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RESEARCH NOTE

CRM: 80 PERCENT OF RETURNS ARE YET TO BE ACHIEVED

THE BOTTOM LINE

In its extensive benchmarking effort to understand the benefits from CRM, Nucleus found that while companies have achieved some benefit today, 80 percent of the potential benefits of CRM have yet to be achieved. Key areas for ROI opportunity include integration, extension, and collaboration, which will make up 50 percent of remaining returns for most companies. The remainder will come from leveraging CRM's management and instrumentation potential.

THE MISSED CRM OPPORTUNITY

Although many companies are on their second or third CRM deployments, Nucleus found that few have truly taken advantage of the overall potential return on their CRM investment. Stovepiped silos of information, the limitation of a CRM application to a small number or particular group of users, and lack of user adoption and collaboration still need to be addressed by many CRM users, and our data suggest that 50 percent of the additional return potential of CRM falls into those three areas.

Fifty percent of unrealized CRM ROI opportunities come from integration, extension, and collaboration.

INTEGRATION

Much of current vendors' pitch around the customer experience highlights the challenge of satisfying customers when information and interactions are stored in multiple systems with multiple user interfaces. Companies seeking to unlock greater benefits from their CRM applications should look to integration in a number of areas where Nucleus has seen potential benefit:

- Front and back office. Although integration of applications such as e-commerce, order management, and billing are commonly touted as ways to increase overall visibility into a customer, they're more commonly areas where integration drives slashes in administrative overhead and enables groups to grow without needing corresponding additional resources. Nucleus has also found benefits of a more integrated approach between CRM and marketing automation.

- Desktop applications. Even when users have adopted CRM, Nucleus finds that much of the data and context shared through e-mail messages and documents created on their desktop never make their way into CRM. Ensuring bi-directional integration of CRM with office productivity tools both makes users more productivity and increases the volume and quality of data captured in CRM.
- Social business applications. Nucleus has found that the integration of social collaboration capabilities into social CRM drives significant increases in employee engagement and productivity, and expects that vendors will continue to increase their social capabilities. However, for some areas like social media monitoring and overall customer insights, best-of-breed solutions – at least in the short term – are likely to be found outside of CRM. Investing in integration will reduce manual efforts and speed timely information into the hands of CRM users. LatticeEngines, for example, is an example of a best-of-breed social intelligence solution that Nucleus found can drive significant benefit for sales users.

EXTENSION

Although Nucleus is starting to see customers deploy the same CRM application to support the three pillars of CRM (sales, support, and marketing), many organizations are still keeping each group to themselves – and relying on completely different applications to extend to their partners and supply chain. Companies investing in new CRM solutions today should be considering how they can use the same application platform and master data repository to extend across their organization and beyond. Moving forward, those that can provide the same workflows, data, and content to both partners and suppliers will be able to more proactively respond to customer demands and manage costs across the supply chain.

COLLABORATION

Collaboration is the last mile for many CRM deployments, and one of the areas of greatest development over the past 18 months, particularly with the development of integrated social collaboration and content management within core CRM applications (Nucleus Research *m112 - Salesforce.com announces ChatterBox*, September 2012). Nucleus has found adding social collaboration to CRM increases sales force productivity by 11.8 percent (Nucleus Research *m12 - Market Focus Report: Mobile and Social CRM*, March 2012). Similar benefits are achieved by enabling social collaboration for customer service and marketing personnel (applications like SAVO's Sales Asset Manager, for example, are particularly effective in supporting and streamlining collaboration between marketing and sales).

Adding social collaboration to CRM increases sales force productivity by 11.8 percent.

Nucleus continues to see innovation in collaboration around CRM, with companies such as Yesware that provide sales people with access to sales content and the ability to update CRM automatically without ever leaving their e-mail inbox. The benefit of collaboration is

that while it drives user productivity it also drives greater meaningful knowledge capture. In the case of ChatterBox, Nucleus found it had the potential to increase the meaningful corporate knowledge base by twofold.

Beyond integration, extension, and collaboration, companies can reap additional returns from looking at CRM efforts that are focused specifically on two other areas: sales management and instrumentation. Nucleus estimates the remaining 30 percent of CRM ROI lies in these two areas.

Thirty percent of unrealized CRM ROI lies in management and instrumentation opportunities.

MANAGEMENT

As we found in our research on the propensity of customers to switch CRM applications (Nucleus Research *m107 - CRM: Propensity to switch*, September 2012), failed CRM initiatives are often the result of a sales management problem, not a technology problem. The good news is that the cloud CRM ecosystems of leading vendors and the relatively low cost of tools focused on improving sales management are making addition of technologies like compensation management, sales coaching, and sales performance management within the reach of many companies. Xactly (for compensation management), Cloud9 (for sales coaching), and Talent Analytics for Salesforce (for performance management) are but three examples of solutions Nucleus has analyzed that enable companies to scale the best practices of managers and identify opportunities for improvement for others.

INSTRUMENTATION

Although it is still early days, one of the greater potential areas for CRM is in the area of instrumentation: making devices and other components in the overall value chain, not just humans, add value to the communication around customer management and customer experience. We have already seen the capabilities of technologies like Chatter to bring data on truck rolls, out-of-stock products, and failed equipment rapidly into the customer sales and support conversation. Extension will apply to instrumentation as well, as mobile devices, store kiosks, and other points along the overall sales and support lifecycle become enabled as valuable data gathering points.

CONCLUSION

The good news is that with cloud CRM, companies have the potential to achieve incremental additional benefit over time by adding or adapting the application to meet their needs without a significant additional investment (Nucleus Research *m108 - Cloud delivers 1.7 times more ROI*, September 2012). Companies seeking to hone their CRM initiatives should look to integration, extension, and collaboration, and then to higher-level management and instrumentation opportunities, to capture the full ROI potential of CRM.

They are likely to find that they can wring more value from their existing CRM investment, and identify CRM areas where some additional investment would drive even more significant returns.