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Life after CRM!

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Introduction

Customer Relationship Management (CRM) emerged onto the enterprise software market at the end of the 1980s and currently enjoys a global market size of

$11 billion growing at 8.9% p.a. [GARTNER]

Yet salesmen everywhere seem to hate it and adoption rates average a wretched 42%. [GARTNER]

Over the 20 years of its existence it has increased in functionality, changed in emphasis and today sometimes even tries to deny that it is CRM! Currently it can encompass Sales Force Automation (SFA), Marketing Automation, Territory Management, Call Centre Management etc. etc.

Top business managers still believe their sales teams are (at best) mediocre and that sales are slipping through the cracks.

Gartner (the world's leading IT research organisation) annually conducts a survey of c.1,600 CIOs across 27 industries and 41 countries. In February 2009 they reported that CIOs ranked CRM as their #5 business priority in 2009 because **"acquiring, developing and retaining customers are timeless goals"**.

Less than 12 months later in January 2010 CRM is nowhere to be seen amongst CIOs top 10 most important technology focuses. Dave Aron (VP Gartner) explains **"CIOs are saying that there are other ways to drive growth... and wallet share. They don't believe CRM is the key anymore."**

Brian Hawkes (CEO of Foresite SPA) who has been developing bespoke systems for aggressor companies since 1992 agrees. **"Our solutions are based around business drivers and the sales value chain. In our experience relationship management has never ranked amongst the drivers that make the biggest contribution to sales growth."**

This might explain why in 2010 Gartner have identified that business process improvement is the #1 priority of CIOs and why they are taking a more strategic approach.

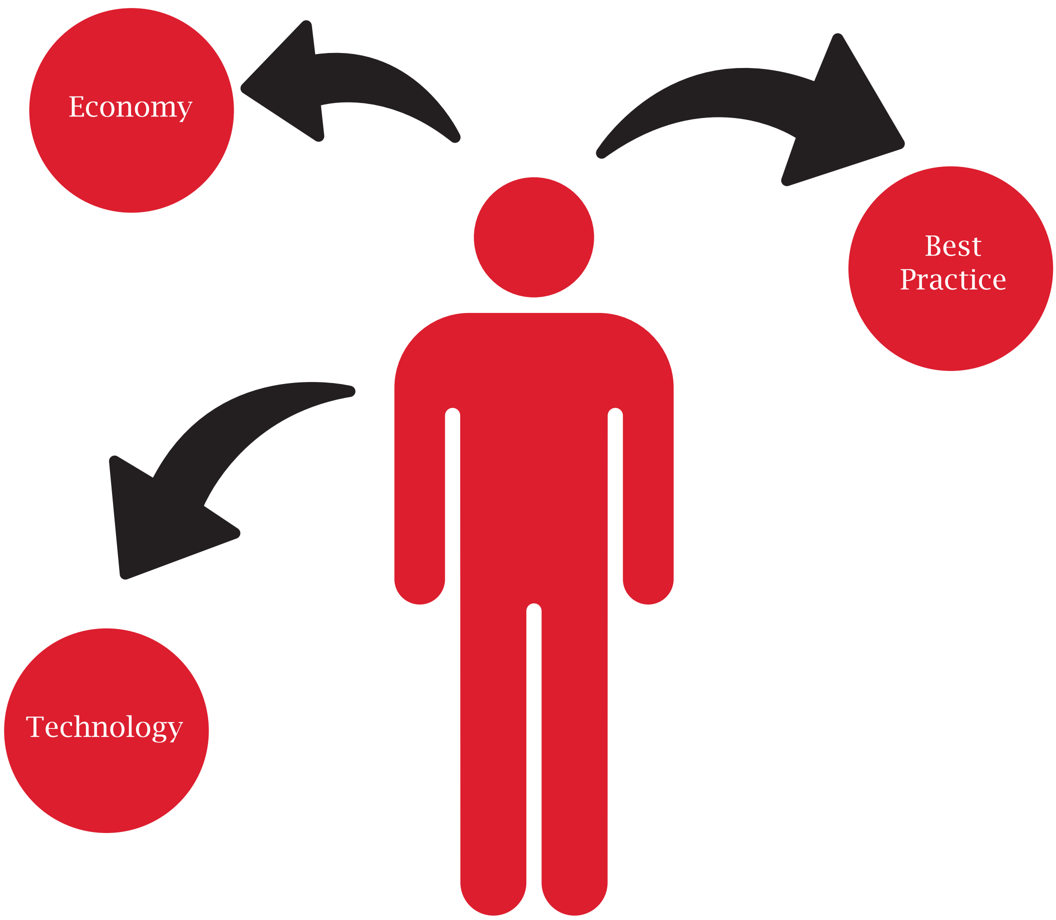
What has suddenly changed?

The truth is that our business environment and the way that we conduct business have been changing continuously and dramatically over the last 20 years.

The recent recession has clearly had an impact on demand, but it is the pending recovery that seems to be the catalyst for the recent recognition of the significant opportunities available in a tough business environment. The need to be tooled with the best technology and management practices is seen as paramount.

Technology has also advanced beyond all recognition, from the days of DBMS (Database Marketing Systems) in the 1980s to the emergence today of SaaS (Software as a Service) and Cloud Computing which drive ROI and make leading technology available at entry-level prices.

Andrew Bartels (Forrester's research VP and principle analyst) proclaims "The technology downturn of 2008 and 2009 is unofficially over. All the pieces are in place for a 2010 tech spending rebound."



"The technology downturn of 2008 and 2009 is unofficially over. All the pieces are in place for a 2010 tech spending rebound."

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10 Developments which have markedly changed the UK business environment in the last 2 decades...

1 Unification of East and West Germany
(1989)

2 European Exchange Rate Mechanism
(UK 1990 – 1992)

3 Privatisation of UK state-owned industries
(1990/1991)

4 Opening of the Single European Market
(1992)

5 Emergence of the Asian markets
(1994)

6 Start of full competition between privatised companies
(1998)

7 European Union entry opened to Eastern bloc countries
(2004)

8 Investment culture, market consolidation,
M&A and private equity

9 16 years continuous economic growth
(UK 1992 – 2007)

10 UK becomes the most globalised economy in the world

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Our business environment

The evidence of change is reflected in the key economic data for that period. For business it points to an increasingly challenging environment.

	1990	2009
GDP	£561 BILLION	£1,411 BILLION
GDP GROWTH %	+8.4%	-1.9%
INFLATION (RPI)	9.5%	0.3%
PSBR	£154 BILLION (27% OF GDP)	£1,015 BILLION (72% OF GDP)
INTEREST RATES	15%	0.5%

SOURCE: UK PUBLIC SPENDING 2010 AND NATIONAL STATISTICS OFFICE (NSO)

Of particular significance for CRM products are the GDP and GDP growth figures. Gartner reported in July 2006 that spend on CRM software is strongest in countries with a high GDP and low GDP growth indicating mature, sophisticated markets with strong competition (compared to emerging markets e.g. India which have low GDP and very high GDP growth).

On this basis the table above clearly illustrates a dramatic change in the UK market dynamics towards a significantly more competitive environment, to such a large extent that the resultant business issues are strategic and beyond the scope of CRM or SFA.

The dramatically increased PSBR relative to the size of the economy as measured by GDP is indicative of tough fiscal adjustments ahead which will further challenge every business.

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What can we expect going forward?

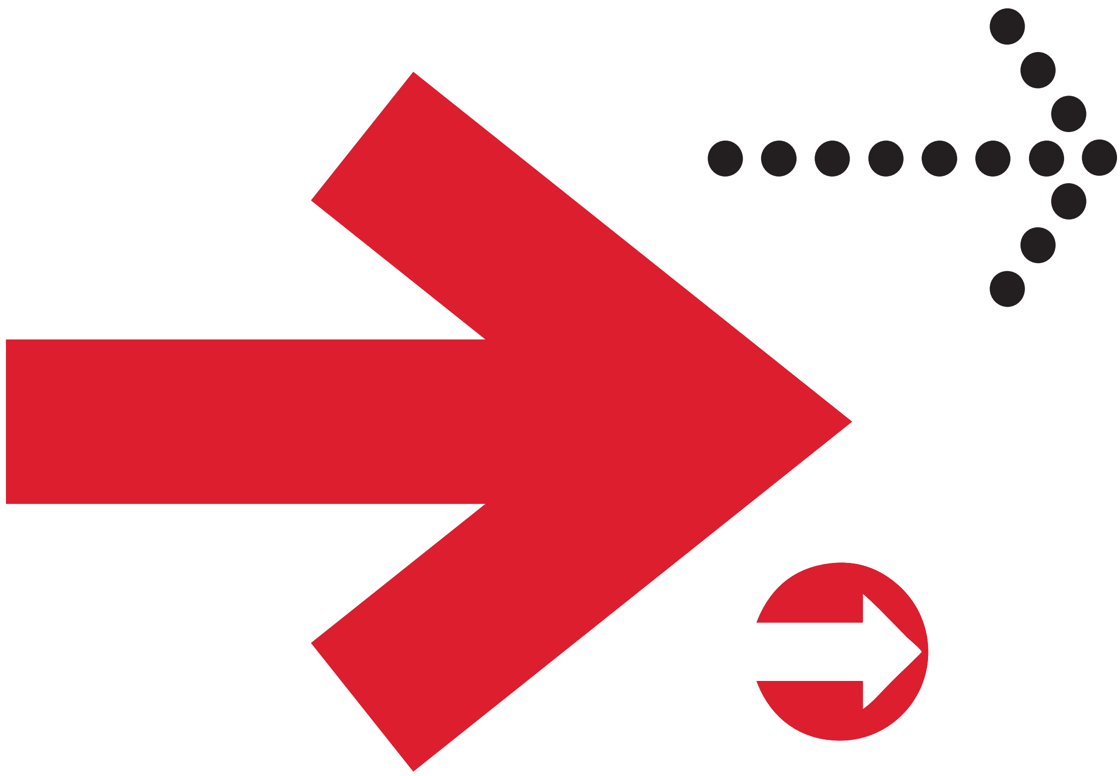
The future is always uncertain, but today there are 4 things of which we can be absolutely sure:

1. There will be a recovery – and competition will be even fiercer. It's as if a safety car has been out on the race track for a couple of years – the order of the competitors may still be the same, but they're now bunched closer together. There has never been a better opportunity to leapfrog market position. Previous economic cycles suggest that growth rates are double the average in the first quarter of expansion, so businesses should be preparing themselves now!

2. Investors will look to senior management to deliver shareholder value. Gone are the days of buy at 9 times multiple, restructure and sell at 13 times multiple. Never to return again. Strong management and cash are once again king – Hallelujah!

3. To survive, businesses must pay close attention to their ROCE (return on capital employed) value chain, to which the biggest single contributor is sales. Consequently the business drivers and process steps in the sales value chain will be strategically important.

4. PSBR must come down and interest rates must go up. Funding will be scarcer and the cost of servicing debt will be higher in an expanding market. Investors now demand transparency of the sales pipeline and confidence in the value chain that delivers it.



“Previous economic cycles suggest that growth rates are double the average in the first quarter of expansion, so businesses should be preparing themselves now!”

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What are investors demanding?

Top management has always leant on sales forces to deliver sales growth, often setting naively hopeful targets which they then blame the sales force for missing. Automate relationship management with SFA or CRM, and guess what – we're still not satisfied!

Today's investors expect senior executives to have a solid command of 3 business-critical bridgeheads when it comes to sales:

1. Business drivers - there are many sales drivers in an organisation of which relationship management is just one; and it is by no means the biggest. It is however the one that sales force does best and has exclusivity over. It seems somewhat naive therefore that we seek to optimise this (above all others) with stand-alone applications. A control of all the drivers that impact sales is needed to truly make a difference.

2. Sales inputs – understanding the relative contribution of the various sales inputs is key to ensuring sales deliverables are achieved and the process steps within the sales value chain are optimised.

3. Sales impacts – insight to the causes and competitors underlying lead attrition and sales churn ensure that drivers and inputs are managed to maximum effect. When combined with sales gap and sales performance metrics, replenishment requirements can be identified in advance so that target delivery is never jeopardised.

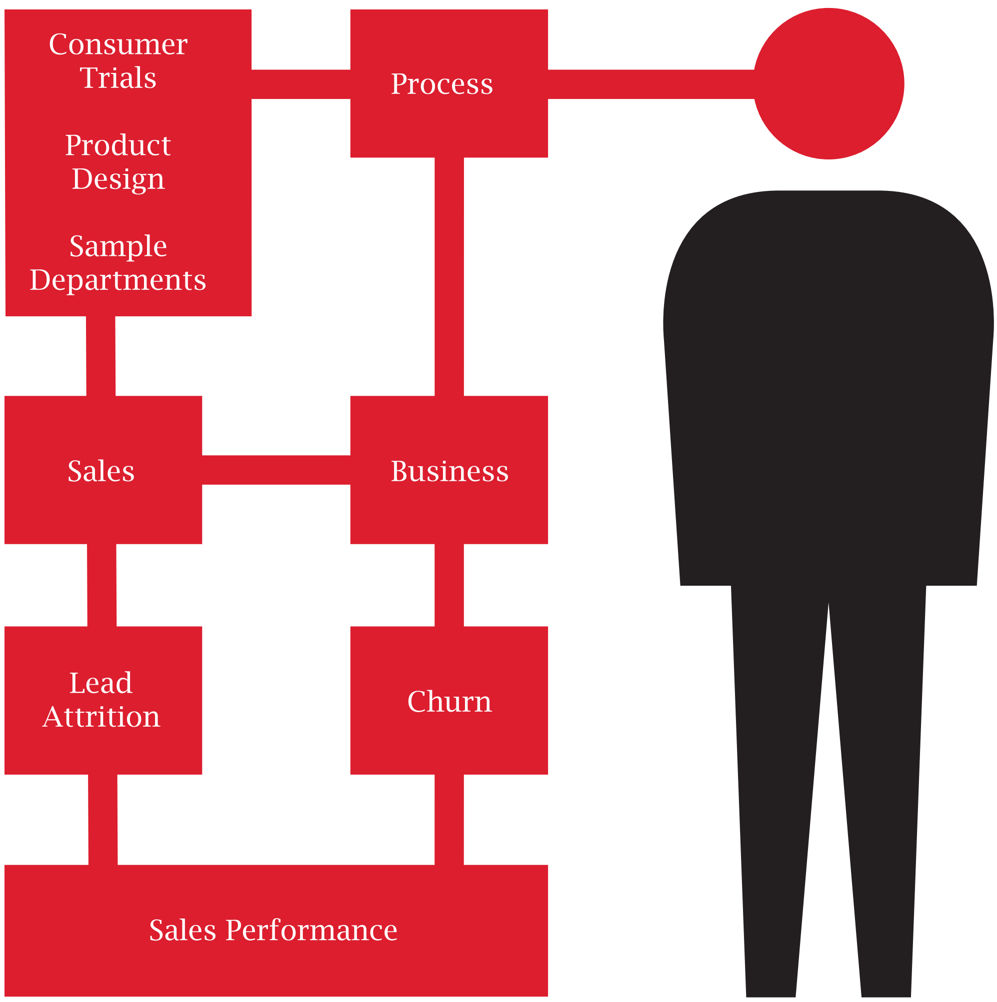
Once a company has acquired control of these strategic and business-critical factors it can truly determine its sales direction; and can then afford to spend more time on fine tuning things such as relationship management!

Make Sales Awareness a Business-wide Issue

20 years ago many sales people were responsible for all stages of the sales process from lead generation to conversion.

Statistically they spent just 36 hours per year actually transacting business with customers i.e. taking orders. Today we understand the need to maximise the transaction time of sales people. This means placing responsibility for the sales value chain steps to the business functions that perform the processes best, whether it be tendering, product design, sample departments, consumer trials etc.

All have a significant impact on sales performance, and failure in any one would result in lead attrition or sales churn – a very significant impact to overall sales. And yet none of them are under the direct jurisdiction of a sales force.



“Today we understand the need to maximise the transaction time of sales people.”

“Companies need an ultimate business metric – a single figure which encapsulates every aspect of sales performance and growth capacity. ”

What is the quick win?

What delivers the biggest and fastest impact on sales and return on investment? To know this requires a good command and control of the sales value chain and measurable visibility of the impact that inputs, drivers and impairments are having on sales conversion, churn and lead attrition.

This probably accounts for 90% of a company's business activity, and yet it is never reported in the financial statements or management reports. It is indicative of how well a business is managed and the key to taking corrective steps to improve return on investment in a very real way.

Companies need an ultimate business metric – a single figure which encapsulates every aspect of sales performance and growth capacity. Arguably a measure of how well a business is run, it is a performance target, benchmark and measure of business worth.

Valuable as an internal performance metric, its real power is as an external comparative like Dun & Bradstreet's Duns Number. Foresite SPA call this metric the G-Index and claim that it is the most important non-financial metric that companies never report. For their clients it is the key to understanding the relative value of sales inputs and is as important a performance target as ROI.

What's next? - CRM in perspective

Over the last 2 years we have seen a steady but accelerating disillusionment with CRM, and recognition of the need for a more strategic solution – one that so far seems not to have been defined or named - or has it?

Aggressor companies have been perfecting it for years. This is why they are so difficult to emulate or compete with – they're not playing the same game as you! Enter the exciting new software genre known as Sales Performance Applications (SPA).

Sales aggressors have been investing in bespoke systems of their own for at least the last decade. This is partly a result of the high investor focus these businesses have and the certainty that is required from sales. These companies typically deliver compound organic growth rates of c.30% (or four times market growth rate) and maybe have an acquisition program running in parallel as well. They seldom miss a sales target, and when they do everybody in the organisation gets to hear about it!

Sales Performance Applications (SPA) are the reason that such companies can have confidence in their sales figures, because it provides them with clarity and confidence in:

- **Sales pipeline and conversion performance**
- **The performance and relative contribution of every sales input**
- **The impact of sales drivers and impairments**
- **The causes of lead attrition and sales churn, and...**
- **The impact of competitors**

NOW THAT'S SALES MANAGEMENT!

Brian Hawkes is founder and CEO of Fortek LTD, a company that specialises in performance turnaround and rapid growth of international and private equity partnered businesses. Fortek recognised the need for a pragmatic approach to sales value chain realisation back in 1989. Key to success with aggressive growth organisation were the techniques and systems developed with them to maximise process and sales input performance at every stage of the sales value chain and control of the internal and external drivers that impact it. Foresite spa is the product of fortek's continuing developments with these leading growth organisations.

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