



CSO Executive White Paper Series

2004 Sales Effectiveness Insights Study – CRM Vendor Analysis Addendum

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FOREWORD

In the following Introduction we explain both the original sales effectiveness study in which over 1300 companies participated and also the genesis of this CRM Vendor Analysis. Each year, and this is our tenth, we are surprised that as more data and insights become available, more are wanted. Client/reader inquiries suggest new questions for us to ask in subsequent surveys, leading to more insights, more inquiries, etc. It becomes a self-stoking cycle that keeps us busy and allows us to provide *customer data* rather than *consultant opinions*.

It is also a perspective that suits us well as we have the chance to interview many hundreds of companies each year, to hear their stories and catalog their sales effectiveness experiences—and results (successes and failures). All of which brings us to this CRM Vendor Analysis Addendum.

It is no secret that business has gotten tougher the past few years following what Alan Greenspan characterized as the “irrationally exuberant” ‘90s and dot.com bubble times. In these less exuberant and more sober times, companies have been quick to scrutinize additional technology purchases and governing boards have repeatedly asked, “What are we getting for our money?”

The Customer Relationship Management (CRM) space has felt this change acutely and, it turns out, for good reason. In our global sales effectiveness study one question asked was “What results have your CRM’s implementation efforts generated to date?” While a quarter (25.7%) of companies that had implemented CRM had achieved significant improvements in performance, 17.8% reported no measurable improvement and just under 12% didn’t know what the impact had been (a scary number that begs even more questions!). Between these “haves” and “have nots” were the 44.8% of organizations that reported achieving only *minor improvements*.

Delving deeper revealed that the three tiers of CRM applications (defined in the following section) had very different results with Tier 2 being the top performers in most areas. In three key areas, **SalesLogix CRM from Best Software** was a top performer: 1) Customer Satisfaction, 2) Likelihood to buy again and 3) Impact on Company Performance.

This is a powerful triumvirate with 83.7% of SalesLogix customers reporting being Very Satisfied or Satisfied with their implementation which is fully 33% better than the average combined satisfaction rating (63%).

Taken alone, satisfaction ratings can be somewhat misleading—some companies may be reluctant to report or act upon their own buyer’s remorse. However, when combined with very strong showings in the areas of likely repeat purchases and significant performance impact, SalesLogix stands out as the strongest player in the strongest tier.

We hope that you will find this addendum useful as you explore the CRM landscape and hope that you will be one of the firms reporting high ratings in our 2005 Sales Effectiveness Insights -- State of the Marketplace Review!

- Jim Dickie & Barry Trailer

INTRODUCTION

This year, in cooperation with CRMGuru.com, and with additional support from *Selling Power* Magazine and SearchCRM.com, CSO Insights conducted its 10th annual sales effectiveness insights research project. Through this initiative we solicited input from professionals directly involved in the management of their organization's sales force. These individuals provided assessments of how well their sales teams were performing across 83 different metrics and where they saw the need for improvement over the next 12 months. In total, we had 1,867 professionals offer to take part in this study, of which 1,535 participants ultimately qualified. Of these, 1,337 completed the full survey.

In addition to assessing the challenges sales organizations are facing today, we also surveyed these firms on how they were successfully (and unsuccessfully) leveraging people, process, knowledge, and technology to deal with these issues. The analysis we included in the *Sales Effectiveness Insights – 2004 State of the Marketplace Review* report compared the consolidated feedback we received on more than 100 vendors from which these organizations purchased technologies.

In the main report, we noted 72 percent of the companies surveyed had formally evaluated Customer Relationship Management (CRM) technologies as a potential solution to their sales effectiveness challenges. Of these organizations, 55 percent ultimately implemented a commercially available application, while an additional 19 percent implemented an internally developed system.

Of the sales organizations that implemented a commercial CRM package, 499 gave us details on their purchasing preferences, vendor satisfaction ratings, attitudes toward doing repeat business with or recommending their vendor(s), an assessment of the results they were achieving through the use of these applications, an overview of the top challenges they faced implementing these systems, and, finally, an overview of the areas of the project where they would have liked to have received additional help.

The input received from our clients indicated that, while the data summaries were helpful, they would be more insightful if we could further distill the vendor feedback. This addendum is in response to that request.

In the following pages, we provide additional insights into the marketplace's use of CRM systems, their impressions of the vendors they work with, and more detail on the challenges they are encountering. We also look at areas where parameters such as the size of the sales force and the type of CRM system implemented produced different types of responses.

Our comments are based on an analysis of the 499 responses we received from firms who had purchased CRM applications. While this is a reasonable sample size, it does pose problems making distinct observations across the wide array of vendors with whom these sales organizations chose to do business.

Therefore, in order to have meaningful sample sizes for assessing user feedback, as opposed to comparing individual vendors, we have categorized vendors into tiers of CRM systems. Tier 1 includes Clarify, Oracle, PeopleSoft, SAP, and Siebel. Tier 2 includes NetCRM, Onyx, Pivotal, SalesLogix, and SuperOffice. Tier 3 includes ACT!, GoldMine, Microsoft CRM, OnContact, Salesforce.com, SalesNet, and Upshot.

For those wanting more details on individual CRM system evaluations, we recommend you review Dick Lee's study, *The State of CRM Software 2003 – 2004*, available at www.crmguru.com.

It should be noted that the responses were gathered from sales professionals and not IT professionals. Therefore, the views represented are from the perspective of the user community versus technologists.

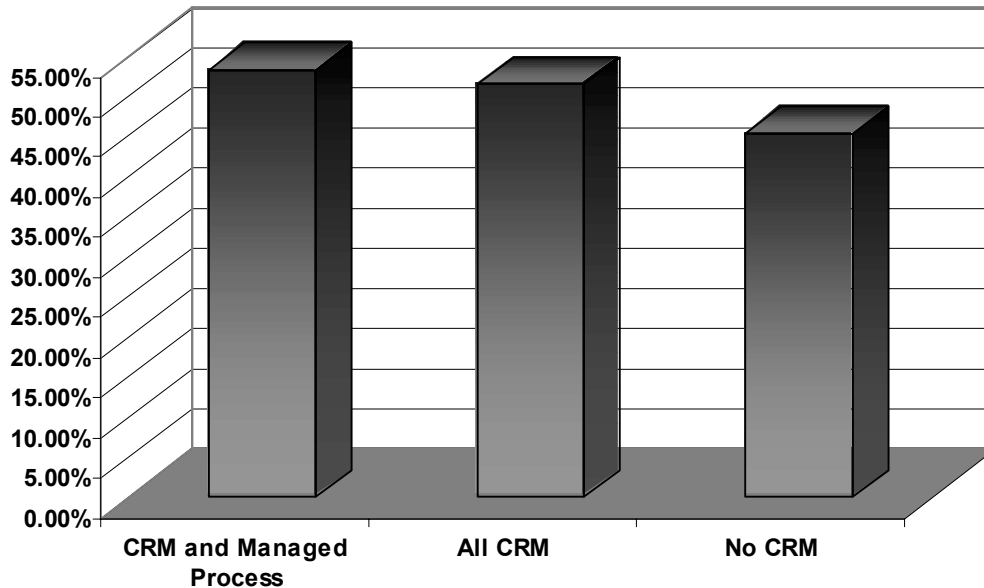
The insights presented have broad applicability, but even so, we encourage you to use this information only as the basis for brainstorming how to deal with the challenges your organization faces. Everyone can benefit from understanding what strategies and tactics others are using, but in the end, you must implement solutions that fit your specific business needs and not those of other firms.

If you have comments or questions on the following material, please contact Jim Dickie, Partner, CSO Insights, (303) 530 6930, e-mail: jim.dickie@csoinsights.com or Barry Trailer, Partner, CSO Insights, (415) 383 3484, email: barry.trailer@csoinsights.com.

***2004 Sales Effectiveness Insights Study –
CRM Vendor Analysis Addendum***

What percentage of your sales force achieves quota?

Percentage of Sales Reps Achieving Quota



Key Findings

- ❖ Quota attainment rates are higher for companies using CRM systems than those who do not.
- ❖ Quota attainment rates are higher still when firms use CRM along with a structured sales process.
- ❖ These findings are consistent with past studies.

Observations

Since investing in and maintaining CRM systems can involve a significant investment, several clients asked for commentary on the impact CRM has had on sales performance. As one executive put it; “Is the size of the prize worth the expense?”

In the above chart we compared three different scenarios. First, we looked at companies that did not utilize CRM at all. These firms reported that 45.3% of their salespeople made quota.

Next, we reviewed the input from companies that had CRM systems installed. These organizations reported an overall quota attainment rate of 51.5%.

Finally, we ran the numbers for organizations with both a CRM system in place and a structured sales process that they actively managed. These study participants reported 53.3% of their salespeople made quota.

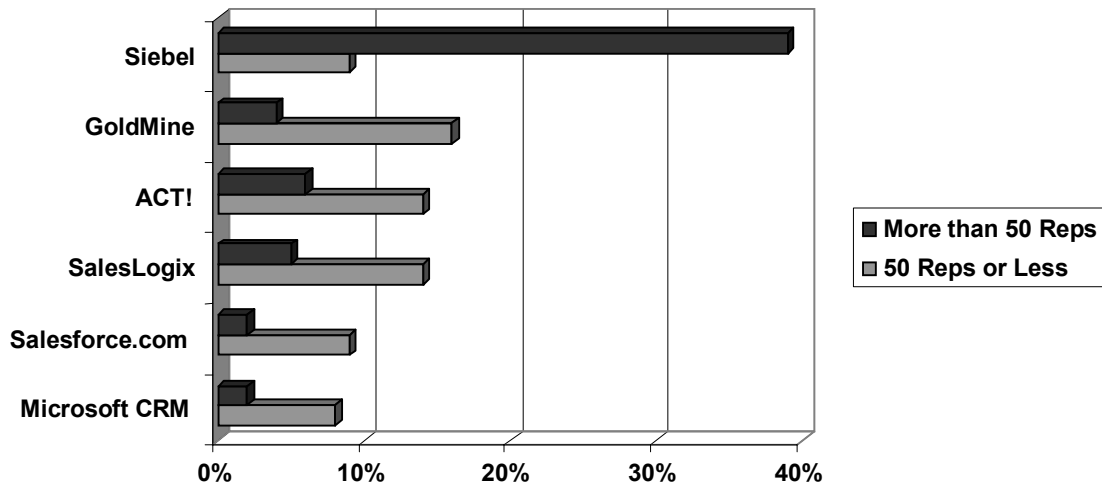
Looking further at firms that implemented CRM systems, several other performance factors were noticeably higher as compared to the organizations that had not implemented these sales support systems. The percentage of presentations that ultimately closed was higher as was the percentage of proposals that ultimately closed.

In addition, these companies reported higher ratings in terms of forecast accuracy, ability to process orders, ability to easily access product and account information, and their ability to communicate across the company.

If all other factors are equal, these findings would tend to support CRM solution providers' claims that technology can have a meaningful impact on sales performance--but as we will see later, that impact can vary widely from firm to firm.

Notes:

CRM Vendor Packages - 25+ Purchases



Key Findings

- ❖ Firms taking part in the study reported buying applications from a large number of different CRM vendors.
- ❖ The purchasing preferences shift significantly as the size of the sales force increases.
- ❖ Siebel has the dominant share of the large enterprise market.
- ❖ Several vendors are vying for the SME and individual rep market space.

Observations

Three trends emerged when we compared the list of vendors from which firms reported purchasing CRM systems in this most recent study to the past years. First, a noticeable number of CRM vendors that were part of the landscape in 2000 have experienced significant market share erosion or disappeared from the marketplace landscape.

Second, a noticeable number of new CRM players have popped onto the CRM radar screen. In looking more deeply at these firms, we found a number of emerging players gaining traction by focusing on delivering CRM applications tailored to specific vertical sales force types such as medical device firms, sports teams, industrial distributors, etc. or specific sales challenges such as lead generation, best practices contract renewal, etc.

Third, based on the input from the 499 firms that gave details on their technology purchases, most of the deals are going to a few vendors.

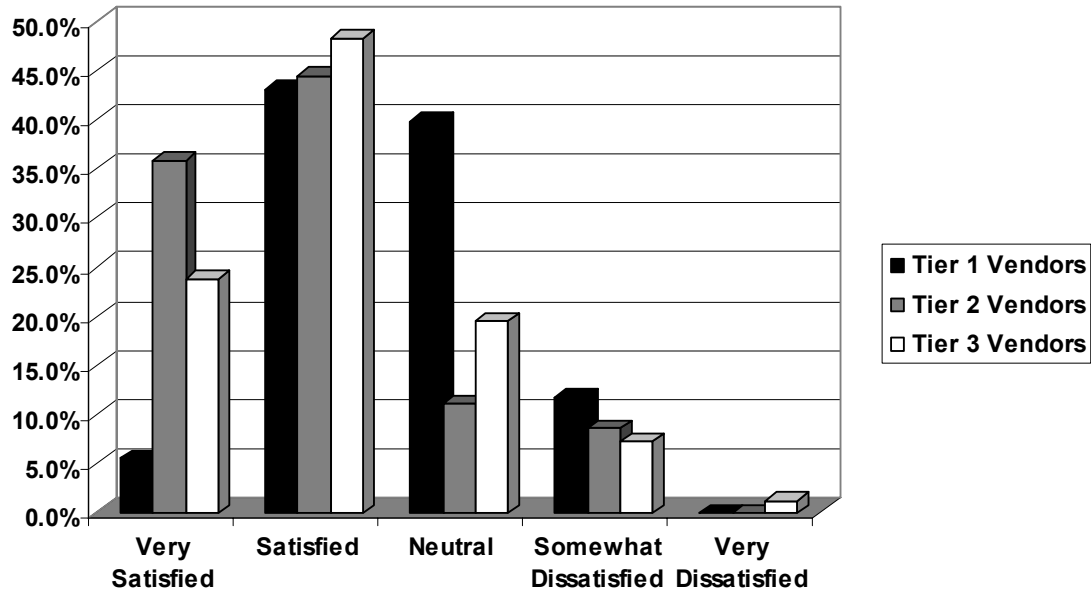
For the above chart, we limited the firms shown to those who had 25 or more mentions from the study participants as an installed vendor. When using this cut-off number, we find that six vendors seem to be generating the majority of sales and buyer purchasing patterns shift dramatically based on the size of the sales force.

In the study we categorized sales forces by the following sizes; 50 or less reps, 51 – 250 reps, 251 – 750 reps, >750 reps. In the individual sales rep/small-to-medium size enterprise marketplace, several players are fighting for dominance. GoldMine, ACT!, SalesLogix, Salesforce.com, Microsoft CRM, and Siebel account for 70% of the applications purchased by the participants in the study. (Note: Both ACT! and SalesLogix are products of Best Software.)

As the size of the sales force exceeds 50, the buying trend shifts over to the large enterprise class CRM applications, with Siebel garnering the position of lead vendor in this marketplace.

Notes:

Vendor Satisfaction Ratings



Key Findings

- ❖ Tier 2 and Tier 3 vendors have a higher percentage of satisfied customers.
- ❖ Customers who are totally dissatisfied with their vendors are almost nonexistent.
- ❖ Satisfaction ratings are often tied to the state of the CRM initiative.

Observations

Remembering back to the first study conducted in 1994 on user ratings for what was then “sales force automation systems,” the combined numbers of the “somewhat dissatisfied” and “very dissatisfied” customers were close to 50%.

Today’s ratings reflect the significant improvements that have been made in these technology tools. They are more stable, extensible, and secure than ever before. And, more importantly to users, they offer more capabilities needed by sales reps in order to be effective.

Again, for purposes of having meaningful sample sizes for comparisons, we combined vendors into categories. Tier 1 includes Clarify, Oracle, PeopleSoft, SAP, and Siebel. Tier 2 includes NetCRM, Onyx, Pivotal, SalesLogix, and SuperOffice. Tier 3 includes ACT!, GoldMine, Microsoft CRM, OnContact, Salesforce.com, SalesNet, and Upshot.

Looking at the marketplace this way, we see that Tier 2 and Tier 3 have a notable number of satisfied customers. In looking at individual comments the study participants made, a major trend contributing to that satisfaction level is that these types of systems were generally seen as easy to get up and running.

When companies did have negative comments about these systems, they were often related to user acceptance, training quality, or specific implementation issues rather than the quality of the software itself.

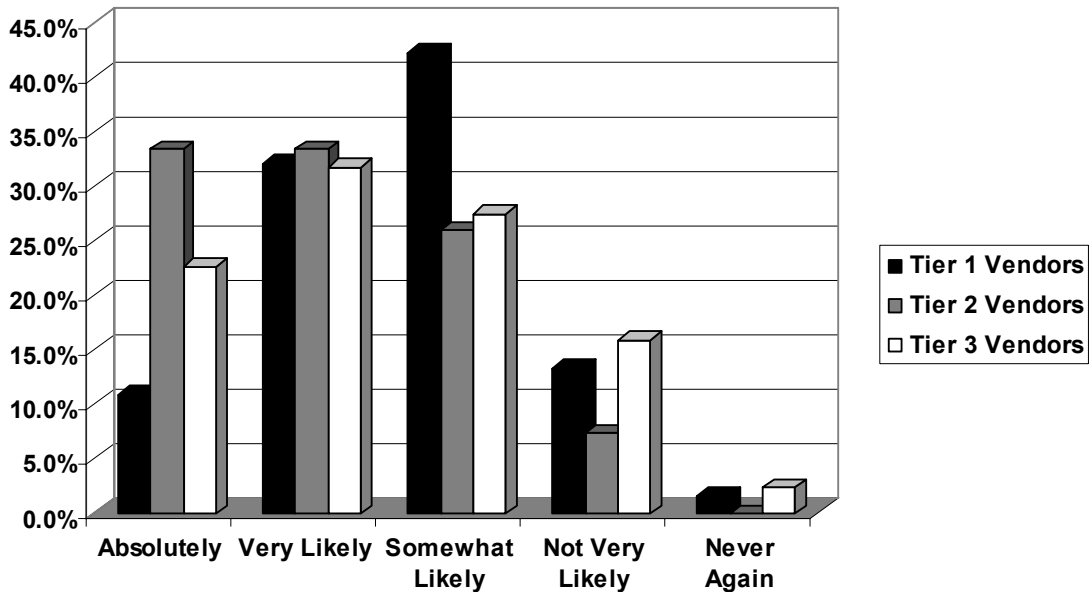
On the surface, Tier 1 vendors seem to have fewer raving fans. Part of the issue seems to be that, while the robustness of these applications is seen as an advantage by some users, the complexity associated with getting these applications fully implemented is seen as a negative to others.

Some of the respondents stated that they have not fully implemented their Tier 1 system, so it may be too early to tell the true tale of how they will feel toward these applications.

Notes:

How likely are you to buy again from or recommend your CRM vendor?

Likelihood to Buy From/Recommend CRM Vendor



Key Findings

- ❖ Tier 2 and 3 vendors experience high customer loyalty.
- ❖ Tier 1 attitudes again may reflect uncertainty about long term impact of their projects.
- ❖ Often, when Tier 3 vendors have received low ratings, the reason is related to growth issues.

Observations

The ratings the survey participants gave regarding the likelihood that they would buy again from or recommend their vendor to others tend to mirror the satisfaction ratings on the previous chart. These numbers are a major improvement from similar surveys we did in the late 1990's.

Tier 2 and 3 firms have shown the biggest improvement in overall customer loyalty. In reviewing the text comments the survey participants made about these tools, most users indicated that these solutions were easy to implement and use, offered good functionality, and generally met their needs.

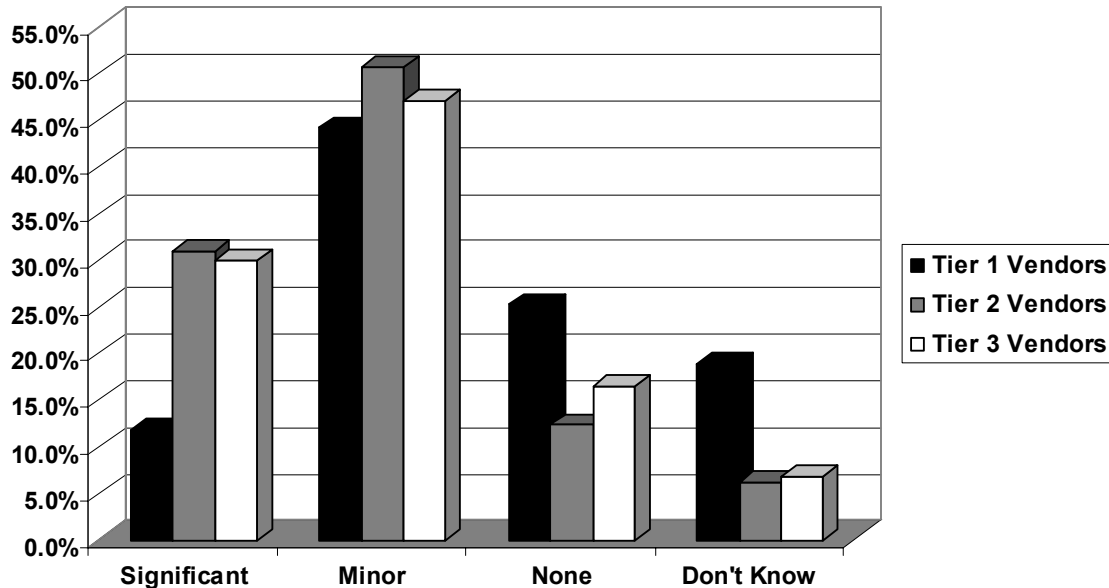
When problems were cited regarding the Tier 2 and 3 applications, they were often related to challenges integrating these applications with other programs the company used.

The ratings for the Tier 1 solutions again may be reflective of the case that some of the firms have yet to complete the full implementation of the system. For the most part, the text comments of the Tier 1 offerings were positive regarding the breadth of functionality, stability, and performance of the programs and the support provided by the vendors.

In looking at the “not very likely” and “never again” ratings for the Tier 3 solutions, the comments often reflected that the users felt their requirements had or would outgrow the applications rather than being dissatisfied with the tools themselves.

Notes:

CRM's Impact on Performance Improvement



Key Findings

- ❖ Tier 2 and 3 impact ratings consistent with other ratings.
- ❖ Tier 1 system's impact is a mixed bag, some world-class success stories, some real duds.
- ❖ We will be resurveying Tier 1 companies to see if more time raises the ratings as more of the system becomes live.

Observations

Over the years, we have been waiting for CRM to have the breakout year where multiple sales forces report significant improvements in operating performance directly relate to their CRM system. Unfortunately, we are still not there yet as the overall study noted that fewer than 26% of the firms surveyed were achieving those types of results.

We were very surprised when we disaggregated the responses to the above question by the class of CRM system installed. The differences between Tiers 2/3 and Tier 1 are clearly significant.

We want to again point out that the individuals we surveyed are on the sales management side of the company, so their comments are directly related to what CRM is doing to improve the performance of their sales teams.

In doing recent follow-up interviews with some of the executives who had implemented Tier 1 solutions and had reported less than significant results, a couple of trends surfaced. In some cases, the executives reported that during the course of evaluating CRM technology, one of the things vendors tended to stress was the wealth of functionality and capabilities they offered.

In the minds of these CSOs, this set a very high standard for what they were expecting to achieve when the systems went live. When those lofty expectations were not met, they felt disappointed in the overall results.

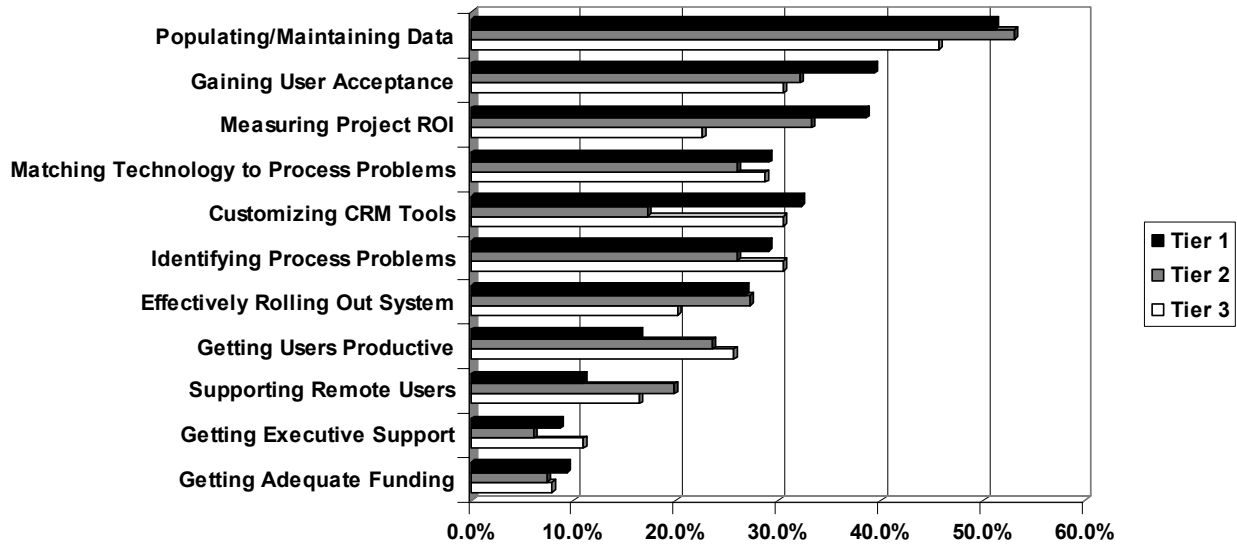
The second trend was that some of these sales execs again noted that their systems were not fully implemented, and therefore, the full array of benefits they were expecting could not be assessed.

We intend to reassess the effectiveness ratings of these firms later this year to see if their attitudes change. Even if the Tier 1 firms' ratings do go up, solutions for Tiers 2 and 3 seem to warrant a serious look.

Notes:

What were the toughest challenges you encountered during your CRM initiative?

Top Three Project Challenges Encountered During Initiative



Key Findings

- ❖ Non-technical issues such as data and user acceptance are top issues across most projects, regardless of tier.
- ❖ Some key differences based on classes of applications.
- ❖ Some cited Tier 3 ROI factor as being related to the lower entry price of solutions.

Observations

As we pointed out in the main report, ultimately the success or failure of a CRM initiative can be decided based on a number of factors outside of the technology platform a company chooses; people, process, and knowledge challenges still abound, and these can make or break a project.

Clearly, the top universal challenge for all CRM projects, regardless of the class of software implemented, is data management; populating the system with useful, accurate data on day one and then ensuring that information is maintained and updated regularly from then on. This is often the single most under budgeted part of a CRM project.

Other comments worth noting are that when looking at the customization of CRM tools, Tier 1 and 3 class systems have a higher challenge rate than Tier 2 applications. Based on project reviews, we are more likely to attribute this to factors outside of the tools themselves.

For example, many of the Tier 1 projects we have looked at over the years have had a high degree of complexity associated with them. The requirements for these projects often involved linking CRM applications to other enterprise systems, the user bases being supported were worldwide – necessitating multi-language support, users included not just internal sales forces, but channel partners as well, etc. These types

of design requirements add to the complexity of the customization work that needs to be done.

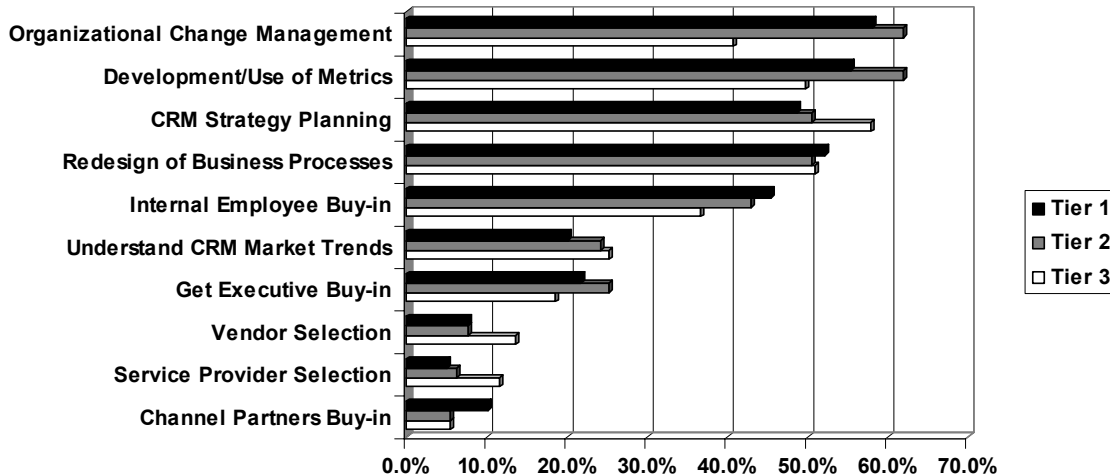
Another comment to be made is that based on the lower price of Tier 3 solutions, having to justify the ROI is often not as important for the company as it is for Tier 1 and 2 projects.

The key takeaway from the above is that all CRM applications are not created equal. You need to know the key points for your project, e.g., Do you have to support remote users before you start evaluating systems?

Notes:

In what areas of your project could you have used more help?

CRM Project Areas That Could Use More Help



Key Findings

- ❖ CRM is NOT a load-and-go proposition, and your peers are suggesting you look for help on these projects.
- ❖ Remember with CRM you are not introducing a way of selling, you are replacing one.
- ❖ Business process analysis and design are key regardless of the technology.

Observations

Looking at the issue of project challenges from another perspective, a final question we asked the study participants was in retrospect, in what areas did they feel they could have used more help to ensure the success of their CRM initiative—and, by extension, the project’s impact on their company.

Top on the list was getting help dealing with the organizational and process issues associated with a project. One CSO put this clearly into perspective when she noted that, “After we implemented the CRM system, it became clear that we didn’t do enough to get user buy-in from day one.”

She added, “We thought our sales reps would be supportive of CRM as a great new way to sell. What we forgot was that they were already selling and had their own methods for doing that. They saw CRM as a threat to the way that they did their jobs, not a benefit. My advice to anyone implementing CRM is that the first sale you make with your CRM system be an internal sale – get your people on board regarding why this is a good thing for them.”

Another suggestion we repeatedly hear is to get your business processes well designed before you implement CRM. If you start throwing technology at lousy processes you will only end up doing inefficient and ineffective things faster than ever before.

Based on the feedback we received from CRM project teams, there are plenty of resources you can turn to for help on these initiatives. The project teams reported solid experiences working with system integrators, business consulting firms, sales training companies, and CRM vendors themselves to help them in dealing with the above challenges.

Notes:

CSO Insights is a benchmarking firm that specializes in analyzing how companies are leveraging people, process, technology, and knowledge to optimize the way they work with their customers. Over the past 12 years, we have surveyed over 4,000 sales effectiveness initiatives and have amassed a wealth of insights on how companies are turning how they market and sell to and service customers into a sustainable competitive advantage.

We offer a series of customized evaluation services to help companies assess their sales performance in relationship to their peers. In addition, utilizing the best practices database we have accumulated through our research efforts, we coach companies on how they can leverage the experiences of other companies to develop high impact strategies and tactics to deal with the sales challenges that their teams are facing. For more information go to www.CSOinsights.com.