

Gold in the SMB Space
by [Eric Grover](#)
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Large enterprises recognize CRM software, properly employed, enables customer and prospect relationships to, systematically, be more effectively managed, enhancing competitiveness and profitability. The enterprise CRM software market, not surprisingly, is intensely ministered to. The small and medium-sized business (SMB) CRM market however remains underserved. While Microsoft has announced a CRM offering addressing the SMB market, it is unclear whether Microsoft domination is inevitable.

The Global 1000 market is chock full of CRM suppliers, ranging from giant suite to point solution providers. Banc of America Securities enterprise software analyst Bob Austrian says, "other than for niches and select as yet untapped verticals, the CRM window is now closed." The pack continues to be culled, with smaller specialists and second-tier suite suppliers being acquired, or crashing and burning.

Vendor attrition does not mean however that the enterprise CRM market will become less competitive. To the contrary, to the extent half a dozen or more suppliers with broad and deep offerings, with staying power and global reach, consolidate their positions, buyers can look forward to intensified competition. Today Siebel leads. With its huge global ERP client base and resources, SAP's forecast that it is "only a matter of time" before it overtakes Siebel should not be taken lightly. Oracle, PeopleSoft, Amdocs in the telco vertical, and Alltel and S1 in financial services, will also figure in increasingly ferocious, competition for the enterprise.

In contrast, the SMB market is substantially undeveloped and to date far less competitive. There are 25 million businesses in the US. While most are very small, two million do more than \$500,000 in annual revenue. This market is an immense, if difficult to reach and serve, opportunity. Nobody, moreover, need fear Tom Siebel swooping in on the corporate jet to close a sale to a 10-man insurance agency in Stamford, CT doing \$3 million in revenue.

In small businesses, a greater percentage of employees interact with the outside world. Proportionately, therefore, there is more customer relationship activity to be managed. Moreover, small businesses do not have dedicated or specialized resources to address their CRM challenges. Even though their base software requirements are more modest, the need for complementary services can be greater.

The battle lines in the SMB market have only just been drawn. Onyx, Pivotal, Peregrine, Salesforce.com and Upshot, have CRM offerings reaching toward the small-end of the mid-market. Sage and FrontRange, more than most, target small businesses. With several hundred million desktops, \$39 billion in cash and legendary persistence, Microsoft's imminent arrival in this market will give many cause for pause. It is not however invincible, as AOL, Intuit, and Palm, demonstrate.

With Great Plains, Microsoft acquired a beachhead in the mid-market backoffice. Buying Navision expands that position, particularly in Europe. Hosted and shrink-wrapped CRM offerings launched from its backoffice assets, leveraging Outlook and Exchange, build from near the bottom. Today's midtier players delude themselves if they do not think they risk being crushed between Microsoft coming up from the desktop and the giants coming down from the enterprise.

In the SMB market having a proven and functionally superior product will be not be sufficient. Cost-effective distribution and servicing is paramount. Aggressively leveraging other giants' distribution networks are key to preempting the Redmond Goliath. Humongous telcos and banks, and a software provider such as Intuit, already enjoy longstanding relationships with millions of small and medium-sized businesses. For instance, BofA has 2 million small business

clients. Verizon and AT&T each have roughly 4 million. For all, offering a CRM package or service on a private label basis or under a third party vendor's brand, would, potentially, be an attractive proposition. More nimble, small vendors are also more likely to tailor offerings to a giant distribution partner.

Channel partners and small business clients must be actively and comprehensively supported. In a GE, a team of vendor staff and big five consultants can camp on site. This is not an option in markets where the ASP may be thousands, or tens of thousands of dollars, rather than millions. Employing telesupport operations in low-cost offshore markets such India and the Philippines, would enable genuine support to be delivered to tiny businesses, and deep into the channel partners' organizations.

Additionally, bundling discrete add-on services can render a SMB CRM offering immensely more compelling. Large credit card issuers and retailers have inhouse expertise and direct marketing agencies at their beck and call. Small businesses do not. Providing prepackaged services, such as screened prospect data, telemarketing scripts and canned direct marketing campaigns, can deliver tremendous value.

The SMB frontier is ripe with opportunity. Microsoft's imminent arrival is a clarion call to incumbents to act. The window to preempt the presumptive gorilla in the SMB CRM market will soon be closing. Proven product, access to packaged complementary services, and verve, wedded to cost-effective distribution and support systems, are a potent combination. FrontRange would make an interesting David

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