

CRM ROI Review

Optimizing Returns on Customer-Centric Strategies

A LOOK
FORWARD

VOLUME FOUR | NUMBER 6 | DECEMBER 2005

Creating a Strategic Blueprint

Schering do Brasil is committed to improving consumers' lives. Part of global manufacturer Schering AG, Schering do Brasil has almost 50% share of Brazil's market for contraception products and ranks among the country's 10 largest pharmaceutical enterprises. As a market leader, Schering has the responsibility to be a trend setter for the marketplace. From diagnostic imaging to specialized therapeutics, Schering do Brasil looks to extend its market leadership in Brazil while increasing profitability and customer value.

For Schering do Brasil, competition is mounting. For example, five years ago, there were around 20 brands of contraceptives while today, there are almost 100 brands. Its competition is also searching for strategies to increase efficiency and effectiveness. Combined with a more informed consumer, these market pressures required Schering do Brasil to take a new approach to reaching the physicians and

institutions it considers customers. Building close relationships with its customers is critical to the company's mission to broaden its expertise, enhance patient care and provide new life-enhancing solutions.

THE PLAN:

Schering do Brasil needed to centralize and integrate its sales and customer service information to increase efficiency and effectiveness

Schering do Brasil made the decision to adopt a customer service excellence approach as a differentiating strategy among its competitors.

By equipping its sales force with mobile sales processes and tools, Schering do Brasil would be able to better identify and manage sales processes. In addition, the customer service center would now be the hub of customer interactions, tracking inquiries from consumers whether via phone or Internet. With better data about physicians as well as consumers, Schering do Brasil can improve targeting strategies in each of its business units.

Furthermore, Schering do Brasil sees its attention to customer needs as a competitive differentiator. For example, by improving the customer experience through a more efficient, customer-focused CSC, the company aims to stand out among the crowd. By equipping its sales force with real-time, up-to-date information, Schering do Brasil can be more effective than its competitors in the marketplace. Combined, these initiatives form a comprehensive customer strategy that aims to improve internal efficiencies while refining the company's competitive positioning.

Already using SAP's R/3 back-end, Schering do Brasil deployed mySAP CRM in 2003 to improve its customer strategy by providing sales and customer service representatives with the centralized, integrated data required to improve productivity and effectiveness. Today, Schering do Brasil's efforts are already paying off in the forms of lower costs and increased revenue. Schering do Brasil estimates capturing 15% Internal Rate of Return on its mySAP CRM investment through 2009.

FEATURED CUSTOMER:



Pharmaceutical leader
Schering do Brasil estimates capturing 15% IRR on its mySAP CRM investment

Increased sales contribution

Better access to physician and institution data enables sales representatives to sell more, contributing over €3.2 million through 2009

Increased efficiency

More efficient processes in the customer service center and sales departments will contribute over €600,000

Improved productivity

Quicker, more effective processes, data and functionality has increased employee productivity, contributing €153,000 through 2009

SAP Solutions Deployed:

mySAP CRM (Interaction Center, Mobile Sales), SAP R/3, SAP BW Analytics



BUSINESS AND PRODUCTS:

Schering is a research-based pharmaceutical company. Part of global manufacturer Schering AG, Schering do Brasil has almost 50% share of Brazil's market for contraception products and ranks among the country's 10 largest pharmaceutical enterprises. Its activities are focused on four business areas: Gynecology and Andrology, Specialized Therapeutics, Oncology and Diagnostic Imaging.

HEADQUARTERS: Berlin, Germany

2004 REVENUE: (Schering AG): €4.9 billion

EMPLOYEES: (Schering AG): 26,000

SOLUTIONS ENVIRONMENT: mySAP CRM (Interaction Center, Mobile Sales), SAP R/3, SAP BW Analytics

KEY EXECUTIVES INTERVIEWED

AT SCHERING DO BRASIL:

*Mr. Theo van der Loo,
General Manager*

*Mr. Rubens Weg, Commercial and
Business Support Director*

*Mr. Silvio Tronchini, Gynecology and
Andrology Sales Force Manager*

*Mr. Philip Glaser, Gynecology and
Andrology Product Manager*

*Dr. Sandra Abrahao, MD, PhD,
Medical Director*

*Mr. Jose Roberto, TS&O
Sales Force Manager*

*Mrs. Martha Caballero, Regional
Project Manager CRM2*

*Mr. Marcos Dornelles, Regional
Manager, CRM and e-Marketing*

PROCESS

Integrate to Innovate

Schering do Brasil chose a Customer Relationship Management (CRM) strategy, enabled by mySAP CRM, to unify data and processes across the sales and service departments. The implementation was conducted in two phases: the first phase focused on data integration, particularly with the customer service center (CSC) and sales force; the second phase expanded CRM to the rest of the company, and also incorporated SAP Business Information Warehouse (BW) to allow more analytical capabilities.

In Brazil every pharmaceutical company is obligated by law to have a call center and to publish its toll free number on drugs' boxes. Considering that Schering is the 5th largest pharmaceutical company in number of boxes sold, with 60 million units per year, every month 5 million users are visually in touch with the company's telephone number per month. The laws that protect patient and physician data in Brazil are very rigid and clear. Schering follows this regulation to the letter. When patients or physicians contact Schering do Brasil's call center, they are routed to the first available agent, who has complete access to a caller's profile, along with information about the company's products.

With mySAP CRM, the call center data is integrated with Schering do Brasil's mobile sales devices, enabling the sales force to have a real-time, 360-degree view of customer information. Sales team members are automatically updated when sales orders are placed or if there's an outstanding customer service issue.

Today, Schering do Brasil is implementing a variety of initiatives to continue generating results, including the establishment of a virtual call center as well as data integration with loyalty programs.

THE FOUR POINT TAKEAWAY

Integration first

Renovating the CSC required tight integration of front- and back-end processes that could be easily connected with mySAP CRM. That integration enables the CSC to be a more efficient hub for managing transactions and providing high quality service.

Optimized processes + customer profiles = expected increased productivity

With access to complete customer profiles and integrated data, both the service and sales teams are able to act immediately on customer issues and requests, improving call resolution and response times. Not only does better customer care improve productivity, it is aligned with Schering do Brasil's commitment to excellence and ultimately, achieving competitive advantage.

Adopt a strategy of customer care

For Schering do Brasil, adopting a strategy of excellence in customer care is its differentiating approach to sustain competitive advantage. This strategy of customer care is particularly evident in its response to crisis situations—such as product recalls—in the marketplace. Enabled by mySAP CRM, Schering do Brasil exemplifies the company's commitment to meeting and exceeding customer expectations.

Build a platform for growth

As critical customer interaction hubs, the CSC and sales force has also become part of a learning relationship at Schering do Brasil. As ongoing sources of physician and consumer data, the CSC agents and sales reps can provide a steady stream of customer insights to drive marketing and sales initiatives in the future.

RESULTS

The ROI of CRM

From improved productivity to optimized processes, Schering do Brasil continues to seize cost savings and incremental revenue from its mySAP CRM investment. The ROI Review calculates a projected 15% Internal Rate of Return (IRR) through 2009. The IRR is based on attributable benefits of €4 million on an initial technology investment of €3 million. Schering do Brasil's investment includes hardware, license fees, software, training, maintenance and consulting services. Benefit areas include:

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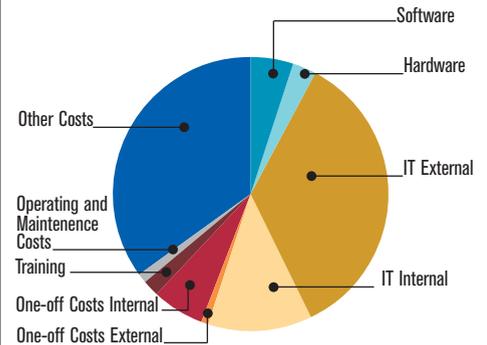
Improved productivity... Quicker, more effective processes, data and functionality has increased employee productivity, contributing €153,000 through 2009.



Schering do Brasil is committed to improving consumers' lives, ranking among the country's 10 largest pharmaceutical enterprises. From diagnostic imaging to specialized therapeutics, the company looks to extend its market leadership in Brazil.

INVESTMENT BREAKDOWN

The following breakdown outlines Schering do Brasil's investment related to the implementation of mySAP CRM.



Software	5%
Hardware	3%
IT External	35%
IT Internal	12%
One-off Costs External	1%
One-off Costs Internal	6%
Training	2%
Operating and Maintenance Costs	1%
Other Costs	35%

THE ROI OF CRM

Schering do Brasil is well-positioned to realize benefits from its future mySAP CRM implementation. The ROI Review calculates a projected 15% Internal Rate of Return (IRR) through 2009. The IRR is based on attributable benefits of €4 million on a total technology investment of €3 million.

(in thousands Euros)	2003	2004	2005	2006	2007	2008	2009	TOTAL
Attributable Costs	€1,001	5	1,727	90	90	90	90	3,097
Attributable Gains	€93	449	475	762	762	762	762	4,069
Yearly Net Cash Flow	(€907)	444	(1,251)	671	671	671	671	971

ROI Calculation through 2007: IRR of 15%

BY THE NUMBERS

Schering do Brasil 15% IRR through 2009

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FOR MORE INFORMATION

The CRM ROI Review is published by Peppers & Rogers Group, 20 Glover Ave., Norwalk, CT 06850.

For more information, please call 1-800-283-1SAP, or visit www.sap.com/solutions/crm/customersuccess/roi.asp

Please refer to material no. 50077240.

For a complete copy of this ROI Review, please refer to material no. 50077239.

About the ROI Review

The ROI Review, published by Peppers & Rogers Group, is a periodic report detailing the implementation of enterprise-wide, client-server applications, specifically the mySAP CRM customer-centric solution.

ROI METHODOLOGY

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

Peppers & Rogers Group's proprietary ValueMap® tool is first used 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. It identifies the specific functionality enhancements as well as key metrics impacted by each enhancement.

The ValueMap® assesses the post-implementation levels of the metrics and models the positive impact of the changes in cost savings or contribution enhancements. It then calculates total attributable gains plus the direct investment costs and changes in any other overhead (staffing, agency fees, etc.). The Return on Investment (ROI) calculation includes the cost of both external and internal implementation work as well as incremental hardware.

In addition to the ValueMap® calculations, Internal Rate of Return (IRR) is used to determine the final ROI of the implementation. IRR is 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 PEPPERS & ROGERS GROUP

Peppers & Rogers Group is a management consulting firm, recognized as the world's leading authority on customer-based business strategy. Founded in 1993 by Don Peppers and Martha Rogers Ph.D., the firm is dedicated to helping companies gain competitive advantage by identifying differences within their customer base and using that insight to maximize the value of each customer relationship.

Our work drives bottom-line results from the delivery and implementation of customer initiatives. Our goal is to develop and execute customer strategies that create immediate return on investment and long-term customer value. In this way, we help clients optimize their most valuable asset: their customer base.

In 2003 Peppers & Rogers Group was acquired by Carlson Marketing Group, the leader in relationship marketing. Peppers & Rogers Group's customer strategy expertise combined with Carlson Marketing Group's implementation capabilities offers an end-to-end solution for clients who are working toward the development and deployment of best-in-class customer-based business strategies.

Peppers & Rogers Group maintains a significant voice in the marketplace through its media properties. These print, electronic and custom publications explore the best practices, trends and developments in customer strategy, demonstrating how customer-based initiatives are driving bottom-line impact.