

CRM: choice really matters

Over the past twelve months there has been a transformation of the market for CRM (customer relationship management) software. Previously dominated by a single player, InterAction, there are now five plausible competitors vying for a slice of the professional services market this year.

There has never been a better time to purchase CRM, with greater choice and software costs under pressure from increased competition. But is this all good news for potential purchasers and how should they exploit the current situation? **John Rogers** spoke with the principal suppliers, and in this article he sets out the opportunities – and pitfalls – that await anyone considering a new system this year.

The pioneers

The first systems were installed around ten years ago, and the concept of using CRM within law firms – and a handful of accounting firms – quickly became established. Most early implementations were based on InterAction, which went on to become the market leader in the UK and in its home US market. Other vendors spotted an opportunity, most notably e1 Business with SalesLogix and Elite with their Apex module.

Early implementations often failed to meet expectations. Software was difficult to use, and whilst marketing professionals found these systems useful, most lawyers returned to their familiar business cards, address books or Outlook contacts. Without the active involvement of those partners and managers who managed key relationships, contact databases rapidly became obsolete.

A few firms such as Berwin Leighton Paisner obtained genuine benefit from their CRM systems, but most did not. Widespread disillusionment followed the initial burst of enthusiasm, and this negative view of CRM has continued, in some cases, to this day.

Second generation

The next leap forward came in 2004 with the integration of InterAction into Outlook, together with a web interface and data quality tools that enabled Marketing to actively manage the contact database.

Several law firms took this opportunity to re-launch their systems, sometimes completely re-branding the system because the previous version had acquired such a poor reputation. Lovells and Eversheds were amongst firms which successfully re-launched systems based on the improved technology.

Better software attracted increasing numbers of customers, to the point where most 'Top 100' law firms have a CRM system, together with increasing numbers from accountancy and other professions. It was inevitable that the success of InterAction would attract aggressive new competitors, and last year the market for CRM software caught fire. No fewer than three new vendors entered the market whilst one – Elite Apex – gracefully admitted defeat.

Microsoft Dynamics

The greatest impact was caused by Microsoft Dynamics CRM, whose principal legal market reseller is Atlanta-based Client Profiles. Whilst Microsoft CRM has been available for some time, it is only with the latest version – and enhancement by Client Profiles – that it has become viable for law firms. The customised version, CRM4Legal, has attracted great interest. The most prominent customer to date is 1500-lawyer firm Reed Smith LLP, and Client Profiles claim to have signed six other UK firms recently.

Whit Mclsaac, Client Profiles CEO, explained that whilst the market for legal CRM software is almost static, Microsoft CRM sales are growing exponentially. The message is clear:

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greater sales volume enables Microsoft to invest substantially more than vendors whose sole market is professional services.

Before designing CRM4Legal Client Profiles asked 75 US law firms about their key requirements for CRM. According to McIsaac "Top priorities were simplicity and ease of use by the attorneys"; Microsoft CRM's tight integration with Outlook clearly supports this.

Critics claim that Microsoft CRM is really a separate system with no more real Outlook integration than competing products. Nevertheless, lawyers will be attracted to the familiar Outlook interface, and the Microsoft name means it cannot be ignored.

CDC Pivotal

Pivotal ventured into the legal market four years ago, with sales to CMS Cameron McKenna and Field Fisher Waterhouse. However all went quiet until last year, when Pivotal assembled a team aimed solely at professional services. They also created a 'legal template' which demonstrates their ability to meet the needs of law firms.

The strategy of focusing on professional services paid off handsomely when Midlands-based Cobbetts signed up for Pivotal. Mark Carlile, Pivotal's UK Managing Director, commented that "We are now on the radar of most large law firms, and are actively engaged in several high profile tenders."

Pivotal is a part of the £320 million CDC group, and a global player in the CRM market. It claims that this enables significant investment in the core product, whilst retaining the flexibility to meet the particular needs of professional services firms. Its strengths are in campaign management and the automation of marketing processes, and Pivotal claim their system can be tailored to meet closely meet individual requirements. This may however be less attractive to firms who require an off-the-shelf solution.

Hubbard One

Although Apex is effectively a dead duck, a phoenix has arisen from the ashes to take its place. Chicago-based Hubbard One built its reputation by creating websites and proposal management systems for law firms. Spotting an opportunity to capitalise on this expertise, Hubbard One recently added Contact Manager CRM to its existing systems portfolio.

Hubbard One was recently acquired by Thomson, Elite's owner, and this provided an opportunity to convert existing Apex sites. Offering to swap Contact Manager one-to-one for Apex licences, they have signed a string of customers including Nabarro, Ozannes and Laytons. And as Chris Turk, UK Sales Director, pointed out: "Irwin Mitchell is completely new business for us, and Dublin-based William Fry is effectively a new site."

Hubbard One has built a strong reputation amongst the legal marketing community. Strong contacts within marketing departments are a considerable asset, as is their understanding of the marketing process. And, like Client Profiles, they place considerable emphasis on keeping the user interface as simple as possible. Their challenge now is to persuade firms they have the breadth of product features that will be the equal of their competitors.

e1 Business

One of the longest established players in the market, and one that has been quietly successful for years, is e1 Business with a version of SalesLogix customised for the professional services market. Prominent customers include Pinsent Masons and the accountancy firm Baker Tilly, and they place particular emphasis on high levels of customer service. As Business Development Manager Penny Harrison points out, "SalesLogix probably has the strongest set of event management and campaign management tools available, and e1 Business have now introduced full synchronisation with Outlook contacts."

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SalesLogix is sometimes regarded as an old product, but it is now being rewritten to use Microsoft's latest 'dot net' technologies, and from the summer of 2008 it will be entirely web-based. e1 Business are also extending the system's capabilities to include e-mail alerts that will remind lawyers of the need to actively manage their client and contact relationships.

InterAction

Despite all the recent activity, LexisNexis remain the clear market leaders in legal CRM. As the Director for InterAction, Daniel von Weihe explains: "We welcome the competition. The UK legal IT community hates a monopoly, and now the market has really been stirred up. This is causing big improvements, and creates opportunities for us as well as for our competitors."

Recent wins for InterAction include three 'top 50' UK law firms, together with sales further afield in markets as diverse as Reykjavik and Dubai. Although there is a perception that development of InterAction has slowed recently, von Weihe points out that this doesn't mean LexisNexis has stopped innovating. "It's not just about software any more", commented von Weihe, "our main focus is on ensuring that customers have successful implementations." To this end LexisNexis has launched a new 'subscription pricing model', with phased payments rather than an up-front licence cost, together with the option of customers tearing up their contract after two years if they are not satisfied with the system for any reason. This, says von Weihe, places the onus on LexisNexis to ensure that customers obtain full value from InterAction.

The confusion of choice

The growth of competition is undeniably positive, providing more choice to potential purchasers and forcing down prices. When each vendor accuses the others of price cutting, it's clear there is an opportunity to strike a very good deal. But the increase in choice can cause problems too.

There is little agreement as to what CRM actually is. Ask three marketing directors for their definition of CRM and you'll probably get as many answers. This is reflected in the systems available: each has a different focus, and each has its strengths and weaknesses. InterAction, for example, has its origins in the management of business contacts, whilst Microsoft CRM is more focused on the sales pipeline. SalesLogix has strengths in campaign and event management, whilst Pivotal is the most flexible of all the systems.

Given this diversity, it's important to be clear about what are the real requirements of the business prior to engaging with the CRM vendors. Otherwise it is easy to be dazzled by the many features offered by competing systems. Software salesmen agree that it's rare to find a potential customer with a clear understanding of their requirements, and that this often leads to muddled implementations. Selecting a CRM system just because all your competitors have one is a sure road to failure.

Conclusion

Selecting the system is just the beginning: implementing a CRM system will cost considerably more than the software alone, and will require considerable management commitment. Increased choice offers greater possibilities and a lower overall cost, but will not make the task of implementation any easier. And that is ultimately where any CRM project will succeed or fail.

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