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CRM trends and tips for 2010: Doing more with less

Customers are more important than ever – but despite that, many organizations have dialed back CRM investments. But there are still ways to make a good business case for CRM that don't involve breaking budgets – and there are low cost ways to get more out of an existing CRM implementation. In this eBook, find out how to make the most of the systems and budget you do have, with expert advice from leading analysts at Gartner and Forrester.

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CRM trends and tips for 2010: Doing more with less

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Gartner offers five low-cost CRM strategies

By Barney Beal, News Director

The current economy is wreaking havoc with application budgets while forcing companies to wrest more value from their current CRM software implementations. Against that backdrop, Scott Nelson, managing vice president at Gartner, offered a series of five low-cost CRM strategies.

"Part of this was to dispel the notion that all you can do with CRM is buy software," Nelson said. "And just because you have no approval to purchase doesn't mean you have to grind to a halt." In fact, surveys of clients by analysts with the Stamford, Conn.-based research firm have found that the lessons of the last economic downturn have stayed with many companies.

Approximately 40% of them say they will use the economic downturn to generate post-recovery growth via effective CRM strategies.

Those figures vary widely across industries, of course. Financial services, for example, are reining in costs, while government organizations are investing heavily. Software vendors like software to track federal stimulus money. Most organizations have little to spend on things like software, but there are some exceptions, according to Nelson.

"We're not seeing people buying a whole Oracle or SAP suite, but certainly there are investments in SaaS right now," he said. "Analytics, because those are discrete investments, data clean-up and quality, some sales automation -- anything that can cut costs -- campaign management, e-commerce so they can push cost forward."

Customer communities

While anything relating to Web 2.0 or social networking has been the subject of buzz and marketing hype, customer communities are an effective and low-cost (or no-cost) way to engage and serve customers. Gartner recommends setting up corporate accounts on sites like Facebook and Twitter to begin experimenting.

Analytics

Analytics tools that help organizations determine customer buying patterns, attrition and channel usage can be purchased at a reasonable cost, Nelson noted.

Moreover, many companies already have the tools in-house.

"A lot of clients already have made the investment in that area, and it's sitting on the shelf because they bought a package with analytics embedded," Nelson said. "This may be a good time to go out and use them. Organizations have the luxury of having a little more time available right now."

Segmentation

Similarly, because of the recession, there are fewer new application projects, and personnel do not need to devote as much time to things like proving ROI, freeing them up for projects such as segmenting the customer base. Gartner advises companies to use the time to re-examine their segmentation strategies to determine whether they're truly effective.

Process redesign

CRM initiatives that focused on sales, customer service or marketing left many companies with siloed, disjointed processes. The recession is an opportunity to re-examine and streamline those processes.

"Many are still thinking of sales, service and marketing as a discrete, siloed approach that does not represent the process flow of the customer," Nelson said.

Telcos are a good example, he said, where the processes are built around things like billing, fraud and equipment, and companies are now thinking about how to organize around bringing aboard a new customer, for example.

Organizational redesign

Finally, if a company has been considering moving from a product-centric to customer-centric organization, now may be the time, Nelson advises.

Does that mean the recession has actually proved a boon for advancing CRM?

"In some ways," Nelson said. "It's certainly never good from the vendors' point of view, and the drying-up of funds isn't good. But there's always been this misconception that CRM is all about buying software. There's so much more to it than the software involved."

Forrester offers ways to mine more value from CRM implementations

By Barney Beal, News Director

The current economic conditions have organizations looking to squeeze more value out of their existing CRM implementations.

William Band, vice president and principal analyst with Cambridge, Mass.-based Forrester Research, recently issued a report detailing some of the ways companies can mine that hidden value to improve their CRM ROI.

"We know in the last six months, new applications license sales dropped 14% or 15%," Band said. "That means a lot less new deals. We've been getting calls from people who are saying, 'I have to look at CRM again, but I'm not going to get anybody to agree to buy anything new.'"

In fact, the current climate for CRM harkens back to the earlier days of CRM when the wild optimism and hype around technology led companies to make big investments, which resulted in massive and costly failures. That left organizations timid and reluctant to spend more on CRM, having already been burned -- until the economy and new developments convinced them it was time to spend again. Now?

"The circle has turned once more," Band said.

The biggest culprit in keeping organizations from fully taking advantage of their CRM implementations is user adoption -- a longtime scourge of successful CRM projects.

"On the sales force side, most people that have implemented CRM have primarily focused on management reporting," Band said. "A lot of the unused functionality can be at the back end -- contact management, the customer profiling part that might be more helpful to the salesperson."

Organizations should take a close look at their existing license agreements to figure out what they're not taking advantage of. For example, a lot of companies paid for additional mobility capabilities that they're not using, Band said. Unused functionality is also a product of the fact that at many organizations the personnel that made the purchasing decisions may have moved on to other positions or left the company, and those who have taken over may not know the extent of what was purchased.

"A lot of people might have spec'd a lot of things into the implementation plan two or three years ago, and they're paying for things they never implemented," he said.

When optimizing an existing implementation, quick ways to cut costs or build revenues are a good start, such as adding a mapping application within a CRM system that can cut back on routing deliveries or implementing the lead management capabilities that many applications include within their suite.

Companies that are up to date on their maintenance and support agreements should also consider functional upgrades, Band said. Some vendors have begun adding Social CRM or Web 2.0-type capabilities to their applications that customers can take advantage of quickly. In fact, in good times or bad, companies should review their application environment.

"If there's no money for new CRM projects and you're already paying for ongoing maintenance fees, you should always be looking hard at what you've already bought," Band said. "There isn't a regular review of this."

Band advises conducting a quick proof-of-concept test with a short demo, or end user involvement to help determine whether turning on a piece of functionality can result in some quick wins for the business.

End user adoption has always been a critical factor in the success of a CRM implementation, but many organizations have done little to follow up once a system is rolled out. A Forrester survey found that companies that achieved only 30% user adoption after three years saw only 5% ROI on their CRM projects. Companies looking to maximize their CRM investments should focus on additional user training.

"User training -- that typically is given short shrift," Band said. "People weren't originally given the right training. There's been no ongoing refresher training. A lot of organizations don't think about turnover. If people turn over rapidly and it's been three or four years since your initial implementation, your sales force is totally different people."

Band advocates monitoring usage of the system, either by soliciting user feedback, leveraging system monitoring tools included in many CRM applications (particularly Software as a Service-based CRM systems), or investing in monitoring software.

Companies that are seeking to get the most out of their existing CRM implementation are typically finding champions within the IT department or from an existing department head. "We are seeing it in the IT organization because they're under pressure to make sure they're managing applications efficiently, and they're initiating reviews where they engage the business to look at what capabilities were bought with it," Band said. "Often, you see a sales application manager or a sales operations manager who's trying to support CRM application and knows he can't get any money for new stuff and needs to re-engage the users."

Gartner outlines five technology trends changing CRM architectures

By Barney Beal, News Director

SCOTTSDALE, ARIZ. -- The market for CRM software was one of the few technology areas to see an increase in spending this year, slight though it was, according to Gartner Inc. Companies have transitioned from buying big, cross-departmental suites to niche products, and that has helped keep the market growing, said Ed Thompson, research vice president of the Stamford, Conn.-based research firm at the company's annual CRM Summit.

While the CRM market grew just an expected 3.3% in 2009, it did better than most other technology spending areas.

"Certainly we're shocked CRM is still growing," Thompson said.

Amidst that appetite for overall growth despite the recession, there are a number of technological advances CRM professionals must pay attention to as they plan their CRM architecture.

Cloud computing

While the conversation about cloud computing tends to focus on Software as a Service (SaaS) when it comes to applications, it's still an important development for CRM buyers and vendors alike. In fact, HelpStream, a SaaS-based customer service vendor switched all of its systems over to Amazon Web services and saw a 60% decrease in operating costs and The Sage Group plc this week said it will make its SalesLogix CRM system available for customers and partners on Amazon as well, allowing customers upgrade control and the ability to migrate between SaaS and on-premise. How is this disruptive to CRM buyers and implementers? Privacy and integration, Thompson said.

"In the world of SaaS or cloud, historically concerns were about uptime and security," he said. "Now the issues that come up to us are data privacy, particularly for those in the EU.

That's a showstopper for many today. Second is the lack of integration skills. The majority of SaaS vendors' integration has been with email and that's it. We're starting to see sophisticated integration out there. But with SaaS and non-SaaS applications that's pretty difficult."

While some start-ups may launch their business on a completely SaaS model, most companies have significant on-premise applications to support and integrate. Plus, new software vendors are launching solely under the SaaS model. That means business and IT are going to have to bring together the old and the new.

"We're going to be living with traditional on-premise applications for the rest of our working lives, which means we're going to be in a SaaS/non-SaaS world the rest of our working lives," Thompson said.

Business intelligence and CRM

When it comes to business intelligence (BI), corporate performance management (CPM) is the hottest area, according to Gartner research. CPM, a discipline which typically includes data-driven planning, budgeting and forecasting activities often includes sales and marketing analytics. The next hottest discipline within BI is sales analytics followed by service analytics.

"We look at business intelligence and we can look at the application of that in the CRM domain," Gareth Herschel, research director with Gartner, said at a later session. "That's clearly a key factor for organizations. It all points to the same topic of how do we learn more about our customers to drive better, more profitable customer relationships."

The rise of BI, which according to Gartner surveys has been the top concern of CIOs for the past six years, should force organizations to think about recruiting the right skill sets. Thompson advised hiring people right out of college with statistical and analytical backgrounds and moving people from IT into "marketing because they have the right skills -- you need those people inside marketing team."

BI competency breaks down between "the have nots," businesses with only one or two people with analytical skills in areas like cross sell, upsell and churn analysis and "the haves," companies with a team of analytics employees treating analytics like a factory.

As CRM and BI evolve, analytics will become embedded in business applications and processes, Thompson said.

The shift from operational CRM to social CRM

According to Gartner research, currently 90% of CRM spending is directed toward operational CRM initiatives like sales force automation, but that will drop to 70% of spending by 2020. Meanwhile, spending on social CRM initiatives like customer communities and social media monitoring will grow from less than 1% today to 10% of spending in 2020.

That's forcing traditional operational CRM vendors to venture into social CRM capabilities like Oracle has with its Social CRM modules. Social CRM consists of three areas, according to Thompson; internal collaboration tools, which are fairly mature; internal communities that are hosted by the business; and the monitoring of outside social networks like Facebook and Twitter, an area that will see a lot of consolidation.

"A lot [of social media monitoring tools] are not adding much value, just tracking and crawling and not adding much back," Thompson said. "The middle group is where I would put most of my focus on. You have a forum or a social network you're hosting. We're in the very early days of what's going on. You should already be doing something inside your firewall, where you don't have to get into legal complications. Likewise if you have an externally facing site, you should get into the second part, encouraging people to get into a community"

In fact, it's the legal department that is throwing up most of the resistance to social CRM initiatives, citing concerns over who is saying what to customers and questioning what kind of corporate governance is in place.

Web-oriented architecture and its affect on CRM systems

Web-oriented architectures, a subset of service-oriented architectures (SOA), is applying similar principles as SOA, only more rigid.

"At the moment, this technology is not applicable in a majority of cases in complex enterprise applications," Thompson said. "Shortly it will be."

That means many CRM vendors, which have focused on wrapping SOA capabilities around their applications, will have to go back and make them WOA compliant.

Unified communications

Unified communications and CRM means more than just voice over Internet Protocol (VoIP) and more than just enabling the call center to extend to the wider organization, Thompson said.

"Up until now, most organizations have thought of UC as the blending of networking and telephony and it therefore applies to contact center. Do not think of this [as?] relating solely to contact center," he said. "What we're already starting to see is these applications embedded into other applications."

Right now the main areas where applications are using unified communication are: administrative tools; some collaboration like the work being done by Cisco; notifications in the contact and escalation process, bringing in subject matter experts on a sales call for example; intelligent notifications; and, context aware computing, telling the system where you are at what time and are you available.

Other technologies impacting CRM architectures

Custom built applications continue to be a major force in the CRM marketplace, Thompson noted. In fact, currently between 60% and 65% of CRM applications are built and not

bought, though that percentage decreases every year. Additionally, the percentage of CRM initiatives focused on CRM suites like SAP, Oracle and Microsoft is dropping.

"We expect in next couple years to break the 50% barrier [in build versus buy]," Thompson said. "If you look at these categories in 2003-2006 we saw a big shift to Oracle and SAP. That spun around in 2005-2006, partly because of Salesforce.com and Microsoft."

Additionally, the emergence of business process management (BPM) vendors extending capabilities to CRM, the importance of the user interface in CRM purchasing decisions and Green IT are shaping the way IT organizations operate.

"Big CRM does not get approved in a recession," Thompson concluded. "Point projects tend to win and anything with an 'e' in front of it -- e-commerce, e-marketing, e-service -- tend to get approval. Plan to shift budgets. Operational CRM will dominate, but expect and plan to shift toward analytics and social CRM."

CRM's future looks much like its past

By Barney Beal, News Director

CRM's future should look a lot like its past.

That's the view of Gartner Inc. Preparing for its annual CRM Summit in the U.K. this week, the Stamford, Conn.-based firm shared some of its research and projections on the CRM market looking 10 years back and 10 years ahead.

The business goals and challenges of CRM programs remain the same today as 10 years ago and will continue to predominate during the next 10 years, according to Gartner.

That is not to say that there will be no changes in the CRM market over a 20-year period. Rather, the core challenge of managing customer relationships remains as difficult as ever.

"How to enrich the customer experience -- organizations were struggling with this 10 years ago and are still struggling today," said Isher Kaila, research director with Gartner. "The second big area is business process management. Ten years ago, companies were trying managing business processes but also organizational collaboration. There's a real lack of end-to-end process, and a lack of alignment within the organization as to what customers need, the KPIs, and a broader level of interplay between business and IT."

The importance of CRM hasn't changed either. According to Gartner's annual survey of more than 1,500 CIOs, CRM and enterprise applications remain their No. 2 priority for 2009.

What has changed is that businesses are getting better at implementing CRM programs. In 2000, the majority of organizations viewed CRM as unlikely to deliver business benefits, but in 2009 the majority expects them to succeed.

CRM application pricing and delivery has also changed significantly. According to Gartner, organizations were commonly paying $3,000 per licensed user at CRM's height in 2000, and that has fallen to between $1,000 and $1,500 this year. While the per-user pricing model

still prevails, service-oriented architectures (SOAs) and Software as a Service (SaaS) are fuelling process-based pricing.

In addition, SaaS has changed the CRM landscape significantly. Nearly 50% of all field sales applications will be delivered via SaaS by 2012, according to Gartner, and 40% of all CRM applications will be SaaS-based by 2020. The competition will bring per-user pricing down from $800 per year to near $500 by 2020, the firm predicts.

Companies may be worried about different aspects of CRM programs than they were a decade ago, but fear and anxiety persist.

"In '99 it was Y2K, technical uncertainties and anxieties around technical capabilities," Kaila said. "You're seeing a similar level of anxiety today, and it's really around the rise of social networking. Customers are really empowered. Companies are not the first place people go for information. From an enterprise perspective, they're becoming a little insecure about how to support or integrate it. In my opinion, apart from the global economic crisis, companies are most worried about social networking and how that impacts how they interact with customers."

The CRM software market has also seen its share of change, and while it reached a high in 2000, growing at a rate of 90% before bottoming out in 2003, it has shown steady growth over the last five years, growing between 11% and 23% per year, and it is set for 10% growth from 2007 to 2012, according to Gartner. The company estimates the total revenue in 2008 for CRM software, including license, maintenance and subscription revenue, reached nearly $9 billion worldwide.

In turn, the vendor landscape is shrinking. The five largest CRM vendors represented an estimated 60% of the market in 2008, and three or four large vendors will claim 50% market share by 2020, Gartner predicts.

That's because the large vendors are evolving into platforms for software and service partners.

"We see the rise of these communities of applications," Kaila said. "If you look at the whole host of vendors, there's hundreds and hundreds of local and regional on-demand CRM vendors, and their go-to-market plan is get it out there and sell out to one of the larger market leaders."

Innovation in the CRM market will come from these smaller startups, which will be acquired and merged into the larger ecosystem.

"There's more pressure on vendors to specialize in the niche," Kaila said. "Enterprises are very process focused. Companies want software that really integrates well into end-to-end processes for CRM. We'll see larger vendors dominate the space because they have visibility into the larger CRM process. Then it's just survival of the fittest."

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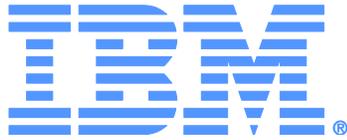
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