

Why Private Equity Firms Need CRM?

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Advisory firm Grant Thornton's latest private equity report highlights that fundraising efforts have fallen short this year, and that this area remains a key challenge in the near future. Further, the study says that a fund manager's track record is more important than ever before, given the impact of financial crisis and new regulation, which resulted in the disposable capital of many European private equity investors being capped.

Looking to 2013, leveraging relationships in this heavily 'contact driven' profession will be critical for new fundraising and deal making activities and success will greatly contribute to firms' credibility and track record. A CRM-led approach via the adoption of best-of-breed CRM systems can play a role in facilitating success. Let's see how.

- 1. Strategic approach** – CRM systems facilitate a strategic and planned approach to the staged process of fundraising. They automate and uncover gaps in connections that could potentially jeopardise the completion of deals, or indeed uncover hidden relationships that can support the deal process. For instance, CRM tools not only identify the relevant contacts for a deal/activity, but analyse all the information residing in the system to ascertain the strength of the relationship with those contacts.
- 2. Relationship management** – CRM systems are not simply a repository of contacts, they aid relationship management. For instance, all contacts can be segmented into categories such as intermediaries, investors, potential investors and more. These categories can be further sub-divided – for example, intermediaries can be categorised separately for inbound and outbound referrals. Further, users can create lists of specialists assigned to companies – i.e. lists of financial directors and managing directors known and trusted by the firm.

CRM systems provide a holistic view of firms' network of contacts and the influence that the network can yield. The inherent processes record the history of every single contact - right from how they are connected with the firm, their current role and industry positions through to where and in what capacity they worked previously.

Drawing information from reports, emails and meeting notes, CRM systems also provide intelligence that can assist with finding new connections and managing existing ones. Now CRM systems even offer mobile functionality, which means that professionals can access critical information on the move. This is hugely beneficial – most private equity professionals will recognise situations where they have had to prepare for meetings at short notice or requires information on a major player in a deal at a chance meeting.

- 3. Investor relations** – The quality of investor relations often strongly impacts on the reputation of a firm. CRM systems can serve as the investor relations strategy platform if the tool is integrated with a firm's website, Twitter feeds, LinkedIn activity and external news feeds to give stakeholders a comprehensive view of the environment within which the firm operates.



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For ease of day to day operations and communications too, investor relations teams can store multiple mailing lists, automate dissemination of information and keep track of feedback in order to fine tune the programme. Most crucially, CRM tools help teams to collate and store intelligence through analysis of historic records such as who the investors are and in which deals they have invested in and why.

- 4. Reporting** – At every stage of the deal process, having the most current and accurate information to hand is imperative. CRM tools allow firms to track investments and investment options, report on all phases of the due diligence process and collect a complete history of the deal for use in future prospecting too.

CRM systems provide customisable reporting functionality too. To illustrate, in our CRM tool, LexisNexis InterAction, one of the formats offered is the 'Taxi Report', which professionals often generate to prepare for important meetings and calls. The report offers an overview of a contact/company, details of recent activities involving the contact, interconnections with other contacts and the like.

Reporting can serve as a means of effortless information sharing. CRM systems enable users to set up automated alerts on their key business associates. These alerts show the firm's recent activity involving individual's key contacts – i.e. business development activities, job title changes, colleagues who are meeting with them, when new matters have been created related to their clients and so on.

- 5. Deal management** – CRM systems enable private equity firms to systematically record every single interaction made during the lifecycle of a deal, also giving firms visibility of their deals' universe. This information is important intelligence that helps firms makes sound business decisions. Overtime, the information collectively becomes a knowledge asset.

Fundamentally, CRM is about taking a methodical, fool-proof and end-to-end approach to fundraising and deal management. It automates repetitive processes and draws out intelligence that is residing within the firm, which can be used competitively and advantageously for business. Success abets further success, hence the imperative need for firms to build a strong track record in fundraising and completing deals.

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