



November 2011

Document **L120**

RESEARCH NOTE

CRM PAYS BACK \$5.6 FOR EVERY DOLLAR SPENT

THE BOTTOM LINE

Companies continue to invest in Customer Relationship Management (CRM) to reduce costs and increase revenues – and with good reason. Analysis of recent Nucleus CRM case studies shows that for every dollar a company spends on CRM, it gets back an average of \$5.6.

As Nucleus identified in its recent CRM Technology Value Matrix (Nucleus Research L68 - *CRM Value Matrix 2H2011*, November 2011), companies are continuing to invest in CRM technologies that enable them to drive greater sales and customer service productivity, improve the effectiveness of marketing efforts, and reduce customer support-related costs. This isn't surprising, given that CRM continues to be an area that delivers high return on investment. As vendors deliver more innovation and more rapid, predictable deployments, CRM is a good bet for both top-line benefits and bottom-line savings. In fact, in looking at approximately 70 of the last Nucleus Research case studies published on CRM, Nucleus found that for every dollar a company spends on CRM, it gets back an average of \$5.6.

Nucleus found that for every dollar a company spends on CRM, it gets back \$5.6.

Nucleus's analysis included ROI case audits of CRM projects deployed by customers of leading vendors including Salesforce.com, Microsoft, Oracle, and Sage – as well as CRM-focused projects of SAVO Group, Cloud9, and IBM customers. Non-US deployments were normalized in dollars for comparison purposes.

CRM STILL DELIVERS ON ITS INVESTMENT

In most cases, as software markets mature, companies making additional investments in software areas where they've already achieved benefits get smaller incremental returns. This is because they've already reaped the low-hanging fruit: additional benefits in automation or productivity are small compared to initial gains. CRM, however, is different: even though many large enterprises are on their second or third CRM endeavor at this point, CRM is still delivering significant ROI. This is partly because initial investments weren't always successful, but mostly because of three fundamental shifts in the CRM market:

- The way CRM functionality is delivered. The rise of cloud CRM has changed the cost to deploy, time to deploy, and speed to deliver changes in CRM systems. This enables companies to deploy today and make changes over time as they have a greater understanding of their business processes or as their needs change – without big work disruptions for users. It's also put greater pressure

on on-premise CRM vendors to up their game in delivering faster time to deployment, easier use and access, and ongoing return on investment.

- The end goal of CRM projects. The goals of many initial CRM projects in the 90s and early 2000s were top down and process focused. CRM projects were designed to accelerate call center resolution rates, improve pipeline reliability, or automate marketing campaigns – often replacing the expertise of individuals rather than making their lives easier. The goals of this decade's CRM projects are primarily making end users more productive – driving faster user adoption and other areas of benefit than first-generation CRM's process improvements.
- The way CRM functionality and data is accessed. The integration of consumer social technologies into CRM applications – like “push” activity feeds and social customer profiles – has changed the way many business users interact with CRM and stay aware of their company's activities today. It has also extended access to CRM data to more users, whether they have user licenses to the CRM application or not. The development of mobile-device specific applications for CRM that enable users not just to update information but to quickly access what information they need to do business from anywhere is also driving a new generation of CRM returns.

Nucleus finds that secondary CRM investments that drive greater productivity, mobile access, or improved management often delivered triple-digit ROI. For example, Brainshark deployed Cloud9 Analytics for sales forecasting on top of its existing sales force automation application. It made managers more productive, helped them quickly pinpoint deals or sales people that needed attention, and helped them more accurately forecast their pipeline to the business. Even though it wasn't Brainshark's first investment in CRM, it drove significant sales improvements and a triple-digit return on investment [Nucleus Research L35 - *ROI case study - Cloud9 Analytics - Brainshark*, March 2011].

IT'S ALL ABOUT PRODUCTIVITY

CRM offerings that help users share knowledge, streamline conversations, and be automatically updated about CRM activity are more than just “social” nice-to-haves. In fact, collaboration and old-school knowledge management are game changers for this generation of CRM investments, driving user productivity across the board. In fact, in a study on Salesforce.com Chatter earlier this year, Nucleus found companies effectively deploying Chatter could increase employee productivity by an average of 20 percent [Nucleus Research I74 - *The return on investment from Chatter*, July 2011].

Mobile applications and tablet and smart phone access are mining new sources of CRM productivity gains as well. Although many vendors have had rudimentary mobile access for some time, this generation of mobile CRM is about giving users the tools they need to get work done, not just updating their pipeline. More and more, users are picking their own devices, demanding their mobile apps work as easily as their iPhone, and taking advantage of what they've learned playing Angry Birds on their iPad to deliver interactive presentations to clients. Mobile used to be separate CRM functionality with a different per-user price. Now's it a key requirement for many CRM purchasers.

CRM IS FOR EVERYONE

CRM benefits are not sector or size-specific. Companies analyzed in the study crossed almost every industry (as well as government and non-profit organizations) and included small, medium, large, and Fortune 100 firms. Obviously the availability of low-cost cloud computing solutions put CRM into the reach of smaller firms without IT staff; however, large firms are adopting cloud CRM as well to reap the benefits of flexibility and rapid deployment.

CRM HITS BOTH THE TOP AND BOTTOM LINE

Although CRM is often first considered as a top-line investment to drive increased sales, many projects also yield direct benefits as well. In fact, in terms of overall financial value the CRM projects studied in this analysis delivered 63 percent direct benefits, such as cost savings or avoided hires, and 37 percent indirect benefits, such as increased productivity or greater customer retention.

CONCLUSION

While most large and many mid-sized and small firms have made at least one CRM investment by now, there's still significant ROI opportunity for further investment. As vendors add social, marketing, analytics, and mobile access capabilities to their CRM offerings, organizations have an opportunity to gain even more returns from CRM. As this analysis shows, even when incremental investments are considered, every dollar invested in CRM delivers \$5.6 in benefits.