



"If you make the wrong technology decisions, you get sucked into this giant vortex that has nothing to do with making money. When you are fixing really bad decisions, you are not making money or making customers happy. You're spending time repairing the damage."  
-You Need to Be A Little Crazy: The Truth About Starting and Growing Your Business by Barry Moltz.

## CRM:

Sales

Customer Service

Marketing

Product Support

# CRM Secrets of TCO and ROI

by B. Victor Cariri, Bell Rock Solutions

Congratulations! You've done a great job growing your business. Now, you're focused on increasing sales and reducing costs. Can you get the benefits of CRM without the crushing expense? What does Total Cost of Ownership (TCO) mean? How can you minimize your TCO? What does Return on Investment (ROI) mean? How can you maximize your ROI? Can you avoid giving your control (and your dollars) over to consultants and vendors?



This paper's objective is to reveal the real costs of buying and using CRM software. Learn the secrets of 21 experts in CRM, IT, business and management consulting on getting real value from CRM software.

## Profit with CRM

More than 70% of sales leads are never followed-up, while 43% of those not contacted purchase what they inquired about within 13 months. Source: Cahners Publishing

Companies that retain 5% more of their customers, can boost corporate profits a minimum of 25%. Source: Bain & Co.

Over 80% of generated leads are never followed up on or are dropped or mishandled. Source: Aberdeen Group

An 11% reduction in dropped/lost leads, combined with a 1% improvement in lead-to-order conversion rate, increased annual gross profit by 136%. Source: BtoB magazine in 4/03.

**Next: CRM defined in 6 easy questions**

"The front office organizations include marketing, sales, customer service, product support...The front office designs and delivers customer interactions. It is responsible for the relationship piece of the customer experience...For product manufacturers, the back office touches the customer indirectly through the product. A company's core product definitely has a huge impact on the customer's experience."  
-Customer Relationship Management, Getting It Right! by Judith W. Kincaid

"Business acumen helps a CEO choose the 3 or 4 business priorities (no more than five) that will retain customers and achieve all the important money-making goals at the same time—all in the context of the real world."  
-What the CEO Wants You To Know, Using Business Acumen To Understand How Your Company Really Works by Ram Charan

"Not finance. Not strategy. Not technology. It is teamwork that remains the ultimate competitive advantage, both because it is so powerful and so rare...If you could get all the people in an organization rowing in the same direction, you could dominate any industry, in any market, against any competition, at any time."  
-The Five Dysfunctions of a Team by Patrick Lencioni

"All competitive advantages are temporary. Therefore, unless something is done to stay ahead a company falls behind. Staying ahead means continual improvements. Therefore, think of the software that supports the core competitive strategy as on-going work in progress. If the software cannot change quickly enough or at an economical cost, any competitive advantage will be lost as the competition improves. The long-term ability for the software to change may be as important as what it provides today."  
- Commodity Software, Best Practice and Competitive Advantage by Olin Thompson on TechnologyEvaluation.com

## CRM Defined

CRM (customer relationship management) is designed to make money through increasing profitable sales and to save money by decreasing the cost of getting and keeping customers. CRM is a business concept that changes the way you look at your business—the goal for your company is to successfully fulfill your customers' needs. This means that you must first determine your customers' needs, then create products and services that fill those needs using processes and technology solutions that generate maximum profit.

Here's a simple way to fully grasp the business concept of CRM. Think of it as **Customer Needs Fulfillment** and ask these six questions:

### CRM in 6 Easy Questions

**Who are my most profitable CUSTOMERS NOW?**  
Who will they be in the FUTURE?

**What are their most profitable NEEDS NOW?**  
What will they be in the FUTURE?

**How can I cost-effectively FULFILL them NOW?**  
How can I fulfill them in the FUTURE?

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The Sales, Marketing and Customer Service departments must work closely with IT and business unit managers to get the answers to these questions. The goal is to determine which customers will be the most profitable, fulfilling which of their needs will be the most profitable, and which technology will be the most cost-effective.

Competitive advantage results when your company is able to continually determine the changing needs of your most profitable customers and quickly fulfill them in the most cost-effective way.

**Next: TCO in the real world revealed**

"The yearly TCO figure is an excellent indicator of the ongoing costs and is best used as a projection for budgeting purposes. Averaging the TCO over the time horizon provides a reasonable metric for comparing similar applications." - Nucleus Research

"Companies around the world spend \$3.5 billion a year on CRM software, and that is only a fraction of the total expense; implementation, training, and integration outlays can be three to five times higher."  
 -How to Rescue CRM by Manuel Ebner, Arthur Hu, Daniel Levitt, and Jim McCrory in The McKinsey Quarterly

"TCO is important in the technology world because it can help you make better, long-term purchasing or upgrade decisions with the technology you own or are looking into. If you were to concentrate merely on the acquisition price of a product, you would probably never buy anything new...TCO is made up of four general areas...Capital costs, Technical Support costs, End User costs and Administration costs...A world class Help Desk...looks proactively for ways it can enhance the efficiency and effectiveness of its customers and the company. Reducing the TCO of your technologies is one good way to accomplish that goal...The issue is the effectiveness of comparing the TCO of one product to the TCO of another in making a technology decision. To best see this, let's compare the cost of owning a typewriter to owning a PC. If you used TCO as your sole decision criteria, the typewriter would win everyday. Its acquisition price is lower than a PC, and the cost for technical support is cheaper for a typewriter as is the cost for end user support. Finally, the administrative costs of maintaining a typewriter fall below the PC as well. If someone...used TCO as their decision criteria, there would be no PCs purchased."  
 -Building & Managing a World Class IT Help Desk by Bob Wooten

# TCO in the Real World

Total Cost of Ownership (TCO) is the sum of all of the costs that you incur to buy and use a particular piece of software, in order to compare the costs of different solutions. It is recommended that you calculate TCO over 3 or 5 years. TCO includes the costs of software, hardware, implementation, integration, administration, maintenance, support and consulting. High TCOs led to the development of hosted CRM, with a monthly cost per user. However, for 50+ users, hosted CRM will cost even more than traditional software. This has led to the demand for CRM alternatives with really low TCOs, such as open source CRM and active database license CRM with a flat fee for unlimited users.

## Traditional CRM for 100 Users

| 3 year TCO = \$875,000 |         | 5 year TCO = \$1,045,000 |                         |
|------------------------|---------|--------------------------|-------------------------|
| <b>1st year costs</b>  |         | <b>\$720,000</b>         |                         |
| Software licenses      | 100,000 |                          |                         |
| Implementation         | 200,000 |                          | 2 times software cost   |
| Integration            | 300,000 |                          | 3 times software cost   |
| Administration         | 50,000  |                          | salary of full-time DBA |
| Maintenance            | 20,000  |                          | 20% of software cost    |
| Hardware costs         | 35,000  |                          |                         |
| <b>2nd year costs</b>  |         | <b>100,000</b>           |                         |
| Software Upgrade       | 30,000  |                          |                         |
| Administration         | 50,000  |                          |                         |
| Maintenance            | 20,000  |                          |                         |
| <b>3rd year costs</b>  |         | <b>70,000</b>            |                         |
| Administration         | 50,000  |                          |                         |
| Maintenance            | 20,000  |                          |                         |

## Hosted CRM for 100 Users

| 3 year TCO = \$1,000,000        |         | 5 year TCO = \$1,600,000 |                                          |
|---------------------------------|---------|--------------------------|------------------------------------------|
| <b>1st year costs</b>           |         | <b>\$400,000</b>         |                                          |
| User license fees               | 300,000 |                          | Source: salesforce.com & supportfore.com |
| Implement/customize             | 70,000  |                          |                                          |
| Training                        | 30,000  |                          |                                          |
| <b>Annual user license fees</b> |         | <b>300,000</b>           |                                          |

## Active Database License CRM for 100+ Users

| 3 year TCO = \$170,000        |        | 5 year TCO = \$200,000                    |  |
|-------------------------------|--------|-------------------------------------------|--|
| <b>1st year costs</b>         |        | <b>140,000</b>                            |  |
| Active Database License       | 75,000 |                                           |  |
| Implement/customize           | 30,000 |                                           |  |
| Hardware costs                | 35,000 |                                           |  |
| <b>Annual maintenance fee</b> |        | <b>15,000</b> (includes version upgrades) |  |

**Next: hidden costs of software revealed**

"Traditionally, vendors develop software that tries to solve a variety of problems for a reasonably large and diverse group of companies. To do this they need to offer a feature rich environment. This is where the money is to be made. This, however, is in direct conflict for small and medium-size businesses need for a reduced functionality...Pricing is similar in a lot of respects to functionality. You are paying for modules, features, or functions that...you may not be using." -[Catering to Small and Medium-size Enterprises](#) by Joseph J. Strub on TechnologyEvaluation.com

"Due to the high costs of additional user licenses, companies are often unable to afford additional licenses for new hires, so new hires are forced to work in spreadsheets or another external system rather than the enterprise application." - [Introduction to Bell Rock Solutions](#) by Victor Cariri on bellrocksolutions.com

"There's no shortage of brilliant ideas in IT...Good ideas are easy; good implementations are hard. Very hard...Implementation isn't about following orders on time and on budget; it's about getting things to *work* on time and on budget...Because, in the real world, return on investment is contingent on return on implementation...We honestly believe that if we define the problem—and the specs—just right, that implementation becomes straightforward. It almost never is...You discover what the clients *really* want when they interact with a prototype...As German Gen. Helmuth on Moltke once observed, "All plans evaporate on contact with the enemy."...What many executives don't realize is that implementation is all about exploration and discovery... Implementation is as significant a senior management responsibility as strategic direction...The truth is that effective implementation is an ongoing dialogue... This is not a static process.  
- [Beyond Ideas, Making IT Work](#) by Michael Schrage on CIO.com

# TCO Challenges

## Licensing

### 1 Hosted solutions are more expensive than buying.

Hosted or OnDemand user licenses cost from \$65 to \$200 per user per month or up to \$2,400 per user per year. For 100 users, this would be up to \$240,000 each year or up to \$720,000 for 3 years for licenses only. Five year hosted costs for 100 users can add up to over \$1,000,000.

### 2 Overloaded features needlessly increase the cost.

Major CRM vendors overload their software with features in an attempt to appeal to a wide variety of industries, which makes the system very expensive for small and medium-size businesses to buy and implement.

## Implementation

### 3 Lost employee productivity during implementation.

Business unit employees lose productivity while they work on system requirements and selection with IT developers or consultants.

### 4 Ongoing software changes are expensive.

According to The Standish Group's CHAOS REPORT, it is generally accepted that "rework" consumes an average of 30% of a project's total budget. This confirms that software implementation is an ongoing process that responds to changing business goals. This means that changes to software will also be ongoing. This results in a great deal of work for your programmers or for your consultants. More importantly, it makes business users have to wait to get the changes they need in order to reach their business goals. Productivity is decreased. Costs are increased.

### 5 Ongoing dependence on consultants is expensive.

"Some software vendors provide expansive documentation that does not give clear direction on how to set up, administer, and configure their systems making you overly dependent on their expensive consultants. This can often be clearly seen in the financials – one leading CRM vendor shows 2/3 of its annual revenue deriving from consulting fees."  
– Introduction to Bell Rock Solutions by Victor Cariri.

### 6 Vendor training classes are expensive.

Training by the vendor off-site can cost \$700/day plus out-of-pocket expenses for meals, travel and lodging. A two week training session for a modest project team can cost over \$30,000. On-site training can be more.

**Next: hidden Integration costs revealed**

"It is advantageous to store all customer information in a single place – rather than spread among marketing, sales or support databases...Universal access, where anyone in the organization can look at the same data, presents all departments a unified face of each customer." – [A CRM System Needs a Data Strategy](#), by David McNamara, TechnologyEvaluation.com

"The danger is that many systems that are aggressively marketed as "integrated" have been assembled through the purchase of outside technologies...The result is that "integrated" often means little more than a common color scheme...An integrated system means that, not only must the "look and feel" and functionality be consistent, but the data must be truly integrated as well. Only then can the synergy of the different systems be maximized and the cost benefits of integrated systems be realized." – [Introduction to Bell Rock Solutions](#) by Victor Cariri on bellrocksolutions.com

"Today's IT architectures ... are the biggest roadblocks most companies face when making strategic moves. (An IT architecture is the overall structure of and interrelationships among the data, business logic, and interfaces of a company's computers and other hardware, applications, databases, operating systems, and networks.) ... Under today's information architectures, if you need to connect two applications, databases, or operating systems—or to connect any of these to human beings—each connection must be specially created for its specific purpose, and even the smallest modification requires it to be recoded. Worse yet, the expense and effort needed to establish connections across technology resources increase exponentially—not linearly—with the number of resources connected. Small wonder that companies spend large portions of their IT budgets on integration as they create new connections and redesign old ones to keep up with changing business conditions." – [Flexible IT, Better Strategy](#) by John Seely Brown and John Hagel III, in The McKinsey Quarterly

# TCO Challenges

## Integration

### 7 Systems called "integrated" cause data problems.

"Also what some CRM software vendors sell as integrated systems are not truly integrated, as a set of independent modules have been assembled through the purchase of disparate systems. This can result in a system that is very difficult and costly to set up, in particular from a data integration standpoint with other enterprise systems.

"It may be obvious that the integration offered by the single source vendor should be superior and although this is usually true, it is a dangerous assumption. Today, many add-on products have been purchased by the...vendors or have been developed with a minimalist approach to address competitive issues. In these cases, integration may be minimal or even non-existent. Assuming the purchased modules were built for integration is a dangerous assumption." – [Single Source or Best of Breed- The Debate Continues](#) by Olin Thompson on TechnologyEvaluation.com .

### 8 Separate point solutions cause data problems.

"Many vendors promise best-in-class applications for a single CRM process, such as customer service support or sales tracking, and this approach lets companies cherry-pick solutions and avoid needless features. Because data must be pulled from various sources, however, these applications make it hard to integrate and manage the system; the symptoms may include incomplete or incorrectly routed information, too many passwords or log-ins for users, inconsistent data models...and inconsistent guidelines for entering data in different units ...Any of these problems can frustrate employees who use the system, to say nothing of customers...To further complicate matters, as organizations set out to automate additional processes within sales, marketing, and service, or extended their reach using the Internet, they often deployed point solutions. This solved immediate problems, but also created additional silos of information and redundancy in the core tables, or master files (e.g. customer, vendor, pricing)." -The Power of One by Brion Schweers.

### 9 Application integration costs more than software.

"There are substantial up-front costs associated with integration...companies can expect to spend up to 35 percent of project budgets on integration, but success is well worth the cost ... Companies would (and did) buy all this software and integrate it later. Now, before they buy software they're asking, 'How am I going to integrate this stuff?'" – [Now Comes the Hard Part](#) by Jon Surmacz on Darwinmag.com .

**Next: hidden Administration costs revealed**

"Business leaders ... experience frustration because IT takes too long to make changes, their cost is too high, or they fail to deliver the expected features. Many such problems are rooted in the IT architecture. This gulf between what business needs from that architecture and what IT departments can deliver without incurring huge development costs tends to exacerbate another well-known division, the one between people on the business and the IT sides of companies. Business executives, who often believe that IT managers neither understand their requirements nor deliver real value, don't like to commit good staff members to work on IT projects. With limited input from business, IT developers struggle to deliver the best systems they can, but from a technology rather than a business perspective."

- [Designing IT for Business](#) by Jürgen Laartz, Eric Monnoyer and Alexander Scherdin in The McKinsey Quarterly

"When an enterprise solution is as awkward and expensive to implement as is the norm, ongoing administration will be expensive as well. As it often is well after initial implementation that the need for a new report or field is realized, ongoing configuration needs can be very costly."

- [Introduction to Bell Rock Solutions](#) by Victor Cariri on bellrocksolutions.com

"Which CRM platform is chosen will affect a company's ability to collect, analyze and use data. A balanced solution will provide both the *functionality* and the *agility* needed to address changing marketplace demands. An ideal solution should be easily deployed and *cost-effective* through its life cycle... To reflect a company's unique business outlook and preferences, the CRM solution should be customizable and easy to reconfigure. Only useful types of information should be tracked, with tracking of irrelevant data halted. Essentially, it must be able to accommodate new requirements as a company's needs evolve."

-- [A CRM System Needs a Data Strategy](#) by David McNamara on TechnologyEvaluation.com

# TCO Challenges

## Administration

### 10 Salary of a full-time database administrator.

Traditional enterprise CRM software has been far too complex for end user administration, requiring a full-time Database Administrator (DBA). They were kept very busy adding and deleting users, changing fields, adding new fields, designing custom reports and overseeing the installation of version upgrades. This has led to the demand for CRM alternatives without the expense of a DBA, such as hosted CRM and active database license CRM with built-in tools for administration by non-technical business users.

### 11 Time and cost of increased calls to the Help Desk.

Costs of new software also include the cost of increased calls to the Help Desk and lost productivity if employees are unable to use the newly installed software to accomplish their jobs.

### 12 Lost productivity waiting for changes to software.

Since software implementation is an ongoing process, changes to CRM software will also be ongoing. This results in a great deal of work for programmers or consultants, but, more importantly, it makes business users have to wait to get the changes they need in order to reach their business goals. Productivity is decreased and frustration is increased.

### 13 Ongoing changes to data fields is expensive.

There are also data issues that add to the frustration of CRM. Only data that is relevant and accurate should be collected. However, as your company adapts to a changing business environment, the data that is needed also changes. This requires constant changes to the fields of data that you are collecting and displaying in views and reports.

### 14 Lost productivity as users log into many systems.

It is common for companies to have an ERP, a CRM, and a series of point applications in force, in addition to various Access databases and Excel spreadsheets. All these systems typically have different interfaces, different approaches to user interaction, and vastly divergent databases. These may very well require a user to remember and enter an equally diverse set of logins and passwords for the different systems. This is frustrating to employees and affects their productivity.

**Next: hidden Maintenance costs revealed**

"The version upgrade process for one enterprise solution involved a rather cumbersome backup, uninstall, migrate, reinstall, restore, and reconfigure process. The upgrade caused much of the prior version's customized reports and code to fail, and these had to be recreated. The projected consulting tab to perform a basic version upgrade, even without the single most substantial and most intricate of the customizations, was around \$300,000."

- [Introduction to Bell Rock Solutions](#)  
by Victor Cariri on bellrocksolutions.com

"An AMR study found that companies that handed over responsibility for their upgrade projects to outside consultants spent twice as much (\$2.3 million versus \$1.5 million) and took longer (10 months versus six) than those that kept the project leadership and as much of the work as possible in-house. 'The costs skyrocket because you will have people on the project who don't know your business,' says Judy Bijesse, an analyst at AMR Research, "and you'll have a lot of consultants who are being trained while you're paying them." - [Enterprise Software Upgrades Less Pain More Gain](#)  
by Christopher Koch on CIO.com

"In some cases, enterprise-level systems have long-standing uncorrected design or data structure issues that result in data or system instability. The software vendors, having a financial model dependent on ongoing consulting revenues, have strong financial incentives to preserve the status quo rather than fix underlying system design problems...As an example, consider the market-leading Customer Relationship Management application that failed to have fields for second and third address lines in its database until about its 10th year, and then adding the fields only in some, but not all, of the address tables."  
- [Introduction to Bell Rock Solutions](#)  
by Victor Cariri on bellrocksolutions.com

# TCO Challenges

## Maintenance

### 15 Maintenance fees are 17% to 20% of software cost.

"Licensing a piece of software buys you only the right to use it; if your organization wants support, upgrades and patches, vendors demand an additional annual fee in the ballpark of 17 percent to 20 percent of the up-front cost...The problems start with the term maintenance fee, which implies that it covers help desk calls, tech support and other such expenses. The truth, however, is that most of the benefits to a user company are indirect. Twenty percent to 50 percent...go toward development of future releases." - [No Tolerance For High Maintenance](#)  
by Ben Worthen on CIO.com.

### 16 Upgrades are 30% of install price every 24 months.

"CIOs...are shocked when they look under the hood of major upgrades, not just from Oracle and PeopleSoft but from J.D. Edwards, SAP and Siebel-all the enterprise software vendors -and see that they're facing overhauls, not tune-ups...Enterprise software upgrades can cost up to 30 percent of the original software installation price, according to Gartner, take more than a year to complete and require companies to revamp their technology infrastructures and business practices...The average time between upgrades has shrunk...to 18 to 24 months, according to AMR Research, and CIOs have lost the ability to keep up." - [Enterprise Software Upgrades Less Pain More Gain](#)  
by Christopher Koch on CIO.com

### 17 Custom code may be lost or broken by upgrades.

### 18 Vendors force upgrades by desupporting software.

### 19 Small companies get less service than big ones.

### 20 Large software vendors do not provide stability.

### 21 Maintenance and support can be discontinued.

**Next: ROI in the real world revealed**

# ROI in the Real World

"Nucleus believes payback period – the point in time after deployment when net benefits equal costs – is a critical measure of risk and should be the CIO's most important measure of corporate flexibility. Payback period is simply the point in time when the total costs of a project are offset by the benefits received." -Getting Payback, Period by Nucleus Research

"Nucleus Research has found that one in eight CRM deployments fail to achieve a positive ROI, and the biggest barriers to a positive ROI are launching a project without attainable business objectives and investing too much time or money in a solution – but your company doesn't have to be a victim..."

## Quick calculations for a positive ROI from CRM:

- 1- You should spend less on software and consulting than 70% of expected annual direct benefits.
- 2- Defining requirements and selecting a vendor should take fewer than 4 months.
- 3- You should deploy and achieve some returns in fewer than 6 months.
- 4- Consulting costs should not be more than twice software costs.
- 5- Training users should take fewer than 4 hours."

-Avoiding the ROI Pitfalls of CRM by Nucleus Research

Return on Investment (ROI) expresses the cost of a software project vs. the decrease in costs and/or increase in profits resulting from it. In some cases, such as network security, ROI isn't a specific cost savings; rather it's the prevention of loss from a security breach by a hacker. ROI is frequently thought of as "payback period," the period of time in which the cost savings and/or increase in profits equal the investment made.

## How To Determine ROI

Microsoft determines if an IT project will demonstrate true value to the business and provide a return on investment (ROI), by asking these 3 questions:

- 1 Will it improve our ability to generate revenue?**
- 2 Will it improve customer satisfaction?**
- 3 Will it reduce operating costs?**

CFO Mind Shift: Technology Creates Value by CFO Publishing Corp. in 2003

CRM can give a positive answer to all three of the above questions and thus demonstrate true value to the business with a positive ROI. The secret about CRM is that it is not an IT project. It is a never-ending process. This is a good thing. You know you will always be looking for ways to improve sales and reduce costs. This means there will always be the need to tweak your processes, your software and your data. Your business units will always have new requirements for your CRM software so they can meet the ever-changing needs of your customers.

So when considering the ROI on your CRM solution, remember that implementation is all about exploration and discovery. You gather requirements about what you think you need, then, as you are installing the software, you begin to discover what you really need to fully benefit from the system. Therefore, any discussion of a solution's ROI should include an evaluation of its ability to handle changes in its database, input screens and reports. If the software cannot be quickly and inexpensively changed, it will fail either at implementation or it will fail to keep your competitive advantage.

## Next: ROI challenges revealed

"Software that is properly designed makes repetitive and tedious tasks quicker and easier, and enables employees to use their intelligence and time in more challenging and interesting pursuits. To the degree that software does this, it improves both the employees' view of their jobs and overall morale."

- [Introduction to Bell Rock Solutions](#) by Victor Cariri on bellrocksolutions.com

"Good business cases are calculated based on numbers, but they are approved based on stories. My favorite example is the business case created for a notoriously penny-pinching founder and chair-man of a billion-dollar services company. All the numbers shouted savings. But what sold the aging chairman was the CFO's pitch that spending money on better human resources systems would return his faltering firm to its former glory. Sure, the new inventory system will provide a 110 percent ROI by helping to control warehouse costs and boost production efficiency. But what the CEO really wants to hear is that it will make the company a more irresistible supplier to key accounts. Clever story-telling is one of the quickest and most effective ways to gain executive understanding, buy-in and funding. It also helps attract support and cooperation from reluctant users during project implementation and operation.

### 3 Principles of Storytelling Success

- 1- Know your audience.
  - 2- Hide the technical details.
  - 3- Develop a compelling story to sell your message.
- [ROI's Secret Ingredient](#) by Jack Keen on CIO.com

"Do not hire a consulting firm to tell you what to do...Hire consultants who will ask you the questions that will help you refine, articulate, and deliver what you know your company needs...Beware, though, of consultants who take your money to figure out why you need to hire them to do more work. Look for those who want to help you learn to do it yourself."

-Customer Relationship Management, Getting It Right! by Judith W. Kincaid

# ROI Challenges

A major issue is that many forget that **PEOPLE** are the most important component of CRM projects—not only customers, but your employees, managers, senior managers and YOU. Your knowledge and experience about your industry and your company is what is needed to really make CRM software work. Consider the example of an international athletic shoe manufacturer. Their executives left crucial decisions to software consultants or to the software itself. The executives never validated the reports and forecasts that their \$400 million supply chain management software created. This cost them over \$300 million in losses within 9 months. The hard lesson learned is that technology can never replace the real-world knowledge of experienced managers. Software is a tool to help managers make effective decisions in today's ever-changing business environment.

Another issue is that CRM software has been so outrageously expensive to buy, implement and maintain that it has been really difficult to get a positive return on your investment.

Also, if the new CRM software is cumbersome and complicated, your employees will often resist using it. If your employees aren't using your CRM system, you cannot achieve a positive ROI.

## Time is not always money

Productivity gains don't necessarily boost revenue or cut cost, because people don't necessarily apply freed-up time to work—particularly in the executive suite. Ian Campbell, vice president of research at Nucleus Research Inc., says that, generally speaking, lower-level employees are more likely to turn extra time into more work.

This reality, Campbell says, needs to be factored into ROI equations. Here are his rule-of-thumb calculations on the percent of freed-up time various workers convert into increased output:

|                                                           |         |
|-----------------------------------------------------------|---------|
| Assembly-line workers:                                    | 95-100% |
| Call-center support:                                      | 90-95%  |
| Administrative and support help:                          | 70-80%  |
| Engineering (technical):                                  | 75%     |
| General staff within a group (marketing, PR, accounting): | 60%     |
| Companywide general staff:                                | 50%     |
| Middle management (large corporations):                   | 40-55%  |

-[ROI: Results Often Immeasurable](#) by Norm Alster on CFO.com

**Next: CRM software for the real world**

"At the root of the problem is the underlying enterprise architecture of application software. However, the enterprise architecture is a technology problem, not the business problem. The business problem is time, money, and quality. Focusing on modifications as an example, the reason that modifications are bad is that they take too long, cost too much, and often have quality issues. These reasons exist both originally and throughout the lifecycle of the application software. If we could significantly change the cost, time, and quality of software development, maintenance, support, implementation, etc. we could change a lot of the "rules". For example, maybe modifications would go from being bad to being OK if they are the results of real business needs...Cost advantages must be significant. Time must be reduced such that the software can be more closely aligned with business needs on an on-going basis...A key to the successful implementation of a new or upgraded system has always been the acceptance by the user community. The new enterprise architecture should consider the user across the entire software lifecycle by giving the business user functional and strategic control over changing business processes and on-demand alignment of the supporting applications. Also, end-users need help in visualizing the system and changes before the majority of the investment is made. Only then can they state, "Yes, that is what we need to improve the business." - What's Wrong with Application Software? It's the Economics by Olin Thompson on TechnologyEvaluation.com

**"The new enterprise architecture should consider the user across the entire software lifecycle by giving the business user functional and strategic control over changing business processes and on-demand alignment of the supporting applications."**

- What's Wrong with Application Software? It's the Economics  
by Olin Thompson on TechnologyEvaluation.com

### Entire software lifecycle:

**1** Licensing **2** Implementation **3** Integration **4** Administration **5** Maintenance

## CRM software for the real world:

- 1** Gives business user control of software
- 2** Eliminates the need for DBA and IT support
- 3** Gives the data you want, when you want it
- 4** Quickly integrates with any data source
- 5** Has all customer data in one database
- 6** Makes fast additions of custom applications
- 7** Has affordable total price for 5 years of use

**Next: CRM software for your world**

"We are now on the threshold of the next wave of computing after the Internet—the "information technology -savvy" organization. This type of organization is one whose employees are willing and able to take responsibility for computerizing their part of the business, ideally within the context of an enterprise platform that facilitates re-use and sharing. In an IT-savvy organization, users are not interested in waiting for the information systems (IS) department to get around to meeting their needs. They no longer view computing as something mysterious that can only be handled by experts. They're already accustomed to performing a number of smaller tasks for themselves using tools and applications that don't require advanced certification, or even a degree in computer sciences."  
-Are You Ready for the IT-Savvy Company? by Jonathan Sapir on Darwinmag.com

#### About the Author:

Victor Cariri is President of Bell Rock Solutions, a CRM software firm that is pioneering the Active Database License with NO USER LICENSE FEES. He has worked as a manager of business and IT for 20 years as well as a DBA, programmer and system architect for the last 10 years. His vast business knowledge is greatly complemented by his in-depth understanding of how to cost-effectively use IT to solve business challenges. He received his Bachelors in Economics from Tufts University and his Masters in Computer Information Systems from the University of Phoenix. He can be reached at Tel: 480-595-8980 or Email: viccariri@bellrocksolutions.com .



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