

**NUCLEUS
RESEARCH**

RESEARCH NOTE D71

ROI ANALYSIS YOU CAN TRUST™

ROI Case Study: Microsoft CRM iQ NetSolutions

THE BOTTOM LINE

iQ NetSolutions used Microsoft CRM to improve sales and partner management and has greatly increased the productivity of its sales and service staff. Rapid implementation and minimal training requirements have been key to achieving a positive return on investment.

ROI: 234%

Payback: 5 months

THE COMPANY

iQ NetSolutions is a provider of telecommunications software solutions that enable enterprises to maximize their investments in legacy phone systems by supporting mixed-vendor PBX and multisite operations while providing a seamless path to next-generation converged IP networks. The company's award-winning VistaPoint Integrated Call Manager along with its VistaPoint Integrated Communications Services (VPICS) architecture provides an innovative solution that enables enterprises to maximize the flexibility, scalability, and management capabilities of legacy PBXs, IP-PBXs, contact centers, and multisite operations with an advanced computer telephony integration (CTI) platform that supports leading third-party application integration.

THE CHALLENGE

iQ NetSolutions staff did not have a consistent system for qualifying and tracking leads, maintaining and updating customer information, and forecasting revenues and sales; the sales and customer service staff used a combination of Excel spreadsheets, an ACT database, Microsoft Outlook, and third-party software. This resulted in inefficient sales management processes and inconsistent information between systems — ultimately leading to mismanaged leads and lost revenues.

In early 2002, iQ NetSolutions acquired another software company with its own set of marketing and sales tools. This acquisition increased the need for a uniform system for managing leads and customer service operations and for accurately forecasting sales.

The company realized that it needed a customer relationship management (CRM) solution that would simplify lead and customer management for the sales and customer service staff and that would allow users to identify and pursue revenue opportunities more efficiently.

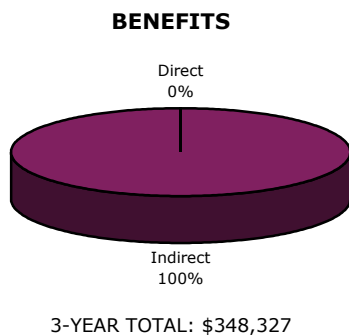
THE STRATEGY

In 2002, iQ NetSolutions started searching for a CRM system and considered solutions from a number of vendors, including Salesforce.com, Siebel, Microsoft, and ACT. The company

eventually chose to implement Microsoft CRM for the following reasons:

- Microsoft CRM would easily integrate with the company's back-office applications and reduce the need for data entry. In particular, iQ NetSolutions had been using Great Plains on a hosted basis since early 2001, and Microsoft CRM would facilitate smoother integration with the existing system.
- The system's Outlook-based interface was familiar to sales and service staff and would enable fast adoption and minimal training.
- The architecture and design of Microsoft CRM supported the existing business processes in place at iQ NetSolutions, and the company wouldn't need to redefine its workflows or spend on excessive customization to implement the solution.

In August 2002, iQ NetSolutions acquired licenses to the beta version of Microsoft CRM and spent three weeks working with Managed Ops to plan and complete the deployment. By the beginning of September 2002, the Microsoft CRM system was ready to go live and was rolled out to 10 users in the sales and customer service departments. In late 2002, the company migrated to an upgraded version of the beta solution. iQ NetSolutions finally switched to the general release version of the CRM system in February 2003.



KEY BENEFIT AREAS

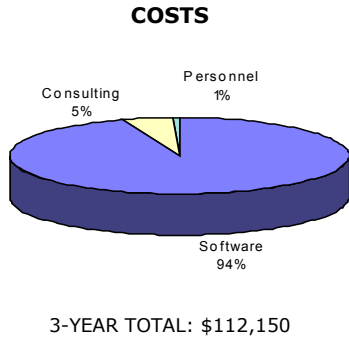
Using Microsoft CRM has allowed iQ NetSolutions to more effectively identify and track sales leads, respond to customer service issues, forecast sales and revenues per quarter, and capitalize on more business opportunities. The company's key returns have been the following:

- Increased productivity of sales staff. Quick access to customer and lead information and the ability to automatically generate sales reports has saved six users in the sales division several hours every week, allowing them to focus on revenue-generating activities.
- Increased productivity of customer service staff. Because Microsoft CRM provides customer service staff with better access to updated customer information, they are able to respond to clients faster and with greater efficiency.
- Increased manager productivity. The head of sales at iQ NetSolutions now has faster access to sales data and reports and has constant access to updated information about the status of accounts. As a result, he is better informed about outstanding customer issues when meeting with clients on short notice and is able to address these issues in a timely manner.
- Profit on increased revenues. Microsoft CRM allows iQ NetSolutions to better exploit leads, manage its reseller network more optimally, and capitalize on more business opportunities — ultimately having a positive impact on closing rates and sales revenue. The sales force expects that the improvement in its

closing rates will fall somewhere in the range of 30 to 50 percent.

KEY COST AREAS

Key costs involved in the implementation of Microsoft CRM at iQ NetSolutions were software, consulting, and personnel. Software accounted for nearly all of iQ NetSolutions' spending on the project, at 94 percent of overall costs. Consulting made up 5 percent of the company's total investment. The costs of internal personnel time devoted to planning and executing the project constituted the remainder of project expenses.



LESSONS LEARNED

iQ NetSolutions feels that it was able to achieve a quick return on its technology investment by choosing a solution that the company could install and use rapidly. Had it chosen to implement an application that would have required a full-scale implementation and extensive training, the company would have delayed the achievement of value. According to the project team at iQ NetSolutions, the speedier time to implementation enabled by Microsoft CRM was of significant value to the company, even though it is not incorporated into the financial return on investment.

CALCULATING THE ROI

Nucleus quantified the costs of software, consulting, personnel, and other costs over a 3-year period to quantify iQ NetSolutions' total investment in Microsoft CRM. The company's key returns have come through reduced time spent on sales management and faster resolution of customer service issues. Indirect benefits including increased productivity of sales and customer service staff were calculated based on the average fully loaded cost of employees. Time savings associated with better management of customer and lead information, and with quicker resolution of customer service queries, were multiplied by a productivity correction factor to account for the inefficient transfer of time from time saved to additional time worked. Benefits not quantified include improvements in revenues and closing rates because of better sales management with Microsoft CRM.

SUMMARY

Project:	Microsoft CRM
Annual return on investment (ROI)	234%
Payback period (years)	0.43
Net present value (NPV)	82,881
Average yearly cost of ownership	37,383

ANNUAL BENEFITS	Pre-start	Year 1	Year 2	Year 3
Direct	0	0	0	0
Indirect	0	116,109	116,109	116,109
Total Benefits per Period	0	116,109	116,109	116,109

DEPRECIATED ASSETS	Pre-start	Year 1	Year 2	Year 3
Software	16,000	0	0	0
Hardware	0	0	0	0
Total per Period	16,000	0	0	0

DEPRECIATION SCHEDULE	Pre-start	Year 1	Year 2	Year 3
Software	0	3,200	3,200	3,200
Hardware	0	0	0	0
Total per Period	0	3,200	3,200	3,200

EXPENSED COSTS	Pre-start	Year 1	Year 2	Year 3
Software	0	30,000	30,000	30,000
Hardware	0	0	0	0
Consulting	5,400	0	0	0
Personnel	750	0	0	0
Training	0	0	0	0
Other	0	0	0	0
Total per Period	6,150	30,000	30,000	30,000

FINANCIAL ANALYSIS	Results	Year 1	Year 2	Year 3
Net cash flow before taxes		86,109	86,109	86,109
Net cash flow after taxes		44,655	44,655	44,655
Annual ROI - direct and indirect benefits				234%
Annual ROI - direct benefits only				-70%
Net present value (NPV)				82,881
Payback (years)	0.43			
Average annual cost of ownership		52,150	41,075	37,383
3-year cumulative ROI	435%			
3-year IRR	227%			

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. Financial modeling tool, format, and methodology copyright Nucleus Research Inc., all rights reserved.