VOLKSWAGEN OF SOUTH AFRICA

Transforming the Automotive Business with SAP® CRM

BUSINESS TRANSFORMATION STUDY

Volkswagen of South Africa, partnering with SAP, reenergized growth and improved competitiveness by enhancing service and marketing processes.

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VOLKSWAGEN OF SOUTH AFRICA

AT A GLANCE

Profile

Industry	Automotive
Employees	5,100
Location	Uitenhage, South Africa
Web Site	www.vw.co.za
Solution & Services	SAP® Customer Relationship Management application (sales, service, marketing, analytics, interaction center)

Volkswagen of South Africa (Pty) Ltd. focuses on manufacturing, importing, and servicing "people's cars" – automobiles of exceptional quality to suit a broad range of lifestyles. It has doubled its market share since the mid-1980s and has the most comprehensive passenger car lineup in South Africa. The company produces and imports Volkswagen, Audi, SEAT, and Volkswagen Commercial vehicles.

Key Challenges

- Inefficient service processes hurt customer satisfaction
- Lack of 360-degree view of customers caused delays in answering customer questions
- Inconsistent data meant that customers could not be segmented for targeted marketing campaigns
- Lack of good processes hindered managing sales leads
- IT systems were not scalable, limiting competitiveness

Why SAP Was Selected

- Provides flexibility in key SAP® Customer Relationship Management (SAP CRM) application functionality
- Addresses requirements to reduce campaign management costs and enable end-to-end lead management
- Offers solid experience in the automotive industry
- Provides strong integration of SAP CRM with existing SAP ERP application

Implementation Best Practices

- Engaged key stakeholders in project planning and execution
- Revamped customer-facing processes, automating key steps and eliminating manual tasks
- Showed value at every stage
- Created a single view of customer data to be used by call center agents, marketing teams, and dealerships

Low Total Cost of Ownership

- Stayed within budget and scope
- Rapidly implemented multiple SAP CRM functions
- Enabled low ongoing support costs
- Replaced many systems with a single SAP solution

Financial and Strategic Benefits

- Complete 360-degree view of customers for employees and dealerships
- Greater motivation by dealers to improve performance through establishment of service level agreements
- Lead-to-sales conversion rate at 9% and improving
- Improved customer retention rates
- Positioned to improve brand value and scale for ongoing growth

Operational Benefits

Enhanced customer satisfaction

Reduced average complaint resolution time from 6 to 2.8 days

Enabled call center to handle 50% more calls per month

Reduced the cost of marketing campaigns

Improved dealer data accuracy from 40% to 90%

“There’s a huge passion for vehicles from our local customers.”

Andrew Shaw
Business CRM Manager
Volkswagen of South Africa (Pty) Ltd.

KEY CHALLENGES

Building "People's Cars" for Every Lifestyle

Volkswagen believes each and every stage of life should be celebrated, and the company designs automobiles to suit a broad range of lives and lifestyles. Volkswagen of South Africa (Pty) Ltd., the wholly owned subsidiary of the International Volkswagen Group, is South Africa's leading car manufacturer and is very much aligned with the people-focused philosophy of its parent company.

Volkswagen of South Africa was established in 1946 and is located in Uitenhage, an industrial town in South Africa's Province of the Eastern Cape. It employs 5,100 people and its team encompasses 1,000 suppliers and a network of over 150 franchised dealerships. The company produces more than 100,000 cars a year for the South African market and for export to the Asia Pacific region. It is also a major importer of Volkswagen, Audi, SEAT, and Volkswagen Commercial models.

Today, Volkswagen of South Africa is the largest private sector employer in its region and focuses on bringing investment to South Africa and benefiting the local community where its facility is located. The company donates funds for education, youth development, automobile safety, public health, and the environment.

A Passion for Vehicles

Volkswagen of South Africa has grown continuously since its inception and its market share has more than doubled to over 20% since the mid-1980s. "There's a huge passion for vehicles from our local customers," says Andrew Shaw, business customer relationship management (CRM) manager for Volkswagen of South Africa. "So to achieve growth, we have been a very product-focused company – it's been essential in our markets that the engineering, quality, and product variety are first-rate."

In the past, there had been very high duties for vehicles imported into South Africa. Because of this, almost all the vehicles on the road were produced locally, and there were just a few automobile manufacturers within the country. "We were in a relatively closed market," says Shaw. "So we relied on a strategy encompassing what we do well, which is to create automobiles that meet needs in a variety of market niches."

International Competition Catalyzes Customer Focus

The company's product-focused strategy was unsustainable, however. This was because the market began to change substantially when the South African government introduced the Motor Industry Development Program (MIDP) in 1995, which promoted the international competitiveness of the country's automotive sector – and included a significant reduction in import tariffs.

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>
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> Business CRM Manager
> Volkswagen of South Africa (Pty) Ltd.

"We've had to move beyond our product strategy, and we focus now on the end customer," says Shaw. "Since the mid-1990s, we've seen a major inflow of products from offshore manufacturers – from the United States, Japan, Korea, China, and other countries. The whole playing field has changed. While we've had to compete on price – and continue to focus on our products – we also had to substantially improve the way customers experience our brands. In fact, in the customer satisfaction surveys that cover perceptions of the sales and service processes at the dealerships, we'd moved from the top of the pack to the middle."

Staying Ahead of the Competition

Although Volkswagen of South Africa continued to increase revenue and market share, in 2002 the company recognized that it was increasingly less competitive in its key markets. A decrease in the company's growth was due largely to the decline in customer satisfaction ratings, which was resulting from outdated service and support processes. "Our customer service and support processes were manual and inefficient – and frustrating to our customers," says Shaw. "At the same time, customer data was scattered across the company and stored in different formats, impacting not only call center agents trying to help our customers, but also our ability to market products, target customer segments, and work effectively with dealerships."

Need for a 360-Degree View of Customers

Without a single, complete view of its customers and their unique histories, Volkswagen was impacted in a number of ways. "Customers contact our call center with questions about everything from their warranties and leases to billing issues and special sales," explains Ian McFarlane, project manager for the CRM project. "Because the information that agents needed was distributed across various systems or trapped in paper files, it typically took agents six days to answer customer questions."

There was also no link between vehicle data and customer information. As a result, accessing customer histories regarding purchases, repairs, or other vital data was a time-consuming challenge. "We were placing the burden of educating call center agents about our customers on the customers themselves. So it was no surprise when caller satisfaction surveys rated our service as less than optimal," says McFarlane.

Boosting Marketing Programs with Centralized, Consistent Data

Delivering people's cars to the market means developing a rich understanding of existing customers and sales prospects. Volkswagen of South Africa's marketing group needed integrated customer information in order to develop targeted marketing campaigns and manage leads to be passed on to dealerships. The company's customer data was decentralized and inconsistent, so analyzing it and segmenting customers for targeted marketing campaigns was nearly impossible.

"We had no way to identify our best customers and most likely prospects for various vehicles, so marketing campaigns were generic and generated fewer leads than we needed," adds McFarlane. "As part of our corporate customer management strategy, we also needed to proactively market to our existing customers to boost lifelong retention – but we lacked the data and processes to make that happen." Still relying upon manual, ad hoc campaign management processes, the marketing department needed to find a way to reduce time to market, lower campaign costs, and execute and manage multiple, more targeted campaigns simultaneously.

Customer acquisition processes were impacted in other ways as well. "For example, we had no system for managing sales leads that were generated by campaigns or that came in through the call center," explains Shaw. "We would just distribute them to the various dealerships, and that was where it ended. Without a way for us to communicate with the dealerships efficiently, track leads, and manage the sales funnel, opportunities were falling through the cracks."

WHY SAP WAS SELECTED

The Need for an Integrated Customer Service and Marketing Solution

Volkswagen of South Africa knew that it needed a comprehensive CRM system to enable its customer service and marketing processes. This would allow it to meet its customer satisfaction objectives, execute cost-effective marketing campaigns, and grow sales.

SAP® Software Meets Business Requirements for Automotive Companies

The company contacted SAP to learn more about the SAP® Customer Relationship Management (SAP CRM) application and ultimately selected SAP software for implementation. "Our business runs on the SAP ERP application, so given that SAP CRM is a leading, world-class tool, it was a natural first choice for us," states Tertia le Roux, development manager. "The customer interaction center [CIC] capabilities and marketing functions that it provides matched what we needed. It's also flexible, enabling us to reengineer our processes and implement CRM-enforced improvements to reduce campaign management costs and enable end-to-end lead management."

SAP software was evaluated and selected because it's also incorporated in the Volkswagen and Audi Groups' strategies, integrates with the existing SAP ERP application in Volkswagen of South Africa, and provides a solid platform for the future. "SAP [software] has been part of the group strategy for many years now, covering all aspects of operations – including CRM," says Shaw. "Volkswagen, Audi, and other automotive companies around the world have worked closely with SAP, so we wanted to build on its experience. There certainly are solid benefits for a company in the automotive industry to deploy SAP [applications] to address CRM requirements."

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IMPLEMENTATION PROCESS AND BEST PRACTICES

Enabling Effective Marketing and Service

To address its issues, Volkswagen of South Africa implemented the customer interaction center, service, sales, and marketing and analytics functionality of SAP CRM, and integrated the software with the company's existing SAP ERP solution. The implementation was completed in an 11-month time frame – on time and within budget.

Management decisions to proceed with SAP CRM were made in 2002, with a key objective to improve the end-customer experience. As implementation planning began, the company recognized that it needed to rationalize and consolidate data as a first step, and the company defined a roll-out plan that focused on refining the company's internal processes first – particularly in the call center – before expanding the implementation to include the dealer network.

Involving the Dealerships

A franchise dealers' working group was established to ensure that dealers contributed to shaping the design of the new system and processes, which included restructuring interactions between the dealers and Volkswagen of South Africa. For its dealers, the company established service level agreements, which covered various metrics to track business performance and customer satisfaction. "The dealers – who are essentially our direct customers – were highly motivated to participate due to competitive issues they were facing," says Shaw, "but we wanted to get our internal house in order before extending the process to them."

New processes were communicated to the dealers through two road shows, during which presentations were made to dealerships' staff. The new systems, which primarily employed Web-based applications, were relatively simple to use. Thus, specific training wasn't required.

Establishing New Processes Based on a Unified View of the Customer

Call center operations, which had just five staff before the implementation, were revamped during the first phase to handle a large volume of calls. Because of this expansion, a new Siemens telephony solution was implemented, and SAP CRM training was established for the CIC agents. Training was product-specific (supported by product planners and brand communication staff) and was based on a train-the-trainer approach. The number of call center staff has grown to 80 in 2007, and training is now ongoing to ensure agents' familiarity with the products.

A marketing department was established with four staff that focused on managing CIC processes, establishing a lead management program with the dealer network, centralizing campaign management, and supporting brand marketing. "We revamped our entire campaign management process, automating key steps, and nearly eliminating manual tasks," says Shaw. "Now we can execute and manage multiple campaigns simultaneously and target them for optimal results. We also created a new, Web-based lead management system that allows us to collect leads from our Web site. Now our call center agents will distribute them through the CIC to various dealers, track follow-ups, and get a high-level view of our sales funnel."

The company also overhauled service-related processes. "For example, we created a way to capture and centralize customer complaint information and obtain necessary data from dealers involved in cases," says McFarlane. Using a Web-based system, requests are made to dealers, which have service level agreements regarding response times. "The impact on customer service response times has been outstanding," he adds.

Volkswagen implemented the the business warehouse functionality of the SAP NetWeaver® technology platform. The integration with SAP CRM added complexity to the implementation but created significant value. "The business warehouse, data intelligence, and CRM analytics functions that SAP NetWeaver provides enabled us to integrate data across the enterprise," says le Roux. "This allows for a single view of customer data, which we could then transform into practical, timely business information for call center agents, marketing teams, and others to use."

"Our goal," adds McFarlane, "was to bring that single view of the customer to call center agents as soon as they picked up a call, saving them time and improving customer satisfaction."

Efficient Project Organization with Senior Leadership Guidance

Working closely with their consulting partner, Business Connexion, Volkswagen of South Africa took the opportunity to reengineer core business processes and reduce costs. The implementation proceeded with three internal IT staff, three staff from Business Connexion with SAP technical knowledge, and four staffers from the business, who had knowledge of the dealer networks and other aspects of commercial operations.

"As a customer of the SAP Ramp-Up organization, we leveraged the services and resources that were available through the program, addressing complex issues that could have delayed the project," says McFarlane, "We had access to the best experts available – they played a vital role in ensuring the success of the project."

There was recognition by management that the implementation demands – and shifting requirements from sales and marketing – placed a significant load on the IT group. "We'd done a lot of work to help IT focus its resources on essential priorities," says le Roux.

Senior management was involved through representation on an executive steering committee, which included business directors, the sales and marketing director, and the head of marketing services (covering advertising, market research, and related activities). The steering committee members were at management levels that were close to field operations, and thus effective in the guidance they provided. The steering committee met quarterly, and ensured that key processes – such as complaint handling through the dealerships – were feasible and practical.

Volkswagen of South Africa's IT Architecture	
SAP® software	SAP ERP application, SAP Customer Relationship Management application (including interaction center, service, sales, marketing, and analytics functionality), and the business warehouse functionality of the SAP NetWeaver® technology platform
Number of users	80
Number of SAP instances	1
Database	Oracle
Operating system	Microsoft Windows NT

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Volkswagen of South Africa (Pty) Ltd.

BUSINESS PROCESS TRANSFORMATION AND VALUE REALIZED

Measurable Enhancements to Service and Sales Processes

Volkswagen's investment in SAP CRM is paying dividends. In particular, the company is now incorporating metrics in its evaluation of the performance of dealers, and that has motivated the dealers to improve their end-customer service. "We've started to monitor data such as the number of complaints per dealer relative to their sales and lead-to-sales conversion rates," says Shaw. "We couldn't measure details like that before."

For various reasons – including better processes in the call center and more attention paid by dealerships – Volkswagen of South Africa is seeing actual performance improvements. In the case of complaints, for example, the time that agents typically take to resolve customer complaints has been reduced to 2.8 days compared to the average of 6 days prior to go-live.

Volkswagen of South Africa's new lead management process enables the company to identify potential new customers, determine what types of vehicles they are most interested in, and efficiently close new business. And the company now knows that its lead-to-sales conversion rate is about 9%. "We're using the Web site in our lead management process, and this has allowed us to gain insights into how dealers are responding to customer requests," says Shaw. "We can now monitor our dealers using the newly available conversion metric – and this promotes sales performance improvements."

Marketing and Call Center Improvements

Marketing functions have also benefited. Accurate data regarding customers is readily available from the new business warehouse, allowing marketing to segment customers, create brand communication programs based on more accurate information, and develop targeted campaigns that drive customer retention. "Our initial outbound call campaign helped us to verify key customer information, which we can now leverage to drive business," says Shaw. "We also found that we were able to reduce the cost of campaigns because the CRM-driven campaign management processes are so much more efficient."

Call center efficiency, in particular, has been essential to ensure that the company remains a significant factor in the market. "The South African automobile market has grown about 50% from 2002 to 2006," says Shaw. "More people are coming into the income bracket in which they can afford vehicles. Our call center volumes have grown as a result of our addressing this opportunity: Before we were just handling complaints, and now we handle an outbound volume of about 7,000 calls per month. These outbound calls, which include welcome calls on behalf of brand teams and calls to premium customers, are essential enablers of business growth." In fact, the CIC now processes 50% more calls per month in total, which includes a 30% increase in inbound call volume.

Business Insights and Accurate Data

SAP CRM has provided management with critical business insights. Customer data is centralized, creating a single view of customers for analysis and reporting. According to McFarlane, "For the first time, we can really see how well we are meeting customer needs because we can track the number of service events, determine in real time where we stand regarding warranty claims, and accurately project related costs."

Supporting all of the measurable performance improvements is more accurate data. Volkswagen of South Africa has started providing incentives to dealers to improve the quality of data, such as customer contact details – which come directly from a dealer after a vehicle sale. And data quality improvements are also enabled simply by centralizing data in the SAP business information warehouse functionality. In fact, the dealers' data accuracy improved from 40% to 90% from 2003 to 2006, and this has supported improvements in all CRM processes.

SAP CRM offers other benefits as well. In the area of business intelligence, Volkswagen of South Africa is now poised to start exploiting business warehouse analytics functionality in conjunction with SAP CRM. And the company's corporate Web sites have interfaces back to SAP CRM, which provides the platform for campaign management and one-to-one marketing opportunities.

Volkswagen of South Africa Improves Critical Processes

The following table shows examples of processes that improved as a result of the implementation – and the results of these improvements.

Process Area	Problems	After SAP® Software	Impact
Customer service			
Call center processes	Limited ability to handle high volumes Limited to handling only inbound calls (for example, complaints)	Can handle high call volumes Has greater visibility into customer calls and history	Faster issue resolution Greater customer satisfaction Positioned to further improve customer service ratings Able to initiate outbound welcome calls and calls to premium customers 50% greater call volume Positioned to scale for growth
Dealership processes	Lack of process metrics Inaccurate customer contact and related data	Established process metrics, such as number of complaints relative to sales volume Centralized data management	Greater motivation by dealers to address issues and meet service level agreements Improvement in complaint resolution cycle times Ability to track number of service events and warranty claims Greater customer satisfaction Ability to track and reduce marketing costs More accurate data
Marketing and sales			
Lead management	Inability to measure lead-to-sales conversion rates	Improved lead management process Can now measure conversion rates	Improved insights into lead conversion process Greater motivation by dealers to focus on lead-to-sales conversion
Targeted marketing campaigns	Inability to segment customer base Limited accuracy of customer data	Can segment customer base Able to develop programs that drive customer retention and new sales	Better-targeted campaigns Reduced marketing costs Positioned to improve brand value

RECENT AND FUTURE ROAD MAP

Volkswagen of South Africa has recently pursued the following initiatives:

- **Prospecting campaigns:** Since the best-quality data comes from the dealerships, Volkswagen of South Africa has implemented a prospecting program to follow up on specific sales leads. This involves phone calls and mail campaigns to support pursuit of these leads. This type of campaign change to: one of many outbound initiatives. "Currently, there are 80 regular users of the SAP CRM interaction center, but as new outbound marketing initiatives are launched, we expect the number of users to increase increase," explains Shaw.
- **Roadside assistance program:** This program, which was originally outsourced, has been brought in-house and is being managed from the customer interaction center.

While Volkswagen of South Africa currently has its own SAP CRM implementation, plans are to migrate to the Volkswagen Group standard solution for CRM, called KUBA, which is also based on SAP CRM. This will be adopted in line with the Volkswagen Group rollout plan for South Africa. Adopting the Volkswagen Group strategy, in addition to meeting Volkswagen of South Africa's functional requirements, will have the added benefit of providing standard interfaces into other important group systems.

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LESSONS LEARNED

Volkswagen of South Africa found that the following factors are key to success:

- **Reengineer customer-facing processes:** Volkswagen of South Africa considered how to transform its customers' experience with sales and service, and used this as the basis for process reengineering. It started by looking at processes from its customers' point of view – and enhancing customer satisfaction.

- **Centralize customer information:** The company found that by centralizing data, the accuracy of the data could be better assured, and the data could be used to enable the reengineering of customer service and marketing processes. Since everyone was using the same information, there was greater consistency for these new processes – and the resulting increased customer satisfaction and better management decisions contributed to business growth.

- **Engage stakeholders in project planning and execution:** To ensure success of the project, Volkswagen of South Africa incorporated input from its call center employees, marketing staff, dealerships, and others, as it planned and executed its implementation.

- **Show value at every stage:** Volkswagen of South Africa didn't wait until the end of its project to show value. It demonstrated measurable improvements to customer service cycle time, customer satisfaction, and other metrics throughout its project phases to garner support and ensure it was staying on track. Implementing SAP CRM has laid a good foundation for driving other corporate customer-satisfaction process initiatives.

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