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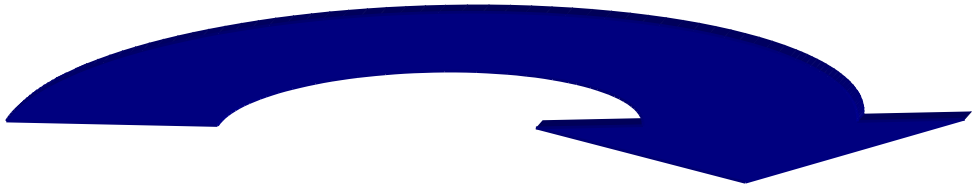
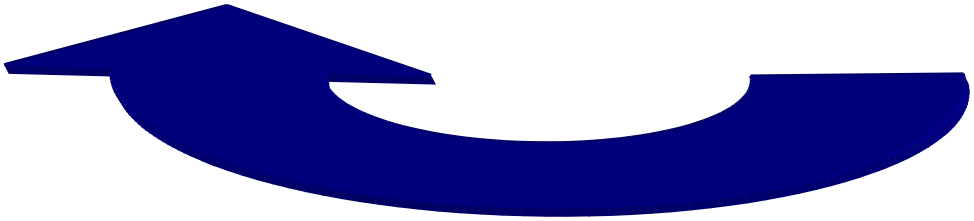


CRM and Small Business: Smaller, Faster, Better

A White Paper



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Executive Summary

Although not every small business is ready for a CRM application, it is easier today for small businesses to find systems that meet their needs and fit within their budgets than it ever has been. The advent of cloud-based CRM applications has eliminated the significant initial budgetary barriers to entry for many businesses, and the proliferation of products geared toward smaller businesses has presented small business with options that allow them to choose based on specific features, quality and cost of support, and extensibility.

Small businesses have an advantage in that many of them are already living the discipline of CRM—they're building and nurturing customer relationships face-to-face today. But as businesses grow—and as they get older—the amount of customer data small businesses must manage becomes greater and greater and eventually requires some technology to manage it. While simple solutions usually come first—ranging from Post-it notes to Excel spreadsheets—this data can't be shared easily, integrated into other business systems, or provide interactions proactively with the user. CRM can do this—so, when the time is right, it's important to move to CRM to keep control of this data.

CRM can also aid small business in coping with two apparently divergent customer trends—social media and mobile technology. With a CRM strategy in place, social media data can further aid in creating a portrait of the customer. It can also pave the way for increasing use of smart phones to access customer data, both inside and outside the business.

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Introduction

Good business owners recognize that relationships are at the heart of every transaction. Every sale he or she makes—whether as the buyer or the seller—represents a relationship. When you break them down, those relationships are based on bits of data—the customer's name, what the customer bought, how the customer paid, how the customer wanted the item delivered, and so on.

For small businesses, with limited numbers of customers and sales of a fairly simple nature, that data set is small enough that it can be stored in the brain of the business owner. Think of the man at the deli counter who knows his clients' names and their usual orders, or the specialty grocer who can predict what new product will appeal to each of his customers—all the data they need to deliver a great sales experience is stored in their heads.

The same is true in business-to-business relationships—if you have a limited number of customers, it's likely you know the contact at those companies by name, you know their payment terms, you understand their delivery needs, and you remember their buying history with you. You may also have this data in various places within the business—on purchase orders, invoices, phone lists and so on—but the one place that information is tied together is in your brain.

Sadly, we have yet to scale the human brain. As your business grows, or as sales and relationships become more complex, the amount of data begins to exceed our capacity to remember it all. The response to this starts simply—perhaps some Post-it notes with important data about a key customer. From there it may evolve into a spreadsheet created on a PC desktop application.

As this data is recorded, it can also become fragmented. Where do you store personal data about a customer—like a birthday, or news that his children like soccer, or that she's an avid fly fishermen—that could help strengthen the relationship later? How do you include calls for service or complaints, and can your spreadsheet record the outcomes of those interactions? If you conduct marketing, how does your spread sheet record whether a customer responded or not?

The truth is that spreadsheets can't do it—they're too rigid and won't adapt, and trying to plan for every possible contingency from the start is nearly impossible.

The answer is customer relationship management (CRM). CRM is sometimes thought of as a technology, but it's better understood as a discipline enabled by technology. The object of CRM is to give businesses the best possible understanding of their customer and the customer's experience with the business. By collecting all this data in a single location, business owners can use it to help with sales, marketing, service and customer loyalty—essentially, it allows them to scale up their ability to know the customer as they did when their business was very small.

Signs That Your Small Business is Ready for CRM

In too many cases, the indication that a business is ready for CRM comes in the form of something negative. For example, the top-performing sales person in the business leaves for the competition and takes with him all the contact data for his customers, leaving you in the dark. Or, while service is trying to help a frustrated customer solve a long-term issue, your sales team tries to upsell him, making him so furious he dumps you. Or, a call to a potential customer reveals that she's already decided to go with someone else—and your lead dates back to before she was even looking for someone to buy from.

All these things are examples of data that's nit in the right place at the right time—and they point at lost opportunities that cost your business money. Other things are not quite as clear. For example, your sales staff

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may spend an inordinate amount of time in the afternoon preparing for the next day's activities manually. With a CRM solution, much of this can be automated and your staff can reclaim an hour or two to devote to selling. Similarly, if your staff is spending time creating reports for sales managers manually, they're also missing out on sales time.

If your marketers can't easily assemble lists of prospects to market against, it's probably time for a CRM application.

The common denominator is, again, having data in the right place, the right format and at the right time to be of use to your business and, ultimately, to help build the customer relationship. If you're discovering either lost revenue because of poor data management or lost opportunities because your sales staff is being prevented from selling by administrative tasks, the time has come for you to look into a CRM solution.

Perhaps the most painful trigger event is when a customer leaves your company because you just didn't seem to know him or her—contact data is collected over and over, details common to every order are asked for every time, or service treats every problem as a brand-new one because they lack a history of the customers' past service calls. Although it would be impossible to keep this information in the minds of all of your employees, your customers want to believe that you at least care enough to have it available to them when it's needed. Not having it when the time comes is seen as not caring about the customer.

What CRM Means for Small Business

The ability to grow without losing intimacy with customers

That close relationship described above is precious—and you don't want to lose it as you scale your business up. Similarly, you don't want to be forced to treat new customers in a different way from your old customers—although you may want to treat your best customers differently than you treat the rest of your customers. CRM allows you to collect, collate and apply information to do that: to identify important traits about your customers, to match those traits to a history of interactions with your business, and to then use all of that information to craft a personalized approach to loyalty, marketing and continued sales over their entire customer lifecycles.

The ability to scale your workforce more slowly than your customer base

Even if you stay relatively small, it's likely that, with time, your customer base will grow larger and deeper. You may have a handle on customer information now, but with time, you may start to forget important details that impact your ability to build effective customer relationships, especially for less regular customers. You're also likely to lose that one-on-one feeling you may be able to maintain today.

Part of CRM's power is its ability to automate many of the basic tasks of customer data management. So, rather than adding people to your workforce in order to maintain the kind of face time you have now, you can move some of that customer interaction to on-line channels. You can also use CRM to make employees who speak to customers more efficient by providing them with rapid access to customer records so that they start every conversation with an existing customer armed with an updated history of that customer's experience.

The opportunity to market to customers with the same effectiveness as a large company

Generating and qualifying leads, coordinating marketing campaigns, tracking customer responses and doing all of the other tasks that constitute a modern marketing approach required lots of personnel in large companies. Small businesses can't afford to hire dozens of people to staff marketing—but they don't have to. CRM allows small business to run marketing campaigns and conduct marketing analytics in scale with their

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business by automating many tasks and organizing the data needed for others. A small business can market itself to its key customers with the same level of professionalism as a large business thanks to the technology.

The foundation for keeping your business information from becoming silo'ed

Many companies who adopt CRM at a later stage in their evolution realize that they have allowed an assortment of solutions targeted as specific problems to become silo'ed—in other words, they've formed walled-off collections of data that don't work together to provide deeper insight. Worse, when it's realized that these solutions have silo'ed off the data, integrating them can be very difficult because file formats may be different and data may be duplicated in different forms in multiple places.

Getting into CRM relatively early in your company's lifecycle can help you avoid this before it becomes a crippling problem. By using one system to handle all of your customer data, you'll find it much easier to integrate this information with manufacturing, financial and other "back-office" systems, and you'll have allow different departments within the business—like sales and marketing, for example—to work from the same set of data, thus heading off conflicts before they happen.

Advantages and Disadvantages Small Businesses Have with CRM

Small Business is in a unique position when it comes to CRM—a position that gives it unique power when it comes to setting up a CRM system and driving value out of it. It also faces some specific challenges that larger businesses have a greater ability to overcome. Let's start with the good news:

Advantages

1. Starting with a clean slate
In many large organizations, the introduction of CRM is a traumatic event, since it usually requires integration with older systems or the phase-out and replacement of those systems altogether. It's great to break down silos of data and combine them into a central application—like CRM—but that may require a long process of data scrubbing and re-formatting, especially if different parts of the organization used different terminology to describe customers and potential customers.

As a small business, the odds are very good that you have few legacy systems to worry about—or the legacy systems you do have are being replaced by CRM. While you may have had years of Post-it notes and Excel spreadsheets in your past, you probably haven't had years of data within software that you'll need to extract.

This is good in two ways: first, you can skip the data rationalization step that often pushes back the go-live date of CRM at larger companies, and second, you can establish strategies right now—before silos are built and data concerns become overwhelming—to avoid finding yourself in the difficult straits larger companies find themselves in later as your company grows.

2. Already have customer relationships to use as models
Small businesses are still close to their customers and in many cases still have one-to-one relationships with them. When you embark on a CRM effort to scale the number of these relationships, the goal should be to preserve the positive parts of the relationships you already have. Being close to the customer now allows you to map what it is that works in those relationships and to use that map to set up process in CRM. For example, if you find that your customers particularly enjoy recommendations around new products, make sure that there's a reminder to your staff to make these recommendations when they contact or are contacted by a customer. The opposite is true, too—if customers hate news about new products, make a note of it so employees don't discuss them except under certain circumstances.

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You'll also have a better opportunity to introduce customer personalization into your CRM system now, while you know your customers better. While this can be done later, and by bigger businesses, often they can make this personalization on only a superficial level. A small business can build personalization into its CRM approach from the start with a good knowledge of what to look for in creating that personalization.

3. Fewer regulatory issues to limit CRM choices

Larger companies, whose businesses may cross borders, have to monitor an increasingly complex set of privacy and data storage rules and regulations. These can force them to change their CRM delivery model and alter the types of data they collect.

Small businesses, typically, have yet to run into these rules. Some must already comply with HIIPA and Sarbanes-Oxley rules within the U.S., but many do not. That allows small businesses to build the solutions they want and which are best for their situations today, while keeping an eye out for the regulatory issues that may arise as they grow.

4. In a better position to grow use of CRM as their company grows

In small business, everyone wears a collection of hats, and thus everyone knows a little of what everyone else's job entails. When your business starts to expand and is broken up into distinct departments, you lose the cohesive quality of a small staff. Just as you want CRM to help you keep that intimate relationship with your customers, you also want to keep a degree of intimacy within your business.

As the company grows, having CRM in place will pay dividends beyond its initial value because it will help business leaders see how the data they collect and act on can benefit other parts of the business. For example, marketing may hear ideas from customers for an improvement that manufacturing should know about. Having a cultural commitment to making sure that knowledge is shared the right way—as is the case within a small business—will enable you to spot new uses for CRM beyond the initial purposes that drove your initial investment.

Disadvantages

1. Limited budget

The big guys always seem to have money to throw around on CRM—and, when it first emerged, CRM was seen as a tool that only large businesses could afford. That's changed with the advent of CRM delivered as an on-demand or Software as a Service (SaaS) product, meaning that there's none of the technology infrastructure overhead of years gone by. Still, budget limitations may constrain your choices as force you to look very carefully at things like customizations and consulting.

2. Limited manpower

Large companies usually have marketing staff, multiple sales reps, service personnel and managers to coordinate their activities. Small businesses often have people doing several jobs, or even one person doing all these activities. While CRM can help by automating some of tasks, it still needs to be set up and supplied with data, and that need can compete for time with other tasks that are critical for running your business. This is one reason that the timing of an initial CRM implementation is critical: investing the time too early, before your business is really ready for CRM, can have a negative impact and can sour users on CRM for the future, when it's truly needed.

3. Lack of technical expertise

Finally, it's not common for a small business to have a CRM-oriented IT expert on staff—why would you if you haven't started using CRM yet? While that person isn't necessarily needed—you can use consultants for these roles if your budget allows—it is likely that someone in the company with need to acquire at least some rudimentary knowledge of some of the technical aspects of your CRM system. This can constitute another area where time demands may be difficult to manage with the time demands of the rest of the business.

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Choosing and Implementing CRM Applications

Deciding which CRM application is right for your business requires two things: a knowledge of your own business, and an understanding of how your business's needs map to the applications in the market. For a 10-step process to help you establish your business requirements and then select the appropriate technology, see our "10-step Guide to Buying CRM" which can be downloaded from the SugarCRM website at http://www.sugarcrm.com/crm/resources/white-papers

Taking shortcuts in the process is a bad idea. You don't want to automate the wrong processes, and you don't want to leave broken processes unaddressed. This process can also place demands on time that a small business may not be able to sustain. If you need help with this, your best bet will be working with an outside consultant, integrator or reseller. These professionals have had experience with CRM implementations and they can accelerate the discernment process, help you select the right CRM product for your needs and your budget, and help you implement your system and train the people in your business who will be using it. These services are not inexpensive, but they certainly provide a greater return on investment than would be the case if you selected a CRM product and then had extended troubles implementing it yourself and then training your staff how to use it.

If you have technological savvy and feel you understand where your business needs the help CRM can supply, you may wish to look at a cloud-based CRM solution. The cloud (or Software as a Service software) is not the right solution for everyone because of legal limitations on the type of data that may be stored on shared servers; businesses in some vertical markets have to go with an on-premise solution. But for the majority of small businesses, the cloud is the way to go. Not only does it allow the software to be up and running quickly, but also it avoids the up-front cost of building the computing infrastructure needed to support CRM and staffing that infrastructure—that's all taken care of by the vendor. Your application is available via the Internet. Updates to the software are automatic, and backup and storage management needs are handled offsite. This delivery model provides all the benefits of CRM without the manpower and budgetary burdens that made CRM impossible for small business to use in the past.

Pushing the Boundaries

Your implementation should give you the foundation for a CRM approach—a basic set of tools that allow you to automate sales, marketing and service processes, a means of storing, collating and retrieving customer data, and the ability to distribute this data to the parts of your organization where it's needed. Once this foundation is complete, you may start to look to expand the possibilities for your business's use of new CRM ideas. These concepts do not replace CRM—rather, they build on existing concepts and can amplify and broaden the effectiveness of CRM.

Social CRM

In his book, CRM as the Speed of Light, CRM guru Paul Greenberg defined Social CRM (SCRM) as

> *"A philosophy and a business strategy, supported by a technology platform, business rules, workflow, processes and social characteristics, designed to engage the customer in a collaborative conversation in order to provide mutually beneficial value in a trusted and transparent business environment. It's the company's response to the customer's ownership of the conversation."*

That definition is broad and somewhat vague for a reason: how social CRM manifests itself in your business is not in the form of a single technology or solution that's dropped intact into your business. It's a customized approach based on your customers and how they choose to interact with you and with each other. What works for one business will not work for another business—even a direct competitor.

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In a SCRM scenario, the conversation is critical. Three types of conversations are most prevalent: one-to-many, as you might see on Facebook, where an entity speaks to a broad audience of peers; one-to-one-to-many conversation, where two main participants talk, but the rest of the audience can see the conversation; and the one-to-one conversation, which may begin as a public discussion but then be taken to a private side of the social channel. Conversations may be started by customers, which gives businesses a chance to respond and offer their expertise; they can also be started by businesses as a way too stimulate conversation and thus discover places and topics frequented by potential and existing customers.

This can leave small businesses rather befuddled, as can the vast plethora of social media channels, starting with Twitter, Facebook and LinkedIn. Beyond those powerhouses, you may find customers congregating and conversing in surprising new places. For example, a company that sells new old stock parts for restoring classic cars may discover its customers spend a lot of time on a car parts enthusiasts' message board.

The first rule for small businesses looking to add a social component to their CRM strategy is this: start small. A sustainable small-scale effort—targeting a few key social channels—is far better than an attempt to stretch out to encompass the entire social media universe, which will undoubtedly run out of resources and fail. And there's no good reason to try—you only need to have a presence where your customers are, and only in those places.

The second rule for small businesses is to go beyond listening to find where your customers are engaged in conversations—ask them. Unlike large companies, whose sheer number of customers makes it relatively easy to locate conversations about them and topics that are important to them, small businesses may have a harder time waiting to see patterns of discussion, even with social media listening tools. But if you ask your customers, you may be surprised at which social media channels they find most useful when it comes to your industry. That gives you as a small business an edge—those niche sites that may be powerful to you may fly under the radar of your larger competitors.

Mobile CRM

The second great disruptive force in CRM is mobility. In the first quarter of 2011, the number of smart phones sold surpassed the number of PCs sold, signaling a shift in the way people work. The traditional vision of a heavy smart-phone user might be a sales professional, relying on his phone for access to contacts and sales materials while he's on the road. But, as a small business, you can look at mobility differently: it's a tool that gives you access to important data anywhere you're working, That doesn't necessarily mean in the field, or away from your business—it also means away from your desk, in your warehouse, on your production floor, in your delivery vehicle.

Mobile CRM is great for sales people—they can enter sales data as they receive it from customers instead of heading back to their desks at the end of the day for a data dump. But it's also useful in other places. For example, if you're meeting with a distributor and, before committing to a certain quantity of product, you can check to see trends in your major customers' buying patterns, and then make a more informed purchase. If you encounter a customer with a service question while you're making a delivery, you can check their customer history and perhaps offer help while you're with him instead of after you return to the office.

This technology can save you time, help with sales—and it can even ensure that your CRM investment pays off. Adoption can be a problem with CRM—if no one uses it, you won't se any value from it. But putting CRM on phones enables workers to use CRM in a way that they're accustomed to using technology, and that makes them more likely to adopt CRM.

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Growing Your CRM Operations

As your business grows, you'll likely encounter new customer management issues—in service, sales, marketing or a combination of all three. These issues may require the refinement of some of the CRM processes you're using—or the adoption of new features.

This represents two hazards for small businesses. First is the issue of a poor initial choice. If you acquire technology that is a fit for your business now but is limited in scope, you run the risk of outgrowing it—not just in terms of the size of your business but in terms of your business's depth of use of CRM. Ideally, you'll want a system with some additional functionality beyond your immediate needs to extend the life of your CRM application. Additionally, look for CRM solutions with the flexibility to accommodate customizations easily; you may discover new needs that are more economically addressed by a customization than by buying a new CRM system.

The second problem is a failure to fully grasp the inherent capabilities in the CRM system you've purchased. In many cases, once small businesses have tackled the problems that drove them toward CRM, they stop learning and thinking about the aspects of their CRM solution they aren't using. A similar condition arises when a cloud vendor updates software with new functionality but the small business owner fails to learn about it. Then, when new business problems surface, he may assume their CRM solution isn't up to the task and start shopping for a replacement. This represents a wasted investment, since it amounts to buying the same capabilities twice.

To avoid this, stay up to date on training. Most resellers will eagerly offer you refresher training, and several vendors offer training (including on-line training) to keep their users current. Remember—CRM is always a work in progress, and that means your understanding of what CRM can do is also always in progress.

Conclusion

When a small business is ready for CRM, it can represent a significant jump in its capabilities. It can organize data already critical to the business, and it can increase the productivity of sales and marketing workers—or pave the way for increases as the business grows. It also creates a framework for cooperation between sales, marketing and service.

For small business, this is a CRM golden age. The cloud is allowing the delivery of applications without significant initial costs and without the need for the ongoing expense of on-site computing software and personnel.

That said, CRM is not a panacea, or a fire-and-forget IT buy. It's a discipline enabled by technology—really, it's a way to take the good things you're able to do as a small business, retain them as you grow, and magnify their effect across a wider customer audience. Delivering good service, selling well and marketing in an effective way are all activities that require thought and work—and CRM is very much the same. But, when done effectively, it can dramatically improve your business's performance, amplify the things you do well, and help rectify the things need improvement.

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Faye Business Systems Group

About Faye Business Systems Group

Faye Business Systems Group is a Southern California-based technology consulting firm and software company with over 25 years of experience in helping growing companies get "over the wall" and optimize their financial and business systems to become more profitable. FBSG uses SugarCRM, Sage MAS 90 and MAS 200, and a variety of custom software solutions to meet client needs. Services include software development, project management, packaged software implementations, custom software implementations, integration, consulting, training, and support. For more information, call (818) 227-5130, email info@fayebsg.com, or visit http://www.fayebsg.com.

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In his current Editor-in-Chief role, Chris is the voice of CRM Outsiders Bucholtz continues the CRM Outsiders tradition of being an independent and opinionated CRM advisor, who provides trusted and useful content to the market. He uses his extensive network to encourage other CRM visionaries to contribute regularly on CRM Outsiders.

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