CRM for Small and Medium Companies: Points to ponder

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SME Market:

Small and medium enterprises (also SMEs, small and medium businesses, SMBs, and variations thereof) are companies whose headcount or turnover falls below certain limits. The abbreviation SME occurs commonly in the European Union and in international organizations, such as the World Bank, the United Nations and the WTO. The term small and medium businesses or SMBs is predominantly used in the USA.

EU Member States traditionally have their own definition of what constitutes an SME, for example the traditional definition in Germany had a limit of 250 employees, while, for example, in Belgium it could have been 100. But now the EU has started to standardize the concept. Its current definition categorizes companies with fewer than 10 employees as "micro", those with fewer than 50 employees as "small", and those with fewer than 250 as "medium".
Both the US and the EU generally use the same threshold of fewer than 10 employees for small offices (SOHO).

In most economies, smaller enterprises are much greater in number. In the EU, SMEs comprise approximately 99% of all firms and employ between them about 65 million people. Globally SMEs account for 99% of business numbers and 40% to 50% of GDP.

Breaking down the SME definition, Industry Canada defines a small business as one that has fewer than 100 employees (if the business is a goods-producing business) or fewer than 50 employees (if the business is a service-based business). A firm that has more employees than these cut-offs but fewer than 500 employees is classified as a medium-sized business. In New Zealand a SME has to be 19 or less people.

With the advancement in financing models and easy availability than before SMEs are now exposed to greater opportunities than ever for expansion and diversification across the sectors. n market is growing rapidly and n entrepreneurs are making remarkable progress in various Industries like Manufacturing, Precision Engineering Design, Food Processing, Pharmaceutical, Textile & Garments, Retail, IT and ITES, Agro and Service sector.

The size of the Indian SME market is difficult to gauge but gross output in the SSI sector is approximately USD 70.56 billion. Different studies using different definitions produce different numbers. The Union Ministry of Micro, small and Medium Enterprises estimate that 13 million such companies exist in India.

SME Characteristics:

SMEs have different characteristics from those of large companies. In addition to size, there are a number of qualitative characteristics which serve to underline the difference. These attributes are summarized as follows,

- Scope of operations: SMEs serve predominantly a local or regional market rather than a national or an international market.
- Scale of operations: SMEs tend to have a very limited share of a given market. They are relatively small in a given industry.
- Ownership: The equity of SMEs is generally owned by one person, or at most, A very few people. Small firms tend to be managed directly by their owner or owners.

- Independence: SMEs are independent in the sense that they are not part of a complex enterprise system such as a small division of a large enterprise. Independence also means that the firm's owner/managers have ultimate authority and effective control over the business, even though their freedom may be constrained by obligations to financial institutions.
- Management style: Small firms are generally managed in a personalized fashion. Managers of small firms tend to know all the employees personally, they participate in all aspects of managing the business, and there is no general sharing of the decision-making process.

Other characteristics are pointed out from perspective of finance, organization and business operation. Compared with large firms, SMEs generally lack financial resources which suppress their potential growth; similarly, they do not have the benefit of a team of specialist experts.

CRM perception in SME:

1) Unaware of such enhancing technologies especially affordable vendors
2) The ROI wont be good and will be late
3) Period taken for implementation is huge
4) Cost escalation and hidden costs at the time of implementation
5) Unable to figure out the necessity of CRM solution value addition to current processes and operations

Factors to be considered during CRM implementation by vendors:

While larger organizations have successfully adopted CRM solution as an integral part of the operations, SMEs still continue to lag behind and adapt to CRM as a mainstream technology in day-to-day operations. It's still considered as an optional thing in the companies entire processes. While the situation is becoming better where companies are now focusing on CRM solutions some factors are important and relevant while considering CRM implementation in SMEs.

One of the most important factors to make CRM solutions acceptable in SMEs to instill confidence among the SME cluster. As SMEs are very closely knit organizations the word of mouth here plays a very important role. It's imperative that the best practices be designed for SME CRM implementation and training, keeping in mind the to semi skilled employees in SMEs.

Vendors providing CRM solutions should categorically take care of the below mentioned factors:

- One size fits all syndromes: While providing the solution to the SMEs the sales task force should focus on the exact needs of the organization. As the organizations are cash crunch and the management does not have the required technical expertise Sales force should not unnecessarily sell what is not required. This scenario is common among the sales team. Sales team going to the SMEs may also not be well informed about the companies operations and may pitch for the product based upon the CRM sales experience they had with previous firm although a SME but in another field.

- Shortening of the implementation cycle: Many times it has been observed that the implementation timeline provided is not met for the CRM implementation. As SMEs are short of resources and with every increasing day for implementation the cost of implementation also rises. This factor can be unfavorable for the SMEs. Hence the timelines needed for the implementation needs to be reduced.

- Providing realistic ROIs: The ROIs provided during the pitch are sometimes exaggerated with many factors being not considered. These factors like the hidden costs, implementation cost override, extended timeline, faulty assumptions put pressure on the ROI.

- Post implementation support: The ticket/service request and SLA based pricing model involved mainly post CRM implementations for support will not work in SME sector. Here the warranty model will help for the support. The provision of providing 1-year warranty post implementation will be much helpful rather than SLA based pricing.

Current players in SME CRM market:

SME CRM providers:

As SMEs needs are different than the bigger companies, the CRM designed for the SMEs should be specific to the needs of SMEs. While a huge debate is on about the right type of CRM solution for the SME, the focus mainly shifts if the solution should be 'on demand' or 'on premise'. Some of the key players who have dominated the SME CRM market are Oracle CRM on demand, Maxi miser, Microsoft Dynamics, Netsuite, Workbooks.com, Sage, Salesforce, Salestrack, Appshore, ProspectSoft, and SAP.
Apart from these solution providers some of the rising stars of the industry are adapt CRM, Clarity Soft, Salesnet and Zoho CRM.

All the above solution providers are betting big on the n market and wish to develop a good footprint in the evolving SME CRM market.

Most of the CRM solutions provided for the SMEs are 'On Demand' which are zero footprint applications. These solutions have their unique advantage but also have some cons too. The decision to choose the right CRM is entirely dependant on understanding the requirements right, data integration, data security, integration with legacy systems. Based on these parameters the right solution should be selected. The business analyst plays a very important role here to identify the correct CRM solution for implementation. Some of the important factors to be considered before selecting the right solution are:
- Total cost of ownership
- Integration with legacy systems
- Ease of use and navigation for end users
- Data security
- Ease of implementation and upgrade
- Customization and support provided
- Trainings involved

Most of the companies recommend on demand CRM solution for the SMEs, some of the factors still go against these CRM solutions. These factors are viz:
- Data Security: Since on demand CRM solutions are zero footprint applications, the database is third party managed. The clients data is actually shared with the service provider and this can actually lead to compromise with data security for client .As CRM mostly consists of data regarding customers, accounts, campaigns, opportunities the compromise with the data is a strict no no. Proper contracts for data security should be signed before selecting on demand CRM service provider.
- Internet connectivity: Most of the SMEs in are clustered in tier 2 and tier 3 cities due to the industrial development policies provided by the state governments. These cities still lack proper internet connectivity. On demand CRM solutions call for the very good internet connection 24/7.While internet penetration in is increasing but 'Connectivity' problems are the biggest irritants, starting with 'speed' – half of all broadband users claim 'below required' speed. As the basic infrastructure regarding this is still not in place this can create hurdles for going for on demand CRM solution.
- Incremental costs post implementation: Research shows post implementation the costs for enhancements and administration escalate significantly with time for on demand CRM

solutions. These costs need to be clearly defined and understood by the stakeholders while deciding on the total cost of CRM. The team should be rightly educated about the future costs.

The SME CRM solution providers can be further segregated based on the different parameters. The table below shows the SME CRM providers segregation and criteria. It can give a high-level picture about the CRM need of the customer.

Tier One/Enterprise	Tier Two/Mid Market	Tier Three/Entry Level
(Customer Revenues > $200M, Customer Employees > 500, License Fees > $300k/license and Implementation Fees: License Fees > 2:1)	(Customer Revenues $10M-$200M, Customer Employees 50-500, License Fees $50k-$300k/license and Implementation Fees: License Fees 1:1-2:1)	(Customer Revenues <$10M, Customer Employees <50, License Fees <$50k/license and Implementation Fees: License Fees <1:1)
C2 CRM	ACT!	ACT!
Everest	BizAutomation	AppShore CRM
Microsoft Dynamics CRM	C2 CRM	BizAutomation
NetSuite	Coffee Bean Technology System	Commence
Netsuite CRM	Commence	ConcourseSuite
Oracle	ConcourseSuite	Everest
Pivotal CRM	Everest	Goldmine
RightNow	Goldmine	InfoStreet
Salesforce	Landslide	Infusion
SAP	Luxor	Landslide
	Maximizer	Luxor
	Microsoft Dynamics CRM	Maximizer
	NetSuite	Microsoft Dynamics CRM
	Netsuite CRM	NetSuite
	Oncontact	Oncontact
	Oracle	Oprius
	ORYANOO	Relavis
	Pivotal CRM	Sage SalesLogix
	Relavis	SageCRM
	RightNow	Salesboom
	Sage SalesLogix	Salesforce
	SageCRM	SugarCRM
	Salesforce	Tigerpaw CRM+
	SAP	Zoho
	SugarCRM	
	Tigerpaw CRM+	

Based on information from: http://www.crm180systems.com/

The above table provides details about the various options available to the SMEs. Although most products will be providing identical solution the end decision depends upon finalizing who can meet the customer's demand exactly or to the nearest extent possible.

Open source as an option:

Other than on demand and on premise solutions one of the very important factors which can be considered and is of great importance is 'Open Source CRM'. While most of the companies are not aware or do not go for these open source CRM can prove to beneficial for SMEs in many ways.
One of the trap to which most of the SMEs fall is 'Open Source' or 'Free. But the fact is this is not free and still needs to be evaluated cautiously. There can many hidden costs associated with Open source CRM too.

Some of Open source CRM products are listed below. A solid circle indicates the presence of a fully functional feature; an open-centered circle indicates features that are only partially developed or which are only available as third-party additions. An empty circle indicates missing functionality.

	CentricCRM	CiviCRM	Compiere	Concursive	OpenTaps	SplendidCRM	SugarCRM	vTiger	XRMS	Xtuple
Software Scope:										
Sales Force Automation	●	○	●	●	●	●	●	●	●	●
Marketing Automation	●	●	●	●	◎	●	●	●	◎	●
Customer Support	●	○	●	●	◎	●	●	●	●	●
Partner Relationship (PRM)	○	●	●	◎	○	○	●	○	○	○
Mobile	◎	◎	◎	●	●	●	●	●	○	●
Advanced Functionality:										
Automated Account De-duplication	○	●	○	◎	◎	●	●	●	●	◎
Surveys	○	○	○	○	○	○	◎	◎	○	○
Scripts	◎	○	◎	○	○	○	●	●	○	●
Quota Management	○	◎	○	●	◎	●	○	◎	◎	○
Quote Generation	○	○	○	●	◎	●	●	●	○	●
Knowledgebase	○	◎	○	●	●	●	●	●	●	●
Dashboards	○	○	●	●	●	●	●	●	●	●
Data Warehouses & OLAP	◎	○	●	●	●	◎	◎	●	○	●
Custom Report Writer	○	○	●	●	●	●	●	●	○	●
Forms Designer Tool	○	○	○	●	○	○	●	●	○	●
Workflow Designer	◎	●	●	●	○	●	●	●	●	●
Multiple Languages	○	●	●	●	◎	●	●	●	●	●
Multiple Currencies	○	●	●	●	◎	●	●	●	●	●
Social CRM:										
Proprietary Community Portal Solution	●	●	●	●	◎	●	●	●	○	●
Third-Party Community Portal Integration	○	●	○	●	◎	●	●	●	○	●
Integration to Social Networks	○	○	●	●	◎	◎	●	◎	○	○

Integration Technology:										
SaaS	●	●	●	●	●	●	●	●	●	●
SaaS SLA	○	○	○	○	○	○	●	○	●	○
On-Premise	●	●	●	●	●	●	●	●	●	○
LAMP	○	○	○	○	○	●	●	●	●	○
MySQL	●	●	○	●	●	●	●	●	●	○
Microsoft SQL Server RDBMS	○	○	●	○	●	●	●	●	●	○
Oracle RDBMS	○	○	●	○	●	○	○	○	○	○
Integration:										
Outlook / Exchange Integration	●	●	○	●	●	●	●	●	○	●
Lotus Notes integration	○	○	○	○	○	○	●	●	○	○
Google Apps Integration (email/Schedules)	○	●	○	○	●	○	●	○	○	○
Computer Telephony Integration (CTI)	○	○	●	○	●	○	●	●	●	●
iPhone Synchronization	●	○	○	○	●	●	●	●	○	●
RIM Blackberry Synchronization	●	○	○	●	○	●	●	○	○	●
Android Synchronization	●	○	○	○	○	○	●	○	○	○
Packaged Integration to ERP Systems	●	○	●	○	●	○	●	○	○	●
Procurement Costs:										
Free Version	●	●	●	○	●	●	●	○	●	●
Fee Version	○	○	●	●	●	●	●	●	○	●
Add-On Services:										
Help Desk Contracts	○	○	●	●	○	○	●	●	○	●
24x7 Customer Support	○	○	○	○	○	○	●	●	○	○
Software Customization	●	●	●	●	●	●	●	●	○	●
Implementation Services	○	○	●	●	●	●	●	●	○	●

Source: http://www.forecastingclouds.com/articles/33058/the-top-10-open-source-crm-applications/

Costs involved in Open Source CRM:

Open source is a very good alternative for companies which cannot afford huge costs for implementation. In my opinion Open source CRM is better for the company which wants to have the taste of CRM solution for its employees. It can download Open source CRM free of cost and assign a team for training and adaptation purpose of CRM .Many times it's realized that SMEs are not technologically advanced and there is a resistance to new technology. A costly CRM implementation can fail if it's not adapted well in the company.

An open CRM can bridge the gap. The employees can be trained on CRM solution and its advantages for the company. This can also serve as a prototype based on which the decision to implement a proper CRM solution can be taken. Since it's free, no costs will be involved. However when going for complete installation the company can evaluate various points which are needed and which can be excluded from the CRM solution based on usage experience. This can help companies take a better decision than falling prey to push model applied by various vendors and sales people with having limited knowledge themselves.

Some of the drawbacks which have to be understood for Open source CRM solution are viz:

- Many studies have indicated that open source maintenance costs may exceed commercial CRM costs .While one can download an open source system without charge, the installation, training, operation and support can ultimately exceed the majority of commercial software products. Hence TCO (total cost of ownership) has to be taken into consideration for open source CRM.
- Complex IT management. IT manager can find costs for maintenance house, test and apply patches and updates may equal or exceed the cost of commercial software.

- Support can be difficult to come by. With support being charged as per requirement (premium or standard), the price of support has increased.
- Open source can't be guaranteed that it will always be open. For example, 'Source Force', an open source product, went from being open source to closed source.
- The legal conditions are unclear and have to be checked before going for particular solution.

Conclusion:

Based on the survey conducted (primary research) in Indian SMEs to gauge the perception and awareness level about CRM systems the conclusion was drawn. Questionnaire is shown below. Sample size of SMEs chosen was 10 across various domains.
- Low awareness about CRM systems as a means to simplify and target customers better.
- Fear about adaptability of CRM solution to current working environment.
- No knowledge about CRM solutions/products available in the market.
- Need more branding from CRM vendors side to target SMEs better.
- Fear about escalations in cost during implementation of CRM solution.

Hence we can conclude that there's no fixed criterion for the selection of CRM solution. Various options need to be considered before selection of an appropriate CRM solution for SMEs. Some of the factors which can help SMEs make right decision for CRM solution can be looking for the budget allocated and going for the right product after thorough research to avoid later cost escalations. Also considering all the aspects of implementation, gaining stakeholder's confidence and not falling prey to the push model applied by various CRM vendors.

Above points can help SMEs choose their CRM solution judiciously?

Questionnaire used for primary research:

Customer relationship management (CRM) is a widely implemented strategy for managing a company's interactions with customers, clients and sales prospects. It involves using technology to organize, automate, and synchronize business processes—principally sales activities, but also those for marketing, customer service, and technical support. The overall goals are to find, attract, and win new clients, nurture and retain those the company already has, entice former clients back into the fold, and reduce the costs of marketing and client service. Customer relationship management describes a company-wide business strategy including customer-interface departments as well as other departments

The below questionnaire is designed to gain information on below points:
1) Current CRM process
2) Perceptions/awareness about CRM solutions
3) Familiarity about various options for CRM implementation
4) Readiness to embrace CRM as important part of process
5) Roadblocks in CRM implementation
6) Conclusion

Name of Company: _____

Name of Respondent: _____

Designation in Company: _____

Questions:

Note:
1) Can choose multiple options for below questions. Highlight appropriate option.
2) Provide brief explanation below every question, for the option selected.

1) Management of customer information in my company is done:
   - o Manually (Pen and paper)
   - o Excel sheets
   - o System is used
   - o Not stored
   - o External database is referred to get details

2) Updates in stored customer details and information in my company is:
   - o manually done
   - o System is fed with updates from sales team
   - o Separate team updates the data in system by contacting sales team
   - o We do not update information

3) CRM for my company is
   - o An organizational initiative to attract and retain customers
   - o A buzzword
   - o Do not believe in concept of CRM
   - o Just selling of products to prospective buyers

4) The effectiveness of the existing sales and marketing process can be improved
   - o Through automation of current sales processes
   - o Through set up of proper checks in process
   - o I am happy with current sales process

5) The implementation of CRM solution
   - o Can give a better view of customer
   - o Can improve sales process efficiency
   - o Doesn't help much in my organization as I am happy with current process

6) The CRM solution implementation will benefit,
   - o Marketing process
   - o Sales process

- o Order management process
- o All of above

7) CRM adaptability in my company depends on
- o Stakeholder decision
- o Clearly defined customer vision percolated downwards
- o Employee acceptability and willingness to embrace change

8) The CRM selection for company will be decided based on
- o Advantages provided and functionality supported
- o Overall cost is an important criterion
- o Brand as recommended by others

9) The CRM solution for company
- o should be a simple software easy to install on my computer
- o Can have my own servers and database systems(initial cost high)

10) The Customer data of my company
- o Can be managed by third party with adequate security features
- o The data should be managed by me only
- o Any of the above can be acceptable

11) The CRM solutions for my company should
- o Be all-rounder to support different functionalities optimally(sales ,marketing ,orders)
- o Should be specialist to serve important functionality

12) The implementation of CRM solution in company
- o doesn't offer value for money
- o causes a discomfort in current style of working
- o is a need in today's tough competition
- o employees can be productive post implementation

13) CRM implementations fail in Companies due to
- o Less employee engagement
- o Lack of training

- o Actual costs exceeding allocated budget
- o CRM not meeting the requirements accurately

14) Can you please name any three-customer relationship management solutions available for your company in market?

15) Please provide your general feedback on selection of CRM for SMEs in few words

Glossary:

SME: Small and medium enterprises
SMB: Small and medium business
PSU: public sector units
CRM: Customer relationship management
ROI: Return on investment
TCO: Total cost of implementation
IT: Information technology
ITES: Information technology enabled services

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