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# A GUIDE TO CRM ROI



With a peek into  
Lotus Notes ROI

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The purpose of this paper is to provide a foundation for building, analyzing and interpreting a return on investment (ROI) model for your customer relationship management initiative. It is not intended to supplant more complex quantitative studies or models, but rather to provide you with a more objective and qualitative approach to measuring your return on investment.

The traditional studies are often based on:

- Models from customer value analyses
- ABC classification models (before/after analysis)
- An assessment of the portfolio based on multiple criteria/key figures
- Various benchmark procedures

From a practical point of view, these models cannot be easily put into practice. One of the main challenges with such studies is that they are often extremely difficult to adapt to an individual company. Many studies, for example, are drawn up based on the TOP 100 or TOP 10 companies and are often horizontally skewed to a broad number of industries. Another challenge is that with a purely quantitative approach, the results become exponentially less reliable the fewer data points that are analyzed. Thus, the overall complexity of these studies requires significant expertise in statistical analysis and collection of enormous amounts of data, making it difficult to undertake such studies without the aid of high-priced consultants.

Studies of this kind often result in global statements such as:

- Company XYZ could increase its sales by \$22 million (or 13%) by using a CRM system
- The service level has improved by 8%
- Marketing costs have fallen by 10%, or depending on the study, have increased!
- The pipelines have tripled
- The deal closing rates were increased by 20% through the use of CRM while at the same time, the deal closing cycles were reduced
- Project lead times have halved

#### RESEARCH BENCHMARKS

Relavis research benchmarks provide an in-depth and comprehensive look into processes, procedure, methodologies, and technologies with best practice identification and actionable recommendations

#### GARTNER, INC.

“Due to the economic downturn, enterprises will prioritize CRM investments with greater focus on delivering return on investment via cost reductions and increased revenue generation. This requires proper ROI studies using specific steps and a knowledge of how the use of CRM ROI metrics is changing.”

*ROI Will Be the Most Critical Driver for CRM Investments Through 2010, 10 March 2009*

We do not devalue this work, but often the theoretical relativity of these studies and figures needs to be stated. Let me give a few examples:

An ROI analysis for a global company in the heating/air conditioning sector was done. The aim was to produce information that would enable senior management to classify the CRM project as successful or unsuccessful and they wanted concrete sales figures wherever possible. Their CRM initiative had been implemented as a bottom-up project and the CRM software was used every day making a before and after analysis fairly straightforward. The analysis revealed that in the first year following the CRM implementation, sales had increased by 12%.

The day of the presentation to the board, the slide with the increased sales figures appeared. The first reaction from the board was, "That's clear but it has nothing to do with CRM! We had a very cold winter and business was better because of that."

The point made here is that companies can easily credit changes to other internal and external factors. Fortunately, the CRM team was able to show other benefits, quantitative and qualitative, derived from the CRM application which satisfied the decision makers in the end.

In another case an engineering company was able to improve their ability to create, approve and send quotes to customers and prospects by almost 50% as a result of using the CRM tool.

These values were included in the ROI analysis. However, the analysis did not address the question of whether there were enough new business opportunities to go after. In fact, further analysis determined that there weren't enough new business opportunities in their market to take full advantage of this tremendous productivity savings. Instead, the new free time allowed their associates to spend more time cultivating relationships with existing customers resulting in more business for the company.

#### QUICK FACT

Return on Investment (ROI) is not an exact science. Each company needs to define what they are looking to accomplish and what an appropriate measure to judge success or failure is.

## AN ROI MODEL

There is no 'one-size fits all' ROI analysis. Rather, each company must define its own evaluation criteria and methods. After all, CRM is a company-specific endeavor.

CRM is a perpetual process, a corporate model based on human and organizational factors. A purely classic analysis based on the principle of investment assets (costs/benefits on the basis of financial data such as material costs, production costs, length of use, etc.) is simply impossible. A purely quantitative analysis based on a snapshot in time is therefore destined not to produce any credible conclusions.

In order to effectively evaluate your ROI, it is first necessary to define and prioritize the individual strategic and operational CRM goals. All points planned for implementation are listed one by one and their previous procedures are evaluated. You then describe the process flow, required resources (personnel, material) and results achieved. Some goals might not map or be part of a specific CRM software feature or function. These goals can be organizational or process driven but should still fall under the overall CRM strategy.

From this information we can perform a before and after analysis. We can quantitatively measure time factors (productivity increases), which can be converted to concrete internal rates, i.e. dollar values, percent changes, etc. Just as important are the qualitative improvements in the company, such as customer identification with the company, loyalty to the company and to colleagues, and the ability of your associates to be more productive and find work more enjoyable.

Remember, the definition of goals is fixed before implementation, and during subsequent costing these goals are used as a measure for the positive or negative change.

## SAMPLE EVALUATION SUMMARY

Area - Example	Activity	Before CRM	After CRM	Evaluation
Marketing campaigns, Mail Blasts	Planning, execution and controlling of the campaign	Higher costs and effort due to disparate systems; no distributed processing; requires multiple integration points with other systems	Centrally controlled; global marketing with local execution; more efficient and less costly	<p><b>Before:</b> effort per campaign approx. 1-2 days for preparation, request for data from users and qualification. Tracking - special distribution difficult or impossible.</p> <p><b>After:</b> Easy scheduling of campaigns due to centralized data; quick ad-hoc decisions; distributed work without additional cost; Concrete cost/benefit calculation per campaign/trade fair, etc.</p>
Holiday cards	Central holiday list creation	Independent, manual, list creation (Excel) from various departments; required substantial effort for list consolidation and de-duplication; multiple iterations	Maintained individually in day-to-day work; data is controlled in one place	<p><b>Before:</b> Central work approx.: 1 day, Distribution and maintenance in Sales approx. 0.5 days/sales rep, usually multiple revisions required.</p> <p><b>After:</b> Maintenance during normal work. No sudden work overload. Effort/sales rep: approx. 30 min.</p>
Sales Management and Oversight	Management	Manual activities: Read, qualify, evaluate, reports, market analyses, creation of activities for Sales, interface for marketing tasks	Provisioning of qualified ad-hoc information; immediate information, change emphasis from reactive to proactive	<p><b>Before:</b> 6 hrs/week for reporting and sales rep interaction. No real-time information.</p> <p><b>After:</b> Data is always up to date; automatic ad-hoc retrieval; Able to be proactive; ensure everyone focusing on correct activities.</p> <p><b>Effort:</b> 2 hrs for planning tasks.</p>
Onsite Visit planning	Sales	Active and manual requesting and compilation of info from various sources (system, people and business units) before appointment	One click to coordinate all needed customer information; Easy extraction of related ERP information.	<p><b>Before:</b> at least 1 hr per visit to coordinate information from people, emails, Excel, SAP, etc.</p> <p><b>After:</b> Provision of all info within one view. No additional effort.</p>

All the individual topics listed are then transferred to a ROI analysis table.

## ROI BASIC DATA TABLE

The diagram below shows a concrete, project-specific ROI table (for parts of CRM) with actual and projected values and the resulting overall view:

ROI Basic Data Table		Actual	Projected Goals
Annual Sales		\$48,000,000.00	
Profit margin		30%	
External sales users	36		
External service users			
Internal sales users	18		
Internal marketing users	5		
Internal service users			
Internal administrative users	15		
User management	6		
Other users	2		
Total users		82	
Number of customers		6,500	
Customer value (average sales/no. of customers)		\$7,384.62	
Customer loyalty (in % over at least 3 years)		60%	1%
Prospects supported		8,000	
Other market participants supported (partners)			
Contacts supported (per sales rep.)		100	
Share of new customers (per year)	%	10%	11%
Cross and up-selling improvement			1%
Costs per new customer		\$10,000.00	
No. of visits per sales rep per year (180 working days)		100	-5%
Cost per customer visit		\$480.00	
Internal cost rate/hour		\$73.00	
New Sales projects per year		430	
Level of average sales opportunities		\$120,000.00	
Deal closing rate		11%	5%
Duration to project conclusion (in months)			-3%
Cost for data admin- total organization per year		\$120,000.00	-30%
Communication costs - total organization per year		\$538,740.00	-25%
Market research		\$31,536.00	-30%
Cost for Sales Control (in hours per year)		\$7,300.00	-20%
Cost for marketing campaigns (in hours per year)		\$23,360.00	-40%
Cost for statistics and analysis (Analytics)		\$10,950.00	-50%
No. of offers (including orders per year)		6,500	
Rate of offers and orders to be checked or redone		8%	-35%
Hours to spend per order for review		.5%	-10%
No. service incidents per year			
Average time effort in processing customer	hour		-15%
How many processes are in place per year			
Process time to manually run and check processes (without escalation)	hour		-65%
Cost of internal training per year		\$7,000.00	
Cost of replacement employees		\$15,000.00	
Duration until fully deployable (in weeks)			-20%
Loyalty of employees		70%	10%

## SUMMARY OF ASSOCIATED COSTS:

Investment/costs (TCO)		First Year	Subsequent Years
Capital cost (prevailing)	%	4.5%	4.5%
Licences		\$65,000.00	
Licences, external tools			
Consulting		\$25,000.00	
Customizing		\$75,000.00	\$15,000.00
Implementation		\$6,000.00	
Training		\$15,000.00	\$9,000.00
Maintenance and support per year		\$36,200.00	\$24,000.00
Internal costs (admin, CRM-Manager, etc.)		\$180,000.00	\$120,000.00
Hardware costs if applicable			
Hardware maintenance (p.a.)			
<b>Total cost</b>		<b>\$402,200.00</b>	<b>\$168,000.00</b>
<b>Total cost (incl. capital costs)</b>		<b>\$420,299.00</b>	<b>\$175,560.00</b>

## ROI ANALYSIS SUMMARY:

ROI Objectives	First Year Est. Gain	Subsequent Years Est. Gain
Improvement in customer loyalty	\$178,560.00	\$178,560.00
Improved cross/up selling	\$297,600.00	\$297,600.00
Concentration on A-customers/fewer cust. visits	\$86,400.00	\$28,512.00
Increase in closed deals	\$175,956.00	\$175,956.00
Improved customer data and ongoing maintenance	\$36,000.00	\$9,000.00
Improved communication	\$134,685.00	\$33,671.25
Improved market research	\$9,460.80	\$2,365.20
Minimized control complexity	\$6,935.00	\$1,733.75
Reduced marketing costs	\$9,344.00	\$7,008.00
Improvements in handling (offers/orders)	\$37,011.00	\$37,011.00
Improved service processing	\$0.00	\$0.00
Workflow (automation, escalation)	\$0.00	\$0.00
Support/training internal	\$123,000.00	\$123,000.00
<b>Total benefit</b>	<b>\$1,094,951.80</b>	<b>\$894,417.20</b>
Break Even/ROI (after x months) see ‡Note		6

The first year estimated gains are based on the fact that since CRM is new you will get the most benefits from the projected goals you stated in the ROI Basic Data Table. In subsequent years the estimated gains will be diminished on certain ROI objectives (i.e. once you improved your customer data reliability and ongoing process to maintain it, the rate of change after the first year will not be as significant).

‡Note: Immediate changes are not possible and cannot be calculated immediately after an implementation. CRM, as a system, organization and process, must become part of everyone's day-to-day business. A fair amount of data has to be entered. In the table above the break even of 6 months is actually 12-18 months. Realistically, the derived benefit will begin 6-12 months after implementation.

An uncomplicated, non-scientific ROI model of this kind produces understandable results for everyone at a reasonable cost. It is therefore an ideal tool in the phase of CRM project planning and budgeting.

Customer orientation is in theory a given in companies. While it is easy to directly correlate marketing or sales costs to overall revenue, what is more important is to measure the effectiveness of these individual factors from a cost and benefit perspective across all of your CRM goals.

There is no question that CRM is necessary for every business. The question is rather, how much CRM do I need and what should it look like?

## **LOTUS NOTES: MAXIMIZING YOUR CRM ROI**

To get the quickest and most leveraged CRM ROI choose a solution that is native to your messaging platform.

For Lotus Notes users, Relavis CRM offers an excellent choice to support all your CRM needs. Having your users already familiar with the Notes UI, mail and calendar forms, and replication process, allows users to be up and running very quickly. Since your Lotus Notes infrastructure is already in place it only makes sense to leverage that investment as much as you can. Lotus Notes is a very collaborative, process oriented platform and Relavis CRM takes full advantage of that. Another advantage is that other Notes databases and systems can be quickly and easily integrated into the CRM system.

Your total cost of ownership (TCO) with a Lotus Notes-based CRM solution is extremely low because the hardware, software, maintenance and administration related to the Lotus infrastructure already exists. Add in the savings in training and support and your breakeven point can be achieved much sooner than with other CRM solutions.

Relavis Sales provides your organization with the tools to effectively communicate, collaborate, and coordinate your sales activities within your organization as well as with your customers and partners. You will understand and share customer needs and preferences, sell through highly

coordinated account plans, share best practices, replicate successes, and broaden your presence in the marketplace.

Knowing precisely how to find the most highly qualified leads for your organization is critical to business success. Relavis Marketing tracks the execution and effectiveness of integrated marketing campaigns and events, so you can find and manage those leads more easily, consistently and cost effectively. What makes Relavis Marketing different is our continued focus on collaborative communication. No other system allows you to quickly share, strategize, coordinate and communicate among colleagues, partners, customers and prospects all the data needed in a campaign.

Designed to dramatically improve customer service performance, Relavis Service handles all customer service and support functions such as problem ticket tracking, problem resolution, and escalation and workflow capabilities. Customer service organizations can deliver the superior customer service expected of them while lowering costs, increasing customer loyalty, and serving as an early warning system to both emerging problems and opportunities.

Delivering vital information at critical decision points shortens sales cycles, improves hit ratios, and results in increased revenues and a lower cost of sale. Relavis Mobile CRM for the BlackBerry will empower your sales team with access to all the information they need when they're on the road.

IBM Lotus Notes, as it is, delivers the most important basic structures for a collaborative, process oriented, successful CRM. Employee familiarity with the platform – with all its features – leads to distinct cost savings with the implementation of a CRM scheme. That being said there are some reasons to cross email platforms. If you really want a specific verticalized solution or you want some very specific functions, then going cross platform is okay. Be clear it is only for a functional requirement you feel you need and usability will certainly be sacrificed.

**FOR MORE INFORMATION OR A COPY OF THIS ROI TOOL  
PLEASE CONTACT STEFAN STROBEL AT [SSTROBEL@RELAVIS.COM](mailto:SSTROBEL@RELAVIS.COM)**