

# Key Findings

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## Improving CRM

Shoshana Zuboff is a genius, but don't just take my word for it.

Zuboff is a Harvard Business School professor who recently wrote a book, which is essentially about CRM, with her husband and collaborator, James Maxmin. The book is called *The Support Economy*. What makes Zuboff a genius is that although I think the book is about CRM, there is only one paragraph about CRM out of more than 380 pages. That's sort of like drawing a circle using only straight lines. And the solitary paragraph? It says CRM is a failure.

To be scrupulously rigorous, it's not that CRM has failed per se (I personally think it's done a lot of good) it's that the underlying drivers of CRM have. According to Zuboff, who did most of the writing, those drivers are rooted in the early 20<sup>th</sup> century's conversion of the agrarian economy into an industrial one. And that's not your garden variety Soviet style "let's build a lot of big tractors" industrial economy, but the mass production-mass consumption economy we and our credit cards know and love.

Zuboff contends that the prevailing "enterprise logic" is all about large production runs that keep unit costs low resulting in lots of affordable, standardized products. The task for sales and marketing is then all about answering the question, "How do we get them to buy what we made?" rather than asking, "What do they want to buy?" And service is about spending as little as possible "handling" complaints. Pure CRM. Zouboff says that you can trace this enterprise logic all the way back to Henry Ford's famous dictum that Model T customers could "Have any color they want, as long as it's black."

### **Today's consumer**

For the most part, today's CRM is built to support this enterprise logic, and it is part of a long line of efforts corporations have made to "rediscover the customer" including the 1950's concept of marketing, the quality movement, and re-engineering — remember them? Somehow these efforts, though flawed, have always been enough to enable mass production to drive ever higher levels of mass consumption, at least until now, according to Zuboff.

What's different today is the consumer. Today's consumer is better educated, wealthier, and taught from an early age to consider him- or herself as a unique individual with discrete needs. There is a Mars and Venus aspect to the vendor customer relationship too. The spending power of today's consumer is predominantly controlled by women (that's not new), the CFOs of most families, yet most product decisions are made by men. And one

last thing, today's consumer is a little bit starved for time. Put all this together and you quickly discover that software designed to help us "sell what we made" or "service what we sold" is a non-starter.

### ***Enterprise logic in action***

If *The Support Economy* was simply a compendium of assertions it might be dismissed as so much feminist rant, but the book is meticulously researched and, if it has a flaw, it might be that it is too overflowing with statistics and facts culled from the real world. For example, in one sub-section playfully titled, "If Boys Liked Girls Better, Would They Be Richer?" Zuboff quotes a Wall Street Journal article about the furniture industry. Ever wonder why there are so many lousy ads for furniture on TV? You know the ones I mean. They usually consist of the CEO of a 5 store chain and his wife looking right into the camera telling you about some truck load of no-name living rooms that they have to move, "At fantastic savings".

According to Zuboff, "Success in the [furniture] industry depends on predicting the colors and styles that will appeal to female consumers...who make 80 percent of the furniture buying decisions". This notwithstanding, women are almost totally absent from the executive ranks in the furniture industry. Wrong decisions about color and style result in brimming warehouses that, in turn, result in those terrible ads.

But my favorite story from the book is about The Limited, the women's sportswear chain. The Limited lost a cool \$90 million in 1999 and then the executives decided to get tough with a program called "winning at retail" (WAR, in sportswear?!). WAR failed to ignite sales despite a lot of tough talk and aggressive posturing. According to Zuboff, "[A]nalysts blamed The Limited's troubles on large, impersonal, outdated stores and products that were no longer meaningful to the firm's end consumers. The Limited's executives, however, refused to invest in the stores until the business showed signs of improvement."

Kind of like saying, "Go win a game, then we'll buy you a helmet," don't you think?

### ***New research, new hope?***

There is a growing trend in CRM that I have documented in my research. When we ask prospective hosted CRM buyers what applications they are most interested in, sales, service, and marketing applications float to the top of the list. But another category is right up there as well — "customer feedback" applications. Customer feedback applications capture what my colleague, Harry Watkins first described as the "voice of the customer".

There's no one right way to capture customer voice so it's a disparate grouping. But there are now very low cost applications — many of them hosted — that enable companies to run ad hoc on-line focus groups and surveys as well as others that give OEM's visibility all the way through their sales channels. Still other applications model and intuit the needs of visitors to e-commerce sites and offer the counsel of trained experts to help customers with complex decisions. The customer data that gets captured can be fed into increasingly sophisticated and easy to use analytic engines that can spit out meaningful insight into customer likes and needs leading to more focused marketing programs and better products.

People who say there is no "New, New Thing" on the technology horizon to drive the engines of commerce fail to see that in CRM, at least, what's old has become new again. It's the customer. And after ten years of CRM talk that focused primarily on the "management"

aspect, the new direction is on things that enhance the “relationship”. In industries as diverse as furniture and sportswear people are finding that while talk is cheap, listening is even cheaper.