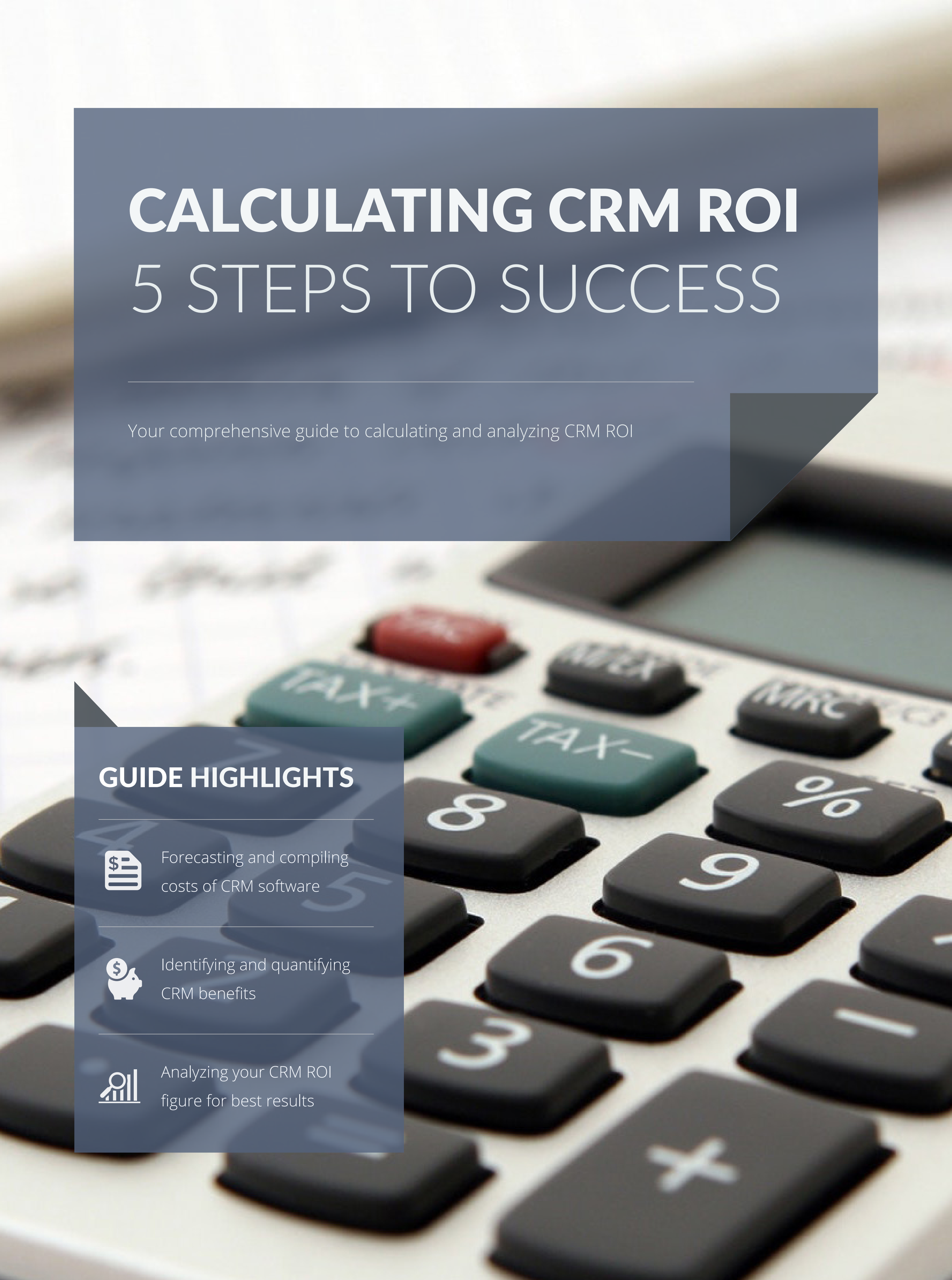

CALCULATING CRM ROI
5 STEPS TO SUCCESS

Your comprehensive guide to calculating and analyzing CRM ROI

GUIDE HIGHLIGHTS

- Forecasting and compiling costs of CRM software
- Identifying and quantifying CRM benefits
- Analyzing your CRM ROI figure for best results

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AN INTRODUCTION TO CRM ROI FORECASTS

Creating a CRM ROI forecast is essential if you are to keep track of the actual benefits compared to the expected benefits.

You'll have already created a basic outline of the benefits of a new CRM in the early stages of selection, perhaps to attract a C-level sponsor for your project. Each organization's needs differ, but as a general rule these tend to include:

- Automation of administrative processes (e.g updating customer and reduction in sales staff time spent on them
- Automation of some sales and marketing processes (e.g email segmentation, lead scoring) and reduction in staff time spent on them
- Increase in sales volume and reduction of time spent on each sale
- Easier access to customer data, particularly for salespeople out on call
- Increase in data and tools (e.g analytics) available to managers to inform strategic decisions

Whatever you put together is now your kick-off point for creating a more detailed ROI forecast, in which you try to quantify the benefits of a new CRM into a solid figure.

WHERE TO BEGIN

It may need a little bit of fine-tuning or refining but basically, the content of this original report will provide you with the raw material to lay down some basic metrics by which to measure CRM success. Your end goal is to prove that a new CRM will be of quantifiable value to your organization.

But where do you get your benchmark data from?

You will need to demonstrate that your new CRM is superior to the legacy system (or lack of any system at all) that was in place before. To do this, you will need to compare historical data against the metrics you have in place for evaluating your new CRM, and demonstrate how a new system would improve them.

A quick tip: don't make the mistake of getting fixated on cost reductions. Look at other ways of showing improvement such as major advances in process automation, the addition of sophisticated real-time reporting or improved access to CRM data on the move.

"You need to compare historical data against the metrics you have in place for evaluating your new CRM, and demonstrate how a new system would improve them."

LOOK AT THE BIGGER PICTURE

If management has the idea in their head that a CRM system is a burden that has to be accepted as an unwanted necessity on the list of company overheads, they have their thinking skewed.

A CRM system should not be viewed as just a cost that cannot be eradicated, and because of this; emphasize ways of measuring the service quality of the system, and the increased number of sales it will allow you to achieve in the long term.

In short, it's all about looking at the bigger picture.

Another great area in which to demonstrate the value of a new system is in risk mitigation and management. For example, if you had not gone ahead with the new CRM, what risks might you have faced? If you can quantify it, looking at how your legacy system would hold your business back if left unreplaced would is a good place to start.

Ask yourself how a new CRM would help reduce these risks. Have any negatives that may have influenced the company been avoided, and what is the financial value of this?

FORECAST FOR THE FUTURE, NOT JUST THE PRESENT

If management has the idea in their head that a CRM system is a burden that has to be accepted as an unwanted necessity on the list of company overheads, they have their thinking skewed.

By creating your CRM ROI the correct way and taking into account the many positive attributes of the system and not just financial ones, you will be provided with an accurate measure of ROI and even a forecast of where you expect the new system to take the company in the future.

Always remember that the new system is an evolving piece of software; it should grow with you and help your company meet future challenges as well as current ones.

CALCULATE THE COST OF YOUR CRM INVESTMENT

For a realistic ROI, it is essential that you put the time aside to calculate exactly how much your CRM will cost you. Being vague here can lead to nasty surprises down the line when your senior management get hit by higher-than-expected costs and lower-than-expected returns. While you need to be positive about your CRM's potential benefits, you also need to be realistic about what you'll need to invest to realize them.

COST CALCULATIONS NEED TO BE ALL-ENCOMPASSING

The positive effects of having the CRM in place may be many, but alongside all of the many improvements to your processes and systems, you will need to check that the overall costs tally with what you anticipated and budgeted for.

"You will need to check that the overall costs tally with what you anticipated and budgeted for. "

YOUR TOTAL PRICE MUST BE COMPREHENSIVE

It is not just the amount of money that you paid to the vendor that is relevant here but the total overall cost of the system.

First, list all the costs involved in purchasing and implementing a new CRM:

- **The out-of-box system price.** This could be a monthly per-user fee for cloud systems, or a one-off upfront license fee for on-premise CRMs.
- **Vendor implementation fees.** This could include engineer installation fees, data migration, customization, consultancy, and project management services depending on what your vendor offers, so be clear on this during contract negotiations.
- **Third-party consultancy fees**, if not using a vendor consultant
- **New hardware.** If implementing an on-premise system you may need to update your hardware to newer technology compatible with your CRM.
- **Staff overtime costs** during implementation.

Remember - a CRM is not a one-off investment. When calculating your CRM ROI, remember that the following costs are ongoing **for as long as you use the system:**

- **System maintenance and upgrades.** If using an on-premise system these will cost a lot in terms of staff time; depending on your IT department, you may need to bring in temporary staff to cover
- **Staff training.** Often dismissed as a 'one-off' cost, it's important to realize that you'll need to keep investing in staff training as you hire new people, or add extra features to your CRM.
- **Support packages.** These can be billed in a variety of ways (monthly, annually etc) - however you pay for it, don't forget to include it in your ongoing costs

Depending upon your type of business and the size of it, these costs will vary and no two businesses will have the same total cost for installation and implementation of the same system.

The only way to compile a totally accurate and up-to-date cost of your CRM investment is to include absolutely everything. Don't just think about your own time but include that of Management and associated departments too. Calculate the figures from day one so that you do not miss out the time spent researching and discussing.

Once you are able to total this figure then you will be ready to move onto the next step, which is accurately calculating your return on investment or ROI.

CALCULATE THE RETURN ON YOUR CRM INVESTMENT

Well done! You have summarized the costs of the new system and so by this stage, you are well on the way to calculating the ROI for your CRM.

You have dealt with the costs, so now you need to compile the returns your CRM offers your company, in terms of money, time and effort. Every bit of research and discussion time needs to be quantified, leaving you with a financial value which you can apportion to the CRM system being up and running.

This involves pulling together all the benefits your CRM offers your company and assigning a monetary value to them. You will do this by using a mix of methods of measurement that you can then use to compare the performance of your sales department with the new CRM to their performance without it.

METHODS OF MEASUREMENT

So what methods are you going to use to do this?

You may decide to use the reports and analytical information provided by the CRM system, in-house surveys, performance monitoring or a post-operative focus group; it doesn't really matter how you do it as long as you access a wide range of data relevant to the operation and success of the system, comparing the 'then' and 'now' situations.

Here are a few quantifiable metrics to start you off:

- **Sales volume:** have sales increased since you implemented the new CRM?
- **Time per sale:** are your staff converting opportunities more quickly?
- **Deals closed:** are your sales team converting more of their leads into customers?
- **Sales staff activity:** are your salespeople spending more time selling and less time on administrative tasks?
- **Lead volume:** are your marketing team generating more leads using new CRM features like email segmentation to generate more leads?

- **Lead source:** where are your leads coming from? Have previously under-performing channels been boosted with the addition of a new CRM?

VALUE THE IMPROVEMENTS CREATED BY THE NEW SYSTEM

There may, of course, be many more improvements that you can quantify in terms of financial benefit to your company.

"Every bit of research and discussion time needs to be quantified, leaving you with a value which you can apportion to the CRM system being up and running"

Using a spreadsheet, you can put a description alongside each figure and then tot up the totals at the bottom. This will make it easy for you to see where the cost savings have come from and will be essential when you submit your final report to management and stakeholders.

TRACKING YOUR CRM'S ROI: THE PRACTICALITIES

After much planning, research and hard work, you've identified the right CRM. More importantly, you've identified the cost associated with implementing new software and the returns you predict it will offer.

Now comes the hard part: **ensuring that your CRM stays on track to meet these returns**.

To do this, you'll need to monitor your new software's performance across a range of factors to allow you to make appropriate adjustments. Regardless of how well you implement your CRM, there will always be teething issues at the start of its tenure - identifying these and ironing them out early on is essential in optimizing system ROI.

Areas you should be keeping an eye on include:

- **Reporting features to provide a rundown and give feedback:** good system utility is paramount to ROI so ensure that your tracking is up to speed. Are your reports showing the data they need to? Are they customized sufficiently? What is the feedback from end users showing? If the report function is not being fully utilized then action needs to be taken promptly.
- **How is the actual system performing?** Look at any downtime or bug fixes that have occurred and evaluate data for accuracy and completeness. Both the utility value of the system and user engagement can be severely disrupted by unresolved data issues - catch these early on or risk a dishearteningly negative effect on ROI.
- **Reviewing the needs of your system:** assuming that your system was a bespoke one made to suit your needs and not an off-the-shelf package, is it performing according to your expectations? Look again at your original Needs Analysis; are there any features missing? Have all the features you asked for been included? If so, are they being used correctly? You need to be immediately aware if there are any missing facets relating to the new system. Ask yourself whether the compromises you made to get the system up and running were the right ones to provide ongoing ROI.
- **CRM communication strategy**: this may have been a priority just before the system went live but are you continuing with this in the right way? Keep your communication channels flowing, informing all potential users about any system issues, upgrades or must-see functions and

abilities. Keeping everyone in the loop about improvements to the new system will increase user engagement and avoid

- **User engagement strategy:** are you communicating sufficiently with the end users of the system? They can give you immediate feedback on the good and the bad points, Engage with your sales, accounting and finance departments and find out what they think of the ready-made processes. Do amends need to be made? What do they think of the new system?

As you can see, once the new system is in place and up and running, there is still much work to be done if good ROI is to be achieved.

Don't be tempted to see these actions as one-off steps to be completed immediately post-implementation. Instead, monitor these continuously; this will both keep you informed as to whether your ROI is realistic and allow you the opportunity to keep as close as possible to your predicted ROI by eliminating problems early on.

"Don't be tempted to see these actions as one-off steps to be completed immediately post-implementation. Instead, monitor them continuously;"

ANALYZE YOUR CRM ROI FIGURES

This is the final stage and probably the simplest of all. You have your cost figure summarised and your return figure. These two figures can now be expressed in one of two ways:

1. A basic 'money spent less money saved' calculation – this will tell you whether you have actually made a saving or incurred a cost.
2. You can use both figures to calculate various metrics, dependent on what you want to know.

IF YOUR ROI IS POSITIVE, WAS IT WORTH THE TIME, MONEY AND EFFORT?

Ideally, the new CRM system should have provided the company with a substantial move forward in relation to sales department performance and efficiency, and this should be expressed in terms of both cost savings and the facilitation of sales processes.

Consider the size of the return against the effort required to achieve it. Were the returns incremental or significant? If the former, analyze your implementation processes and identify time and cost drains.

In the case of a positive but incremental ROI, it's worth considering whether you have been too optimistic about timeframes. Getting a good return on a CRM system will take months (or sometimes a year or more, depending on the size of the investment and the type of company), so reassess your ROI a few months down the line - you might be encouraged by the results.

IF YOU MADE A LOSS, WHY DID THIS HAPPEN?

If you cannot see that any saving or improvements have yet been made, then something has gone wrong. Consider:

- Were your original expectations realistic?
- Did you choose the right software programme?
- Are you receiving all the services your vendor promised when you signed the contract?
- Is the new system being used properly and has staff training been effective?

Once you know what is going wrong, you can correct your use of the system or check out why it is not doing what it was supposed to. If it isn't working for the company now, it needs to do so in the future.

WHAT HAPPENS NEXT?

"Ideally, the new CRM should providedthe company with a substantial move forward in relation to sales department performance and efficiency"

Decide on the period of use which you are going to apply to the system and use this to evaluate it going forward. Consider whether the CRM is totally functional as it is or do other modules need to be added and if so, at what cost? If there are performance issues, you need to take steps to address them. Maybe training needs to be re-examined and intensified.

Get feedback from stakeholders; from users through to staff and clients and ascertain their overall view of the new system. If it is positive, use that as an asset which you can capitalize on.

Because the initial purchase was a huge investment you need to take the time to carry out this ROI process carefully and correctly. Once you have determined the current performance of the software system you will be the one reporting to the management. If the outcome is not what was planned and shows a negative then find ways of turning this around so that results will improve; do this before you submit your final ROI report.

TAKE A STEP BACK

You should also take a step back and evaluate what you have done. Did you make the right choices? Have the right metrics been applied? Have targets been met, exceeded or have you fallen short? Decide when you will carry out the next ROI examination and if you will stick to the same methods and metrics or whether you will change them.

Investing in an expensive CRM system is a big step and for this reason, calculating the ROI is an essential and fundamental part of the whole process. It may seem like a daunting operation at the start but my breaking it down into easily manageable sections, auditing the ROI will be a manageable and efficient technique.

This guide was written by Jane Tareen, Discover CRM columnist, with contributions from Kathryn Beeson, Discover CRM Editor

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