

## **A Failed Customer Relationship Management (CRM) System: General Motors Acceptance Corp. Commercial Mortgage (GMACCM)**

### ***Summary***

The Customer Relationship Management (CRM) community is currently in an uproar about a recent study showing that 55% to 75% of all CRM initiatives fail to meet objectives. (Buss) However, as the industry continues to grow at a rate of 40% each year, it is clear that CRM professionals are not suffering. (Davis) Rather, the true victims are customers and employees who are forced to interact with a plethora of bad systems. A look into the failed CRM implementation of GMAC Commercial Mortgage points to usability as a key point of failure.

Since its inception 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. (Hess) 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. (Hess) Adoption of the latest technology has clearly 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.

### ***Resulting Problems***

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." (Buss) 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. (Buss)

Though GMACCM representatives declined to comment on the cost of the system, author Dale Buss notes that many CRM implementations involve seven-figure investments. (Buss) 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. Also difficult to quantify is the cost of opportunities lost while the system was being developed, implemented, and replaced.

### ***Conclusions***

From the available information, a lack of design methodology is clearly to blame for GMACCM's failed CRM initiative. Had the consultants at PricewaterhouseCoopers implemented just a few steps of a user-centered design methodology, this fiasco could have been avoided at a number of points. User analysis, task analysis, and iterative design and testing are just a few of the techniques that should have been employed.

First, the users of the system should have been clearly identified. GMACCM's customer base is quite diverse and includes CEOs to accounts-payable clerks calling with questions on loans that range from \$100,000 to \$1.6 billion. (Buss) The failed system treated all users equally, without consideration for their differing goals and service level requirements.

Second, a basic task analysis would have revealed the range of mental models, tasks, and information needed by the various users of the system. Consultants failed to explore this issue

and instead assumed that the existing structure of GMACCM's customer relations department would meet user expectations, which it obviously did not do.

Finally, had a simple user test or pilot of the system been conducted, the consultants would have discovered that a large percentage of users would choose to bypass their state-of-the-art system in favor of talking to a live person. Instead, no testing was performed and it wasn't until the system was 'live,' that it became clear that it was really a dud.

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