

# The Costs of Delaying CRM

# Contents

CRM Is an Asset .....	3
Disappointing Implementation Stats.....	4
Top Excuses Contributing to Delayed CRM Implementation .....	5
<i>“Our IT department is not equipped to handle the transition and the integration challenges.”</i> .....	6
<i>“A CRM system is too complicated to use and will confuse the employees.”</i> .....	6
<i>“Our data is just too ugly!”</i> .....	7
<i>“XYZ implemented a CRM and their business hasn’t changed for the better!”</i> .....	8
The Real Costs of Delaying CRM.....	8
Conclusion .....	11
References .....	13

# Introduction:

## CRM Is an Asset

CRM stands for **Customer Relationship Management** which in the present day whirlwind of Business Analytics/Intelligence and the tendency to leverage big data to predict future customer and market trends, is definitely one of the most popular cogs in the business automation machine.

If you are a small or medium business owner, chances are you already have a CRM system in place or at the very least are considering investing in one. This asset is geared to bring to your knowledge the repercussions of delaying customer relationship management automation implementation and the top reasons behind the wariness on the part of the management to take the plunge.

Despite its immense popularity and a **Gartner** market value prediction of \$ 36.4 billion worldwide by 2017, **Discover.Org** found that 23.8% respondents of a survey gauging the actual market penetration of the platform, had no CRM system in place to speak of. These organizations still nurtured leads in the traditional way, leveraging the tried and tested means of rolodexes, Excel spreadsheets, stand-alone e-mails and post-it notes.

The question worth asking is “**Why**”? Especially when customers are increasingly becoming an empowered tribe which expects sterling service at all touch points of the buyer’s journey. According to **Help Scout**, 78% of customers will bail out of a transaction because of poor customer service and scanty knowledge on part of sales representatives about their preferences and their purchase history.

It goes without saying that a CRM:

- **Automates the critical customer service and lead nurturing process**, thereby ensuring that follow-up regimes are not left to the faulty memory and inefficient personal organization methodologies of employees.
- **Provides a company with a polished façade.** A Customer Relationship Management System can be branded to reflect enterprise values (and this is transferred to all correspondences including emails and faxes) and can be

seamlessly integrated with VoIP platforms in order to personalize conversations with important clients.

- **Helps manage a clean database** in which contacts are organized in categories and redundancy is minimized due to a robust permission or access model. Certain employees can populate only designated areas of the database and thus do not “step on each other’s toes”.
- **Helps boost the efficiency and productivity of employees as well.** They have a set workflow that they can follow instead of constantly having to innovate and come up with new ways to tackle different situations. They can work in a disciplined manner within a given framework and free up to about 2 hours of time every week, or call on 10 new prospects (Ron Fisher, Profiling Solutions), from tedious administrative tasks.

According to Sales Director of Making Waves Eiliv M. Liljevik, a CRM system was fundamental in growing his company from 14 to 300 employees.

CRM platforms boast a whole plethora of other advantages, but these are the most basic ones which can be realized, even without using all the features optimally. In fact according to Nucleus Research, for every dollar invested in a CRM system the return is at least \$5.60.

## Disappointing Implementation Stats

CRM thus is a proven asset to any business, but this admission makes the disappointing implementation statistics as brought to light by Discover.Org even more baffling.

The reason behind the lack of parity between the enthusiastic approval of CRM and the actual percentage of businesses properly implementing and leveraging this platform is **indecision**.

CRM is a big investment with not only cost implications but also IT and work culture implications as well. Companies want to consider every aspect and facet of the decision

they make before committing to a vendor. The increasing number of options and attendant features flooding the market is also disconcerting. Businesses are sometimes pushed into purchasing expensive custom-created solutions when “out-of-the-box” packages could have served just as well.

In short, a CRM platform is lucrative but in the eyes of business organizations looking to implement them, they are a big change and they come with a lot of baggage.

This indecision however has real business costs, and they keep rising with time. The following sections discuss what are the main reasons business delay their CRM investments and what is the real cost of delaying a CRM implementation.

## Top Excuses Contributing to Delayed CRM Implementation

CRM platforms bring about a profound change in the way employees work and the company interacts with its customers. Especially for large and well established

91% of companies with more than 11 employees use a CRM system, whereas only 50% of companies with less than 10 employees have one in place.

organizations used to legacy lead nurturing methods, CRMs seem like “too much too fast” because they have a long track record of coping with problems and client needs in ways unique to their enterprise vision and their employee work culture. However the irony of the situation is the fact that large organizations are the ones that must migrate to CRM systems if they wish to retain their market share and grow in concert with changing

trends. Thus the real indecision occurs often with small- and medium-sized businesses because they can afford to limp along for a period of time without the benefit of an automated customer relationship platform.

According to CRM expert Ron Fisher, the excuses listed by the management to justify delaying a CRM implementation can be encompassed within a few points, arranged here in terms of decreasing order of probability and frequency of leveraging.

*“Our IT department is not equipped to handle the transition and the integration challenges.”*

When the management leads with this cause, it is easy to understand its apprehension, especially given the fact that 63% of all CRM implementation initiatives fail (Direct Marketing News). Most small to medium businesses (where this indecision exists) have over-burdened IT departments that need to take care of the virtual assets of the company (website, forums, landing pages), the end user applications, intra-networks and mail systems. They do not have the bandwidth and in some cases the expertise to take on the challenges and the maintenance of an operational system like a CRM.

**SOLUTION:** The way to get over this reluctance is to do market research before pitching the idea of accelerating the CRM implementation decision. Most vendors these days like to stay competitive and they take care of the entire deployment process, working with the IT department to cut down their workload to almost nothing. Where maintenance is concerned, you can also enter into annual contracts with third-party providers who take over the responsibility of upgrades and updates for a reasonable fee.

A great alternative to the “on-premises” concept is Software-as-a-Service (SaaS) CRM, like **Salesforce**, where the entire operation is under the management and control of the vendor and the needed features are rented out to the organization on a “as needed” basis, via a web-based or native application. Most of these SaaS options also integrate seamlessly with ERPs (Enterprise Resource Planning) and VoIP systems.

*“A CRM system is too complicated to use and will confuse the employees.”*

This excuse is difficult to counter because it is largely vague and does not pinpoint a particular problem. It has been seen though that the management very often feels uncomfortable at the prospect of poring over performance reports and other indicators which may be in a format drastically different from the ones they are used to. Especially if the management is not technically savvy, it may indeed be a challenge for them to decipher the implications of the data and reports generated by a high-end CRM system.

As far as employees are concerned, the statement that they may “hate” the system is an exaggeration. They may, at best ignore it if the learning curve is too steep. The person pitching the idea of accelerating the CRM decision should be able to understand the two facets of a generalized excuse and address these issues separately.

**SOLUTION:** The way to convince the management that the reports and other important data will not lose meaning for them, is to arrange for a small demo of the short-listed CRM systems. Most platforms are surprisingly simple where the user experience is concerned and require just a little bit of guidance to master. You can also hire a vendor appointed resource for a small period of time to help acclimatize the management to the dashboards and reports generated by the system.

Getting the employees to stick to the system and use it is trickier. They may end up devising their own lead nurture methods and this is one of the primary reasons behind CRM implementation failure. The trick is not to go in for a “Big Bang” deployment. A company implementing a CRM system for the first time should choose a batch of 50 competent, high-performing employees to undergo rudimentary training and then use the system. Once they start producing good results, it is not difficult to cajole the rest of the workforce to attend the orientation sessions and dive right in, ideally with an “employee-teach-employee” program.

### *“Our data is just too ugly!”*

Sometimes the management feels that the CRM system is much too large an investment when the foundation itself is shaky. Databases that are handled by multiple employees with impunity are generally filled with inaccurate, incomplete, redundant data and it is true that a CRM system can only generate note-worthy insights if the data it crunches is squeaky clean.

**SOLUTION:** The simplest way to clean up a database is to outsource the job to a reliable third-party operant. There are many big names in the market that help organizations:

- **Clean up and scrub data** (Remove duplicates and redundant entries)
- **Standardize Data** (Ensure that the capitalization is consistent all across the board and special data is compliant to industry norms)

- **Align Data** (Ensure that the data from one field is not present in another)

If the data in question is very sensitive (like names of top paying clients or vendors), it can first be exported into the CRM database and then assigned to the employees in charge of handling it for cleanup. This also helps them get used to accessing and navigating the system.

*“XYZ implemented a CRM and their business hasn’t changed for the better!”*

The herd instinct is strong in the management and without sound information about the working of a CRM system, results can be misleading. Most companies that implement a Customer Relationship Management platform do not know how to make the most of the data and interpret the insights. Funnily enough, receptionists without analysis skills are assigned as database administrators and the outcome is an organization that progresses very little despite the CRM investment.

**SOLUTION:** The easy solution to this problem is to point out to the management that a CRM database administrator has to be a business analyst, preferably someone who is certified in the science of extracting actionable information from raw data. This is by far the only permanent profile that needs to be added to the list of company assets because other resources can either be a contingent worker or a third-party vendor.

A CRM system performs the best when it has a CRM champion assigned to it (Martin McCaffery, iStart). Someone who understands the company, its needs, the role the system should play in fulfilling these needs and is accountable for the performance of the platform.

## The Real Costs of Delaying CRM

The costs associated with not implementing a CRM system in time are quite treacherous because a balance sheet can’t point them out. The losses are mainly “opportunity losses” which later on translate into financial costs.

Without a CRM a small or medium business stagnates. Its growth with respect to its own benchmark may not suffer but as its competitors implement and gradually master innovative uses of CRM, its market share may definitely suffer.

- **Unsatisfactory performance across the board** – A CRM platform accomplishes a lot. The effect of its implementation is felt in multiple departments simultaneously. Even though it is difficult to pinpoint exactly where the business costs become extremely high, three important divisions that suffer without a CRM are: Sales Force, Marketing and Field Service.

Salesforce automation is the lifeblood of a company. The **SQLs** or Sales Qualified Leads are the most costly ones to lose to a competitor. If a prospect identifies the problem he or she has by consuming your content and then defects to a competitor when making the purchase, you in effect bear the cost of acquisition for your competition. SQLs may be lost if they are not reached out to at the right time and their queries are not answered satisfactorily. A CRM here provides the appointed sales representative with an interaction history of the prospect – which products were perused, which content was read and so on for an edge in the sales pitch.

Where the field service is considered, especially for B2B companies, Nucleus Research saw *a 15% rise in productivity with the usage of mobile applications allowing representatives direct access to CRM organized data.*

- **Creation of inefficiencies and propagation of non-standardized workflows** – Without a CRM system in place, employees not only miss out on opportunities and come across as poorly informed about the customer preferences, they also become inefficient in their direct workflow. The first job of a CRM is the creation of standardized and automated workflows. When a purchase is made by a customer, a series of emails is automatically triggered and that customer is entered into a loyalty program – all without human intervention. This is the power of a customer relationship management system.

Without a CRM, employees are forced to create their own non-standardized workflows. These workflows are regulated by a human brain and thus have a very

large margin of error. Also several workflows may be co-dependent leading to conflicts between employees and further inefficiencies.

*A business that is not stable and optimized internally can never foster a culture conducive to excellent customer service and quality, and finally sustained growth.*

- **Lack of ability to respond fast and accurately** – One of the most important advantages a small or medium business has over its competitors is its ability to respond to client feedback and put a name and a face to each and every client. This is something Chipotle has leveraged in a big way putting formidable competitors like Tex-Mex on their toes.

However this kind of service personalization is impossible without a robust CRM system. Big enterprises can't tweak a product right away or go out of its way to placate an angry customer mostly because of bureaucracy and the complicated chain of command. In tight-knit businesses, this is possible if all the information about the customers is at the fingertips of the Help Desk and the support staff.

According to **Microsoft Dynamics**, an ideal CRM for a SMB should have the following features in order to make it agile within the marketplace:

FEATURE	IMPLICATION
<b>Ability to identify new leads and sales persons assigned to them</b>	If the leads have special preferences or if they represent touch points to decision makers, this ability allows SMBs to roll out the red carpet for the prospect and give him the feeling of being a privileged buyer.
<b>Track leads that have not been followed up in a while</b>	It takes six contacts with a prospect to convert him. In sales "No" generally means "Not Today". For a small business it is easier to revive contact with an existing prospect than acquire a new one. A CRM is critical to this process.

<b>Track recurring customer issues</b>	Recurring customer issues are likely to result in client defection. With a good CRM platform in place, these issues can be focused upon with intensity to find a solution. In SMBs the count of such issues is likely to be manageable.
<b>Easy integration with website</b>	For most small and medium businesses the website is the storefront. Analyzing as well as keeping track of the prospect interaction with the website is very important to launch re-targeting campaigns.
<b>Easily kick-off email campaigns</b>	Emails are inexpensive and have a 40% success rate – despite the emergence of newer social channels. A CRM should not complicate the process of launching e-mail campaigns; instead it should facilitate them with important information like choice of subject line and segmentation targeting.

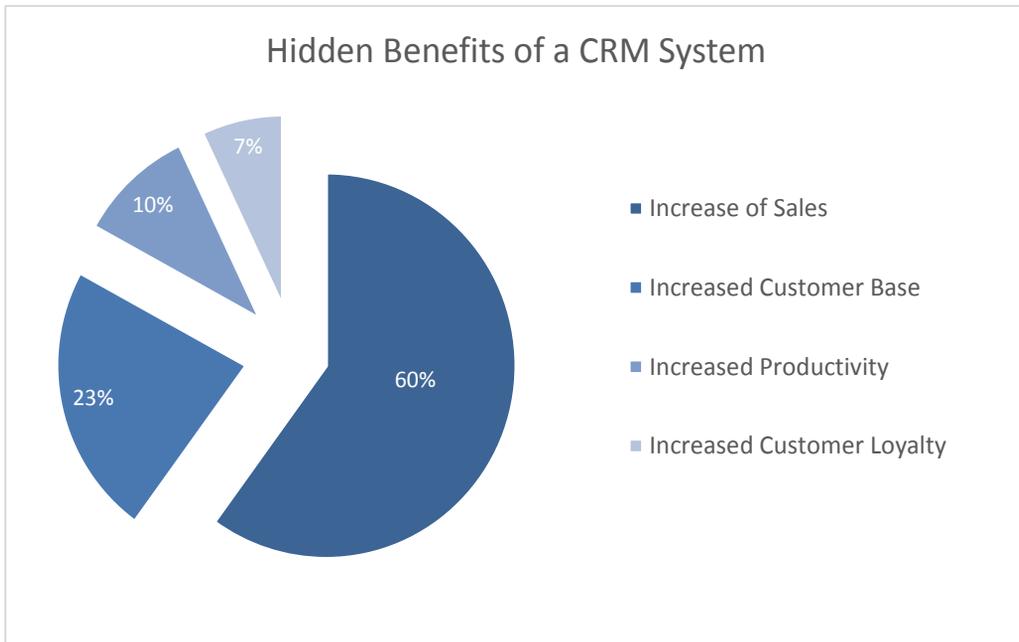
However, if the CRM decision is constantly delayed, companies become sluggish and apathetic as they *lose control over their ability to attract prospects, convert them into leads and close the deals on the dint of fast and responsive business interactions.*

## Conclusion

78% of all companies have no set strategy to nurture leads and this is either because of:

- No CRM system in place
- Or a CRM system that is not leveraged optimally

Even though the losses a company incurs by delaying the decision to implement a CRM are not tangible, they definitely affect the ROI of the business. The picture becomes crystal clear when the hidden benefits of a CRM (which also become hidden losses when the strategy is not implemented) are delineated in visual format, as shown below:



\*Data culled from Super Office

It is the aim of this asset to help stakeholders convince the decision makers as to the feasibility and utility of a robust CRM and to point out the areas in which a business tends to lag behind because of the absence of proper automation and organization.

**By installing CRM systems and using them properly, businesses can be successful with a pool of satisfied, loyal customers.** (Adapted from Adrian Payne; Pennie Frow 2003).

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