Case study
Customer Relationship Management (CRM) systems, intermediation and disintermediation: The case of INSG

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ABSTRACT

Whilst our knowledge of Customer Relationship Management (CRM) systems continues to evolve, there is still much to learn. This paper offers some relatively rare insights on the use of CRM systems and the strategic impact on the processes of intermediation and disintermediation in order to improve customer service. This research was conducted from April 2007 to 2008 using an interpretative case study approach. The case involved working with a leading international insurance company (given the pseudonym of INSG) and some of their intermediary customer service agents. The research highlights some design characteristics and philosophical insights regarding CRM system approaches and also offers some useful practical insights on the impact of CRM in changes to the deployment of some intermediaries, leading to a process of disintermediation, in order to improve customer service. In summary, some theoretical and practical implications are highlighted and discussed.

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1. Introduction

In 1998, Siebel Systems launched their first Customer Relationship Management (CRM) packaged software information system. By 2008, AMR Research and Gartner valued the global market for CRM at approximately US $13 billion. The growth of CRM is particularly strong in the UK and USA (Das, 2009). In brief, CRM is best viewed as a holistic business and information systems strategy with the aim of enabling organisations to realise a stronger customer focus (Bull, 2003a, 2003b). The research associated with CRM is now substantial and there is significant coverage of topics, such as; strategic objectives and the development of strategic frameworks (Bull, 2003a, 2003b; Elmuti, Jia & Gray, 2009; Fosser, Leister, Moe, & Newman, 2008; Newell, 2000; Zablah, Bellenger, & Johnson, 2004), project implementation and the assessment of risk (Bull, 2003a, 2003b; Ciborra & Failla, 2000; Parr & Shanks, 2000; Sumner, 2000) and system maintenance or configuration (Light, 2001), etc. More recently, there have been some attempts to organise such studies with reviews to try and improve clarification (Das, 2009; Kevork & Vrechopoulos, 2009).

Whilst our understanding of CRM continues to evolve, there remain some relative voids in the research to date. One topic that would benefit from further research is work on the synergies between the use of CRM systems and the processes of business intermediation and disintermediation. In terms of this specific topic a review of the existing literature reveals some coverage of the following issues. The role of inbound intermediaries in CRM, e.g. software producers, software vendors, management consultants and project and training providers (Bull, 2003a, 2003b; Light, 2003), how intermediaries can re-design operations through CRM approaches to be more aligned to their service providers (Bouwman et al., 2005), research on intermediary marketing (Gummesson, 2004) and Partner Relationship Marketing (PRM) (Payne, 2005) and research on the role of digital technologies in the use of intermediation and disintermediation, especially where such technologies present alternative options and choices for organisations (Dyche, 2002; Johnson & Johnson, 2005; Payne, 2005; Schackmann & Link, 2002). There is surprisingly little research on how commissioning organisations can use CRM systems to manage customer facing business intermediary relationships, particularly those relationships where organisations are often reliant on intermediary sources. Thus, the main objective of this research is to broaden our understanding of how CRM systems can be designed and used to manage such challenging intermediate relationships. The remainder of this paper is structured as follows. The paper begins with an overview of the research approach used, before proceeding to present the case data. This leads to an analysis of the empirical findings and the wider implications, before ending with some concluding comments.

2. Research approach

This research used an interpretive case study approach. For commercially sensitive reasons, the companies involved in this study
wish to remain anonymous and thus, various pseudonyms are used. The data for this research was collected over the period of a year (from April 2007 to 2008) from varied sources including: various company documents, information systems evaluations, observations made from attending project meetings and customer site visits and several semi-structured interviews (with the two of the organisations area sales managers and with three contracted service agents). This multi-method approach can help to generate data that is often rich in detail and rigour (Gummesson, 2000; Miles & Huberman, 1994). Whilst this research is based on a study of four organisations, it is primarily focussed on the strategic direction of one, INSG, the commissioning organisation. Similar case study research has been previously deployed by many (Ciborra & Failla, 2000; Kraemer & Dedrick, 2002; Malhotra, Majchrzak, Carman, & Lott, 2001). This type of study can often be appropriate when existing research on a topic is relatively rare and somewhat neglected or where some of the issues raised are of interest in terms of contributing to further discussion and development. Thus, what can be drawn from this particular research are specific implications that can be viewed as potential emergent phenomenon (Van Der Blonk, 2003; Walsham, 1995).

3. Case study: CRM at INSG and its intermediaries

INSG is an established international company (based in the UK) with revenues in 2008 of £230 million. The company is a provider of domestic insurance services and this study focuses on the areas of emergency plumbing, drains and water supply work, which represents about 60 per cent of INSG revenues. INSG manage their customer services in two ways; through their own employed engineers and through deploying a network of intermediary customer service agents. This research focuses on how INSG designed and used their own CRM information system and strategy to deal with their various intermediaries. INSG deployed 188 intermediaries, some of them very frequently, at the beginning of this study. This research worked with three of INSG’s intermediaries (classified as AG1, AG2 and AG3). All three intermediaries were selected because of their diversity but all of them worked for INSG and directly with their own customers or for other insurance providers. At the start of this study, AG1 employed approximately 160 plumbing engineers, AG2 employed just two people and AG3 contracted out all of its work to a network of approved agents (thus, forming a further network chain).

In terms of the present system at INSG, domestic customers purchase an annual insurance policy that covers their home for two separate pieces of emergency work per year. Customers report a problem to a call centre staffed by INSG and this could result in the deploying of INSG agents (if available) or an appointed intermediary. Intermediaries are contacted by mobile to be offered the job and all orders are confirmed to intermediaries by Fax or Electronic Data Interchange (EDI). INSG ensures all of its agents are appropriately qualified and registered to perform such work. It also agrees with all agents on the coverage of post coded areas and decides which intermediaries have first, second choice offers of work, etc. This is a highly competitive business and some of the main priorities for all customer service agents are as follows; to arrange a customer appointment within 1 h from the initial contact, to attend all emergency work within 2 h and to complete the work satisfactorily within one visit. INSG needs agent cover 24 h a day, every day, although expectations and the pricing of work varies during certain hours, e.g. standard in hours (Monday to Friday 08.30–17.30) from that of out of hours (17.30–08.30) and weekend work (all hours).

The CRM system at INSG was designed to be used within current business procedures and to focus on the close monitoring of intermediaries. INSG call centre staff contact approximately 65 per cent of all customers on completion of an agents work and compile a follow up performance evaluation report using standard criteria. The criteria used involved; a generic customer satisfaction survey (with a 50 per cent weighting), overall acceptance of work (30 per cent weighting) and the recording of any customer complaints (20 per cent weighting). Although such criteria were classed and weighted separately, there are inevitable overlaps and relationships between all three elements. Thus, if an agent was late to a job or was called to re-attend a job, then this may often result in a lower satisfaction rating. The results of the surveys were collated and this produced an overall individual score for an intermediary agent. A score of 95 per cent and above was considered to be good, 90 to 95 per cent average and below 90 per cent was poor. The overall scores featured in a national league table and all intermediaries would be sent details of their individual monthly rankings and performance. The CRM system was used by senior managers at INSG to evaluate all customer service agents on a monthly, quarterly and annual basis. During the course of this research, several issues regarding customer service were highlighted, which in turn led to a number of consequences and a perceived need for action by INSG. Some of the most significant developments in terms of the actions considered and those taken, and the consequences arising from these decisions are now discussed in more detail in the next section.

4. Discussion of the INSG-CRM case study

In general terms, perhaps the most significant development arising from the use of the CRM system at INSG was that it confirmed some things that were already previously suspected or known about the performance of INSG intermediaries. However, because INSG now believed that their CRM system was well designed to meet the various needs within their business, e.g. that the information collected was representative, consistent, fairly detailed and frequently collected and evaluated, then it could, and should be, used appropriately to inform some key decisions in a number of strategic areas.

The first major act taken by INSG was to use the findings from the CRM system to conduct a thorough review of intermediaries and consider a range of strategic approaches to improve customer service. The first strategic choice was to consider the jettisoning of some intermediaries, those who were consistently poor in terms of customer service, e.g. intermediaries below (and some well below) an overall customer satisfaction score of 90 per cent. However, the ultimate decision to jettison such intermediaries would initially apply if INSG had alternative and suitable arrangements in place to cover their network areas. On discovering poor customer service practices, INSG briefed such intermediaries and produced detailed evidence about their performance issues, e.g. multiple customer satisfaction ratings and the agents response and acceptance rates. These intermediaries were officially given a three-month notice period where they would be closely monitored by INSG with the expectation that they would significantly improve, often in all evaluation criteria. Some intermediaries did improve sufficiently within the notice period and they moved back into the network as normal. However, during the course of the year, 35 intermediaries (approximately 18 per cent) failed to improve sufficiently within the notice period and their contracts were terminated by INSG.

Several consequences arose from the CRM system based review of intermediary contracts by INSG. Firstly, and importantly, the jettisoning strategy helped INSG to improve overall customer service by eliminating a significant level of poor customer practice. It also meant that more work could be given, or existing levels of work be maintained, to those intermediaries with proven records of better customer service. Thus, offering a tangible incentive to the remaining intermediaries for good customer service.
performance. However, this research conducted with INSG’s intermediaries highlighted some problems with this well intentioned CRM based targeting approach.

The intermediary AG2 considerably and consistently improved customer performance in all categories throughout this study. However, because AG2 was a small intermediary, e.g. only two permanent employees, they were limited in the size of their operation, and not physically capable of readily accepting too much additional work (without it initially threatening to compromise their approach to customer performance). Thus, whilst the AG2 intermediary (and similar intermediaries) did not suffer many adverse consequences as a result of the CRM strategy, they were not the main beneficiaries neither.

The reality of the CRM targeting strategy was that many of the real beneficiaries were the larger intermediaries, e.g. AG1 and AG3. This was particularly a problematic issue for INSG where some of the larger intermediaries had been fairly mediocre in terms of any measured improvements in customer service and some were also fairly complacent about any of the potential consequences arising from such an approach. However, the CRM system did help INSG to identify such intermediaries, their attitudes to such concerns and specifically, in what ways the larger intermediaries were under performing. So initially, whilst some of the larger intermediaries benefited by being mediocre or could not easily be jettisoned, INSG could now start to plan and consider a range of alternative strategic approaches.

The initial series of strategic options in relation to reforming intermediaries such as AG1 and AG3, considered by INSG, were as follows. Firstly, INSG evaluated if they could reduce their reliance on such intermediaries by expanding their home bank of service agents in problem areas. They also worked to encourage other smaller to medium sized intermediaries to expand their service provision or to investigate if it was feasible to recruit any new intermediaries. During this research period, all of these ideas were adopted and various approaches were implemented. However, the initial results were somewhat limited, e.g. only resulting in a few intermediaries willing to risk expanding their service staff or the recruitment of a handful of new intermediaries. Overall this strategic approach, whilst making some improvements, was considered by senior managers at INSG to be an insufficient response in terms of making significant and long-lasting inroads to resolving such issues, e.g. affecting some of the bargaining powers of some of the larger intermediary agents in some important geographical areas. Thus, other strategic responses would be necessary if INSG was to become more customer-centric.

Towards the latter stages of this research, another strategic initiative was being taken by INSG. This involved the consideration and subsequent increasing implementation of business acquisitions of those intermediary agents perceived by INSG to be important strategic assets, e.g. crucial to providing the national customer network of services and improving customer service, e.g. companies such as AG1 and AG3. Thus, INSG began a process change from intermediation to disintermediation. This strategy became more of reality due to some previously unforeseen external factors arising from the impact of the credit-crunch economic recession on the home services insurance market from the end of 2007 onwards.

The 2007 economic recession began to affect INSG almost immediately. Within the year, approximately 20 per cent of their customers did not renew their insurance policies. However, the economic downturn impacted harder on INSG’s larger intermediaries, e.g. AG1 and AG3, for a variety of reasons. Firstly, AG1 and AG3 performed work for a number of insurers and most of them were cutting back significantly on the amount of work required and therefore being offered. Secondly, a number of insurers were seeking a series of costs savings to deal with the impact of the economic recession and most were cutting the costs of all work offered by between 5 to 15 per cent. Thirdly, intermediaries such as AG1 were structured to rely on a certain volume of work in order to make it cost effective to appropriately deploy permanent plumbing staff. Thus, the economic downturn and the cut-backs in the volume and price of contracts resulted in a number of redundancies made at AG1 (approximately 25 per cent of the workforce). Furthermore, this reduced the ability of larger intermediaries to offer the same level of service provision and coverage in some regions. Fourthly, INSG themselves with less work to handle, decided to switch more work to their own permanent bank of employed plumbers (to avoid the same problems outlined above with AG1), thus reducing the amount of work offered to all intermediaries. Finally, because INSG required less work to be covered by intermediaries, they had more choice in who they wished to deploy and preferred to chose those intermediaries with a good customer service record, often the smaller agents, e.g. AG2.

Thus, for many economic and strategic reasons, there were some significant changes, within a relatively short period of time in relation to the power and bargaining position between INSG and its intermediaries, particularly those larger customer service agents. Through its CRM system, INSG had much of the necessary information and knowledge to act to resolve some of their perennial and previously challenging strategic business issues. The recession also put INSG in a favourable position to acquire many of its more struggling intermediaries. By the end of this research, INSG acquired AG1 and a number of other intermediaries and was considering acquiring others, e.g. AG3. Because more intermediaries are part of the direct operational control in INSG, a series of cost savings and customer service improvements could be more easily implemented. INSG limited their acquisition policy to only those intermediaries deemed to be essential to improving customer service operations. Some intermediaries were needed as they offered INSG some flexibility in an unpredictable market. However, INSG could exploit their CRM system and acquired knowledge to increasingly deploy work to those intermediaries with a proven record of good customer service.

5. Conclusion

This case study highlights some of the realities involved when organisations seek to improve customer service through CRM systems. It also reflects on the relatively neglected topic of the specific and additional challenges certain organisations face when they are tasked with improving customer service through the use of intermediaries. More specifically, this study is useful in terms of developing our understanding of the relevance of CRM approaches, in terms of some lessons on the role of good information systems design and management, and how such systems and processes can impact on the appropriate strategic direction for an organisation.

There are several features of the INSG CRM system that are worth noting. First, the INSG CRM system was designed to only record and measure those things that were considered to be fundamental elements for improving customer service. Thus, the system was not hindered by the recording of too much superfluous or redundant information. Secondly, the CRM system was purposefully designed to be empathetic to the specific demands and realities of completing such work. This was demonstrated by the appropriateness of the weightings and the sensible use of sub-classifications, e.g. allowances for different hours and days of work, etc. Thirdly, there was a relatively high level of rigor in terms of the amount of information and statistics produced, e.g. the contacting of 65 per cent of all customers, and the frequency in which data was collected, used and evaluated. Perhaps, one design criticism within the CRM system was some lack of granularity within some of the classifica-
tions, e.g. only three, fairly narrow, categories for the overall scores awarded to an intermediary.

However, perhaps the most significant contribution in this research relates to the impact of CRM philosophy and information systems in helping to develop appropriate strategic approaches for the deployment of complex intermediary relationships. INSG were determined to improve customer service and this is a success story where some significant changes were achieved. The CRM strategy helped INSG to confirm (with detailed evidence) the identity of a significant number of intermediaries who were consistently poor in terms of customer service. It also led to the jettisoning of those intermediaries who did not improve within a notice period. The jettisoning strategy also delivered the additional benefit of enabling more work to be awarded to those intermediaries, those with proven levels of good customer service. In addition to the initial jettisoning strategy, the CRM system also helped INSG to gain more awareness of a number of intermediaries with a mediocre performance and also INSG’s over reliance on some of those larger intermediaries. Whilst the initial attempts to intervene only resulted in some limited improvements, INSG had now acquired the necessary knowledge to be able to intervene appropriately if and when conditions allowed. Such knowledge also enabled INSG to have a high degree of confidence about the need to continue to pursue such performance issues. INSG did eventually have the opportunity to use such knowledge after the unforeseen consequences of the economic recession. Such factors made it possible for INSG to consider a bolder intervention in the form of the acquisitioning of key intermediaries, leading to a process of disintermediation. At the end of this study, whilst INSG are experiencing some inevitable difficulties in the current economic recession, they are an organisation that has managed to resolve many of the traditional problems associated with the use of intermediaries and they are in a favourable and somewhat envied position to realise a significant improvement in customer service.

References


