



white paper

Customer relationship management (CRM) for small business

The fundamental sales formula: No customers = no business. All companies - large, medium or small - have one thing in common: customers. How they relate to those customers and how they manage those relationships are critical to the bottom line. Profitability and keeping customers happy are two sides of the same coin. Effective, integrated customer relationship management (CRM) is the key to achieving this.

This Sage white paper sets out to explain some of the principles of good CRM and how it can enable an organisation to keep its customers happy and contributing to its own profitability.

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Customer relationship management is a holistic process that should help you understand your customers better by giving you a rounded, up-to-date view of how you and your team are dealing with them. Good CRM involves both human issues and underlying systems to support your customer-focused activities.

This Sage whitepaper will tackle these issues in the individual sections that follow:

- **Keeping Customers Happy** - Happy customers are loyal customers. Replacing unhappy customers will cost much more than retaining happy ones.
- **The Human Factor** - CRM needs to put emphasis on the customer. Customers are people and need to be treated as such.
- **CRM Solutions** - There's no shortage of CRM solutions on offer in the market, but one size does not fit all. You need to find a solution that meets your specific needs.
- **A Bigger Picture** - Standalone CRM does not work in isolation. The most effective returns will be achieved through integration with other corporate systems, such as accounting and ERP.

Keeping Customers Happy

An organisation's customer relationships are its most prized assets. Here are some basic realities:

- **Happy customers are spending customers; unhappy customers are not.** Happy customers contribute to your corporate bottom line; unhappy customers do not. Happy customers recommend your services to other people; unhappy customers do not and may indeed actively dissuade others from buying from you. It's in your interests to find ways of making your customers happy and keeping them that way.
- **Customer expectations are getting more demanding.** According to research by management consultancy Accenture, more than half (52%) of customers say their expectations for better service have increased over the past five years, while a third (33%) said they have higher service expectations today than they did 12 months ago. A majority (59%) of consumers quit doing business with a company due to poor service.
- **Focusing on high quality customer service can reduce the number of people defecting to other suppliers.** This is seen most starkly in industries with a high level of customer churn, such as mobile telephone companies, but the same basic principle holds true across all business sectors. In a digital economy, switching providers is easier than it has ever been. Analysts estimate that customers are 5-10 times more likely to switch suppliers due to poor customer service than for price or product reasons.
- **Customer retention is vital.** It's more expensive to land a new customer than to keep an existing one. Analyst estimates range from it being 8-10 times more expensive to acquire a customer than to retain an existing one. Attracting new customers requires marketing, advertising and sales activity to create awareness of and desire for a product or service. In contrast, existing customers already know who you are and what you offer. In addition, existing customers who are satisfied with your product or service are likely to become repeat customers.

The Human Factor

CRM is about people, not just processes. Your customer is not just an account, but a human being and needs to be treated as such. Customer are assets, but they are not items. Too many of the CRM failures reported in the media have come about in part because CRM was regarded as a technological quick-fix that can be bought in a packaged form. Successful CRM deployments are the ones that place greatest emphasis on the C-part of CRM: the customer.

- **Do you know who your customer is?** If not, how can you hope to communicate with this person in an appropriate and efficient manner? What does your customer expect from you as a company? Can you meet these expectations? Ideally can you match and then exceed these expectations? Make sure there is a thorough understanding throughout the organisation of what customers really want. Then use that information to follow up with actions, solutions, and resolutions.
- **Do you know how your customers want to interact with you?** There are multiple ways to communicate with a customer, from telephones, through the Web and email, and not forgetting the good old postal system. One size does not fit all. You need to know which method is most appropriate for your customers. Offer a choice of how they can do business with your company, whether by phone with an automated system, over the Web, or with a customer service agent. Find ways to make it so easy for customers to do business with you that switching to a competitor would mean they had to do extra work.
- **Do you have a single view of your customers?** If they communicate with you in several ways, do you have a single record of these interactions? If they speak to several agents in your call centre, can they be sure that all the agents are accessing the same, up-to-date information? Having to provide the same information over and over is typically cited by customers as the most irritating aspect of dealing with customer service and support organisations. Create a knowledge base so customers do not have to repeatedly give their contact, product, or problem details. Ensure that there is a single, up-to-date customer record so that problems or questions can be dealt with quickly and accurately.
- **To what extent can you make your customers feel special?** People like to feel special. Sending specific, personalised messages can eliminate some customers' feeling of alienation or insignificance and help connect you to them. Customers want to deal with someone who understands and can respond to their needs - or at best anticipate them. Acknowledge customers and treat them with respect to earn their trust and their business.
- **Are you listening to your customers?** The most successful companies are the most agile, the ones that can respond to the changing demands and expectations of their customers most quickly. Do you have a way for customers to provide feedback? Can you manage that feedback and analyse it in such a way that it can be turned into actionable knowledge? Take note of positive feedback, but also ensure that you have an effective complaints management process. Complaints are invaluable customer feedback for improving service levels, but are too often dismissed as an irritation to be dealt with by someone else.

CRM Solutions

The concept of CRM as a concept dates back to the 1990s and the emergence of applications software firms that specialised in front office, customer management packages. Prior to this, many organisations developed their own contact management systems, often based around databases, email and spreadsheets. The market for packaged CRM solutions has grown rapidly since then and is estimated by analyst IDC to be worth £1.5billion.

To date much of the activity in the CRM sector has been focused around large corporations, but this is changing. Small and mid-sized enterprises (SMEs) are investing more in CRM technology and the options open to them are expanding. There are established CRM vendors that specialise in providing small business systems; there are larger enterprise players that are attempting to tailor their products the SME market's needs; and there are new ways to deliver the software, most notably the idea of Web-hosted software as a service (SaaS). Choosing the most appropriate CRM technology to support your customer service is critical.

- **A CRM solution for small business has to be easy, simple and effective.** Small companies have limited resources, so the system has to be easy enough for their sales and customer support people to pick it up. Implementation and support must also be simple - there's no time to spend months or even years installing it, as used to happen in the corporate sector.
- **What do you want from your CRM system?** Don't overcomplicate things. You should draw up a list of functional requirements - and make sure to be keep it realistic. Are you looking for a contact management system, or a sales force automation system? Do you want to manage customer information, track sales activities and look at the information by running reports on those activities. If that's all you're after, there's no need to pay out for extra bells and whistles.
- **Keep your ambitions in mind.** You might be a small firm today, but where will you be in a year's time. Or two years' time. In 10 years, will you still count as a small or medium-size company? As you grow, will your CRM systems be able to keep pace with you? Can they scale to meet your growth projections and support your evolving business needs? Or will you have to rip and replace your customer service systems?
- **Do you want to have a CRM system in-house?** Typically CRM systems have been run and managed on PCs or networks in the user companies' offices. But firms are now looking at what is called the "on demand" model, where the program is hosted and managed by a third party and accessed by you via a web browser. This Software as a Service (SaaS) model is well suited to small companies as it eliminates up-front investment costs. It is paid for monthly or quarterly and can also be terminated at short notice. A SaaS system can scale up or down according to the company's needs and reduces the need to have a full-time, in-house technology manager - allowing the company to focus on its core business rather than maintaining and running an IT operation.

A Bigger Picture

CRM does not exist in isolation. Or if it does, the return on your investment is likely to be significantly compromised. Any CRM application will be of limited use when it is used as a standalone system. Unless it ties in with other systems throughout the organisation, it cannot deliver on its promise. Integrated customer management is at the heart of any successful CRM strategy.

Integrating CRM to “back office” activities such as accounts and delivery helps companies achieve better customer service, lower cost of ownership and potentially a greater return on investment. The integration of all key customer-related data, from financials and purchasing through customer service to order management and shipping, improves cash flow and bottom-line profits. Back office integration enables everyone in the organisation to work from the same database, notes, communications, customer records and so on, bringing the single view of the customer much closer to reality.

For example, if your sales force automation system is linked to your finance systems, then when a customer order is processed a company representative can see what that customer’s credit rating is and what discounts might be offered. In addition, the finance department has an updated idea of the sales pipeline and can amend its cash flow projections accordingly. If during the transaction, the customer updates shipping details, then that information needs to be updated in customer records, financial systems, shipping records and so on.

The main benefits of an integrated CRM solution are:

- **The ability to get a single, 360-degree view of the customer.** This is the Holy Grail of CRM and the area in which so many early corporate deployments fell short. SMEs pride themselves on close relationships with their customers anyway, but an integrated solution will enable them to update their customer profiles wherever those customers interact with their organisation.
- **Increased levels of customer service.** If there is a single view of the customer ranging from call centre through order processing to accounts receivable, then a more efficient, seamless service can be provided, keeping the customer happy. Information will not have to be supplied and resupplied by the customer.
- **An integrated system within the corporate walls makes it easier to interact with partners and customers beyond them.** In the digital economy, companies will open up their systems to third parties with whom they do business. Having a tightly integrated set of internal systems makes it easier to manage this process.

Useful Links

www.sage.co.uk/act
www.mycustomer.com
www.idc.com
www.crm2day.com

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- **Sage 50 ACT!** the world's best selling Contact Manager with over 2.8 million users worldwide, allows you to organise all your customer information in one place, so every detail of every relationship is at your fingertips.
- **Sage CRM** is an easy to use, fast to deploy, feature rich, low cost of ownership CRM solution designed to introduce the real benefits of CRM to mid-sized companies.
- **SageCRM.com** is a hosted CRM solution that reduces the need for in-house infrastructure costs, is rapidly deployed and easily configurable. You receive the same award winning functionality of Sage CRM but at a low monthly cost per user.
- **Sage SalesLogix**, with more than 6000 installations worldwide, is the market leader for medium sized businesses and divisions of large corporates. Users of SalesLogix find that it is an affordable, fully scaleable and powerful CRM application that can be easily customised and offers a remarkably rapid Return On Investment.

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