

Back to the Future: a Retrospective/Forward Look at CRM

White Paper at a glance:

Most people consider the concept of CRM to be a phenomenon of the late 90s. This notion is partially accurate in that the roots of CRM can be traced to the early 1980s when the foundation for sales force automation (SFA) was being formed. For the reader that may be an interesting footnote, but the logical question is how does that apply to the challenges of today! The short answer is plenty! The longer answer is that we are on an evolutionary track and it can be argued that if we do not understand and learn from history, we are likely to repeat its mistakes. All one has to do is to look at the historical failure rates in the industry to find they have not appreciably changed.

Having been an early adopter of SFA in the 1980s, sold SFA software in the late 80s, and done consulting throughout the 90s, the author has a unique perspective regarding this industry. Having seen and experienced the industry from its infancy, he has seen the good, the bad, and the ugly. However, the thrust of this article is not to dwell on mistakes but rather to focus on getting it right. Looking at the past 20 years, the author will provide a historical perspective and then discuss how we should leverage this experience to achieve success.

The Beginnings of SFA

Corporations have long been concerned about the costs and productivity of their sales force. The expenses associated with managing and supporting a field organization are substantial and historically, sales management has utilized call reports for good or evil to try to “manage” the performance of the field organization. If senior management perceived the sales organization to be a necessary “cost,” then there was a great emphasis on cost containment as an operating philosophy and a focus on activity as a consequence.

In the early 80s, there emerged a number of technologies that started to offer cost reduction potential for the management of the sales organization. One of these was a portable dumb terminal and printer (similar footprint to a laptop) that enabled e-mail through a value added network. This development facilitated communication with the field and eliminated a great deal of telephone tag.

From a call-reporting standpoint, technologies such as “optical reading” and “marked sense” offered an alternative to keying call reports into a database (particularly true with consumer goods companies). As one might guess, these technologies were infamous for lapses regarding accuracy and often became the platform for political football. On the positive side, the technology tended to reduce cost and improve turnaround for providing data but the quality issue continued to muddle decision-making. In many cases, nothing really changed except the battle lines.

The advent of programmable chips spawned a class of handheld devices that could be customized to capture call report data directly from the sales person. These devices represented a significant investment, but they largely eliminated the debate regarding accuracy plus they provided a daily inflow of information regarding the condition of the marketplace. The devices had a battery life of at least eight hours but they had limited

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LCD screens and keypads. The early handhelds had one-way communication capability therefore to change anything required that they be mailed to a central location for a hardware change and then re-shipped to the remote user. Early adopters of this technology were the large consumer goods manufacturers. Later the technology was upgraded to two-way communication, but with small screen size, messages had to be coded and application navigation was a significant issue. These challenges are not terribly different from the issues faced with converting cell phones to e-mail and browser applications. Even after laptop computers emerged in the marketplace these devices have persisted due to their size, cost, durability and battery life advantages.

Enter the Era of the Laptop Computer

True laptop computers became available at the \$2000 level in the mid-80s. These early units had black and white LCD screens and a footprint not radically different from today's design. It is interesting to note that the early providers of SFA software for laptops did not emerge from the handheld community but rather from technology and sales consulting backgrounds. Early SFA capabilities included (not universally across all vendors):

- Proprietary e-mail
- Territory management (customer profiles and call reporting)
- Word processing
- Report distribution
- Two-way data transfer
- Database synchronization
- Electronic software distribution
- Order entry (tended to be custom coded)

It is also noteworthy that networked solutions preceded standalone SFA applications; although this might seem to be an illogical progression, it was network to standalone. User organizations often required the vendor to operate their system for them because most IT departments, at that time, were not interested in supporting the sales organization with this type of application. Thus, the concept of hosting was fundamental to the beginnings of the industry and was a necessity for vendors to support such as service in order to survive. Likewise, most vendors provided help desk and inventoried spare laptops for their clients.

As impressive as the early applications were (and are), these tools represented an attempt to reduce administrative costs as opposed to value delivery. Even today, justification often revolves around the notion that the sales person will have more face-time. This is the most tenuous of all arguments because it is completely dependent on the ability (or motivation) of the salesperson to utilize this time. This type of cost/benefit analysis has led to many heated debates regarding the creation of a viable ROI and influenced the adoption of the technology.

One industry that did clearly benefit from the limited capabilities of the early applications was the Pharmaceutical industry. The ability to influence and manage coverage was inherent in the territory management technology. Patterned Calling is key to productivity for pharma reps and market penetration (particularly with high prescribing doctors) is strongly correlated with new product profitability. These factors led to early

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adoption and success, which quickly led to wide utilization across the major pharma companies. Another interesting parallel to today's popularity of PDAs is that some pharma companies purchased a small device called the Casio Boss™ (pocket organizer), removed the memory and replaced it with a capability to interface with the sales person's computer so that the sales person used the Casio device for calls and call reporting and synchronized with the PC on a daily basis. This was 1988, and we still struggle with this concept.

The Need for a Forum

Despite early successes, there were many failures. Poor selection of hardware and software, projects led and dominated by the IT organization with little user interface, no ROI justification, etc. were rampant. Just as today, technology galloped along with an increasing din of hype; potential users needed insight. All of these factors created a huge demand for education and networking amongst user organizations.

SFA conferences began in the late 1980s; Babson College (Boston) sponsored one of the early SFA networking events and continued for several years. The Index Alliance (Sloan School of Management) also sponsored briefings on the capabilities and function of SFA in this same time period. Recognizing the need for specific methodologies and discipline regarding the implementation of SFA, Dr. Paul Seldon founded the Sales Automation Association (SAA) in the early 1990s. In addition to providing an annual networking event, Dr. Seldon created several books and training seminars that pioneered a better understanding of how to successfully implement these projects. Over the years, other shows and events have emerged along with publications such as CRM Magazine offer an on-going source of information and insight.

A Watershed Event

Although it is now lost in the avalanche of articles and books written about SFA and CRM, in 1988 an article appeared in the Harvard Business Review that essentially legitimized SFA as a valid tool for managing sales and marketing. Not only did it reference evidence of justification, but it also positioned SFA in an enterprise context. At that point in its evolution, many consulting experts were viewing SFA as a novelty. From a vendor standpoint it was a welcomed relief from the barrage of negative press. With validation from the HBR, SFA could now be recognized as a legitimate and viable force in the marketplace. However, until the concept of CRM became popularized the enterprise aspect of the article was largely unfulfilled and some would say remains unfulfilled by today's organizations.

SFA to CAM to CRM

The road to CRM started with the idea that all customer data should be available to the organization and that Sales and Customer Support functions should share the same database. To support this notion and technology, the term Customer Asset Management (CAM) was coined. CAM embraced the idea that an organization's most important asset is its customers and therefore must manage these assets (obviously with technology). As this concept became popular, there emerged a land grab for point solution companies so as to assemble what would be recognized as a suite of applications. Terminology switched from CAM to Customer Relationship Management (CRM). These changes also position SFA as a mechanism to help sales people deliver

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value to customer organizations. For example, configurators offer a great opportunity to add such value while enhancing productivity.

The “e” Thing

We are all too familiar with the excesses of the late 90s regarding the Internet. Unfortunately, these behaviors were reflected in using "e", "i", and @ in every company name and service possible. This overuse has essentially obscured and trivialized a very important set of capabilities. The “e” infers the ability to extend an organization’s infrastructure to partners, customers, stakeholders, and shareholders in a way that adds value to their relationship with the company. User organizations need to cut through the hype to find the true competitive nuggets amongst the fool’s gold.

Where Are We Headed?

We must remember that the industry is based on technology; therefore it will describe itself in terms of these capabilities. Based on today’s applications, it is difficult to draw clean lines between that which is e-Business versus CRM or eCRM; therefore it is likely that there will be a move toward an encompassing concept such as demand chain management. There are many critics of the industry that would suggest that demand chain management is merely a guise to take attention away from the fact that the industry failed to adequately define CRM much less deliver it. There is an element of truth here but ultimately organizations must be about the business of optimizing channel performance on the road to satisfying customers. This is the foundation of the notion of demand chain management. Supply chain management will forever be constrained by the accuracy and timeliness of the forecasts (or transactions) as they occur in the market. Therefore, the linkage of demand and supply chain capabilities is inevitable and represents a quantum leap in asset utilization for many organizations.

What Should We Have Learned?

If we are to break through to a new level of success, then the industry and end users must subscribe to the following best practices:

1. Technology is an Enabler

The industry defines itself in terms of technology but user organizations **must** approach it as an enabler. Technology driven initiatives have a high probability of failure. In the early days of SFA, the limitations of laptop technology became the focus of attention. This became so rampant that a scathing article became popularized titled “It’s not the laptop, Stupid!!!” The focus must be on solving business problems and leveraging business opportunities.

2. CRM is a Team Sport

CRM is an enterprise strategy. The concept and strategy commits the organization and departments to interact in new ways. It takes a team effort to succeed. Everyone needs to participate.

3. We still Haven’t Got SFA Right

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There are companies that have gone through 4 or 5 iterations of SFA and still not gotten right. It starts with defining the sales process and it ends with helping sales people manage their territories and deliver value to customers. Unequivocally, any other formula will provide marginal results.

4. Success is Spelled ROI

Everyone wants to be successful, but how many initiatives define what success looks like and have corresponding measures to know when they have achieved it? If there is a lack of definition of success, does an organization have the right to claim that they failed? Think about it? A well articulated business case and ROI establishes a definition of success by also conveys a clear message regarding what's at stake. How likely is it that management will abandon such a project or not give it top support?

5. Senior Management Must Be Engaged and Committed

There is an old joke regarding the difference between being involved versus committed; it observes that in making a ham and egg breakfast, the chicken is involved but the pig is committed. These initiatives represent major organizational change. Despite ambitious claims, there are few truly customer centric organizations. Success requires senior management leadership.

If current versions of critical success factors were compared to those recognized in the infancy of SFA, they would not be radically different; yet the success rate during these years remains relatively unchanged. Why is that? These initiatives are difficult to get right but organizations approach them thinking it is the technology that is difficult when it is really the softer, human issues that are likely to be the greatest hurdle. The good news is that if it were only the technology, everyone would apply it and the competitive threshold would be universally raised. Getting it right is a people issue that tends to be unique to each organization and is difficult to replicate and therefore offers the framework for an on-going competitive advantage.

About the Author



About The Author

Glen S. Petersen is an internationally recognized speaker, writer, practitioner, and thought leader in the Customer Relationship Management (CRM) and e-Business industries. Mr. Petersen has held senior level management positions with systems integration and end user organizations and is the Managing Director of GSP & Associates LLC, a consulting firm dedicated to helping organizations leverage and justify their investment in CRM related technology.

Mr. Petersen is the author of seven books:

- *High-Impact Sales Force Automation: A Strategic Perspective*
- *CRMS: ROI & Results Measurement*
- *CRM Leadership and Alignment in a Customer Centric World*
- *ROI: Building the CRM Business Case*
- *CRM Best Practices: Self Assessment*

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- Making CRM An Operational Reality
- The Profit Maximization Paradox: Cracking the Marketing/Sales Alignment Code

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