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Before You Invest in CRM Software, Assess Your Needs

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Making the business case for enterprise applications is usually fairly simple. But when you're looking at strategic CRM systems, it's a lot tougher. The cost side of the ledger is much simpler than the benefit side, but both depend on how sophisticated your goals are. It's like asking "What's the price of a car?" It depends on whether you're looking at a Fiat or a Ferrari—there's a wide range even though they're both made by the same company.

Business Case for CRM Depends on the System Design Target

As noted in the first part of this two-part series on buying CRM software, the concept of a design target has been around for decades, and it needs to be applied when trying to optimize your CRM investment.

The design target is the locus or centroid of the use cases and persona you are trying to satisfy with a system. Go back to the Fiat vs. Ferrari example. Both are gasoline-powered with two doors and a stereo, but that's about as far as the common ground goes. Essentially every element of each car is optimized for its target buyers, and the user goals are so different that no one would ever compare the two products.

The same idea applies to CRM systems. What you're looking for, what you'll pay and how much you'll benefit will vary tremendously. So, what is *your* system design target?

The Design Target for Sales Systems

For sales, the starting point is sales force automation (SFA). At the low end, this may be little more than a glorified contact manager, so for a minimal price you'll get some improvement in sales productivity and measurability. If this satisfies your business need, there isn't much point in spending a lot more. Your business processes may not be mature enough to use much more functionality, so minimal is optimal for you.

All that a simple SFA can really do, though, is increase your sales *volume*, not your sales *profitability*. In almost any business, the cost of acquiring a new customer is several times higher than the cost of getting the same revenue out of existing customers. If you can increase the loyalty and repeat business portion of your business, then you can change the economics of your business model.

To supercharge the revenue engine, a CRM system must be integrated with your ecommerce system, your channel partners, your online communities, and your social media accounts to increase the speed and depth of revenue capture. It also needs to have powerful analytics and models that provide early warning systems and mathematically solid forecasts.

Commentary: 5 Reasons Social CRM Is the High Ground for Revenue Production

What does this cost? Sophisticated CRM systems are assembled, not bought. This means making a serious investment, mainly in the form of custom code and deep data stewardship. But the benefits —off-the-charts improvements in profitability, predictability and competitive impact—are well worth it.

The Design Target for Support and Service Systems

More than 25 years ago, customer support and service organizations pioneered CRM. Today almost all companies adopt some level of automation in service and support functions.

Simple systems capture the basic information of companies, contacts and cases, and help manage the flow of customer requests across the organization. This is cool; you'll be able to lower costs and improve metrics for customer response time. If you view customer support and service as a simple cost center, that may be enough for you. In that case, it may be hard to justify more.

However, in those simple CRM systems, you can improve only costs, not business outcomes. Depending on your business, customer service engagements may be one of those Moments of Truth that define your competitive advantage.

Think about it: Your customer support people may be on the phone with a customer more often than your sales reps. If you can move a frustrated customer into an enthusiastic supporter you get two effects—a powerful marketing asset and one of those aforementioned repeat customers that drive up profitability. This goes double if your company has professional services, as those consultants may be your best informants and pre-salesmen. Best of all, the customer, through his or her purchases, is footing the bill for most of your sales expenses.

To make that happen, your service and support system must be thoroughly integrated with the sales side of the house. It also needs to project itself into your user community via customer and service-partner portals, links to your online forums and social media outlets.

Commentary: 5 Reasons to Use Social CRM for Support and Services Analysis: How Social Customer Support Brings Social Media Beyond Marketing

It also needs to have deep analytics to correlate user questions with changes you've made to your products and services, as well as to monitor your customer base to warn about changes in sentiment and loyalty. Of course, the system needs to be integrated with your phone system and chat mechanisms to capture the data and metadata of every customer conversation.

Costly? Sure. A good investment? Absolutely—when your organization is ready. There's the rub.

Buy the CRM System You Can Drive

Is the FIAT cheap and the Ferrari expensive? It depends on who you are as a driver. What's the optimal investment in CRM? It depends on your organization's size and the complexity of your revenue and profit models.

I hope you see the irony in a consultant like me saying, "Too many customers overinvest in CRM systems." This isn't because the systems are too expensive. It's because it's too tempting to invest in bells and whistles that your organization and processes are not ready to leverage.

Fortunately, cloud CRM makes it easy to do the right things.

- You avoid "check the box" thinking that leads to a monolithic purchase and a big-bang release. CRM is a continuous improvement process, not a one-shot event.
- You know that your business requirements for CRM will change every year or so. Keep the projects short and modular.
- As a result, you can implement CRM improvements incrementally, in tandem with changes to your business processes and the growth of your organizational capabilities.

In the auto metaphor, you shouldn't buy a Ferrari until you're a good enough driver to have the better car improve your driving.

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