

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*

### **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.*

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# 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.

It's 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  
Customer Relationship  
Management (CRM) Initiatives

# *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

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EXECUTIVE SUMMARY *continued*

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.
- 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.”



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

## Introduction and Company Profile

Canada Post Corporation is a C\$5.9 billion company that 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.

“

**Business Transformation**  
eliminates non-value-add activities  
while more efficiently  
integrating business processes.

”

Canada Post operates as a Crown Corporation owned by the government. The Corporation is accountable to Parliament through a Minister, whose role is to oversee an independent Board of Directors and

approve the Corporation's general plan. When competing in the marketplace, Canada Post is expected to function like a private sector company without undue interference from government administration policies and without preferential treatment.

Canada Post's tagline, "From anywhere... to anyone" reflects its positioning in the marketplace as the connectivity partner that delivers trusted, integrated solutions to its customers in physical, electronic, or hybrid forms. Supporting this positioning are two primary product/service lines: physical delivery solutions and electronic delivery solutions.

Canada Post's physical delivery solutions utilize one of the most sophisticated mail processing and distribution systems in the world for traditional letter and publications mail, addressed admail and parcel distribution services.

Canada Post offers a portfolio of electronic delivery services to meet the growing demand for greater speed and efficiency. EPOST, the world's first Electronic Post Office box, is a secure Internet-based messaging service that allows Canada Post to deliver bills, statements, forms, government services and targeted advertising electronically. The service, which is free to all Canadian

consumers, helps businesses reduce distribution cost while allowing consumers to control the types of mail they chose to receive electronically. Additionally, the service enables users to pay bills and record transactions online with just a few clicks.



*The Honourable André Ouellet, P.C., Q.C. President and Chief Executive Officer*

PosteCS—a Web-based secure electronic document delivery solution for businesses—combines high-speed transmission with robust encryption, password protection and real time tracking to cost-effectively deliver large files and sensitive or confidential documents. The service, which uses a dedicated server to transmit post-marked documents from desktop-to-desk-

CANADA POST CORPORATION AT A GLANCE

Fig. 1

**Sales**

\$5.9 billion (Canadian) in 2001

**Number of Employees**

66,000 full- and part-time in 2001

**Operations**

Canada Post and its subsidiary, Purolator Courier Ltd., are entrusted with nearly 10 billion messages and parcels annually. These items are processed through 24 major plants. There are nearly 24,000 retail points of purchase where customers can access their postal service.

**Products**

**Lettermail:** cost-efficient and reliable

**Publications Mail:** newspapers, magazines and newsletters mailed in Canada and addressed to a subscriber, non-subscriber or news dealer anywhere in Canada.

**Distribution Services:** Priority Courier, Xpresspost, Expedited Parcel and Regular Parcel

**Addressed Admail:** promotional mail

**Business Transformation Executive Implementation Team**

- The Honourable André Ouellet, P.C., Q.C.  
President and Chief Executive Officer
- C. Anne Joynt, Executive Vice-President  
Business Operations
- L. Philippe Lemay, Executive Vice-President  
Business Development
- Stewart Bacon, Senior Vice-President  
Customer Relationship Management
- Tom Charlton, Senior Vice-President  
Operations
- Jacques Côté, Senior Vice-President and  
Chief Financial Officer
- John Drajewicz, Vice-President  
Customer Care
- Cal Hart, Vice-President  
Business Transformation
- Peter T. McInenly, Q.C., Vice-President  
Business Alignment
- Louis F. O'Brien, Vice-President and  
Controller

Canada Post has been able to leverage its broad expertise in physical and electronic delivery solutions through its consulting subsidiary Canada Post Limited International, which has a worldwide reputation for developing and restructuring operations and infrastructure for postal administrations throughout the world. Canada Post Limited International has completed more than 90 consulting projects in 45 countries since its inception.

**Business Strategy**

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 demands for greater speed, flexibility and information. A global trend among competitors and other postal organizations to expand product offerings and geographic reach was compounding the challenge. Canada Post recognized that significant investment would be required to sustain their current revenue base and capture growth from emerging market segments.

The accelerating rate of migration to competitive and substitute products coupled with Canada Post's cost structure, which was largely fixed, required a bold course of action in order for the company to remain competitive. The first step in crystallizing this course of action was the adoption of Canada Post's corporate vision and strategic direction

top, helps businesses minimize printing and paper costs and enables them to leverage the Internet to stay connected with clients, partners and employees.

eParcel solutions are designed to make online retailing easy and accessible to existing and start-up companies. eParcel services include all of the basic building blocks needed to create an online store. At the core of each solution is Canada Post's unique eParcel Shipping Module built to empower consumers and give them con-

trol over speed and cost of delivery by choosing the shipping solution that best fits their needs and budget.

Volume Electronic Mail (VEM) allows customers in government and industry to send files electronically to be printed or to send pre-printed materials for distribution. Customers' electronic files are processed at the VEM hub in Ottawa and sent to printers in Halifax, Montreal, Toronto, Winnipeg and Vancouver.



L. Philippe Lemay,  
Executive Vice-President  
Business Development

to guide the organization and all its employees towards the achievement of common objectives and serve as the foundation for the Corporation's plans. The vision stated: "Canada Post will be a world leader in providing innovative physical and electronic delivery solutions, creating value for its customers, employees and all Canadians." Five strategic priorities provided a roadmap for the organization to achieve its vision:

**Defend Current Business-** The Company decided to make the necessary changes to improve its costs structure and

“

**Business Transformation  
is more than a project,  
it's a journey.**

”

provide new, value-creating products and services. Aggressive objectives were set to reduce operating costs and by drive opera-

tional improvements in the areas of collection, processing and delivery. In addition to these operational improvements, Canada Post decided to contain the erosion of Lettermail and generate alternative sources of revenue to sustain the network.

**Grow Competitive Businesses-** Canada Post realized they had to be bold and innovative to capture the opportunities emerging from e-commerce and the changing needs of their customers. Canada Post set out to grow their distribution and logistics business by leveraging their core com-



*The Canada Post Corporation Control Center uses state-of-the-art technology to track operations across Canada and the globe in real-time.*

“

We wanted a long-term initiative that would drive competencies down into the organization.”

”

competencies and the security of their network while developing a broadened, integrated product line to provide a cost-effective, world-class distribution infrastructure with international reach. The Corporation began developing e-commerce capabilities to generate incremental revenue from Internet-based retailing and supply chain markets and invested in a portfolio of electronic service offerings. Canada Post also decided to leverage their extensive retail network of over 24,000 points of access by expanding the products and services available through these locations and by aligning employee training and technology with the changing nature of the retail channel.

**Achieve Operational Excellence–**

Given the dynamics of the marketplace, it was becoming more and more critical for Canada Post to achieve high levels of efficiency and to become more responsive to customer needs. While a number of initiatives were introduced, the most important was a corporate-wide Business Transformation program to make Canada Post more responsive to business and market needs. Enabled by the implementation of SAP R/3, the business transformation program was implemented to identify and eliminate

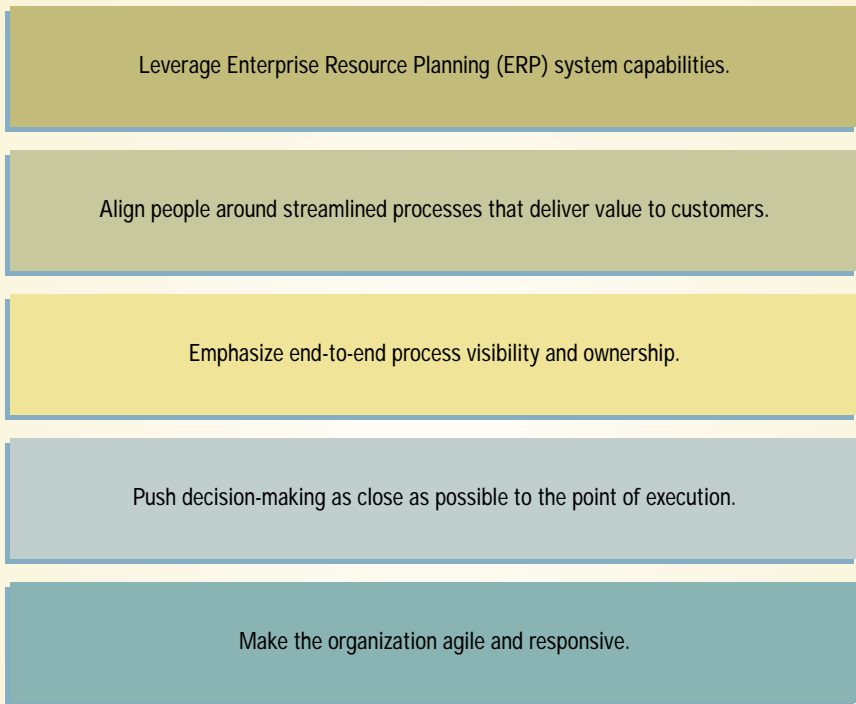
non-value-added activities and closely integrate all major business processes across the organization. (See Figure 2)

**Make Employees A Competitive Advantage–** Given the critical role of employees in a fundamentally service-based business, Canada Post initiated programs to energize human resources through significant improvements in human resources management processes. Training is also playing a critical role in preparing the workforce for a highly competitive, technologically advanced and fast-paced marketplace.

**Enhance Corporate Equity–** Although a recent brand study revealed that Canada Post is seen as a reliable, friendly, efficient company that offers quality products and services at a reasonable value for the money with honesty and integrity, it is trying to enhance its image as a competitive, innovative company that understands its customers. Canada Post is focusing on increasing customer satisfaction, as measured by an ongoing Customer Satisfaction Index (CSI), by responding quickly to customer concerns with innovative solutions. An integrated corporation-wide plan has been created to drive accountability for the management of customer issues to all levels of the organization,

**PROCESS-BASED ORGANIZATION GOALS**

Fig. 2

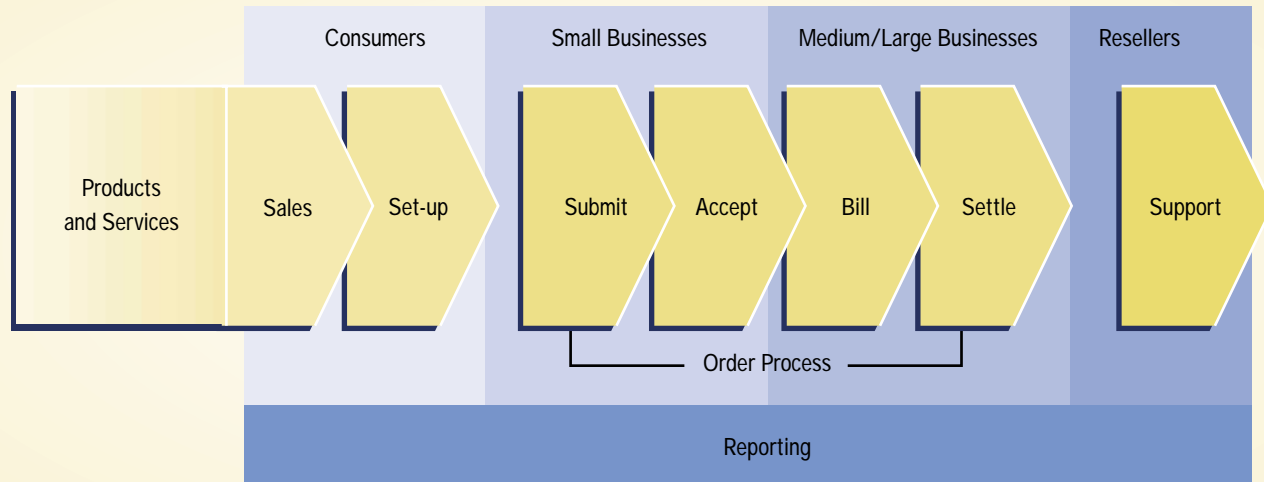


*Canada Post initiated a corporate-wide business transformation program to achieve high levels of efficiency and to become more responsive to customer needs.*

Source: Canada Post

ELEMENTS OF THE ORDER-TO-CASH PROCESS

Fig. 3



Source: Canada Post

remove barriers to improving customers' satisfaction and ensure that all business processes create customer value.

Like many other large organizations at the time, Canada Post was not IT savvy and had built a series of single silos of information so that there was no "one face of the customer", but rather a fragmented image at best. Given that situation, it was not surprising that a Customer Satisfaction Index among commercial customers was not running very high especially satisfaction with billing. Philippe Lemay, EVP Business Development, however, did not view this as the crux of the problem, but merely symptomatic of it. "We didn't have a technology problem here. What we had were broken business processes. We didn't need a technology project, we needed a complete business process re-engineering." Thus began the campaign to win approval for a massive, corporate-wide business transformation program.

## Business Transformation Journey

The starting point of the Business Transformation (BT) journey was the development of a business case to prove the desired changes were possible and financially justifiable. In November 1999, a business case presented to the Board of Directors showed that existing IT systems did not support corporate needs (no single data base, no product structure, no business-wide view, not responsive, expensive to operate), but an enterprise resource planning (ERP) system could enable future success (cost reduction, customer response, market share, e-business.)

Although an investment ranging from C\$200-\$300 million was required to implement the ERP system and reengineer business processes, the business case identified annual business benefits of C\$134 million. The business case was so compelling it was overwhelmingly approved by senior management. By early 2000, a Business Transformation program was initiated with a budget of nearly C\$300 million and a mandate to change both the work and the culture of Canada Post.



Early on in the BT program, the greatest concern was getting the entire organization to engage and buy into this massive transformation. As Cal Hart, Vice President of Business Transformation explained, "We were looking for sustainability. We

[Canada Post] had always been great at contingency planning, but this was for the long-term so that we could drive the competencies down into the organization.” Change management advisors were brought into Canada Post to set the right expectations among the senior management team and to prepare them for a sustained initiative. The discussions were frank; the transformation was going to be big and at times painful. The mantra conceived at that time still emanates from Canada Post employees today, “more than a project, it’s a journey”.

From the onset, the Business Transformation journey was positioned as a mechanism to drive fundamental change in the way Canada Post conducted business and included: retooling key business processes; replacing over 80 legacy systems with an integrated ERP system; implementing a new organization structure along a Process Enterprise model and launching a large-scale change management effort to



Steve Cameron  
General Manager, Change  
Management

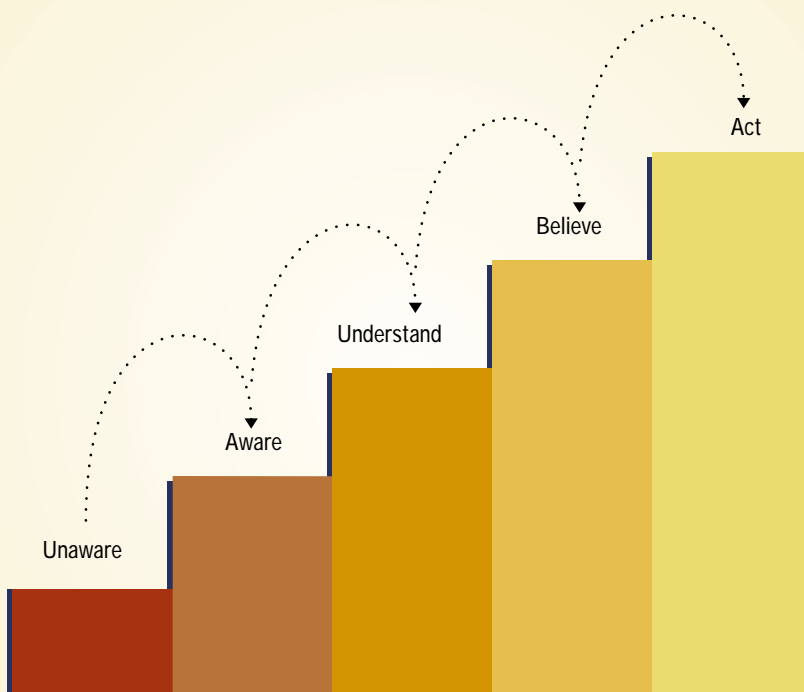
ensure that everyone within the organization made the transition successfully.

Re-engineering blueprints were developed for five key business processes: order-to-cash, human resources, financial management, mail operations and logistics, and procurement. The order-to-cash process, a critical element in building customer

relationships, included all the activities of customer set-up, mail induction, invoicing, payment and settlement and the management of the customer relationship. (See Figure 3)

ELEMENTS OF THE CHANGE MANAGEMENT PROGRAM

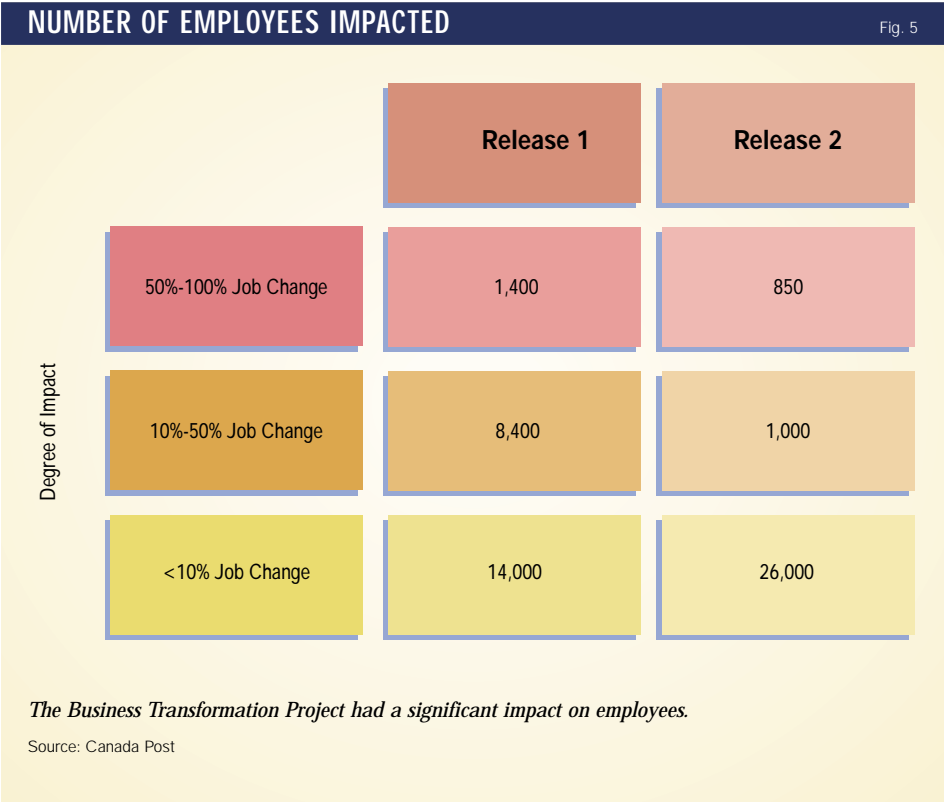
Fig. 4



Canada Post used a comprehensive and integrated approach for developing workforce capability and organizational readiness.

Source: Canada Post, *The ROI Report*

The BT program needed the right IT platform to support the new processes, achieve integration and improve adaptability to marketplace dynamics. The majority of Canada Post’s legacy systems were 8 to 10 years old and, while they had been customized over the years to increase functionality, they remained silos of information rather than an integrated system with a single data pool providing information with true integrity. Furthermore, “the legacy systems made it very difficult to respond quickly to changing marketplace dynamics,” explained Cal Hart. “When rising fuel prices required the implementation of a surcharge comparable to that imposed by many of our competitors, the complexity and cost of changing legacy systems meant that, by the time we would be able to apply our surcharge, conditions would have changed and the surcharge would no longer be required.”



Nearly 25% of the budget and one-third of the BT team members were allocated to an extensive change management program that ran concurrently with the business process re-engineering and ERP implementation initiatives. The team, headed by Steve Cameron, General Manager, Change Management, utilized a comprehensive approach to drive change (See Figure 4). A communications program was designed to create awareness and understanding among stakeholders, support the stakeholder change-acceptance process and promote buy-in by proactively addressing stakeholder concerns. A performance support element was implemented to provide training and on-the-job support and coaching.

The organization development aspect of the change management initiative supported the migration to a process-based organization. The goals of the process-based organization were to align people around streamlined processes that deliver value to customers and drive accountability for process results and outcomes. Organization development focused on creating end-to-end process visibility and ownership through increased spans of control and executive-level alignment to the value chain. Decision-making was pushed as close as possible to the point of execution to

make the organization more agile and responsive both to customers and competitive pressures.

A Leadership Development Program was designed to improve management’s ability to manage change. The program covered topics ranging from change readiness to coaching and motivating individuals and teams and ultimately trained 3,000 people through various modules.

According to Steve Cameron, “Changing the culture required us to move from a command and control mentality towards collaboration and accountability. A process-based approach required that. Now we have a commitment to change, and we want to be a process-based organization. People now know there is a process to follow and they’re always looking to simplify the process.”



Aaron Nichols  
General Manager, Business Transformation

# CRM: The Cornerstone of the mySAP-Powered Business Transformation

Basing selection on functional, technical and commercial criteria, SAP was chosen to provide Canada Post with a flexible integrated e-business and collaborative platform to enable the enterprise-wide Business Transformation. (See figure 6.) Cal Hart explained the decision, “The other vendors had pieces of what we needed, but no one

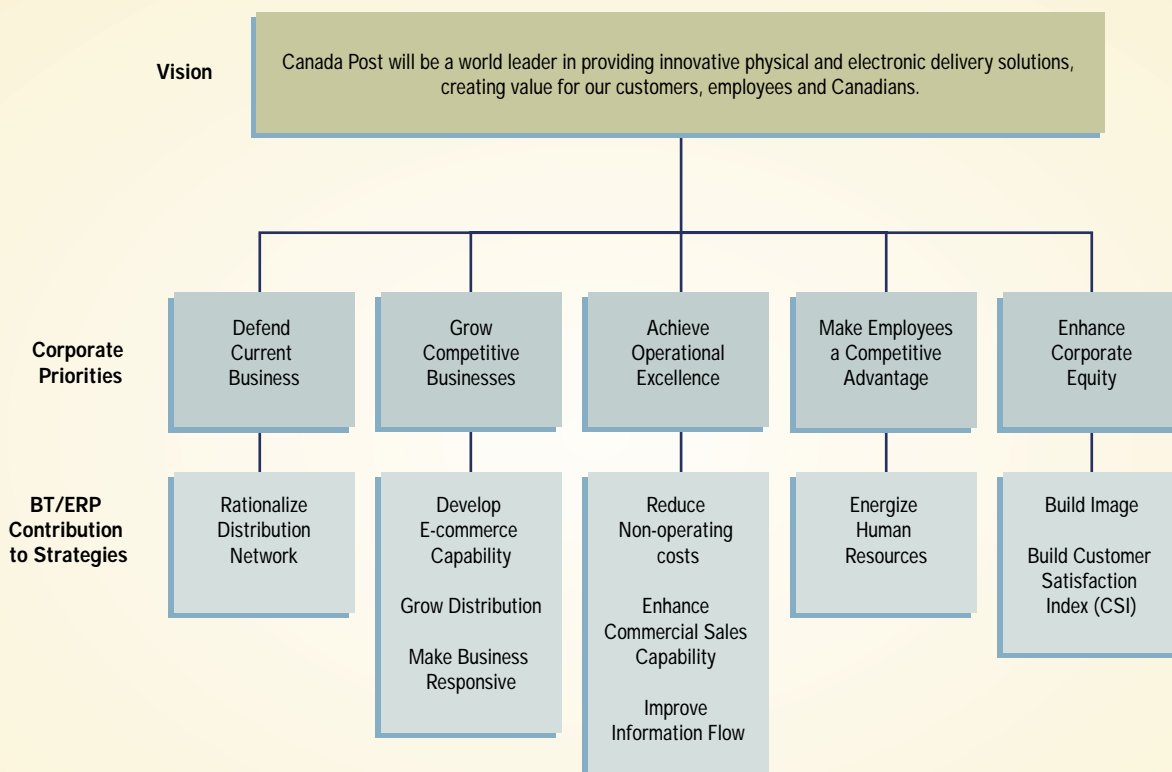
vendor had the range of functionality and integration that SAP could provide.”

A cornerstone of Business Transformation was mySAP Customer Relationship Management because it enabled the required changes in the order-to-cash process. (See Figure 7.) Canada Post felt that effective management of customer relationships, particularly among large commercial customers, was a key driver of business success. According to Aaron Nichols, General Manager of Business Transformation, “We felt mySAP Customer Relationship Management would enable us to provide a rich, uniform customer experi-

“  
mySAP CRM enables us to provide a rich, uniform customer experience and help us differentiate service levels based on customer value.  
”

## CORPORATE PLAN

Fig. 6



The Business Transformation Project and Implementation of the SAP solution directly contributed to each of the five mission strategies.

Source: Canada Post, The ROI Report

ence 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.”

Canada Post developed a list of requirements for system functionality to support their Customer Relationship Management needs and evaluated mySAP CRM against these requirements. “Integration with the R/3 back-end system was also a key consideration for selecting the mySAP CRM solution,” explained Aaron Nichols. “The seamless integration that is inherent with an SAP solution was very important to us.”

As a result of the assessment, Canada Post opted to use the mySAP CRM solution initially to support three major aspects of Customer Relationship Management including:

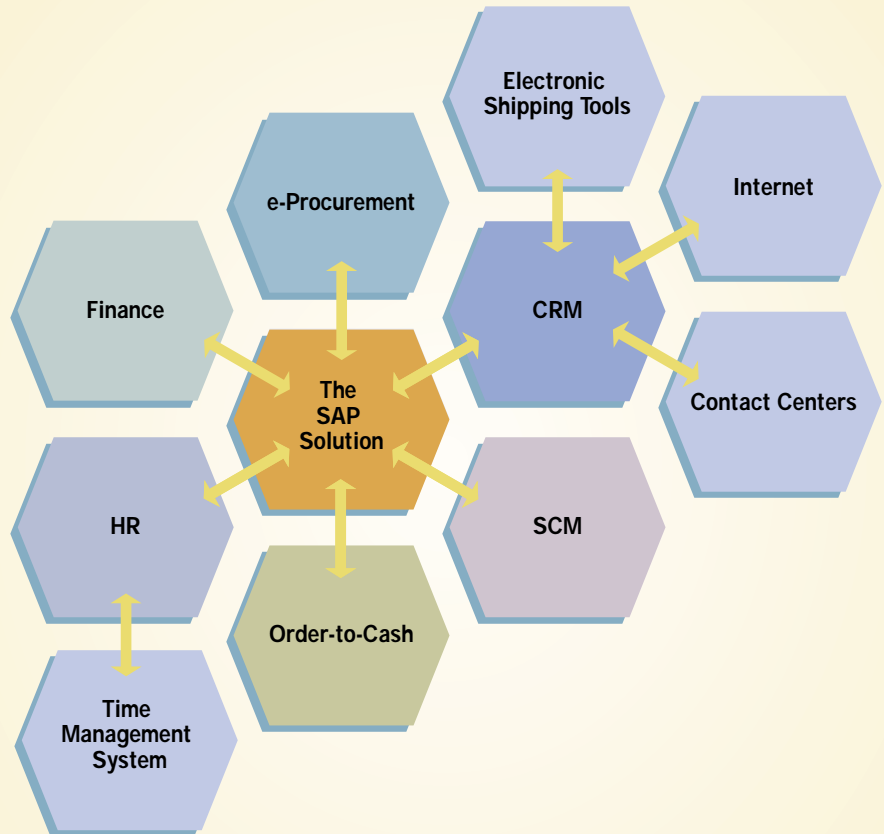
**GARTNER CRM AWARD**

In March 2002, Canada Post was chosen from over 190 companies throughout the world to receive the prestigious Gartner Customer Relationship Management Award of Excellence. This award presented by Gartner, Inc., a leading research and advisory firm, recognizes business-to-business and business-to-consumer companies that most clearly demonstrate excellence in their CRM initiatives as evaluated against eight criteria.

Canada Post received the award for the most outstanding example of using CRM for addressing real world business challenges. In particular, Canada Post was recognized for its effective customer-centric approach to doing business with its many stakeholders, effectively transforming its business methodology to embrace the Internet and introduce new channels for its customers.

**CRM SOLUTION**

Fig. 7



*The CRM Solution links customer access channels with the core enterprise system.*

Source: Canada Post, *The ROI Report*

**Electronic Shipping Tools-** Targeted at commercial customers, Electronic Shipping Tools were designed to reduce paperwork, save time and improve transaction accuracy. Available in a desktop version or via the Internet, Electronic Shipping Tools enable placement of orders and the creation of shipping documents online. The tools are expected to be used by 5,000-6,000 commercial customers and will significantly reduce the manual data capture of orders.

**Internet Sales and Service-** Canada Post decided to integrate my SAP CRM processes with the Online Store at [www.canadapost.ca](http://www.canadapost.ca) to provide customers with more convenient access to products and services and to provide Internet self-service (package tracing, rate calculations, finding outlet locations, view their accounts online, etc.) Additionally, Canada Post customer service agents and delivery supervisors would be able to access details of customer transactions (inquiries, complaints, claims, orders, etc.) from a Web browser.

**Contact Centers**— With eight contact centers handling around six-million calls each year, Canada Post decided to use mySAP CRM to provide customer service agents with details of customer transactions from a single screen. Prior to mySAP CRM, Canada Post had six sources of customer data that were not integrated. Workflow was used to route cases to delivery depots or employees and SAP Phone supported queuing customer inquiries, automatic “screen pops” for cus-

“  
 Before SAP, there was no way to contemplate continuous innovation—there wasn’t a single view of the customer.  
 ”

tomers service agents and fax-, email- and voice-back options for customers.

The implementation project began in December, 1999 (See Figure 7) when a team of employees, consultants and partners was assembled to redesign the business processes. Although the entire project team numbered more than 500 at its peak, the core CRM team consisted of 6 people from Canada Post, 3 from Accenture and 2 from SAP. Additional people were used in key areas such as internet and online shipping tools, as needed.

The implementation team followed a methodical and orderly process to redesign and configure new business processes in SAP. The team documented detailed process requirements in activity form, developed scenarios with process flows, then designed SAP configuration solutions based on the new processes. The solutions were tested and prepared for demonstration in validation sessions among end users. The feedback from these sessions was used to refine the solutions and update the processes.

Prior to “go-live,” Canada Post utilized a combination of classroom training and coaching to get end users up to speed. According to Janie Randolph, Change Management Lead for the order-to-cash process, “We conducted an impact analysis to look at roles associated with transactions and made a role map. We used this role map to develop business procedures, classroom material and exercises that were bundled into different courses depending on the audience.

IMPLEMENTATION TIMELINE

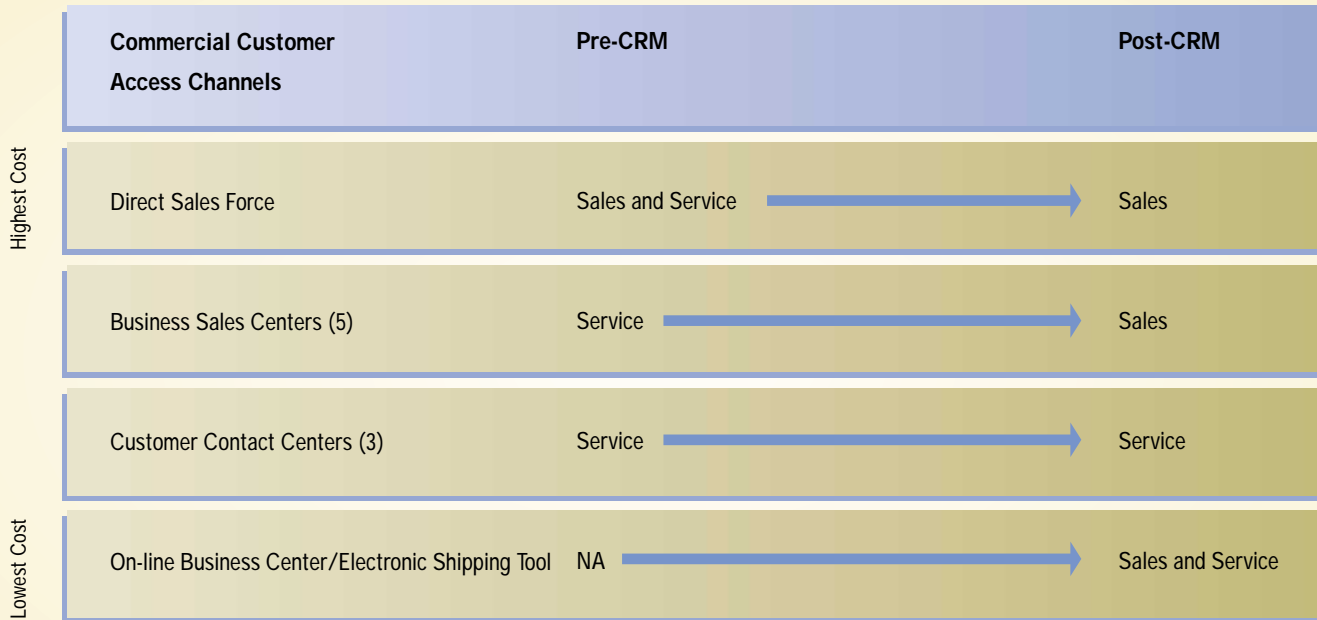
Fig. 7

Date	Activity
December 1999	Begin Project
June 2001	Launch New www.canadapost.ca
July 2001	Launch SAP R/3 core business processes Order-to-Cash e-Procurement Enterprise Portal
September 2001	Launch SAP CRM Module
November 2001	Pilot On-line Business Center
January 2002	Launch Integrated Functionality for Sourcing Management Human Resources Financial Management
February 2002	Introduction of Electronic Shipping Tools
April 2002	Launch New Telephony for Contact Centers

Source: Canada Post, *The ROI Report*

MIGRATION OF SALES AND SERVICE CHANNELS

Fig. 9



SAP CRM is enabling Canada Post to rationalize its sales and service channels.

Source: The ROI Report

The training was considered a success, however, the organization continues to learn how to use the system. According to Cal Hart, “We are still learning how to leverage the system, we’re still in the learning mode. If we had spent more time up front, we would have had a smoother launch, and would be further along the curve to extract value.” The point was echoed by CFO Jacques Côté, “At this point we’re only using 40% of the value of the system. In retrospect, we should have taken more time up front to build blueprints. The core processes that remain the same should have been more aggressively questioned and changed.”

## MySAP Customer Relationship Management Benefits

With its SAP implementation, Canada Post has tightly linked its overall core enterprise processes with its CRM processes. Access to a single source of data is now providing Canada Post the ability to create a single view of the customer, and in turn, to provide a single face to the customer. In real terms, Canada Post has moved from maintaining over 80 legacy systems

that didn’t talk to each other to one highly integrated system. Gerry Gervais, General Manager, Internet Sales, explained “Everything is ten times better than before. Before SAP, there was no way to contem-

plate continuous innovation, as there wasn’t a single view of customer. Our company has achieved something monumental. It’s an exciting, tremendous platform for the future.”

The new CRM capabilities are driving the alignment of access channels (See Figure 9) with customer needs, and in so doing, optimizing Canada Post’s sales



Jacques Côté, Senior Vice-President and Chief Financial Officer

and service. The direct sales force is being relieved of cost-intensive customer services activities, which prior to CRM had required significant time. Aaron Nichols, General Manager, Business Transformation, explains,

“

We have set aggressive targets and focus on the service components that drive the index. With CRM, we expect to see improvements in key areas.

”

“We have been able to take a large number of our middle-tier commercial customer and move them to the phone instead of serving them face-to-face.” Overall, this migration will drive costs down while serving customers more effectively.

“Our five Business Sales Centers, which were re-aligned as part of the BT blueprint for growth, have moved from a service- to a sales-intensive mode,” stated Aaron Nichols. “In the past 95% of the calls we received were for problem resolution, now these problems are handled by the customer call centers or on-line.”

Serving the small and medium enterprise over the telephone, the Business Sales Centers anticipate substantial benefits from mySAP

CRM. The activities of the Centers now focus on outbound telesales for new business development, supporting direct mail campaigns and retaining and growing relationships with existing customers. “We will leverage the Business Warehouse to extract customer data to make our telesales and direct mail campaigns more effective and to uncover cross- and up-selling opportunities.”

Canada Post is determined to find the most appropriate service mix for each customer. With its CRM capabilities, Canada Post is now able to develop finer segmentation of its customer base and tie customer segments to very specific customer service tiers. “What we were able to create is one face to the customer,” states Donna Drover, General Manager, Take to Market. “From an integration perspective, we were able to ensure that regardless which Customer Support Network [Sales Representatives, Customer Contact Centers, or Customer Business Centers] the customers utilize, our employees have one consistent view. This was not the case when we had disparate systems.”



Donna Drover, General Manager, Take to Market

Observations from Aaron Nichols highlight how CRM is helping customers: “The customer experience with Canada Post in the past was complicated and very often frustrating. A customer could call several times on the same issue and receive different responses from call agents. There was no integration of customer and call information. Now, when the cus-

**BUSINESS TRANSFORMATION HAS HELPED CANADA POST TO BECOME AGILE AT ALL LEVELS**

Business Transformation has helped Canada Post to become agile at all levels. Previous to the business transformation a fuel surcharge needed implementing because of rising energy costs. It would have taken Canada Post approximately six months of effort and over C\$1 million to implement the rate change across numerous legacy systems, disparate processes, and difficult to grasp product structures. The delay in implementing the rate change not only cost six months of lost margins, it also would have created the risk that Canada Post would be inflexibly priced out of its markets should energy prices and competitor’s prices fall. With unified processes and product structures within ERP, Canada Post can now implement such changes flexibly and react to the changing market conditions ahead of the competition.

tomor calls, the message is the same. There is a history of the cases related to this customer, and frequently asked questions are referenced from the CRM solutions database.” And, with its new telephony solution, Canada Post can route the customer to the correct Canada Post personnel with the most appropriate skills.

Canada Post will ultimately track CRM improvements, in part, through their quarterly CSI study. According to Cal Hart, “We have set aggressive annual improvement targets and focusing employees on the service components that drive the index. With the improvements made in the past year to our CRM capabilities, we expect to see improvements in several key areas of the index.”

ON-LINE BUSINESS CENTER

Fig. 10



Canada Post's On-line Business Center will provide commercial customers convenient access to transactions and services.

Source: Canada Post

**FINANCIAL BENEFITS**

Canada Post developed a comprehensive benefits realization model and accountability process to measure the financial benefits of the BT program. A measurement methodology was designed to quantify actual benefits realized against the business case targets. The measurement methodology was tested and baseline data was accumulated prior to implementation. Results are now

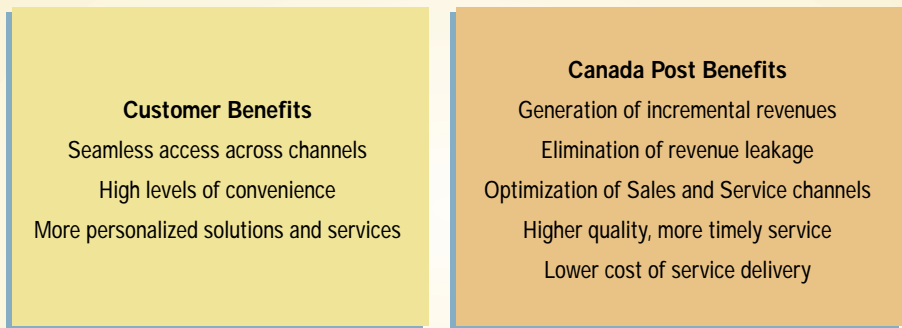
being captured to calculate actual benefits and to implement and required corrective actions.

Financial benefits from the implementation of the order-to-cash process are expected to accrue from increased revenue and cost reductions (See Figure 12.) Canada Post estimates that \$25 million in revenue leakage will be eliminated due to tighter controls and verification of customer documentation at the time of receipt. The

revised customer relationship process will ensure information is captured and verified at the source and that adjustments to declared values are billed and collected. The SAP system has been configured to generate a supplementary invoice to bill or credit a customer when adjustments are required.

The contract management feature of mySAP CRM is expected to enable a \$5 million margin increase based on improved

KEY BENEFITS OF MYSAP CUSTOMER RELATIONSHIP MANAGEMENT Fig. 11



*MySAP Customer Relationship Management is a win-win solution for Canada Post and its Customers.*  
Source: The ROI Report

billing processes and the utilization of a single customer number. Customer accounts will be monitored to ensure compliance with the volume levels stated by each customer contract. If a customer fails to achieve the contracted volume level, which is sometimes the case, pricing will be adjusted to reflect the actual volume levels.

Prior to mySAP CRM, the Commercial sales force spent more of their time on administrative type activities and customer follow-up. The fully integrated SAP system will provide consistent access to customer information from a single source, reducing administrative time to an estimated one-third of the time not spent on selling activities. The additional selling time is projected to generate \$50 million in additional revenue and \$10 million in incremental margin.

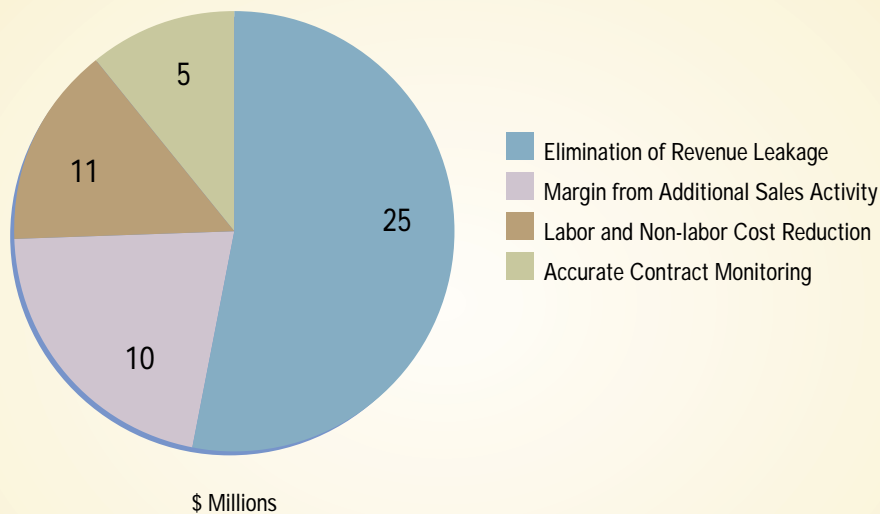
Approximately 146 full-time equivalent (FTE) positions will be phased out, primarily through natural attrition, in part due to increased process efficiencies enabled by SAP. The estimated labor savings due to

the increase in process efficiencies is \$7 million. Non-labor cost reductions, which include a reduction in data entry among other things, are expected to contribute \$4 million annually.

With an initial investment in the order-to-cash process reported at \$100 million over two years, *The ROI Report* has concluded that Canada Post's SAP implementation will enable an projected ROI of 26%. Additionally, Canada Post suggests that had they elected to calculate an ROI associated with the CRM implementation as a single endeavor, it would be significantly higher and more consistent with other published returns-on-investment forecast for CRM-only implementations.

It is clear that SAP's most important impact was its ability to enable and support the larger project of Canada Post's Business Transformation. Canada Post had to invest a significant amount of time and money into training thousands of Canada Post employees. Such an investment has exemplified to employees the commitment Canada Post continues to maintain in reach-

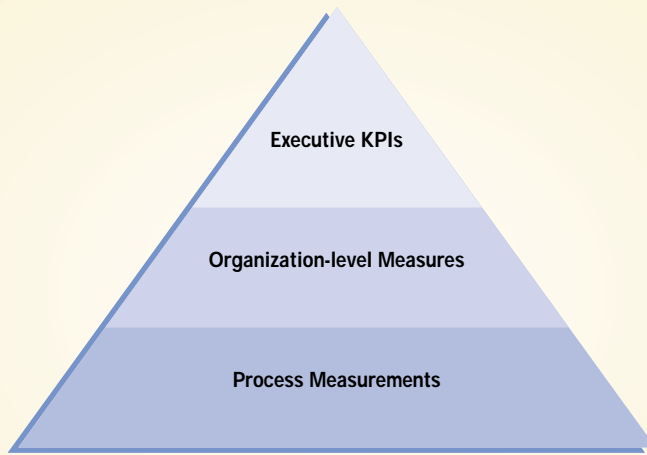
ANTICIPATED FINANCIAL BENEFITS OF ORDER-TO-CASH Fig. 12



*Canada Post anticipates an annual margin benefit of \$51 million as enabled by the SAP CRM Solution.*  
Source: The ROI Report

MEASURES

Fig. 13



Canada Post will develop organization-level measures that link to process measurements and executive Key Performance Indicators (KPIs).

Source: The ROI Report

ing its goal as a bold and innovative organization. This investment has not only increased employees' knowledge in the latest IT technologies, but it has also increased their confidence in the professional skills they provide Canada Post.

## The Future

Canada Post is still in the midst of understanding the core processes that can be delivered through both R/3 and CRM. "We are still learning how to leverage what has been implemented," explained Jacques Côté, CFO. Once a certain comfort level has been achieved with the technology implemented, Canada Post is anxious to leverage the knowledge available to them through CRM.

According to David Roy, General Manager, Business Sales Center, "Exploiting finer customer segmentation is at the top of the list. We see a tremendous opportunity to differentiate our customers by value rather than volume. In addition we'll be able to use multiple contacts so we don't contact an accounts payable person with a promotional offer for example"

Also critical is the development and implementation of Key Performance Indicators (KPIs) at multiple tiers of the organization. (See Figure 14) Andy Buxton, Director, Business Transformation Program Management, explains, "The Corporation uses a set KPIs to manage the business at the executive level. We continuously track earnings before interest and taxes (EBIT), customer satisfaction, employee satisfaction and service performance. Additionally we developed process metrics for each of the 700

sub-processes that were re-engineered. What we want to do now is to link together the sub-process metrics and executive KPIs with a mid-level organizational scorecard."

With its new technology in place, Canada Post is now revisiting its business processes to gain further optimization. According to Aaron Nichols, "Now that we have the initial implementation completed and we are quickly moving towards stabilization, there is a strong desire to exploit CRM more fully." Although specific plans for the future are not yet solidified, the Corporation does expect to leverage more of the capabilities of mySAP CRM particularly marketing analytics, campaign management, mobile sales and service, and telesales.

Canada Post will soon be enhancing its online postal outlet locator which allows customers to access information about the four postal outlets closest to them. With such an

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We see a tremendous opportunity to differentiate our customers by value rather than volume.

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ability, Canada Post could provide the same service for any company with a large number of outlets such as banks and chain stores. Another potential revenue source is Canada Post using its enhanced customer data to advance philatelic merchandising globally.

Canada Post is considering the implementation of SAP's supply chain management solution and plans to integrate it with the CRM functionality to provide a greater degree of responsiveness to customers.

Canada Post recognizes the critical role SAP technology has played in moving the organization's Business Transformation forward. And what does the future hold for Canada Post's Business Transformation? CFO Côté is pragmatic: "The job is done when the value is delivered. Until the value is delivered, it's an SAP implementation. Once the value is delivered, it's a Business Transformation."

## Lessons Learned

Even if Canada Post had not committed to its massive Business Transformation, the organization understands that the implementation of SAP's R/3 and mySAP CRM were not merely new IT technologies, but rather new methodological approaches to the way Canada Post conducts business. With the initiative now having reached its stabilization stage, Canada Post cites the follow-



ing learning derived from the implementation of mySAP CRM.

**1. Have passionate leadership.** A full time team of "true believers" is essential. The team should be comprised not only of senior management, but also those employ-

ees throughout the organization who are respected by their colleagues. This team should report directly to the President and CEO. Regularly scheduled executive steering committees are critical.

**2. Benchmark against the best** in both your own industry and in other industries. Establish outcomes based on those companies that have maximized the use of their enterprise-wide systems and CRM capabilities. (Because Canada Post was an early adopter of SAP CRM, there was little to benchmark against relative to CRM. Today, Canada Post receives requests on a regular basis from other companies considering CRM implementation.)

### PRESENTING ONE FACE TO THE CUSTOMER IS A FOCUS FOR CRM AT CANADA POST.

Presenting one face to the customer is a focus for CRM at Canada Post. The customer experience with Canada Post in the past was complicated and very often frustrating. A customer could call three or four times on the same issue and receive different responses from different customer service agents. The sales force automation systems were standalone, without any integration of customer and call information. When the customer calls now, the message is the same. There is a history of the cases related to the customer and frequently asked questions are referenced from the CRM solutions database. Furthermore with its new telephony integration solution, the customer call can be routed to the correct personnel with the most appropriate skills.

**3. Encourage interaction between team members.** During SAP implementation, Canada Post project teams often worked separately on their own respective modules with limited interaction with other module teams. Regular interaction between team members working on different modules increases overall project integration resulting in increased project productivity.

**4. Establish a formal sign-off procedure** for all process owners and stakeholders. During re-engineering, keep them in the loop on an ongoing basis to assure they develop a full understanding and buy-in at project completion.

**5. Training is everything.** Develop a comprehensive training plan before the project begins in order to offset any loss of productivity that normally accompanies a systems installation. Strong training and continued



support throughout the implementation will also aid in morale.

**6. Manage expectations.** Users need to understand that when they've been working with legacy systems that have been highly customized over many years, there will be a period of adjustment. Leveraging custom knowledge will come after a certain comfort level with the new systems has been achieved.

**7. People, Process & Technology in Harmony—** The objectives for Canada Post's business transformation extended well beyond the introduction of new technology. Taking the broader view of system and process integration meant starting with end-to-end simplification of business processes, developing a blueprint for success in a process-

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Canada Post recognizes the critical role SAP has played in the organization's Business Transformation.

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based organization, and surrounding the implementation with extensive change-management activities. As vice-president Cal Hart notes “Only by taking all these actions—ensuring, people, process and technology are all working in harmony—will our anticipated benefits be achievable.”

When asked what Canada Post did right relative to its IT undertaking, EVP Philippe Lemay summed it up by saying, “We stayed the course.” Adhere to the schedule and restrain any desires to pursue tangents or over analyze problems. Once the technology is implemented, then revisit any concerns or particular areas of interest.



## About the ROI Report

This publication is a periodic report on the implementation of enterprise-wide client server applications, such as R/3 and CRM from SAP R/3. *The ROI Report* is written for senior managers of Fortune1000 organizations around the world. The report is published by Hill|Holliday, a Boston-based communications consultancy that combines rigorous business analysis and marketing expertise with powerful creative and integrated communications across all media to build brands, create customer relationships and drive sales.

## ROI Methodology

*The ROI Report* interviewed Canada Post executives, managers, and users about their implementation of SAP R/3 and CRM. In addition, Canada Post's internal financial reports, planning documents, and other materials were reviewed. A literature search also was conducted to obtain additional information and to identify key issues. The ROI calculation was based on a model that evaluated the projected impact and benefits. Working capital carrying costs were analyzed and valued at the estimated inventory carrying costs and Canada Post's cost of capital. Financial projections for future years were based upon *The ROI Report's* analysis of internal company documents and comparative industry analyses. The investment analysis included the estimated cost of both external and internal Canada Post implementation expenses. The ROI was calculated by determining the Internal Rate of Return (IRR) using the time-value-basis of money. The IRR method was chosen because it is felt to be the most conservative approach.

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## For More Information

The telephone number for *The ROI Report* is 800-283-1SAP. The electronic mail address is SAP.COM. We look forward to hearing and reading your comments on how we can make *The ROI Report* more valuable to you.



