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The ABCs of Choosing a CRM System:

**Putting the Customer First Can
Help Grow Your Business**

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Executive Summary

Since the 1990s, the customer relationship management (CRM) concept has been embraced by the business world as a way to forge, maintain, and improve bonds with customers. Previously, many companies focused mainly on gathering consumer data for their own use. However, once businesses began to understand the value of allowing customers to dialog about their needs, they began implementing more systems that invited customer feedback--even offering rewards such as gifts and incentives for doing so. This decade has seen the growth in customizable CRM software and applications that provide solutions for companies needing to access accurate, real-time customer information throughout their organizations.

Forrester Research predicts that the market for CRM software and services will grow from about \$8.4 billion in 2006 to \$10.9 billion in 2010 (SearchCRM.com, 2006). Much of the growth will come from midmarket firms. According to Access Markets International, firms with 100 to 999 employees were expected to spend more than \$1 billion on CRM in 2006 (SearchCRM.com, 2006).

When choosing a CRM system that will help attract and retain loyal customers, the following elements need to be considered:

- Sales automation to track data through the entire sales cycle
- A solid contact management strategy
- Automated marketing for improved communication companywide
- Effective corporate reporting
- Improved interactions with customers through call centers
- Data integration for companywide access.

These are key features that companies should look for in a CRM system designed to add value to customer interactions.

Implementing CRM systems can be an expensive endeavor, so businesses need to choose wisely in order to find a cost-effective system that is compatible with their industry. Before purchasing a solution, companies should evaluate:

- The size of their business
- Their needs for industry-appropriate customization
- Whether or not employees work remotely from headquarters
- Security issues, including the need for restricted access.

This white paper is a guide to choosing a CRM system that can help with initiatives to increase customer loyalty and grow profits. Putting the customer first is necessary for businesses who want to be leaders in their industry sectors.

Introduction

In today's competitive business environment, successful businesses understand that focusing on the customer is absolutely crucial. Implementing a (CRM) system is a smart investment that helps companies manage relationships with customers by compiling, storing, and analyzing customer data. Finding the right CRM software and applications can help grow revenues and streamline operations. CRM is a company-wide strategy focused on increasing customer loyalty and growing profits.

Building Loyalty

Loyal customers can help promote business, drive demand for products, and bring in more customers. "Quite likely the only possible source of sustainable competitive advantage in the new economy will be the bonds of loyalty you generate. If this strategy seems like an uphill battle in today's environment, remember that sustainable advantage means outperforming your competitors," says Frederick F. Reichheld in *Loyalty Rules!* (2001). "Although defection rates across your industry may be climbing, you need to build relationships that are stronger and more enduring than your competitors."

It is less expensive for a business to invest in retaining existing customers than work to find new ones. According to Reichheld, increasing customer retention by 5% can yield a 75% increase in customer net present value (2001). CRMGuru founder Bob Thompson says, "A Walker International survey of more than 4,000 people in September 2004 found that IT vendors with high customer loyalty generated an average operating margin of 12 percent, while laggards experienced negative 11 percent margin" (2005).

While initial interactions determine whether customers will do business with a company, subsequent interactions determine whether they will stay. For some businesses, customers may have more contact with technical, service, and support people than with the sales person from whom they bought a product or service. Companies, whether large or small, must make the most of all interactions and give them as much importance as initial sales.

How Customers Rate Service

For many firms, there also is a dichotomy between how they view the caliber of their customer service and how their customers see it. A Bain & Company survey of 362 firms found that 80% believed they delivered "superior service" to customers, but these firms' customers said only 8% of them actually provided that level of service (2006). In fact, although many business leaders pay lip service to the importance of loyalty, a CRMGuru survey found that when it comes to investing money in this area, 40% prioritized acquiring new customers, while only 22% placed priority on retaining old ones (Thompson, 2005). Still, smart executives make retention a company-wide priority.

If employees throughout a firm understand their role in building good customer relations, they'll be more likely to support CRM strategies. Consequently, a successful CRM strategy should be accessible to employees throughout a company. New employees should be able to get up to speed with CRM technology in a reasonable amount of time and have specific procedures to follow. All employees should feel that the CRM solution helps the company, makes their job easier, and improves their performance. When employees "buy into" and feel that they own a CRM solution they are more likely to push rather than resist its implementation.

Basic Elements to Look for in a CRM System

As organizations turn more attention to offering quality customer service in a cost-effective way to grow revenues, more resources will be invested in customer service and support applications. AMR Research predicts the CRM market will reach \$18 billion by 2010. More conservatively, Forrester Research expects about \$10.9 billion in sales in the same time period (SearchCRM, 2006). Despite differing expectations for the market, experts are in agreement that CRM will continue to be an important piece of the equation for attracting and retaining customers.

An effective CRM strategy can:

- Create a consistent system of tracking customer contacts
- Automate marketing and allow multichannel marketing campaigns
- Allow corporate reporting features accessible to top managers and employees
- Improve call center applications and support
- Integrate various systems, allowing more comprehensive analysis of data

1. Contact and Data Tracking

Sales software can help track contacts at every stage of the sales cycle. Sales force automation software from vendors such as Pivotal can help businesses:

- Analyze sales forecasts in real time
- Accelerate sales cycles by improving communication with sales representatives
- Reduce administrative work
- Increase team productivity by speeding up processes such as expense management, quote generation, and proposal generation

The right technology can help improve sales management by allowing information to be shared throughout an organization. Using Pivotal software, Farm Credit of America implemented a CRM system that allows customers to conduct banking and financial services at their own place of business with real-time data.

2. Multichannel Marketing and Lead Analysis

Marketing automation can allow a company to conduct multichannel marketing campaigns that track leads from several channels and quickly pass on strong leads to sales representatives. The right marketing strategy can make the most of phones, email, the Internet, and mobile devices to:

- Deliver meaningful campaigns that help drive revenue opportunities
- Optimize customer relationships
- Improve the quality of communications and responsiveness
- Make campaign management less complex.

Software from vendors like RightNow can help a business build profiles of customers and prospects, offer targeted marketing, and allow customer lists to be screened for satisfaction and sensitivity. Siebel CRM On Demand is one of the innovative new products offered by CRM solution providers. These products allow firms to have instant access to marketing dashboards, closed-loop metrics, pre-built and custom analytics, and lead follow-up analysis.

3. Corporate Reporting

In order for a CRM system to really perform, it's important that anyone within an organization can view and use customer information. Top managers need access to data that allows them to run a variety of reports, as well as measure the profitability of business initiatives. Equipped with important data, managers can see key performance indicators and share reports with other managers. It's important that data be as up-to-date and error free as possible.

RightNow Marketing™ and companies like it offer pre-built reports that are available out-of-the box, the ability to quickly evaluate marketing efforts, easy export to Microsoft Excel or PDF, and the ability to separate or filter data in different ways.

4. Call Center Applications and Support

Whether a company is large or small, it can benefit from implementing a phone system that will allow it to offer user-friendly customer service. Many companies fall down in the areas of customer service and technical support by not having enough people to handle calls from customers and by failing to implement consistent procedures for handling consumer inquiries. A 2005 Accenture study found that 49% of people surveyed said poor service led them to change providers in at least one industry (CRMToday, 2005). A call center solution such as Inter-tel's Contact Center Suite allows:

- Creation of routing rules to make sure calls are directed to the right department
- Supervisor control over the availability of employees in the queue
- Employee performance analysis and forecasting
- Improved employee training and quality assurance.

According to Donna Fluss, founder and principal of DMG Consulting LLC, contact centers will become one of the most important revenue-generating departments in most enterprises within five to 10 years.

"Contact centers are entering the age of analytics, an era that will greatly enhance enterprise profitability and customer satisfaction ... To address this new age of analytics, contact centers will need applications that provide real-time and retrospective analytics," Fluss says (2006).

5. Data Integration

A system that seamlessly integrates data allows businesses to have comprehensive information on customers that can be accessible to employees across the board. Products like Oracle's Siebel Customer Data Integration can help firms with targeted customer service. Integrating sales, marketing, and service data can:

- Reduce costs by centralizing the management of customer data
- Offer customers a more streamlined experience
- Resolve inconsistencies.

Integrated data should allow companies to detect redundancies and build comprehensive, accurate profiles of customers. Customers who receive email advertisements and newsletters from online retailers may have access to polls, questionnaires, or wish lists about their needs and wants. The right sales software can allow a company to offer product suggestions to a customer based upon previous purchasing and browsing patterns.

Choosing the Right Features for Your Business

Not all CRM systems are right for all companies. A small business just starting out will have different requirements than a larger, more-established company with thousands of employees. Companies in different industries will also have different needs that should be addressed with a CRM strategy.

1. Small Business-Friendly, Sales-Focused Features

Software-as-a service (SaaS) providers offer solutions that are easy to implement and use without customizations or on-premises options. This solution may work well for smaller sales firms where everyone works in the same office. If the budget for CRM is small, a packaged solution that can be installed internally may be enough to get a firm up and running. ACT! offers contact management software for one to five users, as well as for six or more users, that can help access important customer information, manage and prioritize activities, and track all contact-related communications.

Smaller firms with limited resources will benefit from CRM technology that is user-friendly. After all, if the system is too difficult to understand or offers too many options, employees won't want to use it and company efficiency will be eroded. For instance, a marketing strategy may involve generating a log of reports using everything from demographic data on customers to purchasing patterns in a zip code. Employees using CRM applications should be able to generate the reports they need without IT help.

2. Connectivity Features for Employees in Remote Locations

Vendors such as Pivotal and Oracle/Siebel offer managed hosting plans. These plans offer constant updates and new features without companies having to take action. Because hosted plans can usually be accessed anytime and anywhere, they are good for companies whose employees travel frequently or work from different locations.

Companies that rely heavily on traveling sales reps need a strong sales force automation system that allows reps to have real-time access to information during the entire sales cycle, wireless access through a mobile device, and the ability to have calls forwarded while on the road. An effective sales management strategy should allow reps to use contact management software to collect data on customers in the field, and integrate that information with other sales force automation technology in order to update information in real-time.

Companies using virtual systems don't have to buy and maintain expensive equipment, and they can keep abreast with changing technology. "A hosted solution can be up and running very quickly, in a matter of days in some situations," according to Ralph Saunders, Marketing Director of Cincom Systems. "Companies can accelerate their return on investment (ROI) by as much as six to nine months by implementing a hosted solution versus a traditional, on-premises solution."

3. Customization and Security Features

Every company needs a CRM application that is flexible enough to fit its particular business. This means applications that configure names and processes to their unique industry, not generic categories. For example, medical institutions work with hospitals and patients and wouldn't want a system that focuses on accounts and contacts.

Larger companies that need a lot of specialization and security features may find more flexibility in a hybrid solution that let customers switch between SaaS and on-premises options. Fast-growing companies who have changing needs for forecasting sales or integrating supply-chain management applications may benefit from this type of solution.

Any company working to implement a CRM system needs to focus on the best way to protect customer data. For example, financial-services firms may need a system that controls access rights for employees at different levels. Such a feature could include a field-level security feature that restricts access to customer data such as phone and credit-card numbers.

Case Studies

The following three case studies show businesses have met some common customer relationship challenges--from the accumulation of unanswered email to tracking consumer desires to dealing with off-premises workers--by implementing CRM solutions that address their specific concerns:

- When Ben & Jerry's Ice Cream Factory became backlogged with thousands of emails that took months to answer, the company implemented RightNow's self-service knowledge base. A Find Answers feature allows visitors to the Ben & Jerry's Web site to search through 200 answers to frequently asked questions by using keywords or browsing categories. Find Answers reduced email volume by 90%, eliminating the backlog of messages. The online system has worked so well that 99.7% of visitors to the Web site are able to find answers to their questions without using the Ask-a Question feature, and the company still handles its communications with only four people. (RightNow Technologies, 2007)
- Growth and success led convenience store giant 7-Eleven to implement CRM solutions that accurately and efficiently track consumer choices at the point of sale. As a result, sales information that used to take the chain nearly three weeks to collate can now be reported hourly. CRM technology serves as a "surrogate for being able to talk to every customer who walks in the door," 7-Eleven CEO James Keyes points out. Keyes expects to pay for 7-Eleven's CRM investment with the cost savings his business accrues from more accurately understanding its consumers' needs and desires. (Koch, 2005)
- Farm Credit Services of America is a farm credit organization that serves farmers and ranchers in the Midwest. Financial services officers spend a lot of time in the field visiting farms and ranches. Building relationships with customers is crucial and financial officers need to have access to customer data at a moment's notice. Farm Credit faced the challenge of becoming more accessible, customer responsive, and service-oriented. However, it lacked the internal systems to support its financial officers, which resulted in its leasing, accounting, loan, and insurance data being isolated in different systems. Pivotal helped Farm Credit implement a CRM strategy aimed at improving customer care and creating a team-based approach to selling products and building customer relationships. Listening to their customers' requests, Farm Credit implemented the Mobile CRM solution that allows customers to conduct banking and financial services at their own place of business. Since Farm Credit implemented its CRM solution, net worth has doubled to \$1.5 billion, assets have grown 57% to \$8.5 billion, the number of customers has risen 31% to 62,000, and customer satisfaction has risen to 94% from 84% (Pivotal, 2005).

Conclusion

The right CRM system can improve company efficiency, facilitate communications with customers, and help increase revenues. Consumers have grown increasingly service-oriented, making CRM a business necessity rather than an option. Customers have a vast array of choices for spending their dollars, thanks to the plethora of information on the Internet that allows them to comparison shop for just about anything. Going forward, they will continue to demand better customer service and personalized communications in return for loyalty:

"In 2015 the consumers who grew up after the advent of the Net will be ages 10-34...this group of customers will expect you to conduct business with them in an always on, always connected, real-time way. Always on, always connected is a result of the move from an analog to a digital world, which will be completed around 2030," according to Barton Goldenberg, president and founder of consulting firm ISM Inc.

Thus, for the foreseeable future, increasing customer loyalty will be one of the biggest drivers of growth and increased profits for many companies. Businesses who want to thrive should consider a CRM strategy as an investment that can help them grow, stay connected with customers, and remain competitive.

About the Author

Francine L. Huff is the founder and editorial director of Super Savvy Publishing LLC, which provides editorial and publishing services. She also is the author of *The 25-Day Money Makeover for Women*. Francine previously worked at the Wall Street Journal as the spot news bureau chief, a news editor, and copy editor. She has appeared on a variety of TV and radio shows, and has taught classes and workshops on personal finance, careers, and journalism. Francine holds a B.S. degree in journalism from Northwestern University in Evanston, IL.

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