

**NUCLEUS  
RESEARCH**

CASE STUDY F9  
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ROI ANALYSIS YOU CAN TRUST™

## ROI Case Study: Microsoft CRM Qosina Corporation

### **THE BOTTOM LINE**

The deployment of Microsoft CRM has provided Qosina Corporation with improved control and visibility into its sales operations, while increasing the productivity of its employees.

**ROI: 72%**

**Payback: 1.8 years**

### **THE COMPANY**

Qosina Corporation is a medical and cosmetic components distributor based in Edgewood, New York. The company sells its products to the medical, pharmaceutical, cosmetic, skincare, spa, and salon industries.

### **THE CHALLENGE**

Qosina has a long sales cycle as the components it sells are incorporated into products developed by its customers. Qosina markets its products through trade shows, Web sites, and catalog mailings. The company sends out product samples to prospects at an average rate of 300 to 500 a day, which can increase to a volume of 800 to 1000 samples per day after a trade show.

Qosina had been managing its sales contacts in a flat file DOS-based product from TeleMagic and running its back end systems with ACCPAC. Realizing the need to update both its back-office and front-office systems, the company focused on the back-end first by implementing Microsoft Great Plains in 2002. After using the Great Plains system for a year the sales and marketing staff were very pleased with the quality of information it produced on order history, which provided a stark contrast with the difficulty of extracting information from the TeleMagic sales contact management system. Another issue with the TeleMagic system was that it contained only historical data on what was done for a customer, rather than serving as a strategic tool for identifying sales opportunities.

### **THE STRATEGY**

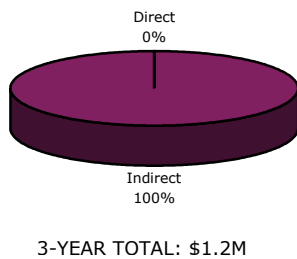
In 2003 Qosina evaluated Siebel, GoldMine, SalesLogix, and Microsoft CRM to manage its sales opportunities. Microsoft CRM was selected as it provided the range of features Qosina needed to effectively track its customer and prospect interaction, and to provide management oversight for the accountability and traceability of sales opportunities.

Qosina purchased Microsoft CRM in September 2003 and worked with Business Solution Partners (BSP), a Microsoft Business Partner, to implement the solution. Working with an internal team of 3 IT employees, Qosina and the BSP consultants upgraded the company

network and migrated the data from the TeleMagic system to Microsoft CRM. This part of the project took considerable effort as the customer records were broken up over five different databases. In addition to the Microsoft CRM product, BSP installed its Advanced Quote and Order Processing add-on module that provides an integrated screen view for order processing, quote creation, and opportunity tracking.

Qosina also worked with a process consultant who interviewed end users to review and refine business processes prior to deploying Microsoft CRM. Using a grant from the New York State Department of Labor, Qosina was able to fund the services of a trainer who spent time working with the customer service staff, and also designed and delivered training one-day training sessions that were attended by 54 employees. The system went live in September 2004.

### BENEFITS

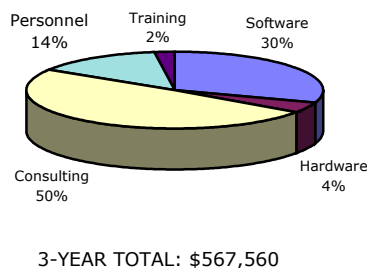


### KEY BENEFIT AREAS

Since deploying Microsoft CRM, Qosina has improved the workflow of its sales operations and provided improved visibility into its sales trends and opportunities. Key benefits achieved include:

- Increased employee productivity. Improved processes and streamlined workflows has increased the productivity of the 50 employees involved in sales and customer service operations. Qosina estimates a 10 percent productivity increase in its first year with Microsoft CRM that will grow to a 25 percent increase by the third year. This productivity is driven by improved control over its sample product fulfillment process, reducing the steps in its price quotation process, and providing its customer service representatives with detailed information that enables them to better service Qosina’s customers.
- Qosina anticipates that it will achieve additional benefits with Microsoft CRM that will provide an increase in revenue. In addition, the company expects to lower the cost of its catalog mailings, which run into the hundreds of thousands of dollars annually, by cleaning its contact data to remove bad addresses.

### COSTS



### KEY COST AREAS

Consulting costs made up half of Qosina’s CRM deployment costs. Software costs for Microsoft CRM licences and maintenance, along with add-on products from Business Solutions Partners, comprised 30 percent of the total. Personnel costs for initial setup and ongoing support of the system totaled 14 percent, with hardware costs (for servers and network upgrades) and training costs coming in at 4 and 2 percent respectively.

### LESSONS LEARNED

As Microsoft CRM was in its first release when Qosina deployed it, the company faced challenges as it ran into undocumented problems. This is a typical situation companies face with initial releases, and Microsoft was very responsive in addressing any

issues that arose. In the year since Qosina deployed Microsoft CRM, it has found that the product quality has improved.

Qosina also noted the value it received from the add-on products it purchased for the system, including the Scribe Insight tool used to migrate data from its old TeleMagic system, Business Solution Partners's Advanced Quote and Order Processing module, and search tools and add-ons from c360 Solutions.

### **CALCULATING THE ROI**

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

The indirect benefit of increased employee productivity was quantified based on the average fully loaded salary of the employees. Time savings associated with improved processes and workflow was multiplied by a productivity correction factor to account for the inefficient transfer of time from time saved to additional time worked.

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**SUMMARY**

Project:	<b>Microsoft CRM</b>
Annual return on investment (ROI)	<b>72%</b>
Payback period (years)	<b>1.88</b>
Net present value (NPV)	<b>157,850</b>
Average yearly cost of ownership	<b>189,187</b>

<b>ANNUAL BENEFITS</b>	<b>Pre-start</b>	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>
Direct	0	0	0	0
Indirect	0	249,600	374,400	624,000
<b>Total Benefits Per Period</b>	0	249,600	374,400	624,000

<b>DEPRECIATED ASSETS</b>	<b>Pre-start</b>	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>
Software	110,000	0	0	0
Hardware	0	0	0	0
<b>Total Per Period</b>	110,000	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	22,000	22,000	22,000
Hardware	0	0	0	0
<b>Total Per Period</b>	0	22,000	22,000	22,000

<b>EXPENSED COSTS</b>	<b>Pre-start</b>	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>
Software	0	0	30,800	30,800
Hardware	25,000	0	0	0
Consulting	280,000	0	0	0
Personnel	17,160	20,280	20,280	20,280
Training	12,960	0	0	0
Other	0	0	0	0
<b>Total Per Period</b>	335,120	20,280	51,080	51,080

<b>FINANCIAL ANALYSIS</b>	<b>Results</b>	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>
Net cash flow before taxes		229,320	323,320	572,920
Net cash flow after taxes		125,660	172,660	297,460
<b>Annual ROI - direct and indirect benefits</b>				<b>72%</b>
Annual ROI - direct benefits only				-3%
<b>Net present value (NPV)</b>				<b>157,850</b>
<b>Payback (years)</b>	<b>1.88</b>			
Average annual cost of ownership		465,400	258,240	189,187
3-year cumulative ROI	57%			
3-year IRR	42%			

**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.