



ROI Profile: Microsoft BizTalk Server Compaq

ROI:	129%
Payback:	.77 years

Bottom Line

Compaq received a positive ROI from its BizTalk Server deployment by automating its capacity on demand process, reducing sales administrative overhead and increasing revenues by attracting new customers with a higher level of service.

The company

Founded in 1982, Compaq Computer Corporation is a leading global provider of information technology products, services, and solutions for enterprise customers. The Compaq computing on demand initiative is for customers who need to simplify the task of procuring, supporting, and managing their IT infrastructures. Computing on demand provides a range of solutions that deliver computing resources from Compaq when and where they are needed at a predictable price and performance level.

The challenge

Compaq needed to launch the capacity on demand for ProLiant servers auto fulfillment program, a part of the computing on demand initiative, as rapidly and cost-effectively as possible. The goal was to reduce costs by electronically managing orders directly with customers and automating delivery and management of components to the customer. Compaq needed a secure electronic system that would enable it to integrate its order and delivery system with the Compaq Insight Manager asset management system used by its customers. The system also had to be reliable, flexible to extend easily to new customers, and remotely recoverable. The corporate goal established in April 2001 was to reduce cycle times by implementing an electronic system in fewer than 90 days.

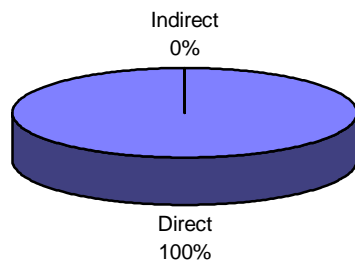
The strategy

Compaq was already using webMethods for different internal projects, and considered both Microsoft BizTalk Server and webMethods. After a review of both options with Compaq's IS organization, the project team found that the need for Java programmers and testing of customer integrations would make a webMethods deployment too slow to meet its timeline. Compaq decided to use BizTalk Server because it could rapidly find Visual Basic developers to begin work on the project and less individual customer site testing would be needed. It was also convinced that BizTalk Server could support the flexibility and scalability demands of the project.

Compaq's project team spent 15 days gathering developer resources for the project and started development on May 1, 2001. Compaq used BizTalk Orchestration Designer to draw the process, and relied on Microsoft consulting resources to implement the design.

The first pilot site with a customer was deployed on June 12, and the second customer was launched 2 weeks later. The solution entered production in October 2001 with four customers, and Compaq expects to extend it to more than 18 by the end of 2002.

Figure 1 - Direct and Indirect Benefits



Compaq supports and manages a central BizTalk Server configuration that communicates with BizTalk Servers at each enterprise customer site. Using a central BizTalk Server to manage orders and inventories at customer sites enables Compaq to take electronic customer forecasts, translate them into expected purchase orders, and send them securely to fulfillment centers. The solution enables enterprise customers to rapidly access necessary components at their site, because in-

ventory is prepositioned and tracked via BizTalk Server. As a piece of equipment is deployed, Compaq receives automatic notification of its use and ships replacement components.

Key benefit areas

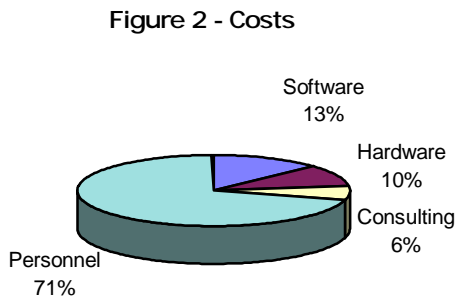
Automating the Compaq capacity on demand for ProLiant servers process has enabled Compaq to reduce costs while providing a higher level of service to its key enterprise customers, giving it a competitive advantage. The company has realized a number of benefits from its Microsoft BizTalk Server deployment, including the following:

- Increased customer satisfaction and retention. The solution enables customers to reduce the time needed to receive appropriate replacement equipment as well as the communication and administrative overhead associated with ordering equipment. It also reduces customers' need to pay for express shipping of equipment.
- Improved forecasting. Centralized data management enables Compaq to help customers more accurately forecast equipment needs and plan asset retirement.

- Reduced administrative overhead. Reduction of paper purchase orders and other customer communication reduces administrative time for sales people and enables them to focus on other higher-value activities.

Key cost areas

Personnel costs made up the largest portion of Compaq's BizTalk Server deployment for the project, accounting for 71 percent of project costs over the first three years of the project. However, BizTalk Server license costs and hardware were relatively low because the company is using the same infrastructure to support a number of different projects, so only a share of the total BizTalk Server infrastructure cost was attributed to the project.



Lessons learned

Compaq completed its BizTalk Server deployment under strict time and cost deadlines – and didn't spend a lot of time trying different orchestration scenarios because it needed to rapidly launch a system with a limited team of resources.

The company was able to meet its key requirements – remote disaster recovery and scalability – by using BizTalk Server queuing and making its central site a hot spare for remote sites, ensuring data recovery without the need to send a software technician to a customer site.

3-year Financial Analysis	
Total Benefits:	\$2.73M
Direct	100%
Indirect	0%
Total Costs:	\$1.04M
Software	13%
Hardware	10%
Consulting	6%
Personnel	71%
Training	0%
Other	0%
ROI:	129%
Payback:	.77 years
TCO:	\$347,980

Calculating the ROI

Nucleus calculated the costs of software, hardware, consulting, personnel, training, and other activities associated with Compaq's deployment of BizTalk Server to support its computing on demand application. The share of total software and hardware costs attributed to the project were based on the number of other applications running on the same infrastructure.

Direct benefits made up 100 percent of the returns quantified in this analysis. Direct benefits included the reduction of the equivalent of 4 full-time employees for sales administration support and the correction of errors and omissions in the order process. Direct benefits also include Nucleus's conservative estimate of profits on increased revenues Compaq is already receiving from customers acquired because of the automated system.

Compaq

Summary

Project:	Microsoft BizTalk Server
Annual Return On Investment (ROI)	129%
Payback Period (Years)	0.77
Net Present Value (NPV)	553,812
Average Yearly Cost of Ownership	347,980

Annual Benefits	Initial	Year 1	Year 2	Year 3
Direct	0	900,000	910,000	920,200
Indirect	0	0	0	0
Total Benefits Per Period	0	900,000	910,000	920,200

Depreciation Schedule	Initial	Year 1	Year 2	Year 3
Software	25,600	5,120	5,120	5,120
Hardware	100,000	20,000	20,000	20,000
Total Per Period	125,600	25,120	25,120	25,120

Expensed Costs	Initial	Year 1	Year 2	Year 3
Software	4,000	18,720	69,040	20,080
Hardware	0	0	0	0
Consulting	66,000	0	0	0
Personnel	245,000	164,500	164,500	164,500
Training	0	0	0	0
Other	2,000	0	0	0
Total Per Period	317,000	183,220	233,540	184,580

Financial Analysis	Results	Year 1	Year 2	Year 3
Net cash flow before taxes		716,780	676,460	735,620
Net cash flow after taxes		370,950	350,790	380,370
Annual ROI - direct and indirect benefits		131%	127%	129%
Annual ROI - direct benefits only		131%	127%	129%
Net Present Value (NPV)		38,465	303,713	553,812
Payback (Years)	0.77			
Average Cost of Ownership (TCO/Years)		625,820	429,680	347,980
3-Year Cumulative ROI	295%			
3-Year IRR	116%			

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.