

SMBs Boost Their CRM Maturity With Software

Small and midsize businesses continue to invest in customer relationship management software. Of those enterprises that have invested, many rate their CRM maturity as improving, although not yet leading.

Core Topics

Customer Relationship Management:
Creating Business Value for CRM

Small and Midsize Business: SMB Business
View of IT

Key Issue

How will small and midsize businesses
measure and monitor IT's contribution to
their goals and objectives?

Small and midsize businesses (SMBs) — defined in the United States as having fewer than 1,000 employees and defined in Europe as having fewer than 250 employees — continue to invest in customer relationship management (CRM) software. Are these investments helping SMBs become more mature in CRM?

In addition to our normal inquiry process, from June to October 2003, Gartner surveyed more than 130 SMBs or business units of larger companies (97 percent were North America-based) using CRM software from 20 vendors (see Table 1 and the user profile below). Most of the SMBs we surveyed were provided to us by the vendors themselves. About 50 percent were using the solution to provide a 360-degree view of the customer for customer-facing employees, 29 percent were using the application to provide visibility into sales cycles and sales activities, 10 percent were using the software for customer service and support, 6 percent were using it for integrated sales and service activities, and 5 percent were using the software to consolidate systems. There was overwhelming proof of the benefits of CRM initiatives among SMBs.

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Table 1

Vendors

Organizations surveyed were using CRM software from the following vendors:

No. of Clients Surveyed	Name of Vendor
7	ACCPAC International
18	Best Software (SalesLogix)
4	Connect-Care (merged with Firstwave)
6	Epicor Software
2	Firstwave
8	FrontRange Solutions (GoldMine FrontOffice)
3	iCode
4	Interface Software
9	Microsoft (Microsoft CRM)
3	NetSuite
8	Oncontact Software
8	Onyx Software
2	PeopleSoft
14	Pivotal
1	Relavis
16	SalesForce.com
1	SAP
7	Saratoga Systems
9	Siebel Systems (Siebel MidMarket)
9	Soffront Software

Source: Gartner Research (June Through October 2003)

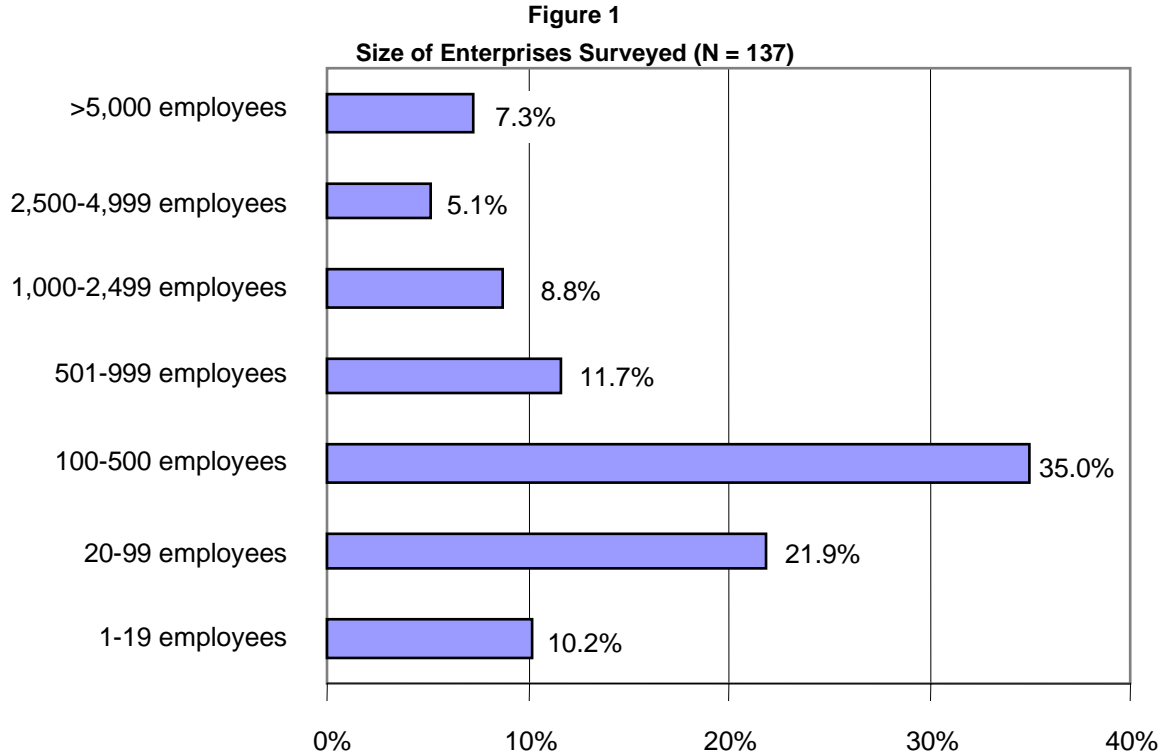
Vendors were included based one or more of the following criteria:

- Inquiries from our clients
- Market share in the SMB CRM market
- New CRM products or new CRM vendors to the SMB space
- A vendor's ability to provide SMB references that have purchased and deployed their CRM software across sales, service and marketing users within SMBs
- Vendors that are included in our April 2003 CRM Suites for North American Midsize Businesses Magic Quadrant

User Profile

We surveyed (see Figure 1) 44 very small (one to 19 employees) and small (20 to 99 employees) businesses, 48 low-end midsize businesses (100 to 500 employees) and 16 upper-end midsize

businesses (501 to 999 employees). We also surveyed business units of larger companies or holding companies that operate independently from the parent company in terms of budget, organization structure, infrastructure and decision making. We were interested in the scalability of certain SMB solutions from vendors like Microsoft and SalesForce.com, so we included a few calls to large sites to test scalability.



Source: Gartner Research (June Through October 2003)

The users represented a variety of industries and business relationship models. The average number of CRM users deployed was 126 users across field sales, insides sales, customer service, field service, help desk, marketing, developers, accountants, engineers, managers, executives, partners and/or customers. Very few had deployed the solutions outside of their enterprise to their customers or partners, and there was little evidence of much marketing automation being done with the solutions.

Table 2 shows the benefits of SMBs' CRM initiatives.

Table 2

The Benefits of CRM Software Initiatives for SMBs

Businesses that answered "yes" when asked if they had realized benefits from their CRM initiatives of the following types:

Achieved a Measured Return on Investment	Yes = 64 percent, N = 125
Improved Efficiency	Yes = 95 percent, N = 130
Increased Revenue	Yes = 46 percent, N = 122
Improved Effectiveness	Yes = 95 percent, N = 127
Lowered Costs	Yes = 68 percent, N = 127
Provided You With a Competitive Advantage	Yes = 66 percent, N = 126

Source: Gartner Research (June Through October 2003)

CRM Software Is Helping SMBs Become More Mature in CRM

We asked users to rate their CRM maturity in seven areas that Gartner has defined as building blocks to CRM maturity (see Table 3). Most rated their efforts as "practicing," which describes an enterprise that has implemented basic customer-centric capabilities, or "developing," which describes an enterprise that has a rudimentary, loosely woven set of customer-centric capabilities in place.

Table 3
How SMBs That Have Implemented CRM Software Rate Their CRM Maturity (N = 132)

CRM Building Blocks	Limited Action		Practicing		Maximum Achievement Theoretically Possible	
	↓	Developing	↓	Optimizing	↓	Leading
A well-defined CRM strategy	5%	32%	22%	27%	12%	2%
A consistent valued-customer experience	3%	21%	37%	22%	14%	3%
High organizational collaboration	6%	26%	29%	25%	10%	4%
Well-defined and automated CRM processes	6%	34%	22%	23%	13%	2%
Clean data/good information on customers	2%	24%	30%	30%	11%	4%
Solid CRM technology underpinnings in place	5%	22%	27%	25%	15%	5%
Well-defined metrics used to monitor and track success	11%	31%	24%	20%	11%	3%

Key:	Description	Definition
Excellent	Maximum	Theoretical highest level of achievement
	Leading	Describes an enterprise that has differentiated itself based on customer-centric capabilities and has simultaneously redefined those capabilities
Improving	Optimizing	Describes an enterprise that has not only developed customer-centric capabilities but also actively integrates them into its daily operations
	Practicing	Describes an enterprise that has implemented basic customer-centric capabilities; basic CRM capabilities have been implemented
Poor	Developing	Describes an enterprise that has a rudimentary, loosely woven set of customer-centric capabilities in place
	Limited Action	Describes an enterprise that exhibits few customer-centric capabilities; considering and planning CRM initiatives in this area

Source: Gartner Research (June Through October 2003)

Our findings in past research — and verified using larger samples — suggest a correlation between CRM maturity and profitability. The more mature the approach to CRM, the greater the profitability. However, extremely competitive or uncompetitive industries do not follow the same correlation. Monopolies obviously do not need to try to win customers, and they can have good results without good customer capabilities (for example, the U.S. Postal Service or the U.S. Internal Revenue Service). At the other extreme, the most-competitive industries are forced to handle transactions first and focus on cash flow rather than relationships, because it is hard to gain customer loyalty in a market with easy product or service substitution (for example, wholesale distribution or grocery businesses). Therefore, it is important for SMBs to evaluate how much they can gain from CRM in the long term before taking steps to improve their CRM maturity.

When considering CRM, many SMBs fall into the trap of believing that technology will solve all their problems. They fail to realize that technology is only an enabler, supporting the strategies, tactics and processes that are the result of CRM. Therefore, enterprises need to assess how ready they are to bring in CRM technology (see "The CRM Maturity Profile Model").

Early adopters of CRM initiatives are reaping the benefits; however, most SMBs are in the limited action stages of CRM maturity, with only the most-aggressive SMBs practicing and optimizing. The stage of leading and maximizing remains out of reach for most SMBs, which suggests great opportunities for using CRM investments against the competition, if it is done properly. Enterprises should perform a CRM maturity/capability assessment, followed by a CRM business strategy: It is never too late for a "reality check."

Which of the most popular SMB CRM software solutions have the highest potential to boost your CRM maturity and produce an ROI?

We went one step further to see whether certain solutions were doing a better job of generating return on investment (ROI) for their users and helping them improve their CRM maturity (see Table 4). For those vendors that generate more inquiries from our midsize clients or those that had above-survey-average customer satisfaction scores (see "SMBs Report High User Satisfaction With CRM Software"), we used the vendors' clients' reported CRM maturity scores and built a model to score the vendors for comparison.

Table 4
User Maturity Ratings, Reported User Costs and ROI Achieved

Name of Vendor	CRM User Maturity Score	Sample Size	Average User Cost	Sample Size	ROI Achieved: Yes	ROI Achieved: No	Sample Size
Onyx Software	2,750	(N = 8)	\$3,531	(N = 4)	75%	25%	(N = 8)
Epicor Software	2,669	(N = 6)	\$2,243	(N = 3)	50%	50%	(N = 6)
Oncontact Software	2,488	(N = 8)	\$5,181	(N = 5)	50%	50%	(N = 8)
Siebel MidMarket	2,417	(N = 9)	\$12,381	(N = 9)	56%	44%	(N = 9)
SalesLogix	2,379	(N = 18)	\$2,097	(N = 14)	65%	35%	(N = 17)
Saratoga Systems	2,204	(N = 6)	\$2,288	(N = 3)	100%	0%	(N = 5)
Pivotal	2,200	(N = 14)	\$3,487	(N = 9)	62%	39%	(N = 13)
Microsoft CRM	2,076	(N = 9)	\$2,379	(N = 5)	33%	67%	(N = 9)
SalesForce.com	2,016	(N = 16)	\$946	(N = 6)	77%	23%	(N = 13)

Note: Although the sample is small, we believe, based on our inquiries, that it serves as a guideline of the trends in the overall user base.

Source: Gartner Research (June Through October 2003)

While accepting that the low sample sizes mean that this information is not statistically significant, we found that Onyx users rated themselves the highest in CRM maturity, with SalesForce.com users rating themselves the least mature in CRM. We looked at the reported average costs per user to deploy the solution, including software, hardware, services, and first-year support and maintenance, and if the users stated they had achieved an ROI. Siebel Systems users reported spending the most, while SalesForce.com users spent the least, but realize that these are first-year costs only. For SalesForce.com, users will pay most of these first-year fees every year, because it is an application service provider, meaning that you pay a monthly subscription price per user (the software lists for \$65 to \$125 per user, per month), whereas the other solutions' reported costs are for products purchased and owned by the SMB. It is also interesting to note that 64 percent of the surveyed users had integrated their CRM software with other front-office systems, like their Web sites, or their back-office or enterprise resource planning applications. Therefore, reported costs probably include some integration services, and integrating your CRM system with other critical systems is likely to affect your CRM maturity and ROI.

For ROI achieved, all five of the Saratoga clients we surveyed stated they had achieved an ROI. SalesForce.com users were the next-most-likely to state they had achieved an ROI, followed by Onyx, with most Microsoft CRM users having yet to achieve ROI because the product is new to the market, with clients using it for less than one year. However, while SalesForce.com users

may have stated that they achieved an ROI, they must continue to produce ROI each year to pay for the recurring costs of the software.

The research has shown that most SMBs are not very mature in CRM and that some vendors better meet expectations for different levels of enterprise CRM maturity than others.

Recommendations: You should use this information to match your level of CRM maturity to the CRM application vendors that meet the expectations of other organizations with the same level of maturity.

To improve your organization's readiness for CRM success, we recommend that you:

- Develop a CRM strategy (see "Successful Strategies for Initiating CRM Programs").
- Create customer-focused sales and service processes, and then enable them with technology (see "Customer Process Re-engineering: Talk to Your Customers").
- Evaluate solutions that align with the organization's size and degree of complex CRM requirements (see "Select the Correct Shortlist of CRM Software Suites").
- Carefully evaluate CRM solution alternatives using total cost of ownership and ROI analysis (see "Don't Confuse CRM Benefits With ROI").
- Increase application selection criteria weights for vendor viability and application integration capability (see "Management Update: CRM Vendor Evaluations in a Volatile Market").

Bottom Line: The building blocks of customer relationship management maturity most commonly noted as areas in which small and midsize businesses saw improvements after deploying CRM software are: improved organizational collaboration, a more consistent customer experience, and improved quality of information available on customers. To remain competitive and achieve these benefits, expect to pay, at a minimum, \$900 per key customer-facing employee in the first year. But first discover your level of CRM maturity to match the appropriate technology to your organization and to assess where to focus your CRM project first for maximum impact.

Acronym Key

CRM	customer relationship management
ROI	return on investment
SMB	small and midsize business