

The 10-Step Guide to Buying the Right CRM Solution

Chris Bucholtz



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Executive Summary

Buying a CRM solution requires a process different from the typical IT purchase procedure. Because CRM connects to all aspects of the organization, organizations must understand not only the products and vendors available to them but the way their own businesses work.

The next step is to understand the ways that CRM is delivered, and the financial implications of those delivery models. Only then should you start examining CRM products and vendors.

Do not focus initially on features; instead, start with issues like customer support, vendor roadmaps and experience in vertical markets. Features are important, but avoid a “feature shootout” mentality, because it shifts the emphasis away from business-critical aspects of CRM and toward aspects of CRM that change frequently and which users may not actually use.

The CRM buying process can be reduced to a set of 10 steps that will help you pare down the field of potential solutions to a few vendors who are the best fit. From there, you can contact vendors for demos and details to ensure that the decision you choose is the best one for your business.

This guide will allow you to move through ten sets of steps, which we have broken into two stages:

Stage 1: Knowing Yourself

1. Look at Your Own Business
2. Pick the Right People for the Team
3. Understand your Regulatory Realities
4. Consider your Budget and Where to Run Your CRM

Stage 2: Knowing your Unique Requirements

5. Integration Requirements
6. Support Requirements
7. Vertical Market Requirements
8. Feature Requirements
9. Financial Requirements
10. Vendor Requirements

We'll also help you understand the common mistakes of CRM selection so you can spot them and avoid them before they cause problems.

Introduction

No one wakes up in the morning, yawns, stretches, and then realizes his or her business needs a CRM solution. That realization comes from hard business realities: slipping sales, service problems, marketing woes, or an escalating series of interconnected problems that ripple across departments.

But buying a CRM application is not easy. It's a crowded marketplace—at least 800 companies provide CRM in some form or function. Picking the one that's right for your business means getting it right across an array of criteria specific to your business. You need the right functionality, of course, but you also need it to be delivered at the right price, and you need it to match the sophistication of your users.

Several factors determine which CRM solution is right for you. First are the market issues: your company size, the specialized needs of your sales, marketing and service teams, and the vertical market your company serves. Next come the technology issues that will affect your IT team—the degree of integration CRM has or will have with your other business systems, the ease of integration between CRM and other systems, the method of delivery (SaaS vs. On-premise), and hardware infrastructure concerns. And then the CFO has his own concerns: up-front costs, maintenance costs, administrative costs and the total cost of implementation and ownership.

Getting this right is not easy, but you're a lot more likely to succeed with it if you keep in mind these three simple criteria:

1. Business Requirements—can it solve the problems I need it to solve?
2. Technology Requirements—can it integrate with my existing systems?
3. Cost Requirements—does it fit into my budget?

We'll discuss how to think about all three in greater detail, but before we do, let's look at what not to do.

Three Common Mistakes to Avoid When Making a CRM Selection

Before we talk about the right way to buy CRM, let's talk about the wrong ways to do it. Estimates of the rate of what is described as “CRM failure” range from 40 percent to 80 percent—and it's generally not because CRM vendors create bad software. It's because buyers make some crucial mistakes at the very outset.

Those mistakes fall into several categories. The first type of mistake is a failure to candidly examine the issues within a business that drive the need for a new CRM solution. Problems are by definition unpleasant, and exposing them to the light of day can be embarrassing and uncomfortable, especially for the executives under whose watch those problems have developed. Highlighting these issues is seen by many as a career-limiting move. For that reason, there can be a tendency to downplay, deflect or deny problems during the requirements gathering phase, and while that may temporarily assuage anxieties, it sows the seed for far greater problems in the future. Automating processes that don't work is only going to get you to failure faster—and with a much higher price tag.

The second common mistake is to put the priority on technology from the outset. Even if you clearly define the problems you need to address, you'll have problems if the technology you choose cannot align to solutions those problems. If the team choosing a solution becomes enamored of a particular CRM feature, but that feature doesn't map to a problem their company is suffering from, it shouldn't be a major consideration in their choice. Worse yet is the solution that is impressive in its functionality, but which forces your employees to change the way they work—especially if they're already successful. This almost guarantees a problem with user adoption, the major killer of CRM in the post-implementation phase, and can force management to employ heavy-handed tactics to force employees to use CRM.

The third common mistake is a failure to clearly define the goals of a CRM implementation, or to change goals as the decision and implementation processes are in progress. This is very common; often, the ideas built into CRM applications are new to buyers, especially small to medium-sized businesses. Exposure to sales and lead management ideas that form the basis of some CRM functionality can trigger new thinking about these aspects of the business, which is good, but that can also cause the goalposts to be moved when it comes to viewing how successful the CRM solution is, which is bad. The question, “why can’t my CRM do this?” is a painful thing to hear after the application has just gone live. The goals need to focus on today’s problems, with consideration of problems that need to be tackled in the near future—but frequent re-prioritization of these goals will hurt your decision-making process and damage your perception of how successful your CRM solution is. A CRM application has no chance of real success if the objectives that led to its selection changed before it could be implemented.

So now that you know the 3 common mistakes you should avoid, let’s look at the 10-steps to making a CRM selection.

The CRM Buying Process

At the risk of sounding like a Zen philosopher, let’s start out by saying this: Buying CRM starts not with an external search for a solution but with an internal search for why a solution is needed in the first place. Laying the groundwork can make the difference between success and failure; many “failed” CRM projects were doomed before they started because the decision makers skipped the simple but vital first steps of the process.

Because of that, we’ve broken the process of choosing a CRM solution into two stages: a first stage about your business, and a second stage on defining CRM requirements, which should be easier with the results of stage one in mind.

STAGE ONE: Know Yourself

Step 1. Look at Your Own Business

Your first step should be to develop a thorough understanding of how your business works. We make assumptions about how it works; the gulf between those assumptions and reality can, at times, be dramatic.

The start of the hunt for a CRM application is an opportunity to embark on a thorough mapping of how your processes work, how your processes depend on each other, and how changes to those processes can affect other processes in unexpected ways.

Starting this process may seem daunting. A good place to begin is with the processes that are most readily apparent: the ones that aren’t working. These will correlate directly to the problems that prompted the start of your buying process. They represent things your employees could be doing better, or problems that a CRM solution should help resolve.

This stage of the process is one that depends on a degree of honesty that can be painful, even when the pain points it reveals are the results of the growth and evolution of the business. No one wants to hear that a process he or she manages is broken or inefficient, and feelings can be hurt. If your business lacks the resources to engage in a process-mapping exercise—or if the process of mapping would prove unduly fractious within your organization—engage a third-party consultant to help.

Filling in the map of your processes will also reveal processes that are working. These processes don’t need to be changed, in most cases. Just as you want your broken processes to be fixed by CRM, you don’t want to alter things in your organization that work.

For that reason, your CRM solution should map to the strengths and weaknesses of your organization. It should not demand that you alter your processes to suit it.

One more caveat: especially for smaller companies, the mapping exercise can show that the business is not ready for CRM. If the problems are all about people and process, and they are easily remedied, then CRM may not be the answer. This is a good thing—making the jump to CRM too early can cause long-term problems with adoption and with the flexibility of the CRM solution.

At the end of the mapping process, you should have a list of processes and activities you need to improve. This should be your guide to developing a list of must-have features.

Step 2. Pick the Right People for the Team

Next, you need to think about the people who will be involved in making the decision. Obviously, there will be a leader from the executive ranks, and probably someone from IT, but too often decisions are made about CRM applications without input from the people who use them. Understanding how they work, where their personal pain points are and which improvements could make a difference in their effectiveness is vital in getting the right fit. It's also important to learn about any concerns, objectives and fears that could impede adoption down the line.

One of the best ways to do this is to develop a panel from among these front-line users to have input during the selection process. Not only can this help ensure that you have a better understanding of what the users think is important, but when the decision is made you have a cadre of supporters of the solution who can help accelerate adoption among their peers.

Step 3. Understand your Regulatory Realities

It's also important to understand the information system linkages that aid in satisfying compliance requirements in your industry. Financial services must support Graham Leach Bliley; industries like health care must accommodate HIPAA, and public companies must satisfy Sarbanes Oxley (SOX) requirements such as internal controls, audit trails and SAS70 compliance. Even government contractors may have to satisfy NIST Certification and Accreditation (C&A). Each regulatory body mandates specific ways in which data can be handled. Delivery methods like Software as a Service (SaaS) may offer challenges that may make it difficult to meet these mandates because of a shared services model.

Step 4. Consider your Budget and Where to Run Your CRM

Of course, budgetary concerns will also play a major role in which solution you select. Some businesses are constrained because of their current business conditions; others are able to take a longer-term view of the financial aspect of a CRM investment. The good news is that the CRM market now supports customers in both camps.

Traditionally-delivered on-premise software requires users to own and maintain the technology infrastructure—servers, storage, disaster recovery and networking capabilities, plus personnel. There is an initial cost for the software, plus an annual maintenance fee. There is usually a cost associated with integration as well. In most cases, the money for such a purchase is considered a capital expense.

By contrast, cloud-based SaaS software uses infrastructure provided by the CRM vendor, and while there may be integration costs, the software cost is broken into a per-month subscription-style fee. In this delivery model, CRM is usually treated as an operational expenditure.

At first glance, it seems easy to differentiate what kind of company uses which delivery model: smaller, cash-constrained companies use the cloud, larger companies with IT resources use on-premise. But the boundary is not that clearly defined any more. Increasingly, large companies are employing cloud-based applica-

tions because they shift labor costs and hardware requirements to the vendor, and even though on-premise becomes less expensive than cloud solutions over time, there is value in shifting those tasks to a third party. In the same way, smaller companies in fields where regulation makes the cloud difficult or impossible to use need to go with on-premise solutions. As always, the best solution is entirely dependent on the realities of your business.

At the end of these four steps you should have:

1. A list of processes and activities you need to improve
2. A CRM decision-making team, which includes CRM users
3. An understanding of the regulatory constraints you must operate under
4. An idea of budget and which delivery model you plan to use

These four steps will give you the tools and framework to make a CRM selection that addresses your problems while creating as few new ones as possible.

STAGE TWO: Know Your Requirements

Step 5. Integration Requirements

How far down into your company's existing systems will your CRM solution integrate? Will it be a departmental solution, or will it be used to increase the customer-centric nature of your entire business? Integration can add significant costs and delays to any implementation, so if you are thinking of using your CRM system across the entire organization consider ease of integration as part of your preliminary criteria. If a solution is too rudimentary to integrate with your existing systems, or if it is too complex to integrate easily, it's probably not a good bet for your business.

Step 6. Support Requirements

How adept is your staff at picking up new applications and new concepts? Unless they're all early adapters, you're probably going to need some degree of help with the product, and levels and costs of support can vary from vendor to vendor. Knowing the sophistication level of your staff will give you an idea of the degree of support the vendor should provide in order for your CRM implementation to succeed long term. If you anticipate significant support needs, check with vendors to see what costs are associated with premium support. Also, use your social network to find peers who have employed support from CRM vendors, because these unsolicited references can provide unvarnished opinions about this important area. If you hear that a business with similar technological sophistication has had trouble getting a vendor to answer its pleas for support, or if the cost of that support is exorbitant, eliminate that vendor from consideration.

Step 7: Vertical Market Requirements

Are you in an industry that collects unique forms of customer data, or one in which customers negotiate a specific, non-standard path to buying? If so, you should pay attention to CRM solutions tailored to your vertical industry. Industries for which tailored CRM applications have been created include insurance, real estate, agribusiness and non-profits. Also, companies that sell through channels (in other words, resellers or distributors) may have a need to manage tiers of customer relationships with partners, direct customers and customers who buy from partners. These companies often buy CRM and are disappointed by its effectiveness; a related technology, partner relationship management (PRM) could be the real answer for these businesses.

Even if you do fit into a vertical market, do not forego a look at horizontally-targeted CRM systems, because you may find that with the right customization they may work better for your organization than the vertically-focused options.

Step 8: Feature Requirements

The traditional way to pick a CRM application was to sit down with lists of features and start comparing different products in a kind of feature shoot-out. This is not a recommended approach—good CRM solutions all have the same basic features, so the decision then gets pushed onto more exotic and less frequently-used features—meaning that your decision could be driven by a feature you never end up using.

Instead, using the problems you identified early on, identify customer approaches your business is taking or wants to take, and identify features that map to those approaches. For example, if you want to bring an aspect of Social CRM into your CRM strategy, look for how a CRM solution links or syncs with social networks or other social media data in order to drive specific business processes or offer an expanded view of the customer relationship.

Your front-line users earn their place on the selection team in this step. Allow them to identify things that would make their jobs easier, and use those ideas to narrow your focus on those defining features.

Step 9: Financial Requirements

By now, you should have several solutions in mind that tackle the problems you identified at the start of the process. After you've figured out the solutions that will work, it's time to decide which of these is most affordable. This is the time to look for hidden costs; the base cost is almost never the extent of your expenditures with CRM. As stated earlier, there may be expenses for customization, integration and support. For example, on-premise software may carry an annual maintenance expense of 22 percent or more. Knowing the full cost of your CRM solution up front and projected over the life of the software will prevent you from being over budget later—and anything you find too expensive, short-term or long-term, can be scratched from your shortlist.

Step 10: Vendor Requirements

Once you've made your selection, the last thing you want is to discover that your vendor has over-promised and will under-deliver—or worse yet, won't be in business to support you in the future. When you think you've found the right CRM solution, pause to examine that vendors track record—and do it independently. Vendor references are not likely to be random; the most successful and happy references may not reflect the experience of every buyer of a particular vendor's product. Do your own research—social media is useful for this—and ask whether the CRM implementation was genuinely transformative, and if so, what role the vendor had to play in that.

Conclusion

Buying a CRM solution involves a complex series of decisions, but it also requires an intimate understanding of your own business. Even if your company completes the mapping process but decides against implementing a CRM solution, the process can be remarkably useful and result in improved efficiency and a more customer-centric approach to business.

If you lack the resources to engage in the exercise of mapping of your processes—or if the process of mapping would prove unduly fractious within your organization—engaging a third-party consultant may be a worthwhile option. Consultants are also useful for the more traditional role of integration and implementation.

Once an understanding of internal processes is established, discovering your requirements—and using those requirements to gradually whittle down the field—can be done within the context of your real needs and not needs you may mistakenly believe to be real.

The factors you should look at are not just built around features—as is often the case in short-listing efforts that go awry—but around a set of business considerations that include stakeholder interests, budget, support, integration, and the specific requirements of your industry. Finally, you must find vendors who work well with your company and fit with your organization's level of sophistication to ensure a smooth relationship over the long haul.

About the Author

Chris Bucholtz is Editor-in-Chief of CRM Outsiders. Chris is a long-time journalist, blogger and CRM industry influencer. For over 17 years he's been a technology journalist for some of the industry's best print and online media. After his role at VAR Business, he became the first Editor of InsideCRM, a Focus.com brand. He then took the reigns as Editor-in-Chief of ForecastingClouds.com—an online destination delivering rich content and thought leadership views regarding CRM and ERP cloud solutions. He's also a regular columnist for CRMBuyer.com.

In his current Editor-in-Chief role, Chris is the voice of CRM Outsiders. Bucholtz continues the CRM Outsiders tradition of being an independent and opinionated CRM advisor, who provides trusted and useful content to the market. He uses his extensive network to encourage other CRM visionaries to contribute regularly on CRM Outsiders.