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ROI CASE STUDY ORACLE CRM ON DEMAND AND AIA RACKABLE SYSTEMS

THE BOTTOM LINE

Rackable Systems deployed Oracle CRM On Demand and used the Oracle Application Integration Architecture (AIA) to link it to its ERP system to get a full view of customer data, enabling pipeline forecasting, improving management and staff productivity, and increasing sales.

ROI: 330%

Payback: 5.3 months

THE COMPANY

Rackable Systems provides servers and storage devices for enterprise-level data centers worldwide. Based in Fremont, California, Rackable specializes in machines that are relatively easy to service and manage, and are fine-tuned to reduce heat and power consumption to help customers cut operating costs.

THE CHALLENGE

Rackable deployed the Oracle E-Business Suite11i to support its business operations but didn't have an effective CRM tool for managing leads, opportunities, and sales forecasts.

THE STRATEGY

In 2007, Rackable looked for a CRM solution that would offer tight integration between data and workflows. Rackable considered several options before selecting Oracle CRM On Demand (formerly Siebel CRM On Demand). The reasons included:

- **Integration.** Although it was using its current on-demand CRM application for service and support, the lack of integration between the system with the E-Business Suite hampered user adoption for sales. Using Oracle Application Integration Architecture (AIA) Process Integration Packs (PIPs), the company was able to link the Oracle CRM On Demand to the E-Business Suite with relative speed and ease.
- **Quick deployment.** Deploying in a software-as-a-service (saas) format allowed users and management to become productive on the application faster and accelerate ROI. Rackable's end users found the Oracle CRM On Demand interface was relatively easy to use, and therefore required minimal training time and resources for adoption.
- **Features and customizations.** The company wanted to deploy more features than were readily available with 11i's CRM module, such as easily customized tabs and specialized reporting templates.

TOPICS

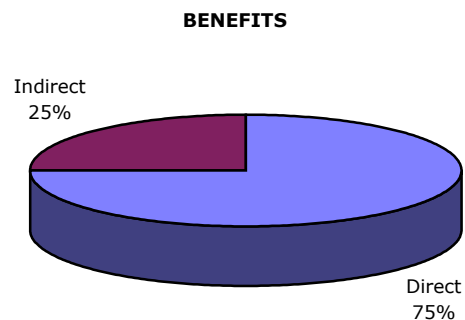
Customer Relationship Management
 Software as a Service
 Application Development & Integration

- Low upfront cost. If Rackable had tried to do its own implementation using third party development tools, it would have doubled the cost. It would also have required hiring a consultant to do the coding.
- Automation. The Oracle PIPs allow complete support of end-to-end customer related processes without manual intervention. For instance, the system now is able to automatically convert an opportunity into a customer order. End users need only sign on to the CRM service, and are able to see customer, product, and statistical installed base data directly through the interface.

Working with Oracle partner Intelenex, a Santa Rosa, California-based integrator, the system went live in June. The go live required just over two months and the PIPs were implemented in roughly three more months.

KEY BENEFIT AREAS

With its relatively low initial cost, rapid time to deploy, and pre-built integration, Oracle CRM On Demand and AIA reduced the risk of the integration project for Rackable. It also offered relative ease of use compared to more complex in-house systems and could be easily customized, with end users adding fields or populating the screen with data as needed.



TOTAL: \$1,483,830

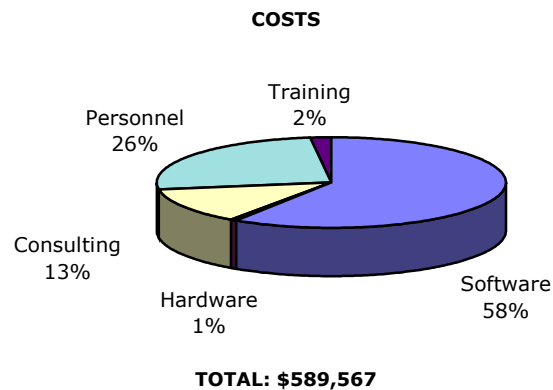
Key benefits of the project included:

- Increased sales. Because of the data availability and the ability to access full customer profiles with the new system, Rackable staff is more efficient at selling, enabling Rackable to increase revenues.
- Increased efficiency. The application allows managers to save time in monitoring and measuring pipeline activity, something that was impossible before the deployment. Managers need only intervene to handle exceptions in the system, and spend less time doing reporting or on the phone trying to reconcile sales numbers at month's end. The system saves about two hours a week on average for sales managers, and about five hours a week for the vice president of sales opportunities.
- Better data quality. The integration means there is one master customer record without duplications in the system. The single source of truth means the data can be trusted and doesn't need to be verified manually. It also means improved sales pipeline activity estimates.

KEY COST AREAS

Costs included software, personnel, consulting, training, and hardware. Software was the largest cost area and included Oracle CRM On Demand as well as the PIP and custom reporting tools. There was a relatively small investment in an internal server to support the PIP that connects the E-Business Suite to the CRM service. IT personnel, including a database administrator, were required to help deploy the project.

Initial training required only about two hours for most of the salespeople because the application is relatively intuitive; internal salespeople created their own video education materials to assist training efforts.



Ongoing costs include software costs and a sales tool administrator who spends a quarter of his time in overseeing the system and training new users.

LESSONS LEARNED

Rackable was able to successfully deploy a hybrid system with both on-demand and on-premise applications working together. Pre-packaged Oracle AIA integration technologies accelerated deployment with relatively low upfront costs.

CALCULATING THE ROI

Nucleus calculated the cost of hardware, software, training, personnel, and consulting over a 3-year period to quantify Rackable's investment in Oracle CRM On Demand and AIA. The largest direct benefits quantified were in increased sales. Indirect benefits included improved sales personnel and management productivity, and better data quality and visibility. Not quantified were the internal development and integration costs Rackable avoided by using AIA.

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DETAILED FINANCIAL ANALYSIS

RACKABLE SYSTEMS

SUMMARY

Project:	Oracle CRM On Demand and AIA
Annual return on investment (ROI)	330%
Payback period (years)	0.44
Net present value (NPV)	319,946
Average yearly cost of ownership	196,522

ANNUAL BENEFITS	Pre-start	Year 1	Year 2	Year 3
Direct	0	368,164	370,925	373,707
Indirect	0	64,784	153,125	153,125
Total Benefits Per Period	0	432,948	524,050	526,832

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	25,000	108,000	108,000	108,000
Hardware	3,000	0	0	0
Consulting	15,500	60,000	0	0
Personnel	46,250	35,000	35,000	35,000
Training	10,817	0	0	0
Other	0	0	0	0
Total Per Period	100,567	203,000	143,000	143,000

FINANCIAL ANALYSIS	Pre-start	Year 1	Year 2	Year 3
Net cash flow before taxes	(100,567)	229,948	381,050	383,832
Net cash flow after taxes	(50,284)	114,974	190,525	191,916
Annual ROI - direct and indirect benefits				330%
Annual ROI - direct benefits only				207%
Net present value (NPV)				319,946
Payback (years)				0.44
Average annual cost of ownership				196,522
3-year IRR				262%

FINANCIAL ASSUMPTIONS

All government taxes	50%
Discount rate	15%