CRM Buying Guide:

7 Steps to Making a CRM Purchase Decision

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Introduction

Choosing a CRM solution for your business can be a difficult and time-consuming process. Making the wrong decision can lead to a costly and inefficient system that doesn't meet your company's needs. Or, you may find yourself repeating the evaluation process again in a few years because your CRM system can't keep up with your company's growth.

This simple and easy to understand guide was created to help CRM buyers evaluate and purchase CRM Software.

The content in this paper was based on interviews with IT professionals. We've distilled their years of experience into seven basic buying steps that can be used by businesses of all sizes. From small business owners seeking a simple CRM solution, to IT managers tackling large scale CRM initiatives.

The seven steps outlined in this paper will guide you through the CRM vendor evaluation and buying process. These steps provide a road map to help you outline and prioritize your company's needs and objectives, and speed your decision-making process so you can get your new CRM system up and running as quickly as possible. Following these steps will help you find the right vendor for your needs, and will help you save both time and money.

Step 1: Define Your CRM Requirements and Objectives

Gather Information From a Variety of Sources

The first step towards a CRM purchase is to clearly define your company's business objectives and requirements, as well as the desired functionality of your CRM system.

Start by obtaining a list of needs and wants from everyone within your organization who will "touch" the CRM system. This includes sales, marketing, service, and IT organizations, as well as members of the executive management team. It is important to note that the likelihood of your CRM project failing is very high if you do not involve your key stakeholders early enough in the process.

Your requirements list should include the following:

* Vendor Requirements
* Functional Requirements
* Usage Scenarios/Work Flow
* Technical Requirements
* Integration Requirements
* Cost and Budget Requirements
* Implementation Requirements
* Training and Support Requirements

In addition, you should identify goals such as return on investment and desired productivity improvement. Once these details have been determined, you can create a request for proposal (RFP) for potential vendors.

Although it might be tempting to buy part of a package, or a piecemeal solution, to solve an immediate problem, it's important to think about your company's long-term goals. Buying a short-term solution will likely increase the overall costs, complicate implementation, and radically reduce adoption rates.

The RFP, if researched and written well, will be your guide in selecting the best CRM vendor for your needs. It is imperative that you gather as much specific company input as possible before the vendor selection process begins.

Step 2: Create a Short List of Vendors and Submit Your RFP

Research Reveals the Top Contenders

Once you have defined your business objectives and requirements in your RFP, the next step is to create a list of vendors who match your criteria. There are many business software websites that provide CRM vendor information. You may also use our convenient CRM vendor comparison tool on CompareCRM.com to further narrow down your choices (for example, you can evaluate vendors based on hosted versus on-premise, those with solutions for small businesses, level of customer service, cost, and so on).

Look for vendors who have a solid track record and who are familiar with your industry and areas of needs. Find vendors who have solved business problems similar to yours. Talk to the vendor's existing customers with similar business needs and ask for candid feedback. Customer interviews reveal a wealth of information, you'll learn: how smooth the implementation process was, what users think, system reliability, and customer support knowledge and response.

It is also important to evaluate the viability of vendors when trying to narrow down your list. What is the financial health of the business? How many customers do they serve? How long have they been in business? You'll want to make sure you're working with a company that will be there for you not just through this implementation, but down the road as well.

Depending on how complex your requirements are, you should be able to generate a short list of vendors fairly quickly. If you have a relatively straightforward project that won't require much customization, try to limit your shortlist to three vendors for simplicity. If you have more complex business requirements and need customization, integration with other systems, and the like, you might need to assess more vendors, though we recommend evaluating no more than five.

Once you have identified your short list of vendors, submit your RFP to them. It's important that you share the same information with all potential vendors so that the vendors have the same understanding of your needs and requirements.

Step 3: Require Vendors to Prove They Can Meet Your Needs

The Value of Demos, Trials, and Meetings

After submitting your RFP to vendors on your short list, you will likely need to conduct one-on-one meetings with these vendors to explain your company's needs and require-ments. Even if you are buying CRM software for a small business, it is still worth your time and effort to engage these vendors so you can speak to someone about your needs.

Your job may get easier based on the vendors' response (or lack of response) to your request. Be alert for vendors who miss your deadlines, or who don't provide full re-sponses. Also pay attention to your relationship with the salesperson—this is the person with whom you'll be spending a great deal of time and negotiating your deal. If you don't have a good working relationship with your salesperson, it might be wise to remove this vendor from your list, or ask for a different sales contact.

At this point, you need to determine how the vendors you have identified will fulfill the requirements outlined in your RFP. Make each vendor prove that they can satisfy your business needs by providing you with a demo or free trial of the software. By seeing the software in action, you may find that what looks good on paper, won't work well in your environment. A demo allows you to evaluate the user interface, how screens are laid out, what kinds of information can be captured, and so on. Even a generic demo, without any customization for your company, can provide a good overview of how the software can meet your needs.

You should also require vendors to provide specifics on how they will meet your busi-ness objectives. They should be able to outline your potential return on investment and describe what steps they will take to avoid risk and ensure a pain-free deployment. Ask vendors to clarify how they will satisfy your technical requirements. Finally, ask for a written account of what support and training is included, and what services will require additional fees.

Step 4: Pare your Shortlist to the Top Two Vendors

Separate the Contenders from the Pretenders

Once you have conducted the initial evaluation of vendors on your short list, you need to pare that list down to the top two vendors. It may be helpful to consider the following:

   * Which vendors were able to best show how their product will satisfy your business and technical requirements?

   * Which vendors are in the strongest financial and competitive position? It will usually be safer for you to choose a vendor who is not actively involved in an acquisition, or not likely to be the target of an acquisition.

   * Of the vendors you evaluated, which gave you the sense of going the extra mile to earn your business? This won't guarantee the service level you'll receive after you've signed the contract, but it might help you with your negotiations now, and in the future.

   * Which vendors were concentrating on how much cheaper their solution was, or were trying to give their software away? You want to avoid vendors who either promise the moon or who try to give their software away, this typically means they are struggling to find customers or want to sell a version that will quickly become obsolete.

   * Which vendors have proven they can solve business problems similar to those your company is trying to solve? Have these vendors provided customer reference examples or actually shown you how it can be done?

   * What does your CRM evaluation team think of the vendors on the shortlist? Review feedback from all stakeholders and use it to help make your decision.

After considering the factors above, narrow your short list to the top two vendors. You can then engage in further discussion with these two vendors to determine which one is the best fit for you.

Step 5: Conduct Comprehensive Vendor Reviews

Require Vendors to Prove Their Worth

During step five in the evaluation process, notify the finalist vendors and let them know that you will conduct an in-depth review of their offerings.

This is the time when vendors will need to prove that they can fulfill your CRM needs. Ideally, vendors should offer a trial version of their product, or prepare a highly tailored demo that maps to your company's business processes and shows how your company's business work flows will be handled. Most hosted CRM vendors offer you a free trial of their software, while on-premise CRM vendors can offer you a highly tailored demo.

Review and compare how the different vendors' applications work and map to your internal business processes. This will allow your extended team to "test-drive" the system. Putting these different systems through their paces allows you to evaluate the strengths and weaknesses of each product, and to compare functionality. Requiring a vendor to meet a-day-in-the-life scenarios of your company's business processes will give you a good idea of how easy or difficult it will be to customizable the solution to fit your needs.

You should also conduct a thorough technical architecture review with these vendors to ensure that all technical requirements are met. This is especially critical if you are leaning towards purchasing an on-premise CRM solution where integration needs can become a deciding factor in vendor selection.

Ask each vendor to present their solution to your company with a sufficient level of detail to satisfy all decision makers. This presentation will give everyone an opportunity to ask questions, and to get a full understanding of the scope of the project, as well as the vendor's ability to fulfill business objectives and address concerns. You will need to get internal buy-in for the system from senior management, IT staff, end users, and whoever will use or support the system. Often, seeing the solution in action will help clarify to stakeholders why a CRM system is important, and this will help garner the necessary internal support, and will facilitate the rollout of your new CRM system to different user groups.

Step 6: Negotiate Prior to Deciding on a Vendor

Everything is Negotiable

You've narrowed your choices down to two CRM vendors, and both know that they're in the final two. You should work with the vendors and conduct pricing discussions so they can prepare their proposal. It's imperative that you do not disclose any information to the salespeople you are dealing with in terms of which vendor you are likely to choose.

At this point, vendors will present you with proposals. Remember, that in a business software purchase, everything is negotiable. Lock in discounts wherever you can. Consider negotiating for the following:

* Implementation costs
* Maintenance and support fees
* Limits on fee increases (including freezing prices or locking in discounts)
* Locking in future upgrade costs
* Technical support and training
* Service level standards and guarantees
* Long-term commitments and contracts
* Upgrade provisions for future conversion from hosted to on-premise solution

Another way to negotiate a favorable deal is to serve as a reference for the vendor. A good reference is worth its weight in gold, and CRM vendors know this. Serving as a reference may give you some negotiating room in terms of price, but may also increase your level of service and support.

For more information on how to negotiate the best CRM deal, please visit Compare-CRM.com. You can find a more in-depth white paper covering the CRM vendor negotiation process, titled "*The Insider's Guide to CRM Software Negotiations*".

Step 7: Choose a Vendor and Deploy Your CRM Solution

Congratulations! You Are on The Way to CRM Success.

Once you have all the information you need, you will finally be able to choose the best CRM vendor to meet your needs. Make sure that you understand all of the details of the contract, and don't be afraid to ask for clarification. All changes and agreements should be made in writing and agreed to by both parties.

Work with your vendor of choice to create a mutually acceptable schedule and internal resource allocation to fully implement your system. Negotiate deliverables, time lines, and necessary internal resources.

While your salesperson is not typically involved in the implementation process, you should contact them if you run into any problems in deploying the software. It is common industry practice to tie the salesperson's commission or bonus to some customer satisfaction metric. Leverage your salesperson to ensure your CRM success.