



THE DEAL PROFESSIONAL'S
GUIDE TO CRMs

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Introduction

In a recent study, we found that 66 percent of deal professionals use Customer Relationship Management, or CRM, systems (e.g., Salesforce). Of those, only 60 percent are satisfied with their current software.

That means 40 percent of deal professionals aren't using a CRM or are dissatisfied with their system.

Read on to learn:

- **The benefits of a CRM system:** Yes, it will take time to implement. Here's why it's worth your time.
- **Considerations when choosing a vendor:** 7 questions to consider before you sign on the dotted line.
- **Tips for implementation:** Set your firm up for success.

FEATURED AXIAL MEMBERS





How Today's Deal Professionals Use CRMs

By Joe Burkhart, **Saratoga Investment Corporation**

Today's investment professionals are relying on technology more than ever to help manage the increasing amount of information streaming in from distinct sources. Investment opportunities, referral sources, CIMs, limited partners, NDAs, portfolio company reports, financing sources, industry contacts — the list only continues to expand.

We recently conducted a survey of dozens of private equity professionals, investment bankers, and business executives to better understand how they use technology to keep organized, automate mundane tasks, and hold members of their team accountable.

Major Takeaways

About two-thirds of those surveyed use a Customer Relationship Management (CRM) system — one of the most common data management solutions. Their

usage is often very frequent with over 70 percent of those who use a CRM accessing the system multiple times throughout the day.

Salesforce was the dominant platform with about one-third of respondents confirming their usage.

It was interesting to see the large diversity in CRM platforms that firms use. Over 15 different platforms were noted in the survey, including DealCloud, Microsoft CRM, SugarSync, ACT!, and Podio.



WHAT IS CRM?

CRM stands for Customer Relationship Management, which “refers to the principles, practices, and guidelines that an organization follows when interacting with its customers,” according to Investopedia. For deal professionals, “customers” can be more broadly interpreted as relationships. For example, a private equity firm might use a CRM system to track its deal sources, LP relationships, current portfolio companies, and potential future investments.

Sample CRMs for Deal Professionals

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60%
are satisfied with
their existing system

For the one-third of respondents who don't use a CRM, the number one reason cited for not using a system was the lack of knowledge to make a buying decision. Only 15 percent of non-users said they didn't believe CRMs were worth the cost.

Firms spend a considerable amount of money on systems with per user per month fees ranging from \$10 to \$300. The broad range had considerable correlation to CRM brand.

And even with all of that cost, only about 60 percent of respondents said they were satisfied with their existing system. User satisfaction was correlated to several factors, but most significant was the ease of the original implementation.

Regarding ease of implementation, about half of those surveyed had little difficulty while the other half had tremendous difficulty. There was little correlation between difficulty of implementation and the brand of CRM, which was an interesting result.

Instead implementation was most negatively impacted by the following three factors:

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- Lack of technical skills required to properly implement.
- Staff preference for existing systems and methods.
- Lack of commitment and engagement from senior leadership.

Unsurprisingly, less than 35 percent of those surveyed who experienced a poor CRM implementation were currently satisfied with their system post-implementation.

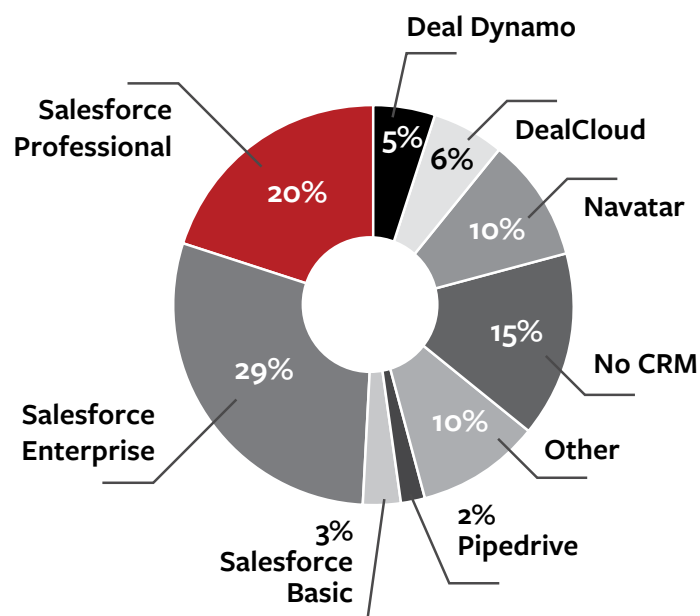
35%

of those who experienced a poor implementation were currently satisfied with their CRM

When participants were asked what they would change about

their current system, the responses were broad. Many cited the desire for better reporting, more integration with other systems, more automation around frequent activities, and a better mobile experience.

CRM Breakdown: Axial Member Survey



In another recent survey of 62 Axial private equity members, the most popular CRM by far was Salesforce (52% used either Salesforce Basic, Enterprise, or Professional). Fifteen percent of respondents used no CRM at all.

CRM Benefits

Here are 7 ways a CRM can add value to a firm's deal sourcing and/or execution process.

1 "IT PROVIDES RAPID CONTEXT."

"If I run into a person, I need to quickly figure out how I know this person, what deals they've sent, and what relationship they already have to me or my firm," says Saratoga Investment Corporation's Burkhart.

The same is true with deals. According to Susannah Solis, Business Development Coordinator at private equity firm **High Road Capital Partners**, "When a deal comes up, we can see its history immediately. If it's come up before and we passed on it, we can see the reasons why. If it's just that we passed because it was too small, maybe now it's grown and it's worth taking the time to go through the NDA process and reevaluate. We also use our CRM proactively to see what happens with deals that we don't pursue, or see what happens with deals when we don't win the bid."

2 "IT MEASURES PRODUCTIVITY."

"Our CRM is a repository for all our firm's results," says Burkhart. "If you have an individual at the firm who thinks he or she is super productive, the CRM will show whether that is true through data."

This also helps inform the entire team about which actions are most productive. "As a generalist firm in the lower middle market, we have a huge swath of the market to cover," says Solis. We use our CRM to help us see which areas we may not be putting enough time and resources in," whether that's geographic regions, types of deal sources (e.g., business brokers vs. larger investment banks), or types of outreach.

3 "IT KEEPS OUR TEAM ACCOUNTABLE."

A CRM helps dealmakers stay focused on their priorities as a firm. "We know our targets, and we can use our CRM to look back over the week or quarter or year and evaluate whether we've been in touch with the right people," says Solis. "We can see all the people who are doing deals in our size range and whether we've reached out or had contact with them recently. We can see if we're doing too much emailing and need to focus more on face-to-face meetings."

"After we decide on deadlines, the CRM is the one to impose them," says Burkhart. CRMs enable you to create workflows and assign certain individuals to certain

tasks. The software can remind the person assigned to the deal when they're missing deadlines.

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4 **“IT HELPS US TRACK MARKET TRENDS.”**

Saratoga Investment Corp. also integrates Pitchbook into their CRM, so they can see all the deals currently in market. “We can track leverage levels and rates and use that information to see whether a deal we come across is at the market value,” says Burkhart. “It makes us better lenders from a pricing standpoint.”

5 **“IT LEADS TO MORE PRODUCTIVE CONVERSATIONS.”**

A CRM system allows everyone in the firm to share information about contacts to create rapport and facilitate relationships, says Susan Quinn, VP of Operations at **River Hollow Partners**. “Instead of making a cold call to a banker or broker, you can see immediately who else in the firm has already had contact with that person, or what deals that person has shared. It’s much easier to talk to someone if you know that you have someone or something in common.”

6 **“IT IMPROVES COMMUNICATION WITH OUR INVESTORS.”**

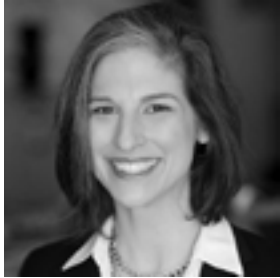
Our CRM “helps us auto-generate reports that we can bring back to our investors. They show what deals we’re seeing and which firms are the biggest and most consistent sources of quality deal flow,” says Quinn. River Hollow Partners is an independent sponsor, and eventually, they hope to use their CRM to analyze potential fundraising sources more comprehensively as well. This would include tracking the sectors they love vs. those they avoid, their minimum investment level, current areas of investment, and more.

7 **“IT INTEGRATES WITH OTHER TOOLS.”**

“My CRM, Podio, is not complementary to my BD strategy; it’s the technology I use every day to help me execute my BD strategy,” says Burkhart. “Axial is complementary to my BD strategy because it provides broad access to deal flow and direct introductions to new referral sources. areas of investment, and more. Axial interfaces very easily with Podio given the ability to export my deal sheet and upload into Podio.”

“My CRM is not complementary to my BD strategy; it’s the technology I use every day to help me execute my BD strategy.”

-Joe Burkhart, Saratoga Investment Corporation



CRM Considerations

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There are numerous CRM options to choose from. Navatar, DealCloud, Deal Dynamo, and DealMidas were created specifically for business development managers at private equity firms and investment banks. However, Salesforce may be more advantageous if your firm has a unique workflow. River Hollow Partners' Susan Quinn provides a few pieces of advice as you choose between CRM systems:

- 1. What's your budget?** "There's a real range of offerings."
- 2. How does it compare to the competition?** "Try out several different tools so you have some basis of comparison," even if you're almost positive you want to go in a certain direction.
- 3. Does it integrate with other tools?** For example, River Hollow Partners switched from Salesforce, which has an integration with MailChimp, to DealMidas, which integrates with Constant Contact. This meant moving to a new email tool in addition to a new CRM — not necessarily a deal breaker, but something to consider.
- 4. How responsive is the support team?** "Sometimes the support or sales team might be helpful during the courting period, but less forthcoming if a problem comes up after implementation."
- 5. How much will it cost as you add more team members?** If you're looking for widespread adoption, make sure that it fits within your budget.
- 6. Is there a mobile version of the app?** For busy dealmakers who are often on the road, this is essential.
- 7. What are the cancellation terms?** "Can you get your information out of the tool if you decide to switch later?" Some tools may impose a limit on how many exports can be done in a certain period of time, says Quinn.

"When implementing a CRM system, know what your goals are. What do you want to track? Think about what fields you need to put in and what reports you want to generate. Look into integrations with other data providers. Weigh the cost of customizing a system to meet your exact needs vs. implementing a system designed for your broad industry."

-Susannah Solis, High Road Capital Partners



Implementation Tips

By Joe Burkhart, Saratoga Investment Corporation

Once you've decided to make the leap and implement a CRM system, it's important to set attainable goals for the organization well before implementation begins. These goals will become the basis for your implementation plan. More goals doesn't necessarily equate to more development cost because over the past 10 years CRM developers have built systems to accomplish 80 - 90 percent of the things most investment shops are looking for. The more specific and detailed your planning is, the more successful and cost effective your implementation will be.

Understanding Structured vs. Unstructured Data

There are certain basic concepts to keep in mind when setting goals and designing and implementing any data management system. The most important is understanding the difference between structured and unstructured data and the importance of developing systems that can track both forms. Experts estimate that 80 to 90 percent of the data in any organization is unstructured. Unstructured data includes e-mail messages, word processing documents, photos, presentations, webpages, and many other kinds of business documents. The data they contain doesn't fit neatly in a database. Structured data has the advantage of being easily stored, queried, and analyzed. Structured data sets should allow for records to be easily connected to other records. This is why most CRMs are referred to as relational databases. **The ability to link a deal to a referral source and a business development activity provides the user with quick context around countless business situations.** Think of the importance of having all of this information at your fingertips before meeting with a client, CEO, banker, or limited partner.

80 - 90% of an organization's data is unstructured.

Structuring data first depends on creating a data model which can be developed based on the types of business data that will be recorded, stored, processed and accessed. This includes defining what fields of data will be stored, the data type (numeric, alphabetic, date, etc.), and any restrictions. It's a process that is necessary to ensure the least amount of headache during the actual development and implementation process. As the saying goes, measure twice, cut once. It's important to involve a broad range of employees during the planning — from the analyst who is responsible for logging deal information to the executive who wants the right dashboard reports so they know what's happening with the business today.

7 Tips for Successful CRM Implementation

1 **STRUCTURE ONLY THE DATA THAT YOU PLAN TO MEASURE AND MANAGE.**

Structuring data takes time and resources and investment professionals tend to become frustrated when they're asked to input data they know is meaningless. Why track the number of turns of a letter of intent unless that is something you really care about managing? If you want your CRM implementation to go smoothly, spend the time explaining (or at least showing) how the information you are structuring will be used to manage and improve the business development function.

2 **BUILD A CRM SYSTEM THAT MAXIMIZES DATA INTEGRITY.**

There are three enemies of data integrity: duplicate data, incomplete data, and inaccurate data. Data integrity is of paramount importance when dealing with structured data because without it, reporting becomes unreliable and the system will become unwieldy. This is the main reason Excel is not an appropriate solution for data management on the backend (however, Excel remains the best tool for CRM reporting given the power of pivot tables and graphs).

Duplicate data creates havoc in a CRM and wastes time and resources as the employee is forced to go to multiple sources to piece an answer together. Duplicates are best avoided at the system level (CRM self-detection) or by restricting the addition of certain types of records to specific employees (i.e., adding a new company to the CRM).

Incomplete data can be mitigated by making certain fields required (i.e., deal name and source) and by requiring certain types of data to be inputted when milestones are reached (i.e., when you issue a term sheet, a prompt occurs requiring the associate to input the specific deal terms).

Inaccurate data is the most difficult issue to solve for because humans inevitably make mistakes. A 6.5 times EBITDA multiple mistakenly keyed in as 5.6 times EBITDA will be hard for someone to catch. The best way to minimize the impact of inaccurate data is to make the most important data that you manage very prominent in your CRM reporting. If purchase price multiples are important to you, they better appear prominently on any reporting coming out of the CRM. These mistakes are often caught during pipeline review meetings, which our firm holds on a weekly basis.

3 MAXIMIZE YOUR CRM'S ABILITY TO LINK DATA AND RECORDS ACROSS THE ENTIRE SYSTEM.

The main point of a relational database is to link information so that a user can gain rapid context. When the managing partner of my firm asks me about a deal that just closed and whether or not we saw it I am able to very quickly tell him, "yes, we saw the deal, from investment bank XYZ, whom we met two months ago, at the ACG Capital Connection in Denver, which we have attended for two years, which has generated 20 new relationships, that have generated 50 other deals, of which one closed." That previous sentence is a mouthful, but the point is a CRM provides management the ability to gauge return on investment.

4 FOCUS ON BUILDING THE MAJORITY OF THE CRM BACKEND SYSTEM FIRST...

...before you focus on building the reports that you will use to manage the business development function. I can't stress this point enough; it will save you hours of frustration. Changes to the CRM's internal function often impact the data coming out of the system. Many CRM systems rely on Excel's very powerful pivot table functionality for CRM reporting. Pivot tables hate when their data sets change. I can't tell you how many hours of report development I would have saved if I had spent more time planning the record and field design before I set off on the development of reports.

5 ENCOURAGE USER ADOPTION BY HIGHLIGHTING GOOD AND BAD BEHAVIOR.

Hopefully you've designed and built a CRM that your colleagues want to use because it is intuitive and user-friendly. Be sure to spend time beta testing prior to launching the system across the firm. As my mother used to tell me, you only get one chance to make a first impression. No truth is closer when it comes to the launch of a CRM. If your colleagues hate the system or don't receive the proper training on the tool they won't use it. Even with a great CRM, certain colleagues will still fail to use the system properly for a myriad of reasons. Be sure the tone at the top of your organization is supportive of the CRM development and ensure those who fail to use it face some consequence.

6 TALK AMONGST YOURSELVES.

From the planning stage to the steady state phase — a CRM system cannot live in a vacuum. When planning your CRM build, include individuals from the top to the bottom of the totem pole. The reports generated from the system aren't

meant to be buried in the executive suite. At our firm, every employee receives a weekly report updating them on deal flow, business development activities, market conditions, and other metrics that matter to us. We also build in CRM enhancement cycles which help us enhance our system on a scheduled basis, based on feedback from across the entire firm.

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7 MAKE SURE YOUR CRM WORKS JUST AS WELL ON A MOBILE DEVICE AS IT DOES ON THE DESKTOP.

We've all been in the situation where a meeting is about to begin, and you can't remember the details of a deal they shared with you 4 months ago. Making sure your CRM is accessible on every type of device is crucial.

SOMETHING IS BETTER THAN NOTHING

"The ideal scenario for CRM is when everyone in the firm uses it," [writes](#) Alok Misra, Partner and Cofounder at Navatar Group. "However, the ideal scenario isn't always achievable. Private equity folks are often too busy to worry about getting trained on a CRM system... In situations like these, the CRM decision decision inevitably gets postponed. It shouldn't be all an all or nothing approach."

When it comes to implementing a CRM system, "perfection is the enemy of progress," agrees Saratoga Investment Corporation's Burkhart. "Something is better than nothing. You can always make future plan enhancements."

Neither Microsoft Excel nor email is a good substitute. "Excel has really good reporting mechanisms," says Burkhart, but it's not ideal for tracking information. "Email is a great communication tool, but a horrible way to share information. Our team communication now all takes place within the CRM. It makes life much easier and more efficient."

Metrics to Track

When it comes to tracking deal metrics, many firms invest the majority of their time and energy into the bottom of the funnel. It's natural to focus on done deals. But the top of the funnel is where it all starts: you can never do a great deal if you don't see it.



Sample Top of the Funnel Metrics

- Time spent on sourcing
- Number and frequency of intermediary touchpoints, categorized by:
 - Industry (particularly relevant for specialists)
 - Type and size (are you covering both brokers and bankers? How many deals per year is each firm providing?)
 - Location (this enables you to plan trips around the most promising relationships)
- Total number of quality deals seen, and their sources

Sample Bottom of the Funnel Metrics

- Opportunities reviewed
- Conference calls/meetings held
- NDAs signed
- Management meetings held
- LOIs executed
- Deals closed

3 Sample CRM Dashboards

Here's how lender Saratoga Investment Corporation breaks down their main dashboards in Podio, their CRM software. They have three main dashboards. All activities are categorized by individual team member to track performance and productivity.

1. Company Dashboard

This includes:

- Coverage by employee
- Companies by geographic area
- Companies by relationship importance (e.g., very important vs. below average importance)
- Companies by relationship status (e.g., very good vs. poor)
- New companies added to CRM

2. Pipeline Dashboard

This includes:

- Overall deal count
- Current pipeline by stage
- Closed deal by source
- Close deal by execution
- Term sheets issued by source
- Term sheets issued by execution

3. Business Development Dashboard

This includes:

- BD activities last month
- BD activities current month
- BD activities last year
- BD activities last year