

Is Your CRM Solution Keeping Up with the Times?



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In the introduction to his book *CRM at the Speed of Light* (4th edition), Paul Greenberg writes, “I really had no intention of writing a fourth edition, because things in CRM had matured... [but] when I wrote the third edition, I underestimated the social transformation that was going to take place... that the expectations we had of both individuals and institutions will be altered in ways that were unimaginable five years before.”

The social *customer relationship management (CRM)* transformation Greenberg describes has been driven by the Web 2.0 revolution, a change in the communications landscape that has added incredible richness to conversations between businesses and customers. Businesses now have unprecedented capabilities to learn about their markets, and customers now have powerful new channels to express needs and feedback.

But Web 2.0 isn't the only force impacting the CRM field. Changes in the economic and technology environments are also driving the need for CRM solutions to evolve at unprecedented rates. The business setting is brutal. Morgan Stanley analyst Mary Meeker recently compared the top 15 most highly valued Internet companies of 2004 and 2010. Only eight companies made both lists. The rest were victims of an unforgiving market.

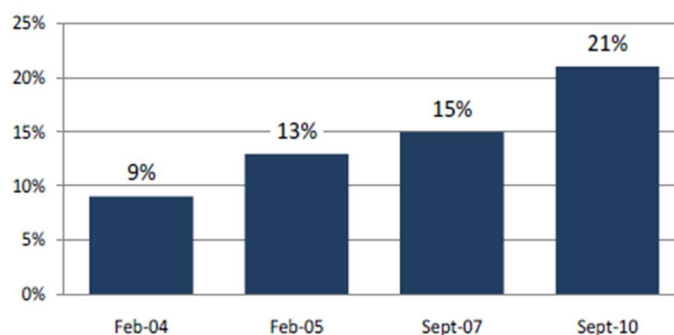
There is no question that increasingly empowered customers are becoming more central to everything businesses do, which makes CRM software one of their most important investment areas. The difficult economy has put pressure on business and technology leaders to defray upgrades as long as possible; but rapid changes in the sales, marketing and service climates are making the need to invest in a CRM upgrade a competitive necessity. Businesses need to be better in tune with customers and to deliver a better customer experience across channels to foster loyal and more profitable customer relationships.

The evidence of wholesale changes in the buying landscape is compelling:

- Pew Internet reported in the fall of 2010 that 58% of Americans now regularly perform online research about the products and services they are considering purchasing. The number of adults conducting research on any given day has more than doubled since 2004, Pew said.

Researched a product or service yesterday

% of all adults who researched a product or service yesterday



Source: Pew Research Center's Internet & American Life Project, August 9-September 13, 2010 Tracking Survey. N=3,001 adults and the margin of error is +/- 2.5 percentage points.

- Research in early 2010 by Genius.com and DemandGen Report found that 59% of B2B buyers engage with peers before making a buying decision, 48% follow industry conversations, and 44% conduct anonymous research among a select group of vendors.
- Forrester Research reported that more than eight in ten IT decision-makers now say word of mouth recommendations are their most important source when making buying decisions.
- A survey by B2B Barometer found that 92% of client marketers say it would be unwise for a business to ignore social media.

Many companies have significant existing investments in on-premises CRM software. Unfortunately, the robust CRM applications of just a few years ago lack the key capabilities businesses now need to remain relevant and competitive. Users of these applications can achieve significant benefits in productivity, customer knowledge and performance by upgrading to the most recent releases of their existing software solutions. In this research brief, we look at some of the factors to consider when choosing whether and when to upgrade on-premises CRM, as well as considerations for incorporating software as a service (SaaS) as part of your CRM strategy. We examine forces on both the business and technology sides that make CRM upgrades so compelling.

Business Forces

Any CRM solution that is more than a few years old was built for a very different business climate than today's. Not only are customers now more informed, but the buying process itself has changed dramatically. By upgrading to the latest CRM software release, organizations can take advantage of these recent developments.

The Cross-Channel Experience

The customer buying process has changed, thanks to the availability of new and robust information sources. Customers can now research purchases by consulting search engines and their social networks. They expect their product and service needs to be met by a wide range of channels, including multiple online and mobile platforms, telephone and face-to-face. More important, customers now expect businesses to know much more about them and how they make decisions, regardless of the channels customers use. Yet too many businesses still keep information in silos and force their customers to repeat the same information across different contact points. Businesses that can't deliver a consistent and customizable experience across any channel the customer chooses are at a significant disadvantage today. It is difficult to meet this mandate for an integrated customer experience with older technology.

CRM systems should capture all contacts with the customer, whether by phone, online or face-to-face. The emerging concept of *social CRM* combines traditional contact points with information derived from social networks and other new media in the decision-making process. Newer CRM software releases are far more robust and flexible than their predecessors at integrating this information. The explosion of

social media has happened so quickly that software releases of just a few years ago lack some features that organizations now consider to be essential.

Customer-Centricity, Social Networking and Collaboration

As the buying process has become more diffuse, the role of customer referrals has also grown. Customers now have the means to broadcast their experiences—both positive and negative—to a global audience. This shift has put the onus on businesses to become more responsive, quickly anticipate changing customer needs and provide relevant, targeted offers and positive customer experiences. Updated CRM software releases can help identify opportunities or problem areas much more quickly than software versions of just a few years ago. Service organizations can quickly head off problems and delight customers who might otherwise be lost. Businesses can engage customers in ongoing conversations about wants and needs. Loyal, high-value customers then share their experiences with others, creating peer endorsements that are more powerful than any form of advertising.

Level of Trust in Advertising Tactics/Media According to Internet Users Worldwide, April 2009 (% of respondents)

	Trust completely	Trust somewhat	Don't trust much	Don't trust at all
Recommendations from people I know	34%	56%	9%	1%
Brand Websites	13%	57%	26%	5%
Consumer opinions posted online	13%	57%	25%	5%
Editorial content such as a newspaper article	10%	59%	27%	4%
Brand sponsorships	9%	54%	31%	6%
Ads on TV	8%	53%	33%	6%
Ads in newspapers	7%	54%	34%	5%
Ads in magazines	6%	53%	36%	6%
Ads on radio	6%	49%	38%	7%
Billboards and other outdoor advertising	5%	49%	39%	6%
E-mails I signed up for	7%	48%	37%	8%
Ads before movies	5%	47%	41%	7%
Ads served in search engine results	4%	37%	48%	11%
Online video ads	3%	34%	51%	11%
Online banner ads	3%	30%	51%	16%
Text ads on mobile phones	2%	22%	47%	29%

Source: Nielsen Online, "Nielsen Global Online Consumer Survey," July 2009

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www.eMarketer.com

Finally, the appeal of social networks has moved behind the firewall, prompting many companies to experiment with internal collaboration applications. The most popular use of these tools is to enable employees to find resources within the company and its partners who can address customer needs. As such, the tools fit perfectly with updated CRM solutions, which are good nexus points for intelligence about company assets. As collaboration increasingly reaches across company lines, businesses will also demand the kind of sophisticated multi-organizational access control that's available with the latest CRM releases. This permits businesses to share analytical data as well as insights about individual customers quickly and seamlessly with their partner networks.

Predictive Insight

Business analytics has gone beyond simply mining large amounts of data; it's now about enabling intelligent interactions at every point of contact with the customer to deliver relevant and personalized dialogues across channels. These may include e-commerce interactions over the Web, conversations with contact-center agents or responses to targeted marketing offers. New technologies like Oracle

Real-Time Decisions work with the latest Siebel CRM releases to enable businesses to learn from each interaction and to incorporate this learning into the next offer, enabling sales and service representatives to better up-sell and cross-sell, and also to deliver greater customer service and experience.

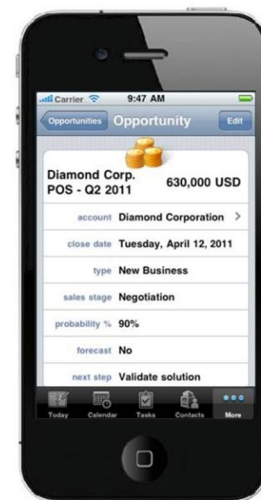
Technology Forces

Moore's Law, which states that computing price-performance doubles roughly every 18 months, continues to propel technology ahead with startling speed. People can now routinely accomplish tasks on computers and high-speed networks that were inconceivable a few years ago. Likewise, by upgrading to the latest CRM release, organizations can gain a competitive advantage by harnessing recent CRM technology advancements.

Better Business Value

One of the simplest but most important benefits of technology change has been improvements in interface design and user experience. Users have come to expect rich and flexible experiences on their screens, and CRM vendors have responded with features such as desktop gadgets that are simple to use and add to user productivity. Updated CRM releases also have better integration with common productivity tools such as email, to enable day-to-day tasks and interactions to be captured and integrated into customer profiles without additional effort. Use of these more intuitive interfaces reduces training and support costs while encouraging greater user adoption.

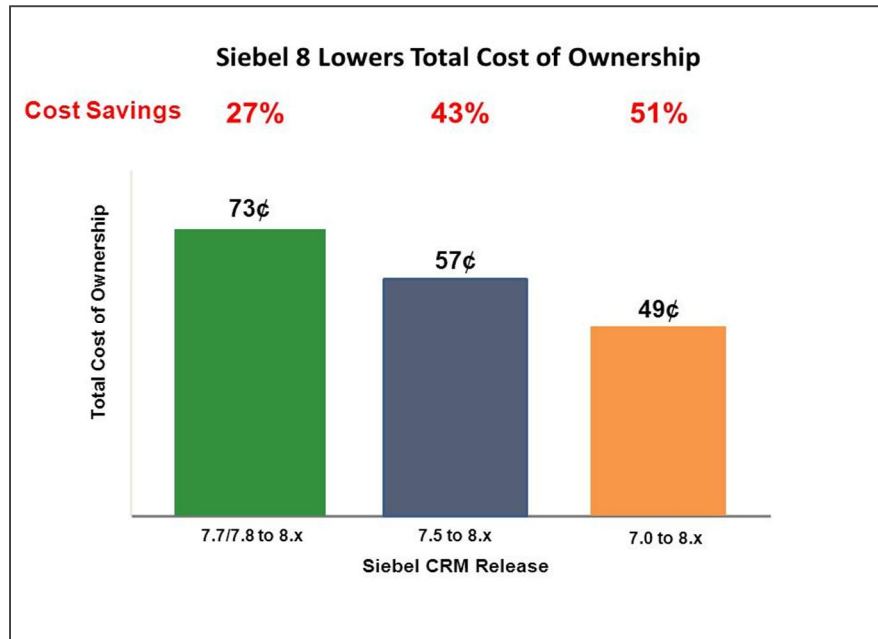
CRM is also quickly moving beyond the desktop. Rapid adoption of mobile devices and tablets is changing CRM fundamentally. Forrester forecasts that mobile devices will be the dominant means of Internet access in the US by 2014, and Gartner projects sales of nearly 20 million tablet devices in 2010 alone. Sales representatives now expect to have up-to-the-minute customer information whenever they need it. Failure to know about the customer's most recent interactions with the company is a source of lost sales and embarrassment. The latest CRM software updates provide mobile-friendly access to customer data for quick action. Sales reps can better prepare for meetings before they go on a call and can quickly post updates to ensure that the latest, most accurate information is available in the CRM system. Information is also available for offline use, making plane trips an opportunity for planning instead of lost downtime.



Oracle Mobile Sales Assistant

Lower Total Cost of Ownership

Updated software that takes advantage of the latest evolutions in computing infrastructure can perform significantly better at a lower total cost of ownership (TCO) by leveraging advances in hardware



performance, virtualization, network storage, and other recent technology developments. For example, customers upgrading from Siebel 7.8 to Siebel 8.1 can experience, on average, a 27% reduction in TCO, largely because of reduced infrastructure, development and maintenance costs and better scalability.

One Siebel on-premises customer at a major Internet company, who asked not to be identified,

reported that upgrading from version 7.5.3 to version 8.1 enabled the IT organization to reduce its budget for offshore support by 80% and redeploy nearly half of its internal support team to more strategic projects because of a reduction in development and operations costs and gains in performance.

New features can also eliminate or significantly reduce the problems introduced by manual customization. Many users of older CRM releases have written programmatic extensions over the years to accommodate specific needs or changes in the business climate. These hard-coded modifications have since become a liability, reducing an organization's ability to easily migrate to the latest platforms and features and increasing the time required to respond to business needs. By taking advantage of new capabilities in updated software releases, organizations can enable modifications to be defined as business rules rather than program code. These rules will flow seamlessly into future versions, making upgrades a smoother process.

"We had done a tremendous amount of coding around Siebel 7.5.3 that made it difficult to maintain," says the IT manager at the Internet company. "By starting with Siebel 8 vanilla code, we were able to retire a large amount of old custom code and achieve the similar level of functionality with much fewer customizations."

Reduced Time to Value

The latest updates of CRM solutions are also built on a revolutionary new approach to software design called *service-oriented architecture (SOA)*. This software assembly technique defines software capabilities as modular blocks of services that can be called from a library and integrated into an application on the fly to add specific features, such as the ability to process payments. Modern applications are now built with the assumption that the underlying infrastructure is service-enabled. This makes them vastly more flexible and adaptable to individual needs than their predecessors.

By upgrading to the latest Siebel CRM release, organizations can take advantage of new Web services capabilities to better share information with other sales-enablement tools. A CRM system that doesn't support SOA is effectively unable to take advantage of innovations outside of the core application. SOA is so powerful that it is often sufficient justification for a CRM upgrade in its own right.

Faster time to market is also critical to organizations looking for a competitive edge. By upgrading to the latest CRM release, organizations can take advantage of new capabilities that streamline the development and deployment cycle. They can introduce new functionality and enhancements more quickly and at lower cost, enabling IT to be more responsive to business needs.

Finally, today's CRM releases are designed to recognize that valuable information also exists outside the four walls of the user organization. These applications can easily accommodate new-media technologies like RSS feeds and conversation monitoring services to build 360° customer profiles and support social CRM. Not only does this improve the quality of customer information, but it also greatly reduces the burden on users to update records manually.

The SaaS Factor

Software as a service (SaaS) has fundamentally changed the software business. Users who initially had reservations about issues like security, customization and availability when SaaS burst on the scene five years ago have now turned the corner: More than 95 percent of organizations surveyed by Gartner in mid-2010 said they expect to maintain or grow their use of SaaS.

SaaS has some compelling benefits in the areas of short-term cost and speed of implementation. However, it isn't a panacea, and larger organizations in particular are moving cautiously and selectively toward SaaS. The Gartner research also uncovered areas in which users said SaaS was sub-optimal for their needs, and 16 percent of respondents actually said they are moving from SaaS to on-premises solutions.

Any company that is looking to deploy or upgrade an enterprise software application should consider the SaaS option seriously, but it should also take into account the long-term value of existing on-premises solutions. Cost figures can be deceptive. Although one of the appeals of the SaaS model is low

per-user subscription fees, the cost of that subscription model can exceed that of an on-premises solution over the course of a couple of years, particularly when many users are involved.

Companies should also consider their investments in existing infrastructure and personnel, as well as the costs of migration. On-premises systems may be significantly easier to customize using skills that are already on staff compared to paying a vendor or consultant for the same results. Users who have extensively customized their existing on-premises CRM may also find that moving those customizations to a hosted model incurs substantial costs, if they can be accommodated at all.

Also consider issues of data ownership and control. Most SaaS vendors provide excellent security and on-demand access to customer data, but not all businesses are comfortable handing their data to an outside vendor under any circumstances. In regulated industries, compliance issues may require companies to keep certain information on site.

SaaS is rapidly becoming the preferred model for new application deployment because of its flexibility and low startup costs. It is strongest in that role. For businesses with large existing investments, however, the decision factors are more complex. Many customers will find appeal in a hybrid solution that uses on-premises CRM for existing users or heavily customized applications while providing SaaS as an option for users who require more basic functionality. When both systems are compatible and interoperable with each other, the organization can flexibly move people and applications to whichever solution is appropriate for the situation.

Conclusion

The decision to upgrade to the latest version of an on-premises enterprise software package is never simple. In evaluating the decision, companies should consider not only the costs of upgrading but also the costs of *not* upgrading. When the business climate is rapidly changing, a CRM solution that can't keep up is a serious liability. The business climate has arguably changed more in the last five years than in the 50 before that, and most futurists expect the rate of change to accelerate.

Upgrades are an opportunity to shed operations costs, take advantage of technology advancements and lower overall cost of ownership. The move can not only make a company more competitive, but also pay for itself in reduced costs over the course of just two or three years. Timing the move to coincide with upgrades to other core systems can further reduce complexity. As customers demand more from their vendors, the option of lagging behind the competition is increasingly unacceptable.

Oracle

Oracle Corporation (NASDAQ: ORCL) is the #1 global CRM provider, with the widest range of on-premises and on-demand applications—all backed by single-vendor hosting and management capabilities, plus the domain and industry expertise that comes with deploying more than 4.6 million live CRM users. With more than 30 years of experience and innovation in enterprise software, customers trust Oracle for their technology, middleware and applications needs. To learn more, visit <http://www.oracle.com/crm>.

Paul Gillin

Paul Gillin is a long-time technology journalist who's worked almost exclusively online since 1999. He advised marketers and business executives on strategies to optimize their use of social media and online channels to reach buyers cost-effectively.

Currently, Gillin is a Research Fellow and a member of the advisory board of the Society for New Communications Research and co-chairs the social media cluster for the Massachusetts Technology Leadership Council. He was founding editor-in-chief of TechTarget, which was one of the most successful new media entities to emerge on the Internet. Before that, he was editor-in-chief and executive editor of the technology weekly Computerworld for 15 years.

In 2007, Gillin wrote a book called *The New Influencers* about the changes in markets being driven by the new breed of bloggers and podcasters. Among the more than 100 positive published reviewers of *The New Influencers* were *The Wall Street Journal*, *The San Jose Mercury News* and the BBC. The book was also awarded a silver medal in the business category by *Foreword* magazine. Gillin has written for *The New York Times*, *Advertising Age*, and the *San Jose Mercury News*; and regularly on his *Newspaper Death Watch* blog.

IT Business Edge

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