

CRM ROI Review

Optimizing Returns on Customer-Centric Strategies

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C.H. Beck will Achieve an ROI of 56% on its mySAP CRM Investment

Founded in 1763, C.H. Beck with 10,500 deliverable publishing products, 60 professional journals and 1,000 new publications and editions each year is one of the leading publishing houses in Germany. The main focus lies on judicial publications in the area of laws, taxes and economy. A further business area deals with literature, specialized books and science. One hundred editors look after 9,800 authors in mostly writing legal comments or publishing new laws.

In January 2005, C.H. Beck saw a strategic opportunity to strengthen and improve its relationships with authors, as they represent the business value of publishing houses. In addition, C.H. Beck believed that more robust author relationship management processes would be an important competitive differentiator.

Until this point, C.H. Beck's author relationship management processes were manual and time consuming. Each editor administered information about authors, intellectual properties, contracts and licenses using a paper-based or electronic file card system. C.H. Beck also recognized that its royalty account management processes could be more efficient; royalty accounting needed intensive support by the IT department, requiring additional administrative processes to create royalty accounts.

To bridge the gap, C. H. Beck implemented mySAP CRM Intellectual Property Management (IPM) as well as SAP R/3 with Industry Solution Media. C. H. Beck

kicked off the deployment with a pilot project, namely, the implementation of a new royalty accounting process, through which the IT, financial and royalty accounting departments will realize productivity savings and process improvements. In 2006, the mySAP CRM/IPM solution will support editors with centralized, easy access to author data, intellectual properties, contracts, and licenses, improving editors'

efficiency by providing a 360-degree view of authors.

The calculation of benefits and costs projects a 56% Internal Rate of Return (IRR) on C.H. Beck's mySAP CRM investment. The ROI calculation is based on realization of a net operating benefit of €858,500 from process cost savings and €469,300 initial and on-going investments. The IRR represents an important internal efficiency increase in C.H. Beck's author relationship management processes, setting a firm foundation for a successful future.

THE PLAN:

C.H. Beck saw a strategic opportunity to strengthen and improve its relationships with authors, as they represent the business value of publishing houses.

FEATURED CUSTOMER:



C. H. Beck will see 56% IRR through 2009

Enabling active author relationship management

Benefits of €99,000 in 2006 and €132,000 per year starting from 2007 with contact management

Reduction of manual research times

Cost savings of €49,500 in 2006 and €66,000 on-going from 2007 via access to author master data, intellectual properties, contracts and royalties

Increase in productivity

Cost reductions of €33,400 per year from quarterly royalty accounting

Integration of license fee billing

Savings by integration of license fee billing of €2,400 per year

For more information, please call 1-800-283-1SAP, or visit www.sap.com/solutions/crm/customer-success/roi.asp

Please refer to material no. 50077229.

For our summary of this ROI Review, please refer to material no. 50077230.



"With the combination of process consulting, the ARIS modelling tool and the SAP Solution Manager, we have introduced a new royalties payment system based on SAP for Media without a hitch."

Mr. Bernhard Böhm
Head of SAP Applications
and Project Manager of the
CRM/IPM project

Company Overview

Founded in 1763, C.H. Beck is one of the oldest and most recognized privately owned publishing houses in Germany. Starting as a printing office, C.H. Beck became a well-known publisher and retailer for science books in the 19th century and expanded as a publisher for legal texts and literature.

Today, C.H. Beck produces over 10,500 printed and electronic publishing products, approximately 60 professional journals and over 1,000 new publications and editions every year.

Approximately 1,500 employees in the group and 100 editors manage more than 9,800 active authors in two editorial segments: legal-tax-economics and literary, fiction and non-fiction books. The legal and economic segment contains many standard works with a high reputation in the German speaking world among lawyers, notaries, judges, tax consultants, fiscal experts and accountants. The legal department covers all judicial areas including tax law and all types of media publishing including electronic products, law texts, legal commentaries, journals and loose-leaf editions. The fiction and non-fiction book segment also holds an important number of the most reviewed and read German and international authors.

With its headquarters in Munich, C.H. Beck holds several German and European subsidiary companies in the publishing, distribution and retail sector for publishing products and is constantly expanding. Integrating both authors and customers in the product development process is a major goal over the next few years. To fulfil this objective, C.H. Beck plans to provide more services for authors, including contact management.



C.H. BECK AT A GLANCE

BUSINESS AND PRODUCTS:

The product range of C. H. Beck covers fiction, non-fiction and science books as well as legal, tax and economic publications and journals. C.H. Beck holds several European subsidiary companies in the publishing, printing, distribution and retail sector for publishing products.

HEADQUARTERS: Munich, Germany

EMPLOYEES: 1,500

OWNERSHIP: Privately owned by Dr. Hans Dieter Beck und Dr. h.c. Wolfgang Beck in the 6th generation

SOLUTIONS ENVIRONMENT: mySAP CRM (IPM) 4.0; SAP R/3 4.7.2 IS Media, FI/CO, SAP Solution Manager 3.1

mySAP CRM USERS: 26

KEY EXECUTIVES AND INTERVIEWEES AT C.H. BECK:

Dr. Hans Dieter Beck, Owner

Dr. h.c. Wolfgang Beck, Owner

Mr. Peter Saßnink, CFO

Dr. Christian Andres, Head of Information Technology

Mr. Reinhard Strunk, Head of Accounting and Controlling

Ms. Angela Wiedemann, Head of Royalty Accounting

Dr. Thomas Schäfer, Legal Editorial Office of C.H. Beck

Dr. Jürgen Schechler, Editorial Office for Business and Social Sciences of Franz Vahlen GmbH

Mr. Bernhard Böhm, Head of SAP Applications

From Author–Editor Acquaintance to Author Relationship Management

In order to improve competitive advantage, C.H. Beck strives to provide its editors with author relationship management support. The success of a publication in the scientific or judicial area depends highly on the reputation of the authors. These authors may be employed as lawyers or judges for a highly specific field of law, or hold a chair at a university. Therefore, gaining interest and acceptance for authors for a new publication or article are the most important and complex tasks for editors.

As such, the speedy acquisition of authors as well as ongoing relationship and writing support becomes an important competitive factor. It usually takes 6 to 8 months from the first contact with an editor for an author to gain approval to write an article for a book. Because of the lengthy process, an average of 10 authors will write and contribute for one work. It is not unusual for a book to be written by more than 40 different authors.

For example, after a law has passed, lawyers request comments from accepted experts concerning its interpretation and practice. Due to competitive pressures, these requests may require short timeframes.

Supporting and growing author relationships

An editor's job is to manage authors and potential authors efficiently and effectively. Today, C.H. Beck negotiates and manages approximately 9,900 new contracts and contract changes per year. On average an editor receives 30-40 emails and 15-20 calls per day. Given the volume, managing these contacts and agreements challenges their editors.

In the past, editors captured information about authors using a paper-based file card system or Microsoft-based electronic files. However, information regarding titles, author master data, licenses or paid royalties were stored in separate systems that only the administration or sales department could access. In order to receive information about royalty payments, the editor had to request this information from the royalty accounting department. Furthermore, important author information, such as the membership of an author in a working committee, had to be researched using external sources, which took a significant amount of time.

C.H. Beck needed a strategy and enabling technology that manages contacts, author information, their works, contracts, licences, intellectual properties and royalty payments, providing editors with a single view of C.H. Beck's total relationship with an author.

Improving efficiency in royalty accounting

The first step in C.H. Beck's author relationship management strategy was to improve processes in royalty accounting and payment. It was critical to the strategy to have more detailed controlling and reporting of royalties, accounting status and licenses.

C.H. Beck manages 20,000 accounts per year, of which 5,000 accounts are edited each quarter. The company's former system had problems in processing this large amount of data. Before the start of each quarter, the IT department had to create data backups. It was not unusual for the quarterly import runs to fail or be interrupted, looking to the IT department to restore and correct these failures manually. As a result, the royalty accounting department was not able to start the accounting process without support of the IT department.



"Flexible and reliable royalty accounting based on a future-proof IT structure is crucial for the services we want to offer our authors."

Mr. Reinhard Strunk
Head of Accounting and
Controlling and Member of
the Steering Committee
of the CRM/IPM project



"When we look at the business processes royalty accounting and controlling, mySAP CRM IPM fulfils an essential task. But the real benefit of the SAP CRM solution results from the integrated support processes of recruiting new authors, taking care of writing authors and management of author contracts"

Dr. Christian Andres
Head of Information Technology and
Member of the Steering Committee
of the CRM/IPM project

It was clear to C.H. Beck that the royalty accounting department could no longer accomplish this amount of work manually. Additionally, the royalty accounting administration had to give other departments, such as the editors, information about author master data or accounting status. Furthermore, the old system created royalties solely per title, requiring the accounting department to manually sort the 5,000 invoices each quarter by author.

Deciding on a Value-added Solution

In C.H. Beck's former system landscape, editors had no technological support to manage author, contract or work information. Additionally, the system that facilitated the royalty accounting department was disconnected from systems that were used for adjoining processes. Data from other sales systems had to be imported manually to the royalty payment software. The calculated accountings of royalty payment system had to be entered twice, because of no interface existing with SAP R/3.

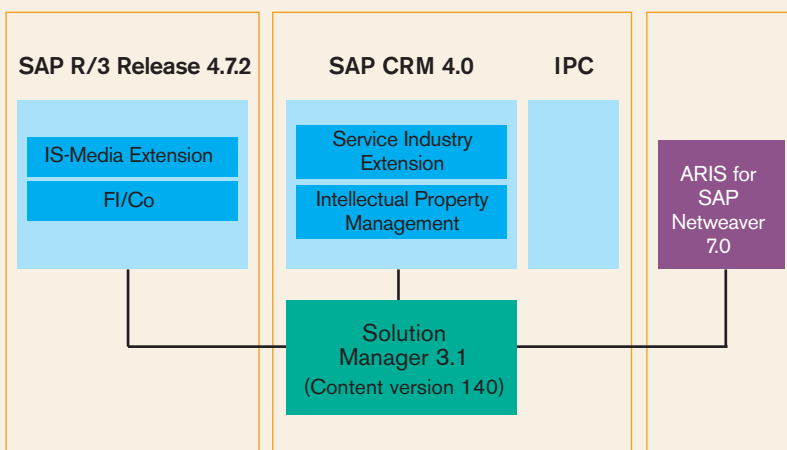
In 2004, C.H. Beck started a software assessment based on functionality, coverage of future projects, integration degree and costs. For C.H. Beck, the move to mySAP CRM was a natural choice. "There were three points that turned the balance to mySAP CRM IPM," recalls Dr. Christian Andres, Head of Information Technology. "First, the product master data as basis for easy enhancement in the future of further integrated processes such as Advertisement Planning and Controlling, marketing functions like campaign management up to physically Product Delivery and stock administration. Second, the high integration with SAP R/3 IS Media and SAP FI and last but not least the costs." Looking forward, C.H. Beck plans to implement reporting and ratio system with SAP BW in 2006.

Making the processes real

The mySAP CRM implementation began in January 2005 with the prototype phase. In the second phase, the IT department and other stakeholders designed the master data for intellectual property management in mySAP CRM, as well as products, sales and author management in SAP IS Media.

In the prototyping phase, the project team designed the future target processes in ARIS for SAP Netweaver, including contract management, license management and royalty payment accounting. After three months, the complete prototyping phase was finished and released by C.H. Beck. The IT department used the following months to enhance and deepen functionality, to integrate the sales system, to test integration and train the core users. C.H. Beck plans to go live with the new processes at the beginning of January 2006. The implementation of contact management for editors is planned until the end of the March 2006.

C.H. BECK TECHNOLOGY LANDSCAPE



Author Relationship Management: Enforcing a Competitive Advantage

With mySAP CRM, C.H. Beck's editors now receive a central tool to improve the management of author relationships. The unified view of important and detailed information, such as the author's area of interest or membership of working groups of the 9,800 active authors, can be stored and easily recalled at any time. Each editor can recall whether an author has already written articles or books for C.H. Beck.

The usage of mySAP CRM-enabled author and contract management processes avoids the time intensive paper-based information handling or personal electronic file system. Information requests to other departments are no longer necessary. This decreases the administrative time of the editors dramatically. The time gained can be invested in value-added author relationship of project management.

With stronger author relationships, C.H. Beck can strengthen its competitive edge. To know an author and his interests is the precondition for successful collaboration. Now, each request, agreement, memo, contact channel or information of an author contact can be stored in mySAP CRM. With a robust contact history, the editor finds new possibilities to secure an author for a new project or even for a project idea. The active contact planning supports editors to keep in contact with authors and can abbreviate the development cycle for a book or articles. By reducing the amount of paper-based memos, the editors increase their efficiency by more personalized, successful author interactions.

Saving administrative time while enhancing author service

With the implementation of SAP IS Media and mySAP CRM IPM, it will also be easier to administer royalty and license payments. C.H. Beck's management will obtain easy and fast access to relevant reports with detailed information, such as receivables and liabilities per work and an overview of royalties, accounting status and licenses.

With mySAP CRM, C.H. Beck will make royalty accounting a series of value-added, efficient processes, while improving quality and author satisfaction. At the beginning of each quarter, an average of 5,000 author accounts must be edited by the royalty accounting department. Because of the process automation with SAP IS Media and SAP CRM IPM, the department will be able to conduct the accounting independently from IT department. The IT department can therefore save more than 20 days each year in software maintenance. With the integrated SAP landscape, it is no longer necessary to backup data before the quarterly accounting preparation for royalty payments. Aborted data imports and import failures that have to be corrected and restored will be omitted.

Now, royalty accounts will be automatically collected per author and payment for online publications will be automatically transferred to mySAP CRM. This reduces manual work, decreases failures and shortens working time. With the process automation, fewer accounting checks are necessary. As such, the royalty accounting department can save up to 58 days per year. "With this reduced working time for royalty accounting we can ensure that the increasing requirements for royalty accounting can be met because of the tendency to several writers for one work and shorter publishing times," says Ms. Angela Wiedemann, Head of Royalty Accounting.

Duplicate entry work can now also be avoided. The double entry of vouchers for payment accounting and manual voucher creation is omitted because of high



C.H. Beck produces over 10,500 printed and electronic publishing products, approximately 60 professional journals and over 1,000 new publications and editions every year.



"The integration of the mySAP CRM component Intellectual Property Management with SAP R/3 helps us to speed up the end-of-quarter closing process and the monthly preparations by reducing manual efforts."

Ms. Angela Wiedemann
Head of Royalty Accounting
and Member of the Project Team
of the CRM/IPM project

THE FOUR POINT TAKEAWAY

1. Focus on an ambitious but feasible project scope

C.H. Beck started with a realistic scope for the mySAP CRM/IPM project and could benefit from the SAP ramp-up support to get it done. "We did not underestimate the effort of the IPM initiative and planned our project steps carefully," emphasizes Mr. Bernhard Böhm. "This is the reason we had our first IPM prototype up and running in three months and the implementation was on time and on budget."

2. Involve business early

The participation and business insight of royalty accounting, controlling and editorial in the project were crucial to the success of C.H. Beck's mySAP CRM/IPM investment. Finding a clear definition of business needs to better manage author royalties and contacts, IT was able to provide the right solution for C.H. Beck's processes together with SAP. Strong support from top management was another critical success factor in implementing this compelling initiative.

3. Enhance author relationship management

The authors of C.H. Beck are the source of added value for the publisher's service, and relationships with them are extremely important. Accurately and correctly calculated royalties are the foundation of fruitful cooperation between authors and their publisher. "Therefore, we wanted to completely modernize our royalties payment system so that it also provides the necessary flexibility for online royalties, and restructure our rights management in line with the growing complexity of the requirements it must handle," Mr. Reinhard Strunk explains.

4. Work to understand and optimize business processes

An in-depth blueprint phase produced a clearly defined view on the current and future processes for royalty accounting that would meet the needs of C.H. Beck and its authors. Process improvements were gathered from key stakeholders, systematically modelled in a business process management tool and synchronized with the SAP Solution Manager. This way C.H. Beck was able to seize efficiency potentials and speed up the project's implementation time.

process integration of SAP R/3 with mySAP CRM. This means an immense reduction of working time and administration costs. With the increased quality and reduced lead time of this process, authors receive their royalties at a predictable time, contributing to author satisfaction.

"All types of royalties management are standard in the field of print media. Additionally, we need flexible and easily adaptable mechanisms when it comes to online publications to be able to realize innovative business models," explains Peter Saßnink, CFO of C.H. Beck. "The combination of IDS Scheer process consulting, the ARIS modelling tool, the support of SAP Solution architect and SAP Solution Manager helped us a lot in achieving this."

The ROI Calculation

The ROI Review calculates a projected 56% Internal Rate of Return (IRR) within five years. Based on a net operating benefit of €858,500 from process cost savings and €469,300 in initial and on-going investments, the IRR represents an important internal efficiency increase in the whole author relationship management process. Benefit areas include:

Enabling active author relationship management: The implementation of mySAP CRM/IPM as a contact centre platform for authors will help the editorial offices enhance their author relationships. With actual profiles, author history, reminders, new ideas for projects and relationships to other authors, the editorial offices are able to intensify their relationships to the authors of C.H. Beck with less workload. This helps C.H. Beck to achieve €99,000 in cost savings in 2006 and €132,000 per year starting from 2007.

Reduction of manual research times: While the collection of information about an author and his intellectual properties used to take an editor half a day or more, he can now access the relevant data easily in a common database and use it for the communication with an author, for new project ideas or general reports. This efficiency increase results in a cost savings impact of €49,500 in 2006 and €66,000 on-going from 2007.

Increase in productivity of end-of-quarter closing process for royalty accounting: The integration of the mySAP CRM IPM with SAP R/3 speeds up the end-of-quarter closing process and the monthly preparations by reducing manual efforts in IT and royalty accounting. This productivity improvement results in a cost reduction of €33,400 per year.

Integration of license fee billing: With the integration of license fee billing in mySAP CRM/IPM and SAP R/3 FI/CO, bills are no longer created via form letters in Microsoft Word but can be generated automatically, contributing €2,400 in annual cost savings.

Investing more time in author contract management: To enable the benefits for editors, controllers and accountants from standardized author master data, the royalty accounting will now invest more time into contract and author relationship management. This time investment of €7,700 per year pays its way by productivity increases of the end-of-quarter process.

The C.H. Beck Future: Leading Relationships with Authors and Customers

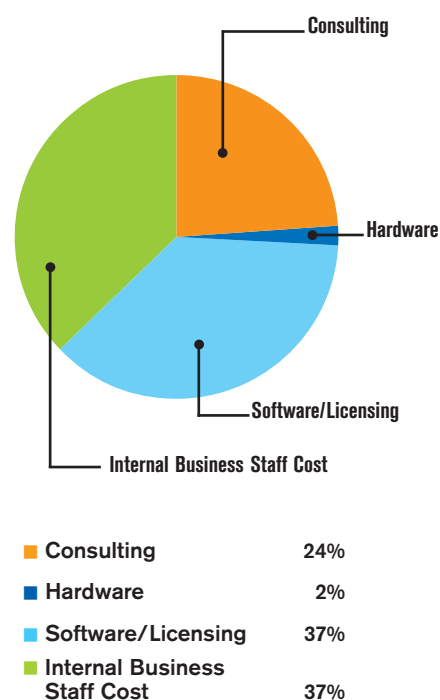
Based on the success of the mySAP CRM/IPM pilot implementation, C.H. Beck plans to continue investing in its relationships with authors in order to become a trusted service provider. More relevant and personalized services for authors and customers will help C.H. Beck to preserve an excellent reputation in the German publishing market and to expand sales with new book projects. Strengthening both customer and author loyalty is the best way for C.H. Beck to achieve this goal.

Spurred by the convincing level of ROI, C.H. Beck intends to accompany its mySAP CRM implementation with SAP Business Information Warehouse (BW) to benefit from the reporting possibilities in an integrated mySAP CRM/IPM, Business Intelligence and Royalty Accounting scenario. Operating in a market that is characterized by thousands of new products per year, publishing houses are constantly challenged to manage their book projects efficiently as soon as the original product concept is presented, and to monitor their profitability over the entire lifecycle of the product. SAP's tools will make this a reality for C.H. Beck.

“The pilot approach for mySAP CRM/IPM in a defined field like royalty accounting was the right way for us to see how we can handle a SAP CRM implementation and benefit from it”, says Dr. Andres. “Starting with the IPM investment we could learn for future projects and - at the same time - we were able to prove that SAP provides an excellent platform for our business needs. So step by step we will be able to realize the vision of integrated business processes supported and advanced by a flexible IT infrastructure.”

INVESTMENT BREAKDOWN

The following breakdown outlines C.H. Beck's investment related to the implementation of mySAP CRM.



THE ROI OF CRM

C.H. Beck is well-positioned to realize benefits from its mySAP CRM implementation. The ROI Review calculates a projected 56% Internal Rate of Return (IRR) through 2009.

(in Euros)	2005	2006	2007	2008	2009	TOTAL
Attributable Costs	€224,800	153,900	30,200	30,200	30,200	469,300
Attributable Gains	0	179,000	226,500	226,500	226,500	858,500
Yearly Net Cash Flow	(224,800)	25,100	196,300	196,300	196,300	389,200
ROI Calculation through 2009: IRR of 56%						

About IDS Scheer AG

The consulting and software company IDS Scheer AG is the leading provider of corporate solutions for Business Process Management. With its ARIS Platform for Process Excellence, the company offers its customers an integrated and complete tool portfolio for strategy, design, implementation and controlling of CRM business processes to maximise the value of their customer base. A strategic co-operation with SAP makes the ARIS tools and methods standards for the NetWeaver platform. Thanks to the integrated approach of ARIS Value Engineering (AVE), IDS Scheer consultants view their customers' CRM projects holistically. AVE means building bridges between corporate strategies, the processes derived from it, the IT solutions needed to support it and also the controlling of running processes. In the media industry many well known book publishers, broadcasting and media companies are relying on our knowledge, products and services.

IDS Scheer was founded in 1984 by Prof. August-Wilhelm Scheer who today is chairman of the Supervisory Board and Chief Technology Advisor. The company now serves about 4,000 customers in over 50 countries through a network of its own branch offices and partners. In 2004, the company earned revenues of more than 280 million Euros. About 2400 people are working for IDS Scheer worldwide. In Germany, IDS Scheer is among the top 10 IT service providers. In Central and Eastern Europe, it is recognized as a market leader. IDS Scheer is listed in the TecDAX on the Frankfurt Stock Exchange, and is thus ranked among the 110 leading companies traded on the stock exchange, also known as the DAX110.

FOR MORE INFORMATION

For more information, please call 1-800-283-1SAP, or visit www.sap.com/solutions/crm/customer-success/roi.asp

Please refer to material no. 50077229.

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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.

ROI Methodology

In order to assess the financial impact and to determine the final ROI of the mySAP CRM/IPM project at C.H. Beck IDS Scheer AG used an internal rate of return (IRR) methodology. IRR was the chosen ROI methodology because it is believed to be the most conservative and transparent approach. A five-year time horizon was assumed for the overall project of which four years are considered as payback periods.

The evaluation of the IRR was based on the following methodology of IDS Scheer: First IDS Scheer's proprietary tool ROI Calculator® as part of the CRM Scout® was used to point out the overall financial impact of the CRM/IPM implementation and to identify the specific elements contributing to the IRR: cost savings by process optimization and investment costs. As a "bottom-up" approach the ROI Calculator® considers current as well as future effects of the CRM investment.

The methodology is first to identify the process related cost savings and potential for optimization that can be achieved by implementing new CRM processes and software. In this report the later implementation phase of CRM to support the sales processes is not included in the IRR estimation in order to stick to the author-centric focus of the project and to give a more conservative view on the IRR calculation. The analysis of the process related cost savings is realized with two other proprietary tools of IDS Scheer: ARIS Toolset® and ARIS Simulation®. ARIS Toolset® is used to record the detailed actual and target processes with CRM in the royalty accounting department and to define the processing times of each process step before and after the investment. ARIS Simulation® models the impact of the process changes in processing times and necessary overhead and returns the key metrics by each enhancement. The results from the simulation are directly linked to the ROI calculator® where the total attributable gains are derived out of the process metrics.

In a second step the current and post-implementation levels of direct investment costs, changes in overhead, both external and internal implementation work as well as incremental hardware are assessed within the calculation tool. The IRR methodology is then 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 avoiding the impact of company and country specific distortions like inflation, depreciation methods, taxation policies or accounting regulations.

Authors

As Senior Consultant at IDS Scheer AG, **Johannes Zillgens** has spent five years in the field of management and method supported business process consulting and assembled strong experience in the process, public, broadcast media and publishing industries.

As Manager CRM, **Sabina Jekubik** has a strong background in method supported business process analysis and process optimisation in customer relationship management. With nine years of consulting, her business experience includes management of CRM implementations in different industries.