

Business Lifecycle Strategies for Success at Every Stage

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Business lifecycle whitepaper— Survival of the fittest

Organizations, like most living things, change and adapt over time. Much like the human lifecycle, so, too, do companies go through similar phases, such as start-up, growth, maturity, and eventual decline. At every point in human and business lifecycles, the requirements of survival change. To adapt, we use information and experience to help us make decisions. But, what works for a child or a start-up is often inappropriate for middle-age or a mature business. However, where the human lifecycle is linear, the business lifecycle can vary, depending on each company. So, having the tools in place to cope with these changes is vital.

This may sound obvious, but in our experience of working with millions of small to midsized businesses (SMBs) and large organizations around the world, many of them fail to adapt to changing requirements. The reason? Many are so focused on the day-to-day operational challenges that they do not look at the market and customer trends and patterns, and how to change their businesses to better meet customer demands.

SMBs must look at the business lifecycle, plot their relative position, and then evaluate whether they have the tools to track and analyze customer and market dynamics to make more informed business decisions. Consequently, customer relationship management (CRM), which helps manage, track, monitor, and analyze customer trends for improved sales and marketing and business management, is now an essential piece of the jigsaw for SMBs to not only survive, but also succeed. Indeed, like Charles Darwin's theory of natural selection, business is about the "survival of the fittest." And, in today's highly competitive, global economy, we believe that CRM enables organizations to become more competitive.

We will outline some of the common challenges faced by organizations at the different points of the lifecycle and highlight ways that CRM can help business owners overcome them and help grow their business.

The business lifecycle

Moving through the business lifecycle is not an easy process. The reason why many companies fail to evolve is because they are unable to adapt to the new demands that the business experiences. Only by understanding the nuances of customers and the market will organizations be successful.

We see the lifecycle in four distinct parts: start-up, growth, maturity and decline. The business and customer requirements at each point change, so it is paramount that companies use the appropriate resources, skills, and tools to maximize available opportunities. For example—and using the human lifecycle analogy again—a parent that treats a teenager in the same manner as a small child will not get the desired outcome. The same principles apply to customers and businesses. As a business moves from start-up to growth, for example, its demands shift, and as a result, required principles and approaches also change. By using CRM it can keep abreast of these shifts and continue on an upward path.

However, it is important to realize that the business lifecycle is not linear, as companies can move between and back and forth through the stages at different times and speeds. A company may go through all the stages linearly, while another may go from start-up to acquisition and miss the growth or maturity stages. On the other hand a company may be a mature business, but the introduction of a new product line or marketing campaign supported by analysis of customer data using a CRM system reignites revenues so that it once again becomes a growth business.

One other consideration is the common misconception of owners of flat revenue companies is that they cannot grow unless they hire new sales staff or introduce a new product. However, deploying a cost-effective CRM solution can help generate new revenue streams that were once only seen as possible by way of a new sales person or new product—both expensive options. As such, there is no ‘one size fits all’ when it comes to the business lifecycle, but the challenges remain similar at every stage. And, using tools, such as CRM, help companies to manage there way through and around the business lifecycle with confidence.

Start-up

A start-up begins its life with a business plan—in theory. In fact, many organizations do not even get this far before the day-to-day running of the business takes over. Those that do develop a business plan, then proceed to file it away, never to be seen again. In a recent global survey by Sage Software, 47 percent of respondents said that they would like more time to create or update plans, while a further 21 percent said that they were to busy to properly plan their business.

A business plan is a vital document and it is not a one-shot document, either. A business plan should be constantly reviewed and analyzed, especially during start-up phase. This will help the organization maintain focus, yet question assumptions and adapt to meet the realities of the market and customers.

Additionally, within the start-up phase, some of the main areas of focus center around obtaining customers and delivering the product or service contracted for. Some of the key questions facing a business in start-up are:

- Can we get enough customers, deliver our products, and provide services well enough to become a viable business?
- Can we expand from that one key customer or pilot production process to a much broader sales base?
- Can we, at a minimum, generate enough cash flow to stay in business and finance growth?

Only by understanding customers fully—their buying patterns, relationship quality, and opportunities for future sales—will start-ups be able to review their business plans, ensure that they stay on track to meet their objectives, and have the customer information at their disposal to capitalize on their business idea. This is where CRM can help; by providing the customer intelligence. Using CRM systems, SMBs can analyze customer relationships and buying trends, and then take the best course of action in terms of next steps, whether that means continuing as before, refocusing efforts on a specific product or vertical market, considering a new marketing campaign to generate further sales, or looking at ways to increase profitability at sale.

Sales and marketing at the start-up stage are focused on generating awareness and motivating customers to try a new product or service. Typical customer strategies for these companies include:

- Free or no-risk trials
- Liberal return policies and warranties
- Attractive credit terms
- Service or product bundling
- Free training or strong educational programs
- Advertising or targeted marketing to generate awareness
- Sales and price promotions

These strategies can be risky and expensive. Done correctly, the start-up ensures that it becomes an early market leader; incorrectly, and it joins the third of companies that fail within the first three. As such, start-ups must develop customer management programs and systems that enable them to measure and monitor the effectiveness of customer acquisition campaigns, sales, and service promotions. However, at this stage, it is unlikely that the business has a mature and dedicated IT function. These companies should begin adopting and supporting customer best practices with low-cost and easy-to-implement CRM or customer management solutions. Without a technical competency or an existing IT infrastructure, the start-up should consider the software-as-a-service (SaaS) delivery model for its CRM solution. Moreover, since the organization is going through a rapid period of change, customization, or even deep configuration, of the solution should be avoided.

Thus, a start-up with limited resources can make quick and informed decisions based on real data—not simply gut instinct—and move the business forward. Furthermore, they can adapt the business plan in line with this information. By regularly reviewing the performance of the business using tools like CRM against the plans and targets that have been set, organizations are more likely to meet objectives. What's more, it can also flag where and why the business maybe going astray, so that corrections can be made quickly to prevent lost revenue, or worse, business failure.

Start-ups should make it a key priority to regularly check where the business is by reviewing financial and customer data. Looking at the plan against the information in IT systems such as CRM, owners and managers can get a complete perspective of the business and marketplace from customers, as well as accountants and peers at industry events. Conducting quarterly reviews will help start-ups keep on top of company performance, customer trends and profitability, while an in-depth annual review can take a more strategic look at customer segmentation, market patterns and focus areas for the following year.

In the Sage Software survey, 44 percent of start-up respondents either did not have a plan or said they would like to have a plan to move their business to the next growth stage. It is paramount that start-ups take time to conduct this analysis so that they can take a step back and look at the business and where to go next. If not, many start-ups will continue down a path with no idea of where it leads. Some start-ups will be lucky, but given that a third fail in the first three years, undertaking reviews could be the difference between surviving and succeeding or folding.

One final consideration of using CRM at a start-up stage is the challenge that many entrepreneurs face—juggling too many roles. This means that their job is chaotic, and as a result, steps are missed in the sales process. This makes SMBs look and appear small (and possibly less professional) to customers, while in fact good customer data provides the opportunity to make them look bigger and more professional. For example, in the desire for sales and revenue, the owner of a stationery company calls its biggest customer and finds out to its embarrassment that this valued customer had placed a large order only two months previously. If the stationery company had a CRM system, this information would have been available to the owner prior to calling the customer and the sub-standard customer service avoided.

Best practice would see a company, whether a start-up or a mature business, enter the CRM system before any call is made to the customer. With information at their finger tips, sales personnel can pitch products or services appropriately or simply ring to make sure the customer is happy. It is this level of knowledge and best practice approach that is vital as companies grow and expand.

Growth

Once a business has become established and it enters a growth stage, the customer strategies shift from new customer acquisition to “selective” demand generation. An increasingly competitive environment requires that growth organizations gain a deeper understanding of target customers’ needs and desires, typically resulting in product or service-offering stratification. That is, with a clear understanding of the market drivers and increased competition, the growth company will begin to target its product and service offerings to specific market opportunities. As the product and service offering grows, systems and programs need to support increasingly sophisticated customer processes and a deeper specialization of the sales and marketing functions. At this point, the growth organization should use CRM systems to begin differentiating the customer experience from competitors, focusing on a number of specific areas:

- Deeper marketing insight into past purchasing behavior and segmentation to aid in cross-selling and up-selling campaigns
- Management of multiple and tiered marketing campaigns
- Development of customer satisfaction and loyalty programs
- Sales opportunity management and sales pipeline forecasting
- Implementation of sales methodologies and repeatable processes
- Implementation of service and support functionality

Another challenge that companies experience when they begin to grow is that owner/managers are often taken away from customers to focus more on the operational elements of running the business. To reduce the impact this may have on customer relationships—because the customer no longer deals with the owner or manager—then the ideal scenario is to have a CRM system that has captured all previous customer information so that any new person joining the company can immediately understand the customer’s background history, purchasing trends, and potential future opportunities. This means less disruption to the business and a continued high level of customer service. In essence, an owner will increasingly need to manage the process of delegation of responsibilities to others to improve the managerial effectiveness of a fast growing and increasingly complex operation.

Indeed, as a company grows in revenues and customers, it will naturally increase its employee base to support it. When a company is hiring rapidly, it needs a way to get employees up to speed quickly and easily. CRM can play a pivotal role. However, during periods of significant recruitment, there is also an increased likelihood of rapid employee turnover, resulting in companies losing track of what customers are purchasing. However, by having a centralized CRM system, companies can track customers so that new employees can be up to speed quickly, or, in the eventuality of staff turnover, customer service is not diminished from customers ‘falling through the cracks’.

A further benefit of CRM for a growth company is as a tool for improved forecasting. Many SMBs will argue that they have a financial package or spreadsheet that gives them the numbers. To some extent this is fine, but we would urge SMBs to look at integrating a CRM system into the forecasting process as well, otherwise forecasting becomes like driving a car while only keeping your eyes on the rear-view mirror. In fact, only 35 percent of respondents in the Sage Software survey use CRM to help advise on the strategy of the business. Companies are missing an obvious opportunity to drive their businesses forward and should not simply rely on financial systems and spreadsheets; they should also integrate CRM.

Using CRM gives a much fuller perspective from where opportunities and revenues will come in the next month or quarter, helping companies to align and focus sales resources more effectively. This is even more important if the company has expanded into different regions or countries, and visibility of the business is no longer as easy as it was as a start-up. While some other technology solutions benefit from locally tailored systems, such as accounting systems, having a centralized CRM system across markets provides managers with a complete view of where revenues will come from, where resources should be allocated, and which customers may need to be visited by managers in order to close deals.

Indeed, the Sage Software survey revealed that 66 percent of respondents operate or plan to operate in more than one country and that 59 percent had or were implementing a single CRM system. Seventy-nine percent said that CRM adds competitive advantage when working across international markets, while other key benefits of a centralized CRM system were increased operational efficiency, revenue, and profitability opportunities.

Simply seeing a number in a spreadsheet is one thing, but seeing information about where revenues are expected, profitability of customers, customer forecasts, and up-sell opportunities means that organizations can maintain a laser focus on the customer. This is the case even though the business will be growing rapidly and people will be pulled in many directions all the time.

Business growth should not mean customers do not get 100-percent attention and the best possible customer service. Companies that can maintain great customer service and rapid growth are setting themselves up for long term success. CRM is an enabler for better business management in that it helps organizations manage existing customers better, improves forecasting, offers an element of predictability when everything else is chaotic, supports new employees, reduces the impact from staff turnover, manages diversification and/or internationalisation of the organization, and lastly, helps establish best practice customer and business processes for the future.

Maturity

All businesses reach a point where revenues slow down from double or triple-digit growth. Thirty-three percent of respondents to the Sage Software survey said that they were a mature business with 64 percent of all respondents claiming they had declining, flat, or single digit revenue. As revenue reduces to single digit growth, organizations again must adapt their companies to meet the tougher business environment. The heady days of major growth rarely allow owners/managers a moment to consider what might happen when this was no longer the case and how revenue and growth would be maintained—albeit slower. This is where the understanding and appreciation of the value that CRM can bring to the business is important. CRM can bring positives to growth businesses as already outlined, but it has just as much, if not more, importance when a business is in the mature stage of its life.

Where the business may have had first mover advantage or a new, compelling product that propelled its revenue and growth, now there is competition. In addition, other external factors become challenges, such as new regulations or changing economic conditions that require careful management. It is at this stage, similar to humans entering middle age, where companies turn to past experience and knowledge to ensure continued growth and success.

The bigger picture must be kept at the forefront of the organization. A clear vision and strategy are paramount so that every person in the company knows the direction to take. Giving every employee the power to make better decisions and to be more efficient and productive is key to executing on the strategy. By using CRM, mature businesses can provide relevant information to employees that enable them to focus attention and resources where there is the best chance of success.

The greatest concerns facing a company at this stage are, first, to consolidate and control the financial gains brought on by growth in the previous stage; and, second, to retain the advantages of small-company flexible in response than a large organization, along with an entrepreneurial spirit. The company must expand the management force fast enough to eliminate the inefficiencies that growth can produce, and streamline the company by use of tools that can automate key business processes—all without stifling its entrepreneurial qualities.

The company may look to reduce costs by minimizing the complexity of product design or outsourcing some of the production or service processes. It may also seek to drive costs and inefficiencies out of the sales and marketing processes to reduce the cost of sale. For example, one customer that centralized its customer contact information on a single Web-based Sage Software solution improved its sales capacity by 10 percent. With 30 sales people, this yielded the equivalent of three additional sales people at no additional cost. For a maturing business, customer systems and programs are used to drive costs out of the business and to improve the quality of service offering. The systems and programs should be designed to support:

- Referral and loyalty based marketing programs
- Tracking and analyses service information to understand extended or innovative product usage patterns
- Multi-regional implementation to support service outsourcing or geographic expansion
- The lowering of the cost-of-service through customer self-service
- The design and development of customer-centric processes
- Implementation of sales and marketing best practices

Companies in the mature stage of the business lifecycle need to make decisions like this all the time to drive costs out of the business, improve profitability, and also maintain customers. Resting on one's laurels is one of the perennial problems a maturing business experiences, but this is the time when competition and the marketplace are relentless and there really is no time to rest. Using CRM, companies can and must do more sophisticated and targeted marketing than a start-up or even growth business. It can segment its customers into even more discrete brackets and target them with specific messages and offers. Furthermore, it can see which products or services certain customers have been buying and put more attention onto specific products or services, decide to pull a product if it is not selling to reduce costs, or invest or acquire a new product to refresh its sales pipeline. Indeed, a mature business does not mean it needs to decline or seek an exit strategy; using CRM gives a mature business the opportunity to reignite growth.

Decline

Once the business has entered decline, it should be focused on divesture or harvesting of the customer base to maximize the cash flow it can use to fund new product or service offerings. At the same time, it should be using CRM with strong analytical capabilities to identify remaining niche opportunities. Using CRM provides these companies with a lifeline back to profitability and growth. If not, then it paves the way for a more profitable exit because a centralized CRM system is a tangible business asset.

Exit

A business exit, which could be a trade sale, IPO, management buy-out, or family succession, is often the last thing that a business leader usually wants to plan for. Most start-ups begin with a grand vision and forget about how it may end. As mentioned before, 65 percent of respondents in the Sage Software survey either do not have or are unsure about their exit strategy. The exit plan is analogous to the making of a last will and testament—we know that we should do it, but put it off, sometimes until it is too late. Others simply build their business and then when the time comes they sit down and consider their exit.

When establishing a business, it's essential to consider the exit strategy as it should dictate and mold the way the business is managed. If the business is already in the start-up, growth, or maturity stage, then taking a step back and considering the exit is an action that should take place sooner rather than later. A well thought out exit strategy can help business leaders get the most value from the business, successfully market the business to potential buyers, and ensure that there is little disruption to the business and customers. Using CRM helps on all these fronts. In fact, 71 percent of respondents that had an exit strategy believe that CRM would help maintain good customer relationships at the time of an exit. This is vital when seeking to secure the best value for the business, as it gives family members, investors, or acquirer's confidence in their investment.

Having a clear exit strategy at the start will provide obvious advantages, whether the business is at a start-up, growth, or maturity stage of its lifecycle. Today, most organizations will seek a trade sale (34%) or family succession (26%) as the core exit strategy according to those with an exit strategy surveyed by Sage Software. Carefully planning the exit will help to dictate and mold the business from its inception toward that chosen option thus maximizing the value from it. It will also help groom a successor, whether from within the business or a family member so as to be less disruptive. Lastly, a carefully planned exit allows for an exit at the chosen time, when the business is doing well and conditions are advantageous.

The role of CRM in an exit strategy cannot be ignored. Knowing your exit at the outset—whether that is floatation, trade sale or venture capital investment—will help guide the use of CRM to ensure that the price is obtained. As discussed, CRM can help improve marketing, customer service, segmentation, and productivity, which are all critical to securing the best price. Yet, something that is often forgotten in an exit strategy is the value of customer data.

Customer data can be and is a tangible asset that is all too often overlooked by organizations in their exit strategies. Many companies enter exit negotiations with a price in mind and have to bargain hard to achieve it; or, more often than not, take less. What would happen if you entered the room with a potential buyer, a venture capitalist, or bankers looking at an IPO, and advised them that you had every record of every customer interaction since the business started or over the last few years? The price of that data would be significant to the valuation of your business because of its tangible benefit to future growth. In an exit strategy, CRM is a tangible asset that can add value to the business. In fact, we know of many venture capitalists that make it a requirement of their due diligence to analyze the CRM systems of potential companies to discern the quality of relationships and the growth potential.

In today's market, if you want to get the highest ROI from the business—whether sold at a trade sale, invested in by venture capitalists, bought out by management, or IPO, then CRM puts most, if not all, the aces in your hand. The company has put customers at the heart of its business, used the data to put the company into a strong and profitable position, and when the time is right, capitalize on its efforts in an exit.

Conclusion

The business lifecycle is different for every organization because it is not a linear process. However, the business challenges at each point remain similar. Managing a business through these stages is enjoyable and challenging, and CRM plays a key role throughout an organization's existence. From start-up to exit, CRM should be weaved into the very existence of the company so that before every customer contact, the system can be reviewed for the latest information; for mapping and adapting the business plan in line with the market opportunities; or simply to maximize the value of the business on exit.

Understanding customer needs and adapting to the changing requirements, learning from past experiences, and analyzing customer information to make better decisions can make all the difference between success and failure. To survive, you have to be fit; to succeed, you have to be the fittest. CRM helps you with both.

Customer strategies for each business stage

Business Stage	Customer strategies
Start-up	<ul style="list-style-type: none"> • New customer acquisition
Growth	<ul style="list-style-type: none"> • Begin to build customer satisfaction programs to encourage repeat purchases • Product stratification and competitive positioning • Refinement of pricing strategies • Improve/strengthen distribution and sales channels • Sales/Marketing specialization • Reduce the ease/attractiveness of switching to a competitor
Maturity and decline	<ul style="list-style-type: none"> • Brand, referral, and loyalty marketing becomes more important • Find new or extended uses for the product • Geographic or market expansion • Reduce the cost of sale and increase per-customer profitability • Focus on operational aspects to become the cost, price, quality, or service leader • Customer maintenance and replacement purchases • Cross-selling product line extensions to focus on narrowing niche markets • Customer maintenance or “harvest” to maximize short-term cash flow • Divestiture
Exit	<ul style="list-style-type: none"> • Use CRM to ensure smooth transition • Leverage customer data as a tangible asset during negotiation • Reduce risk of losing customers and opportunities

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