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Document **G97**

ROI CASE STUDY MICROSOFT VISUAL STUDIO TEAM SYSTEM SOCIAL NETWORKING WEB SITE

THE BOTTOM LINE

A social networking Web site used Microsoft Visual Studio Team System to improve the productivity of its developers and project managers as well as to reduce software costs.

ROI: 512%

Payback: 3 months

THE COMPANY

The company operates one of the largest social networking sites on the Web. Members use the site for a variety of online social networking activities, including event planning and sharing of online content and networks. The site has more than 10 million members and its primary demographic is between the ages of 16 and 34.

Because the site's primary demographic is so young, it is also very fickle, fashion-oriented, and fad-oriented. As a result, the company must continually update its features and functionality or risk losing members. Senior management is regularly in direct contact with users in order to get their feedback. The development team uses this information to:

- Add features that users request
- Fine tune existing features based on user recommendations
- Delete features that users dislike or find distracting

THE CHALLENGE

In order to continually meet the changing preferences of its users, the company deploys updates to its entire user environment on a daily basis — until recently it was three times a day — and completes projects in an unconventional, rapid, and iterative fashion. In late 2004, the company was using Microsoft Visual SourceSafe for .NET development, and Perforce for development in ColdFusion. However, Perforce had limitations in labeling of source code and SourceSafe was not designed to scale beyond several developers. As a result, the company was having difficulty managing its source code management, bug tracking, and work-item tracking. In late 2005, the company began seeking a tool that could better support its developers and project managers in this demanding environment.

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THE STRATEGY

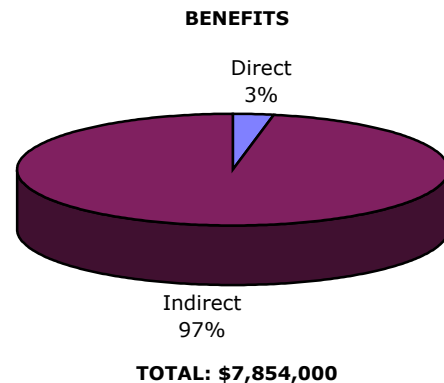
When it started looking for a solution, the company had been using Microsoft Visual Studio Team System as a beta site. In order to select a solution, the company also looked at Borland StarTeam, Perforce Software Configuration Management, and Subversion, an open-source system from Evald. It selected Microsoft Visual Studio Team System for a number of reasons including:

- It determined that Borland StarTeam and Perforce did not have features that would enable the company to improve its workflows and quality assurance practices.
- It decided that Evald Subversion did not have appropriate work-item tracking features.
- It found that only Microsoft Visual Studio System had the work-item tracking, API support, and extensibility that the operating environment required.

In early 2006, Microsoft Visual Studio Team System was deployed in less than a day on existing servers and with no training. Eighty developers and 12 project managers use it to share code, collaborate, and manage projects.

KEY BENEFIT AREAS

The company believes moving to Microsoft Visual Studio Team System improved the productivity of its development staff and reduced software costs.



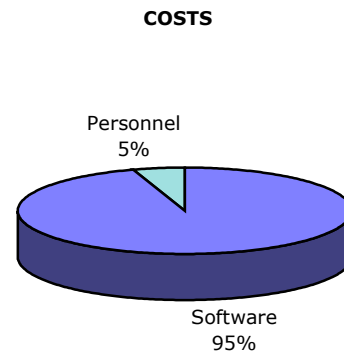
Key benefits the company received from Microsoft Visual Studio Team System include:

- Improved developer productivity. Microsoft Visual Studio Team System has enabled workflow improvements that have made the company's 80 developers 20 percent more productive, which is an indirect benefit.
 - > With integrated work item tracking, developers no longer have to switch from their development environment to other tools such as e-mail or personal interaction to get work-item assignments or updates.
 - > Microsoft Visual Studio Team System's source code management features enable developers to collaborate more efficiently. Source code that requires work by numerous developers is broken down into shelf sets, which enables developers to work on an application at different times without interfering with one another's code.

- > Centralized storage of source code also improves productivity since it provides a location for backing up source code in addition to developers' workstations.
- Improved manager productivity. The Microsoft Visual Studio Team Foundation Server within Microsoft Visual Studio Team System has enabled the company's 13 project managers to become 50 percent more productive — an indirect benefit — because they can more efficiently oversee projects and delegate assignments.
 - > Project management tasks are completed more quickly because Microsoft Visual Studio Team System provides work-item tracking — as well as all other project-related artifacts — with a more rapid response time than other solutions.
 - > Work-item tracking is more efficient because the solution provides a centralized system for instant feedback from developers as to the status of a task. This is far more efficient than exchanging e-mails, attending meetings, or walking around a site to get updates on work items in person.
 - > Problem management, debugging, and quality control are also easier because every piece of work is associated with an individual developer and work item. This enables managers to troubleshoot more rapidly.
- Reduced software costs. After Microsoft Visual Studio Team System was deployed, the company discarded Perforce and Microsoft Visual SourceSafe and stopped paying annual maintenance on these solutions — a direct benefit.

KEY COST AREAS

Costs consisted of software and personnel.



TOTAL: \$466,843

Software costs consisted of the cost of Microsoft Visual Studio Team System and annual support. Personnel consisted of ongoing support provided by the company's lead build engineer. The application was deployed on two existing Dell servers and the deployment required no training or consultants. The company was able to avoid hardware costs because high quality spare servers were available. However, The company acknowledged that the solution has a large hardware footprint — multiple versions of source code writes require significant server space — and that other users may need to buy several midrange servers for their deployment.

LESSONS LEARNED

The company was able to deploy Microsoft Visual Studio Team System rapidly and with few problems. One best practice that contributed to this success was prior planning about release management. Before the deployment the company managers and developers thought ahead about whether they would use a merging or branching methodology for management of source code. This enabled them to build the appropriate templates to empower the solution to more efficiently store, distribute, update, and deploy source code.

CALCULATING THE ROI

Nucleus calculated the costs of software and personnel over a 3-year period to quantify the company's investment in Microsoft Visual Studio Team System.

Direct benefits calculated included eliminated costs of maintaining Perforce and SourceSafe. Indirect benefits included the improved productivity of the company's developers and project managers.

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DETAILED FINANCIAL ANALYSIS

SOCIAL NETWORKING WEB SITE

SUMMARY

Project:	Microsoft Visual Studio Team System
Annual return on investment (ROI)	512%
Payback period (years)	0.20
Net present value (NPV)	2,711,952
Average yearly cost of ownership	155,614

ANNUAL BENEFITS	Pre-start	Year 1	Year 2	Year 3
Direct	0	80,000	80,000	80,000
Indirect	0	2,538,000	2,538,000	2,538,000
Total Benefits Per Period	0	2,618,000	2,618,000	2,618,000

DEPRECIATED ASSETS	Pre-start	Year 1	Year 2	Year 3
Software	253,460	0	0	0
Hardware	0	0	0	0
Total Per Period	253,460	0	0	0

DEPRECIATION SCHEDULE	Pre-start	Year 1	Year 2	Year 3
Software	0	50,692	50,692	50,692
Hardware	0	0	0	0
Total Per Period	0	50,692	50,692	50,692

EXPENSED COSTS	Pre-start	Year 1	Year 2	Year 3
Software	0	63,365	63,365	63,365
Hardware	0	0	0	0
Consulting	0	0	0	0
Personnel	0	7,763	7,763	7,763
Training	0	0	0	0
Other	0	0	0	0
Total Per Period	0	71,128	71,128	71,128

FINANCIAL ANALYSIS	Year 1	Year 2	Year 3
Net cash flow before taxes	2,546,873	2,546,873	2,546,873
Net cash flow after taxes	1,298,782	1,298,782	1,298,782
Annual ROI - direct and indirect benefits			512%
Net cash flow after taxes (direct only)	29,782	29,782	29,782
Annual ROI - direct benefits only			12%
Net present value (NPV)			2,711,952
Payback (years)			0.20
Average annual cost of ownership			155,614
3-year IRR			510%

FINANCIAL ASSUMPTIONS

All government taxes	50%
Discount rate	15%