

SAP Case Study



BUSINESS CASE STUDY **FOR SAP® RM-CA AT** **T-MOBILE AUSTRIA**

OVERVIEW

SAP® Revenue Management – Contract Accounting (SAP RM-CA) is an accounting system specifically designed for the telecommunications industry to capture and efficiently manage millions of accounts receivable. The capabilities of SAP RM-CA also include managing related activities, such as dunning, tracking customer payments, producing data reports for customers, and building a database of raw data for archival retrieval.

This document summarizes the results of a study completed in early 2003 by a combined team from T-Mobile Austria and SAP. The study looked at whether the implementation of SAP RM-CA at T-Mobile Austria produced measurable economic benefits – such a positive return on investment (ROI), process enhancements, and non-tangible benefits – to the company.

Since the implementation was completed in 1999, the system is considered stable today and its full potential could be evaluated. A post-implementation business case study was developed to compare the “as-was” situation with the “as-is” situation. This case study clearly shows the benefits gained that are related to the implementation of SAP RM-CA.

The following sections provide an overview of the results of the study, an illustration of the methodology used, and a description of the benefits that T-Mobile Austria has achieved by implementing SAP RM-CA.

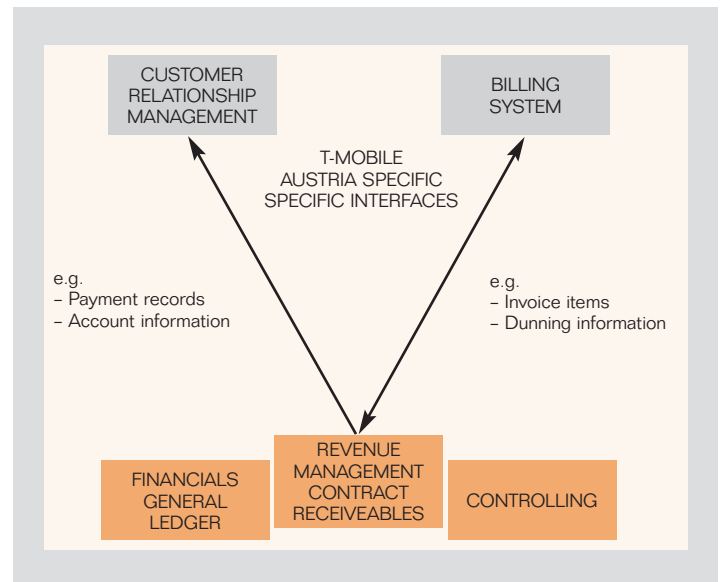


Figure 1: Project objectives and project challenges at t-mobile Austria

RESULTS

T-Mobile Austria, founded as max.mobil, is a wholly owned subsidiary of T-Mobile International AG Germany. The company offers a broad range of mobile communications services to both private and business customers. As one of the largest private mobile companies in Austria, T-Mobile Austria currently serves some 2.1 million customers.

To improve their competitive edge as well as meet legal requirements, T-Mobile Austria turned to SAP RM-CA. The company's goal was to reduce customer response time – as well as streamline data integration and business processes – across the entire customer life cycle and system landscape.

The overall results of the study indicate that T-Mobile Austria's investment to implement the SAP RM-CA component has led to a positive ROI, as well as a positive net present value (NPV). Due to confidentiality constraints, the detailed figures of the study cannot be disclosed.

The areas that were identified and measured to ascertain the positive value contribution of the SAP RM-CA implementation are illustrated in Figure 1.

The economic benefits identified and measured can be attributed to two different sources:

- Process improvements through increased efficiency and/or additional functionality
- IT-related benefits

Non-tangible benefits form additional value contributions. The financial impact of these “soft” benefits, such as customer satisfaction, were not quantified in the study, but were ascertained from interviews.

PROCESS IMPROVEMENTS THROUGH INCREASED EFFICIENCY AND ADDITIONAL FUNCTIONALITY

The following highlights point out the processes and process areas in which the SAP RM-CA implementation made positive contributions at T-Mobile Austria. The improvements are shown as a percentage value.

Sales Outstanding

With SAP RM-CA, T-Mobile Austria manages dunning more efficiently, doubling the weekly dunning proceedings from two to four. The ability to run more dunning proceedings per week has a direct impact on the days' sales outstanding (DSO) indicator. A reduction of DSO improves financial performance by reducing working capital and increasing free cash flow. Additionally, because fewer customers are included in each dunning process, there are fewer peak call periods by customers into the call center.

More accurate and timely information led to reduced reconciliation and better management of the billing process, lowering the DSO and reducing the number of accounts receivable and disputes per order cycle. The amount of time formerly spent resolving disputes was reduced.

The productivity in this area showed a 17% improvement.

Reduction of Bad Debt

By increasing the number of dunning proceedings and improving transparency, T-Mobile Austria was able to recognize earlier when a customer was unable to settle an invoice and thus take appropriate actions earlier, such as handing the issue over to a lawyer to start legal proceedings.

With SAP RM-CA, the company's doubtful accounts receivable have been cut significantly and the process of identifying delinquent customers has improved. The losses caused by bad debt were reduced, leading to improvements in financial performance (such as revenue and cash flow). Additionally, the number of accounts sent to collection agencies and the fees paid on average for collection have been reduced.

The benefits gained in debt collection amounted to 10% improvement over pre-RM-CA implementation figures.

Processing of Incoming Payments

With SAP RM-CA, T-Mobile Austria reduced the time for processing incoming payments. And, through process automation, manual efforts were reduced and errors caused by manual data processing were avoided. The company showed a 17% gain in productivity by reducing the average time and effort spent in processing payments.

Dunning Processing

Besides improved dunning, additional productivity gains have been identified in the study. SAP RM-CA provides tools for tracking receivables as well as providing the maximum results in collection efforts while automating control of reminder lists. The time needed for this activity was reduced from four hours to five minutes, including automated clearance for dunning the remaining customers. The cost of incorrect dunning was reduced as well.

SAP RM-CA allowed more precise dunning processes for T-Mobile Austria, utilizing various status and dunning stages. Flexible, rules-based dunning enabled varied dunning standards for different customers, including more careful handling of VIP customers.

The dunning procedures have been accelerated overall, and are now 10 times faster than before the implementation, leading to productivity gains estimated at 15%.

Payment Processing

SAP RM-CA has improved payment processing in that manual data processing has been reduced with a corresponding reduction in errors. Other benefits are higher flexibility in payment processing; better determination of which open item(s) to clear with a payment; and a rules-based engine. Customers receive only one invoice. Additionally, payments are automatically assigned to open items in place. The improvements led to pro-

ductivity gains through reduced processing times and costs. For example, payment processing is now completed one day earlier. In addition, the number of returned payment transactions was reduced.

A productivity gain of approximately 10% has been identified in payment processing.

IT-RELATED BENEFITS

In addition to the economic benefits, SAP RM-CA at T-Mobile Austria led to several IT-related gains. Before the implementation, the complete billing and accounting process was handled solely in the BSCS system. BSCS was divided into three areas:

- Customer maintenance, including handling of all customer data
- Accounts receivable with all related processes – deductions, dunning, payment transactions, back payments, and cancellations
- General ledger and account reconciliation

The BSCS system at T-Mobile Austria experienced frequent system crashes due to parallel database accessing. These crashes occurred four to six times per month and required about one hour of downtime for rebooting. Booking and accounting in BSCS were based on a structure that did not support the accounting system sufficiently, resulting in the types of maintenance issues described. Data was transferred via interfaces between in-house and external systems and, as a result, errors and meaningless data were regularly passed on from the BSCS to the general ledger and banking systems. Accounting practices were characterized by insufficient transparency and a lack of clearly defined procedures. Customers' failing to pay or missing payments, and erroneous bookings were not treated consistently, nor were employees required to formally report these incidents.

Today the billing and accounting system structure at T-Mobile Austria has three layers:

- BSCS as a billing system
- SAP RM-CA as the accounting system for the subledger
- SAP Financials (SAP FI) for the general ledger

Prior to the implementation of SAP RM-CA, T-Mobile Austria's accounting and billing data were kept in BSCS. With SAP RM-CA, these data sets were separated and BSCS became the leading system. Any change in the master data is generated in BSCS and then transferred to the other SAP systems via unidirectional interfaces. BSCS, as a billing and rating system, generates the accounts and transfers them to SAP RM-CA.

SAP RM-CA is used as an accounting system for the subledger in which accounts receivable are booked and archived. In SAP RM-CA the accounts are maintained; in the general ledger only summarized bookings are kept. SAP FI displays the total financial picture of T-Mobile Austria and SAP RM-CA shows individual bookings.

Currently T-Mobile has an asynchronous posting to the general ledger. The single accounts available in BSCS are summarized and the consolidated data are booked into the general ledger of SAP FI.

A third system in place is SAP R/3®, which is used for:

- Profit and loss account
- Balance sheet
- Information about the affiliated group

Reconciling the master data between SAP RM-CA and BSCS is performed online on a daily basis. Data is transferred from the subledger to the general ledger via a unidirectional interface. Data is only transferred from SAP RM-CA to SAP FI, not vice versa.

SAP RM-CA allows the use of the latest data formats to facilitate automated communication with the banks, which enables T-Mobile Austria to perform payment runs much faster than with BSCS. Additional interdependencies of various subprocesses have become obsolete. With BSCS, it was not possible to have the payment, billing, and dunning processes in parallel, due to time conflicts. (Running the subprocesses required a great deal of time.) Cycle time has been reduced. It now takes the company only 1.5 hours per run for 2.1 million customers

and a final accounting and a balance is possible at any time. Before SAP RM-CA, this activity required at least a week. The bottom-line benefits included a shortened “time-to-cash” and fewer error lists, which reduced the reworking time.

The time needed for canceling an entry has been reduced from 5 minutes to 10 seconds, and the time needed to retrieve and display information is now 3 to 5 seconds faster. In addition, the data is of higher quality and more detailed. Due to recovery systems now in place, the level of security has also been increased.

The ability to view consolidated customer information in SAP RM-CA has diminished the impact of data inconsistencies from multiple billing systems. The time to create reports has been reduced from six days to instantaneously (core SAP R/3). Internal reporting requests can also be created immediately – with the old system it took two weeks (core SAP R/3).

On average, T-Mobile gets software updates every 14 months. Today, these updates are much more stable and simpler than they were with BSCS. Updates automatically perform system-wide changes and bug checks; an additional test system supports these procedures as well.

NON-TANGIBLE BENEFITS

Credit Items

With SAP RM-CA, T-Mobile Austria is able to generate a credit form automatically. Large business customers, who need the form for their own accounting, view this feature as a service enhancement.

Customer Care

The implementation of SAP RM-CA enabled T-Mobile Austria to increase its call center efficiency by providing detailed information and reports to call center employees. The following information and service items are currently available:

- Faster and more accurate account information – payments and account balances could be provided to the customer one to two days faster

- Customer invoices are now in Adobe PDF format and are available to call center employees
- Dunning history
- Dunning levels
- Refusal history
- Deferred payment plans
- Change in master data (via middleware)

That information and service led to a better quality of service, a shortened average time per customer call, and a lower call rate by reducing the need for follow-up calls.

To address security issues, access to the data in the call center is limited to read-only access, eliminating data entry into the SAP RM-CA system.

SUMMARY OF BENEFITS

The deployment of SAP RM-CA has improved T-Mobile Austria's productivity while reducing costs and transaction times as well as errors and performance problems. The reduction in manual data processing and the implementation of a true accounting system has led to a corresponding reduction in errors.

Dunning procedures have been accelerated and are more precise and faster than before; doubtful accounts receivable have been cut significantly. Workflow and associated escalation procedures ensure that business processes are handled consistently and correctly.

Employee productivity at T-Mobile Austria has increased and the company is now able to offer higher-quality customer service. Data checking within BSCS and the associated problems with poor data quality have been eliminated.

T-Mobile has reduced IT costs for transaction processing by using parallel processing (mass processing) to increase the speed of transaction processing. The implemented workflows and associated escalation procedures ensure that employees perform business tasks correctly and consistently.

T-Mobile Austria now has a more customer-centric view and improved customer service. The company is also able to analyze receivable data from different perspectives: geographic, corporate, service type, market segment, and client representative.

The overall improvements in efficiency and productivity resulted in a positive ROI as well as a positive NPV. For confidentiality reasons, however, the detailed figures of the study will not be disclosed.

METHODOLOGY

The SAP RM-CA ROI study sought to determine if the implementation delivered sustainable economic benefits for T-Mobile Austria. The study compared the “as-was” state (prior to the implementation of RM-CA) with the situation today – “as is.” The process differences between those stages were then identified and mapped against key performance indicators (KPIs). From that, the economic value was calculated and compared to the full cost of the project. As a result the ROI (percentage) as well as the NPV (discounted) of the investment could be calculated.

Figure 2 provides an overview of the methodology used.

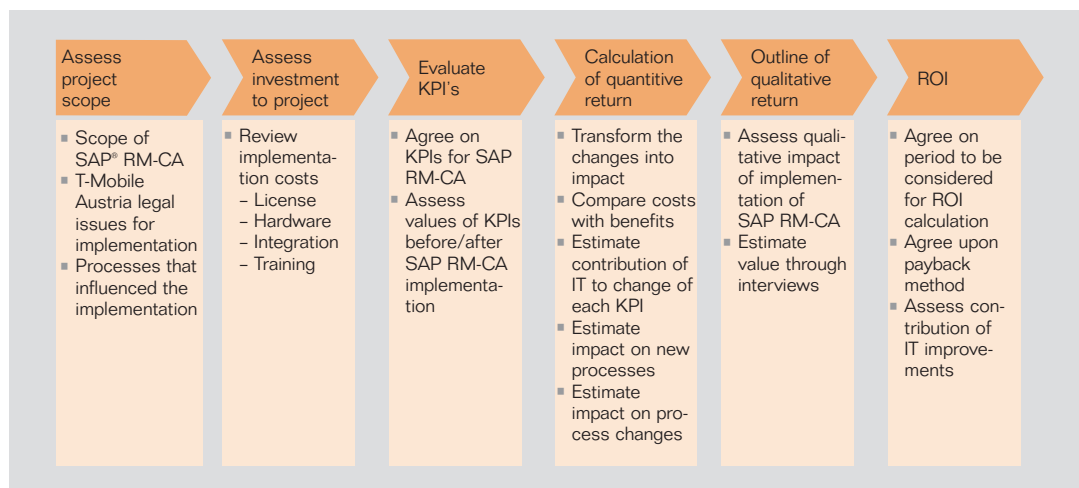


Figure 2: Methodology Overview

The background information to establish the “as-was” and “as is” situation was derived from interviews with T-Mobile employees and company documents. The interviews were face-to-face with the employees who were involved in the project and subject matter experts.

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