

Featured Organization:

Canada Post  
Corporation

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

# *the*ROI Report

Volume Six, Number 1 June 2002

## Canada Post Powers Business Transformation with mySAP Customer Relationship Management, Projected to Deliver 26% ROI.

### *Benefits*

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#### **Improve Value Add**

*differentiate on customer value, not volume.*

#### **Eliminate \$25 Million in Revenue Leakage**

*with actual customer data.*

#### **Improve Billing Processes; Move to**

*single customer number within contract management yields  
C\$5 million margin increase.*

#### **Increase Sales Force Selling Time**

*reduces administrative time to  
yield C\$50 million revenue; C\$10 million incremental margin annually;  
increased cross-selling and up-selling opportunities.*

#### **C\$4 Million Annually**

*and reduce data entry & maintenance costs through  
one highly integrated database.*

#### **C\$3.5 Million Savings Annually.**

*in process efficiencies.*

# Peppers & Rogers Group

At Peppers and Rogers Group, we believe that the ultimate goal of any customer-based initiative is to help companies cut costs and increase revenues. Thus, we consider Customer Relationship Management (CRM) to be, first and foremost, a solid financial concept.

At the heart of CRM is the idea that customers are the greatest assets a firm has. CRM practitioners maximize this precious asset through obtaining a deep understanding of individual customer needs, and by tailoring products or services to become increasingly smarter over time relative to these individual needs. Customers are hesitant to reinvent this type of relationship with another firm, and so they are more loyal. And since it is more cost-effective to keep and grow an existing customer than to acquire a new one, CRM can significantly enhance a company's bottom-line.

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 Canada Post'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, Canada Post still reports a healthy ROI.

There is a lot to like about Canada Post's CRM initiative—in fact, too much to highlight in a few words. Most notable is the time and effort invested in creating organization-wide support for the entire Business Transformation process. In our experience, the Canada Post combination of employee buy-in and executive support virtually guarantees their long-term CRM success.

Canada Post continues to strive towards the optimal alignment of their resources with customer value. Many of our clients with similar goals have had immediate impact on relationships with their most valuable customers by employing "Do No Harm" strategies—asking "what extra processes can we put in place to make sure customers in our top value tier have a hassle-free experience with us?" This eliminates the potential loss of top customers even while organizations develop customized treatment strategies.

Its clear to us that Canada Post has addressed evolving customer needs in its Business Transformation initiative, thus enhancing revenues. In addition, through resource alignment and customer-centric process improvement, they are also creating efficiencies and reducing costs—thus maximizing the financial benefits of its strategy.

Sincerely



Don Peppers  
Founding Partner, Peppers and Rogers Group

Featured Organization:

Canada Post  
Corporation

Case Studies Analyzing the  
Return On Investment  
of Information Technology  
for Senior Executives

# *the*ROI Report

EXECUTIVE SUMMARY

Volume Six, Number 1 June 2002

## Canada Post Powers Business Transformation with mySAP Customer Relationship Management, Projected to Deliver 26% ROI.

Canada Post is one of the world's technologically most sophisticated post companies and among the vanguard of global post companies in an era of fiscal accountability and competitiveness. With C\$5.9 billion annual turnover Canada Post provides physical and electronic delivery solutions to over 30 million Canadian residential customers and nearly one million Canadian businesses and public institutions. Each year the company delivers more than 10 billion messages and parcels to over 13 million addresses in Canada via 15,000 mail carrier routes, 6,000 contractors and 24 major plants. Within the international market, Canada Post contracts with postal partners in over 45 countries.

In the late 1990s, Canada Post was facing a rapidly changing marketplace. Fierce competition for Canada Post's traditional markets from new Internet technologies was seen as a significant threat to the existing revenue base. Evolution and growing acceptance of these new technologies was driving the rapid expansion of e-commerce and shaping customer demand for greater speed, flexibility and information as part of all delivery solutions.

Compounding the challenge was a global trend among competitors and other postal organizations to expand product offerings and geographic reach. Canada Post recognized that significant investment would be required to sustain their current revenue base and capture growth from emerging market segments.

Achieving high levels of efficiency and becoming more responsive to customer needs was becoming critical. While a number of initiatives were introduced, the most important was a corporate-wide business transformation program to make Canada Post responsive to business and market needs. Enabled in part by the implementation of mySAP CRM, the business transformation program is driving the elimination of activities not adding value for the customers and the business, while more efficiently integrating all of the major business processes across the organization.

According to Aaron Nichols, General Manager of Business Transformation, "We felt mySAP Customer Relationship Management would enable us to provide a rich, uniform customer experience across all channels and help us differentiate service levels based on customer value. Additionally we saw mySAP CRM as a way to leverage the knowledge gained through our customer interactions and link CRM tightly with the overall core enterprise system." Major benefits of CRM as seen by Canada Post include:

- Improve value addition and allocation by delivering personalized solutions and services based on differentiating on customer value rather than volume.



*From anywhere... to anyone*      *De partout... jusqu'à vous*

**EXECUTIVE SUMMARY *continued***

- Increase customer satisfaction to retain and grow customers by delivering higher quality and more timely services as measured by a Customer Satisfaction Index (CSI.)
- Eliminate \$25 million in revenue leakage thanks to actual customer data and verification of customer documentation at time of receipt.
- Improve billing processes and use single customer number within contract management to yield C\$5 million margin increase.
- Increase sales force selling time by reducing administrative time to yield C\$50 million revenue and C\$10 million incremental margin annually, in addition to other cross-selling and up-selling opportunities.
- Reduce data entry and maintenance costs C\$4 million annually, by integrating 80 legacy systems into one highly integrated database
- Increase general process efficiencies to save C\$3.5 million annually. Processes affected include order-to-cash as well as human resources, financial management, mail operations and logistics, and procurement.
- Enhance corporate brand equity from “reliable, friendly, efficient, quality, value” to include competitive, innovative and customer focused.
- Attain sustainable competitive advantage by driving competencies deep into the organization and moving away from just a contingency planning core competence with a command and control culture.
- Benchmark against the best in the world and make continuous improvements.

With an initial investment reported at C\$100 million over two years, *the ROI Report* has projected that Canada Post’s CRM implementation will result in an ROI of 26%. The SAP enabled benefits of revenue generation and cost reduction were determined by calculating the annual gains in cash flow achieved from a key CRM process called “order-to-cash.”

For a complete copy of *the ROI Report*<sup>™</sup> on Canada Post 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 Canada Post/24 page ..... 50056130  
*The ROI Report* Summary on Canada Post/4 page..... 50056191

In EMEA, please refer to material number:  
*The ROI Report* on Canada Post/24 page ..... 50056103