



CRM Success

What Drives Business Performance?

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MBA Fellows Project

Where's the ROI from CRM?



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- “Customer relationship management is one of the hottest management tools today. But more than half of all CRM initiatives fail to produce the anticipated results”

Avoid the four perils of CRM

Rigby, Reichheld, Schefter

HBR, February 2002

- “The rate of success of CRM projects varies between 30% and 70%”

Strategically embedding CRM

Langerak, Verhoef

Business Strategy Review, Winter 2003

Project: how CRM drives performance



- How do CRM initiatives drive business performance?
 - CRM strategy
 - Unique firm resources
 - Tactics employed

- Implications:
 - Managerial - determine how to align actions with a particular CRM strategy
 - Academic - develop, validate, and calibrate a framework explaining CRM's impact to business performance

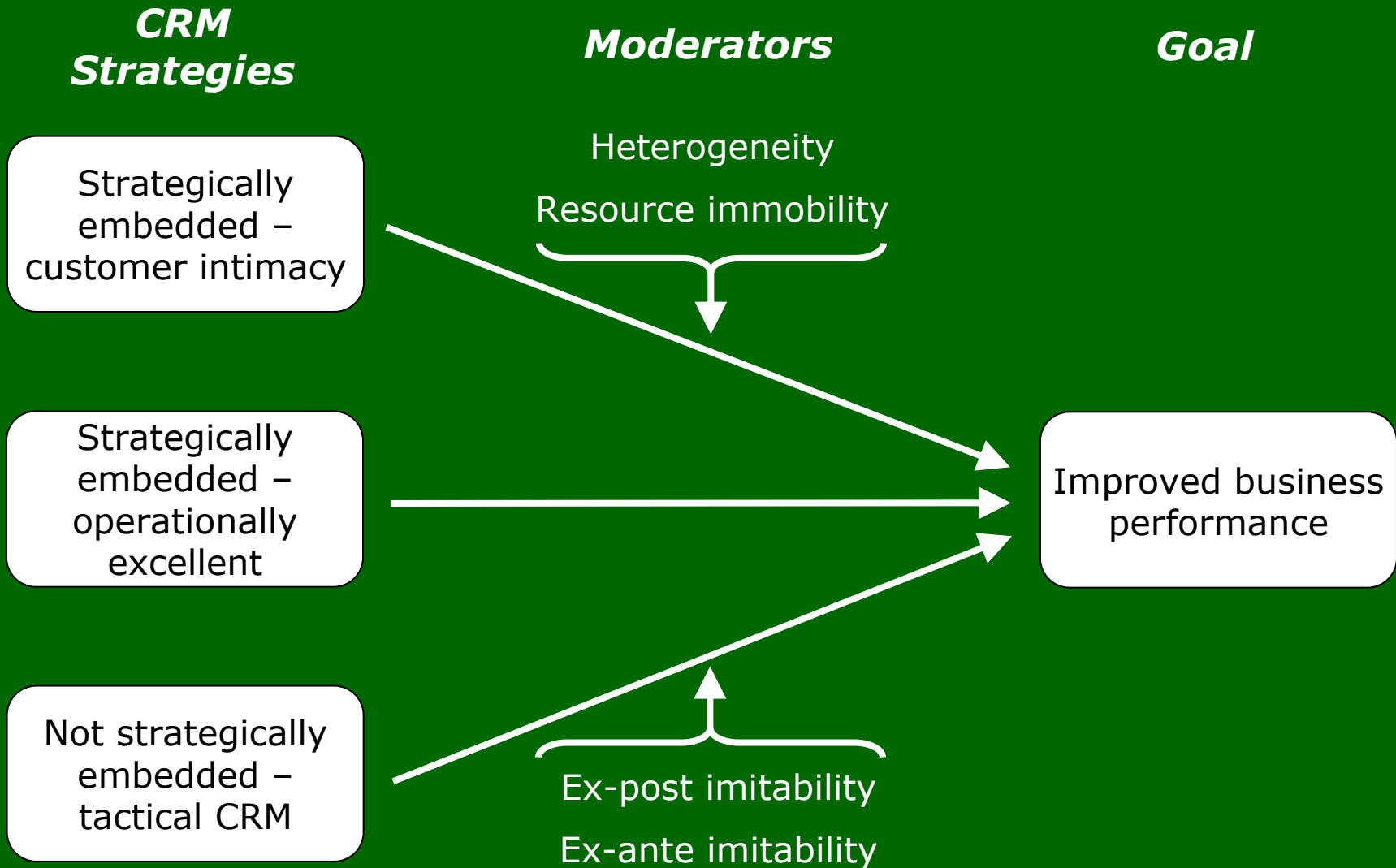
Agenda



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- Describe framework
 - Strategies
 - Moderators
- Interview results
- Survey methodology
- Preliminary results, implications
- Next steps

Framework links performance to RBV



3 CRM strategies for success

CRM Strategies*

Strategically
embedded –
customer intimacy



- Differentiation strategy through cust. knowledge/relationships
- Ex. Harrahs, Biogen

Strategically
embedded –
operationally
excellent



- Low cost strategy through streamlined operations
- Ex. Dell, Eastman-Kodak

Not strategically
embedded –
tactical CRM



- Tactical initiative to solve a specific pain point
- Ex. JetBlue, Chase

Success of strategy depends on resources



Moderators/Resources

Examples

1. Heterogeneity

- *Resources and skills involved with our CRM initiative are unique to our organization*
- *Companies in our industry differ significantly in how they use CRM*

2. Resource immobility

- *Employees, technology, and resources involved with our CRM initiative could have just as much success at a competitor as they had at our company*

3. Ex-post imitability

- *Even if our competitors knew the details about our CRM initiative, our competitors would not be as successful implementing it*

4. Ex-ante imitability

- *There is a first-mover advantage in our industry with CRM. Whoever does it first gains an advantage*

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- Biogen - John Vaeth, CRM Director
- Eaton - Siisi Adu-Gyamfi, VP Marketing
- Bell Canada – Charles Giordano, CRM Director
 - “3 CRM strategy framework definitely fits my experience”
 - “We serve a niche market, need close relationships to be successful, part of our corporate strategy”

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Gathered data from CRM professionals



- Developed web-based survey to gather data about strategies, moderators, performance
- Sent to 5,000 professionals with experience in CRM
- N = 27 ???
 - 0.5% response rate not inline with experience
 - Lack of incentive hurt response rate
 - Overused list?

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VERY preliminary results validate framework



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- Strategies broke into buckets:
 - 12 strategic, customer intimate
 - 3 strategic, operational efficiency
 - 5 tactical

- RBV suggests more sustainable competitive advantage from customer-intimate strategy:
 - No first mover advantage
 - Tougher for competitors to copy after-the-fact
 - More difficult for resources to move and have success

VERY preliminary results validate framework



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- Competitive advantage leads to performance advantage:
 - Strategic, customer intimate and tactical have higher performance relative to peers
 - Strategic, customer intimate much higher satisfaction

Thank you & questions



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- Thank you:
 - Scott Neslin
 - Hans & CDS team
 - Margaret Peteraf
 - Kusum Ailawadi

- Questions?