fail, no single reason for the failures has been identified. Assuming that CRM implementation is an extension of a customer-oriented business strategy and assuming successful integration with Enterprise Information Systems such as Enterprise Resource Planning (ERP) systems, the authors contend that the lack of valid and reliable CRM metrics leads to the perception of failed CRM implementation. Only through the development, application, and use of CRM metrics can organizations hope to achieve their CRM goals.

INTRODUCTION

For nearly two decades, businesses worldwide have sought a means to connect meaningfully with their customers. For many, the integra-

tion of information technology and marketing has provided a platform on which to build this connection. Thus, Customer Relationship Management (CRM) has emerged as the strategic bridge between information technology and marketing strategy (Wehmeyer, 2005). CRM is a customer-centric business strategy in which an organization seeks to increase customer satisfaction and loyalty by offering customer-specific services (Kristoffersen & Singh, 2004). CRM allows companies to collect and analyze data on customer patterns, interpret customer behavior, develop predictive models, respond with timely and effective customized communications, and deliver product and service value to individual customers (Chen & Popovich, 2003). Acquiring a better understanding of existing customers allows companies to interact, respond, and communicate more effectively with them in order to improve retention rates, among other things. The goal is to return to the feeling of yesteryear, when small business owners and customers knew each other intimately and shared a sense of community (Chen & Popovich, 2003).

Since CRM requires an integration of information technology and marketing, cross-functional cooperation becomes mandatory for success (Nairn, 2002). But this cooperation isn't the only prerequisite for success. Two other critical success factors have been identified: (1) a customer-centric business model (Chen & Popovich, 2003) and (2) appropriate business processes and integrated systems (Bull, 2003). In addition, resource constraints impact CRM implementation. It is estimated that the average investment in CRM applications per company is U.S.$2.2 million (Chen & Popovich, 2003). Estimates of 2004 global corporate expenditures on CRM range from U.S.$23.5 billion (Bull, 2003) to U.S. $125 billion (Adebanjo, 2003; Winer, 2001).

OVERLAP BETWEEN ENTERPRISE RESOURCE PLANNING (ERP) AND CUSTOMER RELATIONSHIP MANAGEMENT (CRM)

Many CRM packages were developed by legacy systems vendors (ERP) to be seamless additions or modules (Adebanjo, 2003). ERP systems are thought of as back-office systems, whereas CRM systems are thought of as front-office systems (Corner & Hinton, 2002). ERP systems address fragmented information systems, while CRM systems address fragmented customer data. The two systems work together interactively in order to produce data on which managers are able to increase competitiveness by reducing costs and increasing sales. The goal of CRM technology is to link front-office (i.e., sales, marketing, and customer service) and back-office (i.e., financial, operations, logistics, and human resource) functions with the company's customers (Chen & Popovich, 2003).

The importance of integrated corporate applications such as ERP and CRM is increasing despite reports of negative experiences and failed implementations (Huang, Yen, Chou & Xu, 2003). But prior to focusing on the pitfalls of CRM implementation, the following sections offer the potential benefits sought by businesses that pursue CRM as an active business strategy.

POTENTIAL BENEFITS OF CRM

There are many potential benefits of integrating ERP and CRM systems (Huang et al., 2003). Some of the possible outcomes of successful CRM implementation include increased competitiveness through higher revenues and lower operating costs; increased customer satisfaction and retention rates; increased customer value; potential to assess customer loyalty, profitability, and ability to measure repeat purchase; dollars

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