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ROI CASE STUDY ORACLE E-BUSINESS SUITE OPENTV

THE BOTTOM LINE

OpenTV deployed Oracle E-Business Suite to meet its evolving and complex business requirements while streamlining data entry and auditing, reducing costs while increasing visibility into the business.

ROI: 80%

Payback: 1.25 years

Average annual benefit: \$995,354

THE COMPANY

OpenTV is one of the world's leading providers of advanced digital television solutions dedicated to creating and delivering compelling viewing experiences to consumers of digital content worldwide. The company's software has been integrated in more than 127 million devices around the world, and enables advanced program guides, video-on-demand, personal video recording, interactive and addressable advertising and a variety of enhanced television applications.

THE CHALLENGE

OpenTV had deployed Lawson ERP for order management and financials but as the company grew it found some limitations required manual data entry and verification, particularly to support OpenTV's global revenue recognition needs. The company found it needed a more robust application that could support revenue recognition for service contract models, global GAAP and non-GAAP accounting, and multi-entity reconciliation. Additionally, the company needed a new system to be put in place by June of 2008 so that it could process two quarters of financial data in the new system before passing Sarbanes-Oxley compliance.

It began exploring options to improve its financial and accounting management packages in the fall of 2007.

THE STRATEGY

OpenTV evaluated its ERP options including Oracle, SAP, Microsoft, and Lawson to determine what the best strategy would be to provide the needed functionality and usability while minimizing costs moving forward. It considered what investment would be needed to upgrade Lawson and found that, given the need for custom functionality, the cost of the upgrade would be close to the cost and time of a new implementation. It also conducted significant due diligence in talking to customers that had completed similar projects.

TOPICS

Enterprise Applications
Software as a Service

Ultimately the company chose Oracle E-Business Suite and DAZ Systems for four main reasons:

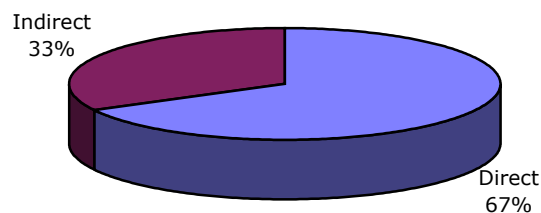
- The core Oracle E-Business Suite functionality could meet OpenTV's business requirements
- Oracle E-Business Suite offered comparatively lower TCO than other options
- Oracle E-Business Suite met OpenTV's world-class business needs
- The Oracle Partner, DAZ Systems, had considerable experience in implementing similar projects in a short time frame using the Oracle Business Accelerators and OpenTV felt comfortable that DAZ could deliver an application within the required budget and time frame.

DAZ Systems worked closely with OpenTV to guide senior management through the process and ensure an on-time, on-budget deployment. The company began the deployment in July and deployed 12 different modules, five sets of books, six different order types, and 48 different entities and took advantage of Oracle On Demand to run their servers and software. OpenTV began a pilot of the system July 1 and the system went live in August with transactions going back to July.

KEY BENEFIT AREAS

Moving from Lawson to Oracle E-Business Suite using the Oracle Business Accelerators enabled OpenTV to streamline operations while ensuring compliance. Key benefits from the solution include:

- **Reduced IT costs.** By moving to Oracle E-Business Suite, OpenTV was able to eliminate its ongoing Lawson software support and maintenance costs and avoid the cost of a consultant that would have been required to upgrade the system to make its currently supported version SOX compliant.
- **Reduced manual data entry.** Data integration enabled OpenTV to eliminate manual data entry, review, and reconciliation, which would enable it to redeploy 2.5 full-time employees.
- **Increased management productivity.** Better visibility into information across divisions and a more automated revenue recognition process enables management to spend less time verifying that revenue has been recognized correctly.
- **Reduced auditing time.** More consistent and accurate reporting enables OpenTV to reduce the amount of employee time devoted to preparing for annual audits.

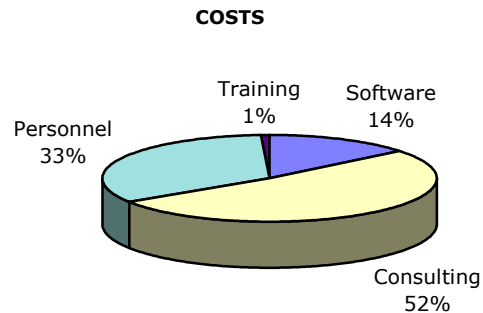
BENEFITS

TOTAL: \$2,986,062

- Reduced risk. A hosted system with 24 by 7 support and reduction of manual data entry and management reduces both the risk of unplanned downtime and the risk of errors.

KEY COST AREAS

Key cost areas for the deployment included software, consulting, personnel, and training. OpenTV didn't need to make any investment in hardware because the application is hosted and maintained through the Oracle On Demand service.



TOTAL: \$1,628,423

BEST PRACTICES

OpenTV has a very limited timeframe to make its deployment work so being sure the application could be delivered on time and at least on budget was very important. With any complex deployment like ERP, two key factors have a direct impact on timelines and budgets: customization and partner expertise. OpenTV selected DAZ Systems because it had significant experience in helping companies deploy Oracle E-Business applications and, specifically, Oracle Business Accelerators. The DAZ expertise, coupled with the pre-built configurations and integrations of Oracle Business Accelerators, helped OpenTV to accelerate the timeline of its project while reducing risk.

CALCULATING THE ROI

Nucleus calculated the costs of software, consulting, personnel, training, and other investments over a 3-year period to quantify OpenTV's total investment in Oracle E-Business Suite. Direct benefits quantified included IT costs savings associated with retiring the old system and reducing manual data entry. Indirect benefits quantified included increased productivity of managers and employees involved in annual audits, and the change in working capital achieved by accelerating collections attributed to the application. Not quantified were the reduced risk of revenue recognition challenges with the old system and the benefits of a more automated revenue recognition process.

DETAILED FINANCIAL ANALYSIS

OPENTV

SUMMARY

Project:	Oracle E-Business Suite
Annual return on investment (ROI)	80%
Payback period (years)	1.25
Average annual benefit	995,354
Average annual total cost of ownership	542,808

ANNUAL BENEFITS	Pre-start	Year 1	Year 2	Year 3
Direct	0	670,000	670,000	670,000
Indirect	0	325,354	325,354	325,354
Total Benefits Per Period	0	995,354	995,354	995,354

DEPRECIATED ASSETS	Pre-start	Year 1	Year 2	Year 3
Software	230,000	0	0	0
Hardware	0	0	0	0
Total Per Period	230,000	0	0	0

DEPRECIATION SCHEDULE	Pre-start	Year 1	Year 2	Year 3
Software	0	46,000	46,000	46,000
Hardware	0	0	0	0
Total Per Period	0	46,000	46,000	46,000

EXPENSED COSTS	Pre-start	Year 1	Year 2	Year 3
Software	0	0	0	0
Hardware	0	0	0	0
Consulting	340,000	168,000	168,000	168,000
Personnel	92,308	150,000	150,000	150,000
Training	12,115	0	0	0
Other	0	0	0	0
Total Per Period	444,423	318,000	318,000	318,000

FINANCIAL ANALYSIS	Pre-start	Year 1	Year 2	Year 3
Net cash flow before taxes	(674,423)	677,354	677,354	677,354
Net cash flow after taxes	(452,212)	361,677	361,677	361,677
Annual ROI - direct and indirect benefits				80%
Annual ROI - direct benefits only				44%
Net present value (NPV)				373,578
Payback (years)				1.25
Average annual cost of ownership				542,808
3-year IRR				61%

FINANCIAL ASSUMPTIONS

All government taxes	50%
Discount rate	15%