

Featured Organization:

**Brother International
Corporation**

Case Studies Analyzing
the Return On Investment of
Customer Relationship
Management (CRM) Initiatives

*the*ROI Report

Volume Six, Number 3 June 2002

Brother Pursues Fully Integrated CRM Strategy to Develop Customer Loyalty, Projected 129% ROI.

Benefits

Reduce Returns.

Each 0.25% reduction in returns

Saves More than \$1.6 Million Per Year

Consider Customer's Lifetime Value (LTV)

not just transaction value.

Anticipate Customer Needs

for new product or software upgrades.

Maximize Customer Experience:

increase accessory sales & revenue growth.

Reduce Servicing Time

for end users, 40%; & dealers, 50%.

Consistently Improve Quality of Service.

Share knowledge across the organization through the Solution Database.

Campaign to Tightly Focused Target Groups

within hours.

At Peppers and Rogers Group, we believe that the goal of Customer Relationship Management (CRM) initiatives is the development of Learning Relationships with customers. CRM practitioners leverage deep understanding of individual customers to make their products or services increasingly smarter over time relative to each customer's needs. Customers are hesitant to reinvent this relationship with another firm.

Building these types of relationships require a company to make difficult changes in their firms. So why invest in CRM at all?

Dr. Martha Rogers and I have always considered CRM to be, first and foremost, a solid financial concept. CRM builds on the axiom that it is more cost-effective to keep and grow an existing customer than to acquire a new one.

We were honored to be asked by SAP and Hill Holliday to review the design and execution of this ROI Report. Our firm is often asked to conduct similar studies for clients. And we are pleased to report that the processes used to uncover the financial benefits and derive the financial formula for Brother's CRM initiative were fully-consistent with our own rigorous approach to measuring ROI.

In fact, we think the final ROI calculation is probably conservative. This is due to the fact that most companies don't yet measure baseline customer lifetime value (LTV)—the sum total of expected future profit flows from a customer. Effective CRM increases LTV. But without a baseline measure of LTV, we can't compare the changes from CRM to the baseline. So, we use existing metrics to measure the short-term impact of CRM. Despite this conservatism, Brother still reports ROI in excess of 100%.

After learning about the Brother initiative, we are not surprised by this result. Brother addresses customer needs that extend beyond the product itself, assisting customers on issues of interoperability with other devices. In combination with the company's intelligent approach to collecting and storing the right customer data, Brother is positioning itself to be able to deliver "smarter" service than its competitors over time.

Now that Brother has increased the percentage of the Kings that they can identify, they might gain further benefit from ranking customers according to their growth potential. This would help Brother allocate more resources to invest in such accounts, perhaps providing even more proactive and regular support—ensuring that these customers continue to choose Brother as they grow.

Brother is making huge steps towards becoming a trusted advisor to their customers. Many customers are willing to pay a premium for products and services where they can count on a company to "pick up the conversation where it last left off." As Brother continues to turn customer data into powerful business strategies, they assure themselves of continued CRM success!

Sincerely



Don Peppers
Founding Partner, Peppers and Rogers Group

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EXECUTIVE SUMMARY

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Brother Pursues Fully Integrated CRM Strategy to Develop Customer Loyalty, Projected 129% ROI.

Brother is a growing global brand, recognized worldwide for providing high quality value added products in the office and home. With the growth of the SOHO market as well as corporate cost cuttings, Brother has established itself as the value supplier. Brother International Corporation of USA (BIC, hereinafter referred to as Brother) generated approximately \$1 billion in revenues for 2001, more than 50% coming from its information and document business selling office equipment such as printers, fax machines and Multi-Function Devices (MFDs.) Other businesses of Brother are personal and home products, and industrial machinery and solutions. The information and document business operates in a hyper-competitive market with fragile margins. It is extremely sensitive to customer loyalty, and is therefore a major focus for CRM. Brother sells its information and document products predominantly through retailers, but takes sole responsibility for all after sale customer contacts. The National Service Division of Brother is organized into four groups servicing the Customers, Retailers, Parts Distribution, and Returns.

Information and document products nowadays have to offer a dazzling array of features, as well as interoperate with complementary products such as personal computers. Users who become frustrated with products that don't operate with their personal computers right out of the box will either call for help and/or return the product. The vulnerability is manifested by a high percentage of product returns in excess of 12% throughout the information and document products industry.

Brother recognized that while reducing returns by answering more calls was crucial, this was a limited strategy and not necessarily the same as providing customer satisfaction. Brother started from the premise that a customer relationship supported by CRM would be the foundation for customer satisfaction. CRM was defined as having one face to the customer regardless of the contact medium, and providing a complete customer history at the push of a button to everyone facing the customer. The major benefits of CRM for Brother include:

- Reduce returns. Each 0.25% reduction in returns saves more than \$1.6 million per year.
- Enable viewing the lifetime value rather than just one time transaction value of a customer.
- Identify customers when they come close to needing a new product or need software upgrades.
- Maximize customer experience during each call, increasing accessory sales, revenue growth.
- Reduce time for servicing end users by 40%, \$1.8 per customer call.
- Reduce times for servicing dealers by 50%, \$3.5 per work order, and up to \$10 per swap.

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EXECUTIVE SUMMARY *continued*

- Achieve consistent improved quality of service by spreading the knowledge that was in the customer service reps' mind through the Solution Database.
- Lower database maintenance costs by business users as well as by MIS.
- Campaign to tightly focused target groups within hours.
- Eliminate multiple systems; use one common software solution to support the growth of the business and its processes. Identify and disseminate best practices.

Brother had chosen SAP in 1994 as its ERP system to replace all other mission critical legacy systems. In 2000 Brother proceeded with mySAP.com as its CRM solution to continue with a fully integrated strategy. The new measure of business success going forward would be the "Return on Relationship" requiring the ability to turn customer data into business strategies and thereby customer relationships into equity. The National Service Division's service center solution would be the gateway for realizing the strategy. Further reduction in returns and increased sales would be the end games. *The ROI Report* has projected the internal rate of return on the investment of \$1.7 million by Brother International Corp. USA into CRM to generate an estimated ROI of 129%.

For a complete copy of *the ROI Report*[™] on Brother International Corporation, or to view or download additional ROI Reports from other mySAP CRM Customers, please visit our website: <http://www.sap.com/solutions/crm/customersuccesses/roi.asp>.

Four page summaries of each of the mySAP CRM Customer ROI Reports are also available.

To request printed copies of *the ROI Report* or copies of the ROI Summary, please contact SAP at 800-283-1SAP (800-283-1727). Please refer to the following material numbers when making your request:

In the Americas or Asia Pacific regions, please refer to material numbers:

The ROI Report on Brother International/24 page 50056129
The ROI Report Summary on Brother International/4 page 50056192

In EMEA, please refer to material number:

The ROI Report on Brother International/24 page 50056102