

CRM - A STRATEGIC REQUIREMENT FOR SMES GROWTH

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Abstract

Small Medium Enterprises, the most important catalyst in economic growth of a country, are facing unimaginable competition from the industry in establishing themselves as convincing supplier of quality product and services. In India they are producing lakh's of diverse products with 35 to 40% share in the overall output. Though SME's are stirring ahead by using varied technologies, they critically lack structured use of information.

By applying the concepts and methodologies, Customer Relationship Management can fulfill this fissure and complete their business chain for higher growth. CRM is becoming strategic intent for SMEs to compete with large organization. This article talks about CRM as a tool to obtain definitive customer strategy, product outline and culture changes.

Keywords: CRM, India, SME, SWOT & Technology

Introduction

India has a global lead in the Small and medium Enterprises (SME) area which are one of the few sectors in the economy that has an advantage in terms of cost and quality. Since 1951 the government of India has earmarked a special responsibility for SMEs in Indian economy. From 1991 onwards, government has provided special fortification to SMEs with adoption of liberalization and globalization policies, but still our SMEs are not fully developed. These are established in almost all major sectors in India industry such as food Processing, Pharmaceuticals, Leather industry, Home science, Financial, Computer software, Textile & Garments etc.

SME's development is to give high thrust to domestic production with limited startup capital investment requirement. SMEs are also known as small and medium business, Small and medium sized enterprise etc.

SMEs can be small companies with turnover below certain limits or having a limited number of employees. They have not only effectively managed challenges posed by large organizations, but have also have changed in to large scale organizations. SMEs are on the verge of playing a crucial role in world economy by harnessing technology and structure.

The way in which SME's can play larger role in international space is by taking up strategic advantage of adopting information technology of Customer Relationship management (CRM), While 75 % of SMEs are using CRM component of online business, it has

given only compartmentalized support for business development as many of them have not implemented full CRM.

Though SMEs realize the importance of embracing CRM technology, they still have not started using at large scale and also are not developing them in-house. SMEs have also ignored the research and development of CRM technology. This article discusses certain issues related to acceptance of CRM and its usefulness with Indian SMEs.

The Need for Customer Relationship Management

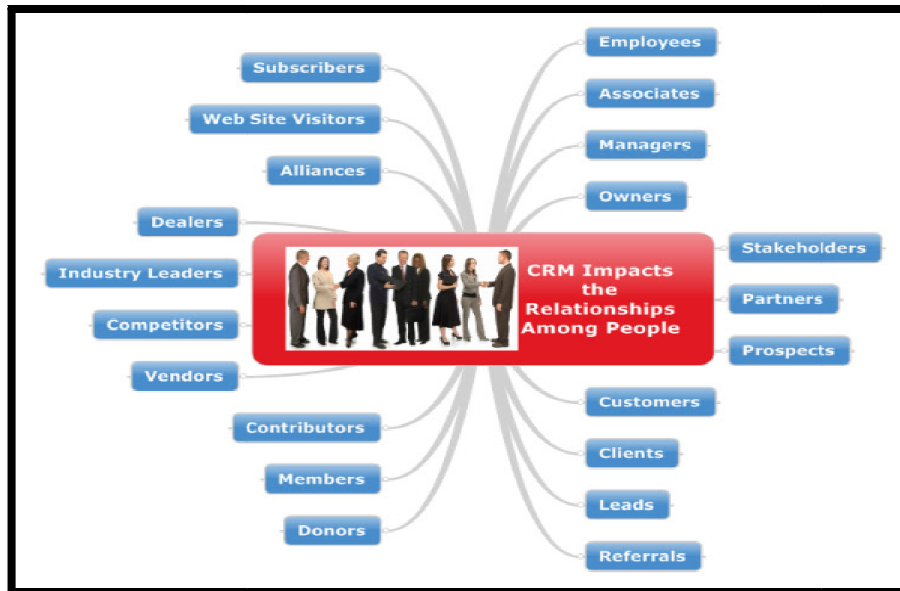
The unknown Factor:

Business has its two sides. SMEs on the constructive side of e-business are using modernized technologies. On the other hand SMEs have not completely adopted the powerful tool - CRM. Customer is the king of present day market. Business environment are becoming more & more challenging. Study made by different consulting firms show that less than 25% of total global SMEs have CRM installed. About 5 to 10% of Indian SMEs have implemented CRM. CRM market is grown by 21% per annum for SME's. Over two million Indian SMEs account for 60% of business output, which shows that there is tremendous scope for using CRM.

The question is, "can CRM being a tool, optimize core function of a business?" SMEs have not understood that to develop a capital value they must first create an environment which consumes less time to deliver. High level of customer service and high profitability in reduced time and cost has improved possibility of finding CRM as most appropriate tool. Many studies show that SMEs lack a strong awareness of good CRM practices.

Though SMEs have their own information system, they lack proper management and often have obsolete systems and practices for continuance of business. Though SMEs are doing sound in their businesses with absolute strategy from setting up to implementation, they still lack in smart business ideas. Due to unproductive relationship marketing policies & practices, SMEs often use age old pronged interaction with their customer's thereby consuming higher time and cost.

There is a want of greater importance on CRM in SMEs, but limitation of resources restricts them from growing beyond the threshold of this point.



<http://www.successwithcrm.com/blog/bid/75386/CRM-about-more-than-just-Customer-Relationships>

There can be considerable growth in organization's sales performance and enhancement in winning rates, if SME wisely use CRM. Though regular marketing increases the number of customers of SMEs, but it is only for a limited time frame. Without CRM, it is hard to retain the old and regular customers. Suppliers are considered as upstream and customers are considered as downstream. The flow of information goes from downstream to upstream. Marketing can take care of buyer side whereas CRM helps in selling side. Marketing is a business order whereas CRM is a core strategy.

As a result, SME must migrate from a regular process explained above to a more broad range business plan. Many a times, we see that SMEs do not understand the nature of customers and do not count the outcome of customer satisfaction in any great manner. They are unable to differentiate who their prospect and profitable customers are.

SMEs generally do not maintain any process for tracking marketing cost for the customers they have won. The focus is on the profits per customer and not on the satisfaction per customer. This area can be answered to a large extent by adopting CRM strategy in a business. A satisfied customer equates to a repeat potential customer. They bring regular and may be at times additional business to an organization. All business houses know that 80% of the regular business is generated by 20% repeat of potential customers.

CRM has the advantage of tracking performance and creates useful business forecasts for senior management. Early versions of CRM were designed for top management

to centralize their customer information. Any seller or even a management executive can do the same task in an excel spreadsheet. Latest CRM software's can enhance the working of a business by endlessly maintaining and developing long lasting relationships with customers. The swell of information translates to improved knowledge about current and future customers.

It has seamless & continuous real time flow of information between customers and organizations. It can generate a real time map of revenue being generated and can manage the day-to-day administrative expenses by understanding the type of transaction. It provides customer with a satisfaction that the business is taking care of him in all possible ways.

"Oracle is expecting over 100 per cent growth in India for its CRM business on the back of increased technology awareness and need for cost-effective customer servicing."

CRM is highly beneficial if pooled with the Internet. Study done by Sybase shows, traditional direct mail generate only 0.5 to 1 % response, data ware house increases responses to 6 to 8 %, but CRM data warehouse the responses to 50 % and also create direct communication line with each customer. It is this kind of scalability of CRM that poses huge potential future business growth.

CRM shows the desire and necessity of customers by increasing their satisfaction levels and optimizes customer's life cycle. It subjects data to analysis and checks customer's potential to purchase a product or a service. Because CRM comes post marketing, it results in decline of sales cycle leading to increase in sales.

Sales teams can prioritize activities, helps them to monitor expenditure incurred during sales activities & during busy days without any regular interruptions. Transparency is the key that provides information into sales cycles, with a healthy prospective of customers for current and future years to come. Its information advices the sales teams what opportunities are in pipeline and where each one stands currently and the impact it can have on future business.

CRM provides some a direct benefit to sales teams. The most noticeable is in lead management. It prevents discrimination and eliminates the awkward flaw of conveying the same lead to two different sales teams. CRM based technology offers a built-in data warehouse which gives insights to chronological trends of customer's.

These trends help in making make better marketing and sales decision and also help in improving product development. Higher is the fraction in generating leads, higher is the sales volumes which leads to higher profits to sales teams. It reduces the information entry which is considered as a necessary evil. It shows a complete life-cycle from order received to cash received and to customer feedback too. It provides an average weighted cost transaction made by customer. Direct cost is the purchase made by customer whereas weighted cost is the product of purchase made and time used by customer to complete a transaction. CRM makes sales manager proactive to diverse sales metrics and monitor sales

performance.

Technology Used In CRM

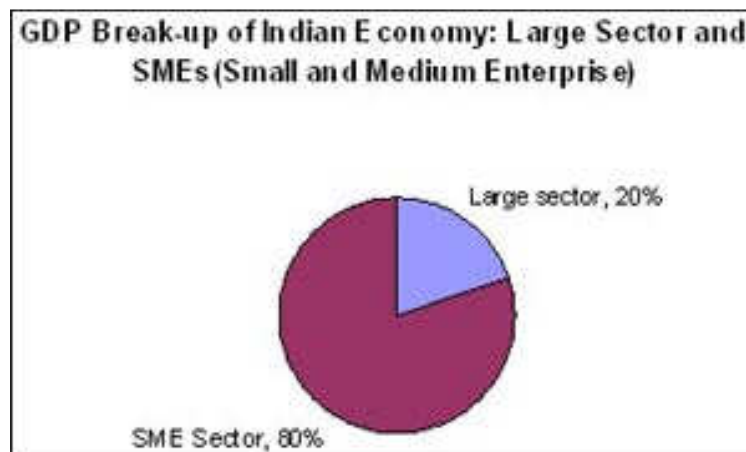
In today's fast paced world, businesses worldwide are shifting from product centric to customer centric. Moving towards customer centric approach is along-drawn-out effort that requires a makeover of process, mindset and strategy from senior level management to the down most level of every individual employee. Technology has a central role in providing tools and communications to support this. CRM supports SMEs in building customer loyalty for a very long period of time.

CRM software can be developed using J2EE architecture which is accessible from the internet. It has features of Multilanguage and Multicurrency to support global business.

Customer can view their required information from various touch points available on the internet. It decreases the cost on customer support and increase sales or even cross selling of services and products of organizations. As business grows, the business processes become quite difficult to ensure customer are fully satisfied. CRM as solution helps in retention and gets repeat business from the same customer to generate additional revenue.

Indian Scenario

CRM in Asia is forecasted to grow at a compounded annual growth rate of 18.9% between 2006 and 2011 to reach \$846.4 million total software revenue. Data monitor report predicts that SMEs will increase their expenses.



Source: csi-india.org

The graph gives the breakdown of Indian GDP of 800 billion US\$(est. in FY06-07). Asian Market has huge potential to grow in competition with adoption of CRM software. Indian SMEs are considered to be more important member within supply chain. If we do

SWOT analysis of the Indian SMEs, we will find export market expansion and technological innovation are the biggest strength of Indian SMEs.

These have projected Indian brand on to the world platform. Indian SMEs are striving at a 100% year on year growth. These have a chance to again from WTO system and support technological up gradation to grow in domestics and international markets.

Despite of their strength, SMEs are facing intimidation of mistrust between them and financial institution. Due to high price rises rate and escalating cost of business by SMEs developed countries need to create a non-tariff barrier for SMEs giving them their due advantage by leveraging CRM on a global scale like the successful fortune 500 companies.

Indian SMEs have weakly adapted to the ever changing trends of global business. Indian SMEs are facing an uphill struggle with new challenges in design, products requirements with higher performance and variety and also a better service to customers. Special CRMs model are being developed for technological innovation in SMEs world which are suitable under different conditions depending on the nature of business and money invested.

For Indian business atmosphere, a hosted CRM model is suitable as it focuses on customer service, customer feedback rather than technology and futuristic adaptation. Quicker implementation of hosted CRM realizes more benefits than licensed model. This model has helped Indian SMEs to gain a gradual return-on-investment. Licensed model or a custom designed module is more suitable for SMEs with multiple processes and complex transactions who operate worldwide on a 24/7 model. Hosted CRM is more preferred in India with growing demand of customer services especially in banking, Insurance and financial services.

Hurdles in Adoption of CRM

The major problem with CRM is its implementation cost and understanding how well it helps organizations reap benefits. Without CRM applications, SMEs have a poor flow of information which indirectly costs the company. Basically since SMEs are of small size and limited operations they lack in formalization of procedures and policies. This majorly affects the acceptance of employees towards CRM. Employees still want to use their contact books and schedule lists along with traditional methods as it is a easy way to maintain. But to keep the complete track of potential customer is bothersome procedure. Therefore, the management and employees see CRM as a more complex problem than a better solution to their good practices.

Financial investments and future costs prevent SMEs from investing in CRM technology. It's not that they need to implement the complete CRM model but can implement a part which is necessary and important.

They can utilize a hosted CRM hybrid model which is modular in design. It generates elasticity and also provides more immediate benefits. These models are easy to set up and cost effective.

The entire CRM plan can cost a lot more but the hybrid model of CRM can cost much less and effectively solve problem of customer acquisition, retention with cost effective service.

National Australia Bank represents a good example of implementing CRM strategy for over ten year and has won numerous awards. Easy track CRM, Gold mine CRM, Lotus notes, Saas, Pivotal, Sage, Sibel, ASP, are some of good software used by SMEs. Sibel is leading with market share 29% in North America. ACT is the CRM software that has invaded into Asian countries with estimates to grow at rate of 61% till 2010. Even though the ratio of deployment of this application in big companies and SME's is 31% : 22%, SMEs seldom take right decision to analyze the correct metric of customer and ultimately use the incorrect one. Therefore CRM starts failing in midway.

SMEs focus on quick return on their investments made in CRM. It takes a while before companies can actually see the returns as this is time consuming a costly process and sure does not pay them at once. Study shows that 65% of projects fail due to high expectation of ROI at the initial phase of implementation. Though CRM shows organizations a them clear cost savings through sales force automation, top management do not have the time and patients to see the returns. These benefits are not quantifiable in terms of cost in short term. CRM is viewed as a means of management control with regards to understanding customer's needs and wants rather than an effort to facilitate the scale. Senior management is able to see the immediate values from using CRM. They take CRM as a system with enormous information available and converting that information into useful resource. CRM provides a clear cut clarification according to information derived without being too complex. These measurements improve CRM usage.

Conclusion

It is easier than said for SMEs to stay afloat in this aggressive business world. However with the right CRM practices they can accomplish most growth and immense success. CRM empowers employees to get consumers insight. Their best practices increase customer acquisition and loyalty. CRM organizes the data of customer in such a way to make it accessible to all employees of organization. The needs of CRM become more important when more than one executive deals with customers.

The cost of execution may be high but a winning implementation of CRM not only depends on technologies but on working culture and rules in the organization. The best result is obtained by identifying the structure of SMEs.

SMEs should bear in mind that sustainable customer interactions are worth more than mere sale of product. SME's can deploy incremental CRM --- a developing CRM

application at one department and slowly expand it to other department and finally in to entire enterprise.

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