

CRM ROI Review

Optimizing Returns on Customer-Centric Strategies

Featured Customer:

Audi

Identifying Return on Investment
from mySAP CRM Solutions

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Audi expects 22% Internal Rate of Return (IRR) through 2005 on its mySAP CRM investment

REALIZING ROI BY:

Increased contribution from more targeted lead generation

Targeted direct marketing campaigns will drive more productive lead generation at Audi, resulting in over €2.3 million in revenue through 2005

Productivity improvements from process optimization

Access to up-to-date customer profiles will generate over €10 million through 2005 due to more efficient interactions and related quality improvements in customer care

Contribution from increased loyalty

Through dealer integration and global rollout of customer strategies enabled by mySAP CRM, Audi calculates a €3.4 million increase in contribution through 2005

Innovating the Customer Experience

With a history of excellence that spans nearly a century, Audi is one of the world's leading luxury automobile manufacturers. Much of Audi's success was founded on technological ingenuity. Following its entry into the luxury sector in the early 1990s, Audi capitalized on its ingenuity and has competed well on the luxury automotive sector's defining elements of innovative design, safety and performance. Since that time, Audi has enjoyed record setting results.

Audi remains focused on satisfying the needs of customers by building a brand that exemplifies individuality, exclusivity and product excellence. However, Audi management believed the company needed to differentiate itself even further in order to increase customer loyalty and repurchase. "All companies in this sector try to prosper on the basis of good quality, maximum safety and technical design," says Dr. Christoph Wargitsch, Head of CRM and New Media. "But if we were going to play in the premium league and gain competitive advantage, we needed to markedly distinguish ourselves from our competitors to gain the long-term customer loyalty we are all after." The challenge quickly crystallized: to sustain Audi's brand promise of top product quality while creating a fresh approach to generate repurchase.

Delivering a premium customer experience

That fresh approach was to utilize a Customer Relationship Management (CRM) strategy and technology to innovate the customer experience. Providing a rich customer experience across channels would prove vital to expanding brand relevance beyond product innovation alone.

If Audi was to deliver on its promise, it needed a consolidated, 360-degree view of customers based on a customer's lifestyle, life stage, product preferences and purchase motivations. Prior to its CRM initiative, disparate legacy systems and information stores inhibited Audi's ability to further interact with end users and identify their needs. Audi sought to establish customer-focused processes within customer care and marketing in order to meet those needs in an efficient and profitable manner. Only then could it drive repurchase by delivering relevant, individualized offers to customers at the right time.

Audi also recognized the critical role its dealers worldwide would play in acting on this customer insight. "While manufacturers traditionally relate to customers through brand promotion, dealers are critical in managing customer relationships," says Dr. Wargitsch. By collaborating around customer data, manufacturer and dealer would elevate the customer experience and make targeted offers at key points

across the entire customer lifecycle. This will create higher customer satisfaction, loyalty and repurchase.

Insight drives clear decisions

To enable its vision, Audi chose mySAP CRM based on two criteria, says Dr. Stefan Scholer, Head of Customer and Dealer Systems. The first was the ability to leverage systems already in use. Second, "The functionality of mySAP CRM would provide us a sustainable holistic view of the customer and allow us to integrate touchpoints. It was a clear decision," says Dr. Scholer.

Audi implemented mySAP CRM from October 2001 through April 2002. mySAP CRM enabled the integration of multiple customer contact channels—namely telephone, email, fax and letter—and the optimization of outbound marketing processes such as campaign management. Audi also connected mySAP CRM to its computer telephony integration (CTI) system to enable customer service representatives to personalize interactions with inbound calling customers.

The ROI of CRM

Increased revenue contribution and improved productivity constitute the bulk of Audi's return on its mySAP CRM investment. While Audi launched mySAP CRM in 2002, benefits have been calculated starting in 2003 to allow for employee acclimatization to new processes and technology. Audi projects an IRR of 22% through 2005. The IRR is based on a net operating benefit of €9.5 million on an investment of approximately €4.5 million. Benefit areas include:

Increased contribution from more targeted lead generation... Targeted direct marketing campaigns will drive more productive lead generation at Audi, resulting in over €2.3 million in revenue through 2005.

Cost-savings from retired legacy systems... By replacing its complaint handling system with the functionality of mySAP CRM, Audi was able to reduce costs by €400,000.

Productivity improvements from process optimization... Access to up-to-date customer profiles will generate over €10 million through 2005 due to more efficient interactions and related quality improvements in customer care.

Contribution from increased loyalty... Through dealer integration and global rollout of customer strategies enabled by mySAP CRM, Audi calculates a €3.4 million increase in contribution through 2005.

The 8 Point Takeaway

1. Elevate the customer experience

By using mySAP CRM to collaborate with dealers around rich customer data and manage the customer experience across channels, Audi will boost customer loyalty and repurchase while operating more efficiently. The result: 22% IRR through 2005.

2. Enrich brand value

Audi recognizes that providing value to the customer at each interaction point and across channels strongly influences customer brand perception, satisfaction and future purchase decisions.

3. Recognize the value of retention

By utilizing mySAP CRM to enhance marketing, sales and support capabilities, Audi expects over €3.3 million in revenue contribution related to loyalty increases through 2005.

4. Centralize data first

In 2000, Audi consolidated multiple databases into a central customer source, which currently holds data on over 700,000 customers, 600,000 vehicles and several million interactions.

5. Streamline individual touchpoints

Every inbound customer contact at Audi is recorded into mySAP CRM, regardless of channel. Phone and electronic communication data is automatically integrated, while faxes and letters are scanned into the system.

6. Bring product promotion and CRM together

Fueled by customer and prospect insight, Audi is using mySAP CRM to generate highly targeted campaigns and qualified leads. This will generate over €2.3 million in revenue through 2005.

7. Make customers a core competency

Audi's Board of Directors instituted CRM as an organizational core competency in 1999. Audi can now fully develop the customer-centric infrastructure and processes and set the stage for the highest return on its CRM investment.

8. Maximize existing assets

Audi holds a vision of integrated, customer data sharing between the dealer and manufacturer. Such collaboration will provide one face to the customer and deliver the premium customer experience.

THE ROI OF CRM*

Audi expects a 22% Internal Rate of Return (IRR) on its mySAP CRM investment through 2005.

in million Euros	'01	'02	'03	'04	'05	Total
Direct Investments	-2.15	-2.10	-0.27	0	0	-4.52
Operating Costs	-1.14	-1.61	-1.50	-1.34	-1.34	-6.93
Cost Reductions	0	0.10	0.10	0.10	0.10	.40
Increased Contribution	0	0	3.45	6.30	6.30	16.05
Cash Flow after CRM	-3.29	-3.61	1.78	5.06	5.06	5.00
ROI Calculation: IRR through 2005						22%

*Note: Savings calculated on direct cost comparison.

ROI Methodology

To assess the overall financial impact of the mySAP CRM implementation, Peppers & Rogers Group used two core methodologies:

First, a ValueMap®, a proprietary tool to Peppers & Rogers Group, was deployed to pinpoint the financial impact of specific elements of the CRM implementation on unique customer segments and treatment types. The ValueMap® takes a “bottom-up” approach to determine both current and prospective results.

The methodology of the ValueMap® is to identify customer segments and touchpoints affected by the mySAP CRM project and their related financial objectives. Then identify the specific functionality enhancements as well as key metrics impacted by each enhancement.

At that point, assess the post-implementation levels of the metrics and model the positive impact of the changes in cost savings or contribution enhancements. Then calculate total attributable gains plus the direct investment costs and changes in any other overheads (staffing, agency fees, etc.). The Return on Investment (ROI) calculation included the cost of both external and internal implementation work as well as incremental hardware.

Second, in addition to ValueMap® calculations, Internal Rate of Return (IRR) was used to determine the final ROI of the implementation. IRR was the chosen ROI methodology because it is the most conservative and explicit approach. Also, it is not dependent on estimating the appropriate hurdle rate (discount rate or opportunity cost of money) to be applied.

The IRR methodology is applied to net cash flows generated over the relevant time horizon measured in accordance with the Cash Flow Return on Investment (CFROI). This methodology has the advantage of eliminating the impact of company specific taxation circumstances and policies, as well as national corporate taxation conditions in the various countries in which the ROI Review studies take place.

About the ROI Review

The ROI Review is a periodic report detailing the implementation of enterprise-wide, client-server applications, specifically the mySAP CRM customer-centric solution. The ROI Review is published by Peppers & Rogers Group, a global management consulting firm specializing in customer-based business strategy. Peppers & Rogers Group helps Fortune 1000 companies around the world identify differences within their customer bases and use that knowledge to gain competitive advantage.

Peppers & Rogers Group

Peppers & Rogers Group is a management consulting firm recognized as the world's leading authority on customer-based business strategy. It is dedicated to helping companies compete and win by identifying differences within the customer base and using that insight to maximize the value of each and every customer relationship. Led by *ItoI® Magazine*, Peppers & Rogers Group's independent media division reaches 250,000 CRM decision makers weekly with a broad array of print, interactive and custom publications. Peppers & Rogers Group is a Carlson Marketing Group company headquartered in Norwalk, Conn.

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