Engaging with New and Existing Customers in your Business: IT Solutions for Midmarket Business

Facing increased competition? Declining unit values, low-cost alternative offerings, ever-tighter margins? So is every established business. But while large enterprises can buy or sell units or companies and re-align supply chains and market focus, and while small businesses can concentrate on narrow, sheltered niches, midmarket firms need to confront these trends head on, by acquiring new customers to drive growth in their businesses. They need to do so cost-effectively, so that the value of each new customer exceeds the cost of new client acquisition. And they need to establish effective methods of building relationships over time. Which technologies are best able to support midmarket organizations in efficient pursuit and development of new customer relationships?

Context:

Midmarket firms are a primary force in local and national economies – but they are often constrained by a lack of targeted strategic inputs, especially with respect to the business impact of IT investments. Large enterprises are able to combine internal, cross-functional specialist teams with advice from management consultants to develop strategy blueprints. Small businesses are typically reacting to immediate requirements; strategy is not a primary consideration. Midmarket firms, though, have need of strategic framework to prioritize and align investments (inside and outside of IT). They often rely on IT resellers and consultants – smaller companies that are focused on addressing single ‘point’ requirements rather than business-wide issues – for insight on specific technology solutions, but may struggle to obtain a more holistic view of IT/business strategy drivers and opportunities.

The Proaction series is intended to address this gap. Using data collected from its extensive, global research on midmarket firms and the deep experience of its principals and analysts, Techaisle has developed reports focused on key IT/business issues: productivity, cost and profitability, innovation and quality, and new customer acquisition. Each report follows a framework designed to address the needs of midmarket organizations.

- The objective: what are midmarket firms looking to accomplish, and why they would invest in IT solutions to achieve success in this area?
- The processes: what will midmarket firms do differently as they attain their objectives?
- The logical layer: what IT solutions will need to be in place to support process evolution?
The physical layer: what technologies will the IT department need to deploy, in order to deliver the capabilities needed by the logical layer and processes?

Using the Proaction framework, midmarket business and IT decision makers can build fact-based plans that yield significant, predictable benefit to the business.

The objective: customer engagement, customer intimacy

Look, even at a cursory level, at the issue of customer retention vs. customer acquisition, and you will be overwhelmed with information: a web search will deliver tens of millions of matches ranging from infographics to blog posts to research reports to articles from leading business publications, such as Harvard Business Review (HBR). One HBR piece\(^1\) starts by observing “Depending on which study you believe, and what industry you’re in, acquiring a new customer is anywhere from five to 25 times more expensive than retaining an existing one.” Most materials on this subject follow an observation of that sort with guidance on how to retain customers, stressing that retention is a far better approach than new customer acquisition.

There is certainly wisdom in this advice, but it may not represent a valid choice for midmarket organizations: midmarket firms need to both attract new customers and retain current accounts. A global survey of 5,000 small and midmarket businesses (SMBs) conducted by Techaisle found that 40% of midmarket firms cite “attracting and retaining new customers” as a top business challenge. These firms understand that new automation options will be critical to their success in customer attraction and retention: 34% of midmarket firms are or are planning to use digital transformation (DX) to better engage with current and new customers.

While a focus on DX may be new for midmarket executives, a belief in the link between technology and customer engagement is not. Techaisle research has found that 85% of midmarket firms believe that technology helps them to anticipate customer needs, and 83% see technology as a means of achieving higher levels of responsiveness to customer needs. But while this data speaks to faith in IT, it doesn’t make any real statement about competitiveness. All businesses – midmarket firms, small businesses and large enterprises – have technology. The key to attracting and retaining new customers is found in how technology is used to create a digital business capable of out-competing – of forging new and durable relationships. And this points to why midmarket firms are picking up on DX: 35% of midmarket firms with an organization-wide DX approach report that they have a “top notch” customer-facing digital presence, versus just 7% of firms with ‘silod’ approaches to digital transformation – a 5x difference in performance.

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The Processes

Developing a customer-facing digital strategy

The final observation above – that companies with advanced DX strategies are seven times more likely to have an excellent customer-facing digital presence than those that are approaching DX on a piecemeal basis – highlights the importance of connecting process with technology. The first step in forging better customer relationships through technology can’t be limited to investing in IT – it needs to also include aligning business processes with the benefits that technology is being acquired to deliver.

Which customer-facing systems will demand corresponding process changes? Techaisle research finds that there are three key areas where process needs to tie to market-centric systems: ubiquitous input, data, and insight.

- **Ubiquitous input**: Digital leaders are deploying tracking devices and sensors to build a real-time understanding of the movement of goods and people. But how will the business act on this information? Does it have a clear strategy for capturing and analyzing ubiquitous data – and are internal processes able to make real-time reactions to real-time input? For example, can a retailer adjust price for a preferred customer or in response to customer interest? Can government re-route traffic to avoid congestion, or help commuters find parking spaces? Most businesses don’t have real-time reaction capability, which will impair the benefit of real-time input.
• **Data:** The new sources of ubiquitous input need to be integrated with existing customer information to assemble rich data that can be trusted to support decisions. This involves evolution of both IT and business processes – IT needs to be able to implement data quality and stewardship programs that can keep pace with a rapidly-expanding volume, variety and velocity of inputs, and business needs to be able to monitor the messages inherent in the data and take appropriate actions. Sentiment analysis provides an excellent example of this requirement: IT needs to manage systems that monitor social media reaction to a brand, a product, a competitor and/or other factors in the environment, and the business needs to have strategies and resources that enable it to mitigate negative sentiment and capitalize on emerging opportunities before competitors can react.

• **Insight:** The exponential increase in inputs and data paves the way for applications that capitalize on improved input. It is possible to provide mobile apps to customers that both capture information and which reflect understanding that extends the relationship – for example, by providing special offers or information on trending topics – but this requires marketing processes that are agile enough to engage with customers in real time. It is possible to deliver up-to-the-minute demand information to suppliers, and to reflect supplier inventory availability in marketing messages and pricing, but this, too, requires a clean and immediate connection between customer-facing systems and back-office functions. And order tracking can be used to coordinate the supply chain from inputs to customer delivery – but this is only a customer-facing attribute if the information itself is available to customers where and when they need it.

Technology offers the raw materials needed to create a compelling customer-facing digital presence – but transformation requires that the systems start with processes that capitalize on the new functionality.

### Midmarket firms:
Use of Market-centric systems

<table>
<thead>
<tr>
<th>Ubiquitous input</th>
<th>56%</th>
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<tbody>
<tr>
<td>Tracking devices, sensors</td>
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<table>
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<tr>
<th>Data</th>
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<tbody>
<tr>
<td>Single source of customer data</td>
<td>54%</td>
</tr>
<tr>
<td>Sentiment analysis</td>
<td>48%</td>
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<table>
<thead>
<tr>
<th>Insight</th>
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<tr>
<td>Mobile apps for customers</td>
<td>54%</td>
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<tr>
<td>Supply chain systems</td>
<td>48%</td>
</tr>
<tr>
<td>Order tracking functionality</td>
<td>45%</td>
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Source: Techaisle SMB & Midmarket business issues, IT priorities, IT challenges survey
The logical layer

Where are the intersections between process and DX technology?

Taken as a whole, the outcomes detailed above are alluring, but the path connecting DX potential to improved customer acquisition and retention needs to be defined not simply by inputs and outcomes but by the solutions and core technologies that connect these points to meet the overall objective of customer engagement. Where should a midmarket business focus, to develop the platforms that support customer-centric digital business practices?

Techaisle’s research shows that three key foundational solutions – cloud, mobility and analytics – are especially important to attracting and retaining customers. Mobility solutions, connecting workers who are outside of the office to customers and customer-facing solutions, are viewed as important to both forming new relationships and supporting existing accounts. A midmarket business could enable a mobile customer service worker to travel to resolve an issue (replace a failed component, assess an insurance claim, respond to an in-store customer query), or provide a mobile sales representative with the tools needed to respond to an inquiry from a lobby while waiting for their next appointment. Mobility doesn’t simply result from equipping workers with cell phones: IT needs to enable access to corporate systems and data, and to deploy security to audit and protect sensitive information. But when IT is aligned with the solution needs of the business, front-line staff are better able to engage with new and existing accounts.

Cloud and analytics are also seen as key solutions connecting midmarket businesses with customers. Analytics, as noted above, is a critical element of a customer-facing digital business strategy, as it enables
midmarket decision makers to make sense of ubiquitous inputs and rich data, translating them into practices that respond rapidly and appropriately to customer needs and interests.

Cloud acts as a platform for connecting midmarket firms to ‘systems of engagement’ – applications that provide a link to customers (in contrast to ‘systems of record’, like accounting systems, which process data needed by management and regulators). Techaisle’s research finds that there are substantial differences in the use of key systems of engagement between firms that are effective in using technology to build a close bond with customers and those that are not. Midmarket firms that have established effective customer engagement systems are 53% more likely than less-effective midmarket competitors to have deployed ecommerce websites, 112% more likely to have introduced mobile apps for customers, and nearly three times more likely to be integrating third party web services into their environments so that they can deliver additional functionality quickly through API integration, rather than stalling new feature introduction by relying solely on in-house programming resources. Of note, less-advanced firms are actually more likely than their nimbler competitors to be using informational websites. In today’s market, engagement rather than ‘shovelware’ is the key to attracting and retaining new customers.

**Midmarket firms:**
Use of systems of engagement

<table>
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<tr>
<th>Service</th>
<th>Effective (Firms)</th>
<th>Ineffective (Firms)</th>
</tr>
</thead>
<tbody>
<tr>
<td>E-Commerce website</td>
<td>72%</td>
<td>47%</td>
</tr>
<tr>
<td>Informational website</td>
<td>56%</td>
<td>59%</td>
</tr>
<tr>
<td>Third party Web services</td>
<td>40%</td>
<td>14%</td>
</tr>
<tr>
<td>Mobile apps for customers</td>
<td>36%</td>
<td>17%</td>
</tr>
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Source: Techaisle SMB & Midmarket digitalization survey

**The physical layer**

**What core technologies are needed to support customer-facing solutions?**

Common technology platforms, including cloud and mobility, are important to both organizations that have established effective customer facing environments – the key issue is how the midmarket business uses these capabilities, not simply whether they have been deployed. Other technologies, though, serve as markers that distinguish midmarket firms that are invested in using IT to attract and retain customers from those that are lagging behind in forging technology-enabled connections with their clients.
Looking at the results of the Techaisle survey of 5,000 SMBs, the differences between system of engagement leaders and laggards in use of key physical-layer technologies is pronounced. Software-defined technology (SDx), which enables a business to be more agile in adding or changing system features is seven times more likely to be used by businesses that are focused on IT-enabled customer relationship expansion than those that are lagging behind. The gap is even larger in artificial intelligence: 24% of midmarket firms with effective customer-facing environments are using AI today, as compared with just 2% of those that are not successful in creating customer-facing environments. Leaders and laggards have very different adoption levels (on the order of a 2x difference) in use of IoT and Big Data technologies. And midmarket firms that are successful in using technology to attract and retain customers are almost three times more likely than less-successful competitors to have deployed modern converged or hyperconverged (CI/HCI) systems that integrate servers, storage and networking (and in the case of HCI, management software) into a single solution.

These figures provide evidence that physical layer technologies play a major role in supporting systems that build effective customer relationships. Business and IT leaders should identify the ways that these systems support solutions and processes that help the business to attract and retain new customers.
The bottom line: using IT to drive customer acquisition and retention

Most businesses (midmarket, small business and large enterprises) understand how to use technology, and the process automation that it enables, to cut costs. Management has of course been interested in how IT can contribute to top line growth as well, but historically, there has been little evidence of IT investments driving increased revenue.

With emerging technologies, though – cloud, social media, IoT, analytics and related solutions – it is time to rethink the role that IT can play in expanding current customer relationships and forging new ones. Powerful systems of engagement that connect existing customer data to new ubiquitous input sources, data and insights power applications that help the business to understand customer needs and interests, and which in turn help the customer to interact with – and buy from – midmarket suppliers.

These benefits aren’t gained through a single application: they depend on evolved business processes that capitalize on customer-facing systems, which in turn rely on advanced core technologies. It is clear, though, that midmarket firms that are able to ‘connect the dots’ from the physical layer to the logical layer to the processes that can take advantage of these new capabilities will be able to establish effective customer engagement environments that meaningfully expand customer connections – and top-line results.
About Techaisle

Techaisle is a global SMB IT Market Research and Industry Analyst organization. Techaisle was founded on the premise that Go-to-Market strategies require insightful research, flexible data, and deeper analysis. Understanding the value of data consistency across markets to inform strategic planning, Techaisle has remained holistic in its approach to Insights and provides globally consistent SMB and Channels analysis across geographies. To achieve its objectives Techaisle conducts surveys with SMBs and channels to understand market trends, opportunities, buying behavior, purchase intent, and IT priorities. Besides covering emerging technologies such as SMB cloud computing, managed services, mobility, social media usage, virtualization, business intelligence, big data, collaboration, networking its channel research coverage provides in-depth understanding of resellers and channel partners globally. Techaisle’s insights are built on a strong data-driven foundation and its analysts are conversant with both primary research and industry knowledge, which is a rare combination. Techaisle offers its clients: Syndicated Research, Custom Primary Research, Consulting Engagement, Competitive Intelligence, and Segmentation. For more information, visit www.techaisle.com

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