

# KEYS TO

32

How well are contract pharmaceutical companies doing in the CRM game?

# SUCCESS

BY JOHN F. KROS AND JUSTIN MOLIS

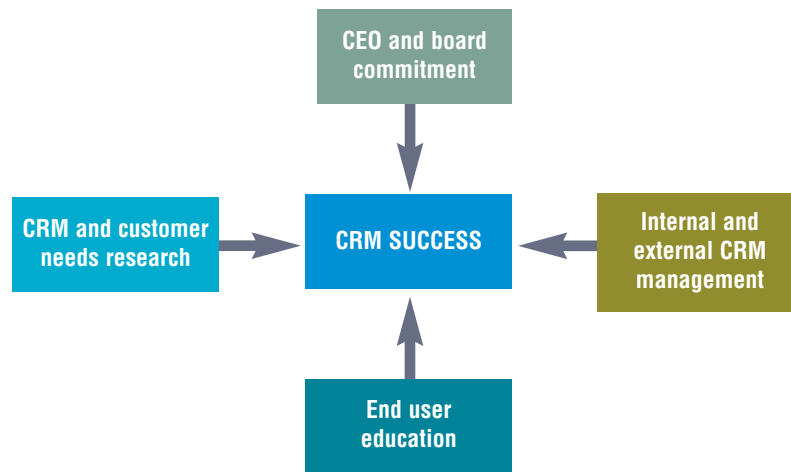
33

**C**ustomer relationship management (CRM) technologies have become a major capital investment for companies that wish to evaluate and manage important customer relationships more efficiently. Apart from the traditional retailers, many diverse industries have embarked upon CRM implementation, including consulting, engineering, financial services, food processing, gaming, healthcare, and hotels. Many of these industries have been longtime players in CRM. However, contract pharmaceutical manufacturing companies are relatively new to the CRM game. Therefore, we investigated the success of CRM implementation within the contract pharmaceutical manufacturing discipline, juxtaposed with what has transpired in other disciplines implementing CRM solutions.

Organizational professionals refer to CRM as relationship marketing and note that CRM primarily concerns itself with how organizations manage, respond to, and improve

## Exhibit 1

Key areas for CRM success



34

existing relationships with current customers for long-term profitability. Creating and maintaining the relationship with current customers relates to successful business ventures. This is because consumers realize that competition among sellers means potential monetary advantages for personal consumption. When consumers realized they could bargain down prices or could find goods for better prices with the same or better quality, settling on purchasing only one option no longer seemed reasonable. Providers of goods and services were forced to establish enduring partnerships with their consumers in order to benefit from potential future growth. The very essence of the customer's relationship importance reflected the necessary qualities the seller had to provide. In turn, CRM technology emerged as a means to manage this marketing relationship.

### What Is Successful CRM?

A 2002 survey in *Sloan Management Review*, which asked 352 senior marketing and sales managers about their ability to manage customer relationships, found that companies successful at CRM implementation are those that already excelled at managing customer relationships. These companies anticipated using the new technology to connect more strongly with customers, exploited the new technology faster than competitors did, and implemented their CRM initiatives better. Along the same lines, a number of studies have stated that a significant difference does exist between firms that are successful at CRM implementation and those that aren't.

While interesting, these studies were centered on industries and specific companies that were leading the charge for CRM implementation. In other words, the impetus to embark on CRM initiatives was self-inflicted. However, in the case of the contract pharmaceutical industry, this is not always true. It can be said that a number of players in this industry have had their hands forced on the issue of CRM implementation. The

question then raised is: What are the factors that breed CRM success in an industry adopting CRM to maintain supply chain continuity? None of the aforementioned studies could agree upon the broad factors that contribute to CRM success or failure. Therefore, we resolved to perform a study within the contract pharmaceutical manufacturing industry and compare the findings to the original works.

### Success Factors

As more firms attempt CRM implementation, experts continue to look for factors that determine CRM success. Many have recognized that, in order to allow for capital budgeting including CRM initiatives, there must be some way for upper management to concretely measure the ROI provided by the effort. However, most have found that a sufficient explanation

outlining those measurement techniques currently does not exist. Many factors have been proposed or deemed significant in determining the success of a company's CRM program. Some of these factors include the following:

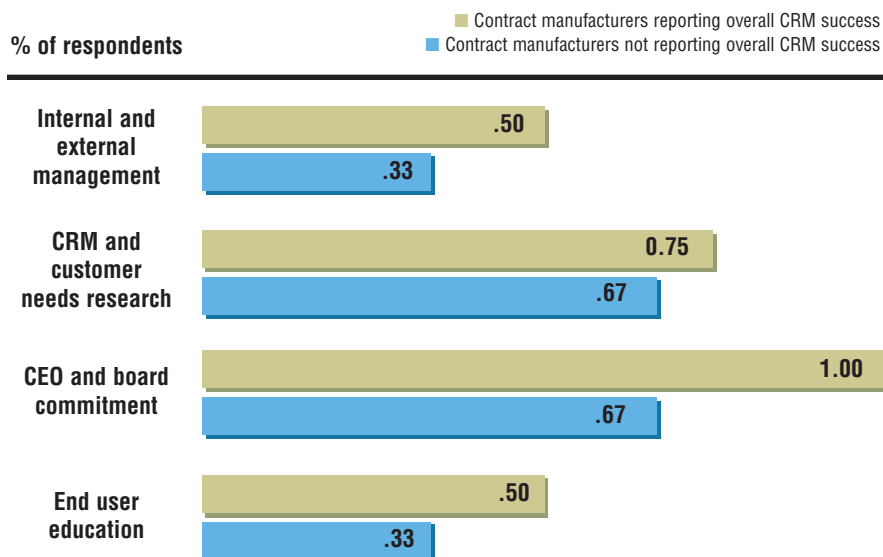
- Achieving a full understanding of what CRM is for the end user
- Obtaining and maintaining CEO and board commitment
- Educating and involving all end users
- Thoroughly identifying customer needs and researching CRM tools and technologies
- Looking at the big picture when faced with implementation cost
- Successfully managing consultant and vendor relationships
- Patiently allowing your CRM strategy to succeed
- Keeping the entire process simple
- Remembering when to outsource

Others cite collaboration between the IT staff and managers or a focus on customers' needs as factors that play heavily in the success of CRM. After perusing the abundant opinions regarding how to measure CRM success, the authors condensed all suggested success factors into four key areas: internal and external CRM management, CEO and board commitment, CRM and customer needs research, and end user education. (See Exhibit 1.)

These areas examine what factors are used to evaluate a current CRM initiative and illustrate best practices in implementing a fully functioning companywide CRM system. They take into account a broad range of ideas and include internal and external influences.

## Exhibit 2

### Manufacturers reporting CRM success



To compare the findings of previous studies to the contract pharmaceutical manufacturing industry, we elicited responses from firms implementing CRM solutions based on the aforementioned key areas. An initial scan revealed numerous firms in the business of contract pharmaceutical manufacturing. These firms ranged in size from smaller privately held entities like Applied Laboratories Inc. to larger, publicly held companies like Baxter Healthcare or DSM Pharmaceuticals Inc. The original list was pared down to include only the largest contract manufacturers in the United States. "Large" was defined as a firm or its parent company with yearly revenues of more than \$100 million. The list of the largest contract manufacturers was assumed to represent the firms in need of CRM solutions and capable of implementing and maintaining CRM solutions.

The authors found that the key areas relate strongly to overall CRM success, as seen in Exhibit 2.

**CEO and board commitment.** Getting CEO and board commitment is important for setting strategic direction in all companies. When respondents of those companies reporting overall CRM success were polled, all said that they had received CEO and board commitment. Equally telling was the CEO and board commitment percentage for those companies not reporting overall CRM success. Around two-thirds of companies not reporting CRM success also had CEO and board commitment. It may be concluded that, although CEO and board commitment is necessary, it may be more of a slogan with the real commitment generating from the employees who directly implement CRM.

**End user education.** Education is reported as having the biggest impact on employee buy in according to many industry experts. However, when survey participants were questioned on end user education, the results are not dramatic. Only 50% of those reporting CRM success stated that end user education was significant. In contrast, about one-third of those not reporting CRM success stated that end user education was significant. Although the percentage for companies reporting CRM success is higher, it appears that end user education does not play as large a role for contract pharmaceutical manufacturers as previously thought.

**Customer needs research.** Logically, many report that identifying the company's CRM needs and customer needs is very important to CRM success. It's

important to recognize that the CRM system is developed for essentially capturing the relevant information about customer needs. Since CRM implementation is unique to each company, it's equally important to research the tools and technologies the company needs, in addition to any customer needs. Research into tools and technologies available should be one of the first steps in designing the company CRM strategy.

Whether a company reported CRM success or did not, CRM and customer needs research registered significant per-

**t**o allow for capital budgeting that includes CRM initiatives, there must be some way for upper management to concretely measure the ROI provided by the effort.

centages. This may point to the fact that, when respondents research CRM, they do so at the early stages of the system selection. They then find that, once a decision to embark on CRM implementation is made, emphasis turns to the management of that decision.

**Internal and external management.** It's clear that a major factor in CRM implementation failures is an organization's failure to recognize the abundance of time and effort needed

to get a CRM program up and running. Cost is also often associated with the failure rate of CRM projects. Therefore, internal management of CRM implementation is an important factor for success. In addition, it has been noted that, while external relationships can be expensive and fractious, these partners are often the only ones that can see the bigger picture. In turn, external CRM management also becomes an important factor for success. Around half of the respondents reporting CRM success did agree with the importance of internal and external CRM management. In comparison to those not reporting positive CRM implementation, it appears that effective internal and external management does provide for overall CRM success.

### Learn From the Past

When CRM success was reported, it was attributed to managing internal and external relationships well, completing a high level of CRM and customer needs research, obtaining CEO and board commitment, and end user education.

In past studies, end user education and involvement was reported as a major contributor to CRM success. If the employees didn't understand what the system was trying to capture or why the company was interested in capturing this data, there was no way the program could live up to the original expectations. In turn, upper level management had to commit serious resources to ensure that employees that came in contact with the CRM system knew exactly what the program was trying to accomplish and how they could aid in every aspect of its function. For the contract pharmaceutical

manufacturing industry, education does play a role in successful CRM. However, if a firm agrees to adopt a CRM solution due to market forces, end user education may not be as significant as previously indicated.

Although CEO and board commitment was deemed important to the respondents, it did not appear that the CRM programs were living up to the expectations set forth by the CEO and board in the eyes of the respondents. This coincided with the need for CEO and board commitment and for CRM end users who are directly involved with the information-gathering process and don't rely on outside consultants for the general customer needs and daily activity demands. Most companies were not considering outsourcing their CRM strategy. This was apparent in the considerable amount of research used to determine the best system for the company. In all, it appeared that the respondents believed their CRM programs were performing moderately well, but not at expected potential. As more companies attempt CRM solutions, it will be possible to fully realize the extent to which the contract pharmaceutical manufacturing industry is truly successful at implementing CRM. **MHS**

### About the Authors

**John F. Kros** is assistant professor of decision sciences at the college of business at East Carolina University (ECU) in Greenville, N.C. He may be reached at [krosj@mail.ecu.edu](mailto:krosj@mail.ecu.edu).

**Justin Molis** is a graduate of the college of business at ECU and his professional experience is in pharmaceutical marketing. He may be reached at [jadampotential@earthlink.net](mailto:jadampotential@earthlink.net).



**executive insights**  
**INSIGHTS TO IMPACT**

Learn how to generate business insights that will drive your company's growth. Choose from a variety of topics and speakers to find the ones most relevant to you. Ask questions of today's research leaders and leverage their expertise to improve your company, your department, and your career. Network with other senior research executives in a relaxed setting designed to promote camaraderie and information sharing.

**Rancho Las Palmas Marriott Resort & Spa • Rancho Mirage, CA**

**JANUARY 23-26**  
**2005**

Early registration ends  
December 23, 2004

For full conference and travel information or to register,  
visit [www.marketingpower.com/executiveinsights](http://www.marketingpower.com/executiveinsights)  
or call 800.AMAJ150.

**AMERICAN MARKETING ASSOCIATION**

Copyright of Marketing Health Services is the property of American Marketing Association and its content may not be copied or emailed to multiple sites or posted to a listserv without the copyright holder's express written permission. However, users may print, download, or email articles for individual use.