

CRM ROI Review

Optimizing Returns on Customer-Centric Strategies

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Innovator AMD to realize 32% IRR on its mySAP Investment

“Putting customers first” is one of AMD’s core business values. Founded in 1969 and based in Sunnyvale, Calif., AMD is a leading global provider of innovative microprocessor solutions for computing, communications and consumer electronics markets. AMD’s focus on customer needs to create innovative products and services places the company in a leading position in the microprocessor industry.

THE PLAN:

AMD looked to integrate its global marketing, services and channel management activities in order to provide a single face to the customer.

To stay competitive as an industry leader, AMD has adopted a strategic philosophy of customer-centric innovation. This philosophy is built on three key components: connections, differentiation and solutions. As such, building close relationships with customers is key to the company’s mission to be a leading global provider of innovative microprocessor solutions. In fact, customer

centricity drives AMD’s product innovation and processes. AMD strives to work collaboratively with customers to develop solutions that meet their needs.

In 2003, the company chose to analyze its different process areas to determine where it could positively affect the customer while profitably impacting the company.

Moving Forward

AMD determined three core areas in which a customer-centric approach would improve the customer experience: global services, marketing spend management and channel management. From improving channel relationships and optimizing the company’s internal marketing spend to ensuring all global customer service processes are integrated and unified, AMD is living out its commitment to customers.

Already equipped with SAP’s R/3 back-end, AMD implemented mySAP CRM to provide the enterprise with centralized, integrated data to improve productivity and enhance revenue across customer touch points. From optimizing the company’s internal marketing spend to unifying all global customer service processes; AMD is building an integrated enterprise. According to Peppers & Rogers Group, AMD will capture a 32% Internal Rate of Return (IRR) on its mySAP CRM investment through 2010. Through the coming years, AMD is well-equipped to continue realizing productivity and revenue enhancements from its mySAP CRM implementation.

FEATURED CUSTOMER:



ADVANCED MICRO DEVICES INC.

AMD will see 32% IRR through 2010

Increased revenue contribution

mySAP CRM functionality has helped AMD improve customer service processes-particularly around customer warranties

Sales lift

Using mySAP CRM to help transform key service processes to be more customer-focused, AMD is expected to increase contribution by \$4.49 million in EMEA

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. 50077243. For our summary of this ROI Review, please refer to material no. 50077244.

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AMD's strategy reflects the company's customer-centric approach to improving the customer experience. The company's philosophy is based on three core components: connections, differentiation and solutions.

AMD Company Overview

With corporate locations in Sunnyvale, Calif. and Austin, Texas; and global operations and manufacturing facilities in the United States, Europe, and Asia, AMD is one of the world's leading integrated circuit manufacturers. Founded in 1969, AMD ranks #2 in PC microprocessors, with sales success from its flagship AMD Athlon™ and AMD Opteron™ microprocessor chip families. AMD also makes embedded processors and other leading microprocessor solutions.

With more than \$5 billion in revenue and more than 10,000 employees worldwide, AMD remains at the forefront of product innovation to meet customers' changing business and technology needs. In fact, AMD has the strongest technology portfolio in its 36-year history. AMD sells primarily to personal computer manufacturers worldwide, including Acer, Fujitsu-Siemens, HP, IBM, and Lenovo. According to market research company Current Analysis, in October 2005, AMD sold more chips for personal computers in U.S. retail stores than Intel, illustrating its growing and sustainable power in the consumer PC market.

AMD has earned recognition for leading the industry to x86 pervasive 64-bit computing and by responding to the needs of the new tech-capable generation of consumers through the company's 50X15 initiative.

AMD AT A GLANCE

BUSINESS AND PRODUCTS:

AMD is the world's second largest producer of PC microprocessors, and is best known for its AMD Athlon™ and AMD Opteron™ processor families

HEADQUARTERS: Sunnyvale, CA

2005 REVENUE: \$5.85 billion

EMPLOYEES: 10,000

SOLUTIONS ENVIRONMENT:

mySAP CRM (Complaints and Returns Management, Internet Customer Self Service, Interaction Center, CRM Marketing, Channel Management) SAP R/3, SAP APO, SAP HR, SAP BW

KEY EXECUTIVES INTERVIEWED AT AMD:

Jerry Vogel, Senior VP, Engineering Operations, Microprocessor Solutions Sector (MSS)
 Patrick Moorhead, VP, Global Marketing, MSS
 Pierre-Yves Ferrard, VP, Worldwide Distribution Sales
 Pat Treadwell, Director, IT Customer Facing Applications and Services
 Tony Ball, Sr. Manager, Worldwide Technical Services
 Sean Swift, IT Manager, CRM
 Franz Hinner, Campaign Management and Marketing
 Polly B. Yeung, Manager, Worldwide Sales Analysis
 Todd Satterfield, Director, Global Internet Marketing

Optimizing Strategic Opportunities

In today's ever-changing marketplace, companies are looking for suppliers to act more as business partners, not just as technology providers. The microprocessor industry, in particular, is highly competitive and commoditized, requiring companies like AMD to define and promote a clear market advantage beyond vendor-centricity.

With these market requirements, AMD recognized the need to differentiate itself and move beyond the industry's traditional product focus. It adopted a philosophy of customer-centric innovation to compete differently, reflecting an enterprise-wide commitment to working collaboratively with customers.

This philosophy is built on three key factors: differentiation, solutions and connections. "Strengthening our differentiation, solutions and connections means that our success is built on our customers' success," said Patrick Moorhead, VP, global marketing. "Our primary business goal is to help customers achieve results by giving them differentiated products and services, enabling complete solutions with our ecosystem partners, as opposed to point technology and collaborating efficiently by sharing customer data with our connections—from channel partners to suppliers—across the supply chain ecosystem."

Most important, AMD sees its customer philosophy as the foundation for market share growth. "In order for AMD to continue to gain market share, we have to not only deliver great products and serve customers well, but also we need to have strong, integrated business processes," said Pat Treadwell, director of IT. "Our technology and business initiatives are becoming more efficient, which is benefiting both AMD and the customer."

Preempting customer needs

For AMD, getting closer to its customers means becoming more knowledgeable about their overall business needs, and not just how many microprocessors they need to order. "The customer is designing winning solutions with us, the customer wants us to win, and the customer has a face," says Treadwell. "The vision of the customer is becoming clearer to people within the organization."

Todd Satterfield, director of Global Internet Marketing, echoes this sentiment. "By adopting a customer strategy, we have positioned our processes and solutions from a customer's perspective rather than an internal corporate perspective.

Additionally, AMD works with its customers to review its products and processes, using their feedback in the development of new initiatives.

For AMD, merely meeting customers' needs is just the start. "If you are going to be truly focused on the customer, you have to push the limits to actually anticipate customer needs," says Moorhead. "On a daily basis, we analyze the types of customers that are buying from us, what they are buying and what they will need from us capabilities-wise to improve productivity, save costs or enhance revenue, which allows us to plan ahead. Responsiveness is only part of it."

AMD is expanding its brand worldwide through its 50X15 Initiative, which aims to provide 50 percent of the world's population with Internet access and computing technology by the year 2015. As part of the 50X15 initiative, AMD introduced the Personal Internet Communicator (PIC), which provides a set of productivity and multimedia applications. Through the PIC, AMD looks to provide affordable Internet access to first-time technology users in high-growth markets such as Brazil, the Caribbean, China, India, Mexico and Russia.

A company-wide strategy

As it implemented its strategy, AMD knew that customer relationship management (CRM) technology would be paramount. "We were looking at a variety of technologies that would help the entire company get a better picture of the customers' experiences," says Treadwell. "For instance, we heard from customers that providing them with web-based access to customer service would be of primary importance, a move that would strengthen our relationship with them."

First steps were identifying the customer touch points that would initially benefit from CRM-enabled processes. Opportunities were identified in global customer service and marketing management, as well as channel management. "We needed processes within these areas to be more integrated, not just automated," explains Treadwell. "Our ultimate objective was to represent ourselves as a unified front to our customers, not merely a consolidation of independent activities. We knew that CRM could help with that."

Creating a Customer-Centric Model

To enable its customer strategy efficiently, AMD required an application that could thread the business needs of three areas, namely marketing management, customer service and channel management. At the time, there were disparate applications across the globe powering the various functions. For instance, channel management was

powered by Baan and customer service in Europe was enabled by Siebel.

Creating a global platform meant that a significant technology transformation needed to happen. “It became clear to us that integration with our SAP R/3 back-end was going to be the primary driver in choosing our CRM solution,” says Sean Swift, CRM IT Manager. “It needed to connect our touch points, while making it easier for customers to do business with us.”

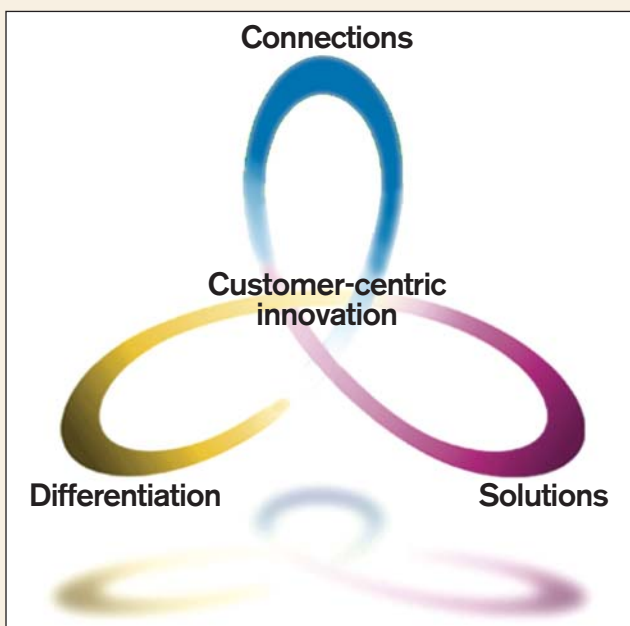
AMD began the implementation of mySAP CRM in January 2004. “We were one of the early adopters, particularly when it came to channel management,” says Swift. “We had a short implementation timeline, but we stayed on time.” Following the implementation of channel management, AMD deployed the customer service and marketing management components of mySAP CRM.

Managing change effectively

Change management was a significant part of AMD’s mySAP CRM implementation. In all of its customer-facing areas, AMD handles a significant amount of data from distributors, which requires customer service representatives, in particular, to interact with new processes and interfaces for managing information. “It was critical that we implemented training and change management initiatives alongside our mySAP CRM implementation,” said Swift.

Training was provided through a variety of channels to users of the mySAP CRM solution. “We implemented training through our AMD learning and development team,” said Swift. “Specifically, we held class based and Web-based training for our call center employees and continue to hold one-on-one training for users so everyone can stay up to date on new processes and functionality to help them do their jobs better.” AMD measures the success of its change management efforts by conducting regular surveys with users regarding functionality and processes, helping the company determine future training needs.

THE AMD PHILOSOPHY



AMD adopted a philosophy of customer-centric innovation to compete differently, reflecting an enterprise-wide commitment to working collaboratively with customers. This philosophy is built on three key factors: differentiation, solutions and connections.

Source: AMD

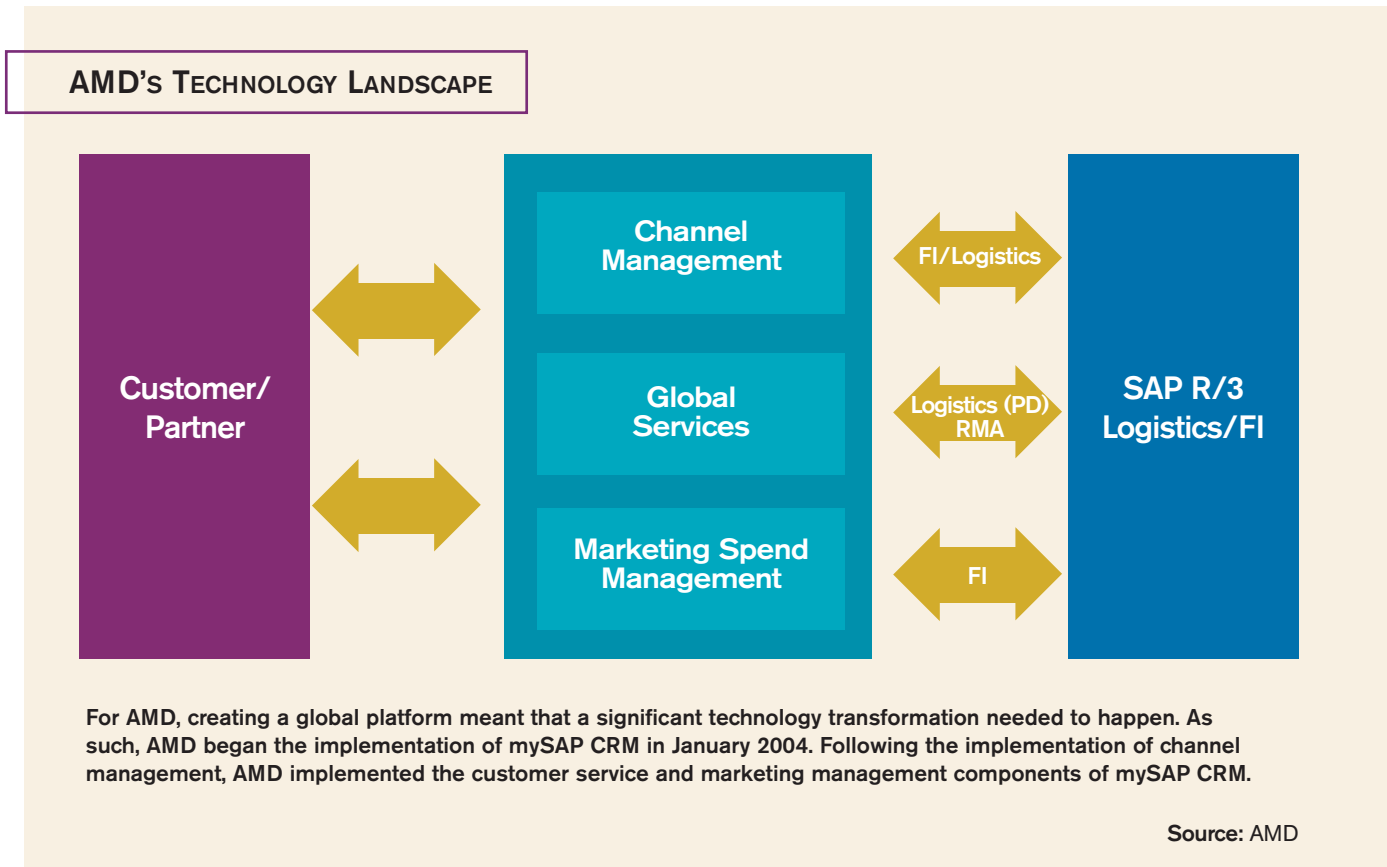
Customer-Centricity Drives Industry Advantage

mySAP CRM is helping AMD adopt a sharper industry advantage by providing the customer data and insight necessary to inform the company’s key business drivers. From enhancing customer service to better analyzing marketing spend activities; AMD is well positioned to realize 32% IRR through 2010 on its mySAP CRM investment.

Developing a global customer service capability was AMD’s initial goal. Before mySAP CRM, all customer service—in the Americas, EMEA and Asia-Pacific—ran on separate systems, complicating analysis and comparison of metrics, such as call resolution time and the most frequently asked questions. “We needed an integrated customer service center that ran on one corporate infrastructure,” says Tony Ball, senior manager, worldwide technical services. “We needed to know the service problems our customers were facing so we could create the right solutions.”

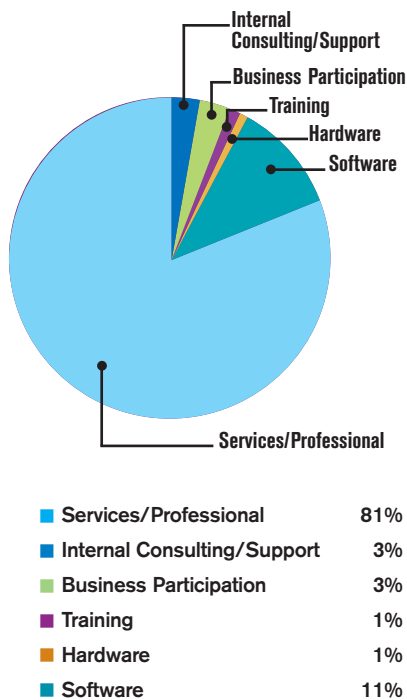
AMD launched its global service center with mySAP CRM, and started by instituting a new warranty claims process via a simple Web interface. “In the past, customers made warranty claims on our retail sale microprocessors through the reseller or distributor,” said Ball. “We felt that we could reduce our costs while improving customer satisfaction by giving customers the option to come directly to us to make a warranty claim.”

Not only will a global warranty claim process improve efficiencies, AMD expects it will also boost gross margin by prompting greater sales of packaged microprocessors. AMD projects that using mySAP CRM to enable this process will result in revenue contribution by more than \$60 million through 2010. “AMD is in the process of analyzing and redesigning all of its customer service processes from the customer’s viewpoint,” says Ball.



INVESTMENT BREAKDOWN

This chart outlines AMD's investment related to the implementation of mySAP CRM.



Better Marketing Planning

In addition to revamping customer service, to boost efficiency AMD needed more visibility into how sales were being impacted by marketing efforts. The company also sought to create a more standardized, global business planning process that would be implemented across the regions. Before mySAP CRM, marketing plans were left to the region or area; plans were created and stored on individual presentations or spreadsheets. "It was complicated for us, on the corporate level, to have clear visibility into each region's marketing plans," says Franz Hinner, campaign management and marketing. "It was cumbersome to compare plans, solutions and results because we did not have the same data points from each of the regions."

To gain visibility and align the regions more closely together, AMD implemented a standardized process for entering marketing and business plans across the globe. "We can now see if there are cross-sponsorships, for example, or drill down from a market or product perspective to see what marketing activities are being initiated," says Hinner. Enabled by mySAP CRM, this process provides each area with a preliminary budget justified by campaigns, objectives, metrics and tactics to accomplish its business goals.

This insight also allows AMD to adjust annual plans as the market changes. "If we see how a certain initiative or strategy is performing, we can see if we need to shift from a more strategic to a more tactical approach in our investments during the year," explains Hinner. mySAP CRM also enables AMD to perform active ROI assessments of its marketing activities, enabling the company and regions to analyze specific spending trends and resulting impact.

THE ROI OF CRM

From increased contribution to lifts in sales, AMD is already garnering benefits from its mySAP CRM investment. The ROI Review calculates a projected 32% Internal Rate of Return (IRR) through 2010. The IRR is based on attributable benefits of \$60.8 million on a total technology investment of \$31.8 million.

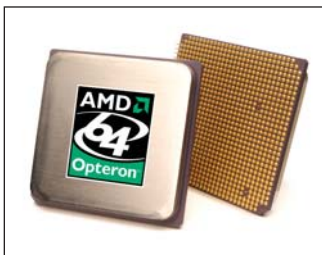
in millions \$	2005	2006	2007	2008	2009	2010	TOTAL
ATTRIBUTABLE COSTS	\$13.48	7.28	2.8	2.75	2.75	2.75	31.8
ATTRIBUTABLE GAINS	0	2.85	9.6	12.23	15.82	20.5	60.8
YEARLY NET CASH FLOW	(13.48)	(4.43)	6.67	9.48	13.1	17.7	29.0
ROI Calculation through 2010: IRR of 32%							

The ROI of CRM

M easurable gains in the form of improved productivity and revenue enhancements constitute most of AMD's return on its mySAP CRM investment. AMD projects an IRR of 32% through 2010. The IRR is based on attributed benefits of \$60.8 million on a technology investment of approximately \$31.8 million. AMD's mySAP CRM technology investment includes hardware, license fees, software, training and consulting services. Benefit areas include:

Increased revenue contribution...mySAP CRM functionality has helped AMD improve customer service processes—particularly around customer warranties.

Sales lift...Using mySAP CRM to help transform key service processes to be more customer-focused, AMD is expected to increase contribution by \$4.49 million in EMEA.



Founded in 1969 and based in Sunnyvale, Calif., AMD is a leading global provider of innovative microprocessor solutions for computing, communications and consumer electronics markets.

Moving Competitive Advantage Forward

In addition to enhancing its channel management capabilities, AMD's future plans include linking AMD.com to mySAP CRM as a single entry point for customers to access AMD's services. "Our vision is to position AMD.com so it is the primary destination for customers that want to do business with AMD," Satterfield said. "This will allow us to expand our customer database to evolve into more of a global marketing warehouse, giving us better insight into the customer activities that are going on across the enterprise."

Building close relationships with customers is key to the company's mission to be the global supplier of choice for computation, multimedia and connectivity solutions. With a strong customer strategy, AMD is taking concrete steps toward redefining its industry and transforming the business. mySAP CRM is playing a fundamental role in helping give AMD a consolidated profile of all customer activities. Moorhead said, "We know that mySAP CRM and the processes it continues to enable can help give us a continued industry advantage in our business."

THE THREE POINT TAKEAWAY

Know your customers' experiences at each touch point.

Building a brand's value goes beyond product performance. A customer's experience with the company at all touch points strongly influences a customer's satisfaction as well as potential future interactions. Knowing this, AMD includes marketing, service and channel management as the core areas of focus for its customer-centric strategy.

Make CRM a business philosophy.

Recognizing that one or two tactical CRM initiatives will only garner some benefit, AMD's philosophy of customer-centricity is based on three parameters: connections, differentiation and solutions. In this way, the company can integrate all of its sales, marketing, service and product development activities from a common customer-focused viewpoint, enabled by mySAP CRM.

Gain executive leadership support.

AMD knew that customer initiatives often require teamwork from a variety of departments within an organization and that executive buy-in is absolutely critical for such projects to succeed. Senior management's role is to formulate the underlying strategy that ties tactical processes together, set ROI goals and create and sustain momentum to successfully execute the vision.

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 is focused on driving 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.

This case study contains forward-looking statements, which are made pursuant to the safe harbor provisions of the U.S. Private Securities Litigation Reform Act of 1995. Forward-looking statements are generally preceded by words such as "plans," "expects," "believes," "anticipates" or "intends." Investors are cautioned that all forward-looking statements in this release involve risks and uncertainty that could cause actual results to differ materially from current expectations. Risks include the possibility that the company will not achieve its current product and technology introduction schedules; that adoption of AMD64 products, including upcoming dual-core processors, by tier-one OEMs and other customers will not occur as expected; and that solutions providers will not timely provide the infrastructure, including operating systems and applications, to support the company's AMD64 technology. We urge investors to review in detail the risks and uncertainties in the company's Securities and Exchange Commission filings, including but not limited to the Annual Report on Form 10-K for the year-end December 31, 2005.

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.

Authors

Joseph Daly As a founding partner of Fidentia Norwalk Joseph, Joseph Daly has spent 25 years in the field, holding senior executive positions in and consulting to leading businesses in minerals & mining, consumer goods, financial services and broadcast media internationally.

Joseph applies his experience to assist market-leading business-to-business and business-to-consumer organizations develop and operationalize profitable customer focussed strategies and the change-management necessary to see adoption of these programs throughout the organization.

Joseph has a unique insight into the success rate and failure points of CRM investments in a wide range of industries worldwide. He has performed detailed Return on Investment analysis of CRM implementations in manufacturing, publishing, on-line retailing, pharmaceuticals and utilities in Germany, Switzerland, Italy, Austria and the UK.

Throughout his career Joseph has led numerous customer-based initiatives spanning direct and indirect channels. Through the development of insightful strategies, programs and tools he has initiated new customer interactions that routinely exceed assigned goals and produce highly profitable multi-year relationships.

Joseph has served on several boards of directors and holds a diploma in International Financial Management from Damelin Business School, an Honors Degree in Business Studies from the University of Limerick and an MBA from Wits Business School.

As Senior Editorial Consultant at Peppers & Rogers Group, author **Laura Cococcia** has more than eight years experience as a marketing communications professional in both the corporate and non-profit settings. Prior to her editorial role, Laura worked with various *Fortune* 500 companies as a consultant on the development of customer-based strategies and implementation. Laura holds a B.A. in English from The College of the Holy Cross and is pursuing her M.S. in Strategic Management at Manhattanville College.