

**NUCLEUS  
RESEARCH**

CASE STUDY E43  
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ROI ANALYSIS YOU CAN TRUST™

## ROI Case Study: Microsoft CRM AAA Mortgage

### **THE BOTTOM LINE**

AAA Mortgage deployed Microsoft Business Solutions CRM to enable loan officers to provide quotes to customers in real time, design sophisticated marketing campaigns, and increase overall efficiency. The system has directly resulted in greater revenues, savings in personnel costs, and overall improvements in customer service.

**ROI: 393%**

**Payback: 3 months**

### **THE COMPANY**

Based in Alpharetta, Georgia, AAA Mortgage has been a leader in the residential financing business since the early 1990s. With three offices, the company provides primarily residential loans and home equity lines of credit.

### **THE CHALLENGE**

To boost competitiveness and customer service, AAA Mortgage sought to enable faster processing times when a customer or prospect called in to inquire about a mortgage. Industry data revealed that when customers called in, they expected representatives to provide estimates of the mortgage rate, recurring payments, closing costs, and other deal specifics within minutes — failing which, they were very likely to call competing providers. Hence, the window of opportunity for selling to a prospect lasted only a few minutes, and the sale relied on the loan officer's ability to provide an accurate quote estimate to the caller.

To increase operational efficiency and capitalize on more revenue opportunities, AAA Mortgage decided that it needed a point-of-sale application that would enable loan officers to enter borrower information in real time into the loan origination system and provide a timely estimate to callers. Any solution needed to be implemented in front of the loan origination system as well as integrate with its back-office systems and offer the flexibility needed to design specific workflows suited to the company's loan officers.

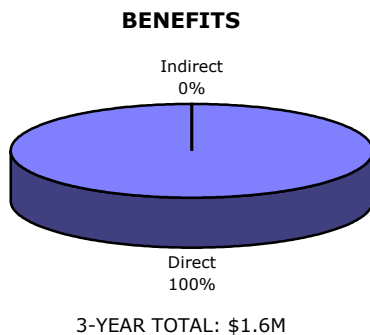
### **THE STRATEGY**

In early 2003, AAA Mortgage began searching for a suitable CRM system and considered solutions from a number of vendors, including Siebel, SAP, Oracle, PeopleSoft, Salesforce.com, and Microsoft. The selection team felt that systems from the first four vendors were costly and did not provide the level of flexibility desired. Although Salesforce.com was an attractive option, the team felt that a hosted application would not be the best platform for the very specific integrations this system required.

In April 2003, AAA Mortgage decided to purchase Microsoft Business Solutions CRM for the following reasons:

- Microsoft CRM offered the best price.
- Microsoft CRM would help the company reap additional returns from its existing investment in .NET technologies such as Microsoft Business Solutions for Financial Management-Great Plains and Microsoft Outlook.
- Microsoft CRM's support for XML and Web services would allow AAA Mortgage to easily pursue further development opportunities in the future.
- Employees at AAA Mortgage were already familiar with Microsoft Outlook, and the inherent compatibility between Microsoft CRM and Outlook would aid user adoption.

AAA Mortgage completed implementation of Microsoft CRM within three weeks, with a deployment team that consisted of a technical lead, a database administrator, and one business representative. Following the rollout, training was provided to 40 users in half-day sessions. In the past year, AAA Mortgage has experienced rapid growth and expects to triple the user population to include all the employees who have joined the company since the initial rollout.

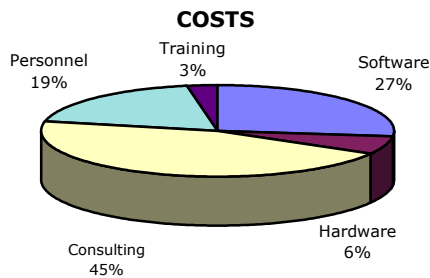


#### KEY BENEFIT AREAS

The use of Microsoft CRM has enabled AAA Mortgage loan officers to provide accurate, timely quotes to customers. The system has also enabled the company to design and execute sophisticated marketing programs and improve the overall level of customer service, leading to the following key returns:

- Profits on increased revenues. The single largest benefit to AAA Mortgage has been an increase in annual revenue as a result of loan officers' ability to close more business. The system enables the company to process three additional customer calls a day, translating into nearly half a million dollars in profits each year.
- Savings in marketing costs. With Microsoft CRM, AAA Mortgage can easily design and implement targeted marketing campaigns. The company mails promotions to prospects based on an internal analysis of their likely interest in, or aversion to, a specific deal — maximizing the likelihood that the mailings will trigger a customer inquiry or sale. Had AAA Mortgage tried to manage this program without Microsoft CRM, it would have needed to hire at least one additional marketing professional.
- Improved customer service. The increased efficiency and speed with which AAA Mortgage representatives can now service customer calls contributes positively to customer satisfaction.

AAA Mortgage is exploring the possibility of creating a Web service that uploads information from Microsoft CRM to the information systems of leading financial institutions, potentially enabling loan officers to give customers approval while they are on the phone with the caller. If AAA Mortgage develops this functionality, it would potentially be able to close more business while enhancing customer satisfaction.



3-YEAR TOTAL: \$175,950

### KEY COST AREAS

Key costs included personnel, hardware, consulting, software, and training. Consulting made up nearly half of total project costs. The costs of initial Microsoft CRM licenses plus annual maintenance fees accounted for 27 percent of the expense. Personnel costs associated with ongoing support of Microsoft CRM were just under one-fifth of the total investment, reflecting one internal IT resource who spends a quarter of his time on miscellaneous support activities. AAA Mortgage purchased a new server as well as some additional memory for an existing one, and this hardware made up 6 percent of the overall cost. Training costs, including the time users spent being trained, was the smallest cost category at 3 percent of the total investment.

### LESSONS LEARNED

The deployment team at AAA Mortgage reported that the implementation of Microsoft CRM was exceptionally smooth, speedy, and free of any significant challenges. The company attributed the success of this project to a number of factors:

- The company's decision to implement a CRM system based on the .NET architecture prevented any possible integration issues that may have arisen with a third-party tool.
- The adoption of Microsoft CRM by users was instant because it was intuitively integrated with Microsoft Outlook, a tool employees had already been using.
- Although AAA Mortgage was rolling out a very early version of Microsoft CRM, the deployment team reported that the software was extremely stable and delivered impressive performance given the general level of performance expected from the first release of a software application.

### CALCULATING THE ROI

Nucleus calculated the costs of software, hardware, consulting, personnel, training, and other investments over a 3-year period to quantify AAA Mortgage's total investment in Microsoft CRM.

Direct benefits calculated included profits on increased revenues and the avoided cost of hiring one marketing professional. Benefits not quantified include improvements in customer service as well as the future benefits AAA Mortgage expects to receive by leveraging Web services to connect Microsoft CRM with financial institutions' systems to provide customers with approval in real time.

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**SUMMARY**

Project:	<b>Microsoft CRM</b>
Annual return on investment (ROI)	<b>393%</b>
Payback period (years)	<b>0.25</b>
Net present value (NPV)	<b>548,509</b>
Average yearly cost of ownership	<b>58,650</b>

<b>ANNUAL BENEFITS</b>	<b>Pre-start</b>	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>
Direct	0	555,000	555,000	555,000
Indirect	0	0	0	0
<b>Total Benefits per Period</b>	0	555,000	555,000	555,000

<b>DEPRECIATED ASSETS</b>	<b>Pre-start</b>	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>
Software	0	0	0	0
Hardware	11,000	0	0	0
<b>Total per Period</b>	11,000	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	2,200	2,200	2,200
<b>Total per Period</b>	0	2,200	2,200	2,200

<b>EXPENSED COSTS</b>	<b>Pre-start</b>	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>
Software	31,250	5,400	5,400	5,400
Hardware	0	0	0	0
Consulting	79,500	0	0	0
Personnel	0	11,000	11,000	11,000
Training	5,000	0	0	0
Other	0	0	0	0
<b>Total per Period</b>	115,750	16,400	16,400	16,400

<b>FINANCIAL ANALYSIS</b>	<b>Results</b>	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>
Net cash flow before taxes		538,600	538,600	538,600
Net cash flow after taxes		270,400	270,400	270,400
<b>Annual ROI - direct and indirect benefits</b>				<b>393%</b>
Annual ROI - direct benefits only				393%
<b>Net present value (NPV)</b>				<b>548,509</b>
<b>Payback (years)</b>	<b>0.25</b>			
Average annual cost of ownership		143,150	79,775	58,650
3-year cumulative ROI	796%			
3-year IRR	389%			

**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.