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CRM in SME

Sized to Fit

March 2008

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Executive Summary

This report examines the unique position of Small and Medium Enterprises (SMEs) in obtaining and retaining customers and market share. In February, 2008, Aberdeen Group surveyed over 120 enterprises to identify the strategies, capabilities, and enablers that Best-in-Class firms are using to improve the performance of their sales force. The research reveals that Best-in-Class SMEs are pressured by fragmented customer data, and have implemented processes and adopted technologies that provide the sales force with complete and accurate customer and prospect information.

Best-in-Class Performance

Aberdeen used five key performance criteria to distinguish Best-in-Class companies:

- 27% increase in average deal size
- 26% increase in average annual customer revenue
- 16% reduction in sales cycle time
- 15% reduction in time to quota
- 14% reduction in sales administrative time

Competitive Maturity Assessment

Survey results show that the firms enjoying Best-in-Class performance enable, or are planning to enable, several key process, performance, and organizational capabilities:

- Centralized repository of customer and prospect information - 84%
- Formalized sales processes - 52%
- Dedicated support resource - 56%

Required Actions

In addition to the specific recommendations in Chapter Three of this report, to achieve Best-in-Class performance, companies must:

- **Formalize management decision-making processes.** Without a process, managers are often forced to make resolutions on the spot, and on a case-by-case basis. This can lead to poor decisions that do not take all variables into account, and are inconsistent with prior decisions.
- **Conduct win / loss analysis regularly.** The Best-in-Class need to collect insight on why proposals were and were not accepted in order to identify areas for improvement in pricing strategy, marketing messaging, and sales processes. By making necessary improvements, they will be better positioned to keep their continued revenue growth on target.

Research Benchmark

Aberdeen's Research Benchmarks provide an in-depth and comprehensive look into process, procedure, methodologies, and technologies with best practice identification and actionable recommendations

Segment Definition

SME is defined as companies with annual revenues under $1 billion. Survey respondents are broken down within SME as follows:

√ Micro (under $10M) - 58%

√ Small ($11M to $50M) - 21%

√ Medium ($51M to $1B) - 21%

"The CRM initiative is an on going journey that we are taking to understand and support the end users of our products."

~ Don McNair, Senior Director Customer Interaction Center, Yaskawa

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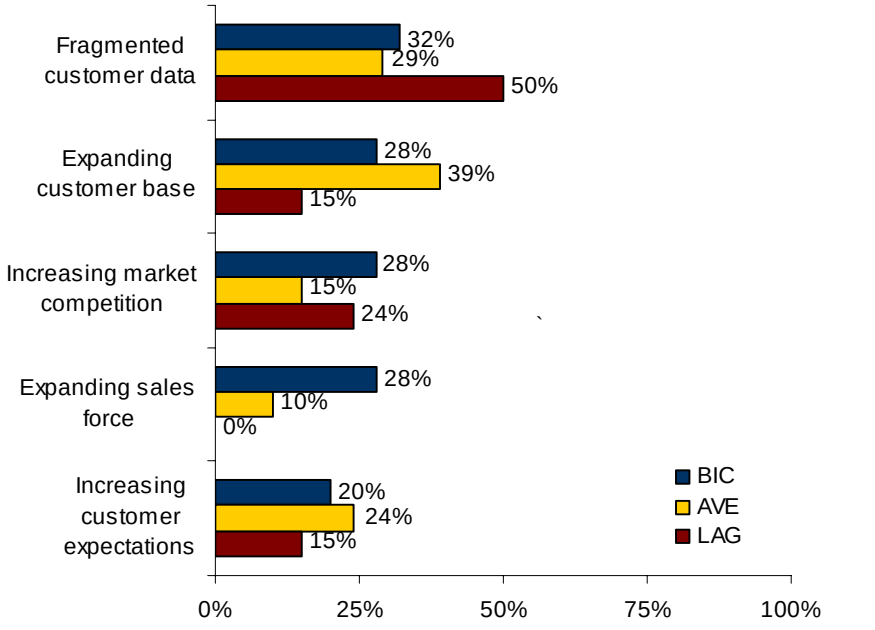
Chapter One: Benchmarking the Best-in-Class

Business Context

Aberdeen research reveals that Small and Medium Enterprises (SMEs) are pressured by customer data that is fragmented due to an expanding customer base and sales force. SMEs are especially strained to increase efficiency, add and train new resources, and effectively maintain existing customers. Day-to-day operations can get lost in the frenzy of closing deals and delivering products. However, technology enablers aligned with the company's growth trajectory will ease the burdens of these challenges.

Figure 1: SME Growth Pressures



Source: Aberdeen Group, February 2008

The December 2007 Aberdeen report *ERP in SMB: Exploring Growth Strategies* determined that 49% of SMEs were focused on growth, as opposed to other business strategies. Research conducted for the January 2008 report *CRM Everywhere: The 2008 Software-as-a-Service Update*, revealed that the top pressure driving CRM implementation decisions for SMEs is providing access to their growing mobile workforces. SMEs must remain competitive with their larger counterparts, and address increasing customer expectations and market competition, while keeping from imploding under the pressures of growth.

SMEs are defined as companies with annual revenues under $1 billion. The average annual revenues for the competitive framework ranged from $36.1 million to $55.5 million (Figure 2). The majority of survey respondents fell into the micro-business category, with annual revenues under $10 million

Fast Facts

- √ Best-in-Class achieved an average 27% increase in deal size
- √ Best-in-Class are nearly three-times as likely as the Industry Average to plan to develop sales reporting

"CRM systems just narrow the gap between small companies and big, because they reduce the cost of providing comprehensive focus on clients and building knowledge into the organization."

~ Chris Bragg, Managing Director, TenStep MiddleEast

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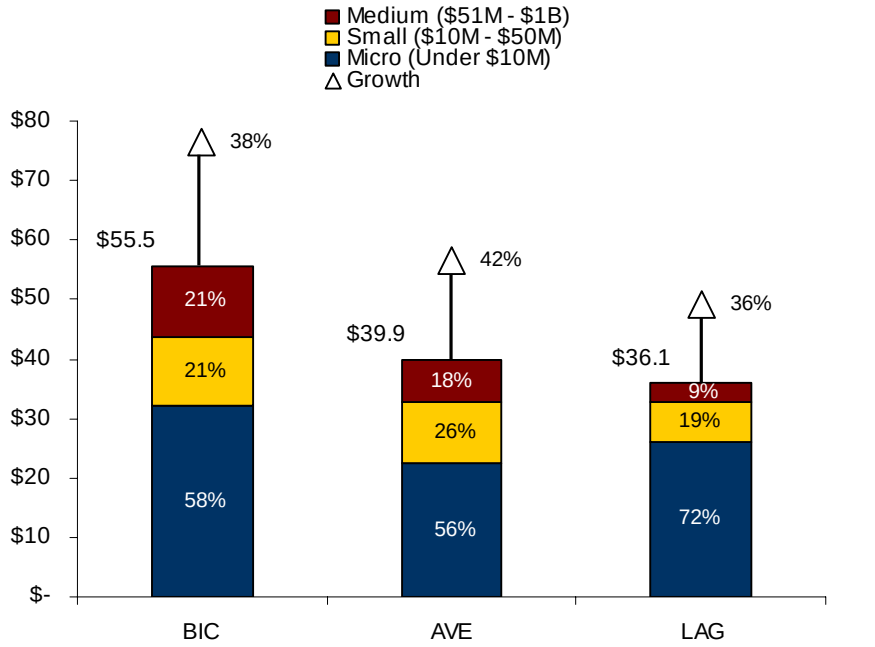
(58% Best-in-Class, 56% Industry Average, and 72% Laggard). Annual projected growth for the competitive framework ranged from 36% to 42%.

Figure 2: Annual Revenues and Projected Growth



Source: Aberdeen Group, February 2008

The Maturity Class Framework

Aberdeen used year-over-year improvement in five key performance criteria to distinguish the Best-in-Class from Industry Average and Laggard organizations:

- Average deal size
- Average annual customer revenue
- Sales cycle time - the average length of time to close a deal
- Time to quota – the average length of time from sales rep hire to attaining quota
- Sales administrative time - the percentage of time spent on non-selling tasks

"If I can see my customers' prospects, purchase orders, purchases, shipments, and payments, I'll be happy. If my employees are happy using the system, I'll be happy."

~ William Faulkner, President, Logopak

Table 1: Top Performers Earn Best-in-Class Status

Definition of Maturity Class	Mean Class Performance
Best-in-Class: **Top 20%** of aggregate performance scorers	▪ 27% increase in average deal size ▪ 26% increase in average annual customer revenue ▪ 16% reduction in sales cycle time ▪ 15% reduction in time to quota ▪ 14% reduction in sales administrative time

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Definition of Maturity Class	Mean Class Performance
Industry Average: Middle 50% of aggregate performance scorers	▪ 8% increase in average deal size ▪ 4% increase in average annual customer revenue ▪ 0% reduction in sales cycle time ▪ 2% reduction in time to quota ▪ 1% reduction in sales administrative time
Laggard: Bottom 30% of aggregate performance scorers	▪ 8% *decrease* in average deal size ▪ 7% *decrease* in average annual customer revenue ▪ 10% *increase* in sales cycle time ▪ 9% *increase* in time to quota ▪ 14% *increase* in sales administrative time

Source: Aberdeen Group, February 2008

The Best-in-Class are more likely to know their performance than Industry Average and Laggard companies. More than half of Laggards don't know or don't measure results in bid-to-win ratio, quota achievement, and customer lifetime value. In contrast, only 20% of the Best-in-Class are unable to determine their performance in these areas.

The Best-in-Class PACE Model

Using CRM to achieve corporate goals requires a combination of strategic actions, organizational capabilities, and enabling technologies that can be summarized as follows:

- Organized customer information stored in a central, universally accessible location
- Formal, monitored processes supported by adequate administrative resources

Table 2: The Best-in-Class PACE Framework

Pressures	Actions	Capabilities	Enablers
▪ Fragmented customer data	▪ Organize customer and prospect information ▪ Develop sales methodology / culture	▪ Centralized repository of customer and prospect information ▪ Business activity / process monitoring ▪ Dedicated support resource ▪ Formal and documented sales processes	▪ CRM and SFA ▪ Individual contact management ▪ Lead management solution ▪ Collaboration tool

Source: Aberdeen Group, February 2008

Best-in-Class Strategies

Best-in-Class companies plan to address their fragmented customer data and expanding customer base by organizing their customer and prospect information (Figure 3). Additionally, the Best-in-Class will develop a sales methodology or culture to deal with their growing sales force and

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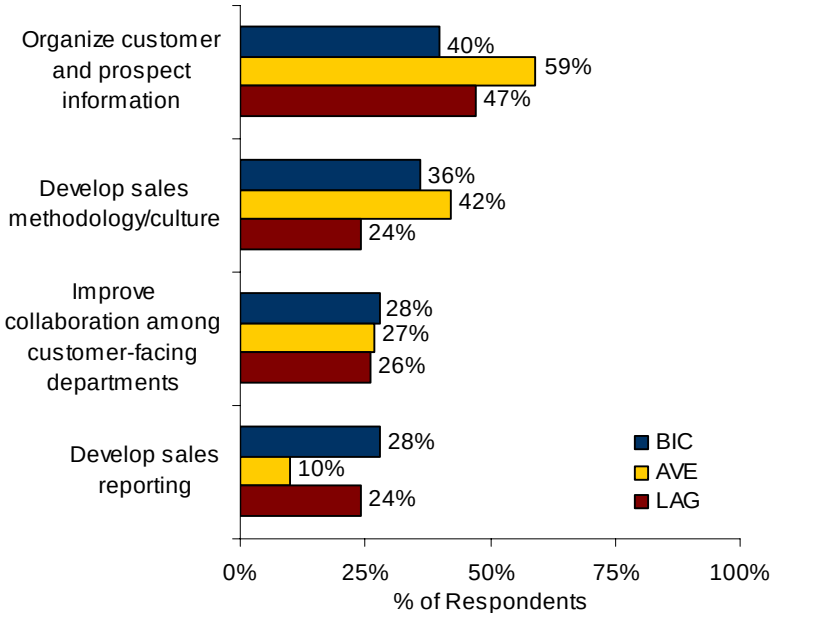
increasing market competition. Coupled together, these strategies provide the framework for continued success, with a formal process for sales to beat their quotas, and access to the most current customer information. Not far behind Best-in-Class's top priorities are improving collaboration and developing sales reporting. Maturing these capabilities will help the Best-in-Class to make the most of their CRM investment. The CRM may be the vehicle for sharing customer information, but the individuals in the customer-facing groups are the drivers, and if they are not collaborating and sharing information, the CRM vehicle will be pulled apart.

Industry Average companies are most heavily pressured by their expanding customer base, and Laggards are burdened by their fragmented customer data. Both groups will take on the task of organizing customer and prospect information, just like the Best-in-Class. Additionally, both groups plan to develop formal sales processes (22% of the Industry Average and 29% of Laggards). Once customer information is collected, and sales processes are in place, adopting CRM technology will be a natural extension.

"As an IT consulting company, it's critical that we have a process for capturing the customer's requirements and developing a proposal with the correct information."

~ Pat Beaird, Marketing Director, Mainstream Technologies

Figure 3: SMEs Plan to Improve Organization and Processes



Source: Aberdeen Group, February 2008

Aberdeen Insights — Strategy

Regardless of maturity class status or company size, the ratio of sales staff to total headcount is roughly the same at around 20% (Figure 4). Laggards fall slightly lower at 13%; however Laggards are the only group where no respondents chose an expanding sales force as a top pressure, so it is likely that they are lagging in adequately staffing their sales force.

continued

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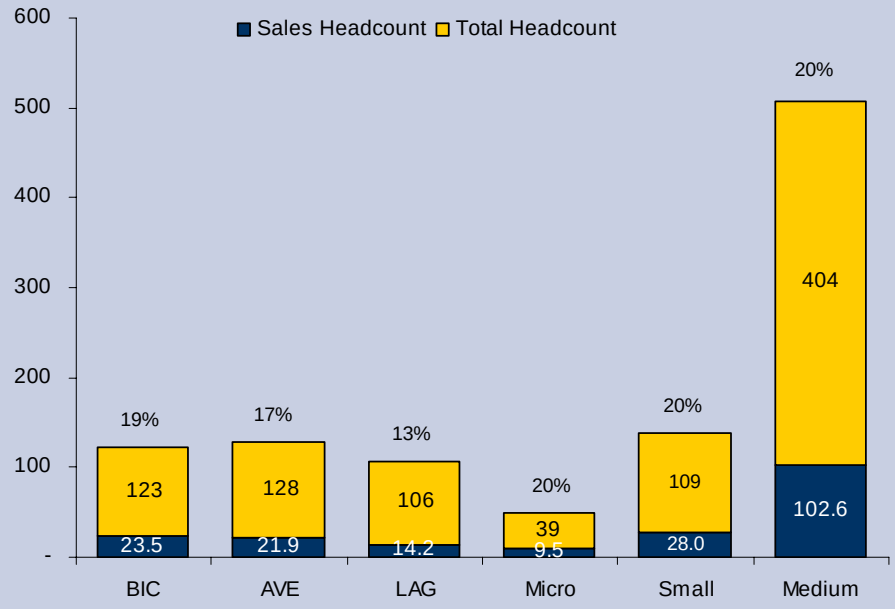
Aberdeen Insights — Strategy

Developing core capabilities, such as those planned by the Best-in-Class, is essential for companies of any size, but if they are developed in the early stages when the business is in the micro or small phase, the processes will scale easily as the company grows. Having these capabilities in place will ease the transition to technology implemented to automate parts of the process.

Figure 4: Sales Headcount and Total Headcount



Source: Aberdeen Group, February 2008

In the next chapter, we will see what the top performers are doing to achieve these gains.

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Chapter Two: Benchmarking Requirements for Success

Best-in-Class firms are sustaining significant growth in top-line revenues by implementing processes and organizational structures to support cross-functional collaboration to provide the sales force with the necessary tools and information to meet goals. Many Best-in-Class firms have adopted technology such as Customer Relationship Management (CRM) solutions to aid them in providing complete information accessible from nearly anywhere.

Fast Facts

- √ The Best-in-Class are 2.5-times as likely as Laggards to provide sales training
- √ The Best-in-Class improved customer lifetime value by 25%, compared to Laggards *reduction* of 10%
- √ 80% of the Best-in-Class are using individual contact management solutions

Case Study — TigerStop LLC

Take, for example, the case of TigerStop LLC, an automatic stop / gauge and pusher system manufacturer headquartered in Vancouver, Washington. TigerStop needed to overhaul their existing CRM solution to meet their changing business needs.

"We were looking at a major re-implementation of our CRM system, which was limiting our business," says Ed Scott, IT Manager. TigerStop had been using an on-demand solution, but decided to move on-premises due to data requirements and the prohibitive ongoing cost of their existing solution. TigerStop has an extensive distribution network in addition to customer service that needed full access to customer data. Based on these requirements, TigerStop chose Maximizer CRM.

Scott says, "We use all of the Maximizer CRM modules extensively, and we're able to provide mobile access via Blackberry and a web portal for our dealers." TigerStop has been able to improve their processes without major changes to their CRM solution, and has doubled their production with fewer staff. Maximizer CRM has helped TigerStop eliminate paperwork, and improve reporting, as they can report from a single system.

> "I don't have to pull spreadsheets from multiple systems and tick and tie, I can build reports right from Maximizer CRM."
>
> ~ Ed Scott, IT Manager, TigerStop LLC

Competitive Assessment

Aberdeen Group analyzed the aggregated metrics of surveyed companies to determine whether their performance ranked as Best-in-Class, Industry Average, or Laggard. In addition to having common performance levels, each class also shared characteristics in five key categories: (1) **process** (the approaches they take to execute their daily operations); (2) **organization** (corporate focus and collaboration among stakeholders); (3) **knowledge management** (contextualizing data and exposing it to key stakeholders); (4) **technology** (the selection of appropriate tools and effective deployment of those tools); and (5) **performance management** (the ability of the organization to measure their results to improve their business). These characteristics (identified in Table 3) serve as a guideline for best practices, and correlate directly with Best-in-Class performance across the key metrics.

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Table 3: The Competitive Framework

	Best-in-Class	Average	Laggards
Process	Business activity and process monitoring		
	60%	37%	32%
	Formal and documented sales processes		
	52%	39%	29%
Organization	Dedicated support resource		
	56%	49%	35%
Knowledge	Centralized repository of customer and prospect information		
	84%	73%	50%
	Sales training and employee education		
	52%	46%	21%
Technology	Sales technology currently in use:		
	▪ 72% CRM / SFA ▪ 80% individual contact management ▪ 64% lead management solution ▪ 52% collaboration tool	▪ 53% CRM / SFA ▪ 54% individual contact management ▪ 34% lead management solution ▪ 34% collaboration tool	▪ 53% CRM / SFA ▪ 62% individual contact management ▪ 18% lead management solution ▪ 18% collaboration tool
Performance	Sales metrics tracked:		
	▪ 96% sales cycle time ▪ 84% customer retention ▪ 80% forecast accuracy	▪ 76% sales cycle time ▪ 67% customer retention ▪ 63% forecast accuracy	▪ 50% sales cycle time ▪ 47% customer retention ▪ 41% forecast accuracy

Source: Aberdeen Group, February 2008

"Customer retention is a major issue in this industry, so with that in mind I designed marketing programs with built-in touch points to follow up with prospects. Without CRM to automate this, our marketing would not be as effective."

~ Scott Marker, Director of Marketing & Sales, Collection Bureau, Inc.

Capabilities and Enablers

Based on the findings of the Competitive Framework and interviews with end users, Aberdeen's analysis of the Best-in-Class demonstrates that they excel in the following areas: process, organization, knowledge management, technology, and performance management.

Process

Best-in-Class companies have documented sales processes in place that are monitored at appropriate checkpoints to ensure compliance. Formal sales processes ensure that each prospect has the best chance of converting to a

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customer by presenting consistent messaging and communication timelines. These processes have resulted in gains in metrics such as bid-to-win ratio and quota achievement of 19% and 18%, respectively. In contrast, Industry Average companies have only achieved 7% improvement, and Laggards have actually worsened their performance in bid-to-win ratio by 2%.

Organization

A majority of the Best-in-Class have organizational structures in their sales groups that include dedicated support resources. This type of role relieves some of the administrative burdens of the sales force, such as organizing and distributing leads, preparing customer-facing documents, and gathering information from other departments. Also, sales support will often prepare reports to monitor progress toward quota and other goals, and serve as the administrator for sales software such as CRM. With a dedicated resource in place, the sales force can spend more time preparing for and enacting customer interactions; essentially allowing more time selling. Sales force admin time is a Best-in-Class-determinative metric, and Best-in-Class's organizational structure assists in achieving superior performance.

"Our entire company is run on an on-demand suite solution. This allows us to track metrics on a daily, weekly, monthly and quarterly basis, and measure the results of each stage of the sales cycle."

~ KG Charles-Harris, CEO, Emanio, Inc.

Knowledge Management

Best-in-Class companies are providing centralized information stores, and teaching the sales force how to best use these tools. The Best-in-Class are 70% more likely than Laggards to have a centralized repository of customer and prospect information, and 2.5-times as likely as Laggards to have a formal sales training program. Sales training will not only provide education on utilizing resources, but also improves the selling skills of the sales force. A formal program, whether structured classes, mentoring, or self-paced eLearning, indoctrinates the sales methodology and helps make every sales person a winner. Without knowledge management, sales organizations are essentially a collection of franchisees, each working for his / her own best interest and not for the company's success.

Technology

Though Best-in-Class are providing tools to enable the individual, the focus of their technology investment is facilitating collaboration among customer-facing groups (Figure 5). This is a top strategy of the Best-in-Class to improve their knowledge of their customer, and they are executing the strategy by adopting technology such as lead management (64%) and collaboration tools (52%). Only 18% of Laggards and 34% of Industry Average companies are using a lead management solution, which means that their sales force does not have a structured way to source new business. If leads are provided to sales through a lead management solution, the sales person receives information such as the source of the lead and previous interactions and campaign promotions. This insight will help move the lead through the pipeline faster, and improve performance in Best-in-Class-determinative metrics such as sales cycle time.

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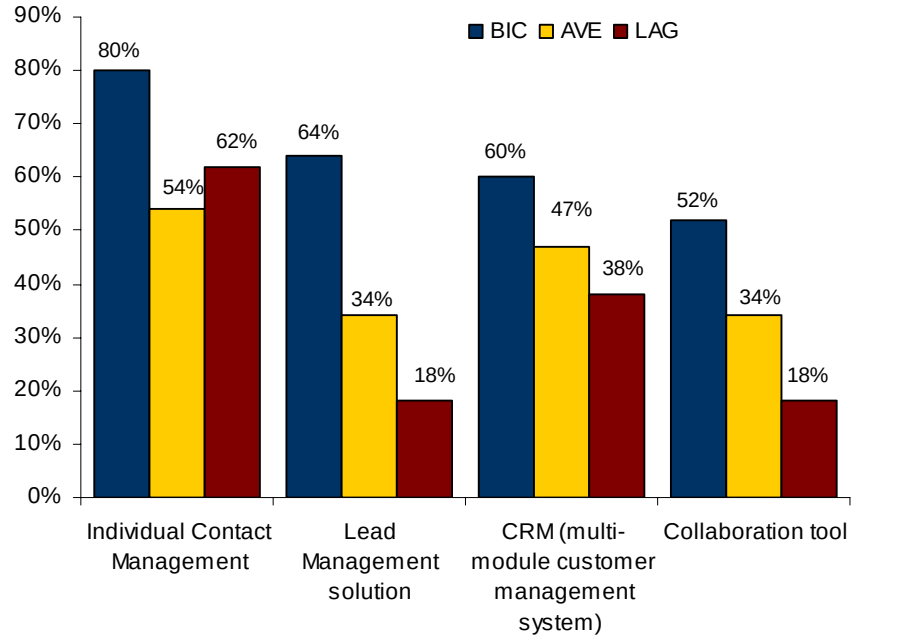
Figure 5: Top Sales Technology Used By Best-in-Class



Source: Aberdeen Group, February 2008

Performance Management

Best-in-Class companies have processes and reporting functions in place to keep tabs on the health of their sales organization. By tracking performance in key metrics, the Best-in-Class are able to identify gaps between projected outcomes and committed budgets, and take corrective action. Laggards, on the other hand, are unlikely to track metrics and have no insight into whether their processes and structures are working, and rely on final results to determine which changes need to be made.

Table 4: Don't Know or Don't Measure Current Performance in Key Metrics

	Best-in-Class	Industry Average	Laggard
Sales cycle time	4%	24%	50%
Average annual customer revenue	4%	15%	35%
Average deal size	12%	14%	41%
Annual customer retention	16%	33%	53%

Source: Aberdeen Group, February 2008

Starting with measuring current performance, Best-in-Class are better able to achieve year-over-year improvement because they are constantly monitoring progress and adjusting accordingly. The Best-in-Class are

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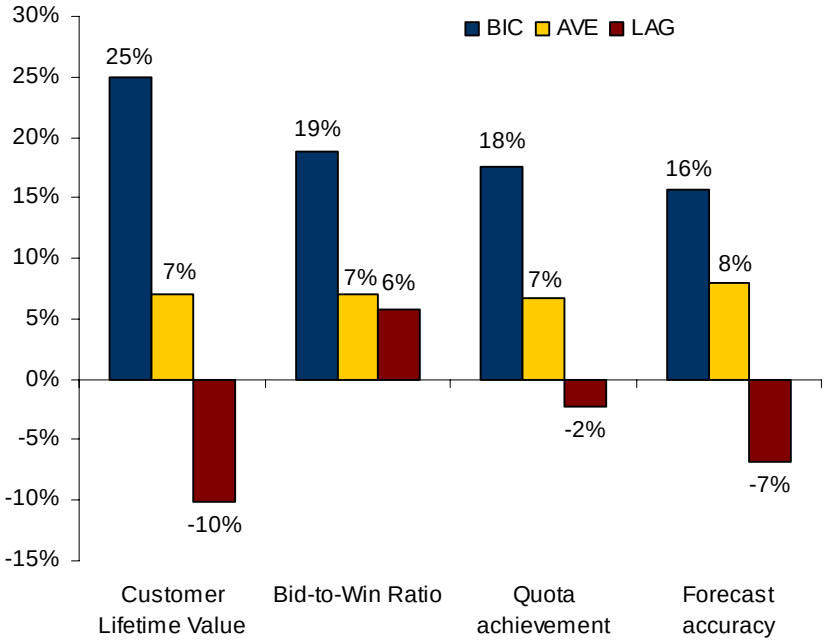
attaining top status in the metrics that determine the maturity class framework, and they are also besting Industry Average and Laggards in other areas as well (Figure 6). Ninety-six percent (96%) of Best-in-Class companies track their annual customer revenue and 84% track customer retention, and by doing so they are able to generate greater customer lifetime value by increasing performance in revenue and retention.

Figure 6: Year-over-Year Improvement in Key Metrics



Source: Aberdeen Group, February 2008

Aberdeen Insights — Technology

Best-in-Class's technology adoption is centered on their strategy to improve collaboration among customer-facing groups. They are adopting technology that facilitates this, and taking it one step further by integrating with their CRM (Figure 7). Of those firms using CRM, nearly half have integrated sales knowledge management, collaboration, and marketing automation. Additionally, 44% of the Best-in-Class are using a data integration tool, a significant portion of the 60% using a CRM solution.

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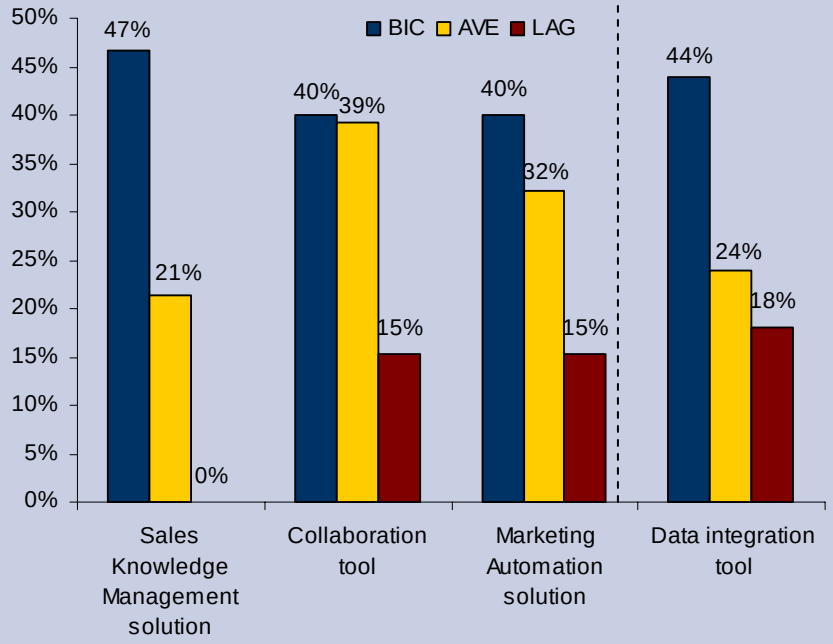
Figure 7: CRM Integration and Use of Data Integration Tool



Source: Aberdeen Group, February 2008

All of these solutions will improve the quality of presentations and proposals furnished to the customer, and the timing of the interaction. SMEs need to clearly communicate their value proposition in a compelling manner to contend with larger, more established competitors. Sales knowledge management helps the sales force determine which information is appropriate for the prospect in the relative pipeline stage, a collaboration tool helps automate the information sharing needed to generate the document, and a marketing automation solution can provide document templates and email distributions.

By using a data integration tool, Best-in-Class companies are reliving burdens of the administrators having to manually re-enter information, or from having their IT staff code custom APIs. In many cases SMEs do not have these resources and data integration tools are allowing them to keep a lean work force. The end result is the sales force knowing that the information they are viewing in the CRM is complete, accurate, and current.

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Chapter Three: Required Actions

Whether a SME is trying to move its performance in customer relationship management from Laggard to Industry Average, or Industry Average to Best-in-Class, the following actions will help spur the necessary performance improvements:

Laggard Steps to Success

- **Define and measure key performance metrics.** Best-in-Class companies are 2.4-times more likely than Laggards to have the capability of measuring defined performance metrics (36% versus 15%). Furthermore, the Best-in-Class are twice as likely as Laggards to know their year-over-year performance in key metrics such as annual customer retention and bid-to-win ratio (81% versus 39%). Laggards cite a lack of insight into sales performance as a top pressure behind CRM initiatives twice as often as Best-in-Class (35% versus 16%), and 50% of Laggards indicate that they plan to increase their investment in analytics in the coming year. Laggards will make the most of this investment if they choose metrics which indicate the progress of the sales force, and the company, toward overall goals. By understanding current performance, Laggards will be able to adjust processes and reorganize as necessary to proceed to Best-in-Class performance levels.
- **Provide training and education to the sales force.** Only 21% of Laggards are currently providing training and education to the sales force, compared to over 50% of the Best-in-Class. Laggards do plan to increase their investment in training in the coming year, but not at the same level as the Best-in-Class (50% of Laggards, 72% of Best-in-Class). Lack of training on sales processes and selling best practices is causing a drop in the number of reps at quota for Laggards of 2%, where Best-in-Class are achieving gains of nearly 20% over the prior year. Whether through formal classes, a mentoring program, or other means, Laggards need to educate their sales force to attract and retain top sellers and achieve Best-in-Class status.
- **Invest in a centralized repository of customer and prospect information.** Best-in-Class companies are 70% more likely than Laggards to have a centralized repository of customer and prospect information (84% versus 50%). Fragmented customer data is the top pressure on Laggards to improve their customer relationship management (50%), and the top action Laggards plan to take to address this is to organize their customer and prospect information (47%). Only 3% of Laggards indicated that they have no plans to acquire a centralized repository of customer and prospect information, so most Laggards are on the right track to integrating

Fast Facts

√ 96% of the Best-in-Class know their sales cycle time, compared to 50% of Laggards

√ Best-in-Class companies increased the number of reps at quota by 20%, compared to a reduction of 2% for Laggards

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customer information. Currently 38% of Laggards currently use a CRM system, 26% rely on individual contact management, and 21% have nothing in place at all. Though justifying the expense may be tough on a small budget, it is critical to compile all the information on each customer in a single system of record, where each person can record interactions and pertinent insights. Without this, the customer data is lost in employees' heads or in their personal information managers, and with it, potential revenue.

Industry Average Steps to Success

- **Formalize sales methodology and processes.** Industry Average companies are most pressured by their expanding customer base (39%), and one of the top actions they plan to take to address this is to develop a formal sales methodology (42%). Currently only 39% of the Industry Average have documented sales processes, 30% less than Best-in-Class. This lack of direction has led to Industry Average's modest improvement in win rates of 7%, compared to Best-in-Class at 19%. Providing the sales force with collected best practices presented in the framework of a formal sales methodology helps even the greenest team members hit their numbers and ultimately brings the company up to Best-in-Class performance.
- **Define checkpoints for business process monitoring.** Best-in-Class companies are 60% more likely than Industry Average companies to monitor business processes. By keeping track of the status of key processes such as pipeline phase and proposal stage, Best-in-Class companies are better able to measure their performance in determinative metrics such as sales cycle time. Only 4% of the Best-in-Class are not able to determine their sales cycle time, compared to 24% of the Industry Average that don't know, or worse, don't measure this key metric. If Industry Average companies monitor business processes at key checkpoints, minor issues will be visible before they become major problems.
- **Invest in managing lead lifecycles.** Since Industry Average companies are pressured by the growth in their number of customers, most plan to better organize their customer and prospect information (59%). However, the Best-in-Class are 80% more likely than the Industry Average to have a lead management solution in place. Of the 64% of Best-in-Class companies using a CRM solution, two-thirds are also using lead management. In contrast, only 47% of Industry Average companies are using a CRM solution, and only 54% of that subset are using lead management. The Best-in-Class are able to achieve twice the improvement of the Industry Average in their forecast accuracy (16% versus 8%), because they have better information about their prospects and their chances of making it through the pipeline into a closed deal. Industry Average companies need this information as well, to better

"Our CRM system decision is based on analyzing the functionality, vendor characteristics, and economic factors. We need to have control and insight over the entire customer lifecycle."

~ Franz Schreiber, Partner, KIV-BF

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target sales efforts and follow the Best-in-Class lead to improved performance.

Best-in-Class Steps to Success

- **Formalize management decision-making processes.** Currently only 44% of Best-in-Class companies have a process in place for management decision-making, although 36% indicate they plan on implementing one in the future. One of management's main functions is to make decisions. If a process is in place for issues to be escalated to management, employees have better confidence that problems will be dealt with consistently, and management has better control over outcomes. Without the process, managers are often forced to make resolutions on the spot, and on a case-by-case basis. This can lead to poor decisions that do not take all variables into account, and are inconsistent with prior decisions.
- **Implement process for generating customer-facing documents.** This is another area where less than half of Best-in-Class companies currently have a process in place (40%), but many plan to adopt one in the future (44%). Proposal quality and turnaround time are two large influences on key metrics such as bid-to-win ratio and sales cycle time. With a structured approach to generating customer-facing documents, sales reps do not have to invent the wheel themselves, or chase down approvals for product configuration or pricing discounts. Document templates are housed in a central repository and created using collected best practices targeted for the specific selling situation. Best-in-Class companies will continue to see growth in their performance in key metrics with a proposal generation process.
- **Conduct win / loss analysis regularly.** Because the Best-in-Class are achieving significant gains in bid-to-win ratio, quota achievement, and customer retention (19%, 18%, and 15%, respectively), it is surprising that less than a third of Best-in-Class currently conduct win / loss analysis on every deal (32%). Best-in-Class companies averaged 33% revenue growth over last year, and predict 38% revenue growth for this year. The Best-in-Class need to collect insight on why proposals were and were not accepted to identify areas for improvement in pricing strategy, marketing messaging, and sales processes. By making necessary improvements, they will be better positioned to keep continued revenue growth on target.

Aberdeen Insights — Summary

SMEs face many of the same pressures as large enterprises, such as fragmented customer data and increasing customer expectations. However, SMEs are more challenged by sudden and continued expansion, which require companies to "change tires at 80 mph."

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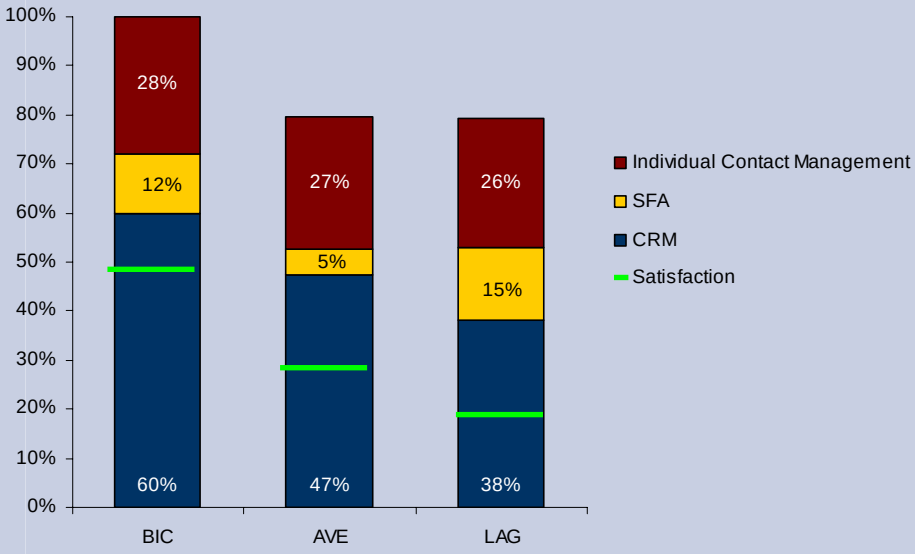
Aberdeen Insights — Summary

Additionally, SMEs have to keep pace with their larger competitors to retain, and even expand, their market share. Best-in-Class companies stand out with their ability to staff an effective sales force that is well educated on the company's product offerings and the customer's needs. Forty-eight percent (48%) of Best-in-Class companies indicated they are very satisfied with their CRM solution, compared to 28% of Industry Average and only 18% of Laggards (Figure 8).

Figure 8: Primary Customer Management Technology and Solution Satisfaction



Source: Aberdeen Group, February 2008

Even those Industry Average and Laggard companies that have adopted a CRM solution are not as happy with it as Best-in-Class companies are with their solutions. One reason for this is that Industry Average and Laggards are less likely to have formal sales processes on which to build their CRM solution. Without a formal sales process, CRM usage will vary by individual. Some of the sales force will incorporate it as a tool to assist their daily tasks, where others will enter their pipeline information solely to comply with their manager's demands. When CRM is not a natural part of the existing sales processes, it is not surprising that satisfaction rates would be correspondingly low.

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Appendix A: Research Methodology

In February 2008, Aberdeen examined the use, the experiences, and the intentions of more than 120 enterprises using CRM in a diverse set of industries.

Aberdeen supplemented this online survey effort with interviews with select survey respondents, gathering additional information on CRM strategies, experiences, and results.

Responding enterprises included the following:

- *Job title / function:* The research sample included respondents with the following job titles: senior management (39%), vice president/director (25%), manager (18%), and other (15%).
- *Industry:* The research sample included respondents from many industries, including: high technology/software (36%), computer equipment (7%), insurance/real estate/legal services (6%), finance/accounting/banking (5%), telecommunications (5%).
- *Geography:* The majority of respondents (64%) were from North America. Remaining respondents were from the Asia-Pacific region (10%), Europe (20%), rest of world (3%).
- *Company size:* Fifty-eight percent (58%) of respondents were from micro enterprises (annual revenues below US $10 million); 21% were from small enterprises (annual revenues between $11 million and $50 million); and 21% of respondents were from medium enterprises (annual revenues between $51 million and $1 billion).
- *Headcount:* Twenty-nine percent (29%) of respondents were from micro enterprises (headcount between 1 and 10 employees); 37% were from small enterprises (headcount between 11 and 100 employees); and 30% of respondents were from medium enterprises (headcount between 101 and 1,000 employees).

Solution providers recognized as sponsors were solicited after the fact and had no substantive influence on the direction of this report. Their sponsorship has made it possible for Aberdeen Group to make these findings available to readers at no charge.

Study Focus

Responding executives completed an online survey that included questions designed to determine the following:

- √ The degree to which CRM is deployed in their sales operations
- √ The structure and effectiveness of existing customer management initiatives
- √ Current and planned use of CRM to aid sales activities
- √ The benefits, if any, that have been derived from CRM initiatives

The study aimed to identify emerging best practices for CRM usage in SMEs, and to provide a framework by which readers could assess their own management capabilities.

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Table 5: The PACE Framework Key

Overview
Aberdeen applies a methodology to benchmark research that evaluates the business pressures, actions, capabilities, and enablers (PACE) that indicate corporate behavior in specific business processes. These terms are defined as follows: **Pressures —** external forces that impact an organization's market position, competitiveness, or business operations (e.g., economic, political and regulatory, technology, changing customer preferences, competitive) **Actions —** the strategic approaches that an organization takes in response to industry pressures (e.g., align the corporate business model to leverage industry opportunities, such as product / service strategy, target markets, financial strategy, go-to-market, and sales strategy) **Capabilities —** the business process competencies required to execute corporate strategy (e.g., skilled people, brand, market positioning, viable products / services, ecosystem partners, financing) **Enablers —** the key functionality of technology solutions required to support the organization's enabling business practices (e.g., development platform, applications, network connectivity, user interface, training and support, partner interfaces, data cleansing, and management)

Source: Aberdeen Group, March 2008

Table 6: The Competitive Framework Key

Overview	
The Aberdeen Competitive Framework defines enterprises as falling into one of the following three levels of practices and performance: **Best-in-Class (20%) —** Practices that are the best currently being employed and are significantly superior to the Industry Average, and result in the top industry performance. **Industry Average (50%) —** Practices that represent the average or norm, and result in average industry performance. **Laggards (30%) —** Practices that are significantly behind the average of the industry, and result in below average performance.	In the following categories: **Process —** What is the scope of process standardization? What is the efficiency and effectiveness of this process? **Organization —** How is your company currently organized to manage and optimize this particular process? **Knowledge —** What visibility do you have into key data and intelligence required to manage this process? **Technology —** What level of automation have you used to support this process? How is this automation integrated and aligned? **Performance —** What do you measure? How frequently? What's your actual performance?

Source: Aberdeen Group, March 2008

Table 7: The Relationship Between PACE and the Competitive Framework

PACE and the Competitive Framework – How They Interact
Aberdeen research indicates that companies that identify the most influential pressures and take the most transformational and effective actions are most likely to achieve superior performance. The level of competitive performance that a company achieves is strongly determined by the PACE choices that they make and how well they execute those decisions.

Source: Aberdeen Group, March 2008

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Appendix B:
Related Aberdeen Research

Related Aberdeen research that forms a companion or reference to this report includes:

- CRM Everywhere: The 2008 Software-as-a-Service Update January 2008
- Sales Effectiveness: Leveraging Content to Close Deals November 2008
- Sales Effectiveness: Getting Sales Back to Selling July 2007
- ERP in SMB: Exploring Growth Strategies December 2007

Information on these and any other Aberdeen publications can be found at www.Aberdeen.com.

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