Ensuring your company's CRM success

When a business makes a purchase or implements new software, it must ask itself one question: how will this improve our bottom line? Without knowing the answer to this question before moving ahead with the purchase or implementation, a business can be setting itself up for a financial pitfall and potentially embarrassing results.

This basic rule, of course, also holds true when deciding on a CRM deployment. Unfortunately, in a recent study done by Nucleus Research *(Avoid the ROI Pitfalls, Strategies for CRM Success)*, one out of every eight CRM deployments fail to attain a positive return on investment (ROI), in essence making the deployment a failure.

How can you prevent your company's CRM project from becoming part of the 12 percent that fails and instead one that realizes positive returns? First things first. For each CRM project that you undertake, you must develop a business case that shows not only how the current project contributes to long-term CRM strategy goals, but also how it generates short-term value. In short, you are trying to calculate your ROI.

Developing a business case provides the opportunity to thoroughly explore and understand exactly what the project includes, how it will contribute to the business, and why it was better than the other options, including doing nothing. Your business case should take into consideration the following factors:

- Goals and strategic context
- Needs and downstream
- Initiatives/options
- Risks and assumptions
- Benefits and costs
- Preferred initiatives and recommendations

With this in place, your business will be in excellent shape to really understand the implications and consequences of its CRM investment.

But calculating ROI is not just simply plugging numbers into an equation. It involves understanding the relationship between the benefits and costs associated with one or more initiatives that directly address pain points targeted in a business case.

Obstacles in determining ROI

One of the biggest obstacles that companies have when determining ROI for a CRM deployment is understanding how each element of the developed business case works together and contributes to a solid financial benefit.

For CRM implementations, there are two major issues that must be considered before moving forward. The first is determining which concrete actions will enable you to meet your goals, such as improving customer satisfaction, reducing customer turnover, or increasing revenue per customer. The second issue faced by organizations is deciding which actions will be the most effective to deliver the maximum return in the minimum amount of time. For example, should you reduce the time involved with processing customer orders first? Perhaps introduce self-help capabilities to your customers? Or, would enabling a single, holistic view of the customer be more effective?

Once your organization has come to a firm decision on each of these issues, the next step is understanding just how realistic the parameters are. For instance, it's one thing to reduce customer turnover. Understanding the possibilities, given industry-specific data based on your market and from there determining a realistic measure of customer turnover, must be part of the assessment. Looking at your potential CRM deployment from this angle will allow you to set reasonable expectations.

Getting started

First, start by identifying your organization's pain points and some appropriate goals to help address these. While this might seem very straightforward and simple, real life events tend to complicate and influence these decisions. For example, your organization may be facing a new competitor while simultaneously experiencing difficulty with distributors. Or a competitor may have just released a brand new product line. Sifting through these outside factors can go a long way in helping to identify the pain points and goals unique to your business.

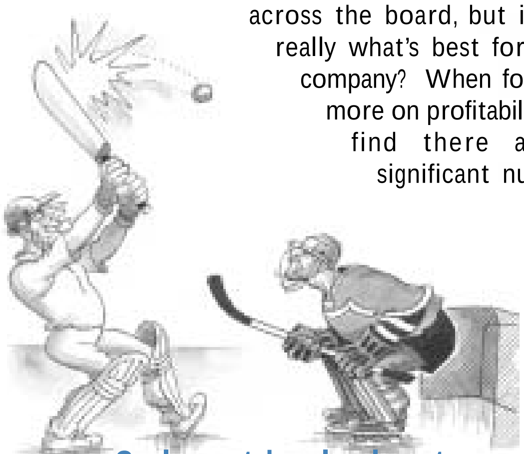
Facing new competition

Deciding and reaching your goals

For each goal that your organization selects, you need to be as specific as possible with the actions that you will take in order to achieve it. It is important to make sure that all project members are on the same page when deciding on which actions to take. Many times, it is at this point in the project when teams can come unglued or problems can arise due to differences in opinion. Again, it is wise to ask yourself the following questions to help determine the appropriate actions:

- Which actions will be most effective to achieve your goal?
- Is it better to choose actions that have a quicker result, but a smaller return overall?
- How can you choose between actions?
- How many actions are necessary to meet your goal?
- How do you know if you have too many or too few actions to be effective?
- What combination of actions will be needed?

In addition, goals for a business can be contradictory. For example, an organization that identifies customer defection as a major business pain may be viewing the pain from market share, profitability, or both. There are definite actions that can be taken to reduce defection across the board, but is this really what's best for your company? When focusing more on profitability, we find there are a significant number of customers who were actually costing more than their value. By addressing market share as a secondary part of the ROI investigation, it was determined that we would have maximum return in minimum time by focusing on higher value customers only. The business pain of churn could be addressed by choosing to develop capabilities for segmentation and profiling of customers, tailoring customer treatment based on this segmentation, and analyzing product and price performance.



Goals must be clearly set

By shifting the focus from generic 'churn reduction' to also include profitability, we learn that improving service for higher value customers greatly improves the business case.

Number crunching

Now that you have identified your business goals and defined the relationship between the stated goals and the required actions to achieve them, it's time to run the numbers. Calculating the project's anticipated ROI from a quantitative standpoint is relatively straightforward now because you have a solid foundation of clearly linked goals and actions. Also, at this point in the game there may be some iteration on the part of your team. For example, you may go back and determine the effect of slight changes in estimated benefits and costs to test 'what if' scenarios.

Looking at the Big Picture – does it look right?

At this point, you have determined your pain points, selected the appropriate actions to attain your goals, and played with the numbers to maximize the returns for your project. The last step before completing your ROI analysis involves double-checking your facts to make sure they are lined up and ready to go. This process, though, involves more than just mathematically checking your numbers. It also includes doing a reality or sanity check of your calculations. So how do you make this check? You can ask yourself one simple question: do these numbers look right to me?

Another, more objective way to check your analysis is to review industry-specific comparative numbers, which can easily identify target goals that fall outside the norm. By incorporating this step, you will be able to quickly identify potentially unrealistic goals and determine the reasons for any differentiation between your targets and industry ranges for those targets. Reasons for any resulting variances may be that perhaps the quantitative measure being evaluated is inaccurate or may need to be adjusted to account for differences between your company's operating procedures and the parameters associated with the industry scenario used for comparison purposes.

Coming full circle – did it deliver?

Finally, you must be able to clearly identify metrics to ensure that your ROI will be met and that business objectives as they evolve are considered. ROI is an ongoing process, not just a number that justifies your project. By providing a baseline, continued measurements give a starting point for CRM, which will forever address your business. Customers change, businesses change; CRM and ROI must move in conjunction to meet these changes.

Ready for ROI

Developing a strong business case and using the right measurements is difficult enough, and research indicates that organizations are struggling with this. But where many CRM projects fall down is in not putting the business case in the context of industry norms and specific strategic business objectives. The perception of CRM project implementation failures arise more from the lack of a sound basis for the project inception than from any other factor. Establishing a comprehensive business case based on a solid, measurable ROI analysis takes the guesswork out of defining a CRM project's success. In other words, create a solid business case and ROI will follow.

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