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# Customer Management Software:

*An alternative to CRM  
for small business*

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## Executive Summary

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Over the past decade, customer relationship management (CRM) has been increasingly utilized by businesses of all types, as a way to document and systematize the interactions between a company and its customers. Initial CRM adoption was concentrated in large enterprises, in efforts to improve customer service and identify opportunities. The benefits of CRM have been dramatic, despite relatively poor success rates in implementation. Over the past few years, small businesses have begun to utilize CRM software as well, with usage in small and medium-sized businesses growing at three times the rate of large enterprises. While CRM can provide benefits to small business when successfully implemented, much of the available CRM software is focused on large companies and is not ideally suited to the needs of small businesses. Recently, a number of CRM software variants referred to as customer management (CM) software have been developed, aiming to better serve small and medium-sized businesses. CM software contains the core elements of CRM software related to the documenting and tracking of customer interactions, without unnecessary features that drive up the cost, complexity, and implementation time of traditional CRM software. In this white paper, we discuss the benefits, important features, and deployment of customer management software in the setting of small business.

## The importance of customer service

# 63%

of companies are  
“extremely customer  
driven” vs. 48% two  
years ago<sup>1</sup>

The relationships between a company and its customers form the foundation upon which successful businesses are built. Fostering these relationships is particularly important for small businesses, who often distinguish themselves through customer relationships, and for whom customer retention is essential. While small businesses have always provided excellent customer service, large enterprises are increasingly dedicating resources to improve their customer relationships.

Towards these efforts, the concept of customer relationship management (CRM) has become increasingly emphasized as a way to organize, systematize, and document company-customer relationships. While CRM-tools have traditionally been utilized primarily by large corporations, use in small businesses is growing rapidly, at nearly three times the rate of the overall CRM market<sup>1</sup>, and accounting for over a third of all CRM licenses<sup>2</sup>.

CRM for large companies is focused on systematizing all aspects of employee interactions with customers, but the complexity and disruption associated with such programs can lead to large installation times and failure rates<sup>3</sup>. The primary advantages of CRM to small businesses come from improved cataloging and tracking of interactions with customers, while the more complicated features related to regularizing customer interactions are largely unnecessary. As a result, CRM variants referred to as customer management (CM) tools have recently been developed, enabling small businesses to realize many of the benefits of CRM without the disruption and adoption costs of enterprise-level CRM software.

## Customer relationship management

# 41%

increase in revenue  
per sales-person;  
27% in customer  
retention; and 300% in  
lead conversion rates  
when using CRM<sup>1</sup>

Customer relationship management refers to a set of widely adopted tools and procedures to help record, organize, and analyze all of the interactions that take place between a company and its customers. These interactions may be organized in any number of ways, such as according to the type of interaction (sales call, billing, customer support, etc) or the medium (email, phone, invoicing). By documenting all relevant details about such interactions, CRM software provides a complete record of the company-customer relationship. This record can be useful in a number of ways:

- » Improved retention of information from previous interactions
- » Easy transfer of customer information between employees
- » Tracking of multi-step interactions such as lead development or customer service requests

In addition to these core aspects, enterprise-scale CRM also includes tools for analyzing the data to optimize and regularize various aspects of company-customer relationships. For these aspects of CRM to be successful, all customer interactions must be carefully recorded and categorized. Furthermore, the process by which employees interact with customers must be controlled so as to effectively incorporate the analysis results. While implementing CRM at this level may require severe disruption of existing practices, the benefits of successful CRM programs are dramatic.

## Benefits of CRM software

As described above, customer relationship management software provides a mechanism for maintaining and utilizing a comprehensive and well-organized record of all interactions a company has had with each customer or account. This record can be used to improve many facets of a company.

### Benefits for customers

At its core, CRM software is designed to improve the experiences that a customer has when dealing with the company. The primary benefit is receiving a consistent experience when dealing with different people at the company. Because CRM software enables employees to see details of previous customer engagements, the customer will be dealing with a well-informed employee at all times, be they in sales, customer service, or technical support. Furthermore by maintaining better information about the customer, a company can better target mailings and avoid sending irrelevant information to its customers.

- » Consistent experience
- » Improved support
- » Relevant marketing

### Benefits for employees

CRM software also provides a number of advantages to company employees. The primary benefits arise from gains in organization and efficiency of information transfer. Having access to a customer's entire contact history can aid a sales representative in suggesting the right products, a customer service rep in understanding how best to engage with a customer, or a technical support specialist in providing help at an appropriate level of detail. Additionally, CRM software helps to regularize customer interactions, allowing employees to optimize their techniques. A common customer database also encourages and facilitates collaboration between employees working on different aspects of a single account. Finally, by providing tools to organize multi-step interactions, CRM software helps to organize and prioritize sales leads, customer service requests, and other common workflows.

- » Organization/efficiency
- » Improved sales
- » Consistent interactions

### Benefits for the company

In addition to the benefits realized through improved customer and employee relationships, CRM software provides advantages directly to companies that use it. By ensuring a consistent experience from all its employees and customers, company branding through superior customer service can be dramatically improved. Benchmark studies have also shown improvements in revenue per salesperson (41%), customer retention (27%), and lead conversion (300%) when implementing CRM systems<sup>1</sup>. CRM also dramatically improves information continuity when customers are transferred between employees, or when employees join or leave.

- » Consistent branding
- » Company efficiency
- » Information continuity
- » Growth preparation

Having a CRM system in place while a company is still small can be a crucial step to facilitating growth. For companies that distinguish themselves through customer service, maintaining that excellent service while scaling up is essential. By having a CRM system in place, a company can more easily handle larger numbers of employees and customers without major changes to its core strategy. Furthermore, implementing a full CRM solution is less disruptive the earlier it is put into place. Given that implementation and adoption costs are one of the main hurdles to larger businesses using a CRM solution, establishing CRM at an early stage can enable small companies to maintain their customer service performance, even after scaling up significantly.

## Problems with CRM for small business

# 47%

of CRM installations fail in the first year

The dramatic benefits to companies with successfully-implemented CRM have led to steady and rapid growth in the CRM market. Despite this increase, however, a surprisingly high number of companies fail to properly implement and utilize CRM. While the definition of success varies, studies have identified CRM failure rates ranging from 18-70%, including a 2009 Gartner group finding that 47% of CRM installations fail to meet expectations<sup>3</sup>. Furthermore, an estimated 42% of currently active CRM licenses are unused<sup>1</sup>, indicating that CRM software is often under-utilized even in cases where it has been adopted. The causes of CRM failure are varied, but the majority of problems arise from poor adoption or utilization including organizational change (29%), company inertia (22%), and poor understanding of CRM (20%)<sup>4</sup>. While the same study attributed only 2% of failures explicitly to “software problems,” such poor success rates reflect problems in the usability and complexity of CRM software.

# 42%

of active CRM licenses are unused

Despite these high failure rates, companies continue to adopt CRM software due to the huge benefits that can be realized even with sub-optimal utilization. In efforts to maintain their edge in customer service, small and medium-sized businesses have been adopting CRM at a particularly rapid pace, exhibiting nearly three times the growth rate of large enterprises. For most small businesses, however, traditional CRM software contains significant complexity that, while useful for large enterprise, may be unnecessary for small business applications. This complexity not only increases product costs, but is also largely responsible for the poor success rates of CRM related to adoption and understanding.

## Customer management software

# 71%

of CRM failures result from poor adoption or utilization

For most small businesses, the core elements of CRM may be sufficient to realize most, if not all, of the benefits of CRM. Recently, pared down CRM software specifically designed for use by small businesses and individuals, referred to as customer management (CM) software, has been increasingly popular as an alternative to full CRM software. CM software is a subset of CRM applications specifically focused on the documentation and organization of customer interactions, forgoing the advanced reporting and sales force automation of traditional CRM products.

CM software thus aims to provide many of the benefits of CRM with minimal disruption of existing customer service procedures. For small businesses and individuals, the capabilities of CM are largely meant to augment existing customer service procedures, rather than to replace them. For small businesses that distinguish themselves with excellent customer service, CM provides tools to enhance and maintain that level of service. The presence of a record of customer interactions can provide additional information for employees to take advantage of when dealing with customers, be they in sales, customer service, or technical support. Furthermore, most CM software provides basic reporting that enables the tracking of multi-step customer interactions and the monitoring of lead handling and other aspects of the sales pipeline.

## Important features of CM software

A huge number of options exist for customer management and CRM software, with similarly large feature lists to differentiate them. Despite this, the core functionality of CM software is generally conserved across different packages. For most small and medium-sized business applications, the vast majority of CM functionality is derived from these core elements and the important features should be weighted accordingly.

- » Ease of adoption
- » Information entry/retrieval

### Usability

Assuming a basic level of functionality, many of the primary considerations for a customer management software package relate to the usability of the software. The benefits of CM software increase dramatically when all employees utilize it, and when all relevant information is entered. While compliance with such practices may be enforced through additional training and employee monitoring, ensuring that CM software is intuitive and easy to use is likely a more successful strategy. Because the majority of interaction with CM software comes in the form of inputting and retrieving information about contacts, the ease of use for these tasks is of particular importance. The presence and usability of additional features such as advanced reporting and lead tracking, should also be considered, but is less important than usability of core features.

- » Multiple platforms
- » Mobile access
- » Information sharing

### Accessibility

Also among the key aspects of CM software is its accessibility across various locations and devices. The more options users have for quickly contributing and accessing information about customer contact, the more likely they are to do so. The CM software should be accessible from any location where employees may be interacting with customers. For most cases, this means that compatibility across operating systems, including mobile devices, is key. Furthermore, for shared setups in which multiple users have access to common customer information, database consistency, maintained through syncing or a hosted solution, is essential.

- » Data security
- » Database backups
- » Portability/exports

### Other considerations

While usability and accessibility cover the most important features of a customer management software package, additional factors are also relevant. Customer information is among the most sensitive information most companies keep, making data security of particular importance. Similarly, regular automated backups of the CM database, either stored locally or through a hosted solution, are essential to guard against information loss through system malfunction or user error. The ability to export customer information in a commonly usable format is also an important step to ensure data portability in the event that switching or upgrading software becomes necessary. For small businesses that may migrate to a full CRM system eventually, such data portability is essential.

## Choosing, implementing, and utilizing CM

- » SaaS vs. self-hosted
- » Ease of setup
- » Control of data/software

### Choosing

Most of the factors relevant to choosing customer management software are directly derived from the important features described above. One of the major remaining decisions when choosing customer management is between a “software as a service” (SaaS) option (also referred to as hosted or cloud software), and a self-hosted solution, in which the software is installed on a company-managed server. Stand-alone desktop installations are also available, but the limitations of these options with regards to accessibility are likely too great, even for small businesses and individuals.

The primary tradeoff between SaaS and self-hosted is one of ease of setup and maintenance vs. control over the software and data. SaaS options generally require minimal setup, and routine maintenance, such as backups and software upgrades, is often handled by the software provider. In contrast, self-hosted solutions may require significant initial investment for installation and configuration, and backups and upgrades may be the responsibility of the company. Self-hosted solutions do allow additional control over the data and software version being run that may be important for companies that are particularly security-conscious. For most small businesses, SaaS solutions are likely to be preferable in order to avoid the fixed costs associated with configuring and maintaining a server.

### Implementing

Most customer management software contains customization options either at the user level or at an administrative level. For most business applications, a consistent configuration with minimal user manipulation is preferred. While the type of customization varies between products, most provide the ability to control the ways in which information is categorized and reported. Tailoring these categories to the specifics of a company’s business can be an important aspect of easing employee adoption and use.

When configuring a customer management product, it may be tempting to include support for as many specific use-cases as one can imagine. While building in complexity up front may avoid future retraining, it is also likely to impede adoption both for the initial training, and when training new employees. Furthermore, removing unnecessary options at a later time is invariably more difficult than adding needed options. As such, when customizing customer management software, a minimal setup to achieve good functionality is preferred.

### Utilizing

As described in previous sections, customer management software can provide significant benefits, but their realization is reliant upon consistent and appropriate use. Of primary importance is ensuring that all relevant interactions between any member of the company and any potential or existing customer is documented and categorized. All employees who deal with customers should be encouraged and trained to use the CM software in a consistent manner. Of particular importance is to avoid alternative mechanisms for storing information (such as personal notes, email, or memory), and to correctly categorize interactions that are of interest to the company as a whole (such as customer service requests, or lead tracking). Furthermore, employees should be encouraged to access a customer’s record prior to and during future interactions, so as to better utilize the information in the CM database.

- » Start simple
- » Add options as needed
- » Poll for feedback

- » Document everything
- » Categorize when possible
- » Avoid post-its/notes/etc
- » Use customer histories

## Conclusions

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Customer relationship management software can have a dramatic impact on company-wide customer service at companies of all sizes. For large enterprises, complex software and procedures may be needed to regularize and optimize customer-employee interactions. While these complexities can result in poor adoption and failure rates, they are often a necessary evil for large companies to fully realize the benefits of CRM. For small businesses and individuals who already exhibit excellent customer service, customer management software provides an alternative to CRM that is easier to adopt and less disruptive to existing systems. Instead, customer management software augments the skills of all employees at a small business with tools to record, categorize, and retrieve information about all interactions a customer has had with any employee at the company. In so doing customer management software provides small business and individuals a mechanism for improving and maintaining superior customer service, even as the company grows.

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<sup>1</sup> [www.smallbizcrm.com/crm-market-statistics.html](http://www.smallbizcrm.com/crm-market-statistics.html)

<sup>2</sup> [www.crmforecast.com/crmresearch.htm](http://www.crmforecast.com/crmresearch.htm)

<sup>3</sup> [www.zdnet.com/blog/projectfailures/crm-failure-rates-2001-2009/4967](http://www.zdnet.com/blog/projectfailures/crm-failure-rates-2001-2009/4967)

<sup>4</sup> [www.mycustomer.com/lib/1365](http://www.mycustomer.com/lib/1365)