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EXPERT VIEW

Explaining Salesforce.com to the CEO: Top 5 Business Payoffs

When you're ready to choose a new CRM system and need to explain "why Salesforce.com" to the CEO, you need to explain business payoffs, not jargon or the latest sales rep messages.

By David Taber

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TUE, APRIL 21, 2009 — CIO — Last week, we discussed [the top 5 misconceptions regarding Salesforce.com](#), keeping in mind that most of the lessons learned apply to any modern SaaS SFA or CRM system. This week, let's talk about how to explain the business payoffs in terms that business executives want.

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Like any CRM vendor, Salesforce.com has its share of sales messages that may make for good press, but aren't all that relevant to a CEO. Cloud computing. APIs and infrastructure? Though you need to understand those issues as an IT pro, leave that discussion at the door when you go to see the CEO.

Business Payoff #1: Increased sales productivity, improved profitability

A properly implemented SaaS CRM system can mean measurable improvements in deal win rates, number of deals completed per sales rep, and higher average sale prices (ASPs). Salesforce.com and other vendors go out of their way to publicize good numbers for each of these metrics.

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While there's nothing wrong with these improvements, productivity per se isn't the important part. It won't help your business if the reps get really good at closing money-losing deals.

The bigger impact of a well implemented CRM system is that the reps will be chasing the *right* prospects, and working on the most profitable deals. The whole point is to find ways of lowering the cost of customer acquisition and increasing customer lifetime value. Hint: this means more upselling, more repeat business, and more business coming from customer referrals.

Business Payoff #2: Better visibility and control

You might hear a lot about CRM systems providing a 360-degree view of the customer relationship. Yeah, right, in a perfect world. But let's keep expectations reasonable, and focus on some practical benefits:

1. You can really tighten up the sales forecast, and can get early warning signals if there are pipeline problems.
2. The system provides much more measurability of marketing, sales, customer support. But watch out: there's a danger that you'll measure some things too closely and spook your employees).
3. You can add controls on forecasts and quotes that make it easier to pass Sarbanes-Oxley audits.
4. You can run forecast updates and account reviews almost on the fly.
5. The system can tell you who where the customer problems are, so nobody should be blind-sided by an irate customer call. With SaaS CRM systems, every authorized user in your company worldwide will have real-time access to relevant data.
6. You can use workflow thresholds, alerts and approval cycles to move towards a management-by-

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exception style. Thanks to MBE and a kiosk model of information sharing, you can expect the number of internal "what's up with this?" emails to decrease (and who wouldn't celebrate that?).

Business Payoff #3: Less waste in marketing, sales

John Wannamaker's famous quote, "only half my advertising works I just don't know which half," seems to apply to all marketing activities. But a well-configured CRM system can provide pretty solid measurement of marketing effectiveness, with ROI metrics down to the individual campaign level. While these measurements can never be very precise, they can provide very clear comparative indications of which activities drive revenue and which ones don't. Redirecting your marketing dollars away from the unproductive events can make a big difference in marketing effectiveness.

A well managed CRM system can also provide guidance about prospects that are unlikely to result in profitable sales. Over time, your company can develop a profile of what makes a high-profit customer, and what prospects will be too hard to convert or too stingy on the upsells. By cutting these low-probability and low-yield sales cycles off early, management can simultaneously improve sales productivity and boost morale.

Customer support costs can be expected to decline, particularly if you have Service Level Agreements with penalties. Getting all the customer support reps on the system is step one, integrating the company's telephony system into the CRM is step two, and identifying/analyzing the outlier support situations is the step that helps you get the most out of your customer support team.

Business Payoff #4: Business agility, competitive responsiveness

The CRM system will provide you with the metrics and visibility to identify competitive problems and test solutions for best results. While this applies to any modern CRM system, there's another level of agility that applies more to SaaS systems that support Agile methods in IT.

Think of your CRM system not as a hard-and-fast *application*, but instead as a toolkit or framework with a user interface and APIs. Since business agility comes from being able to identify and adapt to the unexpected, a CRM system which is very extensible (modular, flexible, with lots of available add-ons) will be essential to your company's responsiveness over time.

Paradoxically, systems that are functionally rich "cradle to grave" solutions are seldom sufficiently adaptable later on. Because business requirements move very fast in sales and marketing, the ease of de-commissioning an obsolete function to make room for new business rules is an area you should evaluate.

Business Payoff #5: Make your priciest business process more reliable

Typically, the highest paid people in the company will be in sales. Yet the company's most unreliable business process is revenue generation. This unreliability shows up as lame marketing, erratic forecasts, one-off contracts, excessive discounting, rocky customer satisfaction ratings, weak profitability, and other issues. You wouldn't let your factory's production line be that unreliable. It's time to make your revenue process a consistent, predictable engine.

Any company that has not set up their CRM system to thoroughly instrument their marketing and sales process is running on gut and guesswork. Solving any of the problem areas listed above begins with identifying the problem areas, testing of proposed solutions, and enforcing of compliance to improvements—all through the data, analytics, and workflows of the CRM package.

Caveat: Nothing comes for free

Salesforce.com, like any CRM system, is no "point and shoot" miracle. You need to do a lot of work in data cleanup, system integration, and process improvements to enable the business impacts described above.

Further, all those business advantages happen when real users really use the system, because the data the system holds is far more valuable than the system itself. The CEO needs to know that if he or she wants this level of business results, the company is going to have to spend a lot of effort in getting users to adopt the system as a natural part of the way they do their job. If users view SFDC as a tool for executives to micro-manage the worker bees, there will never be the level of usage needed to achieve these business results.

For more on how to get users to enthusiastically adopt SFDC, check out Chapters 4, 5, and 6 of my book, *Salesforce.com Secrets of Success*.

David Taber is the author of the new Prentice Hall book, "Salesforce.com Secrets of Success" and is the CEO of SalesLogistix, a certified Salesforce.com consultancy focused on business process improvement through use of CRM systems. SalesLogistix clients are in North America, Europe, Israel, and India, and David has over 25 years experience in high tech, including 10 years at the VP level or above.



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The title of this article should have been "Explaining **CRM** to the CEO: Top 5 Business Payoffs" since the points mentioned are applicable for all CRM systems.

If you want to show how salesforce.com is different, you need to talk about SaaS (at least for now)

Anonymous Thu, 2009-04-23 08:23

Regarding potential sensitive data (in the case of customer private information) being accessed via the public internet - this is the salesforce.com model - what is the viability of this for major corporations and other entities required to provide secure access to this data? SFDC does not offer any other form of access.

benb Thu, 2009-04-23 08:58

Good points and true for any conversation used to convince a decision maker - discuss the benefits and stay away from jargon. SaaS is not a business benefit of salesforce.com.

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