

CRM ROI: By the Numbers

Return on Investment (ROI) calculations for CRM are much harder to come by for the simple reason that the ROI depends on a variety of changes that must be made within a company, from people and culture, to business processes to the use of technology. The hard question is, "How can an ROI estimate be generated for any company when it's not known how the company will actually implement it and make the changes necessary for its success?" The best that can be provided are estimates based on general market data. For example, Barton Goldenberg, president of the ISM, Inc., talks of *reasonable* expected benefits:

- 10% increase in sales revenues each year over three years
- 5% increase in win rates each year over three years
- 1% increase in "per deal" margins each year over three years
- 3% increase in customer satisfaction ratings each year over three years
- 10% decrease in general sales and marketing costs each year over three years

ROI's for CRM are hard to come by for the simple fact that so much is dependent on how a company does business philosophically. More to the point, so much is dependent on how a company is willing to change how it does business in order to take advantage of CRM concepts like customer-centric processes, multiple touch points, a 360-view of the customer, or differentiation marketing. You can take the same highly sophisticated CRM system into two similar customers and fail miserably with one and succeed wildly with the other. Much of the success of pure CRM is dependent on individual company culture, philosophy, executive commitment to change and so on.

However, a Staffware insurance customer, a \$2.5b insurance group whose name we are not yet allowed to release, justified their Staffware CRM project along the following expectations, which were developed internally. These were identified as minimum expectations:

- Expected 2% increase in renewal rate
- Expected 5% increase in revenues due to cross-sell/up-sell closures
- Expected 5% increase in underwriter conversion rates
- Expected 5% increase in revenues through targeted marketing campaigns and segmentation
- Expected \$97.2m in increased revenues; \$9.36m increase in profits at 10% margin

CRM and Workflow

The benefit of using an integrated, or Process-Driven, CRM system is that it incorporates both the soft benefits of CRM and the hard benefits of workflow automation. Business Process Automation (Workflow) gains are more easily quantifiable because of the nature of what is being automated. Workflow automates work tasks that must be processed according to specific criteria or business rules, and are now being handled manually, or are only partly automated between different systems, regions, departments, groups or individuals.

Introducing CRM can compound the challenge of work processes, because CRM tends to increase the number of interactions, the quality of interactions, or the expectation of the interaction between the company and the customer. However, if the CRM system is only capable of handling “workflow” within its own boundaries, or only of simply handing work tasks off to other entities, it essentially loses control of the work it has created.

Following is some information about using enterprise workflow technology, workflow that goes beyond the CRM system, to help determine an ROI for Process-Driven CRM.

Client ROI

The return that our clients realize from their investment in workflow can be viewed in the context of the following equation:

$$\text{CLIENT ROI} = \frac{\text{Process Automation Capability} + \text{Product Enhancement}}{\text{Cost of Ownership} + \text{Implementation Risk}}$$

Delivering *Client ROI* requires minimizing the *Cost of Ownership*. Staffware accomplishes this by providing:

- A solution that can quickly and completely automate client business processes
- Business process automation that is principally implemented and responsively enhanced by business analysts
- Graphical tools supporting Rapid Application Design (RAD) process automation, prototyping, production implementation and process enhancement
- A complete workflow automation environment, including a full-function, out-of-the-box thick and thin user interface, that is not dependent on additional layers of technological complexity
- A system that fully utilizes the capacity of the hardware and network on which it is running, either in a single server or in a multi-server network configuration
- An open solution that easily fits into existing technical environments requiring no change to legacy applications in order to integrate them into Staffware automated business processes

Example Workflow ROI

A recent research study into the impact of adopting Staffware's workflow software has shown how Staffware is helping to transform the business performance of its customers.

The research, conducted with over 100 Staffware customers across the world in a range of industry sectors, showed that every customer was seeing multiple returns on their investment following the installation of Staffware's workflow software, and that it was helping them change the way they conduct business.

Staffware automates, manages and streamlines entire business processes, and has over 1 million licensed users in industries including banking, insurance, telecommunications, utilities, government, manufacturing and education.

Of those customers surveyed, all were experiencing benefits in more than one area, for example:

- 62.5% were more efficient as a result of streamlining their business processes. One bank was able to increase their home loans business by 45% without increasing the number of "back office" staff.
- 57% experienced better levels of customer service. One company reported a reduction in the turnaround of insurance claims from 3 weeks to 3 days.
- 46% experienced better control over their business processes allowing them to change them easily and quickly when necessary.
- 33% saw increases in staff productivity. One customer reported a 50-80% gain in staff productivity.
- 23% experienced cost savings - having a direct impact on the bottom line. One telecomm company reported financial control gains of \$15 million per year.

This report indicates that Staffware products can deliver real benefits to businesses - irrespective of industry sector.

An independent consulting firm conducted the research by interviewing managers in sites where Staffware has been implemented. Some of the highlights are presented below:

Examples in Insurance and Government

- ANOVA – HEALTHCARE AUTOMATION**
 - 93% reduction in work-in-progress, from 60,000 to 4,000 tasks
 - 44% reduction in in-coming Call Center calls, from 18,000 to 10,000
 - 86% reduction in application and claim cycle time from 16 to 2 days, 75% processed in 1 day
- AIG EUROPE – COMMERCIAL INSURANCE POLICY AND CLAIMS ADMINISTRATION**
 - 50% increase in business with 8% increase in staff
 - 18-month implementation of their five major business process
- LOCKHEED MARTIN – US CENSUS 2000**
 - Integration of 5 major technologies
 - 70,000 forms processed per day, 140 million forms processed in 99 days
- BARCLAYS INSURANCE SERVICES – NEW BUSINESS / SERVICE REQUESTS**
 - 40% productivity gain
- CIGNA HEALTHCARE – HEALTHCARE CLAIMS**
 - Saved \$3 million annual operating expense
 - Cycle time reduced from 3 weeks to less than 2 days
- HELIX – CLAIMS PROCESSING / COLLECTIONS**
 - Doubled profits within 12 months
 - Decreased cycle time by 500%
- VITAL INSURANCE – NEW BUSINESS / RISK EVALUATION / HEALTH CLAIMS**
 - 66% New business productivity gain
 - 44% Risk evaluation productivity gain
 - 30% Claims productivity gain

Workflow ROI Model

Staffware offers the following model to assist you in developing an ROI around a specific set of metrics that would be derived from the plan you execute.

Enterprise Workflow Automation brings all of the participants and tasks associated with all of an enterprise's business process under the control of a single managing technology solution.

The following model identifies and organizes the major elements of cost and return that affect the justification of an investment in Enterprise Workflow Automation. It provides that basic inputs for the varied and often times unique financial analyses that are associated with the justification of major capital investments, e.g. NPV, IRR, cash flow and related analysis.

The financial impact of each element is often both quantifiable (hard) and non-quantifiable (soft). The ultimate weight and importance that is attached to each will depend on the nature of the business problem or opportunity driving the investment.

The Seven Critical Functions of Workflow

Enterprise Workflow Automation performs seven critical functions:

- Electronically links all of a process's internal and external participants - clients, employees and service providers, establishing a virtual electronic organization not bound by bricks and mortars
- Standardizes enterprise best process practices across all organizations
- Immediately moves work to the appropriate next participant in the business process
- Automatically performs or eliminates non-value added tasks unique for each process step:
 - Gathering, formatting and presenting information and electronic documents pertinent for each unique task activity
 - Producing notices, correspondence and communications to parties related to the process
 - Logging, monitoring and reporting processing progress and logistics
- Manages service standard activity deadlines and automatically performs the prescribed remedial action(s) when they have been exceeded

- Automates and manages customer specific process variations
- Monitors process volume and activity and participant workloads

The Expected Business Returns

These drive five areas of critical business returns:

- Lower operating costs resulting from:
 - Greater productivity – Produced by automation and/or elimination of non-value added tasks
 - Improved quality – Produced by the elimination of rework due to reduction/elimination of manual steps and inappropriate process routing
 - Process efficiency – Produced by a consistent process that focuses employee effort on the process task to be performed uninterrupted by devoting effort to managing the process itself (rerouting misdirected tasks, responding to customer inquiries of the status of a transaction, counting work items and identifying current or potential bottlenecks)
 - Increased employee utilization – Produced by faster training and greater throughput of process tasks pushed across a virtual organization to employees based on skill levels and workload balancing
- Higher customer retention levels resulting from:
 - Increased client satisfaction produced by their participation in consistent, efficient, error-free processes
 - Meeting/exceeding client expectations by effectively managing specific service standards specifically developed for each customer and market
 - Customer loyalty produced through more effective cross selling of enterprise products and services
- Increased competitiveness resulting from:
 - Greater agility in customizing processes to meet market needs
 - Faster speed to market of new products and services and enhancements to existing products and services

- Easier participation by clients and service providers in core business processes
- Wider range of processing creativity available from the underlying process automation infrastructure

Return Metrics

A wide variety of approaches can be taken in measuring the return produced for an organization when it invests in enterprise workflow automation. The following are basic measures of enterprise workflow automation return.

Lower Operating Cost Metrics

Reduction of staff expense – (net reduction in staffing levels) x (cost of employee - salary, benefits, management overhead)

Reduction of cost of new employee acquisition expense – (net reduction in new employee hires) x (cost of employee acquisition and training)

Reduction/consolidation of physical office infrastructure – (net required office space) x (new average cost of office space)

Higher Customer Retention

Reduction of customer acquisition cost – (cost of acquisition) x (net customer retention gain)

Retention of mature client profitability – (net incremental profitability of mature clients) x (net customer retention gain)

Increased Competitiveness

Incremental profits from new or enhanced products / services – (new or enhanced products / services profit) x (net exclusivity period)

Expense Metrics

The expenses incurred with implementing enterprise workflow automation include those typically associated with information technology projects. They include the following:

- Application Software Acquisition
- License fees
- Maintenance fees
- Implementation
- Project staff expense
- Consulting fees
- System Maintenance
- System management, maintenance and enhancement staff expense
- Application software enhancement fee
- Equipment and Communication
- Processing hardware and system software acquisition
- Incremental communication expense

Summary

If you are considering implementing a CRM strategy, and the technology to support that strategy, we strongly recommend that you make *Process Driven CRM* part of your evaluation criteria. The fact is a sizable gap currently exists between what CRM promises and what it delivers throughout the enterprise. Staffware closes that gap.

Staffware can be contacted at 1.800.766.7355
Visit us at www.Staffware.com