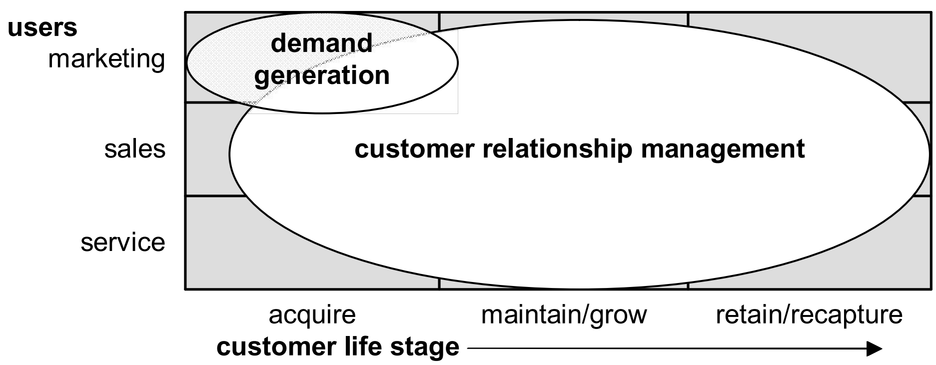
Demand Generation vs. Customer Relationship Management

David M. Raab
Raab Associates Inc.

Comparing a customer relationship management (CRM) system to a demand generation system is like comparing a bear to an ant: no one is likely to mistake one for the other, so you first have ask, why bother?

It's a reasonable question. A CRM system provides operational processing for sales, service and marketing interactions across the entire customer lifecycle. Demand generation systems are used only by marketers for customer acquisition. Even people unfamiliar with the details of these systems would recognize them as very different.



Demand Generation vs. CRM

There is really just one situation when you would compare the two types of systems: you already have a CRM system, and are trying to decide whether you need a demand generation system too. In this situation, what matters is not the differences in general, but how the customer acquisition capabilities of a CRM suite compare to a "best of breed" demand generation product.

This question is much easier to answer because you can limit your focus to demand generation requirements. As described in the Raab Associates paper "Introduction to Demand Generation Systems" (available online at www.raabguide.com) , these fall into six categories:

- *program set-up:* creating marketing campaigns and components and managing the underlying marketing database.
- *lead generation:* executing campaigns to contact new leads and capture their responses.
- *lead nurturing:* running on-going campaigns to exchange information with leads and build a relationship.
- *lead scoring and alerts:* assessing leads to determine when sales should contact them.
- *lead distribution:* sending leads to sales and exchanging data with the sales systems.
- *reporting:* measuring campaign results and analyzing other information.

Before diving into the details, it's important to point out that all CRM systems are not the same; nor are all demand generation products. Although the following discussion describes CRM and demand generation systems in general, there are often exceptions to any given comment.

That said, let the generalizations begin.

- *program set-up*. One primary objective of demand generation systems is to make marketers as independent as possible of technical specialists including programmers, database administrators, and Web designers. This lets the marketers work more quickly and often lets them create campaigns they otherwise would lack the time or budget to complete. Demand generation systems therefore provide extensive tools for marketers to create personalized email and Web templates and to modify the marketing database to capture the resulting information. Similarly, the systems let marketers set up complex campaign flows that react to lead behaviors, without having to code the logic in a programming language. A typical CRM system offers much less end-user content creation and database customization. Most CRM systems also limited to relatively simple campaign logic. On the other hand, CRM systems often have robust planning, budgeting and project management features, while these are very limited in demand generation products.
- *lead generation.* Continuing the theme of marketer independence, demand generation vendors send emails and host the Web landing pages and forms for their clients. Most CRM systems assume that marketers will execute these tasks through on external vendors or corporate systems. Other media, including direct mail, call centers, trade shows and paid advertising, are generally supported better by CRM systems. Call centers in particular are a core feature of many CRM products.

  Hosting their own landing pages and forms lets demand generation systems capture detailed information about lead responses and behavior. Most demand generation products can also provide tags to gather results from Web pages hosted elsewhere, such as the corporate Web site. In contrast, CRM systems generally rely on third-party Web analytics tools for this information. This usually means they access less detail and the data is not available in real time. The situation is largely reversed for call centers, which are integrated with CRM systems but usually external to demand generation products. Some demand generation products use Web forms as an interface for call center agents, allowing the system to capture call center activity directly. But this is still far from full call center functionality.

The difference in behavior tracking is particularly pronounced in the earliest stages of the relationship, when a potential customer has visited the company Web site but not yet provided a name or other identification. Demand generation systems track such visitors closely, using cookies to assign them an identity and build a history of their behavior. Most demand generation systems will also read the Internet domain (IP Address) of the visitor's computer to guess the company they work for. CRM systems rarely track anonymous visitors at all.

- *lead nurturing.* Automated lead nurturing is a core feature of demand generation systems. All vendors let users set up campaigns that automatically deliver sequential treatments to individual leads. These treatments may include personalized marketing messages; forms and surveys based on the lead's previous entries and behavior; and alerts to sales people and telephone agents.

  Providing a simple interface that lets marketers set up these complex processes is arguably the central design challenge facing demand generation vendors. CRM systems are less concerned with this dilemma: most primarily support simple campaigns, and most assume a skilled specialist will be available to set up anything more complicated.

- *lead scoring and alerts.* These features are closely related to lead nurturing, and are treated similarly. That is, the demand generation vendors support highly sophisticated scoring calculations and alert conditions with the easiest interfaces they can devise, while CRM systems generally offer less powerful capabilities that require an expert to deploy. But it's easy to overstate these differences: lead scoring and alerts are important to CRM users, and most CRM vendors provide adequate features to support them.

- *lead distribution.* Demand generation systems must be integrated with an external sales automation system. The customer acquisition and sales automation components of a CRM suite are already integrated, although they sometimes work on separate physical databases. (This happens because the marketing component needs a database optimized for analytical processing, while sales and support use a design optimized for individual transactions. It's particularly common when the vendor acquired a marketing automation product and attached it to an existing sales and service system.) Tight integration makes it easier for a CRM system to manage lead distribution and subsequent data exchanges between marketing and sales components.

The practical impact of this difference depends on how easily demand generation can integrate with your company's CRM system. The demand generation vendors have designed their systems with integration in mind, so the primary variable is the CRM system's capabilities. Many CRM vendors provide an Application Program Interface (API) designed to integrate with external products. Even without an API, it's still nearly always possible to exchange batch files.

All demand generation vendors have prebuilt integrations with salesforce.com, by far the most popular hosted CRM system. Several have integrated with other hosted products including Microsoft Dynamics CRM and Seibel OnDemand. Integration with on-premise CRM systems usually requires custom development by the demand generation vendor.

In a typical integration, fields from salesforce.com and the demand generation system are mapped to each other. Changes in shared fields can be exchanged in real time or every few minutes, depending on the volumes involved, and salesforce.com users can read activity details directly from demand generation system tables. The synchronization process is automatic and largely invisible to users of both systems.

Even when this sort of integration is possible, the CRM system's internal integration gives it an edge. CRM users save the effort of setting up the integration, avoid the processing necessary to share the data, and have immediate, complete access to any changed data. (These benefits are reduced when the marketing portion of the CRM system has a separate database.) An integrated system can also more easily share marketing materials, rules and campaign definitions; can integrate marketing and sales activities within a single flow; and can set lead scoring and distribution rules with combined input from marketing and sales.

Demand generation vendors question the importance of these factors. They argue that near-real-time data synchronization is nearly always adequate, that demand generation can coordinate with sales by sending messages between the two systems, and that few materials or campaigns are actually shared between marketing and sales. The value you place on integration will heavily influence whether your company decides to install a separate demand generation system.

- *reporting.* Reporting features in demand generation systems can be quite extensive, but are ultimately constrained by the scope of data available to the system. Email replies and

Web forms are used to measure campaign results, but do not include revenue from subsequent sales. Some vendors read revenue from sales automation opportunity records, associate this with campaigns, and use it to calculate the campaign return on investment. Other reports show system activities, such as emails sent and Web pages served, and give profiles of lead characteristics.

CRM systems can draw on a much larger scope of data to provide a more complete view of customer behavior across departments and stages of the life cycle. Some CRM systems maintain a separate analytical database, either as part of the marketing component or separate, that allows types of reports which are difficult to run against operational tables. Only a few demand generation products offer similar databases. In practice, most demand generation systems limit the users to predesigned reports, although these can usually be customized by selecting date ranges, campaigns, and data elements. Direct access to the underlying database would raise performance and security risks that are particularly acute on a vendor-hosted system shared by multiple clients. Hosted CRM vendors share some of these issues, but on-premise CRM systems are more likely to allow direct access to their files by third-party reporting tools. In general, the demand generation vendors expect their clients to look to sales automation or other systems for most of their detailed customer reporting.

To oversimplify a bit, the differences between demand generation and CRM systems come down to this: demand generation offers more powerful campaigns, more features for content creation, and more detailed behavior tracking, while CRM systems offer tighter, easier integration with sales and service data. Viewed from a different perspective, demand generation systems focus on letting marketers do as much as possible for themselves, while CRM systems are designed to let technical experts meet the combined needs of marketing, sales and service.

Technology differences between the systems reflect the same divergence in objectives. Demand generation systems are designed to be simple to purchase, deploy and maintain, even at the cost of limiting the functionality they provide. This drives technical choices including simple data models, limited integration and customization options, and, most prominently, use of a hosted or “software as a service” delivery model where clients share a system running on vendor-managed servers. All these choices reduce costs, simplify implementation, and permit monthly billing without a large initial investment. Traditional CRM systems are inherently more complicated because they provide so many more functions, and few CRM vendors have made simplicity their overriding objective. Although some CRM vendors do use a hosted model, most still sell software that clients install, customize and operate in-house.

Let's step back a moment to take a broader perspective. We've been evaluating CRM systems against demand generation requirements. Not surprisingly, there are significant shortfalls: a bear is not a very good ant. But bears have strengths of their own, which in the case of CRM systems are extensive sales automation, customer service and call center capabilities. Most marketers have little use for these, but may be interested in the CRM systems' marketing automation features. These are often not as well developed as sales and service capabilities, but are sometimes quite powerful. List segmentation, planning, budgeting, project management and marketing resource management in particular may be better in a strong CRM system than in demand generation products. CRM strengths in integration, reporting and analysis have already been mentioned.

This brings us back full circle. Few people will confuse a demand generation system with a CRM system. But many companies having a CRM system must decide whether they need a demand generation system as well. When marketers with limited resources must run sophisticated campaigns, the answer will often be yes.

*   *   *

 David M. Raab is a Principal at Raab Associates Inc. and author of the *Raab Guide to Demand Generation Systems* www.raabguide.com. He can be reached at draab@raabassociates.com.