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CRM

The Marriage of CRM and ROI



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When it comes to IT spending in these sluggish economic times, the mantra at virtually all organizations seems to be "Show me the ROI." Business managers are shelving or simply passing on projects that cannot show a demonstrable return to the company. Money is just too tight.

Today, many proposed and ongoing projects involve customer relationship management (CRM). Research companies such as META Group predict that spending on CRM will skyrocket from \$20 billion this year to nearly \$50 billion in 2003. However, the less-than-acceptable results of some recent highly publicized CRM initiatives are calling its value into question, leaving some to wonder whether CRM is all it's cracked up to be.

In one egregious example noted by *CIO Magazine* a major telecommunications company implemented a comprehensive CRM application for its 1,000 sales representatives. The cost was \$10,000 per user — \$10 million in total. Yet a year after the rollout, fewer than 100 sales reps were using the system — an unmitigated disaster. Some pundits put the CRM "failure" rate (those initiatives that fail to live up to expectations) at upwards of 70 percent.

However, with apologies to William Shakespeare, the fault is not in the stars or even within the CRM technology itself. More likely, the problem with most CRM initiatives gone awry is in basic blocking and tackling — or the lack thereof — and the seeds of discontent are typically sewn in the earliest planning stages of CRM implementations. Small wonder experts claim that proper direction-setting, goal planning and organizational alignment of CRM initiatives will improve chances of success by an order of magnitude.

Taking the organization into account

Research and practical experience both point to human and organizational factors as the main contributors of CRM success...or failure. In most cases, companies spend months evaluating CRM

technologies before selecting the best solution for them. Yet after implementation, users of the system are typically shortchanged. If they're lucky, they might get a couple hours of training, but many just go ignored. Doing CRM right hinges on investing in the people that are going to use the system as well as process changes that impact the entire organization. This investment needs to start in the planning stages and continue well past rollout.

Consider this. A major corporation recently called us with a problem: It had implemented a CRM solution, but no one was using it. Part of its CRM grand plan called for allowing call center staff, which previously handled customer inquiries and first-level support exclusively, to begin cross-selling certain products in order to boost revenues. That was a great idea, at least on the face of it.

But company executives and strategists never bothered to find out if the call center staff had been trained properly in telephone sales prior to rolling out the CRM application. Time and time again, these fundamental — yet critical — "human and organizational" questions go unanswered until they blossom into major problems of system underutilization. In this example, very few of the customer support staff knew how to or even wanted to sell. The anticipated revenue jump from the CRM initiative never materialized, and the implementation was labeled a failure.

The good news for this company, and for any organization in the throes of a less-than-successful CRM rollout, is that it is not too late to retool efforts to get the project back on track to delivering ROI — even if it's months past initial rollout. It is a matter of both identifying the critical people, organizational and process issues and then creating a realistic plan for dealing with those issues.

Realizing the ROI of CRM

This is precisely the course that one of our clients — a major private bank — followed. The bank, which caters to an exclusive and sophisticated investment clientele of individuals, families and partnerships, was looking to CRM to better manage its relationships with existing customers and help grow its overall client base.

Working with our consultants to implement a CRM platform, the bank assembled a planning team whose members hailed from a broad swath across all levels of the bank, including senior managers, IT, and of course, the end users. The planning began

with the team specifically defining the goals of the implementation. This included a business case analysis of what the intended benefits would be and to whom those benefits would accrue. In this way, benefits could actually be gauged and measured later on, and the ROI more accurately calculated.

The results of this CRM effort, aided by careful planning and attention to organizational details, speak for themselves.

- Each CRM module paid for itself in 10 to 15 months
- Customer service and satisfaction increased an average of 21 percent
- Employee productivity increased across all users of the system
- The bank saw double digit increases in assets under its management

The bank attributes much of the implementation's success to our experienced consultants, who kept them "honest" and focused throughout the entire initiative. One of our important roles was to ensure that the bank's basic assumptions were challenged and that it didn't overlook the typical "gotcha" questions that haunt companies later on. The bank also valued the phased approach our consultants recommended rolling out the system in short, three-month increments rather than trying for a grand slam right out of the box. Experience has shown it to be much better for users to get accustomed to new functionality and modules bit by bit, each time proving the initial business case set back in the planning stages. This approach encourages users to actually use the system. And when that happens, companies realize their ROI objectives. As a rule, over 90 percent of potential users should be using the system. If not, something's wrong.

For those just starting out

In today's challenging economic times, companies have to place far more emphasis on tangible, hard measures of ROI, whereas as little as 12 months ago, the acceptable measures were more subjective. The days of simply asserting that CRM will bring in new revenues are over. ROI must be used to prioritize every aspect of CRM planning and execution.

Understand that CRM is not a "one-size-fits-all" technology. Thus, when scouting around for a CRM services provider, find one that offers help

Are You Ready to Implement CRM?

To ensure the greatest ROI from your CRM investment, do not go forward with your initiative until:

- ✓ **You have a clearly articulated project charter, including a vision, objectives and critical success factors**
- ✓ **You have obtained strong executive consensus on the project charter**
- ✓ **A set of metrics — clearly in support of the company strategy — has been agreed to by executive stakeholders**
- ✓ **A measurement implementation plan is in place which includes accountability for measurement and reporting**
- ✓ **A communication plan is developed to maintain support at all levels of the organization**

can be tailored to the specific and unique requirements of your organization as opposed to some canned, preset methodology. Here's a checklist of items you should review with your CRM services provider before taking any giant steps:

- ✓ Develop a consensus on the direction your CRM project should take based upon the project's business benefits, which can include streamlined business processes, more productive employees, and happier, more loyal customers each of which can ultimately lead to higher profitability and increased market share for your company.
- ✓ Evaluate your existing IT architecture and environment, organizational structure and operations, sales methods and customer service culture — all in the context of what you are trying to achieve through CRM.

- ✓ Insist on a sound financial analysis that estimates your net total cost of ownership and compares it to the realistic business benefits (both objective and subjective returns) that can be gained from your CRM investment.
- ✓ Before purchasing any software, develop a strategy to evaluate specific CRM platform products and specific technology solutions such as database and middleware packages. Then create a scorecard that rates them according to their established criteria.
- ✓ Identify exactly who needs to be involved in the CRM implementation and to what degree, as well as who will manage it. Determine the specific parameters for each phase of the program, including which business units will receive what functionality, and the time frame for deployment.

Now you are ready to roll with confidence that you've done all you can to ensure your organization's getting the maximum ROI from its CRM investment.

RX for what ails existing CRM projects

No doubt, many readers are in the throes of managing CRM projects that just don't seem to be hitting the mark. Whatever you do, don't automate flawed processes. We've observed many companies mistakenly using CRM to paper over customer-facing processes that are inherently troubled due to years of tweaking and minor Band-Aid fixes. What you gain from making your flawed processes work more

efficiently is the opportunity to anger more customers faster. You have to identify and then fix the flaws before bringing CRM into the equation. Fortunately, there are techniques and approaches that companies can use at virtually any stage of CRM system deployment that will add structure, accountability and sound ROI measurements to their CRM strategies and help fix problems not adequately addressed in the planning stages. Companies should focus on the critical technical, organizational and personnel factors touched by the CRM implementation. By looking carefully at anomalies such as low system utilization, it's possible to highlight exactly what needs to change.

Often, problems can be traced back to how the system was developed and deployed in the first place. Fortunately, many of these problems can be corrected. Typical remedial actions can include process realignment, enhanced training and coaching, infrastructure enhancements, data cleansing and others. High-level executive sponsorship, along with access to staff from impacted departments and, of course, to IT staff, are critical elements in ultimately correcting problems and achieving ROI.

Don't let failures scare you away

The next time you hear or read about a "failed" CRM implementation, you'll know that the devil's in the details that probably got overlooked in the initial planning. CRM done right will yield the returns you seek and that your company demands.

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