

How to Select a CRM System for Business Decision Makers

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Abstract: This paper identifies key parameters and provides a comprehensive framework and scoring model in choosing the right CRM software for a business. Budget. If you pick a CRM based on what your company can afford but end up choosing a CRM that does not fit your company, you may be throwing money at the problem without realizing the benefits that you hope to get. The alignment of the system with your business should come first. Licensing Model. Your company's size will also influence whether your company decides to purchase traditional on-site licensed software or to use a SaaS (Software as a Service) application. The difference between the two is primarily that one is an outright purchase model with lower recurring cost while the other is a rental model with low upfront costs but higher recurring costs. The SaaS model also holds the appeal of being able to get up quickly as it eliminates hardware and operating system procurement. The paper examines the TCO of Rent Vs. Buy.

INTRODUCTION

Implementing an effective Customer Relationships Management (CRM) software system is becoming increasingly necessary for companies struggling to weather the recession to build customer loyalty and improve the productivity of their sales team. In a 2009 Gartner study total worldwide CRM sales showed a 12.5% increase between 2007 and 2008, showing increased demand for effective front office management software.

Choosing the right CRM software for your company, however, can be a delicate and difficult process. By choosing wisely, you can increase your company's efficiency, improve communications with your customers, and increase the effectiveness of your sales and marketing teams. When shopping for a CRM there are several things that should influence your choice.

Firstly, you will need to consider certain things about your company. Aspects of your business that will affect your decision include:

BUDGET

Of course, this is the part you've already thought of. But this should only be one slice of the pie when deciding which CRM is right for you and it should be the last slice. If you pick a CRM based on what your company can afford but end up choosing a CRM that does not fit your company, you may be throwing money at the problem without realizing the benefits that you hope to get. The alignment of the system with your business should come first.

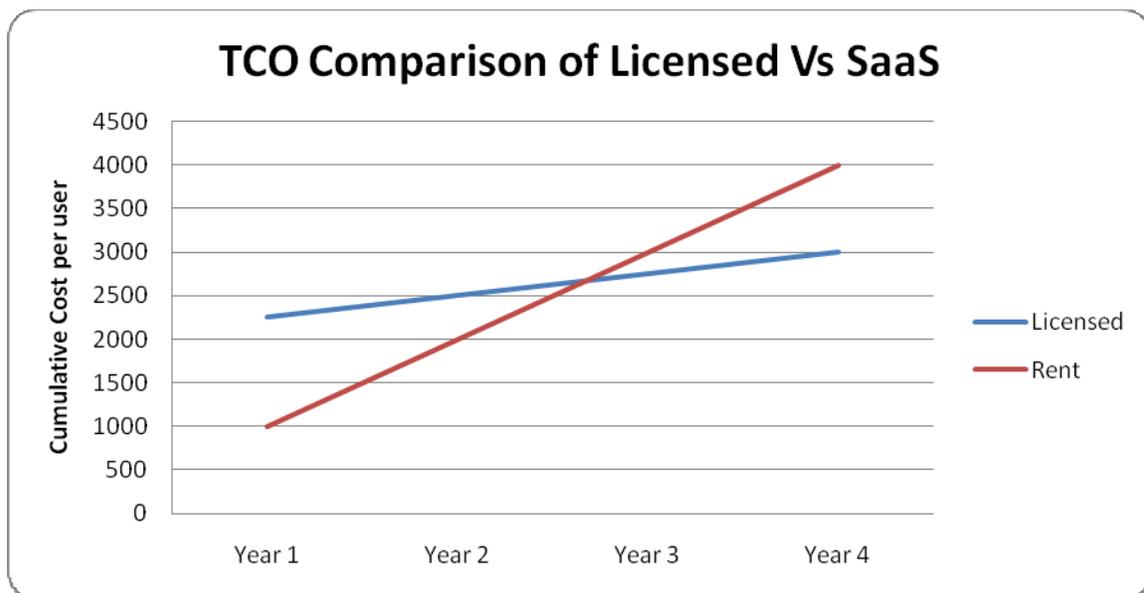
THE SIZE OF YOUR BUSINESS

Smaller operations can get by with less complex systems. Larger companies, especially those who deal with complex entities such as companies with partners or subsidiaries or provide a large number of products or services, will want more automation, advanced workflow, business intelligence and support from their CRM.

HOW TO BUY

Your company's size will also influence whether your company decides to purchase traditional on-site licensed software or to use a SaaS (Software as a Service) application. The difference between the two is primarily that one is an outright purchase model with lower recurring cost while the other is a rental model with low upfront costs but higher recurring costs. On-site software is a necessity of more complex companies who deal with larger amounts of data but trends have shown that SaaS software is becoming an increasingly popular choice especially with smaller companies. The SaaS model also holds the appeal of being able to get up quickly as it eliminates hardware and operating system procurement. However, many companies have found that over the long-term the Total Cost of Ownership (TCO) can be much higher with SaaS systems. For example, a typical purchase of a licensed user is approximately \$1000 for an outright purchase and an annual maintenance of approximately \$250 per year. A 3 year cost would be approximately \$1,750 for the software plus the one-time cost of the hardware. A rental SaaS system will approximately cost about \$80 per month per user or approximately \$1,000 per year but this includes the cost of the hardware. Over three years this works out to about \$3,000. Our experience is that if you plan to use a system for more than 3 years then the TCO will be lower if you purchase (license) versus rent (SaaS).

An increasing number of companies will rent first and then buy. This is a pretty good strategy if it is a significant buy as it gives you the ability to lower your upfront investment till the system is proven and then purchase it once it is proven allowing you to combine the benefits of lowering upfront risk as well as lowering the long-term total cost of ownership.



Some systems are only available in one model. For example, Salesforce.com is solely available in the SaaS/rental model while Microsoft Dynamics CRM is available as both a licensed version (called on-premise) or as a hosted version (Microsoft CRM Online).

FLEXIBILITY AND CUSTOMIZABILITY

It is unlikely that you will find a CRM that is perfectly suited your company right out-of-the-box. Most companies require some level of customization.

Depending on how close of a fit your CRM is to your company will determine how much you will have to pay someone else to adapt the CRM later. In general, you want to seek a system where minor customizations do not require programming. This will increase maintainability of your system and also keep it upgrade friendly.

USABILITY

In another article I have talked about how usability can be the lynchpin to CRM implementations. Your employees are not going to use a new CRM if the system doesn't fit well into their work environment. You want to find a CRM that will fit best with your current technology and applications. For example, if you are implementing CRM for sales force automation - you should ensure the CRM package works with the email software or email client that your sales team uses. Microsoft Outlook is the dominant email solution and a few of the CRM systems like Microsoft Dynamics CRM have a native Outlook client. What does a native email client mean? It

means that when an employee has to go into the CRM data they don't need to open a separate application for example a browser window or a separate desktop application but instead they are able to access the CRM data inside your email application.

SECURITY

Your CRM will connect all of your front office departments together in order to provide your teams with the data they need to do their jobs. This means that your customer's information can be at a greater risk of theft. Make sure that the security of your CRM comes highly recommended.

After considering your company generally, you need to consider any potential CRM from the individual perspectives of your customer service, marketing and sales departments. Each of these departments will have different requirements from your CRM system.

CUSTOMER SERVICE

One of the first things you want to look for in a CRM is its ability to sort and direct your customers and to deliver them to those agents who will be able to help them best in a timely manner. In CRM speak this is called routing. In addition, the CRM should be able to handle intelligently all forms of communication that your customers may use, including phones, fax, email and chat as well as be able to store what each customer's communication preferences are. These last two communication mechanisms may be incredibly important to your company and finding a CRM that can integrate email and chat together will make the difference between a customer having an enjoyable, satisfying visit to your online help center or giving up and switching to one of your competitors. Additionally, if your company is moving towards or has already adopted Web 2.0 methods of addressing your customers' needs, make sure that your CRM is compatible with the new technology and supports AJAX, JavaScript and other Web 2.0 technologies.

Once your customers have been directed to the proper agent, a good CRM should have the capability of supporting that agent through an easily accessed knowledge database. The success of a knowledge database depends on several factors. Make sure that the database is easily updated with knowledge of your product or services, accurate answers to the questions your customers may have, and the ability to call up your company's past interactions with the customer. This last item is incredibly important. There is nothing more frustrating to a customer than having to explain the same problem to several members of your team separately. Give your team the ability to quickly assess and resolve the customer's issue.

While customer communication management and a knowledge database are the cornerstones of a CRM's customer service application, there are several other features that you will want to look for.

An intelligent CRM will include prioritization programming that can red flag important or pressing customer service tickets for immediate attention. This kind of programming ensures that your most important customers will not feel neglected and that potentially damaging matters receive the attention they demand, for example if a customer of a bank calls to report unauthorized access to his or her account.

Finally, you will want to look for a CRM that can show you how effective your department is operating. Through customer feedback management and predictive customer analytics, you will be able to see which portions of your customer service department are working best and which forms of communication your company should focus most on.

SALES MANAGEMENT

The most important tool that your sales team can have at its fingertips is automation. By having a CRM that can automate repetitive, mindless tasks you can shorten your sales cycle and give your sales team more time in front of prospective customers. Automation can also be the best solution to meeting sales goals in the face of shrinking sales resources and market leads due to the current economic recession.

The best CRM for a sales team will differ widely based on the sales force's personality. If your company is a product-driven sales organization then a CRM with more basic lead and opportunity management may be the best to reduce your sales cycle. On the other

hand, if your company has a larger, more complex sales team with multiple departments and affiliations with multifaceted entities such as partners and subsidiaries, you will require a CRM with more role-specific software and the ability to process large amounts of data and maintain complex inter-relationships between the various parties involved in a deal

Regardless of the size of your sales force, you will want to increase your sales effectiveness. The right CRM should include applications that aid your sales representatives and their approach to customers.

Some sales effectiveness applications already common with CRMs include:

- Sales Coaching
- Sales Configuration
- Guided Selling e.g. Miller Heiman
- Quotation Management
- Content Management

Additionally, many CRMs include applications that track effectiveness and reward met sales goals through incentive compensation, quota management, and territory management. These can be incredibly useful tools.

Of course, one of the main benefits of a CRM from a sales perspective is the ability to intelligently identify and convert leads to opportunities. This software has the possibility to be the greatest boon to your team. Make sure to research this aspect of any prospective CRM well. You should ask yourself:

- Does the CRM system help free up my sales team to increase the amount of time available to a sales person to sell? Gartner's estimate is that sales persons only sell for about 48% of their time and spend more than half their time in doing mundane and administrative tasks. By using a system that can give back more sales time to your sales team you can increase your sales without adding additional sales people.
- Has this CRM helped companies like mine find and convert leads?
- Has the CRM's product development team done research in my specific industry or field? If not, are there third party applications that can be integrated into this CRM that deal directly with my specific industry?

One final thing to consider is mobility. If your sales team spends any substantial amount of time in the field or on the road, you will need a CRM that operates well with smart phones. The Mobile Operations Online Survey by Forrester Research showed that more than 50% of companies believe that more half of their employees will be using smart phones by 2013.

If your company is not there yet, it most likely will be and your agents will need to be able to access important data about their customers and your products and services no matter where they are.

However, this introduces the topic of security. What if one of your agents loses a phone while in the field? This may lead to your company's sensitive data, as well as that of your customers, being compromised. Ideally the CRM should only expose relevant data on the mobile device - for example only the customers and contacts specific to that sales person should be available on their mobile device. The right CRM should have strong security defenses to cope with just such an occurrence.

MARKETING

Your marketing department can benefit from a CRM with accurate and useful feedback from your campaigns. You'll want to know how potential customers respond to your communications, regardless of what media you employ so your CRM should be able to capture Marketing responses and track responses by marketing campaigns. Your CRM should include a strong set of metrics and web analytics.

In a survey done by Forrester, over 70% of marketers polled stated that they believed the future of marketing was in social media and SEO marketing. If you are one of the growing numbers of companies employing these kinds of Web 2.0 marketing techniques, again, make sure your CRM is compatible. At least two major developers, Salesforce.com and Microsoft Dynamics CRM, have already begun to incorporate this new marketing force, quickly becoming known as SCRUM, Social CRM. Both companies have released new software with the ability to accommodate Twitter, the popular micro blogging site.

Any CRM's marketing component should be tightly connected to all other components in order to feed and properly sort useful data back to the marketing team. The speed at which your business operates will determine how fast you will need this process to be. If your marketing team rolls out new campaigns every few weeks then you will need a CRM that can track, compile, and translate your data quickly and accurately enough to keep up. Anything else will slow down your marketing and, consequently, your sales.

However, feedback is not the only thing a CRM can do for your marketing department. The right CRM will provide smart automation much in the same way it does for your sales force. If you use email campaigns, a good CRM will be able to compile multiple email lists while eliminating duplicated contacts and accessing data to determine if a contact meets the rules of your campaign. It should also be able to generate reports without forcing your marketing team to waste time poring over huge amounts of data.

ALL TOGETHER NOW...

Of course, no one department can operate alone and connecting all aspects of your front office is the backbone of any CRM application. At the end of the day, if your CRM application does not communicate effectively interdepartmentally your individual departments are not going to receive what they need. A marketing department depends on feedback from sales and customer service. A customer service department requires knowledge of past interactions with a customer from the other two departments. Sales need to be in step with marketing in order to create a seamless and unified voice when communicating with the customer.

WHAT HAVE WE MISSED

After assessing your company's needs and how they fit with what a CRM provides there is one final aspect of this choice that you will need to look at, and it's one that might be overlooked: the CRM's manufacturer or software vendor. It may be easy to look solely at a CRM as an end product but you will have continued interaction with your CRM's software vendor. If the manufacturer doesn't have the resources to stay in business for the next four years you may find yourself without a support structure and the need to replace or update your CRM early. This can be a costly, difficult and time-intensive process that your company might have been able to avoid. Most CRM implementations have a usage life of slightly over 5 years, so be sure research the financial strength of your CRM's software vendor that can support you through the life cycle of the use of the product.

Finally, consider the innovativeness and size of your software vendor's CRM development team. Your industry, like most others, is likely to change and the software vendor's ability to provide software updates, and improvements can make a substantial impact on your company. Look for teams that have been lauded for being insightful and innovative in making their product better even after purchase.

BIBLIOGRAPHY

Sandeep Walia is the CEO of Ignify - a top ranked CRM, ERP and Business Solutions provider with over 300 employees globally. Prior to Ignify, Sandeep worked at Deloitte in the Business Solutions practice in California, and the Asia Pacific region. Sandeep has over 15 years of experience with business solutions and has implemented front-office, CRM, Billing and ERP systems for Fortune 500 companies as well as mid-market businesses. Clients that have relied on Sandeep's expertise include Nokia, HP, GAP, World Vision International, Port of Long Beach. Under Sandeep's leadership, Ignify has grown at a compound annual growth rate of over 75% and has been ranked in the fastest growing companies in North America for four years in a row in the Deloitte FAST 500, Inc 500 and the Entrepreneur Magazine Hot 500. Ignify is headquartered in Los Angeles and has seven offices in North America and Asia.