

**NUCLEUS
RESEARCH**

RESEARCH NOTE B25

ROI ANALYSIS YOU CAN TRUST™

ROI Profile: Microsoft SharePoint — Aanza

THE BOTTOM LINE

Aanza (www.aanza.com) chose to integrate SharePoint as a component of its product. Typical of most software companies, Aanza could have chosen to build the document management capabilities itself. In conjunction with Vedas, a Microsoft Gold certified partner, Aanza evaluated the benefits SharePoint would bring, including shorter time to market for its product and lower initial development costs. These benefits not only increased the capabilities of Aanza's product but reduced the overall costs of its solution, to the company and ultimately to its customers.

ROI: 436%

Payback: 3 months

THE COMPANY

Aanza's goal is to help companies rapidly and efficiently define, develop and launch the "right" products that result in revenue growth and reduced time to profitability. Aanza sought to develop a solution that would enable its customers to manage the entire product lifecycle, from new product development to obsolescence, with a unique customer-focused approach.

Aanza selected Vedas, a Microsoft Gold certified partner, as its technology partner for the architecture and development of its software application. This case study explores Aanza's use of SharePoint as a development platform for its solution and the benefits the company received.

THE CHALLENGE

Aanza's goal was to create a solution that would enable companies to maximize market shares and revenues by helping them plan, develop and launch the "right" products faster. The planned solution needed to support a collaborative work environment across enterprises with central document management, best practices, and interactive project scheduling. Aanza needed a technology platform that would enable it to rapidly develop a solution that could be easily deployed by customers. The company also knew that it needed to be able to build a Web-based solution that would easily integrate with Microsoft and other project-related applications.

THE STRATEGY

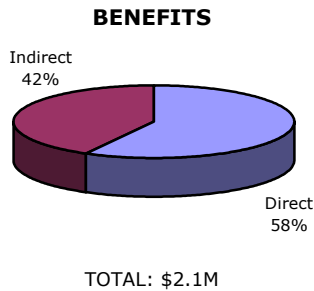
Vedas presented Aanza with several strategies for building its product lifecycle automation application: the company could use SharePoint, Lotus Domino, java, Windows NT — or it could build its application "from scratch" without using an existing platform.

Aanza recognized that by using a third-party product a part of each sale would go to the server and client licensing for the third-party product. The solution it chose needed to provide more benefit for both Aanza and the customer than it would cost. After a careful evaluation, Aanza decided to use Microsoft SharePoint as the platform for its product lifecycle automation solution because it determined that the SharePoint platform would enable it to build the solution most rapidly and with lowest short and long-term development cost. Additionally, it believed that ongoing custom development efforts would be cheaper and easier than on a proprietary or custom-developed application. Aanza worked closely with Vedas to develop its product lifecycle automation solution based on the SharePoint platform. The solution

uses four major components to support accelerated time to market and leverages the SharePoint Web architecture for information management. The four components of the Aanza solution are:

- Product planning to define the appropriate products
- Product development for timely and efficient product development
- Product validation and manufacturing release to ensure product readiness
- Product launch to create high-impact market results

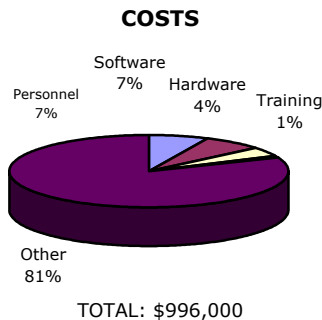
Aanza's solution aids customers to reduce time to market and thus increase product revenues while reducing product development costs. The solution facilitates collaboration, workflow management, knowledge management, and central document storage with easy access to best practices, templates, and how-to instructions. It has interactive project scheduling with alerts, plus chat, discussion boards, and real-time status reports for better portfolio and risk management.



KEY BENEFIT AREAS

Using SharePoint as a platform for development for its product life cycle automation solution enabled Aanza to rapidly produce and market its solution — and will enable it to rapidly customize the solution to meet its customers' needs. Key benefits from using SharePoint include the following:

- Reduced development costs. Ease and speed of development on SharePoint enabled Aanza to create its product at significantly less development expense than would have been required had it used another platform or technology option.
- Reduced development time. Shortening the time needed to develop and launch its solution enabled Aanza to shorten its time to market and begin reaping sales revenue from its solution sooner.
- Reduced overall marketing costs. Aanza feels it is able to use the co-marketing opportunities with Microsoft to increase the awareness of its product and reduce its overall cost of marketing.



KEY COST AREAS

Because this ROI study analyzes the ROI from a particular business investment — the development of an application based on SharePoint for sale to end users — cost areas outlined in this study are related to the cost of product development, not the cost for a customer to develop and support a SharePoint environment. Aanza's key costs for developing its product included software and hardware as well as personnel and training costs.

LESSONS LEARNED

One of the many challenges for a new software company can be market acceptance. Aanza found that basing its solution on the Microsoft SharePoint platform enabled it to ally with a trusted provider of software solutions and include that relationship in its marketing, as well as facilitating both customization and hosting of its solution. Time to market was also a critical factor for Aanza and by using Microsoft SharePoint, and partnering with Vedas, an experienced Microsoft developer, Aanza was able to rapidly develop its solution.

CALCULATING THE ROI

In calculating the ROI from Aanza's product development project, Nucleus quantified benefits from product revenue in the first three years as well as reduced cost of development efforts. Costs included development charges and other miscellaneous charges. Special attention was paid to calculating the reduced revenue for Aanza resulting from customers' having to invest in SharePoint software as well as the Aanza solution. The end result was that the reduction in potential revenue was more than offset by the reduced initial and ongoing development costs. Less quantifiable for the ROI calculation is the potential increase in revenue due to the closer relationship with Microsoft marketing.

Aanza

Summary

Project:	Microsoft SharePoint
Annual Return On Investment (ROI)	463%
Payback Period (Years)	0.27
Net Present Value (NPV)	384,621
Average Yearly Cost of Ownership	332,000

Annual Benefits	Initial	Year 1	Year 2	Year 3
Direct	0	400,000	400,000	400,000
Indirect	0	20,000	220,000	620,000
Total Benefits Per Period	0	420,000	620,000	1,020,000

Depreciation Schedule	Initial	Year 1	Year 2	Year 3
Software	0	0	0	0
Hardware	0	0	0	0
Total Per Period	0	0	0	0

Expensed Costs	Initial	Year 1	Year 2	Year 3
Software	40,000	10,000	10,000	10,000
Hardware	20,000	5,000	5,000	5,000
Consulting	0	0	0	0
Personnel	17,500	17,500	17,500	17,500
Training	5,000	0	0	0
Other	0	80,000	256,000	480,000
Total Per Period	82,500	112,500	288,500	512,500

Financial Analysis	Results	Year 1	Year 2	Year 3
Net cash flow before taxes		307,500	331,500	507,500
Net cash flow after taxes		153,750	165,750	253,750
Annual ROI - direct and indirect benefits				463%
Annual ROI - direct benefits only				116%
Net Present Value (NPV)				384,621
Payback (Years)	0.27			
Average Cost of Ownership (TCO/Years)		195,000	241,750	332,000
3-Year Cumulative ROI	1032%			
3-Year IRR	382%			

Basic Financial Assumptions

All Government Taxes	50%
Discount Rate	15%

All calculations are based on Nucleus Research's independent analysis of the expected costs and benefits associated with the application profiled in the accompanying case.