

CRM ROI Review

Optimizing Returns on Customer-Centric Strategies

Featured Customer:

**Mascot International
A/S**

Identifying Return on Investment
from mySAP CRM Solutions

volume two number 9 sept 2003

Responding in the Marketplace with Customer Relationship Management

Mascot International Realizes 272% Internal Rate of Return on Investment in mySAP CRM

Mascot International A/S (Mascot) of Silkeborg, Denmark, implemented mySAP™ Customer Relationship Management (mySAP™ CRM) to help achieve its vision of becoming Europe's number-one workwear brand. Despite intense market pressures, Mascot remains competitive by delivering high-quality, innovative products at the lowest cost possible, thanks in part to its product development efforts and effective marketing campaigns.

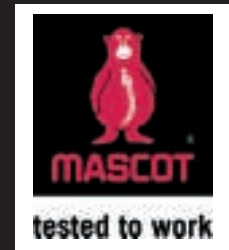
This study illustrates how one clothing manufacturer—Mascot International—responded to changing market conditions in a holistic and integrated fashion by implementing mySAP CRM.

The greatest quantitative benefits realized at Mascot are a direct result of sales effort improvements and the ability to reallocate employees to more strategic positions.

mySAP CRM has enabled Mascot to eliminate organizational and technological redundancies, streamline CRM-related business processes, provide management visibility into the organization, and use CRM to support strategic globalization and cost-saving objectives. More specifically, mySAP CRM was instrumental in enabling

Mascot to improve customer access, display a consistent interface with the customer, ensure meaningful customer interactions and increase overall customer satisfaction.

Overall, the greatest quantitative benefits realized at Mascot are a direct result of sales effort improvements and the ability to reallocate employees to more strategic positions. In addition, the implementation of mySAP CRM created a more heterogeneous and standardized IT environment, decreasing the maintenance and support associated with the previous, decentralized environment and reducing the pressure on the company's IT department.



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Mascot International A/S

A key player in the quality workwear marketplace, Mascot International A/S was established in 1982 in Silkeborg, Denmark. It has grown from a small, family-owned business to become Europe's fourth-largest producer of quality workwear, with 170 employees in Denmark and 2,500 employees worldwide in 2003.

Mascot International A/S develops, manufactures and distributes quality workwear throughout Europe, Germany, Denmark, the U.K., Iceland, Austria, Sweden and Switzerland. The company dominates the Danish market with a 30% market share. All of Mascot's products are sold directly through its 1,200 dealers.

Mascot International markets 1,000 different brand articles resulting in approximately 12,000 SKUs. The company's core products include the industry's most extensive collection of Hardwear workwear, Classic workwear, Image two-tone workwear, Mini Children's wear, Arctic winter workwear, Aqua Rainwear, Safe Safety workwear and Regatta Great Outdoors™, as well as complementary

accessories and a service stain remover. Mascot sells through a network of dealers with high-quality services that include lead generation, marketing campaigns and product line sales brochures.

With a view to become the "largest single workwear-

brand" in Europe, Mascot has grown its revenues at an average rate of 20-25% over the last 10 years to DKK300 million in 2003. Led by the founders' son, Michael Grosbol, Mascot has continued to grow while keeping

costs down by leveraging technology and outsourcing options. It focuses on customer value, understanding the needs of the end user, and timely development of quality products and solutions. Some of Mascot's recognized customers include, but are not limited to, Siemens, Grundfoss, Lego and P&O.

Mascot is on track to become Europe's number-one workwear clothing and solutions manufacturer through new product designs and product launches of next-gener-

ROI RUNDOWN

Based on a five-year useful life period, Mascot achieved payback in 1.03 years

MASCOT INTERNATIONAL A/S AT A GLANCE

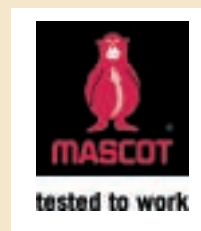
Mascot International was established in 1982. The company is privately held.

Headquarters: Silkeborg, Denmark
170 employees in Denmark
2,500 employees worldwide

Business and Products: Mascot is Europe's fourth largest producer of workwear. With a view to become the largest "single workwear brand" in Europe, Mascot has grown its revenues at an average annual rate of 20-25% over the last 10 years.

Operations: Mascot's products are sold indirectly in most Western European countries.

SAP Installed Solutions: SAP R/3; mySAP CRM, SCM, PLM, SAP Business Warehouse



Number of mySAP™ CRM Users: Less than 100

Key Executives Interviewed at Mascot:

Michael Grosbol, *Co-Owner and CEO*

Thies Lammke, *IT Chief*

Lars Spang Kjeldsen, *SAP Project Integration and Management*

Michael Thomsen, *Financial Controller*



Distinctive, functional and high quality workwear



ation workwear. In order to achieve this goal, the executive team at Mascot recognized, early on, the importance of aligning its business processes with its growth strategy. It also understood that to do so would require an investment in its IT to

streamline these processes and reduce costs.

Over the course of the last 21 years, Mascot has implemented many technologies that have not only improved product quality but have also improved Mascot's relationship with its customers, vendors, employees and its community. One of Mascot's hallmarks is its implementation of SAP, a state-of-the-art IT system that optimizes the overall efficiency of multiple business processes across product development, sales/marketing, purchasing, production planning, quality control, shipping, imports and exports, finished goods warehousing, finance and technology.

Why CRM?

Customer relationship management (CRM) is a critical piece of any organization's business strategy. It impacts profitability, revenue, customer satisfaction, purchase behaviors and customer loyalty.

The goal of CRM is to gain greater customer insight, increase customer access, create more-effective customer interactions and better integrate all customer channels and back-office enterprise functions.

Mascot knows that its success depends on the success of its dealers. Mascot provides special services to its 1,200 dealers with targeted campaigns and qualified lead generation for its products and solutions.

Mascot leverages this CRM technology to link to third-party selling partners or "virtual team members" and inside sales channels, which includes telesales and retail sales representatives. This technology will also be leveraged for automated selling through the use of kiosks and the Internet. These channels will enable customers and prospects to walk through the selling process without the assistance of a sales representative.

In implementing CRM, Mascot's objective is to improve its financial bottom line, increase customer satisfaction and increase workers' productivity. By breaking down the "virtual" information barriers between groups such as internal and external sales, customer service and marketing, Mascot is able to improve its sales processes and reduce the sale cycle time. Also, by providing product description and order management tools online, Mascot provides the means for dealers to help themselves. In the end, customers get the products they want, when they want them, with a faster speed of delivery.

ROI RUNDOWN

The ROI on the technology investment was 188% with overall savings of 23.6%



"SAP reduced our day-to-day manual tasks significantly while improving the accuracy of our data."

Lars Spang Kjeldsen
SAP Project Leader

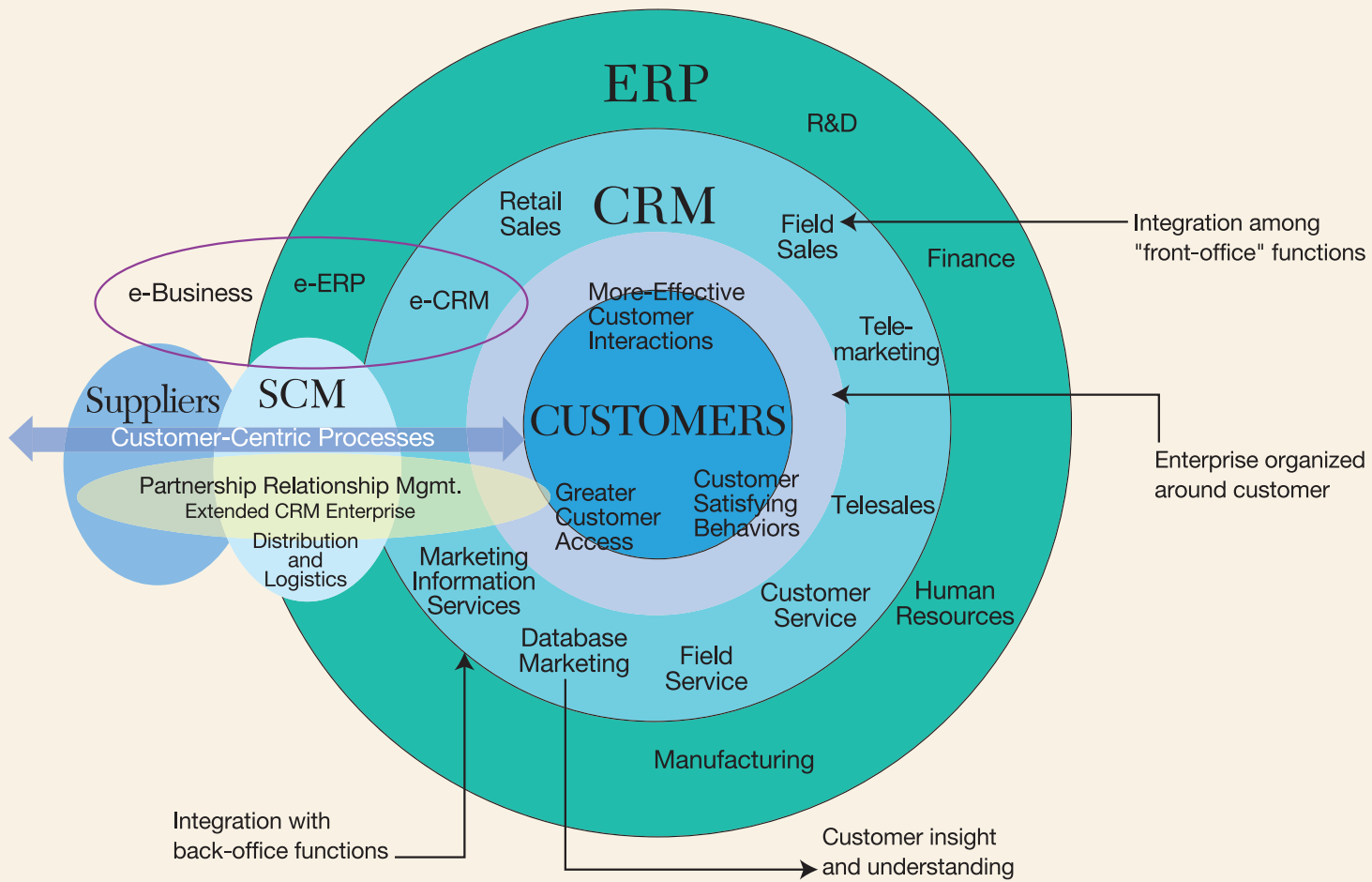
The Challenge

The technology in place at Mascot prior to the SAP implementation was aging and did not support the company's aggressive future plans. More importantly, due to Mascot's considerable growth over the past decade, the system did not offer the flexibility required for effective customer and order management.

Mascot's IT system upgrade was triggered by its desire to

automate its sales process and improve customer relationships, and the need to disseminate real-time information to its workforce. While reviewing different IT systems, Mascot sought a solution that would be scalable, open, long-lasting and innovative, with a high level of functionality. In the end, Mascot chose SAP because of its reputation, viability, service support and product functionality.

BUSINESS COMPONENTS OF CRM



CRM's outcome is to optimize revenues, profits and customer needs satisfaction.

Legend: Light blue square = Areas covered within CRM

Source: Gartner Consulting, 2003

MASCOT'S MISSION:

Mascot's mission is to produce high-quality workwear at the lowest cost possible, with a high level of research and development ensuring innovative products to be made available to Mascot's client base. Using a rational logistic system and expansive marketing efforts, Mascot will grow organically, increasing its coverage and reach through distribution via dealers.

SAP Enables Mascot to Achieve its Corporate Mission

High Quality

mySAP CRM helps Mascot increase the quality of its service by putting more information into the hands of its sales force. Accessing more detailed customer history allows Mascot's sales force to become not only more reactive to customer inquiries but also more proactive and more accurate in customer interactions.

At the Lowest Cost Possible

mySAP CRM provides Mascot with the tools to better track customer demand and thus better control its stock inventory and raw material purchases. By leveraging IT process efficiencies, Mascot has succeeded in growing over 20-25% annually over the last 10 years without expanding its internal sales workforce, thus minimizing labor costs.

Innovative Product Development

Thanks to mySAP CRM, Mascot is able to better track both product demand and requests. As new products are introduced Mascot's representatives are able to positively impact the organization's product development and planning processes. This use of SAP business intelligence allows Mascot to improve its product cycle time with a better product portfolio mix.

Expansive Marketing Efforts

By accessing customer information from mySAP CRM, Mascot will be able to better target its customer base with the right marketing message. By leveraging mySAP CRM information, Mascot can expect a higher hit rate per campaign, as well as the ability to track each campaign's success.

Rational Logistics

By capturing detailed information from its customers and disseminating it across the organization, Mascot has improved its operational effectiveness. Employees are able to spend more time serving their customer base while decreasing overall administrative tasks. Through improved product demand tracking, Mascot is controlling its inventory and material costs, directly impacting its cash position. Finally, customers are able to help themselves by accessing their order and account information online.



“We wanted an IT system that would grow with us. Choosing SAP saves us a lot of time, headache and money in the long run.”

Michael Grosbol
Managing Director

Improvement in Business Processes

Internet Sales

Mascot was looking for a B2B, e-commerce solution robust enough to support its growth. Its old system could only show one-day inventory stock figures from the Internet, and was unable to handle electronic order entry. Mascot recognized that it needed to provide certain feature sets that would allow them to automate its sales-to-delivery-to-support processes. Previously, sales representatives entered and tracked orders manually, and sales information was not automatically tied into its current CRM system. Oftentimes, customer support and marketing groups waited up to one month before receiving updates to the clients' accounts.

Mascot sought a solution that would help address worker productivity. Specifically, the organization sought

to free its workforce from mundane administrative tasks to be more proactive and focused in pursuing revenue-generating opportunities. By automating its sales transaction processes, Mascot realized several gains: faster time to sale, lower order entry errors (reduced by 40%), ability to analyze and utilize customer data, and a decreased total cost of sales (reallocation of five order entry personnel) and total cost of service (savings of 12 FTE hours per day).

In selecting SAP as a partner, Mascot chose a firm with not only a reputation for quality end-to-end business solutions but also for its extensive professional services and support offerings. Having successfully implemented SAP solutions in the past, Mascot felt confident in mySAP CRM's ability to integrate seamlessly with the SAP R/3 system.

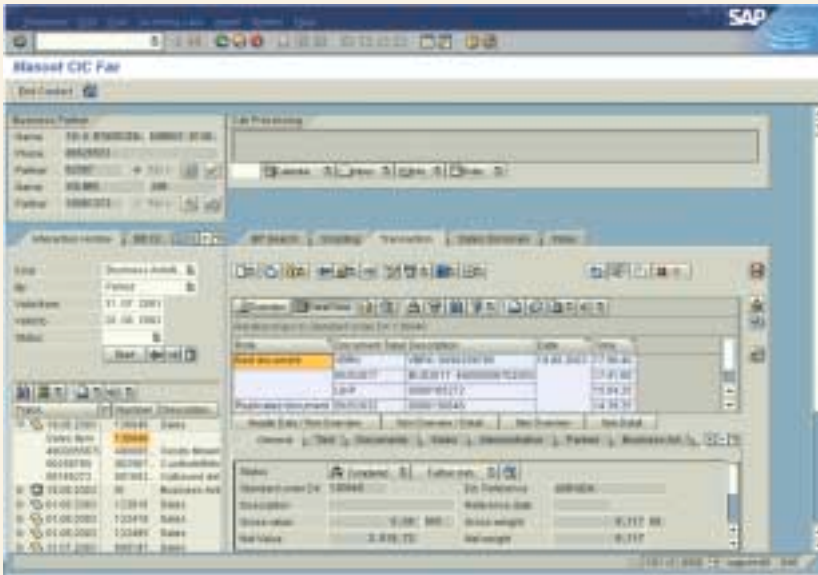
SOLUTION TIMELINE

mySAP Business Suite	CRM	BW	mySAP R/3		
2001-2003 (Company-wide deployment)	Customer Relationship Management	Business Warehouse	Warehouse Management Quality Management	Materials Management Production Planning	Sales Distribution Finance & Controls
CRM 2002 - 2003	Internet Sales	Business Analytics			
CRM 2003 - 2004	Mobile Sales Customer Interaction Center	CRM Analysis			

Mascot's strategy in growing their business with mySAP.

Source: Gartner Consulting, 2003

ONE SOURCE FOR CUSTOMER INFORMATION



Mascot employees now have up-to-date customer information from a single point of entry.

The implementation of Internet Sales did not simply help Mascot automate its processes in sales, marketing and services. More importantly, it has enhanced worker productivity to such a degree that the organization has grown between 20-25% annually over the last two years without having to increase its internal sales workforce.

By implementing mySAP CRM, Mascot's customers enter their own order details directly online and are able to track order shipment in real time without having to speak with a representative. Orders are processed faster with almost zero errors. In turn, Mascot's employees save time in order duplication, reduce order-entry errors, and conduct more-informed customer interactions that are tailored to the individual account's needs. Employees work smarter and faster while improving customer interaction when it counts.

One Source of Data

Having one source to collect and access customer information has been a huge time-saver for Mascot's workforce. Prior to mySAP CRM, updates were done every 30 days over several systems. Now, up-to-date information is disseminated throughout the organization in real time. Employees can now view customer history, current and past transactions, type of products, activities, contact details, etc., all on one screen. Instead of accessing a different system for order entry, sales representatives can now access the order management tool directly from mySAP CRM.



“Before, sales representatives were limited in what information they could access. Now, our representatives are able to see information about the entire account to help them focus their sales efforts.”

Thies Lammke
IT Chief

ROI RUNDOWN

Mascot continues revenue growth of 20-25% without increasing its internal sales workforce with mySAP CRM

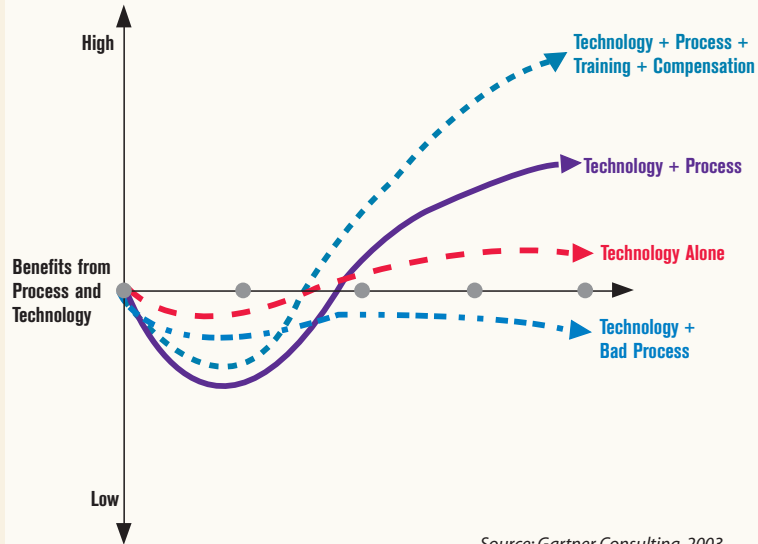
QUANTITATIVE AND QUALITATIVE BENEFITS

A structured approach to CRM is required to ensure executive direction and drive, to avoid missing key steps, to make the challenge more manageable and to focus on outcomes that are beneficial to both the enterprise and customers.

Typically, companies turn to CRM for the following outcomes:

- A consistent face to the customer
- More-effective customer interactions
- Increased customer access
- Enablement of greater customer insight

In the successful implementation of technology enabled sales tools, Gartner believes that sales executives should view the role of technology as a tool for selling and not only for sales administration. This is to help get sales executives on board with the project and ensure a greater degree of adoption.



Source: Gartner Consulting, 2003

The IRR of CRM

For Mascot, the main anticipated benefits from the implementation of mySAP CRM are:

- Raising customer satisfaction by improving customer service and support
- Increasing year-to-year sales growth in revenues by 7.5%, thanks to better and more-accurate information available in real time, enabling up-sell and cross-sell
- Improving operations efficiencies with increased transparency and integration
- Reallocating 2% of employees to more strategic roles
- Annual growth rate of 20-25% without hiring additional internal sales personnel
- Reduction of 40% in order-entry errors by having customers enter orders online
- Reduction in Total Cost of Ownership (people and hardware) of 28.3%

In addition to focusing on technological innovations, Mascot has identified particular financial- and customer-satisfaction-driven goals that are enabled by its technology investments. These goals include improving sales performance, improving the cash flow of the company and, most importantly, improving worker productivity by allowing employees to work smarter and think more strategically about their daily tasks.

With the valuable assistance of SAP consultants, Mascot went live with mySAP CRM in February 2003. The impressive five-week time-to-solution was driven by SAP's industry and integration expertise, coupled with the prepackaged solution offerings that are based on historical industry know-how and templates.

The IRR of CRM

Mascot International realized the payback period of 1.03 years with a 272% Internal Rate of Return over a five-year period.

Areas of Benefit

Annual Growth Rate	Annual growth rate of 20-25% without hiring additional internal sales personnel
Decrease Cost of Sales	2% of employees reallocation to strategy roles
Reduction Error Rate	40% reduction in order entry errors by having customers enter orders
Total Cost of Ownership	28.3% saving in implementation expense and hardware

Future Plans

Total Commitment to an Ongoing, Improved Customer Experience

Mascot selected SAP to not only meet the needs of today's customer, but also to anticipate the needs of its future customers. To continue its successful SAP-enabled endeavor, Mascot plans to integrate SAP's Business Intelligence (BI) solution to leverage the advantages of the business analytics best practices, improve its data warehousing capabilities, and allow Mascot to monitor the effectiveness of its marketing campaigns. Mascot has also recently implemented SAP's Mobile Sales solution to continually improve its field sales customer service capabilities and sales close rates. Effectively integrated, Mascot believes that these three core areas of focus will improve sales and profitability, enhance customer loyalty and, most importantly, solidify long-term partnerships.

The first process improvement Mascot plans to enhance in the future (December 2003) is within the mobile sales area. Improved mobile functionality will enable a true "one view of the customer." By having one view of the customer, field salespeople will be able to track

orders, notify customers of delayed shipments, and take orders, all without having to toggle between multiple screens. An improved mobile sales functionality will also provide real-time product catalog updates and allow links to business partners via their Microsoft Outlook.

As a complementary necessity for true mobile sales and CRM, Mascot will also improve its Business Warehouse (BW) capabilities. The goal is to model the buying patterns of top-tiered customers so Mascot can more effectively plan for the needs of each customer segment, in a timely manner. Mascot will attempt to identify when/where certain styles and sizes are ordered, by whom, spike requirements, marketplace pricing requirements and trends. Once the information is integrated with the field sales' one-screen view of the customer, Mascot will be able to make educated, real-time decisions and offer suggestions that will ensure the customers are getting what they really need, on time, and at the most competitive price.

By refining its mobile sales tool and leveraging Business Warehouse, Mascot can better plan and monitor the results of its marketing campaigns. Analysis of buying patterns, coupled with accurate information from SAP's Business Warehouse, will enable Mascot to identify overstocked inventory items to offer at a discount and products that should be priced at premium. Mascot will be able to monitor marketing campaigns for effectiveness, and fine-tune them in real time to meet customer needs and inventory/financial requirements.

Fully aware of its potential for growth, Mascot International realizes a very important fact—that growth cannot happen without a complete dedication to the customer experience. In an environment where customers are more knowledgeable regarding the value of particular products and partnerships, it is extremely important to know their customers, their future buying habits, and how/when to offer discounts or price premiums. This is especially true as customers acquire advanced capabilities to shop around for discounts and demand that companies meet a high level of customer support. ■

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www.sap.com/solutions/crm/customersuccess/roi.asp

For the summary of this ROI Review, please refer to material no. XXXXXXXX.

ROI RUNDOWN

Mascot lowers total cost of ownership with savings of 28.3% in implementation expense and hardware

The 8 Point Takeaway

Mascot is well on its way to becoming the “single workwear” brand in Europe. Enabled by mySAP CRM, Mascot has a single source to collect and access customer information, resulting in higher workforce productivity, lower costs and increased cash flow. As a result of the implementation, key lessons have been learned:

1. Create a Consistent Customer View

Prior to CRM, customer data was, at a minimum, 30 days old. By implementing CRM, employees can now view customer information in real time. The result is increased efficiency of the workforce. Mascot’s sales force is now interacting with customers in a proactive mode, as opposed to the previous reactive mode.

2. Increased Customer Satisfaction

Customers get the products they want when they need them, due to the online product catalogues and management tools. In addition, customers are able to “help themselves” when they want true online ordering and account management.

3. Focused Marketing Strategies

The extensive customer information that mySAP CRM is providing will allow Mascot to realize a higher hit rate per campaign in its marketing programs. Mascot can now target its customer base with the right marketing messages to the right customers.

4. Better Inventory Control

mySAP CRM allows Mascot to track customer demand and buying patterns. By applying this knowledge to production, stock inventory can be controlled efficiently and raw material purchases optimized. The result: lower cost of operations and improvements in product cycle time, and an enhanced portfolio mix.

5. Increased Productivity

By automating the sales transaction process, Mascot has realized faster time-to-sale and a reduction in order-entry errors of 40%. Mascot has grown between 20-25% over the last two years without the necessity to increase the internal sales workforce.

6. Decreased Total Cost of Sales

The efficiencies of the sales process has allowed for the reallocation of five resources from the order entry process to positions focused on revenue-generating opportunities.

7. Fast Implementation Time

By utilizing SAP’s packaged solutions and best practices, Mascot was able to implement mySAP CRM in five weeks, resulting in lower implementation costs and immediate turnaround on its investment.

8. Cash Flow Improvement

A world class delivery service and stock transparency has impacted Mascot’s dealers. Now they are able to maintain minimum stock levels, significantly improving their cash flow. By creating this value for their dealers, Mascot was able to impact the customer satisfaction level which has resulted in increased sales.



About the CRM ROI Review

Gartner Consulting, Inc. was commissioned by SAP to conduct an unbiased, third-party assessment of the ROI of the mySAP CRM solution as implemented at Mascot International. ROI results of this review are based on Gartner's Total Value of Opportunity (TVO) methodology and approved by Mascot International's financial office. The results in this review should not be deemed as an industry average, and may vary from published Gartner research.

To determine the return on Mascot's investment in mySAP CRM, Gartner isolated the net present value cost-reducing and revenue-enhancing benefits introduced by the three top mySAP CRM business process improvements, then divided this sum by the present value of the total investment. Though there are definitely additional benefits derived from other business processes, the study team could not isolate any of these benefits with the same confidence level.

For the purposes of this review, the time period investigated was a five-year useful life period. Though there are industry discrepancies regarding anticipated useful life periods (because of the nature of enterprise software and the expectations of customers), Gartner and Mascot determined that a five-year ROI would be the most useful life period for this particular study on which to calculate ROI and payback period.

The payback period is essentially a ratio-and-proportion calculation that compares all of the financial benefits realized in five years to the time it would take to have that investment returned. The investment estimate includes all of the costs involved in licensing, deploying, debugging and maintaining mySAP CRM software and services, though this estimate does not include any indirect, soft or overhead costs. In most cases, the indirect and soft costs would either be negligible or too difficult to quantify, while the overhead costs would be consistent, regardless of the SAP strategy implemented.

The 1.03-year payback period measured in this case study was based on a five-year useful life period (or obsolesce horizon). For this reason, the payback period may appear to be somewhat longer than average.

To ensure that the reader has the ability to compare the savings at Mascot against other installations, each cost savings was displayed in terms of initial SAP implementation expenses and over IT expenditures). For example, if cost savings were measured in these terms, the reader would have the ability to compare the savings of a \$2 billion company against a \$25 million company.

Overall, both the ROI, IRR and payback periods calculated above are very significant, especially considering the size and reach of Mascot International. Despite efforts to uncover all of the financial benefits associated with mySAP CRM, the ROI calculated should be considered as conservative, as it does not include an exhaustive list of benefits.

ROI Methodology

Gartner's standard TVO methodology includes what we believe are the "best practices"—applied methodologies for each of the value questions. These components of TVO allow for a complete view of an IT-enabled business initiative, from the capability inherent in the solution, based on a technology perspective, to the ability of an organization to convert that capability into business value. In addition, the TVO components build a "trail of evidence" that links the IT capabilities to business results—allowing business metrics to be visible and demonstrating value in the ensuing business operations.

Return On Investment (ROI)

Calculating ROI entails isolating and adding the net present value (NPV) for cost-reducing and revenue-enhancing benefits introduced by mySAP CRM and then dividing this sum by the present value of the total investment. In most cases, cash inflows (cost savings and revenue enhancements) are estimated to grow (or decline) with the anticipated growth (or decline) rate of the company. In the case of Mascot, the growth rate of the cash inflows remained constant.

Payback Period (Breakeven Point)

The payback period is essentially a ratio-and-proportion calculation that compares all of the financial benefits realized in five years to the time it would take to have that investment returned (for example, financial benefits/1 year = investment/X years, then solve for X). The investment estimate includes all of the costs involved in licensing, deploying, debugging and maintaining mySAP CRM software and services, although this estimate does not include any indirect, soft or overhead costs. In most cases, the indirect and soft costs would either be negligible or too difficult to quantify, while the overhead costs would be consistent, regardless of the CRM automation strategy implemented.



tested to work

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Robert Nolan is a director at Gartner. Mr. Nolan's financial and marketing strategy experience includes the analysis and development of comprehensive financial justification models, brand and line extensions, and build-vs.-buy return on investment (ROI) and total cost of ownership (TCO) analysis. Prior to joining Gartner, Mr. Nolan was a worldwide OEM business development manager at Gillette. As such, he was responsible for ensuring that Gillette had the optimum financial strategy and partnerships to meet the dynamic needs of the global marketplace. Mr. Nolan received a bachelor's degree in mechanical engineering from Boston University and an MBA from the University of California, Irvine.

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Prior to Gartner, Ms. Jeong worked at Cisco Systems, Mercer Management Consulting and Advent Software, in a variety of operational, business and product development roles. She holds a BA in political economics from UC Berkeley, an MA in international economics and affairs from The Paul H. Nitze School of Advanced International Studies (SAIS) at Johns Hopkins University, and an MBA from Tuck School of Business at Dartmouth.

For more information on The ROI Review

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