

CRM for SMEs: An FD's Guide

A White Paper by Pegasus Software



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Executive summary

Stuart Anderson, Director, Sales and Marketing at Pegasus Software, explores the growing need for CRM amongst SMEs, and looks at how Financial Directors can utilise CRM to encourage customer retention, maximise customer profitability and support business growth.

CRM: a definition

CRM stands for Customer Relationship Management. It is a strategy used to learn more about customers' needs and behaviours in order to develop stronger, and more profitable relationships with them.

The CRM landscape

Financial Directors within SMEs have, in the past, dismissed CRM as the preserve of larger organisations, instead relying on regular, informal contact with customers. A lack of skills, resources and budget are some of the main barriers.

In some cases, businesses can become so engrossed in revenue generation they forget that the customer holds the key to profitability. They may focus on the invoice or transaction and the time it takes, instead of the relationship and upsell potential of a particular customer. This approach can, over time, lead to a lack of predictability, lowered customer loyalty and satisfaction, and ultimately reduced levels of profitability.

As we make tentative steps out of recession, CRM has become more important than ever in identifying and exploiting opportunities to boost the bottom line through effective customer retention and management.

\$12 billion can't be wrong

Against this backdrop, CRM systems which formalise and optimise the management of customer relationships have therefore moved away from being a 'nice-to-have'. Firmly on SMEs' 'essential' list, they represent a strategic tool for retaining customers and acquiring new ones as the business grows. Testament to this is Gartner's forecast that \$12 billion will be spent on CRM in 2012 alone*.

Shaking up the legacy

Previously, most CRM systems have been designed with big companies in mind, and incorporate complex databases and expensive configuration, with the SME alternative little more than an electronic version of a rolodex.

But the CRM market is in the throes of a three-year shake up* as a number of key trends pertaining to sales, marketing and customer service technologies, projects and implementations look set to drive rapid changes over the next few years.

This 'opening up' of the CRM market is bringing with it greater choice and a new breed of CRM systems specifically tailored for SMEs. More cost-effective, easier to use and flexible, these systems are providing SMEs with an opportunity to capitalise on securing competitive advantage through improved customer retention strategies.

A new dawn

Devoid of hefty price tags and intensive, time-consuming configuration to match, the new breed of systems are quick to install, available in a range of options to include on-premise, hosted or rental, and provide functionality comparative to larger scale systems.

Crucially, these solutions are fully integrated with financials, supply chain, document management and business intelligence, bringing all data sources within the organisation together to provide a live, comprehensive view of each prospect or customer. The linking of CRM with finance systems streamlines internal processes and enables accounts, senior management, sales, marketing and customer service staff to take a more comprehensive, informed and strategic view of the business and its customers.

* Gartner

Remote and mobile access to CRM systems means that sales and marketing personnel can access live data on all aspects of customer profiles, accounts and marketing initiatives from any location, whether working at home or on the road. This capability expedites response times, enhances productivity and expands the window of opportunity to up-sell. If used to their potential in this way, CRM systems deliver significant opportunities to increase customer profitability.

CRM systems allow Financial Directors to boost the bottom line in a number of ways:

- 1) Better, quicker decisions:** Through having all relevant sales and financial information on customers at your fingertips, risk can be ascertained and pricing or terms adjusted appropriately
- 2) Identifying profitable customers:** By understanding the frequency and volume of customer purchases, their profitability can be ascertained so that investment is targeted appropriately and not wasted on unprofitable customers
- 3) Predicting demand:** An understanding of purchasing habits and trends can facilitate greater planning through helping to forecast and therefore meet demand more closely
- 4) Automated billing:** The integration of finance and CRM systems means that invoices can be generated automatically, improving cash flow and driving costs down
- 5) Better sales/marketing integration:** CRM systems enable marketing campaigns to be tracked against opportunities, and closed deals - providing insight on what works and doesn't work, focusing marketing spend in the most profitable way
- 6) Increasing loyalty:** Through closely managing prospects' enquiries and customers' purchasing patterns, offerings can be made quickly and appropriately, helping to build long term profitable customer relationships
- 7) More effective sales management:** CRM helps the sales team to manage priorities and follow up on opportunities, ensuring nothing is missed and lowering costs

In summary, CRM systems enable small and medium-sized companies to compete with their larger counterparts, through affording them access to the right tools to deliver profit-driven strategies focused on both customer acquisition and retention.

Proof points

In their quest to take advantage of the untapped profitability held in CRM systems, it seems that SMEs are set to invest again in CRM strategies and software.

But while the solutions available today are a far cry from those which formed part of the failed projects experienced in the early part of the last decade, today's focus on ensuring tangible return on investment (ROI) from projects means that the new breed of solutions have a lot to prove. Thankfully, the leading ones offer proven, tangible results.

With sensible levels of investment, SMEs can now compete with larger organisations on a level playing field, using CRM to support customer retention strategies, maximise profitability and capitalise on sales and growth opportunities both in the short and the long term.



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