

# CRM 2.0 Meets Critical Business Requirements



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by Sheryl Kingstone | April 2008

## Executive Summary

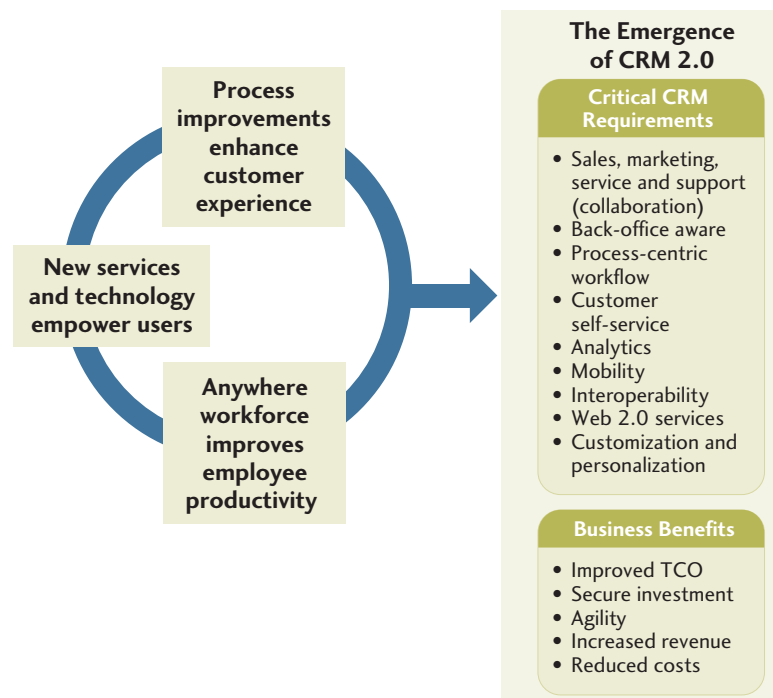
CRM solutions should be a secure investment with flexibility and agility to grow and scale with your business. As shown in Exhibit 1, the critical elements for businesses implementing a CRM solution are to focus on enhancing the customer experience through process improvements, empowering users with new services and technology and improving productivity by providing an Anywhere workforce experience. Today, CRM solutions utilize the latest technologies and infrastructures to deliver first-class user and customer experience. As a result, companies can improve the efficiency and effectiveness of their business processes, drive customer retention and ultimately increase revenue and market opportunities.

The CRM industry has been revitalized with newer applications that buck the CRM failure rate. With a clear understanding of how emerging CRM 2.0 solutions are used effectively, businesses can overcome end users' disillusionment with CRM applications and ensure sales success.

## Exhibit 1

### CRM Solutions Must-Haves for Success

Source: Yankee Group, 2008



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### I. Customer Experience Is Key to an SMB’s Success

Succeeding in a highly competitive environment where customer experience is a key differentiator in many businesses is one of the most significant challenges for SMBs today. Companies realize that product and price differentiation only lead to a short-term gain as compared with focusing on longer-term customer experience differentiation. According to the Yankee Group *Anywhere Enterprise—Small and Medium: 2007 Mobility and Business Applications Survey*, the top three challenges are:

- Control costs and implement processes to improve profitability
- Focus on customer service and experience
- Grow revenue

Many SMBs do not provide a consistent customer experience because of poor processes, lack of technology and limited availability of customer data. Although the majority of small businesses uses Outlook to manage their contacts and some medium-sized organizations have invested in contact managers, most still struggle with improving the overall customer experience.

Companies initiate customer relationship management (CRM) projects for a variety of reasons. Many do so because they can increase revenue by better understanding their customers. By gaining insight into both individual customers and target market segments, these companies can boost sales and optimize top-line business performance. The essence of CRM is to balance the following desires:

- Increase revenue through differentiated products and services
- Decrease sales, marketing and service costs through better business process execution
- Enhance the customer experience for improved retention

Effective implementations of CRM are critical to the success of just about every company. Customers, after all, are a company’s most important asset. Consequently, businesses need to rethink from the outside in and turn their internal CRM projects toward their customers.

While some SMBs have not even tried to embark on a CRM initiative, others fail to meet top-line business-performance objectives. Most struggle because companies have not optimized their CRM solution around the customer lifecycle. They don’t fully integrate customer-facing business processes across all departments. Not only do marketing, sales and customer service tasks continue to be executed within their respective silos, but there is also limited integration with critical information locked away in back-office applications such as inventory and financial systems. As a result, there is little synergy across departments resulting in skyrocketing costs and process-efficiency gaps.

## No Surprise: SMBs Are Underfunded and Understaffed to Meet Their Technology Needs

By focusing on improving the overall customer experience, businesses will grow revenue. But the dilemma is how a company can control costs and profitability while also providing a differentiated customer experience. The solution is in customer-centric process improvements that focus on end-to-end business management transformation. However, as shown in Exhibit 2, the top problem for SMBs is struggling with insufficient budget dollars for strategic initiatives. Very small companies in particular are extremely sensitive to the affordability of technology solutions. Many businesses avoid critical business applications because they view them as unaffordable. Adding to the price concerns is the overall cost associated with the complexity of those applications.

Application integration is also one of the top challenges. Although only 27% of very small businesses stated it as a major challenge, small and medium-sized organizations clearly indicated significantly more pain than their very small counterparts. Many companies have multiple business applications such as Sage SalesLogix,

Sage MAS 90, Intuit and Microsoft Dynamics along with newer web services that are growing in adoption such as Google applications, Skype and LinkedIn. Many companies still find it challenging to integrate their web site with these business applications. These integration woes have created a nightmare for IT staff.

Considering 39% of businesses are also struggling with insufficient IT staff that are managing outdated business applications, a company's ability to address their top business challenge of controlling costs and implement processes to improve profitability can be a daunting task.

## II. Critical Requirements to Meet Current and Future Demands Require Operational Improvements Coupled with Newer Technology

When a customer contacts a company either in person, on the web site or over the phone, businesses must manage that customer interaction quickly and accurately. A poor service experience will have a negative ripple effect on customer satisfaction. In time, it could potentially:

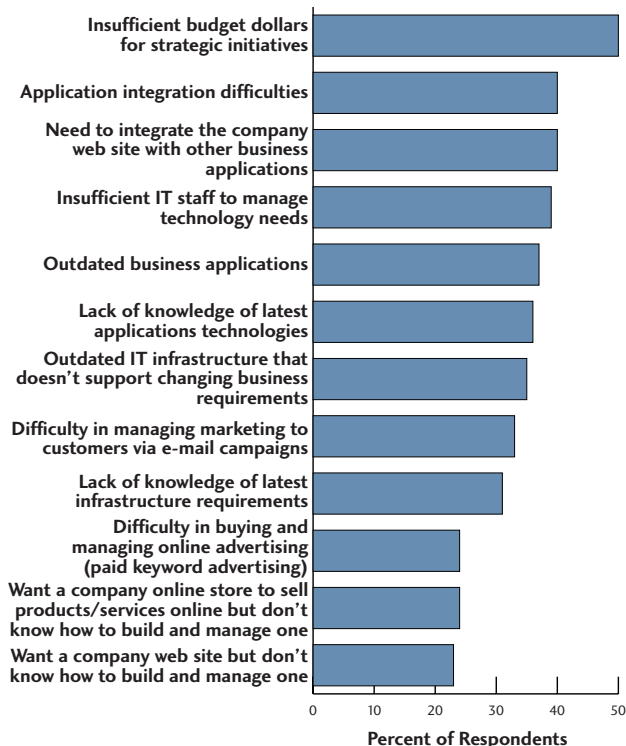
- Increase costs by forcing multiple interactions with different employees over multiple channels—customers will create multiple service requests through the phone, web, e-mail or chat
- Decrease potential wallet share by losing valuable cross-selling or up-selling opportunities
- Force the customer to look at a competitor's offerings

Businesses require process efficiencies as well as performance effectiveness to help management identify and understand complex factors that affect sales, marketing or service outcomes. Through greater insight and process improvements garnered from newer technology solutions, organizations can address issues, including:

- Increase win rates by anticipating and responding to prospect and customer needs
- Increase order size through improved cross-sell opportunities
- Create more accurate forecasts by linking customer behavior with sales methodology

**Exhibit 2**  
Top Technology Challenges

Source: Yankee Group, 2008



## Transforming Business Processes and Empowering End Users Are Top Strategies for SMBs

The good news is that SMBs recognize the challenge to improve the overall customer experience. Exhibit 3 illustrates the top priorities affecting strategic business application decisions. The top four priorities include:

1. Transforming internal business processes to improve operational efficiencies
2. Improving overall customer service quality/customer experience
3. Empowering employees with improved, easier-to-use business applications
4. Enabling mobility for workforce productivity such as wireless e-mail or business application access

These strategies are absolutely the correct strategies for companies to successfully address the overall business challenges of reducing cost, improving the customer experience and growing revenue.

**Exhibit 3**  
Strategic Decisions Affecting Business Application Decisions

Source: Yankee Group, 2008



## Operational Improvement Dramatically Enhances the Customer Experience

Although all the strategies are interrelated, improving business processes will have a direct positive impact on the overall customer experience. Focusing on internal business processes to improve operational efficiencies will help with acquisition, retention and expansion. Managing the customer lifecycle from first contact, to contract, to cash and to care is one of the most important straight-through processes a business can improve. Companies need to create seamless processes and open communication among company employees, partners and customers for better management, understanding and control of information.

However, most companies' customer lifecycle is full of inefficiencies such as verbal handoffs, paperwork, redundant data entry and linear processes via multiple disconnected systems or worse, such as no systems beyond accounting. Breaking down the walls and eliminating the silos between applications and business processes enable companies to improve operations and gain valuable business insight.

Because 85% of our respondents to the Yankee Group *Anywhere Enterprise—Small and Medium: 2007 Mobility and Business Applications Survey* have already invested in back-office applications such as accounting systems, CRM applications will be in demand to address their need to attract new customers and increase revenue. Although smaller businesses expressed an interest in purchasing software to help with prospecting, medium businesses prioritized spending on CRM, sales automation, web and business productivity suites. Many companies have avoided CRM applications because of their expense, time-to-market and complexity to integrate. However, newer CRM applications are much more affordable today because less professional services and ongoing maintenance and support are required. Today's solutions not only offer a lower TCO, but also have improved operations through business process efficiencies around first contact to contract to care.

Businesses that solely rely on back-office applications today must begin to evaluate critical front-office applications such as CRM. CRM encompasses departmental applications such as sales automation (SFA), marketing automation and customer service and support. Most businesses implement CRM to achieve a 360-degree view of the customer to increase sales revenue, improve customer service and enhance marketing campaigns.

CRM can do more than just improve customer relationships. It can enhance marketing efficiency by enriching the data used to design and execute campaigns. It can reduce operational costs by eliminating redundant or wasteful data entry tasks and manual processes. If properly executed, CRM can also significantly improve customer satisfaction and, in the long term, increase revenue and customer loyalty.

However, the ultimate goal is to transform business processes to drive customer retention and commercial success through connecting and integrating applications. The need to coordinate the efforts of the front office and back office for improved effectiveness is driving new CRM requirements. Back-office awareness within a CRM application can improve the ability of organizations to better manage their customers, partners and internal processes, which will enable them to create a more sustainable competitive advantage.

### New Services Change Technology Landscape and Empower with Easier-to-Use Applications

For a generation of Web 2.0 consumer application users accustomed to sites such as Google, Facebook and MySpace, improving traditional business applications such as CRM and SFA becomes paramount. The future demands businesses adapt and learn from consumer applications through easy-to-use web service-based applications that provide better in-context information to improve user adoption and meet corporate objectives such as sales effectiveness.

Newer applications take advantage of technological improvements to provide flexibility, improve usability, lower TCO and increase value. Advancements include:

- **Service-oriented architectures (SOA) and context-aware services:** Web 2.0 and SOA environments help IT become more agile. New applications can provide IT with the ability to dynamically assemble relevant processes and services. It also helps users to easily customize services that meet unique process requirements. The applications can also mash up components into unique composite applications. Using open APIs, applications, components and services that are loosely

coupled can be assembled to meet the unique needs of the end user. By using the web as a platform for consuming services, users choose from a variety of secure, easy-to-use applications that are pre-built and available to meet their needs. The web acts as the collective backbone and empowering heartbeat of all applications and services. Users gain valuable information from contextual knowledge on content through RSS feeds, location-based services and social networking sites.

- **Software as a service (SaaS):** SaaS provides flexibility and choice to customers who prefer to not implement a traditional premises-based CRM solution. New solutions also have the advantage of more easily focusing on line-of-business empowerment with new features and functionality delivered at a much faster pace than packaged applications to keep in pace with user demands. SaaS also enables distributed employees to stay connected and be productive. Premises-based applications that are located behind the corporate firewall can be more difficult to ensure distributed employees gain access to the critical customer information.
- **Interoperability:** Many ISVs have improved their applications to not only provide better interoperability, but also ease-of-migration. At some point, companies either evolve and need different functionality or demand interaction between different departmental-selected solutions. Organizations today need different application strategies for different user needs. Today's solutions enable departments, business units, companies and partners to interact more seamlessly—even without changing from a system already in place. This allows a business to work collaboratively on the same customer data, while letting users choose their preferred application.

These technological innovations clearly have a dramatic improvement in user adoption. The newer architectures and context-aware services, SaaS applications and interoperability ensure that end users are empowered with easier-to-use applications.

## Anywhere Workforce Improves Productivity with Mobile Applications

Customer-centric applications are the most strategic mobile applications for SMBs (e.g., field service, CRM, sales automation). Companies are striving to become Anywhere workforces. An Anywhere workforce has anytime access to critical corporate information via a choice of devices from laptop to phone via Wi-Fi or wireless. The mobile computing revolution has been enabled by ubiquitous connectivity. However, connectivity alone is not enough to make users more productive. Users also require access to applications and information.

Currently, true mobile or anywhere applications are limited to e-mail and a few niche vertical applications such as direct store delivery and transportation. At the same time, as the number of remote, telecommuting and traveling workers continues to increase, so does the need for true anywhere applications. Historically, mobile CRM deployments were hard to justify because the applications were not only difficult to use, but also lacked the connectivity to support browser-based applications.

Today, mobile CRM projects have evolved from nice-to-have to need-to-have. As businesses continue to move toward becoming Anywhere workforces, Anywhere Applications become strategic priorities. According to our *Anywhere Enterprise—Small and Medium: 2007 Mobility and Business Applications Survey*, CRM remains one of the most important strategic mobile applications. Although the primary driver is customer responsiveness, plenty of other reasons indicate that mobile CRM has finally reached its tipping point. The top reasons justifying the tipping point include:

- **Process improvements through more user-aware applications:** These applications enable organizations to think outward toward their customer processes, automate their best practices and not force their process to fit an application.
- **Availability of sound business cases:** Business requirements are now being created from customer service differentiation and sales effectiveness along with improved ease-of-use, which dramatically increases CRM utilization. The business case also builds upon existing investments in wireless e-mail deployments.

- **Improved connectivity options:** New options allow the company to choose different deployment options from full browser-based SaaS applications while on faster networks to a semi-connected application that wirelessly synchronizes data on a smart phone or similar device when in coverage.
- **Consumerization of the enterprise:** Further attempts at creating Anywhere workforces led many companies to implement mobile CRM primarily because of the demand from the end consumers and employees to use their favorite mobile device along with the latest blended lifestyle trends.

The first step for businesses is to understand how mobility issues affect the day-to-day challenges of their operations. These new mobile solutions must deliver process-oriented interactions that improve the efficiency and effectiveness of users' experiences. Ultimately, mobile solutions need to deliver the right information at the right time to improve sales productivity, service quality, account and sales visibility and accuracy.

The convergence of field sales applications and the wireless revolution is important. Enterprises can improve sales usage rates by not only rethinking existing deployments, but also creating applications that take advantage of the new mobile medium. To move beyond small pilot implementations such as wireless/mobile offices or mobile extensions of sales or service applications, companies must leverage data and business processes that span multiple systems. They must expose their data and business processes, where appropriate, to enable a new mobile process.

### III. Conclusions and Recommendations

For CRM to be successful, organizations must ensure that users want to use the application through simplicity, process management and value creation. Consumer applications such as Google, Facebook and MapQuest taught users that applications can be easy to use and provide value; Yankee Group refers to this trend as the consumerization of the enterprise. Companies need to not only be able to use newer affordable applications, but also continue to use existing applications and services to support their needs. With these varied applications, comes complexity. Although there is no silver bullet, there are new standards, applications and context-aware services that help companies to not only decrease costs through process improvements, but also to improve the overall customer experience. In the end, companies can succeed with CRM.

## Recommendations

- **Search for CRM solutions that are affordable, scalable and agile to suit your current and future business requirements.** CRM today is not the same application it was 15 years ago. CRM solutions learned from past mistakes and utilize the latest technologies to drive customer experience and user adoption. Solutions today can be a more secure investment offering lower TCO and faster ROI, especially those with higher user adoption. Organizations must choose CRM investments that not only offer flexibility in deployment, but also provide additional growth features and functionality for when a company grows, processes change and businesses mature.
- **Give businesses access to the whole picture.** CRM solutions that offer end-to-end business management or at minimum easier integration of back office-aware data points, are essential to meet the operational processes improvements of the business. Businesses need to have the right information at the right time. Create dashboards with analytics gathered from multiple different applications so business users can make more accurate and timely decisions. Make sure the analytics contain historical and comparative trend analysis about emerging opportunities and critical issues so that a business can quickly identify and respond to changes in trends. Companies can gain insight into how efficient their sales effort is, determine how much customers are spending and how the pipeline is growing. Users also want opportunity management so they can view account status, diagnose key issues and identify opportunities from a single location. -
- **Use technology as the enabler.** The differentiation is in how it is applied to increase sales effectiveness. To cover the last mile in sales effectiveness, companies must enable anytime and anywhere interactivity for sales and prospect information through a combination of voice and data transactions. Sales representatives often make and receive calls from mobile phones. At the close of a call, representatives could trigger an event to automatically log that call into the CRM or sales system of record. With a combination of alerting and preprocessing done on the platform, the end user spends less time reentering data. This is a simple step, but the cross-channel benefits could improve the quality of information available for all users.
- **Understand that mobility does not equal wireless.** Evaluate semi-connected applications to ensure a continuous connection of data and information is available. This will increase adoption of an existing CRM application. Many CRM applications have not met customer expectations because the applications and technology platform are siloed and inflexible. Anywhere applications can increase usability through not only significant process improvements, but also by providing relevant information anytime.
- **Automate processes to reduce data entry.** One of the most consistent complaints with salespeople using a CRM or SFA application is the large amount of administration and data entry forced upon them. To avoid overburdening the users, newer applications must predict and assist salespeople with data entry for sales opportunities. Use mash-ups to pre-fill information about orders and territories from internal systems, along with external information such as financials and demographic data. The application should then put the information in context to guide the salesperson with recommendations on who are the most likely prospects, what products the customer is most likely to buy and even who are the best potential references among the customer base.
- **Use back-office knowledge as the foundation to help businesses create success strategies and processes before implementing software.** Ignoring this step will ensure the automation of a bad process. Many companies make two basic mistakes: automating existing processes without evaluating the best ways to refine the process and overcomplicating the use of technologies to meet too many corporate objectives. Sometimes, less is more. Companies need applications that are back office-aware and interoperable.

## Yankee Group

Yankee Group has research and sales staff located in North America, Europe, the Middle East, Africa, Latin America and Asia-Pacific. For more information, please contact one of the sales offices listed below.

### Corporate Headquarters

Prudential Tower  
800 Boylston Street  
27th Floor  
**BOSTON, MASSACHUSETTS 02199**  
617-598-7200 phone  
617-598-7400 fax  
info@yankeegroup.com

### Europe

56 Russell Square  
**LONDON WC1B 4HP**  
**UNITED KINGDOM**  
44-20-7307-1050 phone  
44-20-7323-3747 fax  
euroinfo@yankeegroup.com

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