

# CRM ROI Review

Optimizing Returns on Customer-Centric Strategies

Featured Customer:

**Tata Telecom**

Identifying Return on Investment  
from mySAP CRM Solutions

volume two number 8 dec 2003

Tata Telecom will realize a 129% Internal Rate of Return  
on its investment in mySAP CRM

## EXPECTED REALIZATION OF ROI BY:

### Increased Service Productivity and Revenue

Revenue per service employee will increase 10% through fiscal year 2005  
while the number of calls handled by each service employee has risen by 25%

### Increased Sales Productivity and Revenue

Sales productivity, as measured by revenue per employee, will grow 15% through fiscal year 2005

### Improved Cash Flow from Faster Order Delivery

Order-to-delivery time has been reduced by two days, a 3% improvement  
that allows Tata Telecom to book revenue sooner

### Reduced Carrying Costs from Faster Inventory Turns

Due to mySAP CRM, inventory turns have improved by 1%

## Improving the Bottom Line by Putting the Customer on Top

**T**ata Telecom Ltd. is a story of transformation. The company began in 1986 as a manufacturer of private branch exchange (PBX) equipment to businesses across its homeland of India. It rapidly became the market leader through its ability to efficiently produce a world-class product at a competitive price. This was at a time when regulation required companies to manufacture domestically any products that would be sold in India. By 1996, Tata Telecom built a customer base approaching 6,000, including nine of the world's top 10 financial institutions and 76% of the Indian Fortune 100.

Then the landscape shifted. Due to economic liberalization in the late 1990s, businesses around the globe began flocking to India. At that time, regulation requiring domestic manufacture also was lifted. Although the dominant supplier of PBX solutions, Tata Telecom knew its best-price, volume-driven business model would not create sustainable profits. So in 1999, the company began to recast its strategy and business model. Rather than compete solely on its heritage of efficient production, Tata Telecom sought to maintain its market dominance by "Winning Through Customer Responsiveness."

The impact of this customer-focused approach rippled out across the enterprise. It involved building new core competencies, incorporating strength of efficient operation with customer intimacy. It meant deepening customer relationships by becoming a complete solutions provider of converged communication systems to the enterprise market. It also meant installing end-to-end technology to enable the transformation. Tata Telecom chose SAP's R/3 Enterprise Resource Planning (ERP), mySAP CRM and Business Warehouse solutions upon which to build its CRM initiative.

### Upside down, right direction

Transformation started with organizational and technological change. The company set forth all of the requirements for the shift in business model, from culture and technology to structure and process. Management rotated the organizational structure vertically so that the customer was on top and an account management team that included both sales and service was directly beneath. Vice Chairman Niru Mehta personally led the "Winning Through Customer Responsiveness" charge, visiting each of the 40 offices to garner buy-in from the rank and file. "Putting the customer at the top of the pyramid forced us to look outside of ourselves and view our business from the standpoint of the customer," says Mehta.

### Technology takes charge

Tata Telecom then began to consider whether it had the technology in place to implement its new strategy. In August 2000, management approached the board of directors with a recommendation that Tata Telecom invest in a fully integrated, technology infrastructure. Management believed the company needed to have customer information readily available across all sales, marketing and service channels, and the board agreed.

SAP technology emerged as the best fit, and commitment to success was the deciding factor, recalls Nancy Khanna, Divisional Manager of Information Technology. "SAP was the clear choice because the people were willing to commit to a long-term relationship and gave us every assurance that they would put 200% behind the effort," says Khanna. The R/3 installation kicked off October 2001, followed by mySAP CRM one month later. By April 2002, the R/3 installation was live, and by July 2002, mySAP CRM was operable. In just 10 months, Tata Telecom's IT infrastructure had grown dramatically from a couple of servers to a full-fledged data center with 26 servers and back-up devices.

### The ROI of CRM

Tata Telecom will realize a 129% Internal Rate of Return on its mySAP CRM investment by end of Fiscal Year 2004-2005. This is based on a contribution of Rs. 12.8 crore (\$2.85 million) on an investment of Rs. 8.3 crore (\$1.85 million). Areas of contribution include:

**Increased sales revenue through customer acquisition and growth** Sales productivity will increase 15% through fiscal year 2005 due to better data capture, analysis and reporting, leading to improved lead management, opportunity management and sales forecasting.

**Increased service revenue through improved resolution and productivity** Service productivity will grow 10% through fiscal year 2005. Number of calls handled per service employee has risen 25%.

**Improved cash flow from faster order delivery** The ability to forecast demand more accurately has reduced order-to-delivery time by two days, a 3% improvement.

**Reduced costs from faster inventory turn** Sales pipeline visibility and better demand forecasting have improved inventory turns by 1%.

**Reduced labor costs from remote call resolution** Centralizing service calls netted a 20% increase in remote phone resolutions monthly.

# The 8 Point Takeaway

Lessons learned from Tata Telecom’s mySAP CRM implementation

### 1. Put the customer on top:

By rotating its organizational structure, placing the customer on top, and using mySAP CRM, Tata Telecom will achieve a 129% IRR on its investment.

### 2. Organizational change, then technology:

Organizational realignment complete, Tata Telecom sought a CRM solution to enable its customer responsiveness plan. Realignment backed by technology made the ROI difference.

### 3. Craft implementation guidelines:

Tata Telecom minimized bottlenecks and kept decision making within the implementation team. Close monitoring resulted in both SAP R/3 and mySAP CRM up and running in under one year.

### 4. Break new ground:

Parallel implementation of the R/3 ERP and mySAP CRM meant the company could begin reaping the benefits of CRM—improved productivity, cost avoidance and revenue growth—much sooner.

### 5. Encourage adoption through role modeling:

Tata Telecom’s top performers made it clear through their actions that use of the system was part of the new way of doing business. Today, 100% of sales leads now are entered into mySAP CRM while use for quotations is estimated at 80-85%.

### 6. Manage by facts:

The management team developed 130 matrices for measuring and managing solution performance. Seventy percent of the data comes from the new SAP system, making sales forecasts and service records more relevant, timely and accurate.

### 7. Build on success:

In 2002, Tata Telecom Vice Chairman Niru Mehta launched the “CEO Forum for Customer Responsiveness,” an annual event that allows over 1,500 CEOs to discuss the value and impacts of customer intimacy.

### 8. Fix remotely when possible:

Since the implementation of mySAP CRM, Tata Telecom increased the number of calls resolved without having to dispatch a service engineer by 20%.

## THE ROI OF CRM

Tata Telecom will derive a 129% Internal Rate of Return (IRR) on its mySAP CRM investment.\*

	Initial Year	YR 1	YR 2	Total
<b>Direct Investments (Crore)</b>	-5.58	-1.50	-1.25	-8.33
(\$)	-1,239,356	-333,356	-277,800	-1,850,511
<b>Attributable Gains (Crore)</b>	1.11	6.33	13.71	21.14
(\$)	245,782	1,406,529	3,045,605	4,697,915
<b>Net Increase in Cash Flow after CRM (Crore)</b>	-4.47	4.83	12.46	12.81
(\$)	-993,574	1,073,173	2,767,805	2,847,404
<b>ROI Calculation: IRR 2 Year Post-Implementation</b>			<b>129%</b>	

\*See ROI methodology on back cover.

## ROI Methodology

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

First, a ValueMap®, a proprietary tool to Peppers & 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 to 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 as well as incremental hardware.

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.

The IRR methodology is applied to net cash flows generated over the relevant time horizon measured in accordance with the Cash Flow Return on Investment (CFROI). This methodology has the advantage of eliminating the impact of company specific taxation circumstances and policies, as well as national corporate taxation conditions in the various countries in which the ROI Review studies take place.

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

## Peppers & Rogers Group

Peppers & Rogers Group is a management consulting firm recognized as the world's leading authority on customer-based business 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. Led by 1to1 Magazine, Peppers & Rogers Group's independent media division reaches 250,000 CRM decision makers weekly with a broad array of print, interactive and custom publications. Peppers & Rogers Group is a Carlson Marketing Group company headquartered in Norwalk, Conn.

## For More Information

Please call: 1-800-283-1SAP, or visit [www.sap.com/solutions/crm/customersuccess/roi.asp](http://www.sap.com/solutions/crm/customersuccess/roi.asp)  
Please refer to material no.50066936.  
For a complete copy of this ROI Review, please refer to material no. 50066935.

This ROI Review is based on a study conducted by Peppers & Rogers Group wherein certain business performance results are related to mySAP implementation. Statements in this document describing Tata Telecom Limited's objectives, projections, estimates, expectations may be 'forward-looking statements'. However, actual results could differ materially from those expressed or implied, depending on the Company's operations, business results, various other industry and external factors.

Tata Telecom does not accept any liability, whatsoever, with respect to the use of this document or its contents and the reader assumes solemn responsibility for the selection of these materials to achieve its intended results.