Pitfalls and Myths of CRM Software

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With CRM being an oft-overused and underrated buzzword these days, warnings have been surfacing about being cautious with your CRM projects. In the more specific Small-Medium sized business markets, the ROI has yet to be fully proven in many companies minds, and this is one of the leading reasons why they aren't jumping on board the online web based CRM software / web-based SFA train. In the following document, many of the alleged 'pitfalls' of CRM solutions will be discussed, and either proven as fact or myth. This will help your company get its focus in the right direction, and find a CRM solution, if applicable, that suits your needs, without all the uncertainty and confusion that the market currently offers.

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1.0 Introduction

Before examining the downfalls of CRM, it might be best to identify the positive values of it, in order to contrast it against the possible negatives. CRM stands for Customer Relationship Management. Its entire theorem is based on the merit that increasing the level of customer satisfaction; mainly through the streamlining of business processes and on demand access to customer history and information; will increase customer retention and value. In other words, by giving your customer better and more efficient service, that customer will exhibit a much higher sense of 'brand-loyalty' so to speak.

This theory is generally accepted as being correct - at least in the theory stage of planning. However, the question frequently asked is; how far is too far? Sure, you could assign an individual sales rep to each and every individual customer that you have ever had in the past - but that obviously isn't an efficient use of resources and will not yield any form of positive ROI (Return on Investment) for your troubles.

What CRM offers is a way to streamline all your information and processes, so that the customer's perception is that he or she is interacting on a one-on-one basis with your business. And as we all know, perception is reality, especially from a customer's point of view. By having data repositories accessible by all employees of your company that may ever come in contact with the customer, there is no need for repeat information or redundancy in customer-centric conversations.

This in turn keeps your company's employees focused on the thing that matters most: The customer. Without the need to invest in more personnel to keep your customer relationships on an intimate level, CRM solutions offer the best of both worlds: generally low cost to implement, yet high returns on customer satisfaction, thus increasing revenues and profitability of customers.

The other major factor, which needs to be analyzed in and of its own accord due to the large possible offset it can contribute to any CRM costs, is customer retention and longevity; or lifetime. The profit potential of converting a likely one-time buyer into a life-long customer is staggering. CRM helps you do this through its streamlining of business processes. By receiving astounding and efficient customer service, a customer is not only more likely to do business with you again, but will, on average, tell 5-7 other people about his or her positive experience with your company. As you can see, the possible monetary impact of this benefit in and of itself has limitless potential.

So, why is everyone so cautious about CRM all of a sudden? With such great features and benefits, why doesn't every business get right to implementation today? Well, that's what we'll try to find out by analyzing in depth what exactly many people feel are the 'pitfalls' of CRM - and whether or not they have any truth behind them.

2.0 Deployment Times

Deployment times have been a huge hurdle for many CRM providers - especially software based ones - to overcome. The longer that it takes for your CRM project to be put into place, the higher the labour cost of implementation becomes. This can have a staggering negative effect on your total costs involved in implementing CRM. So, naturally, most businesses, once they have assessed their needs, want a solution for them now. In the early days of CRM, this wasn't at all possible, and depending on how complex of a solution you have envisioned for your company, still may not be, though it's at least better than it was. The average deployment time for some software based solutions has exceeded six to eight months. This is just not resource efficient enough, especially for smaller businesses without access to the same amount of capital as their larger counterparts.

In the recent years however, a viable solution has emerged. Amidst much initial backlash, the 'on demand' or 'software-as-a-service' CRM solution model has thrived and become a much-sought after alternative to traditional 'on-premise' based software solutions. With deployment times recorded as quickly as forty-eight hours in the case of very basic needing companies; or in very complex custom-coded solutions sometimes as fast as forty-five to sixty days. This has become a newly touted solution to the seemingly age-old problem of having months and months of consultation fees adding to your project, and thus far most companies who have taken advantage of it find that it addresses and resolves the problem perfectly.

However, as mentioned above, there are businesses with more complex needs that still find themselves with a waiting period, albeit one not nearly as long as previous deployment models. So with that in mind, we'll keep this 'pitfall' as somewhere between a myth and a half-truth, depending on your business needs.

3.0 Slow ROI

Again especially focusing at the Small-Medium sized businesses, a quick return on the initial investment is a highly sought after attribute to any viable CRM solution. This, coupled with the previous point about long deployment times, has made for a very dismal outlook on ROI, and made quite the perceived 'pitfall' of CRM solutions. However, do not be worried, because there is light at the end of the tunnel, and it's not as far away as initially thought.

Calculating the ROI on a CRM solution can sometimes be a lengthy and complicated process, factoring in all the possible offsets, some of which can be seemingly transparent to the casual observer. However, recent case-studies have shown that on rapid-deployment, on demand based CRM models, the ROI outlook is not as dismal as some analysts would have you believe. For example, in a recent case study of software giant Ubisoft, it was found that their on demand based CRM solution exhibited a 200% ROI in under the first three quarters. Revenue forecasting placed that return at over 345% within the first three years, and it did not even take into account some of the more complicated offsets that an on demand hosted CRM software solution provides. By streamlining their business processes and becoming a more

customer-focused organization, Ubisoft found their revenue potential growing by leaps and bounds. Even in a longer more complex CRM deployment, the ROI is not that far off. This is merely one case of many successful CRM implementations, and is by no means a 'Cinderella Success Story.' So chin up, finance departments: You've got nothing to worry about - the Slow ROI 'pitfall' is most assuredly a myth of epic proportions.

4.0 Questionable Marketing

The concept of exaggerating the usefulness of a particular product is nothing new, especially in the software industry (or the software-as-a-service industry). Most companies by now have taken off their rose-colored glasses when looking at any IT solution, and recognize that perhaps not every 'solution' is what it is made out to be. After you invest hundreds of thousands of dollars into software license acquisition, finding out that it doesn't have the tools for the job as advertised isn't exactly the best possible news. But once again, you needn't worry any longer, for a solution has made itself available for those of us without the capital to waste.

On demand hosted CRM software providers have all engaged in a trend of 'try-before-you-buy' mentality. Most offer an industry standard thirty-day trial period, during which you can sign up limited numbers of users (typically between one and six) to use the service fully before you decide to invest in its services on a larger scale within your enterprise. This will allow you to quickly eliminate any providers who are trying to blow smoke - and if nobody has the perfect solution for your business, simply inquire about customized solutions.

5.0 Point Solution Product Implementation

In today's economy, cost-cutting is something that every company vies for in an effort to become more efficient. Thus, the 'point-solution' theory of implementation was born. Why get all the features that you could possibly use, when you can cut a corner and pay less to only receive the ones that you really need? Well, this only comes up as a possible CRM 'pitfall' for one reason - Many companies may be under the false impression that the concept of CRM is a failure, rather than looking at why these implementations failed.

When you have information propagating through your entire business, from front-office tasks to back-office tasks and everything in between, it is impossible to expect a successful implementation if you're only trying to streamline one process of the many hundreds that make up the day-to-day workings of your company. Companies who only want to automate customer-related processes need to realize that you need to automate the entire process, not just the one area.

Most on demand hosted CRM software providers offer a whole hosted of features, many of which are standard regardless of what variation of the software that you have. If you're looking at an online web based CRM software / web-based SFA solution, you're looking to streamline all of your business processes, not just one or two. In order to receive results that live completely up to your expectations,

you have to implement the complete solution to your business needs. It goes without saying that this CRM 'pitfall' is only that if you make it so.

6.0 IT or Corporate Strategy?

Many businesses incorrectly believe that CRM is simply IT software applications and systems integration, or at the very least are confused as to where on the spectrum it falls. In essence, both in its core theories and design all the way to its practical uses, online web based CRM software / web-based SFA has much more to do with a corporate strategy for your business than an IT addition. CRM should be 90% implemented via management procedural implementation, and 10% implemented via the actual provided CRM solution. When a directive or mandate is issued from the executive branch of your company; the focus of the entire employee base shifts as a result. However, if the management is unsure of the new focus, or does not fully back the new CRM implementation, it will only set up a failure of the project.

Online web based CRM software / web-based SFA as an application of IT is simply the tip of the iceberg. In order to fully utilize any online web based CRM software / web-based SFA implementation, regardless of how complex or simple your business needs are, it needs to be implemented as a corporate directive or shift of focus, as opposed to being seen as just a simple IT tool. Remember, CRM solutions are just a means to an end - the initiative needs to be undertaken as a strategy. This is one of the most common misperceptions about CRM, and is only a pitfall if you let it become one.

7.0 Privacy and Security

There continues to exist, many concerns about the security of technology. Many customers are still hesitant (despite online transaction numbers soaring by the day) about doing business with a company in any manner other than a face-to-face transaction. These transactions are more costly to perform, however are necessary in some cases, depending on your business. Since security is so important to the end customer, it also becomes very important to the business who is servicing that end customer. Thus, the onus of security is placed squarely on the CRM provider to demonstrate a secure method of data flow.

This concern, in reality, is overly exaggerated due to excessive media noise about technology related concerns. However, as was stated earlier, perception is reality to the customer. Therefore, one must make sure the customer's perception of every transaction with your business is extremely pristine, especially in the area of transaction security and privacy.

Most on-premise CRM solutions have the upper hand in this area. The majority of medium sized business' already have some sort of corporate intranet in place, and it is safely secure behind the companies firewall, controlling access in and out of the network. An on-premise based CRM implementation will simply work in-hand with this intranet setup, utilizing existing security infrastructure to maintain data confidentiality.

On the other side of the fence, an on demand hosted CRM software based service has to make sure that security is one of their primary focuses. While in reality, most on demand hosted CRM software providers have more secure setups than most corporate intranets, they need to clearly demonstrate that and have easily obtainable and accessible procedures that outline the safe storage and handling of any customer-sensitive data, as well as all redundancies in place to maintain tight security over all data sources.

This is not necessarily a pitfall of either type of CRM provider; however it can easily become one if you do not have the correct implementation in place. The bottom line in this category is to make sure you know what your CRM provider's security is like, before you implement their project.

8.0 Incompatibility with Existing Legacy Systems

This is a very valid concern, and one that should be researched extensively, especially if you're going with a software-based CRM solution. If your old IT infrastructure in place is just that - old - than you may find that your current systems can't handle the new load, and / or you're missing needed hardware components to make the system work properly. This has been and will continue to be a huge hurdle in implementing on-premise software based CRM solutions, and unless you're a major corporation, you likely do not have the capital ready to invest up front in a major IT infrastructure overhaul. However, with on demand hosted CRM software, you'll find that as long as you have a computer with a connection to the internet, you'll have complete control and access over your CRM implementation. Many now have wireless and offline compatibility available as well, so on demand hosted CRM software just got even more mobile. An on demand Customer Relationship Management / Sales Force Automation solution lets your provider deal with the infrastructure needs, while you focus on your business needs.

This is commonly thought of as a pitfall of CRM, but the on demand solution does provide a work-around for any company that isn't interested in upgrading their entire current IT infrastructure.

9.0 Conclusions

There are a lot of misconceptions about all types of CRM, SFA, marketing automation, Web based Contact Management and other business process streamlining applications. The most important thing to remember is that Customer Relationship Management has a lot more to do with a corporate mind set than a CRM solution, be it on demand or on-premise. If you change the focus of your organization to a customer-centric one, and use the correct tool for the job, the cost savings, revenue growth, customer and employee satisfaction level increases will be healthy at the very least.

The 'correct' CRM implementation for your organization depends a lot on what your business needs are. Make sure to completely analyze what you need CRM to do for you, and only after that start finding a CRM solution which matches and provides solutions for those identified needs.

Lastly, don't get discouraged if you can't find the 'right' CRM solution for you. Most companies whether they're "on demand" or "on-premise" based will offer some degree of customization for your needs, so don't hesitate to ask for more if your business processes are more complex than others. While this can be costly for a software based solution, generally speaking a web on demand hosted CRM software provider will be able to accommodate your needs much more flexibly.

Customer Relationship Management, and Sales Force / Marketing Automation exist because they work. If you're looking for a high ROI from a project, increased satisfaction levels both internally and externally, CRM is something you should be looking into. But remember, you have to work with your solution, in order for it to return the results you deserve.

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