



AberdeenGroup

**CRM and Back-Office
Integration for the Small
and Medium-Sized
Business**

An Executive White Paper

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CRM and Back-Office Integration for the Small and Medium-Sized Business

Executive Overview

The small to medium-sized business market is one of the most challenging, dynamic, and potentially profitable segments in American industry. Aberdeen identifies more than 5,740,000 small and medium-sized businesses, or companies with as few as one or as many as 500 employees (Figure 1). These small and medium-sized businesses employ more people than the large and more widely known Fortune 500-scale companies, and they are responsible for a large percentage of business-related investment in technology.

As an example, many small and medium-sized organizations have made substantial investments in software applications that automate the accounting, financial, and operational aspects of running their businesses. These applications, sometimes referred to as back-office applications, have become essential and well-established tools that speed and automate many of their back-office accounting and human resource operations. Several technology suppliers have grown and prospered by serving the needs of this market.

However, small and medium-sized businesses realize that automating their back-office operations is no longer enough. With the back-office operations of their businesses in reasonably good control, the owners and principals of small and medium-sized businesses are now looking for better ways to sell to their target markets and to effectively — and profitably — manage their customer relationships. Customers are the lifeblood of any business, large or small. Customers provide the revenue and the reason to exist for any business, and the impact of the customer for smaller organizations is even more pronounced.

Small and medium-sized businesses pride themselves on knowing their customers and fostering intimate relationships. Furthermore, these organizations — often owned and managed by the same individual — rely on their personal relationships with customers to understand what customers are asking for, resolve questions or problems, and identify new and recurring business opportunities.

As businesses grow larger, however, the personal relationship that often fostered the success of the company can become strained. With more customers to manage, owners/operators encounter increasingly more difficulty in trying to maintain a high degree of customer intimacy with all of their customers. The complexity is increased when a customer's buying preferences and purchasing history are scattered across the organization and stored in various locations, including a salesperson's personal digital assistant (PDA), a notepad, desktop applications (e.g., Excel or Word), or in the memory of its principals.

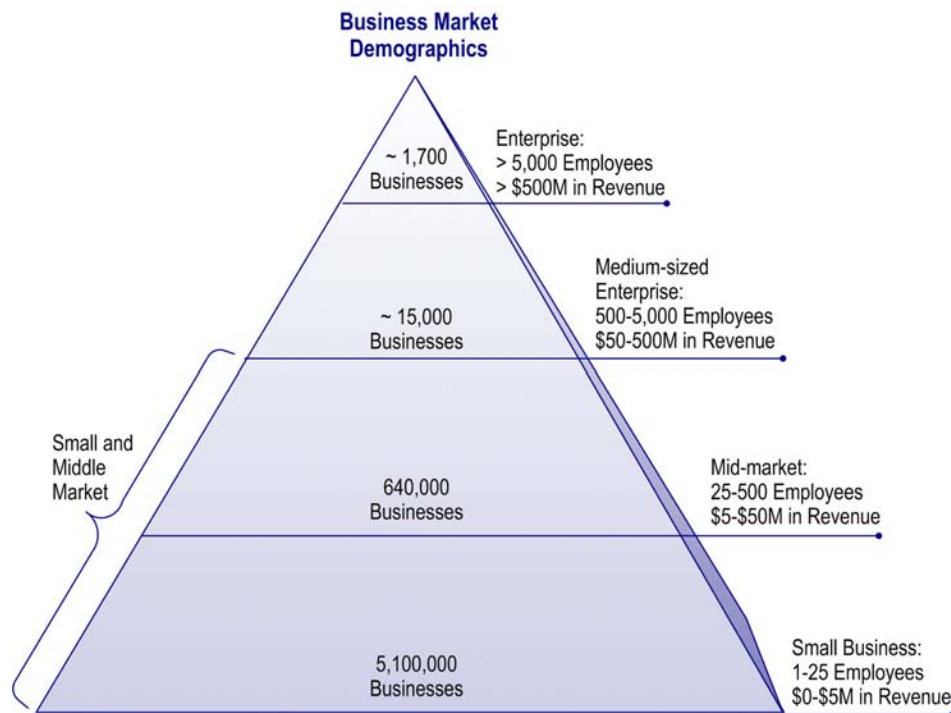
This Aberdeen *Executive White Paper* is designed to help small to medium-sized companies — and the partners, distributors, and value-added resellers (VARs) serving the technology needs of these businesses — to understand the opportunities and challenges of customer relationship management (CRM), and the potential for these applications to help organizations solve strategic business problems.

This *Executive White Paper* will also discuss the SalesLogix suite of CRM products. The suite is targeted at small and medium-sized companies, offering a set of integration and customization tools to let organizations align back-office information (e.g., billing information, order history, and inventory) with front-office CRM information, thus maximizing efficiency by creating a central point for all customer knowledge and action (transactions). With these tools, companies can obtain cost savings and drive greater return on their investments in IT by designing a system that can work together and deliver increased structure and visibility through the sales and service channels. An integrated system also increases consistency and accuracy in billing and forecasting; it also reduces overall operational time and costs by eliminating redundant activities.

CRM: Opportunities and Risks

In the rush for market share of the enterprise, many suppliers of software and services have missed an even bigger market opportunity: the small to medium-sized business market. This market segment accounts for literally millions of potential end-users and hundreds of thousands of companies (Figure 1).

Figure 1: The Small to Medium-Sized Business Market



Source: Aberdeen Group, September 2002

Small to medium-sized businesses need to know who their prospects and customers are, what products and services customers have purchased over the last year, what are the critical problems or complaints, and — most important — what products customers and prospects will likely acquire in the coming months.

Small to medium-sized businesses also need a snapshot of sales in their pipeline — i.e., what is likely to generate revenue over the next 30, 60, or 90 days, and which customers will be responsible for generating most of this revenue. Perhaps most critically, they also need to ensure that information stored in back-office accounting and business management applications is available to the salespeople. They need to automate processes and procedures to ensure that sales and customer support issues are addressed consistently and timely. Ideally, organizations would prefer to capture all of this customer-related information in a single place where anyone interacting with the customer can gain access.

CRM is a software application category that, ideally, manages all of the marketing, sales, and support interactions that are part of running a small to medium-sized business. In a perfect world, CRM can provide businesses with a holistic view of their customers and new sales opportunities and past transactions of each relationship. This view lets everyone involved see the same information and increases an organization's ability to collaborate more effectively when supporting, selling to, or marketing to the customer.

Small to medium-sized businesses have unique needs, however, and applications that scale to the needs of the large enterprise are rarely appropriate for the small to medium-sized company. Generally, small to medium-sized businesses have less IT resources and smaller budgets than larger enterprises, and require CRM solutions that can provide cost-effective, suite-level functionality to address all of their marketing, sales, and support requirements.

Alternatively — and at a smaller, but simpler scale — these same applications or subsets of these applications can be used to address a single functional need within the small to medium-sized business market. If the biggest point of pain is in getting a better handle on the 90-day revenue forecast, for example, or on getting a report listing of the 10 most profitable customers every week, a sales automation (SA) or an opportunity management application is probably more appropriate for the short term.

Choosing a simpler “point-of-pain” approach and implementing an SA-only application are entirely valid ways to address the problem — a strategy that many small to medium-sized businesses have chosen to follow. The primary problem has been addressed, and the benefits of implementing this solution — better visibility into the sales pipeline, for example, and a better close rate at the end of each month —

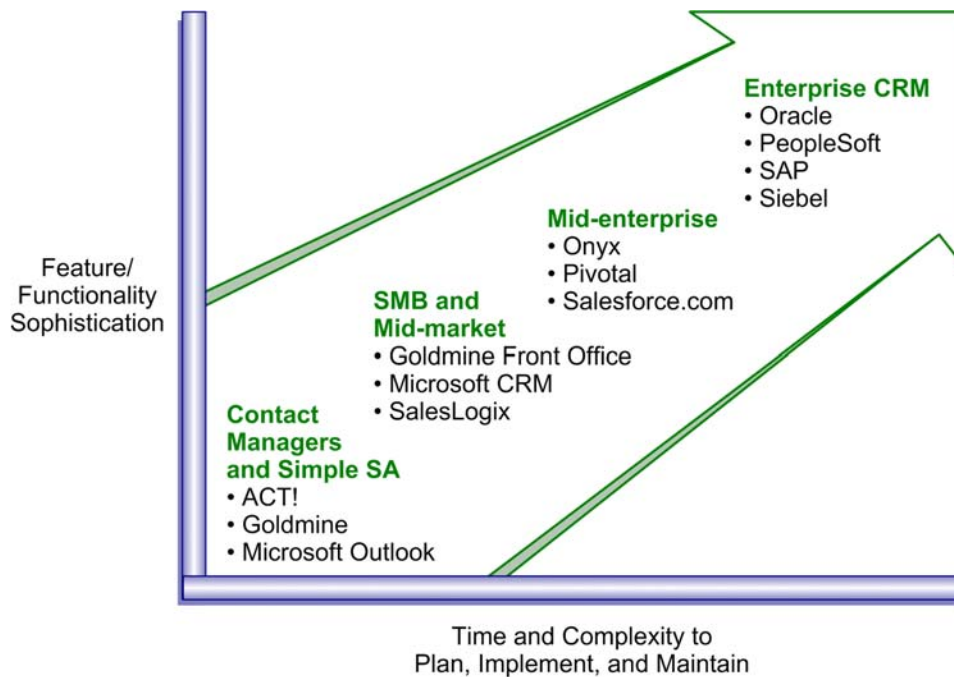
have probably been realized without the confusion of a large, cumbersome application, feature set, or nonessential components. Having a growth path to follow is worthwhile for companies that are evaluating this approach.

Small to medium-sized businesses want to choose an application that will address their primary problems and provide them with a return on their financial and management investment in a reasonable time frame. They also want to avoid taking on more than they can handle: many documented accounts today describe failed enterprise-scale CRM initiatives. Finally, small to medium-sized businesses want to expand the functionality of their sales automation or CRM applications as they grow and their business processes change. At the same time, they want to absorb and effectively utilize the additional capability at the right time in their growth. Figure 2 shows the relative positioning of several CRM suppliers in the market today.

The Evolution of CRM: An Overview

In its simplest terms, CRM combines integrated or stand-alone business software applications with proven business strategy and methodology, to help a company understand and address its customers' business requirements. The three primary

Figure 2: CRM Suppliers by Market Segment



Source: Aberdeen Group, September 2002

functions that CRM applications address are sales automation, marketing, and customer service. Each of these areas can be further broken down into more narrowly defined disciplines of functionality. Sales automation software, for example, provides support for opportunity management and forecasting. It also usually includes contact management functionality to enable users to organize name, address, telephone, and e-mail information, as well as record and track relationship history details. Finally, lead management is an important capability to allow users to store, distribute, and track leads, as well as generate reports.

Many small companies and salespeople are already familiar with the simplest and most commonly used sales automation tool, contact management software. Applications such as ACT! were some of the earliest sales automation tools, and individual sales professionals and small workgroups still use them for managing contact information from their desktops or laptops.

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Although contact management products represent an inexpensive and often very effective way for individuals to manage their contacts and sales leads, they are limited in functionality and organizational “reach.” Contact management tools are generally designed for individuals, not sales teams. They are optimized for the sales-focused user, and are rarely as useful for other functions such as customer support. Therefore, a company can outgrow the usefulness of contact management tools over time.

A CRM suite designed for the small to medium-sized business, on the other hand, provides functionality for many users across all customer-facing departments, including sales, customer support, help desk, and mar-

keting. Effective CRM products should also enable individual users to customize their view according to their needs and specific work activities. A customer call-tracking system, for example, will help customer support to log customer issues, escalate and track those issues to resolution, and store a record of them. The customer support person may also need access to related back-office information — such as a customer’s billing information or order history — so that they can track an expected delivery date. Ideally, the customer support person will also be able to share information with his or her sales counterparts to ensure, for example, that the salesperson does not try to sell a new piece of equipment to a customer in the middle of a serious maintenance or support problem.

Additionally, the marketing department requires access to customer information to identify purchasing trends and enhance their ability to develop and reach new

markets. A complete view into customer information can be very valuable to the marketer trying to develop a campaign for product upgrades, for example. The marketing functionality should provide capabilities to track the leads generated by a telesales campaign, trade show, postal or e-mail promotions, or other such initiatives. These leads can then be automatically distributed to the sales organization — for example, based on geographic territories or on the type of product or customer — and managed to ensure timely response. The ability to effectively support and report on integrated sales and marketing activities in real time, and easily disseminate that information throughout the enterprise and to the appropriate decision makers, helps an organization identify and manage existing and new revenue opportunities.

This functionality engenders complexity, however, and small to medium-sized businesses should consider a step-by-step method of implementing applications to attain business objectives quickly and make change manageable for users. The CRM suites, although more complex than a single functional SA tool, provide greater functionality, and in fact, most organizations will need to add functionality and applications as they continue to grow.

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One key differentiator, and one that has been relatively difficult to provide in a facile CRM toolset, is the ability to tie into customer-related back-office order and accounting applications and data. Complex enterprise CRM implementations must invest in expensive human, technical, and financial resources to solve the issue. Small to medium-sized businesses, however, are

not willing or able to make this level of investment. CRM solutions need to provide the architecture and tools easily and more cost-effectively to support more advanced customization, including integration with relevant back-office applications. These solutions must also provide a single data repository of customer information, which the appropriate people can use to qualify, sell, and respond to customers' needs effectively.

A Growing Need to Link CRM and Back-Office Applications

Today, the ability to enhance application and data integration is key. A primary issue across organizations of all sizes is the reentry of data in disparate software products used to manage customer information, product orders, service request, and accounting and financial data. Larger corporations that can procure expensive, integrated enterprise suites can escape this problem — but the very small organization generally follows a different application growth path. As the organiza-

tion grows or becomes more complex, other products must supplement the original application to more efficiently manage the needs of the company. Characteristically, the disparate products are not integrated, and they rarely have the tools to easily transfer data from product to product.

The result is redundant activity by the workforce. The alleviation of such redundancy saves administrative time, decreases the likelihood of error, and, overall, reduces cost. Thus, a small and medium-sized business's selection criterion is the software's ability to seamlessly transfer data across its applications without repetitive data entry and reentry. Likewise, however, painless migration of data from one product tier to another is needed as an organization grows. Important customer information and financial data must be able to survive product transitions, from solutions designed for limited customer transactions to more robust or sophisticated applications with complex selling and distribution environments.

Additionally, for small to medium-sized businesses that have standardized on a business accounting package, for example, the ability to pull up an invoice from within the customer contact information screen in their CRM or SA application — eliminating the need to toggle between applications — helps improve productivity and avoid inconsistencies. Salespeople also want greater visibility into a customer's payment history before approaching them with a new product or service proposal, and to achieve this, integrating key elements of the front office and back office is critical.

CRM Moves to the Small and Medium-Sized Business Market

Small to medium-sized businesses have always represented a challenge to the vendors of enterprise-scale CRM applications. This segment is generally less tolerant of long implementation and systems integration projects; instead, small and medium-sized businesses expect investments they make to yield tangible results quickly. Furthermore, small to medium-sized businesses value ease-of-use, and elaborate features/functionalities are not so important as a straightforward, practical product. The key to getting the CRM application to perform and operate effectively lies in understanding and establishing clear objectives for the CRM initiative. Some best CRM implementation practices for small to medium-sized businesses are listed below:

- *Identify the objectives.* Establish goals, budget, and the time frames for each objective. These could take the form of increasing the number of qualified leads being given to salespeople, for example, or of increasing total sales by a certain percentage by selling more effectively into the installed base of customers.

- *Integration is important.* Identify what pieces of information from back-office operations (e.g., accounting and billing packages) need to be tied to the CRM system. For example, salespeople often want visibility into the payment history before approaching a customer with a new product or service proposal. An integration strategy should be both practical and affordable; ultimately, it should derive maximum value from customer relationships.
- *Finally, think ahead.* In a business environment where change is constant, it is critical that an application can be easily modified to support an organization's business expansion initiatives, sales promotions, and a work environment that incorporates the appropriate support and IT maintenance available.

The Value of Integrated Suites

Timely access to pertinent information is an ongoing challenge for sales and customer support representatives, particularly because knowledge of the customer is generally stored between a number of different locations, IT systems, devices, and people. Business management and executives also suffer when IT systems are not integrated. They do not have access to the cumulative intelligence that lets them make better business decisions based on visibility that is more complete and insight into customer profiles and business accounts.

As many small to medium-sized businesses become increasingly distributed in their operations, they do not share valuable customer and business management and account information. This trend is forcing them to make critical decisions based on incomplete information and a fragmented view of the customer, partner, or supplier. It is also driving the need for greater connectivity and integration of IT business applications across the business environment to improve the flow of information, the speed and consistency of updates, and the synchronization of data in appropriate back-office and CRM systems. The ability for organizations to share data and integrate business processes and the flow of information can greatly improve business productivity, and the value of enhanced visibility, efficiency, and analysis usually results in higher overall profits (Figure 3). This last point strongly suggests the need for innovative CRM suites that enable organizations to link internal systems with external systems, including remote offices, mobile employees, new devices, customers, value-added resellers (VARs), and suppliers.

SalesLogix

SalesLogix was founded in 1996 by Pat Sullivan, a pioneer in CRM and contact management solutions and creator of the well-known ACT!. Today, SalesLogix and ACT! are known as the Best Software CRM Division, reporting to Best Software.

(Best Software is the North American arm of the The Sage Group, PLC, a U.K.-based provider of front-office CRM and back-office accounting, HR, payroll, and business management applications for the small to medium-sized business market.) From the start, SalesLogix has been committed to building its applications to enable an easy transition from ACT! to SalesLogix. This would allow the ACT! users — more than 4 million individuals and 13,000 corporate customers — to easily transition from ACT! to SalesLogix as their business and IT requirements evolved. Today, nearly 4,600 organizations use SalesLogix business applications worldwide. A global network of channel partners supports the selling and installing of SalesLogix's products; these partners also provide the necessary line-of-business expertise, process consulting, technical service, and training that are part of a successful CRM implementation.

SalesLogix and Best Software

SalesLogix can now leverage its position as a division of Best Software (Figure 3). It can integrate the SalesLogix CRM suite with Best Software's commercial, non-profit accounting, and other HR/payroll and business management products, including MAS 90, MAS 200, and MAS 500 products. SalesLogix and Best Software recognize that customers value the ability to integrate CRM with important back-office order and financial applications. Looking forward, Best Software and SalesLogix plan to further enhance integration between their products, allowing their customers to purchase supplemental products and decrease the need for repetitive data entry across applications. SalesLogix and Best Software customers have spoken positively of the benefits that could be achieved through advanced integration of CRM and back-office applications.

SalesLogix products also provide links to support integration with many other financial, ERP, and inventory management systems, including Microsoft Great Plains Business Solutions, J.D. Edwards, Macola, and Mapics. This feature enables businesses that are already use Microsoft Great Plains Business Solutions or other back-office applications to continue to leverage their financial and IT investments, as well as the data stored in these systems.

SalesLogix sells through 500 business partners worldwide and recently introduced an initiative to address fears around failed and high-priced CRM deployments. The SalesLogix QuickStart initiative is specifically for smaller businesses and divisions of larger organizations with 5 to 20 users. It includes software, support, services, and training. The program also guarantees that the SalesLogix solution will be implemented in 30 days at a fixed cost. During the first 90 days of the implementation, organizations have access to a Remote SalesLogix Administrator (RSA), a support person trained and equipped to remotely manage almost any system-

related support question. SalesLogix expects application usage and benefits to increase significantly with the guidance of a dedicated RSA.

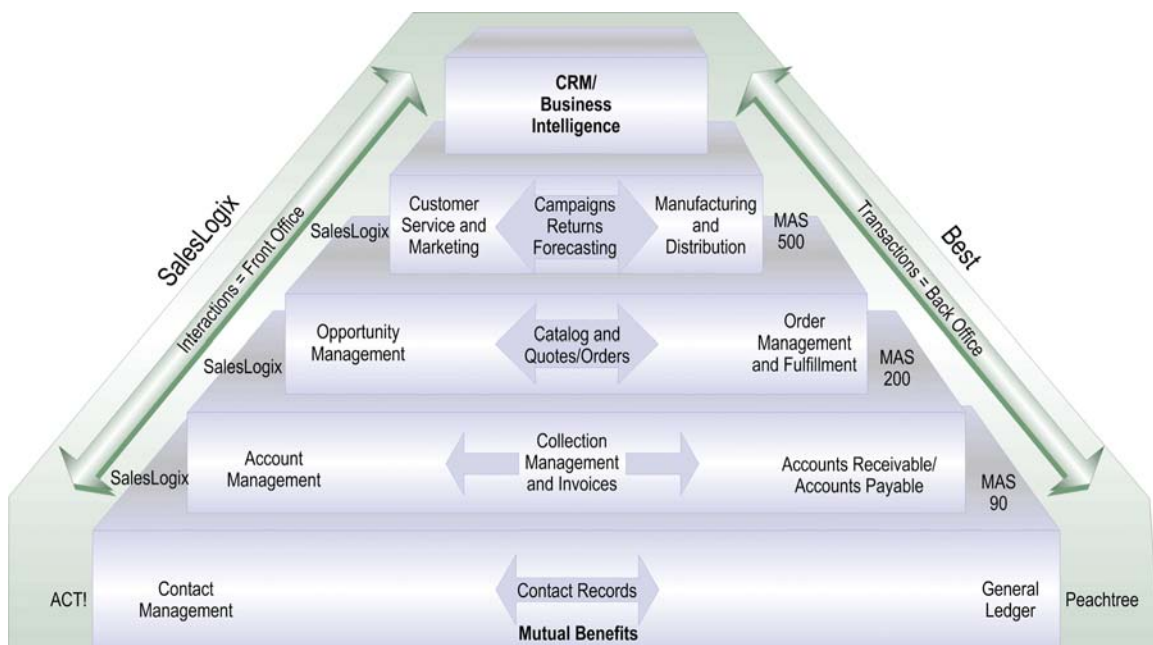
Microsoft Outlook and PDA Integration

SalesLogix also integrates closely with Microsoft Outlook, enabling users to continue to use Outlook as their e-mail management tool within the context of SalesLogix, their CRM application. Thus, users can continue to keep personal and professional contacts in Outlook, for example, while using SalesLogix for sales automation and customer support functionality. This integration also enables users to continue to use PDAs and other handheld devices for the mobile management of data and contact information because these devices all integrate with Outlook on the desktop. It also allows customers who have standardized on Microsoft applications for the desktop to easily augment their applications with CRM functionality from SalesLogix.

Data Synchronization and the SalesLogix Data Structure

One of the primary challenges for a distributed organization is to ensure the consistency and accuracy of data — and to make sure that information can be correctly synchronized to reflect any current changes or transfers. The SalesLogix synchro-

Figure 3: SalesLogix and Best Software CRM and Back-Office Integration



Source: SalesLogix and Aberdeen Group, September 2002

nization technology uses an architecture that utilizes a relational database design and can identify the relationships between customers, transactions, data, and users. SalesLogix has found that building synchronization on a flat file database, like some other contact management and CRM vendors, has proven to be unreliable. The SalesLogix model was designed to provide customers with reliable access to vital data anywhere and anytime, and to enable customers to capture and synchronize business account data quickly, thereby obviating reentry of information and eliminating redundant business procedures.

Aberdeen Conclusions

Small and medium-sized businesses do not quickly latch on to and deploy new technologies, but sales automation and CRM applications are becoming increasingly vital to this market sector. Properly managed, CRM applications enable a company to automate customer-facing business processes; to provide consistent, manageable customer service; and to maximize its investment in sales automation, marketing, and lead generation. CRM applications, when integrated with existing back-office applications, also enable the small and medium-sized business to enhance the efficiency of operations that depend on both back- and front-office data. Applications containing billing and shipping information, for example, are implemented as part of the back-office operations of a company, but they play a vital role in understanding a customer's purchasing preferences and past payment history. This data can be valuable as salespeople can more effectively cross-/up-sell to customers or address any special discounting or payment requirements of customers. As small and medium-sized businesses continue to understand the role that CRM applications can play in their business, Aberdeen expects that their adoption of affordable, practical, and dependable CRM applications will increase dramatically. As noted earlier, the business segment is not likely to tolerate an expensive or lengthy technology deployment. The small and medium-sized business tends to be very practical: if a solution makes sense, and can prove its worth, it will quickly find its way into the business. SalesLogix's heritage of providing sales automation and CRM solutions for the small and medium-sized business will continue to serve it well as this market continues to understand — and invest in — front-office applications to maximize efficiency, revenue, and profitability.

Small and medium-sized businesses do not quickly latch on to and deploy new technologies, but sales automation and CRM applications are becoming increasingly vital to this market sector.

To provide us with your feedback on this research, please go to www.aberdeen.com/feedback.

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Based on a comprehensive analytical framework, Aberdeen provides fresh insights into the future of computing and networking and the implications for users and the industry.

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