

# Five concerns you must consider, before buying Customer Relationship Management (CRM) software



If you in business, then one of two situations are true:

- 1) You have a list of contacts, which form the foundation of your business
- 2) You do not have a list of contacts, which means you are going out of business

www.jasonwisdom.com

1.212.706.3071 P

1.212.706.3072 F

Hopefully, you are in the first category! And, as your list of contacts grows, you will need a way to organize and manage them.

Many people turn to a CRM software system, such as Act! or Salesforce.com. The expectation is that the CRM system will simplify things. Unfortunately, unless it is set up properly, the exact opposite will occur. Learning a new CRM system is like learning how to play a new sport. While one article cannot identify all of the complications that arise during the adoption of a new technology, this article will get you thinking about the high level, forest for the trees perspective of what to expect.

## 1. Software installations are complicated

Will your CRM system be compatible with Outlook? Will you be able to easily export event signups to a spreadsheet? If network security is important, will the CRM system get blocked by your security setup? Will you need to integrate your CRM system with the company's website, to allow new product orders to be entered into your list?

Any new piece of software must be able to work with all of the existing software installations. They do not just happen; all existing software must be reviewed for impact. Every last detail must be given attention, and well tested before you can even hope the new CRM system will work the way it's supposed to work.

Lastly, don't rush the implementation. Allow **30 days minimum**, for a small CRM system to be ready for use. For an enterprise scale system, ramp-up time is **usually six to twelve months**. If you rush the implementation, you are likely to sabotage your company's ability to deliver products and services. The Internet is flush with CRM implementation horror stories.

## 2. Hidden expenses are complicated

Be aware of the total cost.

Most people think software either costs a one-time purchase fee, or a subscription-based, monthly or annual fee. \$50 per user per month, may seem expensive, but if it handles everything, that's not too bad. Except, that is the cost you **do** see. But what about the costs you **don't** see?

Consider these hidden IT costs—*estimated*:

Cost item	Description	Cost estimate
<b>Migration of existing data</b>	Requires a database administrator or data analyst	<b>\$2,000-\$10,000</b>
<b>Customized interface</b>	Requires a graphic designer and/or programmer	<b>\$2,000-\$20,000</b>
<b>Customized fields</b>	Requires a data modeler and database programmer	<b>\$4,000-\$40,000</b>
<b>Customized reports</b>	Requires a designer and database programmer	<b>\$4,000-\$40,000</b>
<b>Integration with company</b>	Requires a project manager & perhaps the whole IT department	<b>\$5,000-\$500,000</b>
<b>Post-implementation</b>	Hiring extra staff to maintain CRM, service agreements, etc.	<b>\$50,000 &amp; up</b>

Those are the hidden up-front charges. But there's another set of charges. How much business will you be losing by focusing X number of months on the implementation? How much business will you lose if the CRM system doesn't work right?

Consider these hidden opportunity costs—*estimated*:

Cost item	Description	Small to mid size	Mid to large size
<b>Lost productivity</b>	Staff efforts that could be doing something else besides CRM	<b>\$10,000 &amp; up</b>	<b>\$100,000 &amp; up</b>
<b>Lost business</b>	From "kinks" that occur after the CRM is put in use	<b>\$100,000 &amp; up</b>	<b>\$1 million &amp; up</b>
<b>Lost opportunity</b>	From poor installations that bring the company to its knees	<b>\$1 million &amp; up</b>	<b>\$10 million &amp; up</b>
<b>Intangibles</b>	Negative brand perception, slower time to market, low morale	<b>Priceless</b>	<b>Priceless</b>

As you can see, a CRM system can cost far more than \$50 per user per month.



Do these cost estimates seem high? In 2002, Lexmark printers abandoned a CRM project and announced a \$15 million charge. Carsdirect.com estimated its CRM system caused a \$50 million charge. CIGNA health services spent over \$1 billion to upgrade their infrastructure, implement CRM and lose 6% of their market share. Hershey candies spent over \$100 million on a large-scale CRM system, to announce a loss of sales of \$100 million due to the complications in this new system. Nike spent \$400 million, to take a \$100 million drop in sales. These are very large examples, but they do show how costs can spiral when things can get out of hand.

### 3. CRM features are complicated

Different CRM systems do different things. Some manage email newsletter distribution, some don't. Some offer security options so a disgruntled salesperson doesn't run off with your entire list of contacts, some don't. Some require a full-time staff or external service agreement, some don't.

Different CRM systems have different layouts. Some systems have reports that you love, while another won't. Some features will be incredibly complicated on one, and incredibly easy on another. Your IT administrators may absolutely love one, and absolutely loathe another.

The last point here is that even web-based CRM systems will need to integrate into the rest of your environment! Don't expect it to automatically "work."

### 4. Breaking up is complicated

If you want to leave one CRM system behind and start using another, you will find it's not easy to just make the switch. This is one way CRM companies stay in business: by keeping your information in their own, encrypted, impossible-to-export format.

You will usually need to either download an outside application to do the transfer, which costs time, money and the learning curve of using yet another new technology. Or, you can pay an outside consulting agency to do the transfer—the cost of this adds up fast.

My advice is that if you are going to use a CRM system, do extensive research up front, even if it means delaying your much-needed CRM implementation. You will save yourself the pain of switching to a better system, 12 months later.

### 5. Relationships are complicated!

Having a CRM system does not mean you can be lazy about maintaining contact with customers, prospects and connections. If anything, **more** work on your part will be required with a CRM system, than without one.

The number one mistake I see business executives make, when it comes to technology, is they expect a fancy piece of software to "just do everything." In other words, customer relationships will take care of themselves because \$x,xxx.xx was spent.

The reality is that a CRM system represents **one** piece of your communication pipeline. You will still need to reach out to people on a regular basis, come up with ways to monetize your customer list, create intellectual property on a regular basis to keep them engaged, and tend to your base and periphery of contacts the same way you would if you had a Rolodex, pen and paper.

The other concept to remember has already been alluded to, earlier in the article. If you are mid to large size company, then expect to hire more IT staff after installing your CRM system. Having an extra software system means there's more to manage. Think of it as adding a high maintenance relationship into your life.

### The last word

Despite all of the above mentioned warnings and dangers, CRM systems are not a bad thing. The benefit of a CRM system is it helps you to **scale** your business: Track and reach out to a greater volume of people, in a systemized way. If you have 1,000 contacts, it is conceivable that you can use Outlook and Excel to keep up. If you have 100,000 contacts, this is no longer possible.

As with car repairs, you have to know what to expect in advance, otherwise you could be in for quite a shock—hence the purpose of this article.

As with all technologies, a CRM system is a tool. It is a very complicated tool, but a tool nonetheless. Used poorly, it **will** make your business administration a sitting nightmare. Used properly, it can greatly simplify, and help grow, your business.