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Fachhochschule Ludwigshafen am Rhein — Hochschule für Wirtschaft

HERAUSGEGEBEN VON

BEATE KREMIN-BUCH, FRITZ UNGER, HARTMUT WALZ

Martin Selchert

**CFROI of Customer
Relationship Management**

2. Auflage

Verlag Wissenschaft & Praxis



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CFROI of Customer Relationship Management Empirical Evidence from mySAP CRM Users

Foreword by Prof. Dr. Hartmut Walz, University of Applied Science Ludwigshafen, Editor in Chief	8
Introduction and Acknowledgments	10
1. Management Summary: High Value Creation Potential Through Using Customer Relationship Management	12
2. Research Design: Understanding Value Creation by CRM	18
2.1. The Urgent Challenge of CRM Value Assessment	18
2.1.1. The Urgent Need to Assess Value of CRM	18
2.1.2. The Empirical Findings: Sparse and Contradictory	21
2.1.3. The Challenge in CRM Value Assessment	22
2.1.4. The Aim of the CFROI of CRM Study	24
2.2. The Research Design: Meeting the Challenge	26
2.2.1. Key Concepts for Measuring CRM Value	26
2.2.2. The Structure of the CRM Value Metric	35
2.2.3. The Individual Business Cases: More than a Survey	43
2.2.4. The Trustee Model: Ensuring Openness and Honesty	45
2.2.5. The Study Process: Ensuring Interactivity	46
2.2.6. The Participants: Focus on mySAP CRM Users in D-A-CH	48
3. Results: Higher Productivity, Lower Cost, Higher Revenue	53
3.1. Project Targets: Met by CRM	53
3.2. Financial Targets: CFROI, NPV, and Break-Even Period	57
3.2.1. Financial Targets Including Experience Based Expectations	57
3.2.2. Financial Targets Excluding Experience Based Expectations	66
3.3. Productivity Targets: Potential for Cost Reduction	68

3.3.1. Improved Customer Information: The Basis for Higher Productivity	68
3.3.2. Marketing: Valuable Analytic Insights, Improved Campaigns, and Consequential Lead Management	75
3.3.3. Sales: Operative Process Improvement	80
3.3.4. Interaction Center: New Opportunities in Telesales and Help Desk Functions	91
3.3.5. Internet Sales: Automated Order Management	96
3.3.6. Service: Improvement Potential Not Yet Developed	100
3.3.7. Other Productivity Effects and Potential Cost Savings	101
3.4. Revenue Targets: More Customers and More Revenue per Customer	103
3.4.1. Increase in Revenue: Basic Logic-Tree and Aggregated Results	104
3.4.2. New Customer Acquisition: Leads	110
3.4.3. "New" Old Customers: Customer Satisfaction and Customer Retention	116
3.4.4. Increase in Goods Sold: Larger Quantities and Cross Sales	121
3.4.5. Higher Prices: Absolute and Relative Price Increases	128
3.5. Speed Targets: Time-to-Market, Time-to-Volume, and Time-to-Delivery	130
4. Key Factors of Success: Sector, Situational Fit, and Proficient Project Management	135
4.1. Financial Results by Sector	135
4.2. Systematic Framework for Key Factors of Success	141
4.3. External Situational Fit: Technology, Customers, and Competition	144
4.3.1. Influence of Production Technology: Service Characteristics and Complexity of Goods and Services on Offer	144
4.3.2. Customer Influence: Insignificance of Numbers	148
4.3.3. Competitive Pressure: The More the Better for CRM	149
4.4. Internal Situational Factors of Success: The 7-S of CRM	152

4.4.1. Organizational Structure: Dynamics Breed High CFROI of CRM	152
4.4.2. Systems: No Impact of IT Proficiency Before the Project	153
4.4.3. Staff: Specific Skills and Internationalization Matter	155
4.5. Good Project Management: A Necessary but Not Sufficient Condition for Success in CRM	157
4.5.1. Management Support and Involvement	157
4.5.2. Employee Buy-In	160
4.5.3. Quality of CRM Targets	165
4.5.4. Proficiency of Project Execution	166
4.6. Analysis of Value Drivers by Sector	170
5. Closing Remarks: Strengths, Limitations, and Best Use of Results	177
5.1. Strengths of the Study: Neutral, Quantitative, and Systematically In-Depth	177
5.2. Limitations of the Study: Small Sample, and Limited Geographic Scope	179
5.3. Best Use of the Results: Guidance for the Company-specific CRM Business Case	180
6. Appendix	183
6.1. References	183
6.2. Table of Figures	189
6.3. Glossary of Terms and Abbreviations	192
6.4. Questionnaire "Value Creation by mySAP CRM"	196



*Prof. Dr. Hartmut Walz,
University of Applied Science Ludwigshafen,
Editor in Chief*

CFROI of CRM: A Challenge Well Met

Evaluating the profitability and economic value of CRM investments is an important challenge nowadays. It involves a number of issues that are both interesting from an academic and challenging from a management perspective.

- The overall economic environment calls for investment decisions to be made on a more rational basis
- Speed competition and shrinking profit- and risk margins in most branches make it increasingly important to make investment decisions which are both timely and based on proper analysis
- The ratio of spending on software and services to tangible goods is increasing
- CRM technology is well developed but has not been employed extensively, although a major effort is underway
- It is extremely difficult to measure the profitability of software-related investments in general, especially in CRM as many "hard to quantify" effects play a major role

Prof. Dr. Martin Selchert's study "CFROI of Customer Relationship Management" successfully addresses the complexity of evaluating CRM investments and demonstrates that their evaluation is nevertheless possible.

The convincing results were achieved through:

- Thorough business cases
- Careful avoidance of double counts that all too easily distort results
- Soft and hard factors taken into consideration
- Relevant measures to judge CRM investments

This book is ideally suited to all those who have to make CRM-related investment decisions. It also provides a valuable contribution to those responsible for CRM evaluation.



*Prof. Dr. Martin Selchert,
University of Applied Science Ludwighshafen*

Introduction and Acknowledgements

Customer Relationship Management (CRM) is a familiar term by now – although it is used as a label for many diverse concepts. Numerous books cover the topic as well as articles in leading marketing and management journals. Still: The urgent question of CRM's impact on the bottom line has not yet been answered. This study set out to produce some factual, quantitative evidence, focused on mySAP CRM users in Germany, Austria, and Switzerland. Cash-flow return on investment (CFROI), the net present value (NPV), and the break-even period result from individually crafted, comparable business cases for all participants. These financial decision criteria are founded on a solid analysis of operational improvements through using CRM. The main results are also provided by sector; many of the potential "factors of success" are tested.

"CFROI of Customer Relationship Management" thus provides the best-founded answer to the question of CRM's bottom line impact for a larger number of mySAP CRM users as of now. This answer should be of interest to the current users of CRM to locate additional pockets of value. Decision makers on CRM may find the results useful to give a broad orientation of the range of possible outcomes. Furthermore, the methodology may serve as the blueprint for a business plan. The research design and especially the success-factor analysis contribute to the embryonic state of research in this area.

To provide a quick access to the different levels of interest, the following structure has been chosen:

- For readers under time-constraints, an extensive management summary captures the main results with practical management relevance. One level deeper, each main chapter ends with a gray-shaded bullet-point summary.
- Italics at the beginning of the main chapters give an overview over the flow of thought and thus are to help navigate in the text