

Why will using web-based technology reduce the costs and risks of implementing sales and marketing automation systems?

A white paper on using web-based technology in preference to PC-based to directly integrate internal processes with sales automation for improved sales and marketing results

In this white paper we explore in detail why, although use of CRM in today's world is critical for sustained success, take up has been previously resisted by business: why web-based systems are viable now; the benefits, key functionality, critical success factors and pitfalls are considered and how they will relate to your Company and it's Sales and Marketing activities.

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1. Introduction and Overview

CRM – Customer Relationship Management - is simply a business methodology that is about looking after your Customers and Prospects better, to identify commercial opportunities, and close more sales. PC based CRM in some form or another has been around for about twenty years, and has functionally that has almost become commoditised, with all suppliers broadly providing the same sales and marketing (and S+M management) functionality. Therefore along with price, how the systems actually look and feel has become the major determinant in the decision to buy. If the reader accepts this, the main question in the mind of the prospective purchaser becomes -

“Would some form of sales and marketing automation help me to sell more, more profitably for the same or less effort? “

If the answer is yes, by default the primary questions in choosing a system become -

Which one do I think my team can learn how to use easily?

Which CRM system can we implement with the minimum of business disruption and the most predictable cost structure over time?

There are two elements to a CRM system, Operational (creating a reason for the client to interact with you) and Analytical (understanding your clients changing requirements over time). Systems that deliver CRM via a traditional network based Server / PC based method to improve sales and marketing performance are well established, with established ways of linking remote users into the system. Yet take up of these systems has been sluggish, with only about 8% of UK business' using some form of customer management system, compared to about 88% in the USA. So there are two questions - why has take up of these CRM systems been low and why is a web based system better and easier to use?

Curiously, business in general and especially the SME organization has been happy to use software to manage back office functions – typically an accounting package – but far less willing to implement something to manage sales and marketing better. However, to paraphrase Sir John Harvey-Jones: “Business's don't fail because they have poor products or can't deliver on time; they fail because they don't sell enough”. A sales and marketing automation system will have far more effect on the success of any business than an accounts department automation package. Here's some food for thought -

- It costs six times more to find and convert a prospect into a new customer and sell to them than it does to sell more to an existing customer.
- Most customers buy about 15% of what they could do from you, but you probably can't tell which 15%.
- Surveys have repeatedly confirmed that the commonest stated reason for companies switching suppliers is perceived indifference on the part of the supplier.

Let's explore why something that so directly affects the success of the business has been resisted.

1.1 Why would Companies want to adopt a CRM system?

When the various reasons for considering CRM are distilled they come down to one reason alone. The sole reason for the adoption of software for sales and marketing within any organization is to improve some aspect of sales and marketing performance, improved commercial success. To compete today you have to be faster on your feet than you were yesterday, if you can't identify changes in your customer's behaviour someone else will. Technological development has been identified as the key variable that is accelerating the pace of change in business (Kotler 1999). This actually represents more of a threat to the development and competitive power of the SME organization than it does too many larger businesses, which tend to be stronger on strategic planning and have more experience and resources for technological investment (Winch and McDonald 1999, Carson 1995). IT represents an important tool that can offset some of the SME weaknesses and improve its competitive power against bigger competition. (Meldrum and De Berranger 1999) But whether the business is large or small, when the SME has looked at it, implementing a business critical system has previously been seen as too complicated, with up to 65% of PC based installations failing. Because of this real world difficulty in implementing PC based CRM; CRM has almost become a dirty word in larger Corporates.

Business owners by their very nature understand their business, and don't have to understand software. As technology changes so quickly they are frequently wary and cautious of it and what they are told it can do. The writer believes fear of wasting money on complicated systems that are not understood is a major cause of refusal to adopt CRM – Sales Force Automation - by business.

1.2 Why emphasise the use of MODERN technology?

What's the issue with existing technology?

Actually implementing PC based CRM systems can be over-complicated with many hidden costs that typically the salesman does not warn the buyer about and therefore are not budgeted for.

These are typically -

- A "hidden" PC hardware requirement, as new systems often require an assessment of the age and quality of your PC's and a requirement to update.
- A hidden PC software requirement: Many PC based systems facilitate remote access (say, reps in the field) by synchronizing laptops over telephony, or using products such as Microsoft's Terminal Server to effectively allow access to your PC server system over the web. Synchronisation licenses, Terminal Server licenses and related license updates can add considerably to the cost of your CRM system (see below)
- On site installation is disruptive to the business, and the software suppliers not only require staff allocated to work with them but distract the staff from doing their jobs.

In addition -

- Synchronizing laptops over the phone line to a central server can take literally hours and frequently corrupts data.
- PC based systems typically have reporting structures that have worked and continue to work well for office networked client server systems, but are fundamentally unsuited to reporting via Terminal Services or when remotely connected via a phone line. The methodology used puts too much strain on the telephony infrastructure and there is a constant danger of the business server in the office crashing and locking every user out.
- Terminal Server type systems are giving the remote computer user access to part of the file server. Once they are in, the possibility is inherent that the remote computer could access other parts of the system if they have the passwords or can hack in if the general server security is lax.
- There is often a requirement for internal IT personnel to be allocated to maintain the server / client based system.
- System and data security is a constant concern: anything that allows remote users to download data to (possibly) a home machine and keep an instance of the database until they synchronise any changes next has the potential to be catastrophic to the business. This is the case whether synchronizing remote machines or using Terminal Server access to your file server.

Surveys in America have identified that typically with a PC based system the actual software license makes up only 9% of the actual cost by the time the system is in and running. The rest is made up of

Customisation and implementation (inc. hidden software costs)	43%
Hardware	26%
IT personnel	14%
Maintenance	7%
Training	1%

The following section explores how web based systems attempt to minimize these costs.

2. Main business benefits of web based CRM

How do web based systems address these problems?

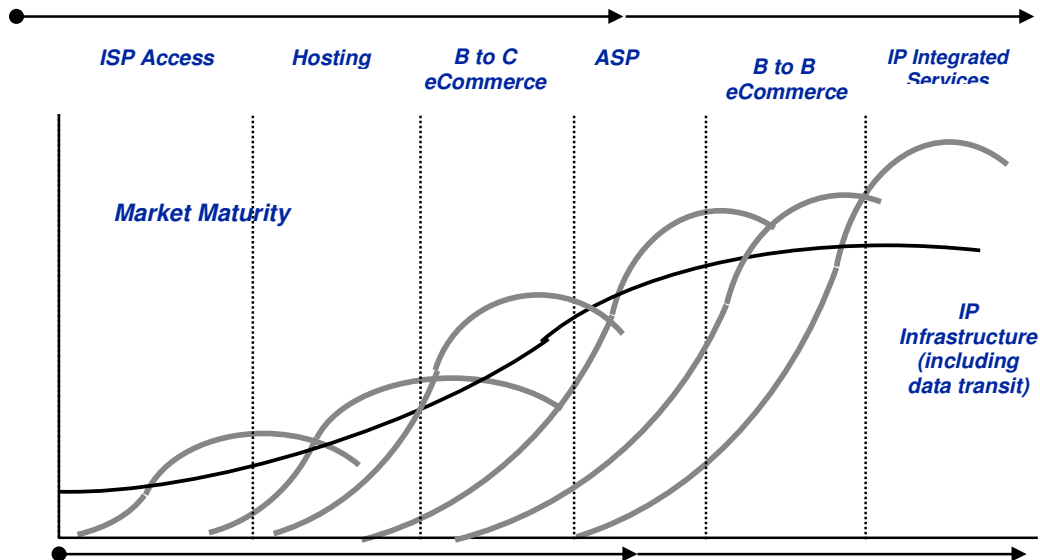
2.1 The problem of the PC Hardware requirement

With true web-based systems there are zero hardware requirements. The systems are simply accessed from anywhere with browser access to the Internet. For some years larger corporates have been driving software development toward a “Thin Client” infrastructure, where no information is stored on the individual PC and software services and programmes are downloaded over the internet, making the individual PC simply a “dumb” terminal for viewing programmes and information. Two principle reasons for this - it saves considerable sums of money because PC’s don’t have to be upgraded – they have nothing to run locally - and as no data is downloaded systems are much more secure.

The obvious question arises as to why PC systems have been developed before, but put simply; the speed of access to the Internet has not been available to make web-based systems viable until recently.

To explain, Internet based services (from e-mail onwards) have developed as successive waves of increasing functionality. Simply put, as each wave of Internet functionality becomes accepted and used by everyone it becomes a platform for the next. (Cable and Wireless, 2000). Now that the Broadband ADSL infrastructure is widely available to run these systems on, at considerable savings over the older ISDN platform, the vast majority of business can enjoy the benefits of Internet based sales and marketing management software.

**As each technology commoditises,
it becomes a platform for the next**



2.2 The problem of the PC software requirement

With web based CRM, data is stored on the internet with just browser access required, therefore Terminal Server or synchronization licenses to access your PC based server are unnecessary. With these web-based systems, on-site installation is unnecessary minimizing business disruption. Typically the web based CRM implementation process is -

- A requirements specification is drawn up by the supplier with the client; after viewing the document and discussion the client signs it off
- Necessary configuring work is carried out from supplier site via the internet and the configured system set up with passwords
- A go-live date is agreed, typically no more than two weeks hence.
- On the go-live date passwords and training are provided and off you go.

2.3 The problem of long synchronization times for remote laptops or possibility of synchronization corrupting data: See 2.2. The whole principle of thin client technology is that NOTHING is synchronized, but your data is accessed on-line, meaning that data is not transferred to staff laptops and data being viewed is effectively real time in both directions.

2.4 The problem of data security: See 2.2 and 2.3. The sales force cannot leave and take your data. Data is not transferred to your staff's computers; they access it on demand real time. Data is accessed on the web; no one gets password access to any part of your file server. Although concerns do still exist about data security on the internet, better web-based CRM systems have 128 bit encryption making them as secure as credit card payment sites, which are a lot safer than getting money from a high street cash dispenser or, for that matter, giving your credit card to a waiter in a restaurant. This effectively means that web-based systems allow you an always up-to-date client info and document repository that's available anytime from anywhere. For example, imagine you are driving on a motorway and you get a call from a prospect who is five minutes away for a spur-of-the-moment meeting with her Managing Director to make a pitch for budget to purchase your product. You stop in a service station, go to the

Internet café, and instantly send her the product datasheet (including new feature information uploaded by your marketing team just minutes earlier) and an analyst white paper. Alternatively pull on to the hard shoulder and access your database from your mobile via GPRS, check the other key influencers in the Account, and which features of your product are key to the pitch, and call the MD from the CRM database without retyping the number in your mobile. Materials are no longer trapped on your laptop, and updates are instantly accessible from anywhere in the world.

2.5 The problem of large or complex reports crashing your server when run via PC Terminal server: This really centres on the challenges when old technology is modified to work with new. True web-based systems operate in a different way to process and display part of the report at a time, allowing the viewer fast access to data whilst the rest is downloading. Also, they allow you to define certain types of report to be run by default at quiet times - say overnight – reducing load on the web server without compromising performance. Modified PC systems which access your file server over telephony can make considerable demands on your telephony infrastructure, potentially corrupting data by the telephony failing when partway through an activity or by slowing access to your file server. This is exacerbated if you have larger databases or require detailed reports, which when producing may considerably slow everyone's access to the system. The problem is that this type of analysis is often why the buyer wanted a CRM system in the first place.

2.6 Price: Read back over the above. We have shown how PC software and hardware, laptop costs, hidden implementation and business disruption costs are minimized. In addition, IT staff, ongoing system maintenance and staff training costs are minimized because support can be carried out over the internet by the Supplier and remote training / user support is practical because the trainer can view real time exactly what the trainee is seeing on their specific set up of the system, including any custom applications. Any functional upgrades or new modules are delivered via the web, again with no business disruption.

The British Department of Trade and Industry have stated that web-based systems typically cost 25% less in real terms to implement than PC. With inherently more transparent pricing the purchaser of web-based systems has a far clearer picture of real costs of purchase, lease or ongoing cost of ownership.

3. Linkage to other systems

With web based technology there should not be limitations on how you can interface with existing systems. Typical functions include -

3.1 Linking Incoming or Outgoing E-mail automatically from and to Outlook, GroupWise or other e-mail service providers. Incoming E-mails can be recognised by the web based system, which identifies which CRM record the e-mail relates to and who in your organisation is responsible for them and inserts a diary entry to follow up the e-mail with a path to where the incoming e-mail is stored. Therefore your existing e-mail provider can still be used.

3.2 Seamless interface to existing (legacy) back office systems is available via .txt, csv or XML file export, either in bulk or typically order by order: by taking a quotation raised on the CRM system and clicking "upgrade to order", at which point a file is created for your system administrator to export to the relevant legacy system.

3.3 Ability to upgrade: For many, the beauty of a web-based system is the ability if desired to run everything that is customer-facing from integrated web-based systems. Imagine a Direct link from web-sites downloading prospect information to on-line CRM, and automatically creating a new prospect record and a diary entry for follow up: direct link from your on-line shop altering stock levels behind your CRM system and posting enquiries raised through it into CRM for action: an on-line tendering machine for suppliers which accepts lowest price and enters CRM details of approved supplier for an enquiry: business internal processes controlled across multiple sites via on-line Knowledge Management application linking staff tasks into the diary system of CRM, or on-line management of specific customer projects. Bulk Text messages being sent to salesmen in the field from the system informing them of new offers or product changes. All accessed from anywhere with a browser. Fantasy a few years ago, is now a commercial reality.

4. Practical business benefits and issues in using CRM

There are many benefits to using a CRM system, and the reader should revisit the Introduction at the beginning of this paper. The limit is more often defining what you want to automate rather than the product under consideration. Some of these benefits are:

4.1 Data accuracy for better mailing success: Most companies that actually do any structured mail marketing carry out blanket mailings not targeted mailings, as their normal marketing activity. This is because typically data isn't accurate enough to allow targeted mailings, as data development is not carried out as part of the day-to-day activity of the business – they don't use a CRM system!

10% of database (DB) entries are duplicated, and 50% of DB entries are not well classified leading to inappropriate marketing being sent. This "spamming" is becoming more and more difficult to legally carry out. CRM systems mean everyone using the system is effectively making small incremental changes to the system as part of their normal daily business activity that over time makes your database extremely accurate.

You can actually spend less on marketing and improve results by a tighter focus on who you are mailing to. Better data housekeeping using CRM will greatly improve your marketing accuracy. Other uses of CRM are to -

4.2 Build bigger orders: CRM systems allow you to build related product profiles by customer to check on who should be buying what but doesn't. Cross-selling is an easy way of building quick profitable business.

4.3 Increase average sale: Example would be - you can track which other prospects are in the same van delivery area that have previously responded to a mailer for whatever and contact them stating "we are in your area on..."

4.4 Create a simple framework to carry out marketing: standard campaign templates can be set up with marketing messages and any budget information and documents stored behind the campaign, which then allows junior staff to run these from anywhere. Because Campaign information is stored centrally the process is transparent and can be easily standardized and replicated.

5. Critical success factors / Potential Pitfalls

5.1 Having a clear perspective on what the key commercial objective is will be seen to be fundamental to achieving the fastest return on investment in your software.

These objectives usually fall into -

- Increasing sales
- Reducing overheads
- Improving profits or
- Becoming more efficient (improving your processes).

This typically translates into using CRM to manage sales activity / sales force / marketing activity / telesales / service desk / market analytics or contracts.

However the growing business has nagging fears. If a salesman leaves and takes customer records away valuable customer or prospect details may find their way to competition. Data being the most valuable asset your business has, the management of data security is an issue on which the CRM system must satisfy the purchaser. This covers both security of access and what actions are required when staff leave.

5.2 Data quality: The old adage of "rubbish in, rubbish out" applies here. If your existing information is poor a software system will not inherently make it better, and time spent cleaning the data and correcting any errors will be time well spent. Alternatively, many first time CRM users buy data of prospects lists for marketing.

5.3 Poor system integration: Can the various systems talk to each other? In most companies, the Sales and Marketing activity is not linked seamlessly into the back office systems. These can be

integrated easily, but the point is to have a clear idea of how you want them linked with a time scale and budget or the system costs and complexity will run out of control. See also 3.3 above.

5.4 Manage the time scales to gain benefits when expected: Web-based systems can be implemented very quickly compared to PC, but this does depend on both supplier and client working as a team and achieving deliverables within the project. There will be an action plan provided by the supplier requesting (for example) data and reporting structure information, and sometimes this is not provided promptly, delaying the client's own project.

5.5 Lack of IT support skills: Technology moves very quickly. In many companies, there may be a danger that the IT team can feel threatened if they do not understand the technology being introduced. This may lead to a dependency in the business on technology the IT department feels comfortable with, rather than technology the business needs to go forward cost effectively. If you have an IT manager who thinks strategically about where the business needs to be in three to five years time and accepts he needs to retrain to get the business there, then hang on to him or her for all they are worth, they will add immeasurably to the ability of the business to compete. Most cannot.

6. Summary

There are many hidden costs in CRM systems that the market seems almost to have accepted because there wasn't any alternative way of implementing Sales and Marketing Automation. Key questions of "Is it cost effective" and "how quickly can it be implemented" have been extremely difficult to answer. In most cases it can take a long time to make a decision to purchase such a business critical system, possibly six months to a year, but once ordered PC based CRM can actually take a year before fully implemented and seeing the benefits. At the end of this period, possibly eighteen months to two years after the initial interest, is it surprising that the original purpose for the system is no longer relevant in the same way or the business has moved on and the expenditure can no longer be financially justified?

Web based system implementations usually take less than two weeks and rarely exceed a month. As a result, the user will hit breakeven and begin to experience Return On Investment with Business Builder in an average of six months, rather than waiting two years or longer for software to deliver any kind of ROI. Web based systems can be rented on demand: with this method there is no software or hardware to buy, install, maintain, or upgrade. This can equate to savings of as much as 80% compared to similar client/server solutions.

CRM should solve your business problems, not create more headaches. Web-based systems by being far faster and simpler to implement, allow the user to focus on the core business activities, and not worry about infrastructure requirements, maintenance, and upgrade hassles. For further information on this topic contact our agents at baroni-limited@tiscali.it or call 07770 740 133.