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CRM – How do I know if I need it?

A white paper for determining whether you need CRM or not.



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A White Paper on the merits of Customer Relationship Management and your company's survival.

By Rich Hall



I talk to a lot of companies who are considering the implementation of CRM solutions, and many of them don't have a firm grip on what CRM is, why they need it and what results it can bring to them. They aren't sure what they should spend for a CRM solution and they wonder, "How do I justify this system?"

Many companies have also put their CRM projects on hold as a result of other IT projects, the economy, or because they think what they have now is OK. What priority should you give to CRM? Let's clarify what you need to know, and if CRM is needed at your company.

It's all about Acquire - Service - Retain!

The goal of most businesses is to make a profit by Acquiring, Servicing and Retaining customers (A-S-R). The truth is ... that most companies do a poor job of managing customers and growing sales.

So why do you need CRM? Because the problem is... you don't know which customers you will lose, how many you have called on, or what the rest of your organization is doing that will affect your success or failure. Just knowing how many sales calls your reps are making is often done by asking them!

For years, companies relied on inside and outside salespeople to maintain good relationships with customers. They kept their own customer records, followed up on new opportunities and grew your account base and customer service reputation. But when salespeople change jobs, or the inside salespeople don't know what the outside sales folks have promised (and vice-versa), this gets many companies in trouble.

One example I recall from a previous employer involved an inside salesperson getting an order for software licenses totaling \$14,000. Meanwhile, an unknowing outside salesperson placed a call volunteering the same licenses at \$7000. A 50% loss of revenue! Need I say more?

Answer these questions to determine your CRM needs:

1. How many prospecting telephone calls do your sales reps make each day?
2. Does everyone who communicates with a customer know what their coworkers said to them or did for them?
3. Is all customer information kept in one area or program for easy customer service reference?

4. Do you have several databases of information that you need access to benefit sales?
5. Are you able to manage the top 20% of accounts that give you 80% of your revenue?
6. Do you know how many customer service issues each customer has had and why?
7. Do you know which customers consume most of your CSR Rep's time?
8. Are you able to access all the programs you need to from one PC screen (i.e. old green screen systems, inventory programs, sales order systems, etc)?
9. What is your revenue per sales representative?
10. What are your win, loss and no-decision rates?
11. What's your lead turnaround time?
12. How many sales calls are completed per rep?
13. What's the average amount of time required to complete each selling step?
14. How many calls are required to close an opportunity?
15. What are the numbers of existing customer contacts and repeat business orders?
16. What's the average order size and order frequency?
17. How do you rate your marketing or lead generation program effectiveness?
18. What are the win-rate comparisons for different prospect types?
19. What's the sales representative success conversion rates for each sell cycle step?
20. What are the success rates and profitability comparisons for individual products?
21. What are the profitability comparisons for orders from different channels?
22. Can you do Mail Merge or e-mail broadcasts to your customer base?
23. Do you have critical customer data on PC's that could be lost or taken and should be on one database?

If you don't know the answers the questions above (or you have no idea where to get them), you should definitely consider a CRM system for your customer service, sales and marketing areas.

Why should CRM be such a priority?

...Because it can have such a profound affect on your business! It greatly affects employee satisfaction and turnover, the ability to target and close sales, the management of customer interactions and profitability, etc. How much do you think these few functions alone can affect

your business? In my previous example between the inside and outside sales reps, the company lost 50% on the deal, because one hand didn't know what the other was doing. How much would actions like this affect your business? How many times does this happen at your company? How do you know? And how do you know how many calls your salespeople make on customers? Or... how much time do the CSR's spend with that "one problem account?" And how could it be fixed?

Answers to these questions are what justify the need for CRM software! When companies start to probe, they find that many things are going wrong and being covered up and they're costing the firm a bundle! And don't say that your company has everything working perfectly, because this happens at every company! Do an anonymous survey to the "worker bees" and you will find out.

Even if you have some form of CRM...

Even if you have CRM, things can go wrong, because more than a software system, CRM is a cultural change, and many companies don't invest time and effort into the new culture. Many managers believe once the software is installed and integrated (or sometimes not integrated) that all of their problems will drift away. Not the case! Many employees don't understand the system, don't want to change, want to do things the old way, and then you still have no way of knowing what is going on. The cultural change cannot be a choice!

How do you estimate what your CRM ROI will be?

To determine the cost of not implementing CRM, put some numbers to the following:

1. How many existing accounts did your company lose in the past 12 months and what were the annual revenues?
2. How many new sales opportunities did you lose in the past 12 months and what were they worth?
3. How much non-sales activity are your salespeople doing (writing reports, processing paperwork, implementing their own marketing programs, dealing with customer service issues and getting trained? Estimate a dollar amount for this based on the salesperson closing X more accounts per year and add this to the "loss" column.

4. Estimate the dollar amount of the sales opportunities you missed for timing or lack of follow up?
5. What are other departments are doing to support sales? How many calls a day are fielded by people in inventory management, finance or R&D to answer questions for sales reps? Multiply the estimated time spent on these questions times your average hourly loaded wage rate for the affected department's staff.
6. How much time is spent processing or adjusting orders, due to inaccurate or incomplete information? Multiply the estimated time spent on these questions times your average hourly loaded wage rate for the affected department's staff.
7. What is the cost of servicing your most difficult customers? Multiply the time spent on these customers' times your average hourly loaded wage rate for CSR's. (If you can't come up with any of these numbers, you definitely need CRM!) Are these customers worth it?

To measure the results of any CRM implementation project, you need to measure effect before and after the process improvement efforts.

CRM is much like a Total Quality Management effort, where you track the number of defects and start measuring rework time, etc. The more you can get your employees to measure problems and mistakes and track these, the better you can improve the process and your customer's experience with your firm. This is what CRM does for sales and marketing efforts. It helps track employee actions and gives managers the power to see the results of sales, marketing and customer service efforts. Once this data is collected, CRM gives your firm new capabilities to use the data collected. You can launch targeted sales and marketing campaigns to uncover new revenue opportunities and service customers better.

So... what is CRM worth? The questions really boil down to:

- What are you ***not*** closing in sales opportunities that you could with more efficient opportunity management?

- What do you ***not*** know about your current customers and *how many* will go to the competition at *what revenue loss* to you?
- What level of customer service are you providing now, and how do your inefficiencies translate into extra costs or lost revenue opportunities?
- What are the costs to the organization of ***not*** knowing and acting upon accounts that cost more than they are worth?
- How effective are your lead generation efforts and ***how much could CRM save you?***

Add up all of the lost opportunity costs and the real costs of inefficiency and you will easily prove to yourself that you are losing, spending and costing far more than you expected. And, in nearly all cases, your total will be more than the cost of the CRM implementation. Consider CRM on a par with a Total Quality Management (TQM) process. I seriously doubt you will find any companies that tried TQM and found they were more profitable when problems were swept under the carpet.

So, take the plunge!

Either jump on board with CRM and invest, knowing you need it, or get out the calculator and pencil and start adding up what you're going to lose!

It is fairly easy to see where the benefits of CRM lie in most organizations. If you are close to the processes that turn a prospect into a customer, and guarantee his satisfaction, you know what would help your company be more successful. The next step is to take action to document, justify and convince yourself that the investment in CRM will help guarantee your firm's long term success.

If your company's operating system is the IBM iSeries (AS/400), then we encourage you to consider the Wintouch[®] eCRM Solution from Touchtone Corporation. Wintouch[®] eCRM has all of the features you need to capitalize on your investment in CRM, as well as to service customers better. Wintouch[®] eCRM can also quickly connect you to your green screen systems by simply clicking on an icon. Call Touchtone Corporation for more information at 1-800-786-8663 or visit the Wintouch[®] eCRM website at www.wintouch.com.

About the author...

Rich Hall is the Vice President of Sales and Marketing for Touchtone Corporation. Rich has over 18 years of experience in sales and marketing and has done extensive research on CRM as well as product development and marketing of CRM products. Rich has an MBA from the University of Southern California and has worked for firms such as TRW, Experian, Parker Hannifin, Pitney Bowes, HNC Software and Cooper Industries.