PROVING THE PRODUCTIVITY IMPACT OF CRM

Rebecca Wettemann
+1-617-720-2000
rwettemann@nucleusresearch.com
ABOUT NUCLEUS RESEARCH

> Leader in measuring the value of technology
> Leader in evidence-based ROI analysis
> More than 600 published case studies
> Founded in 2000, Boston HQ
> Primary clients: business decision makers
LET’S TALK ABOUT...

› Projecting benefits

› Understanding direct and indirect benefits

› The truth about productivity

› Making it work
BUT FIRST ... 

> CRM ROI is flat ($8.71 for every dollar spent since 2014)

> Edge CRM delivers 4.2x ROI of core CRM

> Cloud delivers 3.2x ROI of on-premise – and is trending up
THE 5 FACTORS THAT DRIVE VALUE

> Breadth
  > “How many people will the application affect?”

> Repeatability
  > “How often will they use it?”

> Risk
  > “Could this cost money if done wrong?”

> Collaboration
  > “Will employees need to share?”

> Knowledge
  > “Can I reuse the information I create?”
BREADTH

The more people, applications, or channels a project touches, the greater the potential return.
The greater the frequency of use, the greater the potential return.
The greater the likelihood of a project to reduce risk, the greater the potential return.
COLLABORATION

The greater the potential of an application to support collaboration, the greater the potential return.
The more a project has the potential to disseminate knowledge, the greater the potential return.
FOCUS ON A FEW STRONG BENEFITS

**Value Law:** There are never more than 5 benefits that drive a deal, 2 are good and 3 are just okay.

> Less is more:
  > “If you can’t entice the CFO with 2 benefits you’ve already lost.”

> A few strong benefits are better than a lot of weak ones:
  > “More than 5 and it’s too hard for the skeptics to believe.”

> Look at your marketing materials:
  > “Find the few strong measurable benefits in your vendor’s existing materials.”
BENEFIT EXAMPLES: DIRECT

> Reduced the number of personnel.
> Reduced costs to print and distribute the maintenance manual.
> Avoided regulatory fines.
> Reduced accounts receivable.
> Reduced the cost to publish to the web.
> Reduced travel costs.
BENEFIT EXAMPLES: INDIRECT

> Reduced the time needed to develop new software by 25%.
> The financial audit takes 1 week rather than 3 weeks.
> Maintenance on an aircraft takes 10% less time.
> Increased software quality.
HOW DO FINANCIAL DECISION MAKERS REALLY VIEW BENEFITS?

Believable?
Variable?
TYPES OF BENEFITS

Direct savings
> Reduction in cost

Semi-direct savings
> Expected reduction in cost

Indirect savings
> Increase in worker productivity

Very indirect savings
> Increase manager productivity

Believability

1st Order Direct
2nd Order Indirect
3rd Order
4th Order
1ST ORDER: DIRECT SAVINGS

A tangible action that *will* happen
Can you cut a budget number?

Believability = 100%

- Eliminate a cost
- Fire an employee
- Close a factory
- Obtain a pricing discount
- Eliminate a fine

FACT
2\textsuperscript{ND} ORDER: SEMI-DIRECT SAVINGS

A tangible action that is likely to happen in the future

Look for a hedging word.

Believability = 70%

- We expect to eliminate a cost
- I plan to fire an employee
- We should be able to close a factory
- It’s likely we’ll obtain a pricing discount
- There’s little doubt we can eliminate a fine
3rd ORDER: INDIRECT SAVINGS

An action that increases a worker’s productivity
A single step that exists but is hard to calculate
Believability = 40%

» Automate scheduling
» Single sign on
» Loan analysis and approval
» Mobile access to CRM
» Better Spam filtering

PLAUSIBLE
4\textsuperscript{TH} ORDER: VERY INDIRECT SAVINGS

An action that does not increase a worker’s productivity

Multiple steps between the action and the impact

Believability = 0.0001%

> Web site monitoring
> Training managers
> Weather forecasting
> Better decision making
> Increased customer satisfaction

FICTION
TECHNIQUES FOR MEASURING BENEFITS

Direct observation – pilot site
Corporate history
Surveys
Case studies

Benchmark data
Educated guess
Uneducated guess
Psychic
Vendor-supplied estimates

Always do a worst-case assessment
THE TRUTH ABOUT PRODUCTIVITY
INEFFICIENT TRANSFER OF TIME

> The fact of life: time saved does not equal time worked.
> Use correction factors to adjust the estimate of time saved to reasonable estimate of the value to the company.
> Range from 10% to 100% to adjust time saved to time worked.
WHY ARE CORRECTION FACTORS IMPORTANT?

Everyone discounts indirect benefits.

Typical scenario...

- Initial estimate: 10%
- Project manager wants to be “conservative”: 7%
- Business sponsor wants to be “conservative”: 3%
- CFO assumes everyone has overestimated: 1%

Correction factors allow everyone to first agree on the initial benefit then on the discount of the benefit back to a value to the organization.
TYPICAL CORRECTION FACTORS

Vary based on type of company and type of employee

> Assembly line worker          100%
> Admin                        70%
> Vice President               65%
> Marketing manager            65%
> Sales rep                    70%
> Intern                       50%
> France vs. Germany vs. America ???
Estimate of productivity increase: 5%
(based on: direct survey and estimate)

Value of increase for 10 people @ $100K ea.: $50,000
(use fully loaded cost)

Correction factor: 50%
(Correct for inefficient transfer of time)

Expected benefit to company: $25,000

How will the benefit be achieved?
- Reduction in staff or staff hours
- Increase in productivity, limiting the need for more staff
- Increase in profit to company
- Gradual attrition over next 3 years (10%, 50%, 100%)
Why calculate worst case?

> Assesses if the worst case is good enough.
> Allows a prioritization based on minimizing risk.
> Identifies magnitude of potential “swing” in ROI.
  > E.g.: expected ROI = 300%, worst case ROI = 2%
> Easy to hold someone’s feet to the fire.
WHEN ALL ELSE FAILS: BIGGER THAN A BREADBOX

> Can apply to any benefit when an estimate is in question, unknown, or limited data/evidence is available.

> We don’t know what the savings will be
> We can all agree there is some benefit
> We can all agree that it’s at least $X
MILESTONING

> KISS

> Track to worst-case

> It’s WAZE, not the Michelin Guide

> Remember: Success is 80% marketing, 20% results
  > Identify your special snowflakes
  > Small credits go a long way
  > Don’t forget IT
SUMMARY DISCUSSION

> Use breadth, repeatability as your guide for focusing your benefit efforts
> Less is more ... time and motion is NOT the answer
> Productivity correction factors keep things real
> Worst-case and milestones focus on what matters
> Measure what matters ... and keep measuring
RESOURCES

NucleusResearch.com
> B20 – ROI Quick Reference Guide
> A11 – Managing Payback and Risk
> A10 – Maximizing ROI
> A21 – The Strengths and Weaknesses of TCO
> A4 – Human Factors Impact Application Value

Rebecca Wettemann | rebecca@NucleusResearch.com