



Deep Dive

How Top Performing SMBs Maximized CRM Success in 2012

About the Pie Chart

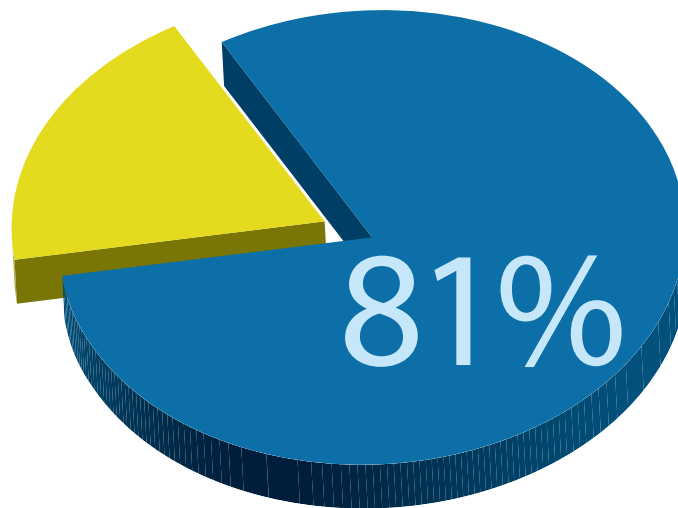
The data presented in the pie chart is derived from the Q3 2012 CRM for Small and Midsize Organizations survey (n=318). The data serves as the basis for this Gleanster Deep Dive, which provides analyst commentary related to a particular aspect of the topic. The objective is to provide additional perspective and illuminate certain key considerations regarding the implementation of the related technology-enabled business initiative.

Additional survey data utilized:

- » Q4 2012 Gleanster benchmark report on Digital Engagement (n=135)

To learn more about Gleanster's research methodology, please click here or email research@gleanster.com.

When was the last time you benchmarked your company performance in CRM? Are you managing customer relationships effectively? Is your CRM strategy working? If you are like 8 out of 10 small to midsize business leaders, you know there's lots of room for improvement with respect to sales processes and technology adoption. In a recent Gleanster survey, Top Performers were 2x more likely than Everyone Else to leverage data on an ongoing basis to optimize sales and marketing. In fact, survey data revealed a handful of best practices in CRM that were unique to the success of Top Performing small and midsize organizations. This Deep Dive will explore how Top Performers actually leverage CRM to maximize revenue and outperform industry peers.



Percentage of Top Performers using CRM for over 3 years.

Today CRM can largely be considered a mature technology. In fact, given the exceedingly high expectations for personalized and relevant communications, CRM strategy is mandatory—and it very well may include spreadsheets, siloed technologies, databases, and good old fashioned pen and paper in a SMB environment. As it turns out, embracing technology is a core value driver for Top Performing

organizations. In fact, Top Performing organizations are 1.7 times more likely than Everyone Else to invest in a CRM tool (see Figure 1).

But even Top Performing organizations struggle with CRM. The most common challenges include adoption, customization, and data management (see Figure 2). Further analysis suggests these challenges can be

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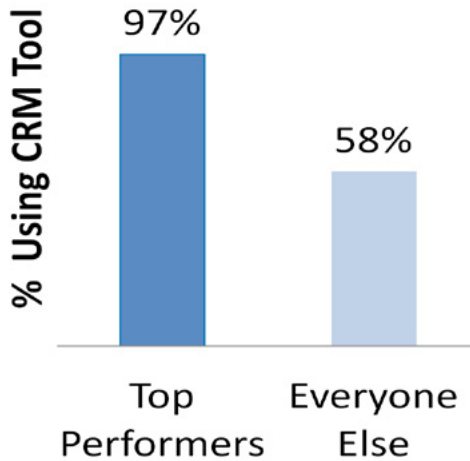
Top Performers Defined

Gleanster uses 2-3 key performance indicators (KPIs) to distinguish “Top Performers” from all other companies (“Everyone Else”) within a given data set, thereby establishing a basis for benchmarking best practices. By definition, Top Performers are comprised of the top quartile of qualified survey respondents (QSRs).

The KPIs used for distinguishing Top Performers focus on performance metrics that speak to year-over-year improvement in relevant, measurable areas. Not all KPIs are weighted equally. The KPIs used for this Gleansight are:

- 12-month change in revenue
- Employee Satisfaction with CRM

Figure 1: Use of CRM (All Respondents)



classified under three core themes that Top Performers embrace to maximize the use and return on investment in CRM:

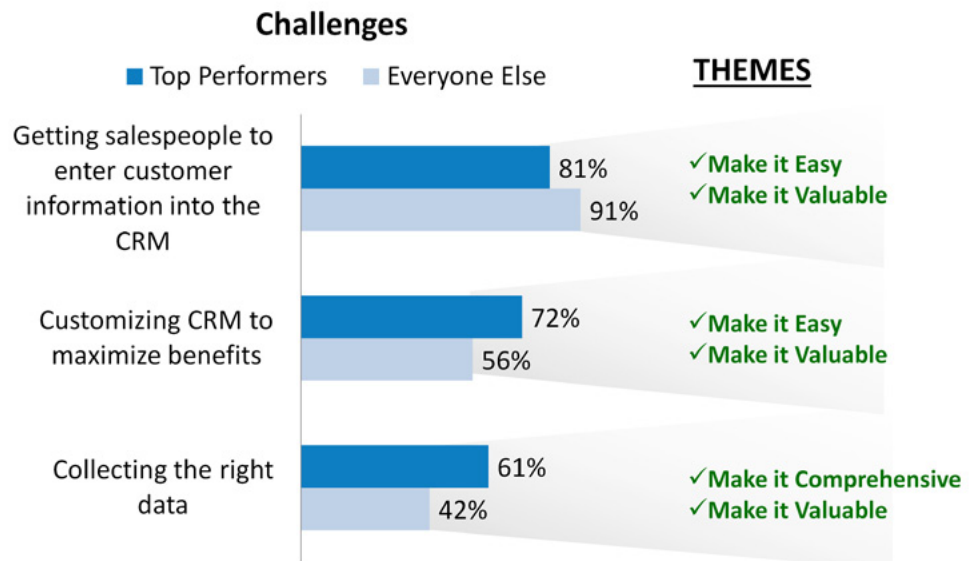
Make it Easy: Don't overcomplicate CRM tools and try to gather too much data. Many organizations immediately gravitate to complicated account and contact management layouts that capture loads of information that is never used. Salespeople need to feel like CRM augments their success. If filling out mandatory fields becomes a burden (and the data falls into a black

hole), it's unlikely customer data will be accurate over time because sales reps will circumvent the tool.

Make it Valuable: For Top Performers, CRM is about more than a vehicle to capture customer data and opportunity management. To the extent data from other systems (such as marketing, finance, or operations) can be integrated within CRM to empower sales reps and maximize the success of customer communications, CRM becomes a competitive advantage in sales.

Make it Comprehensive: In the spirit of making CRM both easy and valuable, the comprehensiveness of a CRM solution can make or break a CRM strategy for a small or midsize business. Most small and midsize businesses don't have a need for highly robust and costly modularized capabilities to support marketing, sales, and service. For large enterprise, these robust solutions are often necessary to support the complexity of a growing enterprise, but they often require separate licensing fees and custom integration. System fragmentation and data proliferation is one of the most common impediments

Figure 2: Top 3 Challenges with CRM for Small and Midsize Businesses



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Key Definitions

There is quite a bit of ambiguity around the technology acronyms that support sales. Here are definitions for the most common you'll come across:

- **Salesforce Automation (SFA):** Information systems that help automate some sales and sales force management functions. They often include contact management, opportunity management, pipeline management, and reporting.
- **Contact Management:** Information systems that enable users to easily store and find contact information, such as names, addresses, and telephone numbers. These are contact-centric databases that provide a fully integrated approach to tracking of all information and communication activities linked to contacts.
- **Customer Relationship Management (CRM):** CRM is a widely implemented model for managing a company's interactions with customers, clients, and sales prospects. It involves using technology to organize, automate, and synchronize business processes—principally sales activities, but also those for marketing, customer service, and technical support.

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to customer engagement; fragmented data on fragmented systems is a challenge for companies of all sizes, but for small and midsize organizations, finding the time, resources, and capital to focus on this is even more challenging. Small and midsize companies can mitigate this challenge by investing in more comprehensive offerings designed to bridge the divide between marketing, sales, and customer service. Research from the November 2012 survey on Digital Engagement suggested 85% of Top Performers are currently pursuing, or planning on, system consolidation initiatives in marketing and sales.

Best Practice Answers to Common Questions

There are five common questions small and midsize businesses frequently ask (or should ask) before embarking on CRM initiatives. The following sections outline each of these questions in detail in the context of Top Performing organizations. Exactly how do Top Performers position for success in CRM?

What are the benefits of CRM?

For the small and midsize business, CRM investments are sometimes viewed as costly and daunting initiatives. At the most fundamental levels, CRM is truly about finding, getting, and retaining relationships. To that end, every organization is in business to maximize profit from this very process. These days, success in CRM is driven by customer centrality. Top Performers excel at engaging prospects and customers in highly personalized and relevant interactions from marketing and sales. Naturally, that requires a robust and centralized source of data to rely

upon. The reality is, it's just not possible to manually engage prospects in a timely manner unless business rules and notifications can alert sales reps and marketers of critical stage gates in the buying and sales process. Again, make it easy, make it valuable, and make it comprehensive.

Sometimes it helps to revisit why small and midsize organizations even need CRM. Other than the obvious, to increase revenue and maximize sales productivity, there are additional nuances to the reasons to implement that Top Performers frequently reference.

Changing consumer demographics.

Regardless of B2B or B2C, today's buyers are informed by 24/7 access to information. That means today's seller must meet buyers whenever and wherever they want to engage. The more information sales reps have about the types of marketing channels a prospect engaged in, which communications resonated, and other buying signals (attendance on a webinar, downloads, price comparison, shopping cart abandonments, etc.), the better chance they have of closing the deal. Top Performers use CRM as a hub to centralize all these customer interactions, making CRM an invaluable source of competitive advantage for sales reps and further encouraging them to actively manage the data.

A core system of record for customer data.

Channel proliferation has given rise to a wide variety of technologies that support marketing. In most cases fragmented marketing systems leave organizations crippled by fragmented data silos. Top Performers are 3x more likely than Everyone Else to use CRM as a central hub for customer data, a trend that continues to dominate CRM strategy for industry leaders.

Evaluating Readiness for CRM:

To perform a full analysis of your company's readiness for CRM, consider the following questions:

- Is your company achieving its marketing and sales goals and objectives?
- Do you have goals and objectives?
- Are they in line with what you desire?
- Analyze your current lead generation program and research each step.
- Which step has your customers dropping out?
- Which step stimulates your customers to go further along your lead generation process?
- Do you have a lead generation process that works?
- Gather your financial data together so you can see specifics.
- Figures provide objective means and insight.
- Which sales technique has the strongest lead generation?
- Which step has a strong lead conversion rate?
- Which one stimulates your visitors to pick up the phone or actually visit your store?

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Spreadsheets have limitations. It should go without saying that spreadsheets are not a scalable solution for managing customer data. But 6 out of 10 small businesses admit to leveraging spreadsheets to store and manage customer data. CRM creates a core system of record that is designed to be remotely and securely accessed by multiple users.

Centralize sales effectiveness.

According to all respondents in the September 2012 CRM survey, the biggest challenge with respect to CRM is still user adoption. Naturally, lack of adoption leads to unreliable data within CRM and the problems snowball from there. Top Performers mitigate these challenges by ensuring CRM technologies empower sales reps and add value during sales engagements. Access to sales materials, customer data, and best practices helps make CRM more valuable. Naturally, the more reps start to interact and consume information from within CRM during the sales process, the more likely they are to fully embrace CRM as part of their daily process.

Automation & time savings.

Relevance and personalization maximize share of wallet. In a small business environment, nobody has the time to manually reach out to each prospect with just the right message at just the right time. Eighty-five percent (85%) of Top Performers apply business rules to help trigger marketing and sales interactions based on prospect behavior.

Notifications. Integration with marketing, finance, and operations augments contact and account records within CRM and provides critical information that can be used to alert marketing or sales about the next best action to maximize the chance of

closing a sale. In a B2B setting, sales alerts within CRM or over email help salespeople identify the best way to spend finite time.

Historical tracking of customer data.

The only way to optimize sales processes is to benchmark performance over time. Looking at year-over-year trends in sales, products, and pipeline growth can provide valuable insight into what is working and what is not working for the business. It can also inform new product development, cross-selling opportunities, and customer satisfaction. A system of record for customer data that spans multiple years is a core differentiator for Top Performers.

For small and midsize business, CRM should be viewed as a core system of record for marketing, sales, and service information. It's about capturing and tracking every interaction with a customer and making that information accessible to reps when they need it most. As such, it makes sense to track customer support interactions after a sale - from within CRM. This provides a comprehensive view of customer engagement over time so reps can focus on cross-selling, up-selling, and customer loyalty.

Systematically manage results.

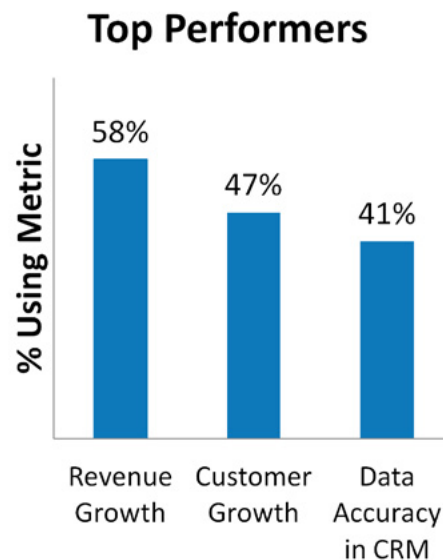
The most frequently used metric to measure the success of CRM initiatives is revenue. That makes sense since most organizations invest in CRM to ultimately maximize revenue. But, revenue is a byproduct of process. It's important to define desired results and then back into measurable processes that help achieve these results. As such lead routing and automated processes help standardize and streamline processes and provide comprehensive visibility into the "sales agenda". Sales leaders need this comprehensive view of what is active in the sales pipeline

Critical Success Factors for Your CRM Project

- Clear objectives
- Consider short- and long-term goals
- Don't over design
- Executive champions and overall leadership support
- Use the data you collect

and where there might be bottlenecks well before the sales. This gives sales managers an indication of where to focus coaching or process optimization to actually maximize revenue. For small and midsize businesses, process optimization is much easier in a comprehensive solution since every interaction is tracked and monitored from one centralized system of record.

Figure 3: Top 3 Metrics for Measuring the Success of CRM



Where do we start?

These days, CRM strategy revolves around customer centricity. It's all about delivering a world-class customer experience. CRM is not just a repository for customer data; it's about making it easy to engage customers in a personal way across marketing, sales, and service. The best way to start any CRM initiative is to define where the biggest opportunities exist to improve the customer experience. Then prioritize efforts based on business outcomes. Top Performing organizations have a solid understanding of the overall customer journey before investing in CRM. How do customers make

purchase decisions? What type of information do they need to feel comfortable making a purchase? What makes your product or service unique? In fact, Top Performing organizations are 5x more likely than Everyone Else to document the customer buying and sales cycle and share it with marketing, sales, and customer service.

Increase your success rate by pre-defining how you will measure the success of the initiative. Key Performance Indicators, KPIs for short, measure repeated processes in a discrete or continuous manner. They objectively measure the success of your firm's business goals and objectives and how well your strategy is working. Keep in mind that measuring too many metrics can be a mistake, and it's a common one for small and midsize businesses. Top Performers only utilize a handful of metrics, like revenue or the number of new opportunities; these are easy to automate in a system and can easily be translated into business strategy (see Figure 3). It's important to define these key metrics before investing in technology or changing internal processes.

How do we maximize the success of CRM investments?

Understanding the ROI behind CRM investments is a top 5 challenge for Top Performers and a top 3 challenge for Everyone Else. We've all heard horror stories about failed attempts to implement CRM. In every case, the problem is not the technology; it's the way technology is embraced by people and process. There are a wide variety of ways Top Performers extract value from CRM, and some require more effort than others.

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Keep customer-facing teams productive. Integration with CRM and digital marketing platforms can help sales reps find the needles in the haystack and focus finite time on real short-term opportunities. Don't think of CRM as a source of data capture, think of it as a source of sales enablement. Only capture data from reps that is absolutely critical; try to give reps visibility into marketing and service engagement with accounts.

Be open to continuous optimization. The number one thing that drives CRM investments into the ground is excessive customization on contact and account layouts in CRM. If your organization is going to ask sales to enter information, it must be used to inform strategic decisions that impact revenue. It's important for organizations

not to get wedded to fields on CRM layouts just because "we've always done it that way." Talk with sales on a periodic basis and find out what is and isn't working in CRM.

Nurture leads that aren't ready to purchase. It's inevitable that about 75% of the leads that are deemed sales ready will not convert in the short term. Top Performers develop special lead nurturing campaigns to keep in touch with leads that have already talked with sales, but for whatever reason chose not to purchase. The communication strategy for these individuals is entirely different. Salespeople are literally incentivized not to focus on these long-term opportunities, so it's important to give them a vehicle to keep on top of these prospects when they are ready to purchase.

Figure 4: On-Premise versus Software-as-a-Service

| | On-Premise | SaaS |
|----------------------|--|---|
| Fees | Usually one larger up-front license cost. No or minimal ongoing cost. Unlimited users. | Monthly or annual fees based on number of users, database usage, modules utilized. |
| Hardware | Requires hosting hardware. Do servers that could be used already exist internally? | No hardware required. |
| Security | As secure as internal network. | As secure as internal network. |
| Customization | Highly customizable, although a best practice would be to minimize customizations to reduce the complexity of ongoing support and integration with new systems. | Flexible with some limitations. SaaS delivery may limit the breadth of functionality that can be customized, but in general it's every bit as customizable as on-premise. |
| Integration | Customized integrations can be built, and some pre-packaged integrations exist. Top Performers are moving away from custom integration in lieu of pre-built packaged integration from vendors. | Usually pre-packaged integrations or modules are leveraged. Check to see if your existing systems have pre-packaged integration modules for CRM. |
| Mobility | Does not require internet access. May be limited to PC or Mac. May include mobile apps or internet access. | Requires internet access. Accessible on mobile devices or any computer 24/7. |

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Execute more targeted marketing campaigns. Use CRM to inform marketing strategy based on industry, company size, and product win ratios. Top Performers regularly mine CRM data for new segments and target audiences to inform marketing communication strategy. Research from the 2012 State of Email Marketing suggested that there is a direct correlation between relevance and conversion rates. In fact, this data also suggests that improving marketing communications can actually reduce marketing costs and increase response rates. CRM is a compelling source of customer data.

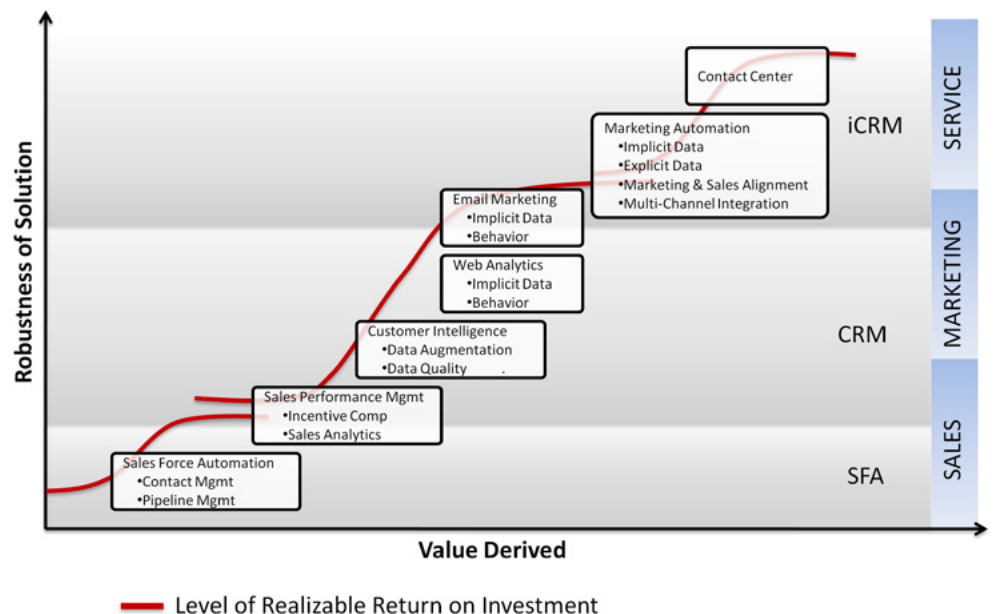
Extend reporting to all individuals. You don't have a sales problem. You don't have a marketing problem. You have a revenue problem. CRM is a cross-functional challenge, and different elements of the customer experience might be owned by different stakeholders, even in a small business. Top Performers democratize access to reporting and customer engagement metrics. In fact, periodic review of key

metrics and shared visibility into the bottlenecks allows an organization to develop a culture that values analytics and measurement. As the great Peter Drucker once said, "If you can't measure it, you can't manage it."

On-Premise or Saas?

The decision to go with hosted or on-demand software is not as cut and dried as it might seem. There are nuances to each offering, and on-premise is still the most common approach for small and midsize businesses (45% of all respondents used on-premise CRM and 36% used on-demand CRM). Small and midsize businesses often cite the cost of SaaS offerings as a major impediment to leveraging this approach. Per user license fees on a monthly basis add up quickly over extended periods of time. But the flexibility and rapid adoption of SaaS CRM continues to be a draw for organizations. At the end of the day, it comes down to the unique needs of an organization. The following chart helps flesh out some of the most common

Figure 5: Integration Drives Incremental Value for Top Performers



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differences between on-premise and SaaS offerings

How do we develop a competitive advantage with CRM?

The best way to answer this question is to approach CRM from the broadest definition. It's about finding, engaging, and retaining customers. Today, a wide variety of technologies can support this goal—in theory. But as Lawrence Berra once said, "In theory, theory and practice are the same. In practice, they are not." For small and midsize businesses it's simply not feasible to purchase and manage dozens of different technologies to support marketing, sales, and service. But this is exactly what needs to be done to retain a competitive advantage. It's about empowering every function with data that can be used to optimize the customer experience. When Top Performers were asked how they maximize the value of CRM investments, the top two value drivers were focused on integration:

- Consolidate all customer knowledge in the organization in the CRM solution (55%)
- Manage marketing/sales campaigns through CRM (47%)
- Data quality and cleansing (34%)

Customer data drives a competitive advantage for Top Performers. Contact management and salesforce automation are the most common repositories for customer data for the small and midsize business, but alone these technologies reach diminishing returns because data is exclusively owned and managed by sales. Top Performing small and

midsize businesses are 4x more likely than Everyone Else to augment CRM with sales, marketing, and service technologies. But obtaining multiple licenses on multiple technologies is often too costly for small and midsize businesses and far too challenging to manage from a resource perspective. That's why many small business CRM solutions include more comprehensive offerings that include sales management, forecasting, invoicing, marketing, and service.

3 Ways to Guarantee CRM Success

Unfortunately, there is no one-size-fits-all approach for implementing a world-class CRM solution. But a handful of best practices can maximize the chance of success.

Plan what you expect. It might sound obvious, but it's critical to set realistic expectations for CRM initiatives. Far too many stakeholders buy into the promise of CRM blind to what it actually takes to achieve a Top Performing return. When CRM fails to deliver, organizations fail to plan and execute accordingly.

Identify critical success factors ahead of time. Success factors should be defined by both qualitative and quantitative measurements. If you are unsure which success metrics to attach to a CRM initiative, a great place to start is by looking at the strategic direction of the company. What objectives have been set for the current year, and then for the next 3-5 years? There's a good chance that all of these initiatives will require some level of CRM support. Measuring the ROI on CRM investments was a top 5 challenge for Top Performers in 2012. Use easily attainable metrics to measure success; things like bid-to-win ratios, sales

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cycle time, average sale size, revenue, and lead volume are usually available in out-of-the-box reporting in CRM technologies. Be sure to benchmark performance before starting the CRM implementation or upgrade. If you don't know where you started, how will you know when you get there?

Build in benefits. Like any large scale initiative, CRM investments need momentum. A great way to create momentum is to add measurable and achievable milestones throughout the implementation. These will work to champion the success of the initial implementation and spearhead new investments in continued optimization.

Deep Dive Talking Points

- Top Performing organizations are 1.7 times more likely than Everyone Else to invest in a CRM tool.
- The keys for CRM success for Top Performers: Make it Easy, Make it Valuable, Make it Comprehensive.
- 85% of Top Performers are currently pursuing, or planning on, system consolidation initiatives in marketing and sales.
- Top Performers excel at engaging prospects and customers in highly personalized and relevant interactions from marketing and sales.

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Related Research

Recently published research that may be of interest to senior industry practitioners include:

Gleanster: CRM for Small and Midsize Businesses

Gleanster: Integrated Customer Relationship Management

Deep Dive: 7 Imperatives for Embracing Social Media in Sales

Deep Dive: How Top Performers Synchronize for Success in Cross-Channel Customer Service

Deep Dive: Measuring the Impact of Lead Nurturing on the Sales Pipeline

The Gleanster website also features carefully vetted white papers on these and other topics as well as Success Stories that bring the research to life with real-world case studies. To download Gleanster content, or to view the future research agenda, please visit www.gleanster.com.

About Gleanster

Gleanster benchmarks best practices in technology-enabled business initiatives, delivering actionable insights that allow companies to make smart business decisions and match their needs with vendor solutions.

Gleanster research can be downloaded for free. All of it.

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