

Deriving the desired ROI from your CRM

Fiona Jackson believes CRM is a serious management tool, not merely marketing automation software.

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Are Customer Relationship Management (CRM) systems good for contact management? Yes. Do they automate marketing? Certainly. Can they help business development? You bet. But to see them simply in those terms is to underestimate the power they offer to help organisations grow and prosper. While CRM system deployments are now commonplace in businesses, they are grossly under-utilised, which is perhaps why professional services organisations are unable to derive the desired ROI from their investment.

First step: Make the leap from marketing communications to business development

Organisations must embed the ‘discipline’ of CRM in their operations – strategically and as a matter of routine. This means there must be a concerted move from using CRM purely for marketing communications to adopting it for business development. Competition amongst professional services organisations is at its highest level yet. Firms have no option but to commercialise themselves, given that there is a whole new universe of alternative services providers that is growing at a rapid pace. These new breed of organisations are developing innovative and attractive business models



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that deliver services more efficiently and cost-effectively. Unless professional services organisations proactively compete with their peers and this new, budding generation of service providers, they are likely to be left behind.

I recently read the following quote from the General Counsel of a Fortune 100 company in a *Harvard Business Review* article: “I could find a decent tax lawyer in most firms. But when a tax lawyer successfully teamed up with an intellectual property lawyer, a regulatory

lawyer, and ultimately a litigator to handle my thorniest patent issues, I knew I could never replace that whole team in another firm.”

This really says it all. Professional services firms need to work towards making themselves indispensable to clients – and not by arm-twisting on price, but by delivering value that clients will struggle to find elsewhere.

To this end, firms must develop a business development strategy that is tightly aligned to the goals of the business. CRM systems facilitate this by providing intelligence and a 360 degree view on customer organisations and their network universe to help determine and even forecast future service requirements. At the same time, CRM systems offer a similar view on firms’ own cosmos of contacts and expertise, visibility of which can help determine new services and offerings that need to be developed to deliver added value to retain clients.

All this combined can enable firms to develop and drive key client management programmes based on the strength of relationships that exist and transparency of gaps in connections. Industry statistics show that winning a new client can cost as much as 10 times more than retaining an existing one. And a mere five percent increase in client retention can increase profits by 25 to 125 percent. Need I say more?



Second step: Make the leap from business development to strategic business analysis

With existing relationships and clients secured, professional services firms must then optimise their CRM systems, using them as a business management tool to assess the health of the business.

Questions like: Why do we win and lose pitches? Against which firms do we win and lose pitches? Which individuals in the organisation were involved in the pitches we won and lost? What level of collaboration took place across practice groups for the pitches? In which sectors do we win the most business?, and so on. Drawing out such intelligence from the CRM system can then enable firms to define their 'go or no-go' boundaries – rather than simply go chasing a deal because an opportunity presents itself.

For example, a report generated via the CRM system may show that a law firm has been successful in litigation-related bids in only 15 per cent of its pitches, losing 7 per cent of the time to the same one of three law firms. This insight then allows the firm to make a calculated and informed decision on whether it wants to beef up its knowledge and expertise in the area because litigation is a key component of the organisation's growth strategy; or re-focus on another area of law where it has better chances of success. Alternatively, the issue might be that every time the firm is losing to competitors on price. Knowing the underlying cause can help professional services firms avoid knee jerk reactions to business development initiatives

and take decisions based on commerciality.

Also, as the bid moves down the sales pipeline (yes, I mentioned the 'S' word!), CRM systems can help track all the information that is being generated and the team activities that are taking place. With access to the system via mobile devices anytime, anywhere, bid teams can always remain up to date with the latest status, and collaborate more effectively.

Firms that use the sophisticated analytics in their CRM systems are able to determine and improve their bid conversion ratios. DWF, a national business law firm, is a case in point. Today, DWF enjoys a bid conversion ratio of 71 per cent as a result of using its CRM system strategically as a serious business development and management tool.

Similarly, professional services firms should be using their CRM systems to manage and forecast their revenue pipeline and value. To illustrate, analysis from the data in the CRM system might reveal that, realistically, the total value of the revenue pipeline is a £100,000, split across three industry sectors. Boring down into the statistics further might highlight that 70 per cent of the prospects are in the late stages of the business acquisition process, and only 15 per cent are in the early stages of pitching. So if the majority of the new business comes to fruition in the next three months, the firm must have the resources in place to service the clients. Moreover, with only a small number of prospects in the initial stages, and given that the time lag between early contact to securing the

business is six months – how does the lack of new revenue impact the firm's growth targets? In this manner, by drilling down into the various phases of the new business pipeline, professional services firms can understand at what stage in the customer acquisition process each prospect is and accordingly plan into the future.

International law firm, Kennedys, is a good example of an organisation that has mastered the automation elements and is now piloting the pursuit of revenue generation opportunities via its CRM system. For instance, the firm will be able to determine its bid win/loss rate by client and competitor, which is an excellent indicator of the return on investment on the various business development activities being undertaken.

In addition, with the wealth of information residing in the CRM system, reports provide complete visibility of all business opportunities, their value and status. The insight will prove invaluable to senior partners and managers. For instance, an accountancy practice could use them to determine the quality of the firm's sales pipeline. Are the leads that are coming in low value whereas the goal of the firm is to bring in business generating upwards of £50,000 annually? Necessary measures can then be taken to resolve the issue.

CRM as a management tool

Adopting CRM as a serious management tool to track parameters like revenue pipeline, value of business opportunities, bid conversion ratios, profitable price points and so on; can help professional services firms make smarter commercial decisions that are aligned to the strategic goals of the organisation. The real value of CRM lies in using it as a strategic platform for client and business development strategy that is centred on business growth. It helps break down the silos – at functionality level (eg. contact management, marketing, business development); and at individual level (eg. fee earners, partners, financial managers) and so on. It however does require a change in mind set, both mercantile and cultural, but if adopted fully, CRM can be game-changing for professional services organisations.



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