

CRM ROI Review

Optimizing Returns on Customer-Centric Strategies

Featured Customer:

Digital Wellbeing Ltd.

Identifying Return on Investment
from mySAP CRM Solutions

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Digital Wellbeing Ltd. Sees a 72% Internal Rate of Return (IRR) from its mySAP CRM Solution

REALIZING ROI BY:

Dramatically Cutting Costs

£200,000 at inception and to up to £277,000 by the end of year two

Increasing Unique Web Visitors

Over 70,000 unique visitors to wellbeing.com each week

Improving Call Center Efficiency

A projected £35,000 at inception and up to £78,000 by the end of year two

Boosting Campaign Revenue

Up to £100,000 annually from highly targeted email campaigns

Knowing Your Customers

Identifying Most Valuable Customers and increasing cross-sell and up-sell revenue

Vision to Rollout to ROI: Evolving Toward CRM

The story of mySAP CRM at Digital Wellbeing Ltd. begins with the inception of wellbeing.com itself. In 2000, Wellbeing became the online arm of the popular bricks-and-mortar Boots pharmacy. The e-tailer of health and beauty products began its CRM journey with a SAP R/3 implementation, starting with a blueprint of back-office retail, financial processes and architecture. From there, integration and configuration efforts went “incredibly smoothly,” recounts Chief Operating Officer Mark Dearnley.

With the back office in place, wellbeing.com set its sights on front-end functionality. The goal: launch a customer-focused, e-tailing Web site capable of interacting with customers, collecting data, then leveraging that data to acquire and retain customers while, at the same time, cutting operating costs. The decision to go with mySAP CRM was very nearly a “no brainer,” agree Dearnley and Managing Director John Hornby. “Though we looked at other solution providers, we just didn’t see anything that would be more flexible, more compatible or more scalable with what we already had running in our business,” explains Hornby.

“We would be astonished if the mySAP CRM package doesn’t provide us with considerable learning relating to ways we can improve the attractiveness of our offerings.”

Mark Dearnley, COO

By the numbers

Powered by mySAP CRM, The ROI Review projects an Internal Rate of Return (IRR) of over 70% for Wellbeing from its CRM investments. The sources of these returns include:

An improved customer experience... Mining customer data leads to a better understanding of where to enhance features, develop the product mix and improve site layout. “We would be astonished if the mySAP CRM package doesn’t provide us with considerable learning relating to ways we can improve the attractiveness of our offerings,” says Dearnley.

One customer, one view capabilities... “If we know who you are and all that you do with us, and we are responsive, that creates loyalty,” says Dearnley. Take the customer interaction center (CIC). Agents now have customer details on a single system, where previously they had to access up to three different ones. This translates into cost savings through reduced call duration as well as increased revenue opportunities.

Robust shopping carts... By mining data captured by SAP, “We can improve our conversion rates,” says Dearnley. This means fuller shopping carts and greater success con-

verting site visitors into buyers. As for average order size, projected improvements are as high as 12.5%, which increases the average order from around £35 today to as high as £40.

More repeat business... Wellbeing is tightly focused on utilizing analytic capabilities to build customer retention and capture share of customer revenue. The ROI Review estimates Wellbeing’s CRM program will increase repurchase rates by as much as 25%.

Reduced marketing costs... Installation of mySAP CRM will cut Wellbeing’s marketing costs dramatically. Until now, Wellbeing relied on an external agency to execute its email campaigns. Bringing this process in-house with mySAP CRM’s campaign management tools means more than £165,000 in contribution.

The solution will also enable Wellbeing to improve the overall effectiveness of email campaigns since it will be armed with much more precise information relating to the needs and interests of its customers. By tracking customer purchase histories and preferences, Wellbeing anticipates marked uplift in clickthrough rates for both new and existing customers.

The operationally-efficient CIC... Enhanced effectiveness in CIC operations also reduces costs. Wellbeing anticipates noticeable improvements across a broad range of metrics, including fewer abandoned calls, an increased number of calls answered in under 40 seconds, and more efficient phone and email handling times.

And we’re just getting started

Despite these strong returns, wellbeing.com is just beginning its CRM journey. The company is rapidly refining its CRM strategies, aided by the addition of mySAP CRM-delivered capabilities to an existing R/3 backbone. These CRM tools represent the opportunity to further enhance what can already be described as a world-class e-tailing experience. Wellbeing is better poised to “know” its individual customers, provide even more efficient service, deliver increasingly relevant offers, increase the average size of shopping carts and create value through loyalty. In addition to current successes, the ROI from its mySAP CRM investment, predicts John Hornby, “will be very significant.” ■

The 8 Point Takeaway:

Lessons learned from the Digital Wellbeing implementation

1. Retention makes the revenue difference

Utilizing customer data and analytic tools can boost retention and revenue. Increased email conversion and repurchase rates will deliver nearly £100,000 a year to Wellbeing.

2. Targeted offers turn Web site visitors into repeat buyers

Wellbeing boasts 400,000 registered users with site traffic averaging more than 70,000 unique visitors per week.

3. Inaccurate data can be costly

Before the implementation of mySAP CRM, inaccuracies cost the customer interaction center (CIC) agents time, which in turn left money on the table. An integrated customer-data solution can inject efficiency across the interaction and transaction processes.

4. Efficiency fosters ROI growth

A single view of the customer delivers higher first contact resolution rates and faster response times that reduce abandonment. Operational efficiencies will save Wellbeing as much as £78,000 within two years.

5. Experience is everything

Successful e-commerce hinges on providing a positive, e-tailing customer experience around the product and throughout the customer lifecycle.

6. Customer intimacy reduces operating costs

Customer relationships based on actionable data enhance the effectiveness of Wellbeing's CIC through fewer abandoned calls, more calls answered in under 40 seconds, and efficient handling of all customer inquiries.

7. Up and running means up and gaining

A fully-integrated implementation is a vital component of a successful project launch. Wellbeing's mySAP CRM implementation was up and running in just five months. "Though we looked at other providers—and their software was good—we just didn't see anything that would be more flexible, more compatible or more scalable with what we already had running in our business," says Wellbeing's Managing Director John Hornby.

8. Satisfied customers compile more robust shopping carts

By mining customer information captured by mySAP CRM, The ROI Review forecasts up to a 12.5% increase in the average purchase value, or from £35 to nearly £40. ■

THE ROI OF CRM

Based on conservative estimates, The ROI Review expects Wellbeing to derive an Internal Return Rate (IRR) of over 70% on the whole of its mySAP CRM investments.

	YR 0	ONGOING YR 1	ONGOING YR 2
Direct Investments			
Total Direct Investments (£)	-610,900	-16,600	-14,600
Attributable Gains			
Campaign Management Total (£)	217,869	287,238	315,961
Contact Center Total (£)	45,723	91,446	10,590
Total Attributable Gains (£)	263,592	378,684	416,552
Net Cashflow (out)/in (£)	-347,308	362,084	401,952
ROI Calculation: IRR 2 Year Post-Implementation			72%

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 and Rogers Group, a global management consulting firm specializing in customer-based business strategy. Peppers and Rogers Group helps Fortune 1000 companies around the world identify differences within their customer bases and use that knowledge to gain competitive advantage.

Peppers and Rogers Group

Founded in 1993 by Don Peppers and Martha Rogers, Ph.D., Peppers and Rogers Group is a management consulting firm recognized as the world's leading authority on customer-based 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. As a globally recognized thought leader, Peppers and Rogers Group publishes a series of newsletters and periodicals that reach more than 250,000 individuals around the world.

ROI Methodology

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

First, a ValueMap®, a proprietary tool to Peppers and 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 as follows: 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 plus incremental hardware and staffing levels resulting from bringing campaign management in-house.

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. A three-year time horizon was assumed for the overall project.

For More Information

Please call: 1-800-283-1SAP, or visit
www.sap.com/solutions/crm/customersuccesses/roi.asp
Please refer to material no. 50058029.

For a complete copy of this ROI Review, please refer to material no. 50058026.