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Author : Barney Beal
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To Contact Us
514 593-0865



Info@altimumims.com

ALTIMUM IMS

2160, boulevard Rosemont
Suite 200
Montréal (Québec)
H2G 1T4

Forget the failures, IDC says CRM delivers

By Barney Beal, News Writer
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Despite the many well-publicized implementation failures of recent years, organizations out there are seeing a real return on their CRM investments, an International Data Corp. study shows.

According to "The Financial Impact of CRM," which was released Monday, 33 companies showed ROI ranging from 16% to more than 1,000%. Mary Wardley, an analyst with Framingham, Mass.-based IDC and author of the report, said that most survey respondents would describe their CRM implementations as successful.

"What I found really surprising was the depth to which these savings are realized in very simple day-to-day functions in an organization," she said.

The biggest savings came from increased productivity (41%) and business-process enhancements (51%). Technology-related savings accounted for only 7% of the return, according to the report.

Postini Inc., a Redwood City, Calif., e-mail security provider, was not a subject of the IDC study, but the company has realized some of those productivity gains one year after implementing hosted CRM from San Francisco-based Salesforce.com. At a time when it's handling 10 times the number of customers it used to, Postini has reduced customer service- and support-related e-mail traffic by more than 90% and is increasing the number of cases solved per representative. It credits its CRM investment with improving its view of customers across the organization.

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Mary Wardley
Analyst, IDC

Formerly an e-mail-only customer service shop, and just 4 years old, Postini still finds determining ROI difficult, said Mark Bloomquist, director of IT and customer support.

"By using a support portal environment and Salesforce, we've done a better job of tracking all the things going on," Bloomquist said. "The visibility goes up through sales and account management."

Bloomquist said the company will now be able to define metrics for performance, whereas all it had before were a bunch of e-mails and anecdotal experiences for its small support staff.

Those results are similar to those experienced by many of the companies surveyed as part of the IDC study, Wardley said. In the call center particularly, through the use of FAQs, self-service Web sites and e-mail response systems, organizations were able to handle four times the volume with the same number of agents.

Improved data quality was also a major source of savings, Wardley said.

Some of the organizations surveyed employed creative methods to ensure their users were all entering data in the right place, Wardley noted. For example, one company withheld sales commission checks if a sales agent did not enter the proper information in the database.

Other results of the study:

- Nineteen percent of the companies surveyed reported ROI of 50% or less; 52% found ROI of between 51% and 500%; 30% reported returns of more than 500%.
- Fifty-eight percent experienced payback in one year or less; 35% received payback after one to three years; 8% got payback in three years or more.
- The median total cost of a CRM application over the first five years is estimated at \$1.2 million.

"Looking across these case studies, the thing that struck me is, there are a number of philosophies [that rely on] a 360-degree view" of the customer, Wardley said. "They all were coming around to this vision. I really believe CRM is an unusual product category because it's so tightly linked to the strategy of a company. It's not just a technology; it's a strategy that's supported by a technology."



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