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Define The Right CRM Metrics

by William Band and Anjali Yakkundi, April 10, 2012

KEY TAKEAWAYS

Define Business Goals

Quantify how your CRM initiative will either increase revenues from customers or decrease the costs of acquiring and serving them. Remember that executives will be writing the check, so understand executive goals and build from there. For each target business outcome, define a method for estimating the size of the expected benefit.

Formulate CRM Strategies And Tactics

Identify appropriate tactics for each important customer-facing function, including marketing, sales, and service. For example, if your business goal is to reduce the cost of sales, then your CRM tactics could be to increase sales per rep, shorten sales cycles, or improve the sales opportunity close rate.

Establish Appropriate CRM And Employee Participation Measures

Define specific metrics to track CRM results (e.g., calls per agent) and to track employee participation rates (e.g., number of missing data fields). AD&D pros should establish a baseline of performance and then define the increment of improvement for future dates. Monitor these metrics on a regular basis and take remedial action if you're falling short.

Link CRM Goals, Strategies, And Metrics

AD&D pros must make sure metrics are aligned with business goals, CRM strategy, and tactics. In order to align all three, make sure that all of your CRM goals have established metrics, and make sure that you can tie each of these metrics back to specific goals and strategies.

Define The Right CRM Metrics

Performance Management: The CRM Playbook

by [William Band](#) and [Anjali Yakkundi](#)
with [Stephen Powers](#) and Andrew Magarie

WHY READ THIS REPORT

This report outlines the method for defining metrics as part Forrester's solution for application development and delivery (AD&D) executives looking to implement customer relationship management (CRM) strategies and solutions. This report is designed to help AD&D execs measure and optimize results for CRM. A critical best practice for getting more value out of CRM initiatives is defining the right metrics to track success and prompt corrective action. In addition to defining specific metrics for operational functions such as sales, marketing, and customer service, application development and delivery (AD&D) pros also need to measure customer feedback generated by voice of the customer (VoC) programs and customer sentiment expressed through social media. Once these metrics are in place, it is also important to monitor employee adoption and participation metrics in order to ensure that information workers are making the most of new CRM tools. This report describes a five-step process for defining the right CRM metrics and provides more than 70 examples of specific measures to help you track success.

Table Of Contents

- 2 **Metrics Enforce The Discipline Needed For CRM Success**
 - 3 **Link CRM Strategy, Tactics, And Metrics To Business Goals**
- RECOMMENDATIONS
- 8 **Follow Best Practices To Get The Most From CRM Measures**
- WHAT IT MEANS
- 9 **The Right Metrics Are Part Of The Discipline That Leads To Success**

Notes & Resources

This document is part of a series in Forrester's CRM playbook.

Related Research Documents

[Navigate The Future Of CRM](#)

February 16, 2012

[The Smart Way To Implement Process-Centric CRM](#)

January 9, 2012



METRICS ENFORCE THE DISCIPLINE NEEDED FOR CRM SUCCESS

A few years ago, Forrester surveyed 58 executives to understand their best practices for getting more value from CRM deployments.¹ We found that successful companies focus on five fundamentals: 1) promote user adoption; 2) focus on business processes; 3) establish executive sponsorship; 4) practice sound customer data management; and 5) define the right metrics. These managers strongly supported the best practice of defining clear objectives and measures for CRM initiatives. As one customer management process improvement executive told us, “CRM is both a strategy and a set of tools, but not a press release. You need to pay attention to how well you are tracking toward your goals over the long term.” Executional discipline is what sets CRM winners apart from failures, and establishing the right metrics is part of that path to success.

The increasing need for organizations to deliver distinctive customer experiences, the proliferation of social media and technologies, and the need to drive information worker adoption across multiple technology tools are all changing and broadening the scope of the metrics that AD&D pros need to pay attention to. In particular, listening to the voice of the customer (VoC), monitoring customer sentiment as expressed through social media, and gauging information worker use of technology tools have all become more important, because:

- **VoC programs are now widespread.** Most execs recognize that customer experience is important to their business.² And because companies need accurate customer insight to provide effective customer experiences, it’s no surprise that VoC programs continue to gain momentum. The majority of large North American organizations have established companywide customer feedback metrics: According to a recent Forrester survey, 53% of surveyed firms reported that they currently have a structured VoC program in place, and another 25% plan to establish one in the next 12 months.³ Despite widespread collection of customer feedback, only 35% of surveyed customer experience professionals say that VoC insights systematically drive insight-based action.
- **Social technologies are proliferating rapidly.** Sixty percent of US online adults now visit social networking sites at least weekly.⁴ The social web phenomenon, which Forrester calls social computing, forces AD&D professionals to expand their thinking about CRM beyond optimizing a two-way relationship between enterprises and customers to include simultaneous interactions and conversations that customers have among themselves.⁵ All of the places where these conversations continue to grow — blogs; wikis; forums; rating and review sites such as Yelp; social networking sites such as Facebook; social media and user-generated content sites such as Twitter and YouTube; and platforms such as Jive Software and Lithium Technologies that support public and private customer communities — are potential rich sources of information about customer sentiment toward your brand that you should monitor and act upon.
- **Satisfied customers depend on engaged employees.** As one CRM vendor specializing in customer service put it, “You can’t have satisfied customers without satisfied employees.”⁶ A

CRM system will only help deliver effective and engaging customer experiences if information workers are actually using the system properly. Supporting information worker management and motivation is perhaps the most important, and often the most overlooked, category of business practices that will either turbocharge or sink your CRM initiatives.⁷ Customer management professionals must pay attention to information worker participation metrics in order to gauge and improve upon areas including training programs, corporate culture, leadership practices, and collaboration methods, all of which will ultimately help the organization deliver exceptional customer experiences.

LINK CRM STRATEGY, TACTICS, AND METRICS TO BUSINESS GOALS

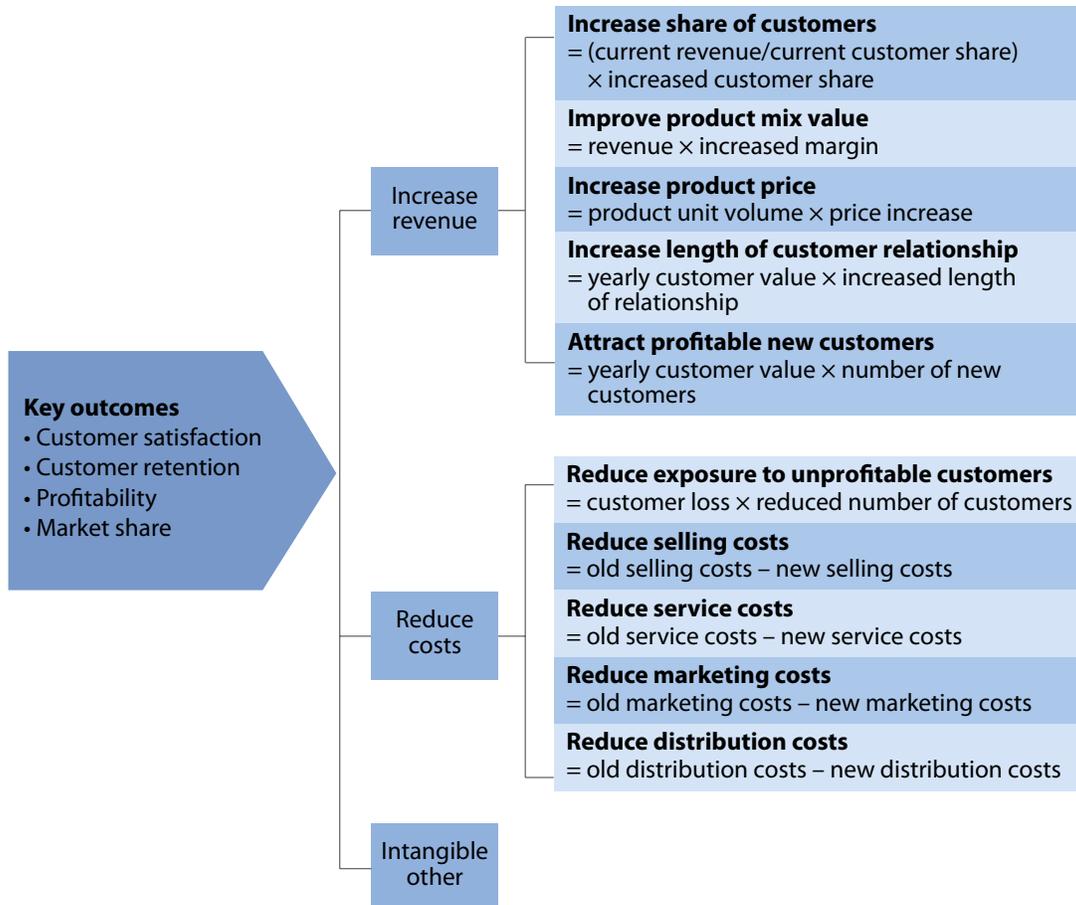
What is the goal of your CRM initiative? Is it to increase revenue per sales rep, increase average order size, decrease customer acquisition costs, improve customer retention, or decrease service response times? The process of defining a value-based CRM plan starts with linking the highest-level corporate business goals to a clear set of specific CRM strategies and tactics. Align CRM metrics with the business outcomes you are trying to accomplish so that you can track progress toward those goals. Follow these five steps to define the right CRM measures for your organization:

- 1. Define and quantify business goals.** Customer-facing business goals often include improving customer satisfaction, improving customer retention, achieving higher customer profitability, and improving market share. But what are these goals worth in terms of business benefit to your organization? You should quantify how your CRM initiative will either increase revenues from customers or decrease the costs of acquiring and serving them. Remember that executives will be writing the check, so understand executive goals and build from there. For each targeted business outcome, define a method for estimating the size of the expected benefit. For example, if your goal is to increase revenues by adding profitable new customers to your customer base, the benefit calculation is the number of new customers multiplied by the yearly value of a customer (see Figure 1).
- 2. Formulate CRM strategies and tactics.** The second step is to define your CRM strategies and tactics to achieve the business goals you've defined and quantified. Identify appropriate tactics for each important customer-facing function, including marketing, sales, and service. For example, if your business goal is to reduce the cost of sales, then your CRM tactics could be to increase sales per rep, shorten sales cycles, or improve the sales opportunity close rate (see Figure 2).
- 3. Establish appropriate CRM measures.** The third step involves defining specific metrics to track CRM results. For example, customer service metrics might include the number of cases closed per day, the number of calls handled per agent, or the service-level agreement (SLA) compliance rate. We see an increase in the use of VoC feedback metrics such as customer satisfaction, Net Promoter Score, and Forrester's Customer Experience Index (CxPi). Also consider social

listening measures such as social conversation buzz, reach, sentiment, and value.⁸ Or you may need to define customer life-cycle metrics such as number of customer trials, number of store visits, coupon redemption rate, or loyalty program usage patterns.⁹ Establish the current baseline of performance before you start your CRM initiative, and define the increment of improvement you want to achieve at a specified time in the future. Monitor these metrics on a regular basis and take remedial action if you find yourself falling short (see Figure 3).

4. **Link CRM goals, strategies, and metrics.** The next step is to make sure business goals, CRM strategy, tactics, and metrics are in alignment. For example, if your business goal is to improve revenue from new sources by 10%, your strategy might be to increase average deal size by selling more solutions instead of individual products. The metrics associated with this approach could be average deal size and average revenue per sales rep. Make sure that all CRM goals have metrics and that you can tie each metric back to specific goals and strategies (see Figure 4).
5. **Establish employee usage and participation metrics.** The final step is to establish employee participation metrics. Unlike employee use of back-office applications, employee use of CRM systems is often discretionary, and employees can often accomplish key tasks without fully using the system. In this age of empowered employees, information workers won't use systems that they deem inefficient or obtrusive. In order to get the most value from CRM solutions from a business standpoint, don't just collect the customer information. Once the system is up and running, AD&D pros should also track employee adoption and satisfaction patterns (see Figure 5). Employee adoption metrics help detect business inefficiencies in the system via usage and compliance tracking (e.g., number of log-ons, number of missing data fields, etc.). Other important metrics spotlight user satisfaction through formal surveys, focus groups, and social sentiment monitoring to check the pulse of the organization. CRM sponsors and department heads must continually monitor these metrics and use the results to identify and address areas that require further training, indicate ineffective resource allocation, or require further awareness and education activities.

Figure 1 Examples Of CRM Benefit Calculation Formulas



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Source: Forrester Research, Inc.

Figure 2 Examples Of CRM Tactics

| Marketing | Sales | Service |
|-------------------------------------|--------------------------------|---|
| Increase campaign response rate. | Increase sales per rep. | Increase customer retention. |
| Increase marketing source revenue. | Shorten sales cycle. | Increase customer service productivity. |
| Decrease lead generation cost. | Increase average order size. | Reduce customer service costs. |
| Decrease customer acquisition cost. | Increase close rate. | Decrease service response times. |
| Improve targeted prospecting. | Increase conversion rate. | Decrease call waiting times. |
| Accelerate lead maturation. | Increase revenue per customer. | Decrease solution resolution time. |

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Source: Forrester Research, Inc.

Figure 3 Examples Of CRM Metrics

| Marketing operations metrics | Sales operations metrics | Service operations metrics | Voice of the customer feedback metrics | Customer social listening metrics |
|--|---|---|--|--|
| <ul style="list-style-type: none"> • Number of campaigns • New customer retention rates • Number of responses by campaign • Number of purchases by campaign • Revenue generated by campaign • Cost per interaction by campaign • Number of new customers acquired by campaign • Customer retention rate • Number of new leads by product • Number of customer referrals • Customer lifetime value • Number of customers at risk • Number of web page views • Time per website visit • User goal completion rate (Web) • Average transaction volume • Average transaction value • Email list growth rate • Interaction frequency • Purchase frequency • Cross-sell ratio • Upsell ratio • Number of samples requested • Loyalty rewards usage pattern • Coupon redemptions • Number of views of branded content on social sites | <ul style="list-style-type: none"> • Number of prospects • Number of new customers • Number of retained customers • Number of open opportunities • Close rate • Renewal rate • Number of sales calls made • Number of sales calls per opportunity • Amount of new revenue • Amount of recurring revenue • Time-to-close by channel • Margin • Sales stage duration • Sales cycle duration • Number of demonstrations • Number of trials • Number of proposals given • Competitive knockouts | <ul style="list-style-type: none"> • Cases closed the same day • Number of cases handled by agent • Average number of service requests by type • Average time-to-resolution • Average number of service calls per day • Percentage compliance with SLAs • Percentage of service renewals • Complaint time-to-resolution • Propensity for customer defection • Calls lost before answered • Agent turnover rate • Number of customer callbacks • Number of agent training hours • Number of transfers to experts • Average service cost per service interaction | <ul style="list-style-type: none"> • Customer satisfaction level • Net Promoter Score (NPS) • Customer Experience Index (CxPi) score • Brand preference • Customer loyalty • Likelihood to purchase • Likelihood to repurchase • Likelihood to recommend • Likelihood to switch to a competitor | <ul style="list-style-type: none"> • Conversation buzz • Conversation value • Conversation volume • Demographics • Influence • Reach • Sentiment • Share of voice • Topic frequency • Virality |

Figure 4 Example Strategy Chart For CRM

Business goal: Increase revenue from new sources by N%.

| Strategy | Tactic | Metric |
|---|--|---|
| <ul style="list-style-type: none"> • Increase percentage of opportunities that close. • Increase deal size. • Improve acquisition targeting. | <ul style="list-style-type: none"> • Improve lead prioritization and qualification. • Target best customer “look-alikes.” • Expand sales capability and supporting tools to sell solutions rather than individual products. | <ul style="list-style-type: none"> • Deal win rate • Average deal size • Revenue per rep • Lead conversion rate • Win rate |

Business goal: Increase revenue from existing customers by N%.

| Strategy | Tactic | Metric |
|--|--|--|
| <ul style="list-style-type: none"> • Increase customer penetration. • Upgrade existing customers. • Improve customer retention. | <ul style="list-style-type: none"> • Use recommended portfolios and next best product indicators to cross-sell existing customers. • Implement proactive programs offering service contracts, repair/spare parts, etc. • Use best customer profile to target and upgrade (upsell) underperforming customers. • Target more profitable customers for retention and outreach programs. | <ul style="list-style-type: none"> • Number of products per customer • Percentage of customers with support contracts • Number/percentage of customers in top-performing segment(s) • Average length of relationship for more-profitable customers |

Business goal: Improve efficiency and reduce selling, general, and administrative costs by N%.

| Strategy | Tactic | Metric |
|---|--|---|
| <ul style="list-style-type: none"> • Optimize channel usage. • Improve sales rep efficiency. • Improve service efficiency. | <ul style="list-style-type: none"> • Shift low-value, standard, redundant transactions to lower-cost channels. • Automate quote/proposal process. • Facilitate team communication. • Provide faster access to complete information. • Provide self-service capabilities for appropriate requests. • Provide service reps with access to required customer information. | <ul style="list-style-type: none"> • Transactions by channel • Number of resources transitioned or not hired • Revenue per sales rep (actual value impact) • Average time required per key function (to show impact of tactic) • Number of calls to service center • Customer satisfaction surveys (to make sure satisfaction does not decline inappropriately) |

Figure 5 Diagnostic And Participation Metrics

| Participation metrics |
|--|
| Number of accesses |
| Number of missing fields |
| Time between updates |
| Number of inappropriate uses of system defaults |
| Number of times manual processes are used |
| Number of escalation calls to help desk |
| Number of inaccurate and/or out-of-date entries |
| Percentage of satisfied internal users (via internal surveys and focus groups) |
| Abandon rates (percentage of interactions where information worker hung up or failed to follow up on an escalated issue) |
| Sentiment analysis (voice-of-the-employee programs to surface employee trends) |

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Source: Forrester Research, Inc.

RECOMMENDATIONS

FOLLOW BEST PRACTICES TO GET THE MOST FROM CRM MEASURES

To get the most from your CRM metrics:

- **Define the right CRM strategy.** Use Forrester's self-diagnostic tools to assess your CRM capabilities against nearly 175 best practices and compare them with the results from more than 260 other B2B and B2C organizations.¹⁰
- **Define CRM metrics early in the project.** Unless you establish metrics early on, it is difficult to monitor the value of CRM initiatives. A global manufacturer and retailer that adopted a CRM tool to improve sales and marketing capabilities stubbed its toes because of a lack of appropriate metrics. Two years after implementing the tool, business managers were unable to demonstrate to senior execs that they'd realized any hard benefits from implementing the solution. The project team ruefully admitted that it had not defined the business-specific metrics it intended to improve at the beginning of the project. Had the team done so, it would not have found itself in the position of having to rejustify the CRM investment.¹¹ Don't spend so much time on the metrics that you forget about the project. Less is more, so pick some simple indicators early on and drill into more detail as needed to diagnose issues or take benefits to the next stage.

- **Measure what is important to customers.** Too many companies spend money on the wrong things — or actively annoy customers — because they never bother to ask what would help their customers. Consider using customer surveys or adding more-detailed customer preference options to let customers specify what they like and don't like, how they want you to contact them, and what is important to them. Start with one-on-one phone surveys or focus groups to home in on key issues and then automate for broader input and validation.
- **Measure employee engagement in order to increase adoption rates.** Your CRM solution will only be effective if information workers are actually using the system — and using the system properly. Pay attention to information worker participation metrics in order to gauge and improve upon areas including training programs, corporate culture, leadership practices, and collaboration methods. Ultimately, the technology is only as good as the employees using the systems, and engaged employees will help the organization deliver exceptional customer experiences.
- **Use metrics to guide employees.** Clear metrics help employees know what “success” looks like.¹² A telecommunications firm uses five key metrics for service reps: number of repeat calls; number of topics discussed per contact; hold time; call time; and customer satisfaction. A customer management technology platform supports the reps, putting them in a position to answer customer inquiries and respond to customer requests. Clear measures let them know how well they are performing.

WHAT IT MEANS

THE RIGHT METRICS ARE PART OF THE DISCIPLINE THAT LEADS TO SUCCESS

It's often said that you can't manage what you don't measure. Many companies have a grand vision to become more customer-focused, but the implementation of this vision often lacks practical focus and recognition of the typical constraints, such as time, money, and politics, that the organization must take into account to make the vision a reality.¹³ A CRM program should link tightly to business goals, focus on customer benefits, clearly identify the processes and constituencies that will be affected, and specify the associated information and functionality needs. The right metrics will provide the necessary discipline to keep your customer process management improvement initiative on track.

ENDNOTES

- ¹ Success with CRM can be elusive. Fewer than 50% of the executives we spoke with are fully satisfied that the business benefits of CRM have met or exceeded their expectations. Forrester interviewed 58 business and IT executives to uncover best practices for wringing more value from CRM deployments. Attention to discipline in execution is what sets CRM winners apart from the well-publicized failures. See the June 27, 2007, [“Best Practices: Getting The Most From Your CRM Deployment”](#) report.
- ² When we asked North American executives in Forrester’s Customer Experience Peer Research Panel how important customer experience would be to their businesses in 2010, 90% said that it would be either very important or critical. This percentage is very similar to the numbers we found in each of the previous three years. See the February 19, 2010, [“The State Of Customer Experience, 2010”](#) report.
- ³ According to data from the Forrester’s Q1 2011 Global Customer Experience Peer Research Panel Online Survey, most large North American companies have voice of the customer (VoC) programs in place. Yet most organizations still don’t get full value from their voice of the customer (VoC) programs: The sobering statistics show that most VoC programs lack the core capabilities needed to deliver value on a large scale. However, customer experience professionals plan to close some of their common capability gaps during the next 12 months. See the May 20, 2011, [“Voice Of The Customer Programs Don’t Deliver Enough Value”](#) report.
- ⁴ Source: North American Technographics® Online Benchmark Survey, Q2 2010 (US).
- ⁵ The social web phenomenon — which Forrester calls social computing — forces AD&D pros to expand their thinking about how their companies can and should engage with customers. Compounding this challenge, a confusing flood of new terms and acronyms now spills forth from pundits, offering new definitions of customer relationship management (CRM). See the March 2, 2011, [“Defining Social CRM”](#) report.
- ⁶ Organizations must put in place a change vision, governance structure, detailed change plans, a change management methodology or methodologies, an execution plan, continuous assessments, and performance incentives in order to move the company toward the new behaviors, work practices, and organizational culture. Leaders must anticipate some fallout, as major process changes affect employees’ lives. See the January 9, 2012, [“The Smart Way To Implement Process-Centric CRM”](#) report.
- ⁷ Customer experience professionals should draw on employees’ insight and influence to feed two key activities: improving customer experiences and building a customer-centric culture. The benefits include discovering emerging customer issues more quickly, generating improvement ideas more easily, and building strong links between employee and customer experience quality. To fully capitalize on the opportunity, firms need to establish disciplined voice of the employee programs that tie in with existing voice of the customer and human resources (HR) efforts. See the January 28, 2011, [“How The Voice Of The Employee Empowers Customer Experience Efforts”](#) report.
- ⁸ The growing popularity and influence of social media makes listening a critical research and insight generation activity. Marketers are turning to listening platforms to harvest the rich trove of consumer conversations generated across all social media including blogs, message boards, and social networks.

These platforms deliver a variety of listening metrics — including conversation volume, sentiment analysis, customer segmentation, and message reach to support marketers across a range of different listening initiatives including campaign analysis, crisis management, competitive analysis, and market research. See the May 29, 2009, “[Listening Metrics That Matter](#)” report.

⁹ To get the best returns from the adoption of a customer-centric approach to marketing, Forrester believes that marketers must make the shift from the traditional marketing funnel to the customer life cycle. Marketers must understand at what stage in the cycle marketing programs are more relevant, focus on information flows at customer hand-over points, and adopt across-cycle metrics to foster customer-centric alignment across different teams and functions. See the February 8, 2011, “[Customer Life-Cycle Marketing Demands New Metrics](#)” report.

¹⁰ To help understand how your organization stacks up against these best practices and to identify where you can best achieve quick wins, we created the Forrester FastForward self-assessment for CRM. Use the framework and self-assessment to improve your current CRM initiative or to jump-start new projects. See the November 5, 2010, “[Updated 2010: Forrester’s Best Practices Framework For CRM](#)” report.

¹¹ Avoid measurement traps such as failing to measure what is important to customers or defining measures too late into your CRM implementation program. See the June 27, 2007, “[Best Practices: Getting The Most From Your CRM Deployment](#)” report.

¹² Forrester’s analysis found that successful closed-loop VoC programs follow a four-step process: listening, interpreting, reacting, and monitoring. Two other components also lay the foundation for effective customer insight efforts: culture and alignment as well as governance and organization. To uncover best practices across the six components, we interviewed four firms with well-established VoC practices: Experian Information Solutions, KeyBank, Progressive Casualty Insurance, and Vanguard. Based on this research, we also developed a self-test for firms to assess their own VoC programs. See the March 17, 2010, “[Crafting Your Voice Of The Customer Program](#)” report.

¹³ How can you make sure your company gets the best return from its investment in CRM? Forrester developed a framework that includes more than 150 best practice CRM capabilities, organized into four categories: strategy, process, technology, and people. To help understand how your organization stacks up against these best practices and to identify where you can best achieve quick wins, we created Forrester’s Best Practices Framework For CRM. Use the framework and the self-assessment tool to improve your current CRM initiative or to jump-start new projects. See the November 5, 2010, “[Updated 2010: Forrester’s Best Practices Framework For CRM](#)” report.

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