CRM Unwrapped: The Naked Truth About CRM for Small and Mid-Sized Businesses

SEDONA
CORPORATION

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In a time where Sarbanes-Oxley rules, the truth is the only answer. So why does the CRM industry continue to prescribe big, horizontal CRM software that's put into smaller packages as what small and mid-sized businesses (SMBs) need? SMBs have strikingly unique requirements for CRM solutions. Obviously, they have fewer people, less time and less money to spend on implementing software. But they do take their businesses and customers very seriously (maybe even more so than bigger, bureaucratic organizations) and, subsequently, SMBs want tools that can specifically address their requirements. They don't want to fundamentally alter the software to fit their business. We don't typically buy clothes that are designed for someone much larger and then have them altered for us (let alone redesigned to fit our own lifestyle needs). That would be an apparent waste of money. So why should we take software that was designed for the requirements of a large company and force fit it into smaller companies? Talk about getting a bum wrap.

SMBs want CRM for the same reason that large companies do – it helps them to identify, acquire, retain, and foster loyal and profitable customers. CRM can help analyze customer relationships and predict the future value of developing those relationships. CRM can help front-line employees know what to cross-sell and it can help them provide better service to customers and prospects.

Once implemented, the organization depends on the CRM system to help make virtually every decision related to customers. For this reason, CRM needs to fit the business like hand and glove – there really isn't room for a system that has "some data" or "almost matches the company's processes." This is why understanding the precise needs of smaller businesses is fundamental to servicing this market segment.

This whitepaper will discuss 7 key differences that are critical in delivering a viable solution to SMBs.

1. You can't put 10 pounds of CRM in a 5-pound SMB bag

The market-leading CRM systems are loaded with components and features. This is a good thing when you can afford all the bells and whistles these systems provide and more importantly, if you have the personnel, hardware and software infrastructures to take advantage of them. The more "robust" the system, the more the users will need to be trained and subsequently committed to using the system as an integral part of the organization's daily operation. However, in small companies where the CRM system is only one of many things that a single user may juggle, that focus is often not possible. Pulling people out of the business to do more than a day or two of training is not feasible. Each person in an SMB wears so many critical hats that it is usually impossible to divert any time to use a new and somewhat complex system.

For these reasons, small organizations can't use large CRM systems – and most CRM vendors acknowledge this. Many CRM vendors offer a select number of their CRM components to smaller customers and call that their "mid-sized CRM offering". This is like selling someone a Mercedes without doors, seats, mirrors and gauges. You can still drive the car and on the outside it looks like a Mercedes, but it is missing some important parts that make it a complete solution. By using only parts of a CRM system, by definition, the parts aren't well integrated and can't provide the true value of a CRM system: a 360-degree view of the customer.

There are, however, some solution vendors that offer comprehensive CRM systems, not just parts, that are specifically tailored for SMBs. These systems are easier to use because they provide broad CRM capabilities that are deeply defined for a specific vertical market. Because they are designed for specific users, much of the systems can be pre-customized, which results in easing the installation. Users can learn to use the software faster as the systems are catered to their business processes and to their industry vernacular. The systems are often embedded directly within their existing operational systems. These systems can then also be priced in the tens of thousands of dollars versus the hundreds of thousands or more.

SEDONA's Value Proposition: Intarsia is a CRM application solution specifically designed and priced to meet the needs of SMBs. It can be installed in 10 business days with typical user training done in 2-3 days. On-site License, ASP, and In-House hosting pricing will vary between business partners since each has unique value-added integration and services, but is very competitive when compared to traditional horizontal or custom vertical CRM applications.

2. Vertical Solutions Are More Than A Beachhead

General purpose software that can be deployed across multiple industries is considered horizontal. A spreadsheet, for example, can be used in its same form whether it is in a manufacturing or banking environment. And to some extent, so can CRM. The need to manage customer relationships profitably is common to all businesses. However, if you think about customer relationships and profitability, there are some significant differences across industries. For one, customers buy different products differently. They buy cars, books and banking products, but each purchase cycle has unique aspects. For one, each customer wants or needs the different products for different reasons. They also have different ways of getting information to assist in their purchase decision. Therefore, the management of the customer relationship will have many different requirements. Further, calculating profit and customer value for an organization is quite unique. Manufactured products have variables such as inventory and cost of goods sold while banking has fees and interest income as its own unique parts of the profit calculation.

You simply cannot use a profit measure for one industry with another. Yet, many CRM vendors claim that they can calculate profit while they don't have the knowledge and expertise of the significant differences in vertical lines of business.

Vertical application solutions are primarily about two things: data and processes. This is what distinguishes one vertical business from another. Vertical businesses gather and use industry-specific information (e.g. checking and debit information versus shelf days and shipping fees). These specific data types must be reflected in the database as well as the user interface. Credit unions, for example, call their customers "members". Insurance companies call them "policyholders". Seemingly small semantics, these changes in data names are significant to the end user doing his/her job. These nuances are in fact major data differences that, underneath, can mean the application does not really understand the business, such as how to calculate profitability or customer value.

Even the vendors that present themselves as experts in the SMB market can sometimes be misleading. Integration with an accounting or order processing system is not really back end integration – what about the customer relationship data, the demographics, and the history of interactions? What about businesses such as financial services or education that don't have reliance on accounting or order processing packages? So while some CRM systems are specifically positioned for SMBs, these solutions are really knock-offs of larger applications that just don't have the vertical appreciation needed to satisfy SMB requirements.

SEDONA's Value Proposition: Intarsia is specifically tailored for the vertical markets it serves: community and regional banking, credit unions and insurance companies. The product implementations are specific to the data and processes of each line of business and are fully integrated with each organization's core systems. The system can accurately produce profit analytics for products, accounts, customers, households, employees and other internal groups such as branches, agents or tellers. The user interface reflects the vernacular of the line of business so for example, insurers manage policyholders, banks manage customers and credit unions manage members.

3. When the Lines are Blurred, The More, The Merrier!

After we concretely conclude that vertical focus is critical to SMBs, we seemingly contradict ourselves with the premise that in fact, even SMBs want to operate multiple lines of business simultaneously. Actually, this is not a contradiction but rather a significant requirement. For example, banks sell insurance products and insurance companies sell banking products. As another example, a small healthcare provider announced that it sells its own debit cards for customers to purchase healthcare services and products.

Clearly, the lines of vertical business can be blurred. However, within a CRM context, it is important that the uniqueness of each business be upheld on its own and together they provide a comprehensive portfolio view of a customer who has a multiplicity of products and services. This means that profit must be accurately calculated for insurance products as well as banking products so that when they are viewed in aggregate, there is an accurate picture of the overall value of the customer relationship. Cross-sell recommendations must consider all product types and the analytics must include a mixed basket of products from each line of business. Ideally the system would coordinate the many customer touchpoints such as opt-in interactions with humans, online systems, and snail mail, while still maintaining a solid relationship across business lines and potentially multiple relationship managers.

SEDONA's Value Proposition: Intarsia uniquely supports multiple lines of business on a single platform. It allows organizations to accurately manage, report, analyze, and interact with customers who have portfolios that cross lines of business such as insurance and banking. Without a need for multiple servers, separate databases or additional application training, Intarsia can support multiple lines of business simultaneously. Further, due to a revolutionary architecture, new lines of business can be added to the application in as little as 14 weeks.

4. Wahoo for Yahoo – Don't Assume Customization is Configuration

Another ambiguous term in the CRM market is 'customization'. It can mean as many things to people as CRM itself does. Often, customization is used as a synonym for 'configuration'. That is, the ability to configure an application with a user's own preferences. An example of this is My Yahoo that allows an individual user to select the specific information and presentation of that information on a personal portal. To the user, they have a specific instantiation of the application but the application itself is not unique. The portal displays and links information as it does for every user. Many CRM vendors claim a similar capability. They allow a company to set up individual user or group profiles so that users have access to specific parts of an application and/or their own interfaces. The application itself does not change, only the view of it by each user. This is configuration. Changing the user interface so that it has different functions, colors, graphics and other elements is also a form of configuration. The application functionality is still unchanged.

When an application is fundamentally changed to accommodate an organization or user's needs, then it is customized. For example, an application that reflects an organization's unique way of calculating customer value. The integration of back office systems is the best example of customization. When a CRM system links to an organization's own data and can work in sync with the operational applications, this often requires a high degree of customization. This is the area where CRM implementations usually take the most time and resources to implement. Larger systems require months and sometimes millions of dollars to customize the CRM application for a particular business.

SMBs don't have months or millions. They need installation to be done quickly and affordably yet they still want the customization benefits of integration with their operational data and processes. Only a few vendors can offer this since it requires a vertical focus so that the system can be virtually pre-built to accommodate the specific integration needs and line of business data and processes without having to build it ground up for each customer. Some call this 'tailorization'. It is a hybrid of customization and configuration. To tailor an application, you start with a vertically specific solution and then further configure it so that it looks and feels specific to each organization. Think of application tailoring as a similar process of buying a man's suit. You select the suit of choice in the right size but then it is tailored so it specifically is fitted to your unique (body) requirements. The suit is not specially made for you nor is it off the rack – it's the best of both worlds as it starts with a relatively close match and then makes minor adjustments to make it fit perfectly. Rather than build every suit or every CRM system as a completely custom effort, using tailoring allows for a more cost effective offering that can yet reflect the needs of the specific users.
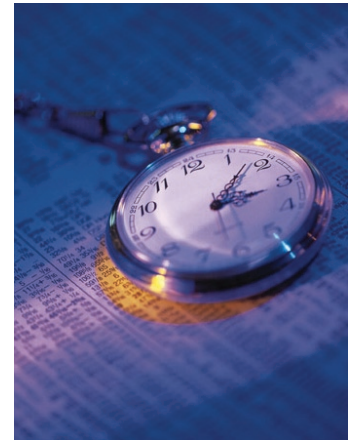
As an example, each vertical business has unique processes such as loan processing or order fulfillment. Even within a vertical, each company (or in fact each organization within a company) may have unique processes. A process is uniquely defined by the actions, people, timing, and exception handling for a specific type of work. A lead management process, for example, may be completely different between two companies as they define who and how they want to handle leads coming into their organization. To have an effective SMB CRM solution, you must have some ability to precisely reflect an organization's own processes. However, it is a lot cheaper and faster to use process management software than create a proprietary application. To do this, the process management capabilities must be integrated with the industry-specific data and applications. Back to the example of building a lead management process: if the organization is a bank, the process should reflect data such as which banking product the prospect is a lead for and related financial information to support the steps a bank uses to engage, qualify, and approve a new customer. This will be very different from the lead management process in any other industry.

The process needs to be flexible and easy to alter as needs change. And lastly, the process may be connected to other parts of the CRM system such as campaign management and segmentation, enabling marketers to create and execute focused and trackable programs.

SEDONA's Value Proposition: Intarsia is a vertically specific application that is tailored from company to company bringing in the organization's own operational data and processes. For example, one bank may use a 4-step prospect follow-up process while another uses a 3-step process. One bank may choose to calculate and see data about their customers' lifetime value while another bank utilizes demographic data to note the presence of children and pets. These are all examples of how the Intarsia application gets tailored yet they are all

easy adjustments to the system that can be done without special coding or expertise and can be accomplished in a few minutes. Intarsia includes highly tailorable components such as process management, campaign management, Point of Service, web based reporting, and a personalized portal for each user. Once installed, Intarsia can be fully configured for each user reflecting his/her own system preferences and security access.

5. Admit It – You Like Your Data Integration Cheap and Easy

*M*any experts state that CRM is all about the data. Without accurate, comprehensive data, trusted business decisions can't be made. Depending on the existing environment, some companies may have many databases of information that are unconnected and inconsistent. Take for example three databases that list the same customer differently as Mr. Adam Smith, Mr. A. Smith and Mr. A. K. Smith. Simple data aggregation won't be of much help if you can't know if this is one, two or three people. Further, if Mr. Smith's wife were listed in yet a fourth data source as Ms. Gordon-Smith, in some businesses it would be critical to understand that relationship. However, it would be hard to know this with simple data aggregation without not some capabilities to clean and analyze the collective pool of information. So even beyond the typical data cleansing where addresses are validated, abbreviations are standardized and other basic correction of data entry is done, large CRM programs often do customerization (identifying and associating multiple customer records coming from different databases so that a unified customer profile can be obtained) as well as householding (identifying and associating members of the same household so that a unified household profile can be obtained). These functions make a significant difference when using the data for analysis, campaign planning, and interacting directly with customers.

Data integration, whether it requires aggregation or interoperation, remains one of the most complicated IT challenges despite hoards of standards and middleware. CRM horror stories often stem from the unexpected delays and overruns of integration projects. Many CRM packages, because they do not integrate with the other systems in the organization, will actually create new islands of customer data. To combat this issue, large organizations can hire consulting companies who spend large amounts of time and money addressing these very issues. SMBs can't and don't.

Vertical focus can alleviate this issue. Within a specific vertical line of business, there are often a finite number of major operational, back-end or core systems that hold the majority of customer data. In some industries, these systems are often outsourced because they remove the IT requirements for the smaller organizations. For example, vendors such as Fiserv, Inc., American International Group (AIG), and Open Solutions Inc. (OSI) are all long-time providers of the systems that run small and mid-sized financial institutions. With this understanding, vendors can better predict the integration requirements for the operational systems that hold the critical customer data that allows them to develop pre-built, plug-and-play integration to these systems. With this basic integration pre-defined, individual organizations can easily augment the data definitions to accommodate any special fields or datatypes that they uniquely want. This data integration methodology can save incredible amounts of time and money bringing critical customer data together into a CRM system whether it is on-site or hosted.

SEDONA's Value Proposition: SEDONA has over 30 pre-built data extractors for many of the leading banking, credit card, investment, insurance and trust systems. Using one or more of these standard integration components, Intarsia can be installed in less than 10 business days, delivering a fully integrated and tailored system.

6. Toggling is Dirty Application Integration

*T*oday, applications don't naturally communicate with each other. It isn't so easy to get one application to interact with another unless they are from a single company like Microsoft or Intuit. Even then, the applications don't always work well together. For decades, new standards groups have tried to create interoperation between applications but application integration still isn't easy. Today, application integration usually requires serious technical/programming talent or resources to allow $200/hour consultants to bridge the gaps between systems. Big companies have fueled the very big business of system integration with giants such as IBM, EDS, Perot Systems and many more. SMBs simply don't have the ability to play in this elite game.

SMBs often resort to quasi-integration – such as screen scraping or application hooks. Some companies might even resort to the old 'integration' trick of toggling - using <Alt>/Tab to go back and forth between applications. Users jump between systems quickly trying to keep both running effectively. This can be time consuming and hard to keep track of where you are and what you did in each application at any one time. Yet many SMBs have no other choice if they want to take advantage of two complimentary, but distinct applications. Imagine the poor teller in a small bank trying to service a single customer jumping from one system to another filling in or looking up data in multiple places, only to find that her customer line is quickly going out the door. However, SMBs don't have to sacrifice true application integration. More and more application providers are integrating CRM right into the back end or core systems. This allows the users to find new CRM functionality as part of the systems that they already know and use. It is a key differentiator between CRM applications when one is tightly integrated with the existing operational system. Looking into the near future, as more and more applications offer web services interfaces, application integration will continue to become easier and easier enabling SMBs to have CRM as an inherent part of their operation.

SEDONA's Value Proposition: By working with leading core processing providers, Intarsia is integrated right into several operational systems such as AIG's WINS policy management system, Fiserv's CBS and OSI's cView core banking systems. Sold and supported by the core provider, the bank or insurance company has a single vendor relationship and point of contact. Systems share data more fluidly and product direction plans remain synergistic. Users learn one interface and can access all available data in one system. Additionally, Intarsia has a web services interface allowing it to interact with other web service-enabled applications. This means that out of the box, Intarsia can be seamlessly integrated with other key applications at a fraction of the cost and effort of larger, more proprietary solutions.

7. Keep Your ASP to Yourself. You Ain't Touching my Data!

*T*he Application Services Provider (ASP) deployment option has been heralded as the key to providing SMBs with a low-risk, easy to implement and use CRM solution. ASP implementations offer smaller organizations the ability to run a CRM system 'IT-less' and therefore minimize their investment in hardware, software and people needed to support an enterprisewide application such as CRM. However, despite the popularity and increased trust in ASP solutions, many organizations, due to compliance issues as much as technical phobias, question the security and reliability of ASP solutions. Additionally, most ASP providers do not offer any form of application integration with existing systems since allowing multiple customers access to a single system or application server optimizes their implementations. Customer uniqueness beyond configuration is usually not possible.

Ideally, SMBs want the best of all worlds: the pricing advantages and freedom from managing the system brought forward by the ASP model combined with the security and tailorization of an on-site system. A new hybrid model is arising called in-house application hosting.
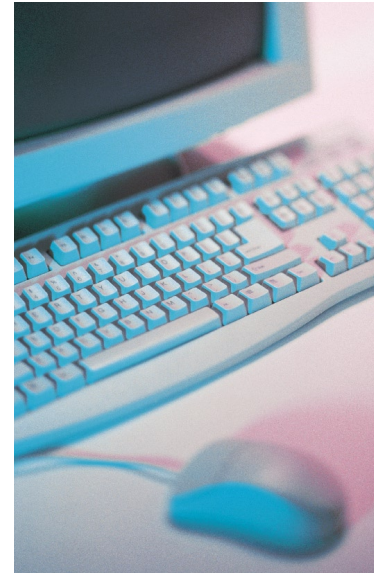
In-house application hosting provides an on-site system, fully configured and tailored for the business, but the pricing and management are modeled after the ASP method. As a new way to obtain CRM, in-house hosting is starting to become a very popular choice for organizations that want the best of all worlds.

SEDONA's Value Proposition: SEDONA was one of the first companies to offer in-house application hosting. It provides organizations with a fully integrated system including all the software, hardware and services required for the deployment of a comprehensive, internet-based enterprise business application, residing at their own site, for an affordable, fixed monthly fee.

Let's Wrap It Up

*I*f you ever read the story of "The Emperor's New Clothes", then you remember the little boy in the crowd noting that the Emperor was naked while the rest of the kingdom followed along accepting the vendor's deception that the Emperor was dressed. This is an excellent allegory to compare to today's CRM industry that has identified the SMB market as the most opportunistic, but left many of the established players scrambling to sell something they really don't have. SMBs can't use the same software and business practices that have been used by the large and horizontal CRM companies. Disguising an all-purpose CRM application for SMBs is just unfit. In fact, the confusions created by the CRM industry would make anyone 'fit to be tied', but SMBs can be treated like kings when they can have CRM fit for them and only them.

So here in this whitepaper is our attempt to call the bluff, unwrap the truth and declare that the Emperor is naked. SMBs do have a choice beyond "light" versions of large CRM systems wrapped up as special mid-market offerings or the deceiving vertical SMB offerings that are actually highly polished marketing packages hiding horizontal Trojan Horses. So listen to the little companies in the crowd screaming that this is just not right. There is a way to provide truly tailored, affordable CRM for SMBs.

SEDONA is proud to be a leader in providing vertical CRM solutions for small and mid-sized businesses worldwide. Through our network of application solution and service providers, we exceed the requirements of smaller businesses to have a fully tailored, highly secure and easy-to-use CRM solution that is affordable and can be installed in a few weeks.

Call it a wrap: SEDONA is CRM for SMBs.

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