

**NUCLEUS  
RESEARCH**

RESEARCH NOTE D82

ROI ANALYSIS YOU CAN TRUST™

# ROI Case Study: Microsoft Solutions The Charmer Sunbelt Group

## **THE BOTTOM LINE**

The Charmer Sunbelt Group built a portal using Microsoft Content Management Server and SharePoint Portal Server to rapidly develop, edit, and distribute product information to improve its relationships with partners and increase the effectiveness of its marketing efforts.

**ROI: 206%**

**Payback: 6 months**

## **THE COMPANY**

The Charmer Sunbelt Group (TCSG) is one of the nation's leading distributors of fine wines, spirits, beers, bottled water, and other non-alcoholic products. TCSG operates in Alabama, Arizona, Colorado, Connecticut, Florida, Maryland, Mississippi, New York, North Carolina, Pennsylvania, South Carolina, and the District of Columbia. The company's vision is to be recognized by customers and suppliers as the superior distributor of alcoholic beverages in all regions where it conducts business.

## **THE CHALLENGE**

As a distributor of fine wines and spirits, TCSG is also responsible for distributing information about its various products to the market, including retailers, hotels, and restaurants. As a multistate distributor, TCSG has distribution centers with varying sizes of product portfolios: The number of SKUs in a distribution center's portfolio ranges from 1000 on the low end up to 10,000 at the largest distribution center.

Although many distribution centers carry similar products, different regulations and different relationships from state to state mean TCSG must deliver a different set of content in each state. TCSG's challenge was to create and deliver content in a consistent way regardless of its source.

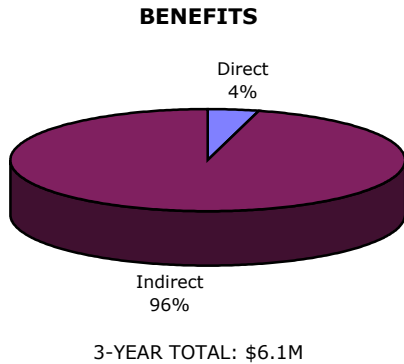
TCSG had a manual process to distribute information via HTML-based Web sites, but it was time intensive and often required the replication of site development for different states. The company needed an easy-to-use portal solution that would streamline the collection, updating, and delivery of information about its various product lines while storing the information in a way that could be used by other applications.

## **THE STRATEGY**

In April 2001, TCSG began looking at technologies to support its Web presence, using information from a market research firm to develop a short list of vendors including Documentum, Interwoven, and Vignette. However, in August 2001, Microsoft's acquisition of content management technology compelled the company to

consider what Microsoft might be able to provide, largely because of TCSG's close relationship with Microsoft and because the company didn't want to purchase a technology and then find that Microsoft was a more viable choice. Ultimately, TCSG decided to invest in Microsoft's portal offering of Microsoft Content Management Server and SharePoint Portal Server to support its external and internal information distribution needs for the following reasons:

- Integration with other Microsoft technologies and formats meant less developer investment would be required than with competing proprietary applications that would require special skills.
- Using Microsoft technology meant the company could store all the information in a normalized SQL database that could be queried by other applications.
- TCSG had confidence that Microsoft was a viable organization.
- Microsoft provided TCSG with attractive pricing to encourage the company to adopt a relatively new technology.



In fall 2001, Microsoft and TCSG worked together to develop a proof of concept, and then TCSG's internal developers went to work to develop and deploy the solution. The company began on a state-by-state basis with the largest states first. Using a centralized team to enter content, TCSG used a product library manager with strong industry knowledge and two researchers to enter information.

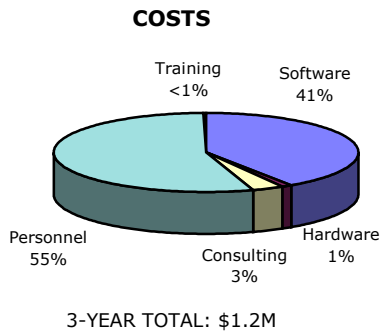
Today, TCSG continues its deployment of the technology across different state territories. When a new item or brand is added to its portfolio, an automatic process is triggered that assigns the brand to the correct hierarchy, notifies a researcher that content about the brand needs to be added, and drives development of the appropriate product sheets and Web pages. SharePoint Portal Server is used to crawl all the content of the sites, enabling sales representatives to rapidly search and find the information they need. Sales can also use the data, which has been integrated with the company's wine list proposal system, to more rapidly target appropriate wine "matches" for different restaurants.

#### KEY BENEFIT AREAS

Building a portal using Microsoft Content Management Server and SharePoint Portal Server, TCSG has reduced the administrative costs of distributing information while providing employees and partners with quality information across the company's product lines. Key benefits the company achieved include the following:

- Reduced IT costs. An automated system that doesn't require HTML or other programming knowledge to product content has enabled the company to reduce the IT staff time devoted to Web site content development and management.
- Increased information consistency and quality. A clear process for adding and updating content as well as standard templates for information enables TCSG to ensure consistency of content across its product libraries.

- Reduced rework. Sharing of content and processes between states reduces the need to replicate similar information pages across multiple sites.
- Increased sales productivity. Providing sales representatives with greater information and access to reusable data for other applications increases their ability to focus on developing relationships and closing deals.



### KEY COST AREAS

Key costs included personnel, hardware, consulting, software, and training. Personnel made up the largest cost category, accounting for 55 percent of total project costs. Software was the next largest area, accounting for 41 percent of total project costs.

### LESSONS LEARNED

TCSG found that the most time-consuming part of its deployment was actually migrating content to the new solution. Because the ability to “go live” state by state is a key driver of value from the solution, the company would have employed additional temporary content creators early in the deployment to accelerate that process if it had realized how much time content creation would take.

### CALCULATING THE ROI

Nucleus quantified the costs of software, hardware, consulting, personnel, and training over a 3-year period to quantify TCSG’s total investment in Microsoft Content Management Server and SharePoint Portal Server. Benefits quantified included reduced IT staff time needed to publish information, reduced sales staff time spent searching for information, and profits from increased sales associated with the ability to develop custom wine list proposals.

## The Charmer Sunbelt Group

### SUMMARY

Project:	<b>Microsoft Solutions</b>
Annual return on investment (ROI)	<b>206%</b>
Payback period (years)	<b>0.48</b>
Net present value (NPV)	<b>1,702,204</b>
Average yearly cost of ownership	<b>392,640</b>

ANNUAL BENEFITS	Pre-start	Year 1	Year 2	Year 3
Direct	0	83,520	83,520	83,520
Indirect	0	1,947,937	1,947,937	1,947,937
<b>Total Benefits per Period</b>	0	2,031,457	2,031,457	2,031,457

DEPRECIATED ASSETS	Pre-start	Year 1	Year 2	Year 3
Software	409,855	0	0	0
Hardware	0	0	0	0
<b>Total per Period</b>	409,855	0	0	0

DEPRECIATION SCHEDULE	Pre-start	Year 1	Year 2	Year 3
Software	0	81,971	81,971	81,971
Hardware	0	0	0	0
<b>Total per Period</b>	0	81,971	81,971	81,971

EXPENSED COSTS	Pre-start	Year 1	Year 2	Year 3
Software	0	0	0	68,309
Hardware	12,000	0	0	0
Consulting	41,000	0	0	0
Personnel	42,075	200,000	200,000	200,000
Training	4,680	0	0	0
Other	0	0	0	0
<b>Total per Period</b>	99,755	200,000	200,000	268,309

FINANCIAL ANALYSIS	Results	Year 1	Year 2	Year 3
Net cash flow before taxes		1,831,457	1,831,457	1,763,147
Net cash flow after taxes		956,714	956,714	922,559
<b>Annual ROI - direct and indirect benefits</b>				<b>206%</b>
Annual ROI - direct benefits only				-6%
<b>Net present value (NPV)</b>				<b>1,702,204</b>
<b>Payback (years)</b>	<b>0.48</b>			
Average annual cost of ownership		709,610	454,805	392,640
3-year cumulative ROI	370%			
3-year IRR	200%			

### 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.