

## CRM OUTCOMES

The First Step on the ROI Path

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## CRM OUTCOMES: THE FIRST STEP ON THE ROI PATH

It is easy to get off on the wrong foot when it comes to CRM. The statistics speak for themselves — up to 80 percent failure rate, depending on which reports one comes across. But, many organizations are achieving great successes with CRM, and there are strong indications regarding which variables will sway a project toward success or failure. The first variable on this list of success factors is whether the organization has a clear understanding of the *Outcomes* it wants to achieve through CRM.

The process of clarifying the Outcomes a CRM program is designed to achieve can reduce the chances of making a wrong technology purchase, solving the wrong organizational problem, or stopping short before the program really accomplishes a solid return on investment. This is because Outcomes provide a focus for the CRM program to get very clear on what the targets are for success, increasing the likelihood of achieving expected business benefits.

## A DEFINITION

The term Outcomes is meant to describe the business results produced as a consequence of implementing *and* managing a CRM initiative. Typical Outcomes might include increased sales revenue, improved call center efficiency, or improved customer satisfaction. This white paper will provide information on types of Outcomes to pursue, how to balance the Outcome types appropriately, and means with which to manage the conflicts that may arise between the Outcome types.

## OUTCOMES: A KEY COMPONENT OF YOUR CRM STRATEGY

Certainly few would argue with the assertion that a solid CRM strategy will greatly contribute to the success of a CRM initiative. Most aspects of managing a business will perform better with a clear and well thought out plan. Outcomes are arguably the most important component of the plan, which might also include a vision or mission statement, critical success factors, and program objectives. All of these other elements will combine to create an effective program strategy, but the absence of specific Outcomes will greatly reduce the chances for success.

The logic behind this proposal is that Outcomes help to develop the focus for CRM to achieve business results rather than other endpoints, such as being on budget with a project, or whether the functionality of a software platform actually works as planned. Outcomes, as a component of the CRM strategy, spell out the benefits of performing the hard work involved with the implementation and management of CRM programs.

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With this as an element of strategy, there is a stronger drive to achieve the benefits to the business, rather than fall short with the follow-through effort, once the program has been considered successful from an implementation context.

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Declaring program Outcomes keeps the organization from falling victim to the dynamics that often plague programs — momentum sustains the initiative through the point of successful implementation, but then falters. Attention is then given to the next initiative in the queue, and the previous initiative fails to deliver. Outcomes keep the focus on the real prize, and, therefore, help to keep the momentum going until the Outcomes are achieved. Clear Outcomes also encourage logical, formal planning to achieve the end results, and the measurements to actually confirm achievement.

## OUTCOME TYPES — A CLOSER LOOK:

A business might choose to invest in CRM for a variety of reasons, but ultimately these reasons fall into three categories of Outcomes, referred to as Outcome Types. Early CRM initiatives were heavily driven by sales force automation software, which promised increased sales through better management of contacts and leads. Today, the possibility of expanded revenue and sales growth remains the greatest attraction of CRM. Business Growth as an outcome may be achieved through increased sales with existing customers, improving customer retention, more effective lead generation, and more effective sales conversion with existing lead sources. These Outcomes can be achieved through sales force automation initiatives, but are also reached through more effective customer service capability and more powerful marketing campaign management.

A second type of Outcome, Operational Efficiency, is more focused on reducing the costs of managing customer touchpoints. These can involve reducing the expense of managing leads, shaving off time for customer contact call length, or more effective marketing campaign measurement, which leads to more precise marketing and advertising investment. Operational Efficiency has become the most prevalent type of Outcome during the post-millennium recession as business leaders have utilized CRM to remain competitive through improved margins versus growth. Those who find justifying CRM investment difficult within their organization will do well to focus on this Outcome Type, especially because cost-saving measures are the easiest to predict and validate.

Some CRM historians assert that CRM emerged originally from the quality movement with a focus on customer service quality and gaining benefit from improving the customer experience. This aspect of CRM remains today and is visible as the third Outcome Type, Customer Value. This category of Outcomes is intended to gain benefit from CRM investment explicitly for the customer, including customer satisfaction, service quality, and ease of doing business. The belief, as asserted originally by the quality proponents, is that achieving value for the customer will result in more bottom-line oriented Outcomes such as improved customer retention and lowered cost of service. However, this Outcome Type should be considered as endpoints for their own merit, even though they can contribute to improving the other Outcome Types. It should be mentioned, however, that Customer Value Outcomes can be the more difficult to measure and may take longer to actually produce tangible results.

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## OUTCOME EXAMPLES BY OUTCOME TYPE

### BUSINESS GROWTH

- Lead Conversion Rate
- Campaign Effectiveness
- New Customer Growth
- Customer Retention
- Sales Volume
- Repeat Sale Rate
- Customer Wallet Share
- Brand Awareness

### OPERATIONAL EFFICIENCY

- Cost of Sale
- Cost of Service
- Cost of Marketing
- Employee Retention
- Product Development Effectiveness
- Forecasting and Prediction
- Partner Management
- Employee Orientation Cost

### CUSTOMER VALUE

- Customer Experience
- Partner Experience
- Service Quality
- Ease of Business
- Access to Products / Services
- Customer Satisfaction
- Partner Satisfaction
- Customer Profitability

## MISSING OUTCOMES

A recent CRM Audit performed for a large insurance company proved that the absence of well-defined CRM Outcomes was hampering success. Program Managers responsible for CRM implementations earned their bonuses by satisfying two criteria — bringing programs in on budget and on time. If a mid-program evaluation were to identify an unmet business requirement that would necessitate a scope change, the Program Managers would avoid the scope change in an effort to preserve their bonuses. This was at the expense of the business, which would not get its requirements met as a result.

To get CRM back on track within this company it was necessary to identify the Outcomes required by the business. In this example, Outcomes were defined as:

- Reduce Claim Processing Cost
- Increase Customer Loyalty
- Increase Market Share

These became the targets for the Program Managers, together with their accountability to manage programs responsibly. As a result, Program Managers now fight to satisfy business requirements rather than ignoring them.

## BALANCING OUTCOMES

Perhaps the most important aspect of the effective management of Outcomes is that of balance — maintaining the correct ratio of Outcomes from each of the three categories. Balance is important because a program that pursues Outcomes that are skewed toward a single category or even two categories can result in conflicts that undermine the overall success of the initiative.

*Strive for Outcome representation from each of the three categories.*

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Historically, the balance of CRM Outcomes in the marketplace has moved from Customer Value to Business Growth to Operational Efficiency. This is due to changes in business management trends, and influenced by economic swings. However, individual initiatives must be more careful with regard to which Outcomes are pursued. An unbalanced focus on Customer Value could lead to making decisions that are expensive and cause the program to lose money overall. An initiative that has an unbalanced focus on achieving Operational Efficiency could negatively impact customer satisfaction and cause customer retention to drop. Therefore, the most effective management of Outcomes is to strive for Outcome representation from each of the three categories, with none of the three causing unintended consequences with the other two.

Avoiding conflicting Outcomes is important, but pursuing Outcomes that are synergistic is also critical for effective program planning. For example, CRM projects that promote process simplification will typically achieve an efficiency gain. If that simplified process is also customer facing, there is also a strong chance that customers will feel the benefit of the simplification, which should result in a better customer experience. Likewise, investing in technology that makes it easier for customers to access products over the Web will not only improve customer satisfaction, but can also lead to additional revenue.

Balancing Outcomes between the three Outcome types should include both an eye toward minimizing conflict and an eye toward leveraging synergies between types. This focus on balance will maximize the business benefits that the CRM investment will produce.

## OUTCOMES VERSUS ENABLERS

One final recommendation surrounding the definition of CRM Outcomes concerns differentiating what is truly an Outcome from what will enable the achievement of Outcomes. While this seems like an exercise in semantics, the difference can be what separates a project that achieves financial returns from one that flounders.

“Enablers” are those achievements, mostly technical in nature, that are sought after as desirable, but are not the Outcomes that the achievements are intended to produce. For example, it is common for CRM projects to be built around the desire to achieve a 360-degree view of the customer. Many CRM projects will include this as the principal objective for the project.

However, a 360-degree customer view is not an Outcome — it is an Enabler! When we hear that this is the goal of the project we always ask, “But, what do you really want to achieve by gaining this view?” Then we typically hear things like, “improved sales,” “better service efficiency,” “seamless customer experience.” Those are Outcomes. Other Enablers include achievements such as customer segmentation, integrated data warehouse, market analytics, forecasting and reporting.

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So, what's the difference? Outcomes are the final accomplishments that will lead to the realization of the business benefits established to justify the project expenditures. Enablers are the deliverables of the project that, if managed correctly, will lead to the Outcomes. "So what?" you ask. If the ultimate goal of the CRM project is to establish the 360-degree customer view, then the project metrics will revolve around whether the view was successfully achieved (and these metrics will usually include whether they are achieved on time and on budget). However, that can also be the end of the effort to measure success, which can lead to a substantial lack of attention to ensure that the business benefits of the new system are actually achieved. This is what we often find when asked to evaluate projects that have not produced desired results.

Establishing Outcomes will drive the program management to stay focused until the Outcomes are achieved. This helps to ensure that the same energy that is placed on initial implementation is also maintained until benefits are achieved.

This focus on Outcomes versus Enablers can also help clarify whether project investments make sense prior to making the investment. If substantial Outcome value cannot be estimated during program planning, this may be a good indication that there is a poor business case for the program and it should not be pursued. Essentially, establishing Outcomes just makes good business sense.

### IMBALANCED OUTCOMES

A recent project with a national retailer uncovered an imbalanced set of CRM Outcomes. Initially, the intention to invest in CRM was driven by a fear that customer engagement processes were causing dissatisfaction. The hope was that CRM automation would improve the customer experience. However, ROI analysis results were unable to justify the investment solely on the merits of the main identified Outcome, improving customer loyalty. Therefore, additional Outcomes were identified:

- Reduce Cost of Service
- Reduce Cost of Sales
- Reduce Cost of Marketing

This gave the project a slightly different direction, including an emphasis on eliminating redundancy and unnecessary work tasks. Because the program included a focus on efficiency, significant effort was placed on utilizing software functionality to drive more cost effective customer interaction. This also involved making policy and process changes, eliminating redundancy and unnecessary tasks. The resulting business case was very solid and the program moved on successfully. Without the balance between both Customer Value and Operational Efficiency, the program may have never achieved a return on investment.

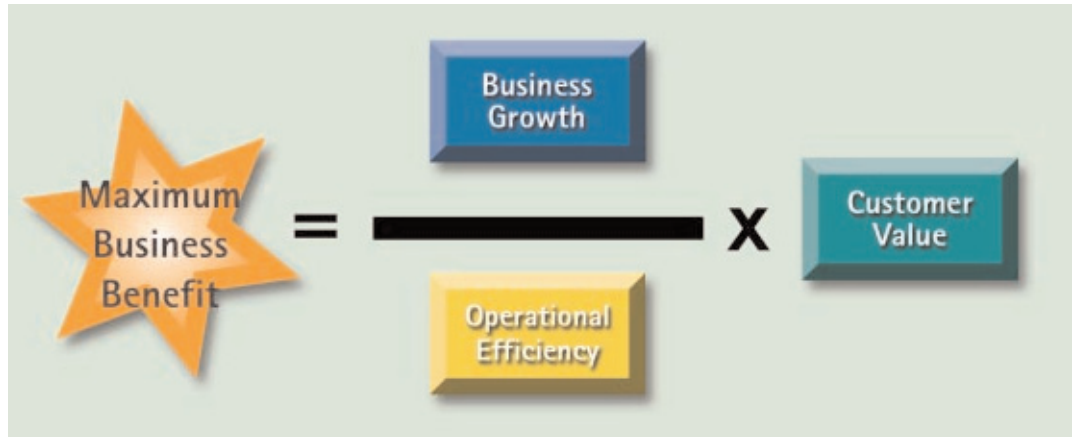
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## OUTCOMES AND ROI

CRM Outcomes represent the projected “R” in ROI and, therefore, play a significant role in helping to define the business case for making the CRM investment. As described previously, Outcomes can and should form a synergistic relationship with each other. Perhaps the most illustrative way to conceive this relationship is through the help of an equation. Each of the three Outcome Types serves a different influence on the business case, as depicted in the diagram below:



To achieve maximum business benefit, Business Growth Outcomes will serve as a numerator in the equation, enlarging the incoming benefit to the organization, primarily as increased revenue. Operational Efficiency Outcomes serve as a denominator, reducing the cost of business operations, thereby enlarging the margin between incoming revenue and outgoing cost. Customer Value Outcomes serve as a multiplicative to the others. Loyal and satisfied customers favorably impact growth and contribute less to business cost.

Therefore, Outcomes are at the heart of ROI. Fine-tuning CRM programs to optimize each Outcome Type ultimately serves the purpose of maximizing the return on the CRM investment.

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## MEASURING OUTCOMES

One important conclusion to reach is that measurement becomes very critical for the focus on Outcomes to be effective. Establishing metrics that are directly related to Outcomes is necessary and monitoring those metrics once the system is in place is critical.

This is the best way to ensure that all of the effort of the program is producing expected results as projected in the business case. And, when measurements indicate otherwise, it enables the program team to make adjustments and take actions needed to get the program back on track to achieving ROI.

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We believe that a strong focus on program Outcomes is perhaps the key variable for guiding a CRM program on the path to a positive return on investment.

## IN CONCLUSION . . .

We hope that this document provided you with some practical guidelines for clarifying the Outcomes your CRM program is designed to achieve. Innoveer Solutions has seen this approach work extremely well in a variety of industries and types of organizations and we hope it can provide a springboard to success for CRM efforts in your organization.

## TIPS FOR DEFINING CRM OUTCOMES

Developing clear Outcomes as a component of a CRM Strategy is a critical exercise, which will lead to a more successful CRM initiative. Defining appropriate Outcomes is not a particularly difficult task, but it does require the correct involvement and guidance. Below are 11 tips for managing this exercise within the pre-implementation planning stage of a CRM program.

### 1. UTILIZE A WORKSHOP APPROACH

The initial activity of developing CRM Outcomes can easily be accomplished in a half-day session, with the right people. A workshop is desirable, as it will enable the necessary exchange of ideas across the participants, assuring the correct Outcomes are defined.

### 2. INVOLVE ALL EXECUTIVE-LEVEL STAKEHOLDERS

Nearly all CRM programs have an impact on more than one department or business unit. Early phases of a project may target one group only, but eventually more will be involved. It is important that each of the executives leading the various impacted business units are involved in the setting of Outcomes to assure that they are defined correctly, and to ensure that the correct consensus and buy-in is reached.

### 3. START WITH “TORCHPOINTS”

The development of Outcomes is an exercise in better defining the future of the organization. However, it is important to have a clear understanding of the current state as well. Torchpoints represent those areas of customer contact that are not working satisfactorily — they are inefficient, they don't produce desired revenue goals, or they leave customers dissatisfied. Understanding these Torchpoints are key, and having each of the stakeholders recognize where things are not going well today is important for setting the priorities for what the organization should be achieving tomorrow.

### 4. DESCRIBE THE CRM GOAL

Every strategy must have a high-level statement of direction. Corporations should have visions and divisions should have missions. The CRM strategy should have a similar statement in terms of the primary goal to be achieved from a customer-facing point of view. Defining the CRM Goal sets the direction that the Outcomes must achieve. An example CRM Goal might be:

*We will create long-term relationships with our customers by providing satisfying experiences, utilizing the unique capabilities of each business unit.*

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## 5. BRAINSTORM OUTCOMES

In the workshop setting, ask each participant to consider what they really need to achieve from making the CRM investment being planned or considered. Explain that this exercise is intended to identify the final results, not the milestone achievements called “Enablers.” An Outcome would be to increase sales volume, while an Enabler would be to develop a better account management methodology.

*Ask participants to write down their brainstormed Outcome ideas on a sheet of colored paper using a marker. Post the sheets on the wall for all to see together. Provide ample time for all ideas to get posted.*

## 6. CATEGORIZE THE OUTCOMES

Next, discuss the ideas posted on the wall, giving time for each participant to explain their Outcomes. Combine those that are obviously redundant by removing sheets that are the same. Occasionally it can be appropriate to write a new sheet that combines ideas into a single Outcome. Explain the concept of the three Outcome Types: Business Growth, Operational Efficiency, and Customer Value. Ask the participants to group the Outcome ideas into each category by physically moving the sheets on the wall under each category title.

## 7. PRIORITIZE THE OUTCOMES

Provide each participant with five stickers (we typically use the colored adhesive dots provided by office supply stores for filing classification). Each of the stickers represents a vote that they can cast for their top five preferred outcomes. Suggest that they vote for Outcome ideas in at least two categories to help assure a good balance of Outcomes. Choose the top five or six items based on number of votes as the proposed Outcomes for program. At this point it can also be useful for discussion around the top vote getters, but avoid excessive “wordsmithing” — there will be time for that later.

## 8. ADD OBJECTIVES AND CSFs

To further round out the CRM strategy, it may be desirable to identify CRM Program Objectives and Critical Success Factors. Remember, Objectives represent what must be accomplished in order to achieve the Outcomes. CSFs represent the conditions that must be met along the way to accomplishing objectives.

*EXAMPLE OBJECTIVE: Develop a customer feedback mechanism to better understand customer requirements.*

*EXAMPLE CSF: The implementation of the CRM Program must not negatively impact customer satisfaction.*

## 9. SLEEP ON IT

When building a CRM Strategy and Outcomes, it is always a good practice to develop a first draft that can be reviewed after a few days when the participants have fresh attention and have had the

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opportunity to mull over the ideas shared in the initial session. Typically the original conclusions are 90 percent complete, but often there are excellent changes recommended during the second pass. This exercise does not require much effort, and if getting the group back together a second time is difficult, this can often be accomplished virtually through e-mail exchange or a tele-conference meeting.

#### 10. SOLICIT FEEDBACK FROM THE PROGRAM TEAM

Most CRM Programs will identify a core team of individuals who will oversee much of the program activity. This group will be accountable to operationalize the CRM Strategy built by the executive stakeholders, so it is prudent to get their input on the Outcomes and CRM Strategy as a reality test. This can be accomplished in a team on team meeting, or conducted virtually as suggested in the item above.

#### 11. FINALIZE AND COMMUNICATE

Once the feedback has been collected, this is time for the final wording changes, modifications to satisfy sensitive issues or to avoid political pratfalls. The final editing is best delegated to a small group since this exercise with the full team can be extremely time consuming and painful. With the final draft ready it is also time to determine a communication plan, both to the program participants and others impacted by the CRM implementation. Communication of the Outcomes is the first step toward their achievement.

## ABOUT INNOVEER SOLUTIONS

INNOVEER SOLUTIONS, an award-winning customer strategy and solutions consultancy, provides advanced customer management services to healthcare and high-technology companies, among others, in the areas of planning and strategy, technology implementation, and optimization. The company's deep industry knowledge, broad technical skills, and Multishore methodology enable organizations to address their critical customer-facing issues and achieve an integrated view of all customer information. With an exclusive focus on customer management since 1998, Innoveer has worked with more than 300 organizations to increase their overall business growth, improve internal efficiency, and enhance the customer experience.

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