

CRM ROI Review

Optimizing Returns on Customer-Centric Strategies

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Mapping a Customer Strategy

Molex Incorporated makes more than 100,000 kinds of electronic, electrical, and fiber-optic connectors and switches that are used in a wide variety of products including computers, consumer electronics, home appliances, automobiles, telecommunications equipment, and industrial machinery. The company is the world's second-largest manufacturer of electronic, electrical and fiber optic interconnection products and systems. With approximately 27,000 employees in product development centers, manufacturing facilities and sales offices, Molex's global presence spans five continents. Molex's customers are primarily manufacturers and include Cisco, Siemens, IBM, Samsung, Nokia, Ford, Sony, HP and Motorola.

With over 1,000 competitors in a highly fragmented marketplace, Molex needed to refine its competitive edge to stay strong in a rapidly changing marketplace. A growing global customer base combined with the need to make it easier for customers to do business with Molex prompted the company to consider a new business strategy moving forward.

A strategy based on enhancing customer relationships was a natural choice for Molex. "Customer-centricity is a way of life for us at Molex," says Bryan Blankley, director of CRM. In 2000, Molex chose to kick-off its customer strategy with newly designed sales force automation initiatives to improve program management, customer forecasting and demand creation.

THE PLAN:

Optimize opportunity management and customer service to ensure differentiation in a fragmented marketplace

To enable its strategy, Molex chose mySAP CRM to get better visibility over the demand creation and opportunity management process and ultimately increase the number of won contracts. Tight integration into SAP R/3 and mySAP Business Intelligence was a key factor for Molex choosing mySAP CRM.

Molex is continuing to implement mySAP CRM in its customer service centers and in channel management. Today, mySAP CRM is already paying off in the forms of lower costs and increased revenue. According to Peppers & Rogers Group, Molex will capture a 97% Internal Rate of Return on its mySAP CRM investment through 2007.

Molex is well-positioned to continue realizing benefits from its commitment to executing on its customer strategy. From revenue contribution and productivity enhancements to cost efficiencies, Molex is developing a strong competitive advantage that will continue garnering real results.

FEATURED CUSTOMER:



Global enterprise Molex to realize 97% IRR on its mySAP CRM investment

Increased revenue

mySAP CRM functionality has helped Molex develop its military and medical market segments in the Americas region, increasing revenue by over \$10 million through 2007

Increased contribution

Improved opportunity tracking and closure in the Far East regions will result in increased revenue contribution of over \$56 million through 2007

Cost avoidance

More efficient and effective sales planning and budgeting processes has resulted in headcount avoidance in Europe, contributing \$1.9 million through 2007 to the bottom line

Improved sales

Better pipeline visibility, coordination and issue management in the European region will result in \$7.4 million in revenue contribution through 2007

SAP Solutions Deployed

mySAP CRM, SAP R/3, SAP BW



BUSINESS AND PRODUCTS:

Founded in 1938, Molex is a \$2.5 billion company headquartered out of Lisle, Illinois. The company is a manufacturer of electronic, electrical and fiber optic interconnection products and systems, switches, value-added assemblies and application tooling. Molex's customers are in the data, telecom, consumer, automotive, industrial markets in all regions of the world.

HEADQUARTERS: Lisle, IL

2004 REVENUE: \$2.5 billion

EMPLOYEES: 27,000

SOLUTIONS ENVIRONMENT:

mySAP CRM, SAP R/3, SAP BW

KEY EXECUTIVES INTERVIEWED AT MOLEX:

Martin Slark, Vice Chairman and CEO

Liam McCarthy, President and COO

Graham Brock, President, Europe

*Gary Matula, VP and CIO,
Information Systems*

Barry McGoldrick

Bryan Blankley

Herbert Endres

Henry Fuerniss

Suzan Martens

Junichi Kaji

Akira Aso

Brian Krause

Joe Nelligan

Kevin Alberts

Eric Powell

Shuichi Suzuki

David Ho

Edward Su

Mavis Lee

Debra Engels

PROCESS

Optimizing Opportunities

At any given time, Molex is pursuing close to 15,000 sales opportunities worldwide in an increasingly competitive marketplace. For years, the company managed its pipeline using e-mail and spreadsheets, but the resulting data was often weeks out of date. That made it difficult to consistently set sales priorities that would allow the company to pursue leads with the most potential. The lack of updated information also made it hard to integrate Molex's global efforts. Because the firm has so many major customers with operations in various parts of the world, several locations could be working on similar or related programs for the same customer without knowing it.¹

To better manage its demand pipeline, Molex chose to adopt a customer strategy as a differentiating approach in the marketplace in 2000. Aligned with this move, Molex commissioned a study to choose an enabling CRM system. It implemented mySAP CRM in late 2001 to better manage its order pipeline and, in 2003, rolled out Interaction Center in the Americas to improve its customer service capabilities. Today all customer activities are collected and tracked in one system allowing a single point of access, allowing Molex to accurately track all projects. All employees across the enterprise now have visibility into the full range of sales opportunities in real-time, allowing Molex to measure the real value of those opportunities and actively create the communications and strategies required to pursue opportunities more effectively.

THE FOUR POINT TAKEAWAY

Get buy-in

From senior executives to call center agents, Molex made a point of getting buy-in from all key stakeholders to the implementation of mySAP CRM. "We built a communication plan to make sure we involved the user community early and often," says Bryan Blankley, director of CRM. "The benefit is evident in user buy-in and adoption of the strategy."

Develop and refine metrics

Molex created metrics to gauge the success of the mySAP CRM implementation and redefined business processes. As the company proceeds, it continues to refine and adapt its metrics—from close rate to campaign effectiveness—to suit local markets and cultures as well as different functional areas.

Make CRM a business initiative

For Molex, the implementation of mySAP CRM was an enabler of a more customer-centric business strategy, not just an IT initiative. Molex shared and elicited feedback on users' and customers' expectations during and after the implementation to ensure business requirements were being met.

Train, coach and re-inforce

"Training was not a one-time event with the implementation of mySAP CRM," says Blankley. He emphasizes that rolling out training tools before, during and after the implementation—including Web-based and quick ready guides—were integral parts of Molex's ROI success.

¹Excerpted from: "CRM Done Right," *Harvard Business Review*, November 2004.

RESULTS

The ROI of CRM

From increased sales to improved productivity, Molex continues to realize cost savings and incremental revenue from its mySAP CRM investment. The ROI Review calculates a projected 97% Internal Rate of Return (IRR) through 2007. The IRR is based on an attributable benefit of \$115 million on an initial technology investment of \$20 million. Molex's investment includes hardware, license fees, software, training, maintenance and consulting services. Benefit areas include:

Increased revenue...mySAP CRM functionality has helped Molex develop its military and medical market segments in the Americas region, increasing revenue by over \$10 million through 2007

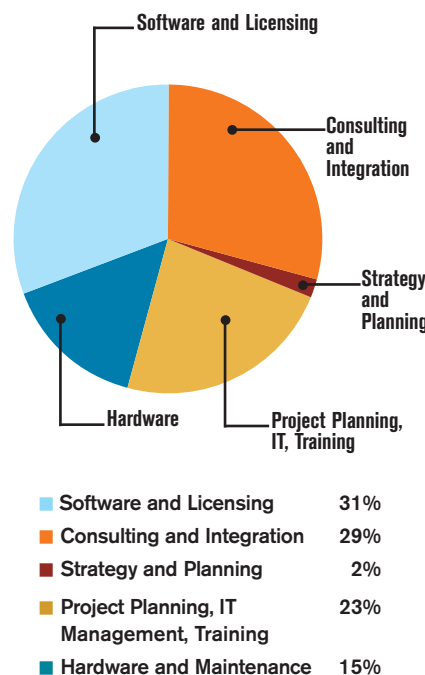
Increased contribution...Improved opportunity tracking and closure in the Far East regions will result in increased revenue contribution of over \$56 million through 2007

Cost avoidance...More efficient and effective sales planning and budgeting processes has resulted in headcount avoidance in Europe, contributing \$1.9 million through 2007 to the bottom line

Improved sales...Better pipeline visibility, coordination and issue management in the European region will result in \$7.4 million in revenue contribution through 2007

INVESTMENT BREAKDOWN

The following breakdown outlines Molex's investment related to the implementation of mySAP CRM.



THE ROI OF CRM

From increased revenue contribution to improved productivity, Molex is already garnering benefits from its mySAP CRM investment. The ROI Review calculates a projected 97% Internal Rate of Return (IRR) through 2007. The IRR is based on attributable benefits of \$115 million on a total technology investment of \$20 million.

(in thousands of dollars)	2002	2003	2004	2005	2006	2007	TOTAL
ATTRIBUTABLE COSTS	13,727	1,086	1,169	1,283	1,397	1,447	20,110
ATTRIBUTABLE GAINS	0	7,847	17,922	23,245	29,054	37,011	115,078
YEARLY NET CASH FLOW	(13,727)	6,760	16,753	21,962	27,657	35,563	94,968
ROI Calculation through 2007: IRR of 97%							

BY THE NUMBERS

Molex will see 97% IRR through 2007

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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. 50077238.

For a complete copy of this ROI Review, please refer to material no. 50077237.

About the ROI Review

The ROI Review, published by Peppers and 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.