

RESEARCH NOTE D96

ROI ANALYSIS YOU CAN TRUST™

# ROI Case Study: Microsoft Content Management Server GMAC

## **THE BOTTOM LINE**

GMAC used the Microsoft Content Management Server to support two key initiatives: transferring the content publishing function to content authors and freeing up formerly burdened IT resources to support more dynamic and personalized customer-facing Web portals.

**ROI: 87%**

**Payback: 1.2 years**

## **THE COMPANY**

The Graduate Management Admission Council (GMAC) is a nonprofit organization that serves the management education community through a variety of products, services, and industry initiatives. The focus of the organization is to help people around the world realize success through the master of business administration and other graduate and professional management degrees. GMAC is best known for the Graduate Management Admission Test (GMAT), which is the most widely used assessment and a reliable predictor of a candidate's academic success in graduate core curriculum. Graduate Management Admission Council, GMAC, and GMAT are all registered trademarks of the Graduate Management Admission Council.

## **THE CHALLENGE**

GMAC serves as an intermediary between two key constituencies: degree-bound students and the business schools these students are seeking admission into. To serve these two groups, GMAC maintains one Web site for students and one that meets the needs of admissions officers and other decision makers at business schools.

GMAC relied on a combination of internal IT and other personnel resources and an external firm for managing site and content development. This site management system had several limitations:

- Slow publishing process. To publish content to the sites, authors and subject matter experts sent materials to IT specialists, who then translated the content into HTML code. This resulted in slow turnaround time and limited the ability of content authors to update the sites' look and feel.
- Loss of IT productivity. Since publishing content required knowledge of HTML and ASP, IT personnel ended up devoting time to basic day-to-day Web publishing rather than to critical and strategic IT functions.

Because the content editors and other subject matter experts knew most about what content suited the needs of GMAC's audiences, GMAC's managers decided that it would be more efficient for the

content providers to manage content posting as well as creation. Ideally, authors and editors would be able to create, edit, and post content to GMAC's customer-facing Web portals without involving IT staff in the process. GMAC decided it needed a content management solution that would eliminate bottlenecks created by IT staff involvement by empowering end users to manage and update their own content without burdening IT staff.

### **THE STRATEGY**

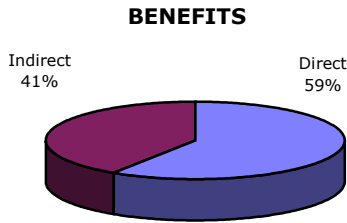
In early 2002, GMAC began searching for a solution by considering content management products from several vendors, including Microsoft, Interwoven, and BEA Systems. In April 2002, GMAC decided to implement the beta version of Microsoft Content Management Server for the following reasons:

- GMAC was already using Microsoft SharePoint Portal Server, SQL Server, and Windows 2000 Advanced Server. The existing integration between Microsoft Content Management Server and GMAC's Windows-based technology environment would enable GMAC to develop an interoperable .NET-based Web solution and thereby derive additional returns from its past investments in Microsoft applications.
- GMAC was looking for a long-term technology partner. Because of its existing relationship with Microsoft, GMAC's managers felt that Microsoft would best satisfy the company's interim discrete content management needs and its long-term partnership goals.

In June 2002, GMAC acquired licenses to the beta version of Microsoft Content Management Server and began developing the solution. The implementation team consisted of five internal IT personnel devoted full-time to the project, 10 content authors spending a portion of their time defining and standardizing content, and a team from Ness USA, one of GMAC's consulting partners.

GMAC completed development in September 2002. After the implementation was completed, GMAC provided training for approximately 10 content authors. They learned about both the new content creation process and the best way to use Microsoft Content Management Server to manage those functions.

During the Content Management Server implementation, GMAC was also completely rebranding its two Web sites. Earlier in the year, GMAC decided to focus its attention on the content, design, and capabilities of each site and to accordingly streamline the management and updating of these sites. Whereas the Microsoft Content Management Server project and the redesign of the Web sites were driven by different objectives, GMAC notes that Microsoft Content Management Server was key to supporting the maintenance of dynamic, customer-facing Web portals that provide personalized content and services to GMAC's two key audiences.



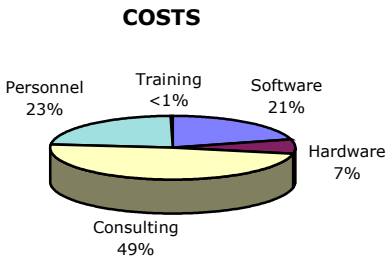
3-YEAR TOTAL: \$1.39M

**KEY BENEFIT AREAS**

GMAC has been able to increase the overall efficiency of the content publishing and updating process by transferring the burden of these tasks from the IT staff to the business users. GMAC has realized direct benefits from Microsoft Content Management Server through productivity gains and the ability to support increased growth and improved customer service without hiring additional staff.

GMAC has achieved the following key returns through its Microsoft Content Management Server implementation:

- Reassigned one IT employee. By transferring the bulk of the content publishing and updating functions to content authors and other business users, GMAC was able to reassign an IT employee to an entirely different function. Instead of handling routine content publishing tasks, this employee now concentrates on supporting GMAC’s two customer-facing Web portals providing increased personalization and dynamic content capabilities.
- Avoided hiring new personnel. Because of productivity gains from the Content Management Server software, GMAC was able to increase customer service and IT support levels without hiring additional staff.
- Eliminated external services costs. Prior to implementing Content Management Server, GMAC outsourced certain Web site support tasks to an external firm. Microsoft Content Management Server has helped GMAC eliminate the need for external support in this area, saving GMAC between \$150,000 and \$200,000 annually.
- Increased content author and editor productivity. Content editors and authors in various departments, such as marketing, have reduced by nearly 20 percent the time they spent on routine content management and updates.



3-YEAR TOTAL: \$611,628

**KEY COST AREAS**

Key costs included in GMAC’s Microsoft Content Management Server project were personnel, hardware, consulting, software, and training. Consulting made up nearly half of the total project costs. Personnel constituted the next most significant expense to GMAC, at 23 percent of the overall costs. Software costs — including the initial license fees and ongoing Software Assurance charges for Microsoft Content Management Server — were just over a fifth of the total implementation costs. Hardware totaled 7 percent of the overall investment, representing the cost of three Dell servers needed for supporting the content management system. Training for content authors, editors, and subject matter experts constituted a small percentage of the overall costs.

**LESSONS LEARNED**

GMAC was one of the first companies to go live with the beta version of Microsoft Content Management Server. While the organization was pleased with the capabilities and stability of the final release product, the project team’s key challenge was that two

very large IT projects — the installation of a new content management system and the revamping of its two Web sites — were going on simultaneously. Although GMAC made a conscious decision to simultaneously proceed with the two projects, for a number of reasons, other companies should consider a phased approach so that the initiative impacts different members of the employee population in stages rather than all at once.

#### **CALCULATING THE ROI**

Nucleus quantified the costs of software, hardware, consulting, personnel, training, and other investments over a 3-year period to quantify GMAC's total investment in content management. The direct benefits calculated included the reassignment of one IT FTE and the elimination of external outsourcing fees. The indirect benefits, including increased productivity of content authors and editors, were calculated based on the average fully loaded cost of employees. Time savings associated with faster content creation, publishing, and updating were multiplied by a productivity correction factor to account for the inefficient transfer of time from time saved to additional time worked.

**SUMMARY**

Project:	<b>Microsoft Content Management Server</b>
Annual return on investment (ROI)	<b>87%</b>
Payback period (years)	<b>1.21</b>
Net present value (NPV)	<b>472,992</b>
Average yearly cost of ownership	<b>203,876</b>

<b>ANNUAL BENEFITS</b>	<b>Pre-start</b>	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>
Direct	0	275,000	275,000	275,000
Indirect	0	189,238	189,238	189,238
<b>Total Benefits per Period</b>	0	464,238	464,238	464,238

<b>DEPRECIATED ASSETS</b>	<b>Pre-start</b>	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>
Software	89,229	0	0	0
Hardware	45,000	0	0	0
<b>Total per Period</b>	134,229	0	0	0

<b>DEPRECIATION SCHEDULE</b>	<b>Pre-start</b>	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>
Software	0	0	0	0
Hardware	0	9,000	9,000	9,000
<b>Total per Period</b>	0	9,000	9,000	9,000

<b>EXPENSED COSTS</b>	<b>Pre-start</b>	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>
Software	7,000	15,386	15,386	0
Hardware	0	0	0	0
Consulting	262,500	35,000	0	0
Personnel	80,128	20,000	20,000	20,000
Training	2,000	0	0	0
Other	0	0	0	0
<b>Total per Period</b>	351,628	70,386	35,386	20,000

<b>FINANCIAL ANALYSIS</b>	<b>Results</b>	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>
Net cash flow before taxes		393,853	428,853	444,238
Net cash flow after taxes		393,853	428,853	444,238
<b>Annual ROI - direct and indirect benefits</b>				<b>87%</b>
Annual ROI - direct benefits only				48%
<b>Net present value (NPV)</b>				<b>472,992</b>
<b>Payback (years)</b>	<b>1.21</b>			
Average annual cost of ownership		556,243	295,814	203,876
3-year cumulative ROI	97%			
3-year IRR	67%			

**FINANCIAL ASSUMPTIONS**

All government taxes	0%
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.