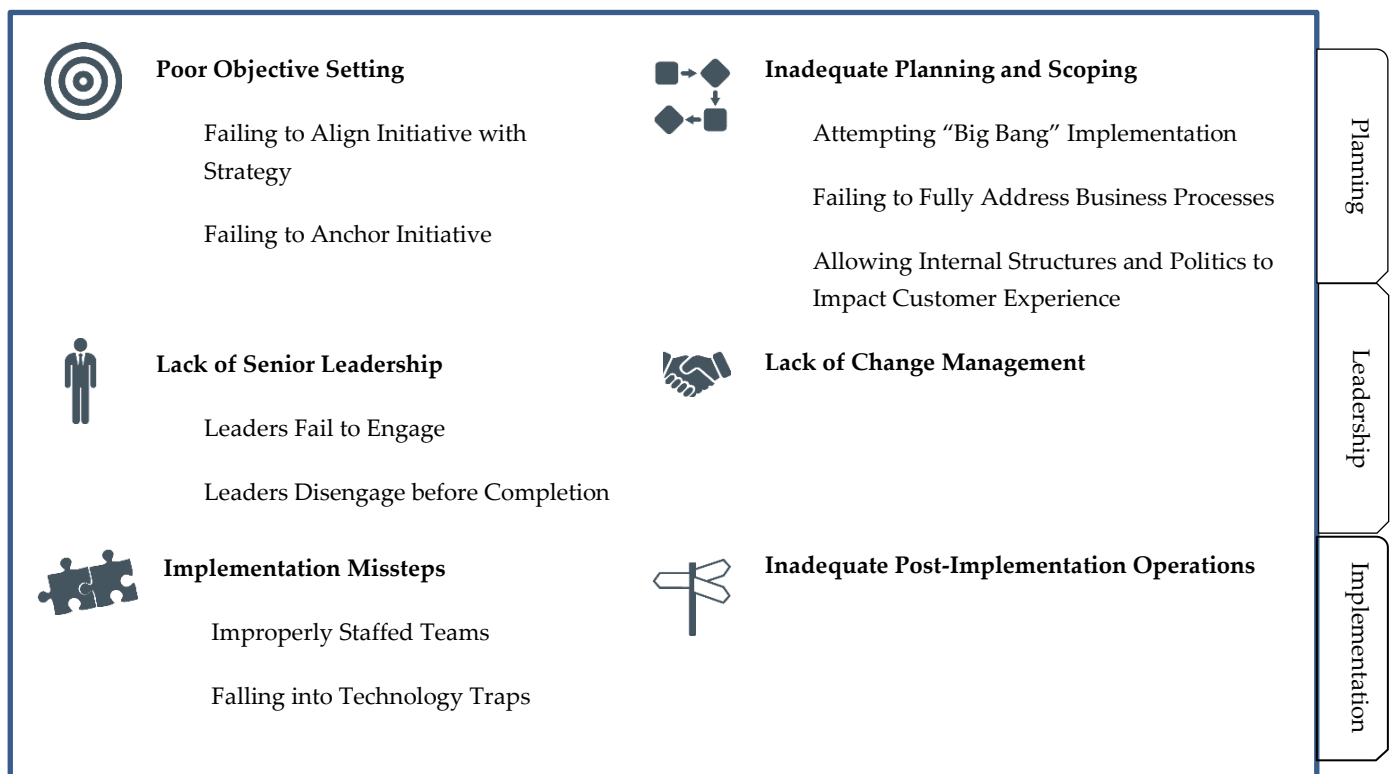# Tool #31: Lessons from Industry Discussion Guide

CRM has been a force in industries like banking, insurance, and commerce for over a decade, earning itself a mixed track record of success. Even though history provides us with important lessons regarding CRM, many implementations go awry when those lessons are not heeded. The Lessons from Industry Discussion Guide summarizes the most common CRM risk points, provides case studies of infamous CRM failures, and lays out discussion questions for staff to consider. The tool is best used to guide conversation among small groups of staff members who will be involved in the CRM planning and implementation process. This can be done in two ways. The tool can be used by select CRM leaders in conjunction with Tool #29: CRM Risk Point Map, which discusses CRM risk points, in hopes of catalyzing a deep discussion of how to learn from industry and avoid CRM pitfalls. Alternatively, the tool can be used alone to spark a broader discussion among the entire implementation team helping to get everyone on the same page and move implementation in a healthy direction. This route may be more appropriate for a larger core implementation team.

Summary of Most Common CRM Risk Points

For more explanation of these risk points, see Tool #29: CRM Risk Point Map

Poor Objective Setting

  Failing to Align Initiative with Strategy

  Failing to Anchor Initiative

Inadequate Planning and Scoping

  Attempting "Big Bang" Implementation

  Failing to Fully Address Business Processes

  Allowing Internal Structures and Politics to Impact Customer Experience

Lack of Senior Leadership

  Leaders Fail to Engage

  Leaders Disengage before Completion

Lack of Change Management

Implementation Missteps

  Improperly Staffed Teams

  Falling into Technology Traps

Inadequate Post-Implementation Operations

Planning

Leadership

Implementation

Starting the Discussion

Use the questions below after reading a case study to catalyze a conversation about commonly encountered obstacles to successful CRM implementation and how best to avoid them.

1. What significant errors do you think contributed to CRM failure?
2. Can any of these failures be sourced back to the above-listed risk points?
3. Why do you think the fatal errors were made?
4. How could those errors have been avoided?

Tool #31: Lessons from Industry Discussion Guide

Case Study # 1: GMACCM Doesn't Think Things Through

Since its founding in 1994, General Motors Acceptance Corp Commercial Mortgage (GMACCM) has become a leader in business real-estate loans with a mortgage portfolio totaling more than $151 billion. State-of-the-art technology systems have allowed GMACCM to quickly build business without significant increases in staff, keeping costs per loan service well below the industry average. In the past, adoption of the latest technology had given GMACCM the competitive advantage. However, GMACCM's 1999 Customer Relationship Management implementation created more problems than solutions.

When GMACCM began its own CRM initiative in 1999, their goals were to increase automation, efficiency, and the amount of borrower information available to call-center staff. Unfortunately, the goals of the users were never explored. In fact, the consultants failed to define who the users of the system would be. Given the complexity of GMACCM's customer base, skipping this first step of design methodology proved to be quite a costly mistake. PricewaterhouseCoopers' consultants commissioned for the project decided to meet business needs by installing an automated voice-response system. Customers seeking loan information were expected to call an 800 number and use the phone keypad to enter their account number. If the customer needed to speak with a service representative, the system assumed the user would know which department to request. Unfortunately, the consultants never verified that the existing structure of GMACCM's customer support area conformed to the user's mental model.

Implementing a CRM solution without clearly defining the characteristics, needs, and goals of the intended user resulted in customer attrition, wasted financial resources, and lost opportunities. According to Mike Lipson, an executive vice president of GMACCM, "When we fired it up, we found that 99% of our customers – literally – were hitting zero so they could talk directly to a live operator. While a customer might be willing to punch through a whole bunch of numbers, like for an American Express Gold Card, when he was calling about a commercial loan, he wasn't willing to do the same." Customers were clearly furious with the new system. Lipson went on to say that internal loan officers complained of losing deals because of the poor service provided.

Though GMACCM representatives declined to comment on the cost of the system, author Dale Buss notes that many CRM implementations involve seven-figure investments. However, the cost of implementation barely scratches at the surface of the losses likely suffered by GMACCM. To truly assess the damage, one would have to quantify the costs of losing frustrated customers and employees, persuading customers to return, rebuilding trust, and replacing the failed system. Furthermore, it's difficult to quantify is the cost of opportunities lost while the system was being developed, implemented, and replaced.

Source: http://shrike.depaul.edu/~jbuttime/docs/UseCaseStudy.pdf

Case Study #2: CIGNA Healthcare Expects Overnight Change from CRM

In January 2002, Philadelphia-based CIGNA HealthCare migrated 3.5 million of its members to new claims processing and customer service processes and systems. The broad-based $1 billion initiative included CRM and an overhaul of its legacy technology infrastructure. Benefits did not materialize as planned and resulting impacts on customer service caused the nation's fourth largest insurer to lose six percent of its healthcare membership in 2002.

CIGNA wanted integrated processes and systems for enrollment, eligibility, and claims processing so that customers would get one bill, medical claims could be processed faster and more efficiently, and customer service reps would have a single unified view of members. This meant consolidating complex back-end processes and systems for claims processing and billing and integrating them with new CRM applications on the front-end. The project required complex technical work and an overhaul of the way business processes work together between front and back office as well as an overhaul of customer service staffing levels and skills. In addition, new processes and applications were designed to allow members to self serve: enroll, check the status of their claims and benefits, and choose from different health-plan offerings—all online.

At first, CIGNA conducted small scale migrations, moving its members in small groups of approximately 10,000 people at a time. During this time, problems were limited and manageable. At the same time, the customer service areas were being revamped in anticipation of the new systems. Huge gains in claims processing and customer service efficiency were expected, and the company started laying off reps as part of a consolidation of service centers. In 2002, the company terminated 3,100 employees and spent $33 million in severance payments. CIGNA also invested $32 million in the new regional service centers. At this point, in January 2002, with members renewing and new members lining up, the company performed a mass migration to the new infrastructure. Serious problems emerged immediately. Members had trouble obtaining, confirming, and inquiring about coverage. Employees at one member company effectively lost coverage due to membership data problems. Member ID cards were issued with incorrect numbers and prescription icons. Some people could not get their prescriptions filled at drugstores. As a result, a flurry of inquiries put CIGNA's new customer service operation to the test. But lower staff levels left the centers short-handed. Customers who phoned were put on hold, and when they did get through, some of the new reps struggled to navigate the new systems.

In addition, data from back-end systems did not show up properly in the customer service systems, making it difficult for reps to fully understand the customers' situation. In the rush to go live, the system's ability to handle claims and service from front to back and in large volumes was not adequately tested. Problems in one area cascaded into others; staffing levels were inadequate, and staff were inadequately prepared. Rather than realize that benefits would come over time as the company became used to new processes and systems, they expected them the day the switches were flipped.

Source: http://media.techtarget.com/searchCRM/downloads/CRMUnpluggedch2.pdf

Case Study #3: CRM Gives Hershey's a Halloween Scare

Candy producers record 40 percent of their annual sales between October and December. Halloween, the biggest candy-consuming holiday, accounts for about $2 billion in sales. For a candy producer, missing Halloween is like a toy company missing Christmas. Unfortunately, in 1999, that's just what happened to Hershey, the nation's largest candy maker. Just before the big candy season, shelves at warehouses and retailers lay empty of treats such as Hershey bars, Reese's Peanut Butter Cups, Kisses, Kit-Kats, and Rolos. Though inventory was plentiful, orders had not arrived and distributors could not fully supply their retailers. Hershey announced in September that it would miss its third-quarter earnings forecasts due to problems with new customer order and delivery systems that had been recently rolled out.

The new enterprise resource planning (ERP) and CRM processes and technology implemented earlier in the year had affected Hershey's ability to take orders and deliver product. The $112 million system aimed to modernize business practices and provide front-to-back automation from order-taking to truck-loading, but Hershey lost market share as problems allowed rivals to benefit during the season. Mars and Nestlé both reported unusual spurts of late orders as the Halloween season grew nearer. The most frustrating aspect of the situation is that Hershey had plenty of candy on hand to fill all its orders. It just couldn't deliver the orders to customers. By December 1999, the company announced it would miss already lowered earnings targets. It stated that lower demand in the last few months of the year was in part a consequence of the earlier fulfillment and service issues.

Hershey embarked on the project in 1996 to better coordinate deliveries with its retailers, to keep its inventory costs under control. The company also needed to address Y2K problems with its legacy systems. CRM, ERP, and supply chain management systems were implemented, along with 5,000 personal computers and a complex network of servers. The intention was to integrate these software and hardware components in order to let the 1,200-person sales force shepherd orders step-by-step through the distribution process. Sales staff could also better coordinate with other departments to handle every issue from order placement to final delivery. The system was also designed to help Hershey measure promotional campaigns and set prices, plus help run the company's accounting operations, track ingredients, and schedule production and truck loading.

Hershey realized that the business process changes involved with such a transformation were highly intricate. However, despite the size and complexity of the undertaking, the firm decided on an aggressive implementation plan that entailed a large piece of the new infrastructure going live at the all at once. Unfortunately, the project ran behind schedule and wasn't ready until July 1999 when the Halloween orders had already begun to come in. Problems in getting customer orders into the system and transmitting the correct details of those orders to warehouses for shipping began immediately. By August, the company was 15 days behind in filling orders, and in September, order turnaround time was twice as long as usual. In recent years, Hershey sales growth had exceeded its rivals, and the company was expecting 4 to 6 percent growth that year. However, sales instead slipped and the company admitted that problems with the new system alone had reduced sales by $100 million during the period.

Source: http://media.techtarget.com/searchCRM/downloads/CRMUnpluggedch2.pdf