



The third wave of CRM

**An organization's return
on investment**

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Customer relationship management (CRM) applications have significantly evolved over the past several decades. Custom mainframe solutions that acted as a customer data repository have slowly been replaced with cloud-based solutions that provide a one-time cost benefit and an improved desktop and mobile experience, but generally miss the opportunity for long-term digital transformation. As CRM capabilities continue to evolve and platform capabilities expand, we expect an accelerated migration to a third wave of business and value-driven CRM transformation. We are already beginning to witness companies becoming more deliberate and focused on achieving return on investment (ROI) from their CRM investments. Insight-led decision support will better align the customer-facing organizations of companies with their customers according to how they want to be engaged, driving deeper market knowledge, and more informed decisions on how to serve buyers and existing clients.

The CRM wave pool

The concept of keeping records of customer relationships is not new. Whether these records are kept on a local spreadsheet, in a series of notes on a desktop card file, or in an enterprise-wide CRM software application, professionals have been tracking their relationships with customers for many years.



First Wave—Custom mainframe solutions:

The first wave of CRM technology has its roots in marketing and relationship tracking software. These systems were used to simply track an organization's customers and contacts in a central location, providing an early way for companies to understand their customer footprint and begin to use customer data in a centralized manner. This technology quickly evolved into a set of custom solutions designed to fit the unique requirements of each organization. While custom applications allowed companies to creatively meet their CRM needs, the nature of the technology also resulted in system capabilities that quickly drifted from a core CRM tool to a web of features and functions that landed far from the original purpose of the tool. Due to customizations, these platforms were generally unsupported and quite costly to maintain. Furthermore, these highly customized CRM tools provided no clear and efficient path to upgrades, and the applications didn't evolve with the market—and more specifically, customer needs. At the end of the day, clients of this era were left with an application that met their short-term needs, was costly to maintain, and relied on a core set of employees to keep running.



Second Wave—A move to the cloud: The second wave of CRM technology kicked off with a mass migration to the cloud. Software companies like Salesforce changed the model by introducing scalable cloud-first CRM solutions that allowed businesses, regardless of size, to access their business data in a unified central repository. Companies rallied around the hype, excited to cash in on the promises of new, extensible "cloud" applications. The move allowed organizations to reduce capital expenditures and technology risks while promising a more agile approach to customer relationship management.

The accounting exercise of shifting costs proved to be a short-term benefit, with many companies incurring expensive recurring license fees and subscription costs, with limited insight into the true return on those investments.

The opportunity to immediately reduce infrastructure costs often included a parallel expectation to improve and standardize marketing, sales, and service processes as a byproduct of the SaaS economic model. A side effect of this shift was a one-size-fits-all process approach for organizations moving to a cloud-based CRM solution. Many companies standardized their customer processes based on system out-of-the-box capabilities rather than on their customer needs and operating model best practices. Because of this, we have seen very few companies accomplish a sustained uplift in business as a direct result of their initial transformation to a cloud-based system. To further complicate the matter, many organizations planned their transformation to a cloud-based CRM tool as a one-time event, rather than a continuous transformation of the business enabled by a nimble and efficient tool. The resulting frustration typically impacted three major groups of CRM users:

- 1. Users who have been trained on how the application works, not how the application can help them be successful**
- 2. Management teams that neither use their CRM application to manage their business nor have access to the data needed to make informed decisions to better meet business objectives**
- 3. Senior leaders, peripheral business units, and support personnel who cannot trust the data to make strategic decisions and accurate forecasts**

The ongoing challenges around CRM-enabled transformation have caused many companies to question their investments in CRM as an organizational force multiplier. This moment of reflection from senior executives is driving the third wave of CRM technology, directly linking investment in CRM applications to business objectives and user adoption to extract an expected ROI.



Third Wave—A focus on value and ROI:

Organizations are increasingly examining the ROI of their CRM application as they continue to face challenges with data quality, adoption, and user experience.

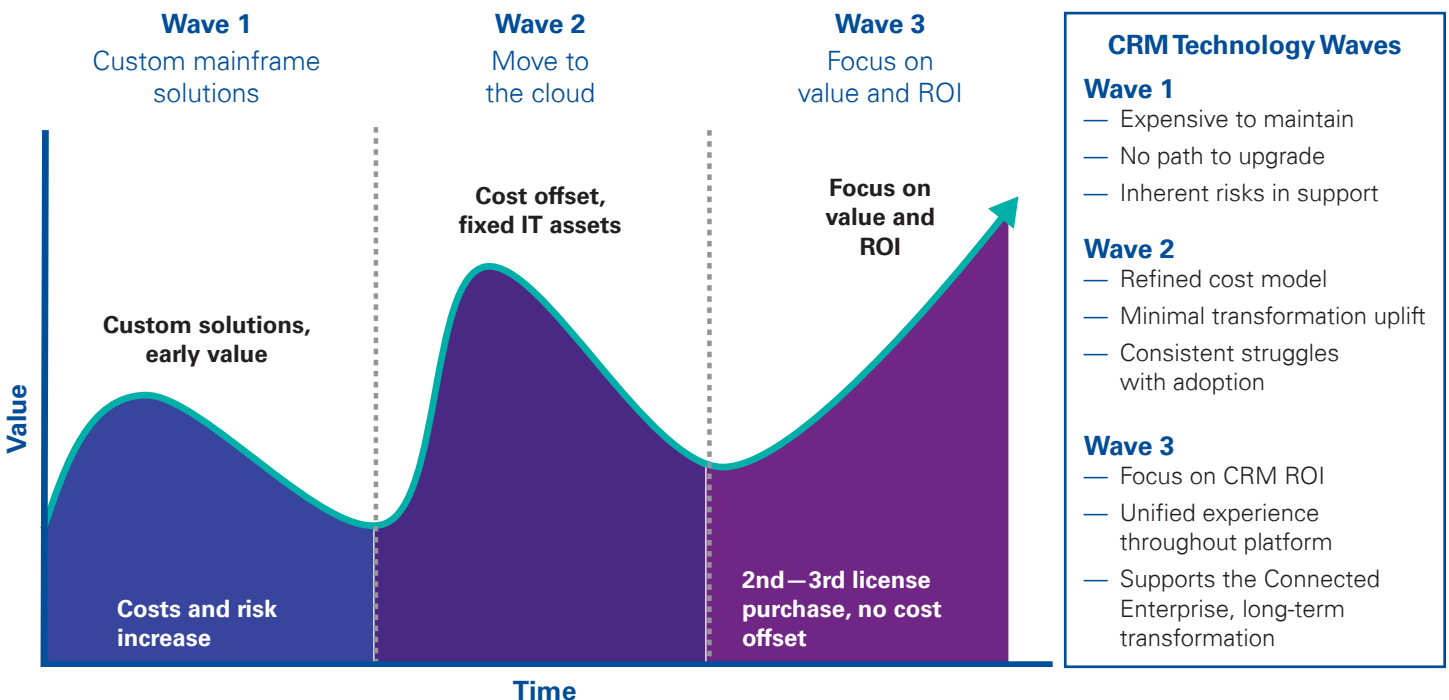
While many mid- and back-office applications automate processes that do not vary greatly, sales and marketing professionals will generally have multiple ways they can be successful in their roles that vary greatly based on their industry. The use of CRM is usually one of those tools that can help customer-facing end users be more successful, but typically increases in value with industry and business model-specific workflows, dashboards, analytics, visualizations, alignment with performance management programs/processes, etc. Companies continue to face challenges with off-system processes and business unit preferences that include non-CRM systems that are used to supplant shortfalls of a CRM system that does not support the way in which a

business operates.

All of these challenges introduce friction in the customer ecosystem and drive inefficiencies and lost opportunities to better serve the customer base and achieve business objectives.

The third wave of CRM technology is centered on solving the CRM value conundrum; embedding newer, more customer-aligned platform capabilities while helping end users win at work through more of a business lens. Optimizing a process is only part of the solution. Perhaps more important at this juncture is orienting these solutions around industry-specific personas, journeys and business processes and challenges. Salesforce has responded to this need in the past five years by releasing industry clouds including Financial Services, Healthcare, and Manufacturing, which adapted legacy B2B data models to better serve industries with their relationship management and customer experience needs. Today’s approach to creating an ecosystem that meets those needs includes the development of applicable insights, analytics, guided experiences, mobile capabilities, and rich technology ecosystems with integrated services to deliver a unified experience linked to expectations of value delivery. The result of these efforts leads to ROI by enhancing the Connected Enterprise through a direct link to expected value and strategic targets enabled by CRM.

The third wave of CRM technology



Achieving CRM ROI

CRM ROI starts with understanding how to convince your user base to use CRM technology to improve their ability to serve the customer, and ultimately improve their own performance.

A healthy adoption of CRM becomes a continuous positive feedback loop of end user engagement, and operational excellence. As adoption improves, data volumes and quality should improve. The end user will see the immediate benefits of their data entry and think of ways CRM can help them win. The results cascade into a network effect, bringing more users into the realm of regular usage of the tool by virtue of the consistent success of routine users of CRM. Conversely, if the end user doesn't trust the data, they will use CRM at a bare minimum (usually to satisfy CRM usage and deal crediting parameters). Better data at higher volumes results in more reliable and actionable insights, allowing accurate forecasting and opportunities for well-informed strategic decisions. These strategic decisions should guide the end user on a journey and allow the business and individual to improve the likelihood of reaching their objectives, resulting in sustained levels of

system adoption and ongoing reliable insights. The concept of a continuous loop of CRM usage and strategic insights is not complicated, but achieving this level of operational excellence is often a challenge.

Historically, organizations have spent limited effort and resources on adoption and change management during an implementation. Success is difficult to define, and in fact, many program leaders we know have considered it a "tax" on their project. Without well-defined benefits of CRM presented to the user, the user base will lose interest in CRM, or worse, view the tool solely as a way for management to track performance. Their focus will become "do as little as possible" to still secure deal credit, and ultimately compensation. This hinders the potential of the system to provide trustworthy insights. Fortunately, there are several different tools that, when used properly, can influence adoption over the course of time.





Boost ROI by driving end user adoption

Before any planning takes place, it is important to identify the expected business objectives within an organization. For example, a company may have a stated goal of improving cross-sell across the sales organization by 5 percent over the fiscal year.

How can that organization use CRM to help achieve that specific objective? In an ideal scenario, the sales team understands how to employ the full functions and features of CRM to improve their cross-sell opportunities, and the CRM technology is built to do so. This scenario is predicated, though, on a high user-adoption rate of the CRM.

The third wave of CRM evolution certainly includes adoption as a major pillar of CRM-based ROI. A CRM adoption strategy has several major components to it, each contributing to the overall success of the technology as a widely used and effective tool that drives achievement of stated growth objectives.

— **Executive buy-in, usage, and leadership communication is critical to the adoption of the CRM platform.** Company leadership needs to make it abundantly clear that the source of customer truth in terms of marketing, sales, service, or any other application of CRM capability will be CRM data. They must also use the platform to manage their business and drive performance communications with their employees. For example, if a sales manager uses the data and insights provided by their CRM tool to manage their sales territories, teams, and individuals, do you think sales professionals will follow suit? Our evidence would suggest there is a close relationship between the two.

— **Organizations must identify various adoption levers to drive user adoption.** Levers could include enforcement of standards (e.g., CRM pipeline is the only pipeline), rewards-based reinforcement, or using gamification tools to focus on a salesperson's targets around compensation and recognition as an example. Other levers include using internal social networks to drive usage. Adoption levers should not be used to achieve simple "usage metrics," but to drive intelligent usage of the system directly linked to advancing business objectives. These levers should almost certainly be underpinned by a system with features that supports the business users in their effort to increase their own performance.

— **Continuous business involvement in the development process is necessary to ensure the product matches the needs of the user base.** CRM implementations often stray from building to the core needs of the business. Friction is created when upper management expects the business and frontline leaders to use CRM, and the tool does not provide actual functionality driving business outcomes. "That's not what we asked you to build" is an unfortunately common, and awkward moment during a CRM program. Protecting the user's experience will ultimately reinforce the overall customer experience strategy, and will allow the customer-facing elements

of your business to do what they are meant to – better serve the customer. Arming your user base with the right features, providing the right information at the right time will ultimately drive improvements in your customer’s interactions with your marketing units, sales staff, and service teams.

- **The need for an engagement plan directly aligned to win themes and long-term business objectives is probably the most critical and the most often overlooked aspect of an adoption strategy.** Win themes are those key business objectives and outcomes that we can align directly to CRM system capabilities, ideally in parallel with an implementation. Win themes should be achievable with the direct use

of CRM as an enablement tool. Over time, win themes should mature into the business’s transformation plan. Any update to the CRM system should be directly linked to the overall transformation of the business, again, based on stated objectives. Once the win themes are established, the business must be engaged according to a journey-based engagement plan. This is the final critical exercise associated with CRM transformation. Engaging the user base in a manner that matures from a feature-based overview of the system to a day-in-the-life, benefits, and behavioral change management interaction over a sustained period of time will build the skills and confidence in your users to use CRM to improve opportunities to serve your customer base.

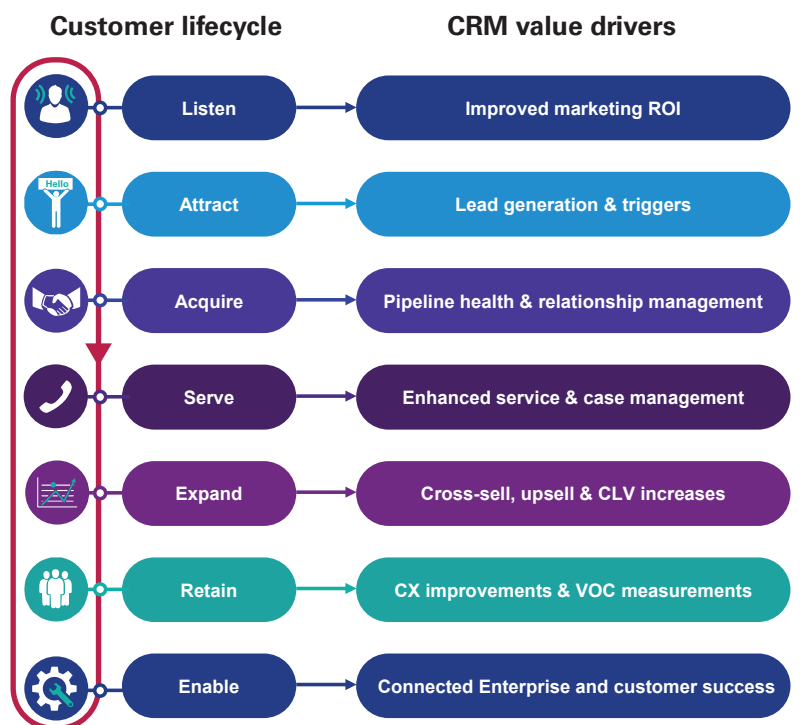


Achieving long-term benefits of a CRM transformation

Many organizations make the mistake of treating a CRM rollout as a one-time exercise. Basic change management measures are taken, several key communications are distributed on a mass basis, and focus is placed on general feature-based training.

Creating excitement early on yields an uptick in early adoption, but without a direct and sustained engagement with the user base explaining exactly how to use the new tool and the associated features to achieve those win themes and business objectives, the luster quickly wears off. A coordinated approach to rollout that addresses classic change management needs around communications as well as a long-term engagement and transformation plan directly linked to day-in-the-life features for the user base will drive the value of the CRM system home, ultimately resulting in the expected ROI over time.

As organizations continue to mature their CRM technology, the realization that CRM ROI is not automatic will become commonplace. Catching the third wave of CRM technology will take a coordinated and deliberate effort by organizations to understand where their CRM technology is falling short, renew the expected business objectives, align key features of their platform to business objectives and win themes, and create an engagement plan aligned to expectations. The framework required to be successful needs to be applied and run in parallel to the software development lifecycle in new applications, or thoughtfully approached in systems that are live today. There are many different levers and approaches to achieving these benefits over a period of time, but all strategies include a methodology that must consider an ongoing and enduring effort requiring planning, structure, execution, and follow-through.





Source

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