

**NUCLEUS
RESEARCH**

CASE STUDY F3
January 2005

ROI ANALYSIS YOU CAN TRUST™

ROI Case Study: Microsoft Exchange Server Lifetime Products

THE BOTTOM LINE

The upgrade to Microsoft Exchange Server 2003 has enabled Lifetime Products' employees to access their calendar, contacts, and e-mail remotely and with mobile devices — resulting in a significant increase in employee and executive management productivity as well as cost savings.

ROI: 1387%

Payback: <1 month

THE COMPANY

In 1973 in a garage in Utah, a small company called American Playworld was founded to make playground equipment. In 1986, Lifetime Products, Inc. split from American Playworld to form a separate company to focus on making basketball systems. Since that time, Lifetime has transformed the sporting goods industry with the introduction of its adjustable basketball pole and portable basketball system. In 1995, Lifetime used its metals and plastics expertise gained from manufacturing basketball systems to introduce another new product—a blow-molded, polyethylene picnic table. The folding picnic table hit the market and was an instant success. Today, Lifetime is the world's largest manufacturer of both residential basketball equipment and polyethylene tables. Lifetime products are offered by thousands of retailers throughout the world.

THE CHALLENGE

Lifetime Products was using Microsoft Exchange Server 2000 but it was presenting challenges that limited the productivity of end users:

- Without remote or mobile device access to calendars, contacts, and e-mail, sales people and executives were unable to keep track of communications when offsite or at remote Lifetime locations.
- Spam was a growing problem for all employees and without an effective spam filtering solution, employees had to devote time to reviewing and deleting spam messages that could have been used more productively for other activities.

Lifetime Products decided that it needed a messaging and collaboration platform that would provide enhanced mobility options to increase user productivity while enabling better spam management.

THE STRATEGY

In April 2003, Lifetime Products decided to upgrade from its current Exchange Server 2000 to Microsoft Exchange Server 2003. Once the requirements document, resources allocation, and budgeting were decided upon, four internal IT professionals, one sales

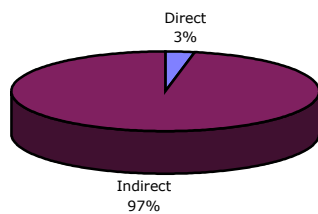
professional and two Microsoft consultants started the upgrade process. The pilot was developed in a Microsoft technology center in Mountain View, California. In the lab, the production environment of Lifetime Products was reproduced and tested. Lifetime executives came to the lab for a product demonstration and were extremely satisfied with the results. Lifetime's IT staff then implemented the system back at the corporate office in Utah in one night. Exchange Server 2003 was launched to the company's employees in June 2003.

KEY BENEFIT AREAS

By upgrading to Exchange Server 2003, Lifetime Products has provided its executives, sales professionals, and other employees with remote and mobile connectivity to their e-mail, calendars and contacts. The upgrade also provided the IT staff with better tools for spam management and filtering. As a result, the company has significantly improved its overall employee productivity in the following areas:

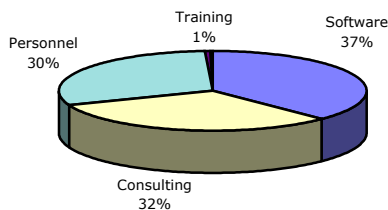
- Exchange Server 2003 enables sales professionals and executives who often travel to use mobile devices to check their e-mail and synchronize their calendars from anywhere with Exchange ActiveSync, or use Outlook Web Access to access their e-mail from any PC with Internet access, such as an airport kiosk or their home computer. This capability has increased productivity. For Lifetime sales professionals, for example, the ability to access messages and contacts while traveling increased productivity by an average of three hours per person per day.
- Upgrading to Exchange 2003 and Microsoft Office Outlook 2003 has resulted in increased employee productivity due to the company's ability to better manage spam. Each of the company's 700 employees has gained 15 minutes a day as the improved spam filtering reduces the time they spend reviewing and deleting spam messages.
- The spam management capability of Exchange 2003 has enabled Lifetime to contain the impact of spam on its user community, without having to hire additional IT resources, which has resulted in lower ongoing IT support costs for the company.

BENEFITS



3-YEAR TOTAL: \$3.97 M

COSTS



3-YEAR TOTAL: \$142,081

KEY COST AREAS

Key costs included personnel, consulting, software, and training. Software costs made up the largest cost category, accounting for 37 percent of total project costs. Consulting costs amounted to 32 percent of overall expenses. Personnel costs were 30 percent, and training costs made up the remainder of Lifetime Product's investment in its Exchange 2003 upgrade. The company did not incur any hardware costs because they were able to use their existing hardware.

LESSONS LEARNED

The key factor for Lifetime Products' successful upgrade was the ability to reproduce its production environment at the Microsoft

facility. This enabled the IT staff to work on the upgrade without disturbing business operations. The upgrade was also successful due to the business users' satisfaction with the new e-mail system's capabilities. The involvement of the business users early in the upgrade helped to gain user trust and support for the project.

CALCULATING THE ROI

Nucleus quantified the costs of software, consulting, personnel, training, and other investments over a 3-year period to quantify Lifetime Products' total investment in upgrading to Microsoft Exchange Server 2003. The key direct benefit calculated is the avoided cost of hiring an additional full time IT employee to handle spam issues.

Indirect benefits include the increased productivity of personnel in the sales, engineering and IT departments through improved remote email access, and the increased productivity for the rest of Lifetime's employees due to improved spam filtering. All productivity benefits were calculated based on the average fully loaded cost of employees and multiplied by a productivity correction factor to account for the inefficient transfer from time saved to time worked.

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SUMMARY

Project:	Microsoft Exchange Server 2003
Annual return on investment (ROI)	1387%
Payback period (years)	0.07
Net present value (NPV)	1,446,845
Average yearly cost of ownership	47,360

ANNUAL BENEFITS	Pre-start	Year 1	Year 2	Year 3
Direct	0	41,600	41,600	41,600
Indirect	0	1,283,000	1,283,000	1,283,000
Total Benefits Per Period	0	1,324,600	1,324,600	1,324,600

DEPRECIATED ASSETS	Pre-start	Year 1	Year 2	Year 3
Software	0	0	0	0
Hardware	0	0	0	0
Total Per Period	0	0	0	0

DEPRECIATION SCHEDULE	Pre-start	Year 1	Year 2	Year 3
Software	0	0	0	0
Hardware	0	0	0	0
Total Per Period	0	0	0	0

EXPENSED COSTS	Pre-start	Year 1	Year 2	Year 3
Software	36,794	5,519	5,519	5,519
Hardware	0	0	0	0
Consulting	45,000	0	0	0
Personnel	11,200	10,400	10,400	10,400
Training	1,000	0	0	0
Other	330	0	0	0
Total Per Period	94,324	15,919	15,919	15,919

FINANCIAL ANALYSIS	Results	Year 1	Year 2	Year 3
Net cash flow before taxes		1,308,681	1,308,681	1,308,681
Net cash flow after taxes		654,340	654,340	654,340
Annual ROI - direct and indirect benefits				1387%
Annual ROI - direct benefits only				27%
Net present value (NPV)				1,446,845
Payback (years)	0.07			
Average annual cost of ownership		110,243	63,081	47,360
3-year cumulative ROI	3068%			
3-year IRR	1387%			

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.