

NUCLEUS
RESEARCH

2013 CRM BENCHMARK REPORT

THE NUMBERS TO BUILD A FINANCIAL BUSINESS CASE FOR CRM

November 2012

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THE BOTTOM LINE

Companies continue to invest in CRM technologies because they deliver significant return on investment. As many companies look at their second and third CRM deployments, decision makers need to understand the trends shaping the future of CRM as well as how to build a credible and achievable business case. Nucleus's CRM Benchmark Report provides all the numbers needed to build the business case for the three core pillars of CRM: sales, marketing, and customer service automation.

BUILDING THE BUSINESS CASE FOR CRM

This Benchmark Report is designed to provide CRM decision makers and sales people with the key data they need to build the business case for a CRM deployment, including a benefits framework with average data and guidelines for estimating potential benefits of sales force automation, marketing automation, and customer service automation in the following areas:

- Sales force automation
 - > Increased sales force productivity
 - > Reduced administrative overhead
 - > Increased profits
 - > Increased marketing productivity
- Marketing automation
 - > Increased marketing productivity
 - > Reduced administrative overhead
 - > Increased sales force productivity
 - > Increased profits
 - > Reduced customer churn
- Customer service automation
 - > Increased service agent productivity
 - > Increased sales force productivity
 - > Reduced administrative overhead
 - > Reduced customer churn

The average and ranges of data in this report can be used as a starting point for building the business case for a new or incremental CRM investment and are included in the associated Nucleus business case tool, *m156 - Nucleus Research 2013 CRM Financial Business Tool*. The tool is available for download at NucleusResearch.com and is designed to provide companies with a streamlined, straightforward way to use the data to build a business case for CRM.

Readers should keep in mind that not all benefits will apply to all projects and that in the most successful and achievable business cases, two or three benefits make up at least 90 percent of the overall returns. For guidance on focusing your business case on the areas likely to deliver the greatest benefit, please visit the Nucleus Research online business case tutorial at <http://nucleusresearch.com/research/tutorial>.

Business case tip: Most good business cases focus on two or three areas of primary benefit; few good ones include more than five. Use breadth and repeatability to focus your efforts on the highest ROI areas.

Readers should also keep in mind that some benefits are directly correlated and should not be double counted: for example, an increase in sales force productivity can result in an increase in profits.

METHODOLOGY

Nucleus surveyed 362 CRM decision makers in the United States and Europe about their experiences with sales force automation, marketing automation, and customer service and support. Our survey respondents worked in a variety of industries in organizations ranging from small and medium-sized businesses to Fortune 100 companies and used both cloud and on-premise CRM applications.

MAJOR PLAYERS

Nucleus included customers of most of the major CRM vendors in this report including Salesforce.com, Microsoft Dynamics CRM, Cegedim, SAP CRM, Infor Epiphany, Oracle Fusion CRM, Oracle Siebel CRM, Oracle CRM On Demand, Oracle RightNow, Zoho CRM, Sage SalesLogix, and Sugar CRM. Other applications represented included Aplicor, NetSuite, and Maximizer. In the marketing automation area, customers of marketing-specific vendors such as IBM Unica, Eloqua, and Marketo were also included.

KEY FINDINGS

Nucleus found that 70 percent of companies had achieved a positive return on their CRM investment. This was after an average deployment time of 14 months deployed for cloud CRM projects and 25 months for on-premise CRM projects. Detailed benchmark data on the averages, ranges, and standard deviations of specific benefits realized can be found in the Benefits Framework sections of this report). Other findings from the survey included:

- More than half of cloud CRM customers have a high propensity to switch within the first 6 months of deployment (please see Nucleus Research *m107 - CRM - propensity to switch*, September 2012).

- Forty percent of CRM decision makers believe vendors must offer both cloud and on-premise options to be considered in the future. However, because fewer than 5 percent of CRM adopters actually adopt a hybrid delivery model or move from cloud to on-premise, this perception most likely reflects the effectiveness of non-cloud vendor marketing efforts to promote the need for choice between cloud and on-premise delivery.
- Eighty percent of potential CRM benefits are yet to be realized because few companies have successfully integrated, extended, and included collaboration with CRM (for more details, see Nucleus Research *m132 - CRM: 80 percent of returns are yet to be achieved*, October 2012).
- Not all CRM customers reported achieving all benefits. Some surveyed had only been deployed for a short period of time and as such hadn't yet recognized measurable results, while others had not deployed or fully taken advantage of all three CRM pillars and thus didn't achieve benefit in those areas.

Because companies have historically made CRM investment decisions for each of the three areas separately, the Benefits Frameworks presented here are grouped into three sections: sales force automation, marketing automation, and customer service and support automation.

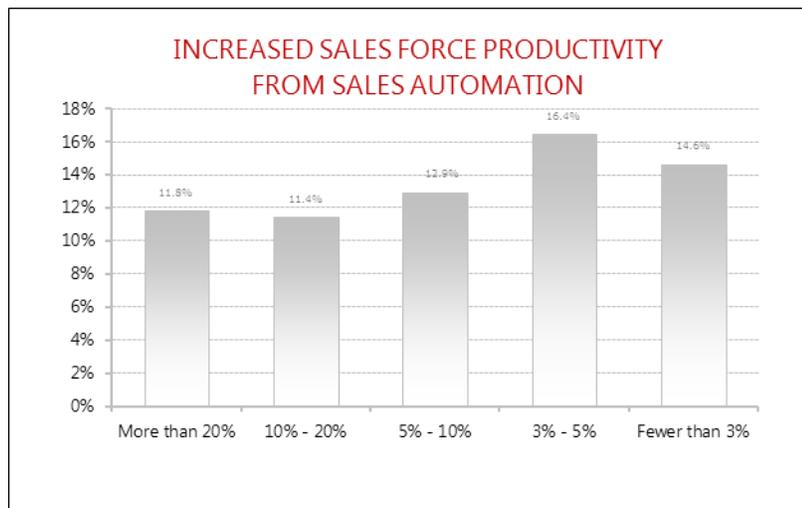
BENEFITS FROM SALES FORCE AUTOMATION

Eighty-seven percent of companies surveyed reported benefits from sales force automation with an average deployment time of 16 months for cloud applications and 23 months for on-premise applications. Most companies that had yet to achieve benefits had recently deployed the application — 20 percent of cloud SFA deployments and 5 percent of on-premise deployments had been deployed for fewer than six months.

Nucleus found the primary benefits from sales force automation included increased sales force productivity, reduced administrative overhead, and increased profits. Secondary benefits included increased marketing productivity. In some cases, organizations achieved all benefits, while in others, a direct benefit such as an increase in profits was the measured impact of an indirect benefit such as increased sales force productivity — in which case there was no reported increase in sales force productivity.

INCREASED SALES FORCE PRODUCTIVITY

Some increase in sales force productivity, a primary benefit from sales force automation, was reported by more than 80 percent of companies in the survey. Nucleus found the average increase in sales force productivity driven by sales force automation applications was 4.5 percent in companies reporting the benefit, with a standard deviation of 3.4 percent.



USING THIS DATA

On average, companies can expect a 4.5 percent increase in sales productivity from sales force automation. However, the standard deviation is quite high relative to the average, meaning there is significant variance in the results achieved by sales force automation

customers. Two thirds of SFA users are likely to achieve a sales productivity increase within one standard deviation of the average; that is, between 1 and 8 percent.

Average increase	4.5%
Standard deviation	3.4%

In case studies and related research, Nucleus has found that companies achieving an above-average increase in sales productivity from SFA often do so because of the intuitive nature of the application, mobile access capabilities, and integration of social and sales enablement capabilities such as content management and activity feeds. Productivity benefits should be calculated based on the average annual fully loaded cost of a sales person.

Increased sales force productivity is commonly quantified as an indirect benefit. For more details on estimating the returns from increased productivity, visit Nucleus Research's online tutorial (<http://nucleusresearch.com/research/tutorial>) on calculating indirect benefits.

REDUCED ADMINISTRATIVE OVERHEAD

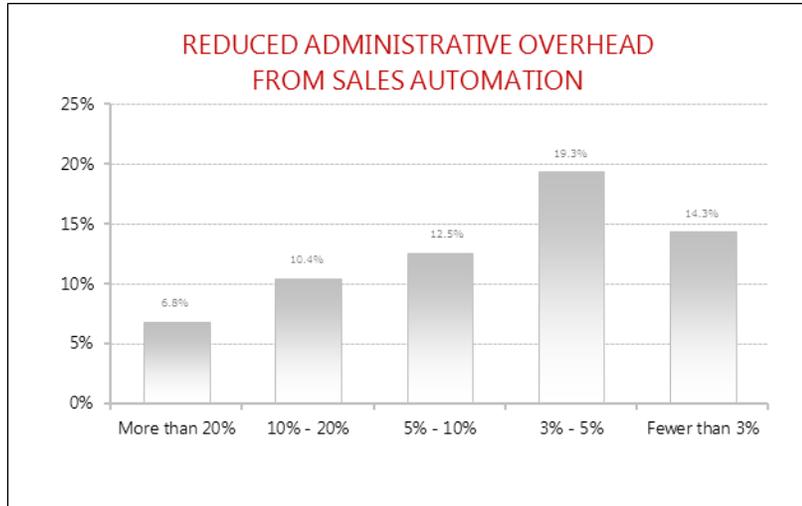
Reduced administrative overhead is another common primary benefit from sales force automation, with more than 60 percent of companies reporting some benefit. Nucleus found sales force automation applications drove an average reduction in administrative overhead of 3.6 percent, with a standard deviation of 2 percent, for companies achieving this benefit.

USING THIS DATA

Companies can expect to reduce administrative expenses such as sales support staff by an average of 3.6 percent by deploying sales force automation, and two thirds of companies can expect their benefits to fall within one standard deviation of the average, between 1.6 and 5.6 percent. Moreover, 6 percent of organizations moving from manual processes and duplicate spreadsheets to SFA were able to reduce administrative overhead by more than 20 percent.

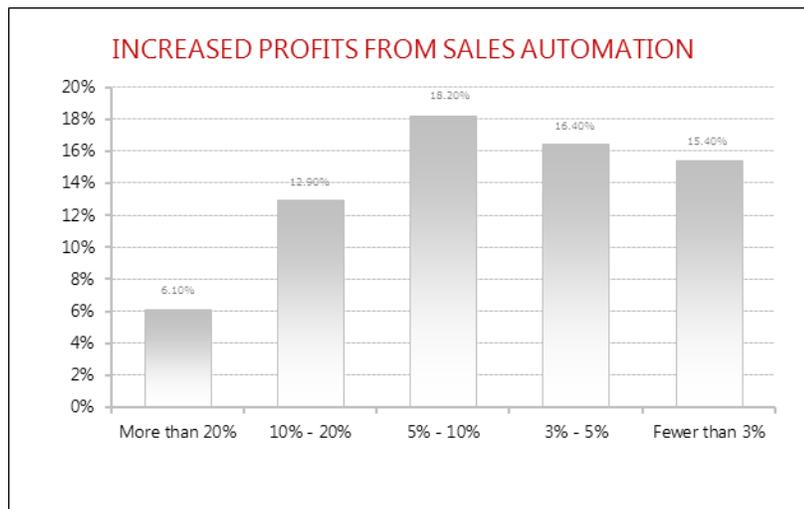
Reduced administrative overhead is often quantified in two different ways depending on the specific project and type of company: either as an indirect benefit based on overall time saved by administrative staff (in which case, an average savings of one hour per day per person would result in a 12.5 percent reduction in administrative time devoted to sales), or, more commonly, the ability to support a growth in sales and administrative tasks without hiring additional staff. When staff hiring is avoided, administrative savings are quantified as a direct benefit.

Average reduction | **3.6%**
Standard deviation | **2.0%**



INCREASED PROFITS

Increased profits are another primary benefit from SFA deployments and 70 percent of companies reported achieving this benefit. Nucleus found that, among companies that reported increasing profits, SFA enabled them to increase profits by an average of 4 percent, with a standard deviation of 2.4.



USING THIS DATA

Increased profits can be a difficult benefit to credibly quantify in a business case for SFA for three reasons:

- First, an SFA deployment is often part of a broader internal change in sales strategy, management, compensation, or sales objectives, so there are changes other than the introduction of a new application impacting revenues and margins.
- Second, market and economic conditions and other exogenous factors, such as an unexpected competitive threat, can have an unexpected impact on sales pipelines.
- Third, a deployment of SFA with the expectation that it will increase profits can heighten expectations and perceived targets for sales people, making them less likely to agree on expected benefits.

Average increase	4.0%
Standard deviation	2.4%

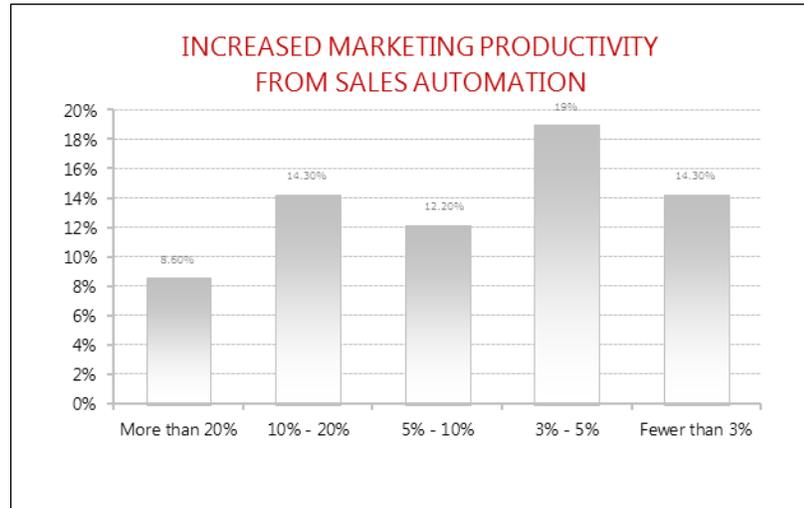
That said, our data suggests that roughly two thirds of companies can expect an increase in profits of 1.6 to 6.4 percent (one standard deviation from average) from deploying sales force automation.

Two common approaches can be used to quantify this benefit: the top-down approach looks at overall profits and projects an overall increase. A more credible, bottom-up and milestone-focused approach is to look at sales of specific products, teams, or regions and project an incremental increase in deals won or average deal size.

Business case tip: Count an increase in profit, not in revenue, for a credible business case. If you don't know current profit margins, use a conservative estimate, taking guidance from publicly-traded peers' EBITDA.

INCREASED MARKETING PRODUCTIVITY

Increased marketing productivity is a secondary benefit from SFA, and 68 percent of companies reported their SFA deployments had a positive impact on marketing productivity. Sales force automation applications drove an average increase in marketing productivity of 4.29 percent, with a fairly high standard deviation of 2.9. Many companies find that an investment in sales force automation does not translate to increased marketing productivity. However, in cases where marketing is impacted, roughly two thirds of companies can expect an increase of 1.3 to 7.3 percent (one standard deviation from the average).



USING THIS DATA

If marketing staff will be positively impacted by the SFA deployment, you can estimate its impact as an indirect benefit. The most common and credible approach is to estimate the time marketing is expected to save and apply a productivity correction factor to account for the inefficient transfer of time between time saved and additional time worked.

Average increase	4.3%
Standard deviation	2.9%

If you're planning to use secondary indirect benefits such as marketing productivity gains from SFA in your business case, you'll want to make sure you use a conservative correction factor to be credible. If benefits from marketing productivity make up more than 10 percent of your business case, you should calculate both the expected and worst case (with no marketing productivity benefit) to be sure your project still delivers acceptable ROI if such an indirect benefit gets discounted or cut in the business case review process.

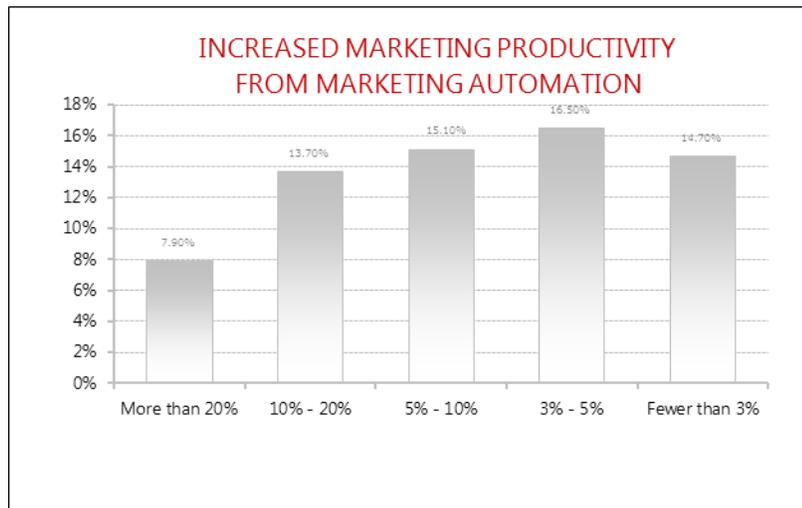
BENEFITS FROM MARKETING AUTOMATION

Ninety-five percent of companies surveyed reported some benefits from marketing automation. Among respondents, the average cloud application had been deployed for 13 months, while the average on-premise application had been deployed for 21 months. Even though many companies had had the application deployed for a short time (30 percent of cloud marketing applications had been deployed for fewer than 6 months), the automation of specific marketing activities yielded rapid time to benefits.

Nucleus found the primary benefits from marketing automation included increased marketing productivity, reduced administrative overhead, and increased sales force productivity. Secondary benefits included increased profits and reduced customer churn.

INCREASED MARKETING PRODUCTIVITY

Increased marketing productivity was a benefit from marketing automation realized by more than 70 percent of companies. According to Nucleus's survey, marketing automation drove an average increase in marketing productivity of 4.2 percent, with a standard deviation of 2.7 percent among companies that reported this benefit.



USING THIS DATA

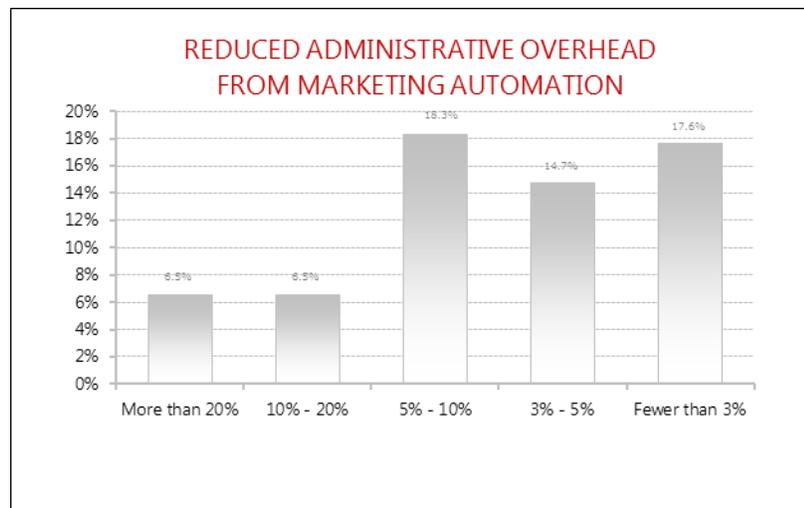
Two thirds of companies can expect to achieve an increase in marketing staff productivity between 1.5 percent and 6.9 percent (one standard deviation from the average) by deploying marketing automation capabilities. Companies with very manual lead generation and nurturing processes today are likely to achieve the most benefit.

Average increase | **4.2%**
Standard deviation | **2.7%**

In most cases where Nucleus has examined the actual deployments of marketing automation capabilities, it has found that companies are able to accomplish more marketing campaigns or increase lead generation results without hiring additional marketing staff (a direct benefit). However, this expected gain can be difficult to credibly quantify before a deployment. In estimating this benefit, a more common believable approach is to estimate the number of hours the average marketing person will save per week because tasks are automated and then apply a correction factor to account for the inefficient transfer of time between time saved and additional time worked (an indirect benefit). For more guidance on using correction factors, please see Nucleus Research c41 – *Quantifying the value of increased productivity*, August 2002.

REDUCED ADMINISTRATIVE OVERHEAD

Sixty-three percent of companies reported a reduction in administrative overhead as a result of their marketing automation deployments. Companies reporting a reduction of administrative overhead by deploying marketing automation were able to reduce overhead by an average of 3.4 percent, with a standard deviation of 1.8 percent.



USING THIS DATA

Companies deploying marketing automation that expect to reduce administrative overhead as a result can expect an average savings of 3.4 percent; roughly two thirds of companies' savings will fall between 1.6 and 5.2 percent (one standard deviation from the average).

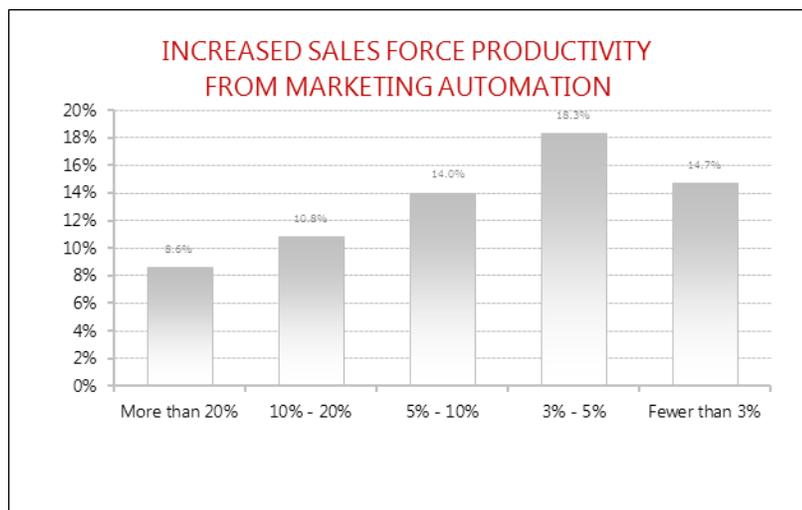
Average reduction	3.4%
Standard deviation	1.8%

In some cases, Nucleus has found that administrative marketing tasks such as campaign generation are performed by outside firms or contractors, in which case the direct benefit of reduced cost can be realized. In other cases, administrative staff may spend a reduced portion of their work time on manual marketing tasks.

Expected savings can be estimated based on the number of administrative staff currently devoted to manual marketing tasks, the share of time spend on those tasks, and the expected reduction of time spent on those tasks. Nucleus has found that it is not unusual for administrative staff to reduce their time devoted to marketing tasks by 50 percent or more.

INCREASED SALES FORCE PRODUCTIVITY

Sales force productivity is a secondary benefit of marketing automation, and 66 percent of companies reported they had achieved this benefit from their marketing automation investment. Companies reporting an increase in sales force productivity from marketing automation achieved an average increase in productivity of 4 percent with a standard deviation of 2.4 percent. Nucleus has found that sales force productivity increases from marketing automation are driven by the automated entry of qualified leads into CRM and the ability of sales people to have a more complete view of prospects' activity and engagement before they contact them.



USING THIS DATA

Companies can expect to increase sales productivity by an average of 4 percent by deploying marketing automation. Roughly two thirds of companies will experience sales

force productivity gains between 1.6 and 6.4 percent (one standard deviation from the mean).

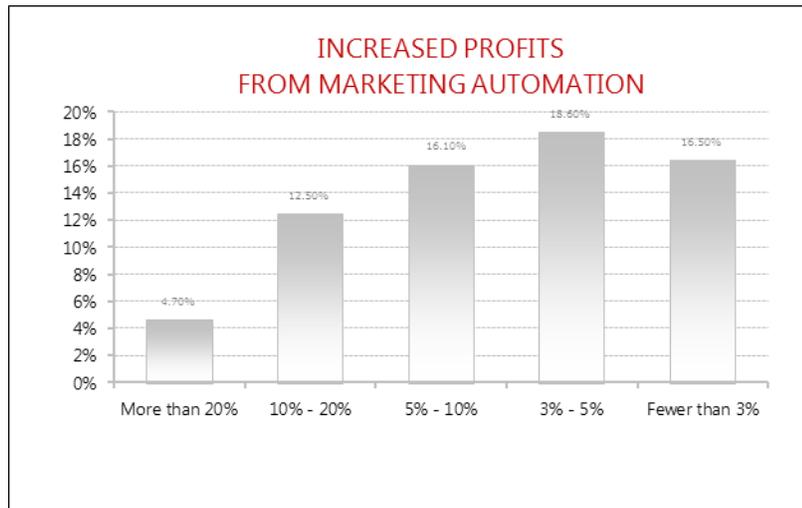
Average increase | **4.0%**
Standard deviation | **2.4%**

In estimating indirect benefits such as an increase in sales force productivity driven by marketing automation, it is unlikely that the full amount of expected benefits will be achieved during the first 12 months of deployment. To be credible, your business case should discount the overall benefit in year one and ramp up in subsequent years. Milestones for sales adoption (such as, all of sales will be trained on the system in the first three months) and results built into your business case can help to add credibility and keep your deployment on track to deliver the desired full benefit.

Business case tip: When estimating indirect benefits, use milestones for adoption and training in your business case to add credibility and direction on how benefits can best be achieved.

INCREASED PROFITS

Sixty-eight percent of companies reported an increase in profits as a result of deploying marketing automation, with an average profit increase of 3.7 percent and a standard deviation of 2.2 percent among those reporting a benefit.



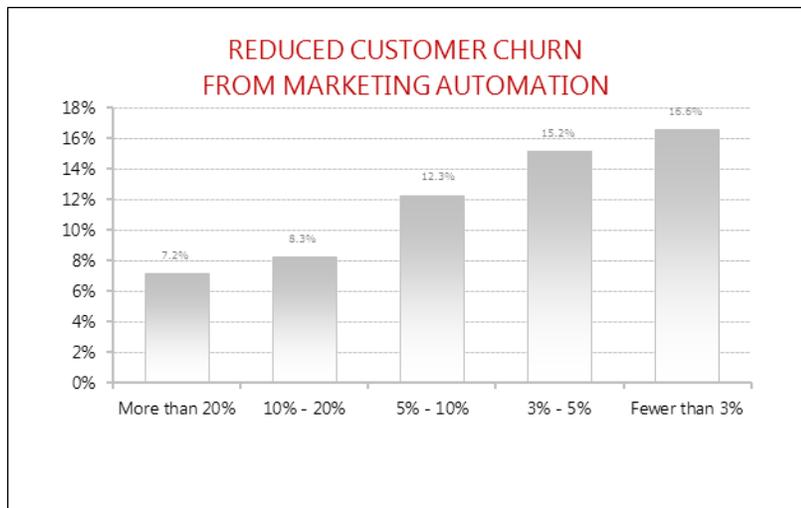
USING THIS DATA

The data had a standard deviation of 2.2 percent, meaning that two thirds of companies that expect to increase profits from marketing automation will do so by 1.5 to 5.9 percent (one standard deviation from the average).

Average increase | **3.7%**
Standard deviation | **2.2%**

REDUCED CUSTOMER CHURN

Reduced customer churn is a secondary benefit of marketing automation, and 60 percent of companies reported achieving this benefit from their marketing automation deployment. Those that reduced customer churn as a result of implementing marketing automation found an average reduction in churn of 3.3 percent with a standard deviation of 1.9 percent.



USING THIS DATA

Companies expecting to reduce churn through marketing automation can expect an average reduction of 3.3 percent; two thirds of companies will achieve benefit between 1.4 and 5.2 percent (one standard deviation from the mean). The overall return implications can be estimated based on the overall number of customers, change in churn rate, and the cost of acquiring replacement customers.

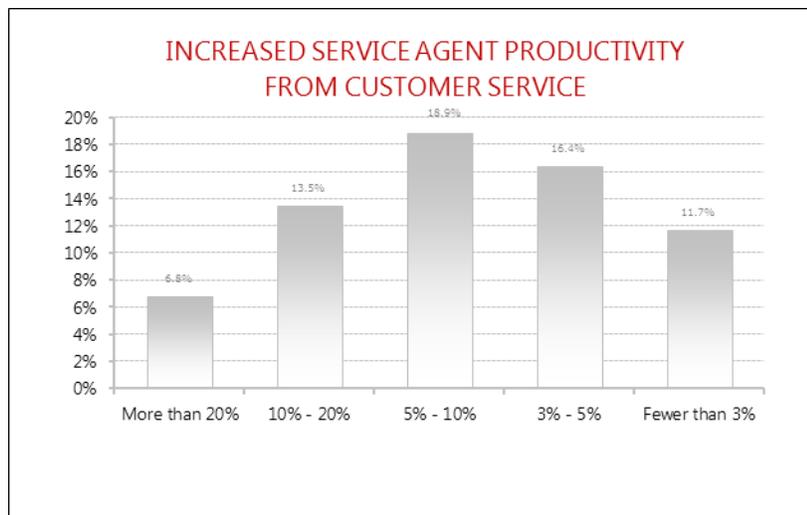
Average reduction | **3.3%**
Standard deviation | **1.9%**

BENEFITS FROM CUSTOMER SERVICE AUTOMATION

Ninety-seven percent of companies surveyed reported benefits from customer service automation, after an average length of deployment of 18 months for cloud applications and 25 months for on-premise ones. Nucleus found the primary benefits from customer service automation included increased service agent productivity and reduced administrative overhead. Secondary benefits included increased sales productivity and decreased customer churn.

INCREASED SERVICE AGENT PRODUCTIVITY

Increased productivity is a primary benefit of customer service automation, and 82 percent of companies reported achieving agent productivity benefits from their customer service automation deployment. Companies reporting an increase in service agent productivity from service automation achieved an average benefit of 4.2 percent with a standard deviation of 2.7 percent.



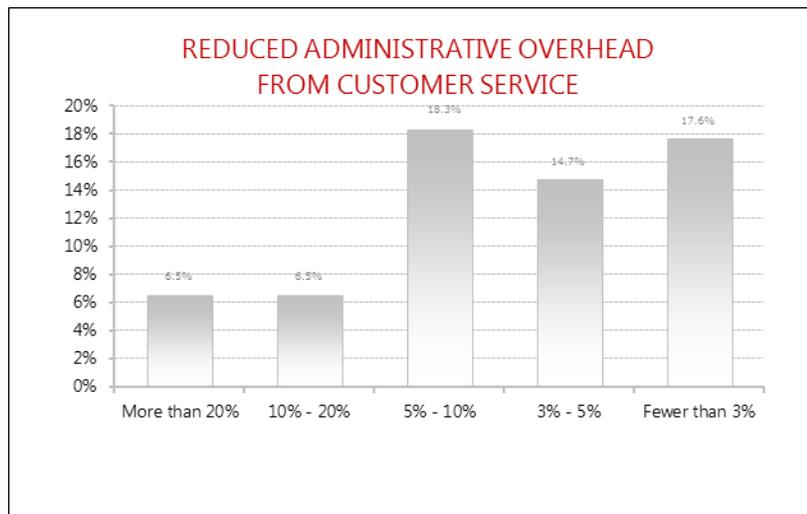
USING THIS DATA

Companies deploying service automation can expect an average increase in agent productivity of 4.2 percent; two thirds of companies will experience an increase between 1.5 and 6.9 percent (one standard deviation from the average). Because of the highly supervised nature and automated routing in call centers, the most common result of such a benefit is a reduction in call resolution times and, thus, the ability for support agents to either complete more calls or support other incoming customer support channels at the same time.

Average increase | **4.2%**
Standard deviation | **2.7%**

REDUCED ADMINISTRATIVE OVERHEAD

Reduced administrative overhead is a common outcome of service automation projects, particularly in small and medium-sized firms. In fact, 65 percent of companies reported reduced administrative overhead as a result of their deployment. Companies achieving this benefit experienced an average savings of 3.7 percent with a standard deviation of 2.0 percent.



USING THIS DATA

Most companies achieving this benefit can expect to reduce administrative overhead by 1.7 to 5.7 percent (one standard deviation from the average). Reduced administrative overhead is often quantified in two different ways depending on the specific project and type of company: either as an indirect benefit based on overall time saved by administrative staff (in which case an average savings of one hour per day per person would result in a 12.5 percent reduction in administrative time devoted to sales), or, more commonly, based on the ability to support a growth in customer service interactions without hiring additional staff.

Average reduction | **3.7%**
Standard deviation | **2.0%**

INCREASED SALES FORCE PRODUCTIVITY

Nucleus has found that automating customer service can often have a positive impact on sales productivity because sales has greater visibility into any open issues with their

accounts. Although it is a secondary benefit, 68 percent of companies reported some improvement in sales force productivity as a result of their deployment. The average productivity increase in those reporting benefit was 4.6 percent; however, the data had significant variance with a standard deviation of 4.2 percent.



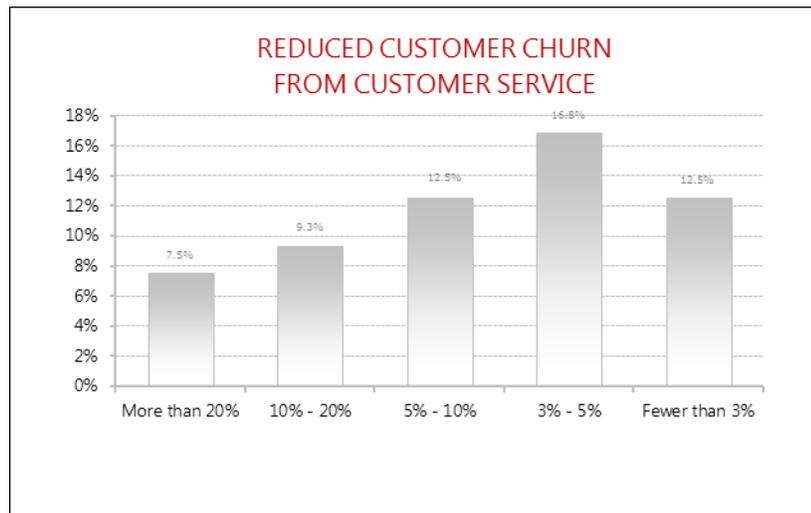
USING THIS DATA

This indirect impact on sales productivity had a lot of variance because Nucleus has found that customer service automation projects have traditionally been siloed operations in a call center and very disconnected from sales. More recent projects have focused on integration of data and the ability to push updates to sales about customer service issues in their accounts, but few companies have completely integrated customer records from sales through to support at this time. Most companies that do expect to achieve this benefit can expect their increase in sales productivity to range from less than 1 percent to 8.8 percent (one standard deviation from the average).

Average increase	4.6%
Standard deviation	4.2%

REDUCED CUSTOMER CHURN

Reduced customer churn is a secondary benefit of customer service automation, and 63 percent of companies reported achieving some benefit. Nucleus found that companies reporting benefits could reduce customer churn rates by an average of 3.5 percent with a standard deviation of 2.1 percent by automating customer service and support.



USING THIS DATA

If a company is expecting to reduce customer churn by automating customer service, they can expect a reduction between 1.4 to 5.6 percent (one standard deviation from the average).

Average reduction	3.5%
Standard deviation	2.1%

Potential returns from a reduction in customer churn can be estimated based on the overall number of customers before the deployment, the current and expected churn rate as a result of the deployment, and the cost of acquiring replacement customers. Nucleus has found it is not unusual for there to be a ramp-up period after the initial deployment before reduced customer churn is realized. For a credible business case, companies expecting this return will likely want to discount the expected reduction in churn in the first 12 months of deployment and ramp it up to its full amount in subsequent years.

Business case tip: Some secondary benefit areas are unlikely to deliver their full potential in the first 12 months of deployment and should be discounted in the first 12 months and ramped up in subsequent years.

APPENDIX: DEMOGRAPHICS

RESPONDENTS BY VERTICAL

Accounting	1.7%
Advertising	7.2%
Aerospace/Automotive	2.4%
Biotech	1.0%
Professional services	5.1%
Business services	1.7%
Communications	1.0%
Computers	4.8%
Construction	1.4%
Consulting	2.7%
Education	2.4%
Engineering	1.4%
Entertainment	1.4%
Finance/Insurance	7.2%
Food Service	4.8%
Government/Military	2.0%
Healthcare/Medical	4.1%
Manufacturing	6.8%
Marketing/PR	4.1%
Media	1.7%
Nonprofit	3.1%
Pharmaceutical/Chemical	0.7%
Real Estate	2.4%
Retail	9.6%
Telecommunications	3.1%
Transportation/Distribution	2.0%
Utilities	1.4%
Wholesale	1.7%
Other	11.1%
Total	100.0%

RESPONDENTS BY COMPANY SIZE

1-19 employees	26%
20-99 employees	18%
100-499 employees	18%
500-9999 employees	24%
10,000+ employees	14%
	100%

RESPONDENTS BY DEPARTMENT

Sales	39.5%
Marketing	22.3%
Customer service	31.0%
IT responsible for CRM	7.2%
	100.0%