

Henrik Vogt

Open Source Customer Relationship Management Solutions

Potential for an Impact of Open Source CRM Solutions on Small- and Medium Sized Enterprises



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Preface

This book is based on my experiences as founder and owner of my IT consulting company PC-Con.

In the year 2006 I founded my first small business offering IT services, internet and network installations, and consulting services to private individuals as well as to micro- and small organizations.

After a while of doing business, I was able to get an understanding of the importance and the opportunities of customer satisfaction and was able to measure customer satisfaction in form of increased revenue and an increased demand.

Based on my experiences and the theoretical background gained in my studies at the Cologne Business School, I was looking for specific software systems which could help me to manage and analyze my customers in order to get an increased understanding of their requests and requirements.

Confronted with the specific requirements of a small company, I was able to realize the difficulty of performing an efficient customer relationship management.

Based on the question how to organize customer relationship management and how to depict my activities into a specific CRM software, the research question of this book was created.

Cologne, April, 2008

Henrik Vogt

Table of Contents

List of Figures.....	III
List of Tables.....	III
List of Abbreviations.....	IV
1 Introduction.....	1
2 Importance of CRM for Small and Medium-Sized Enterprises.....	2
2.1 Customer Relationship Management.....	3
2.1.1 Definition.....	3
2.1.2 Reasons for Using a CRM.....	6
2.1.3 Opportunities and Risks of CRM.....	9
2.2 Small and Medium-Sized Enterprises.....	14
2.2.1 Definition.....	14
2.2.2 CRM for Small and Medium-Sized Enterprises.....	17
3 Requirements of Customer Relationship Management.....	19
3.1 Criteria Based Requirements of CRM.....	19
3.1.1 Basic Components of a CRM System.....	19
3.1.1.1 Analytical CRM.....	21
3.1.1.2 Operational CRM.....	23
3.1.1.3 Collaborative CRM.....	25
3.1.2 Main Features of a CRM System.....	26
3.1.3 Special Requirements of Small and Medium-Sized Enterprises.....	29

3.2	Requirements of a Successful Implementation of a CRM System.....	31
3.2.1	Prerequisites for Implementing a CRM System.....	32
3.2.2	How to Ensure a Successful Implementation.....	34
4	Open Source CRM Solutions.....	37
4.1	Open Source.....	37
4.1.1	Definition.....	37
4.1.2	Why to use Open Source Software.....	39
4.1.3	Open Source CRM Solutions.....	41
4.1.3.1	Sugar CRM.....	42
4.1.3.2	vTiger.....	45
4.1.3.3	OpenCRX.....	46
4.1.4	Comparison of the three Open Source CRM Solutions.....	47
4.2	Could Open Source CRM Solutions Fulfill the Requirements.....	51
4.2.1	Basic Components.....	51
4.2.2	Main Features.....	54
4.2.3	Special Requirements of Small and Medium-Sized Enterprises.....	62
5	Conclusion.....	63
	Bibliography.....	66
	Internet Sources.....	71
	Appendix.....	73

List of Figures

Figure 1: The Transition from Traditional to Relationship Marketing.....	7
Figure 2: The Four Steps in Managing and Creating Customer Value.....	10
Figure 3: The Definition of Small and Medium-Sized Enterprises.....	15
Figure 4: The Thresholds of Small and Medium-Sized Enterprises.....	16
Figure 5: Components of a CRM Information System.....	20
Figure 6: Decision-Making for a CRM System.....	33
Figure 7: The Different Sugar CRM Editions.....	43

List of Tables

Table 1: Advantages and Disadvantages of Sugar CRM.....	49
Table 2: Advantages and Disadvantages of vTiger.....	50
Table 3: Advantages and Disadvantages of OpenCRX.....	50
Table 4: Functional Comparison of Sugar CRM, vTiger, and OpenCRX.....	54

List of Abbreviations

AWU	Annual Work Units
BSD	Berkeley Software Distribution
CEO	Chief Executive Officer
CRA	Customer Relationship Anatomy
CRM	Customer Relationship Management
CTI	Computer Technology Integration
ERP	Enterprise Resource Planning
FAQ	Frequently Asked Question
GPL	General Public License
GUI	Graphical User Interface
LGPL	Lesser General Public License
OLAP	Online Analytical Processing
PHP	Hypertext Preprocessor
ROI	Return On Investment
SME	Small and Medium-Sized Enterprise
UMS	Unified Messaging
VAT	Value Added Tax
VoIP	Voice over Internet Protocol

1. Introduction

In order to stay ahead of the competition companies are more and more forced to turn their attention to their real assets: their customers.

Both, the value of the individual customer and the development of personalized relationships with them have made customer relationship management as one of the emerging topics in the last years.

Faced with the increased knowledge of the customers about existing product- and service offerings on the market, companies are more than ever required to develop specific customer knowledge in order to adapt their products and services according to the requirements of the customer.

Customer relationship management is no longer something that only huge leading enterprises use in order to gain a competitive advantage.

In the increased competitive landscape, it is now a necessity for survival even for small and medium-sized enterprises.

Customer relationship management is a complex and difficult way of doing business. CRM means more than just installing a software or automating customer touch points. It is about the reinvention of a customer-oriented organization.

According to the special requirements of small and medium-sized businesses, the degree of difficulty of the CRM approach even increased.

The following chapters reveal the overall importance of a customer relationship management system especially for small and medium-sized enterprises. In addition to the topic of CRM, the increasing importance and possibilities of open source software is revealed.

The main research question consists of the idea if open source customer relationship management systems are able to fulfill the requirements of a CRM software.

In order to be able to answer this question, the following analysis made use of the literature available on the topics CRM, special requirements of small and medium-sized enterprises, and the topic of open source software.

By revealing what a CRM have to fulfill in order to be classified as customer relationship management system according to the findings in the literature, various requirements are identified.

In the next step, the three most popular open source CRM software systems Sugar CRM, vTiger, and OpenCRX are scrutinized under the criteria if they are able to fulfill the requirements defined in the previous steps.

The conclusion discusses the previous findings and outlines the chances and limits of open source customer relationship management solutions for small and medium-sized enterprises.

In addition to this, the requirements of a successful implementation of a CRM system are revealed and the concept of seeing CRM as a corporate strategy is concretized.

The aim of this book is to outline the holistic approach of CRM and to examine the research question if open source CRM solutions are able to fulfill the requirements previously defined according to the underlying literature.

2. Importance of CRM for Small and Medium-Sized Enterprises

The following chapter reveals the overall importance of customer relationship management with special focus on small and medium-sized enterprises. After defining the term customer relationship management in general, the chapter depicts the reasons for using a customer relationship management and introduces the term customer lifetime value and the importance of customer knowledge.

Before concentrating on small and medium-sized enterprises, the opportunities and risks by the implementation of a customer relationship management will be qualified and compared with each other.

In the second sub-aspect the connection between the topic customer relationship management and small and medium-sized enterprises will be drawn by revealing the specialties when implementing a customer relationship management system into a small and medium-sized enterprise.

2.1 Customer Relationship Management

2.1.1 Definition

Historically the origins of CRM can be traced back to the beginning of the eighties of the last century, where criticism about the dominating “4P” (products, price, promotion and place) marketing paradigm emerged (Kotler et al. 2001: 105-110). One of the first authors who emphasized the importance of relationships in the industrial marketing was Hakansson (1982: 19).

After the introduction of the relationship model, Berry (1983: 236-245) was one of the first who used the term relationship marketing and gained wide recognition. In parallel to the advances in the marketing science, new software systems were made possible through new hardware and software offerings. Since the mid-nineties, the term relationship marketing evolved into customer relationship marketing and many IT vendors started to market their products as CRM systems.

In spite of the progress which has been made, there still remains some confusion about the meaning of CRM.

Depending on the origin, the main focus, and the intention the definition and meaning of customer relationship management could vary according to the different view points from science, research and practice (Wiedmann and Greilich 2002: 283). Reasons for this could be found in the fact that CRM affects many groups and therefore every department in the company has his own view on the topic CRM. In addition, it could be stated that the concept of CRM is relevant for a lot of different areas like IT-Management, controlling, organization, marketing, and communication and should therefore be seen as a corporate strategy (Wolf 2002: 68). It affects the organization as a whole and should therefore provide direction to each department or employee that stays in contact with the customer.

According to the concept of seeing CRM as part of the business strategy, the definition of the Gartner Group could be regarded as helpful: “CRM is a customer-focused business strategy designed to optimize profitability, revenue and customer satisfaction.” (Gartner Group, 2002).

According to Shaw (2001: 23) customer relationship management also involves:

- “Measuring both inputs across all features including marketing, sales and service costs and outputs in terms of customer revenue, profit and value.