

# How to justify your sales CRM costs

A STEP BY STEP GUIDE TO CREATING AN ROI REPORT TO SHARE WITH YOUR BUYING GROUP



**While you might be convinced that your sales team needs a CRM, your VP of Sales or CEO might not be as keen on the idea. Granted, a CRM is a major purchase and your company's decision makers want to make sure they're not wasting money.**

But unlike many other business purchases, a CRM offers considerable value over the long term and can grow with your business. Set up a compelling argument to answer the question: What will the CRM's return on investment (ROI) be for our company?

Follow the steps below to create a CRM cost justification report and convince influencers or decision makers in your company's buying group to approve the purchase.



## STEP 1

# Break down costs of lost sales opportunities

While very small sales teams may be able to store customer information in spreadsheets, as they grow, they'll need a robust, centralized tool. A CRM can do more than house data:

- Monitor all interactions between the customer and your company (e.g., emails, phone calls, in-person meetings, etc.)
- Analyze customer interactions and behaviors
- Create personalized experiences and offerings based on your CRM insights

But simply listing the above capabilities of a CRM is not enough to convince decision makers. You need hard data to back up the purchase. One way to do this is to show what lost sales opportunities are costing your company and compare that number to the cost of a CRM.

To source the cost of lost sales opportunities, review your sales forecasts (hopefully, you have reports with this info). Compare your projected sales versus your actual sales over a two-to-three-year period.

YEAR	PROJECTED SALES	ACTUAL SALES	DIFFERENCE
2017	\$100,000	\$60,000	\$40,000
2018	\$100,000	\$58,000	\$42,000



Now, identify each lost opportunity, note the type (e.g., deal, upsell, churned customers), assign a reason to each, and calculate the cost of the loss.

QUARTER	COMPANY	OPPORTUNITY	REASON FOR LOSS	YEAR 1 COST
Jan – Mar 2017	Juniper	Deal	Slow follow-up time	\$2,000
	Rocket Finance	Deal	Skipping stages of the sales process	\$1,000
	Fintechy	Deal	Slow follow-up time	\$2,000
	Count	Upsell	Missed email communication	\$3,000
Apr – June 2017	123 Accounting	Churn	Inconsistent messaging with support	\$500
	Marvin Accounting Firm	Deal	Skipping stages of the sales process	\$1,000
	Accounting for You	Deal	Slow follow-up time	\$1,000
	MySpreadsheet	Upsell	Missed email communication	\$2,000
July – Sep 2017	InvoiceMe	Deal	Skipped stages of sales process	\$500
	Accountable	Churn	Inconsistent messaging with support	\$3,000
	Brooks CPA	Churn	Lack of engagement	\$500
	Silver Dollar	Deal	Slow follow-up time	\$2,000
Oct – Dec 2017	RightMatch	Churn	Inconsistent messaging with support	\$3,000
	Lawson CPA	Deal	Skipping stages of the sales process	\$2,000
	Night Accounts	Upsell	Missed email communication	\$500
	AccountingBook	Upsell	Missed email communication	\$1,000
<b>Total</b>				<b>\$25,000</b>

If your company averages \$25,000 in lost sales opportunities over a two-year period, that's **\$50,000** down the drain.



Next, group similar losses (you may need to talk with your sales reps to source this info). For example, let's say that instead of a CRM, your reps are using a spreadsheet to store client information. A rep inserts all of the details for one particular deal into the spreadsheet, making a note that the prospect seems to be the perfect fit for the VIP package as they are happy with the free trial.

But after a week, the prospect contacts customer service with concerns about expensive features. Unaware of that interaction, the rep contacts the same prospect to sell them the VIP package. Lack of communication with support costs your rep the customer.

If you don't have sales forecasts to refer to, simply analyze your sales from each year, how many opportunities you lost during that time period, and the costs.

Or, if you're a newer company without years of sales for reference, calculate the cost of inefficient sales processes. For example, analyze how much manual data-entry costs you. If your ten-rep team is spending an average of five hours a week on data-entry and their time is worth \$20 an hour, your company is wasting \$1000 per week or \$12,000 per year.

Of course, a CRM can't take care of all sales problems. When crunching the above numbers, take into consideration that other reasons will influence losses, including hiring, rep skills, effectiveness of your product/service, demand, etc. Factor these impactors into your lost reasons. Focus on the lost opportunities that a CRM could have helped win.

## STEP 2

# Compare above costs with cost of CRM

A CRM assists with a variety of sales activities — from contact management and cold calls to email tracking and automatic sales reports. But what will these features cost you over time? And, is it worth more or less than your lost sales opportunities? Calculate the total cost of ownership (TCO) of a CRM over a two-to-three-year period.

CRM costs can be broken into two different buckets: up-front costs and hidden costs. The up-front price of a CRM might be \$75 per user per month for five users. However, many CRMs come with additional or hidden costs including:

- Training and implementation
- Support
- Data storage
- Mobile
- Integrations and API costs

These costs can quickly add up. With a CRM like the Salesforce Professional Package, extra space will run you \$125/month for 500MB. Full mobile functionality is an upgrade for Professional users and costs an extra \$50/month.

Read the fine print. Consult review sites such as G2. Ask peers about what they're paying for their CRM. Find out what features you'll actually receive for the price. Create a pricing sheet like the example below, which assumes that your team will expand from a five-to ten-person team and upgrade CRM features over a two-year period.

CRM	YEAR 1 COST	YEAR 2 COST
Upfront price	\$2,940	\$11,880
Training & Implementation	Included	Included
Support	Included	Included
Data Storage	Included	Included
Mobile	—	Included
Integrations & API	—	Included
<b>Total</b>		<b>\$14,820</b>

\$14,820 for purchasing and maintaining your CRM for two years.

However, you also need to factor in the cost of lost employee time during implementation. This step is crucial as 69% of CRM implementation fails because planning and implementation efforts fall short.

Let's say it takes two weeks to roll out your CRM. You estimate that reps will spend an hour a day over two weeks learning how to use it. A five-rep team x \$20 an hour x 10 hours = \$1000. Assume that it will take an extra week of learning when you upgrade the next year. If you've grown to a ten-rep team, that's 10 reps x \$20 an hour x 5 hours = \$1000.

$\$14,820 + \$1000 \text{ (Yr 1)} + \$1000 \text{ (Yr 2)} = \$16,820$  Total Cost of Ownership (TCO).

Ask your potential CRM provider how long the implementation process traditionally takes so your guesstimates are as accurate as possible.

Now compare your CRM cost to the cost of lost sales opportunities determined above.

Your company could save \$33,180 on sales operations with a CRM. Not a bad return on investment, right? These are the numbers you'll use to back up your claims that a CRM is a necessary purchase for your company.

What happens if the numbers don't justify a CRM investment? If you're convinced that a CRM will help grow your company and your sales team, work from hypothetical numbers to show how. Or maybe your team doesn't need a CRM right now but will later on as your team grows. In that case, this calculation is handy for smaller teams because it will show you when you need a CRM.

COST OF LOST OPPORTUNITIES	CRM COST	DIFFERENCE
\$50,000	\$16,820	\$33,180



### STEP 3

# Outline top three reasons for purchase for decision makers

You now have the data to back up your claims for a CRM purchase. Take that data and weave a narrative around it to convince your decision-makers that a CRM is a cost-efficient investment.

Consider the lost sale scenario where the sales rep didn't realize the prospect had talked with support and unfortunately pitched the VIP package. Outline how a CRM could have influenced this scenario. When the customer support rep receives the notification that the prospect is concerned with the price, your sales rep sees the interaction in the CRM. Instead of contacting the prospect with a VIP package offer, your rep contacts them with a discount feature that fits their business. Sale won.

Include these types of scenarios in your report. To get your wheels turning, let's break down what we learned from the data in Steps 1 and 2 and turn into reasons for a CRM:

## Reason 1: Slow follow-up time is costing us deals

Slow follow-up time impacted X deals over a X-year period, which cost us \$X in lost sales opportunities. Reps lost the most time on the following activities:

- Manual call data-entry
- Manual email tracking
- Manual calendar entry

We calculated that our five-rep team spends five hours a week on manual tasks, which takes time away from selling. A CRM automatically takes care of these tasks. For example, with a CRM, email accounts can be automatically integrated.

Rather than having to scroll through an email account to find the right prospect email, reps can use the CRM to track email communication with Leads and Contacts. Emails are automatically moved to the Lead

or Contact's record for easy viewing. In addition, a CRM provides insights such as the number of times rep emails have been viewed.

These capabilities would also save us \$X a week in wasted rep hours.

## Reason 2: Customers are churning due to lack of alignment & engagement

Customer churn rate increased by X% over a X-year period, costing the company \$X.

This can be attributed to the following factors:

- Sales department out of sync with customer support.
- Missed engagement opportunities.

Our sales and support departments are siloed at best. While we try to have regular monthly meetings with support managers, these efforts haven't been working



on the employee level and there's lack of communication between departments. Both sales and support reps are interacting with customers without knowing what the other department is saying. Brand messaging is inconsistent, which impacts the customer relationship.

We lost X customers last year because of inconsistent messaging with support. Churned customers said that sales told them our Basic Plan Account Feature was included in the initial price. However, support later informed them that they would have to upgrade to access these features.

A CRM ensures that communication with other departments and customers is consistent. All customer conversations with support and sales can be viewed within the platform so messaging is the same to customers. In addition, reps can see what customers are talking about on social media (with CRM integrations), the problems they're sharing with support, and automatic notifications to follow up—all opportunities for reps to engage with customers and decrease churn.

### **Reason 3: Upsell opportunities are overlooked by support & sales**

Missed upsell opportunities with existing customers cost the company \$X over X years primarily because important customer emails fell through the cracks. This problem can also be linked back to misaligned sales and support departments.

We reviewed rep emails in which current customers mention an upgrade or asked questions that could have led to an upsell. Support also shared the number of emails they received about upgrades but were not forwarded to our sales team.

Some CRMs can integrate support tickets with sales. Support can “notify Sales” when there's a lead or upsell opportunity that arises during a conversation right in the CRM.

Customer support reps are given more context from the sales process with this integration and are able to easily notify sales reps about sales opportunities. Support tickets are also directly accessible by the sales team so they can see every conversation with a customer across the company.

Use the above as a starting point for your own CRM justification reasons. Other examples include:

- Reps skipped stages in the sales process (e.g., jumping from prospecting to negotiations), which cost the company \$X worth of deals. A CRM gives the ability to create streamlined sales stages and customize as needed.
- X% of leads were unqualified last year. A CRM offers features such as lead scoring so qualification efforts are consistent. CRM integrations with marketing automation software also ensure that marketing is passing along the right type of leads.

Tell a story about what you found from the data and connect with how a CRM can solve these problems.

# Justify your CRM cost

Money talks; justify the CRM cost with hard data and clear facts. Write a succinct report based on the above information and deliver to the appropriate people in your company. Also plan to give a short presentation and expand on the examples given in the report. Discuss why a CRM is essential in saving money and helping increase revenue. You already know that a CRM is a cost worth paying — now your decision-makers will know it too.

If you're in the market for an intuitive CRM that includes a variety of features such as recording calls, reports, email tracking, etc., check out [Zendesk Sell](#) for a free trial!

