

COMMENCE CRM: A DAVID AND GOLIATH STORY

TR Cutler, a leading business journalist, recently interviewed Larry Caretsky, CEO of Commence Corporation, to learn more about the company's significant success in the CRM space and plans for competing with the large players in this space.

Customer Relationship Management (CRM) software is growing at a significant pace with other hosted solutions significantly surpassing traditional client server technology offerings. This growth has allowed several smaller companies, like Commence Corporation to quickly capture marketshare in the small to mid-size business sector.

TR CUTLER: The CRM field has big players, like Salesforce.com. Why did Commence choose to enter the space?

CARETSKY: A few years ago industry experts asked Jet Blue executives why they choose to start an airline when the industry was in turmoil and even the giants were struggling to stay alive. Jet Blue succeeded in becoming a significant carrier. Unlike the airline industry, the CRM space and is growing rapidly and no single vendor has more than a 5% market share. The new battlefield is the SMB market, which Commence has been servicing for almost twenty years. This is our core competency and we know how to compete effectively.

TR CUTLER: What was missing in the CRM market that Commence addresses more effectively?

CARETSKY: Hosted solutions such as Salesforce.com addressed the difficulties associated with deploying traditional client server based CRM solutions, but utilization rates have remained low and customer renewals have been problematic. This is the direct result of a business model that does not include the proper planning and coaching required to ensure customer utilization. Regardless of the deployment model (in-house or hosted), there is still a reasonable degree of planning and mentoring necessary for the successful implementation and utilization of CRM.

Commence has addressed this requirement with extraordinarily effectiveness through the use of a proprietary implementation methodology called STEP (Selling Tools Enablement Program). STEP outlines the planning and responsibilities required by the customer and Commence staff to ensure a successful implementation and use of our CRM solution. This critical training functionality has been missing in the industry and has become a significant differentiator for our business.

TR CUTLER: How does a company like Commence compete against the Goliath of Salesforce.com and other CRM giants that are publicly traded and well-financed?

CARETSKY: Well in this "pay to play industry" it is hard to rise above the noise of Microsoft and Salesforce.com. The way Commence succeeds is to simply be better at one or two aspects of the business

then the big guys. Commence has been very clear in differentiation and continues to quietly and consistently earn new customers and build solid references.

The single most significant differentiator Commence possessed versus the big CRM giants is our business model. Salesforce.com's objective, for example, is to sell their solution to as many companies as possible regardless of size or industry. The only way to do this is to develop a generic set of features that supports the general business requirements of companies across all industries. This one size fits all approach does not work in all industry sectors.

Salesforce.com has recognized this short-coming and created an add-on development tool that allows for the customization of their CRM solution. The problem is that the SMB space has no interest in doing custom development, nor has the infrastructure to support it.

Commence CRM, unlike Salesforce.com, is developing specific vertical industry solutions that are already tailored to the unique business requirements of the customers in each particular sector. The result...customers can achieve a rapid return on their investment (ROI) without costly development work. Commence currently has a tailored solution for manufacturers and distributors and a construction vertical CRM is in development.

TR CUTLER: Why should a company with a general database such as ACT, jump up to a more sophisticated CRM solution?

CARETSKY: Many of SMB companies, while small, have simply outgrown their contact managers and are looking for tools to help them improve sales execution and customer service effectiveness. In order to achieve these improvements, SMB companies require an integrated CRM system that supports sales, marketing, and customer support, while providing better collaboration and disparate system integration. In the past, this level of functionality was too expensive for small to mid-size companies and required IT support. Hosted solutions like Commence make this level of functionality affordable, easy to use, and simple to deploy.

Additionally, Commence has developed conversion tools that make the transition of contact management databases such as ACT and Goldmine virtually seamless to Commence.

TR CUTLER: What do you see as the drawbacks for those firms that have selected the big CRM solutions, like Salesforce.com?

CARETSKY: The problem with CRM today is that companies often look at CRM as a commodity and it's really not. Having interviewed many customers that purchased their CRM solution based on brand recognition, they have been extremely disappointed with the end result. All of us at Commence Corporation believe that there is more value in the domain experience a CRM technology vendor can provide to the customer than in the product itself. The big guys specifically Salesforce.com and Microsoft are severely lacking in this aspect... their business model does not provide them with the ability to engage the customer directly.

Instead the CRM Goliaths rely on third party companies which rarely have the industry knowledge or experience to ensure the successful implementation and use of these products. This has resulted in higher cost implementations and a low level of customer satisfaction among many SMB organizations.

TR CUTLER: Other than a price advantage, what do you see as the top reasons people should consider CRM solutions, Commence specifically?

CARETSKY: Commence staff recognize improving the customer experience is one of the few excellence differentiators. CRM has shown to significantly impact sales execution and customer service by providing the end user with access to the vital customer information needed to perform their jobs more efficiently. Few question the value of CRM anymore, but rather are concerned with the high failure rate and low adoption usage that has plagued the industry.

TR CUTLER: Your literature indicates that your solution is modular and priced in license packs rather than by user. Can you elaborate on this?

CARETSKY: Commence is modular in nature which allows the end user to only select the departmental applications required for their business. Other vendors, such as Salesforce.com, force customers into more expensive solutions in order to add a minimal amount of functionality. This means customers are paying for functionality they don't need.

The Commence licensing program is designed for the SMB sector...these margin-conscious business owners have made it very clear that they do not want to pay additional fees every time they need to add a new user. They refer to it as "paying by the drink." Commence has created user packs that are designed for smaller businesses. SMB Customers can purchase a 5, 10 or 20 pack for instance at a discounted rate. This way the customer can add users at no additional cost. The significance here is that the solution actually gets cheaper as they add users and they don't have to call Commence to change their license.

TR CUTLER: Where do you see Commence in five years?

CARETSKY: It is pretty hard to see past the next 12-18 months in the CRM sector, however, I believe that Commence will most likely continue to focus on a few specific vertical industries where our product offering and domain experience make us the logical and best choice among CRM technology solutions available.

TR CUTLER: Where do you see Salesforce.com in five years?

CARETSKY: I think Salesforce.com will continue to be impacted by the increased competition in the general purpose space from players such as Microsoft and Oracle and from industry specific players that are trying to carve out a vertical niche, like Commence Corporation. I suspect that the company would be a good acquisition target during this timeframe.

TR CUTLER: Where do you see the CRM marketplace in five years?

CARETSKY: The continued growth of CRM has attracted some of the largest software companies in the world and I suspect that the industry will go through a high level of consolidation as these companies look for strength in specific vertical sectors. It's fair to say that many of the companies in existence today won't be five years from now...after twenty years, we know Commence will still be here.