Getting Real ROI from Customer Relationship Management Collaboration and Technology
Increasing Sales, Profitability and Customer Retention

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And as excerpted from CRM: *What Is It and Why Do It?* By Glen Petersen

The field of Customer Relationship Management (CRM) is at a crossroads. The promise — while still very much alive — has in too many cases not been delivered. Too many projects have been abandoned; too much investment has been written off. While there are many potential reasons for the current state of affairs, one of the most obvious is that, in many organizations, CRM initiatives are often "non strategic."

There are several very precise benefits form implementing a CRM strategy in every company and very specific ways to measure these benefits. But in order to realize these, the initial focus must be correct. The imperative behind CRM initiatives should be that the customer is the "new asset" of the organization. This approach shifts the focus away from the product or service being offered as the arbiter of revenue and profitability and toward the customer as the key asset or source of wealth generation. If you pursue CRM with this strategy, then ROI from several sources is easier to calculate.

Making CRM ROI Tangible

Deploying CRM technology does not make an organization customer centric or its customers more loyal. Without changing processes and attitude, deploying CRM is analogous to "paving the cow paths". Likewise, companies need to reject the notion that CRM is all about intangibles, and that benefits cannot be measured. There are a number of CRM segments that provide a fairly unambiguous definition of benefit.

Sales

From a productivity standpoint, sales performance can be described on the basis of gross profit generated per sales function dollar expended. CRM offers a number of capabilities that directly impact this ratio.

- **Lead Management**. Getting qualified leads to the field in the shortest possible cycle time adds credibility to the organization and enhances the receptiveness of the prospect. Improvements generate a higher ratio of new business to leads. Because many sales organizations don't have a systematic lead process, this is one of the most productive initial investments in CRM with the fastest return on time invested. Categorizing and tracking leads based on qualifications stages and corresponding activity will produce results that are not difficult to analyze.

- **Opportunity Management**. Helps sales people to focus on moving sales opportunities to completion. This is also essential to the development of effective forecasting techniques. Typical metrics include time and sales effort (cost) to close deals, etc. From a forecasting perspective, variation from forecast is fairly common. Because many companies are still tied to antiquated practices centered on "managing contacts", this is by far the most productive use of cost and effort in CRM. Today's experienced sales professionals know that contacts don't make them money, opportunities do!

- **E-Commerce and Fulfillment**. These processes often reduce the demands on sales people to handle the administrative aspects of ordering product and support materials while providing better service to the customer. The result is more time for selling and more satisfied customers.

- **Proposal Generation**. This functionality typically reduces the time to assemble proposals, RFPs, RFIs, etc., but more importantly they enhance the quality and consistency of the response. The result is a higher quality document generated in less time that leverages the ratio of deals closed to the proposals generated.

- **Time Reimbursement**. This is an often missed calculation, but one that's fairly easy to understand. Changing processes to unlock CRM capabilities means sales people will spend less time accumulating data for weekly/monthly forecast reports, call logs, activity reports, built-from-scratch proposals, etc. and more time selling. In most companies this is a fairly precise number of hours per week/month that is reimbursed to each sales person with that same time then being focused on lead and opportunity management.

- **Team Selling**. These capabilities facilitate a coordinated and collaborative sales effort that improves win and loss ratios. However, the tools are only effective if the organizational culture supports this type of effort.

Marketing

Campaign Management. These functions and processes help the marketing organization to improve the targeting and design of campaigns to enhance the ratio of response rate to the marketing dollars required to generate that response. The response rate should be correlated to revenue generation or profit contribution factors that allow the organization to relate cost to incremental profit generated. So often marketing information is tracked as one offs in excel spreadsheets and other disconnected databases. CRM processes should allow response rates to be tied to lead generation and ultimately to associated opportunities.

Partner/Rep Channel

Partner/Rep performance is typically evaluated on the basis of revenue growth, new customer acquisition, and the breadth of products or services sold. CRM applications are designed to help the partner to be more profitable while streamlining interactions to reduce the cost of supporting that same partner. It is a win-win strategy that improves the profit contribution of the partner segment of the business.

- **E-commerce and Self Help**. These processes facilitate ordering, cross-references (part number translation), and provide access to expertise on a 24x7 basis. These tools improve productivity for the partner and the supplier organization.

- **Configurators**. These applications help the partner sales force to be knowledgeable about your product line and specify the right product at the right price. Similar to its impact on the sales force, this tool should increase win and loss ratios.

Customer Service and Support

- **Inbound and Outbound Tools**. Right CRM processes should improve training, routing, utilization, cross selling, and service level characteristics of the call center and help desk. Due to the nature of these operations, performance metrics are typically integrated into the applications and trends can be used to validate assumptions.

- **Self Help**. These functions expand the availability of service, provide a resource for those users who prefer this format, and generally reduce costs.

Field Service

- **Wireless**. Similar to the comments regarding the call center, CRM offers a rich mix of tools to improve field service productivity. However, wireless capabilities offer significant leverage to improve dispatch effectiveness, enhance linkage to support resources, and speed invoicing (cash flow). These improvements are all readily measurable and translate to reduced cost or enhanced profit contribution.

These applications are but a smattering of the opportunities associated with CRM. All of these opportunities can be associated with meaningful metrics that directly impact profitability. This is not to say that that the tools do not impact intangibles, such as brand awareness and image, but the tangible benefits should be capable of justifying the investment.

CRM—Why Do It?

CRM is not mysterious or magical. As the examples demonstrate, the tools of CRM can be associated with the fundamental financial metrics of the organization. The points of emphasis from this discussion include:

1. CRM offers effective tools that address real organizational issues.

2. Benefits are derived by understanding the opportunities and re-designing processes to leverage improvement.

3. Improvement is measurable and discernable. It is not hidden in vague notions and concepts.

A sure recipe for disaster is to deploy CRM without a clear sense of process change and undefined expectations.

Scott Lewis is co-founder of Gilmore Lewis, LLC Sales Consultants. His strategy is to help companies understand the three parts of CRM business growth success: People, Process and Technology, and how to integrate those within each organization. Scott has used this approach with large and small companies, from Fortune 500 to small family businesses. He has worked with more than 130 companies developing and executing strategies for business growth.

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