ROI CASE STUDY
MICROSOFT DYNAMICS CRM
EQUINOX

THE BOTTOM LINE

Equinox deployed Microsoft Dynamics CRM to improve its sales process, increasing staff productivity and manager visibility while improving customer acquisition and retention.

ROI: 184%

Payback: 8 months

THE COMPANY

Equinox operates high-end fitness clubs in major metropolitan areas including New York, Los Angeles, San Francisco, Chicago, Miami, and Boston. The more than 5000-employee fitness company differentiates itself by providing a luxury gym environment with expert personal training and fitness classes, spa services, a juice bar and sport shop, and other amenities.

THE CHALLENGE

Acquiring and retaining members is key to Equinox's goal of rapid growth. Although Equinox had a computer-based member management system to track contracts, member check in, and personal training, the tracking of prospects was still largely paper based — making it difficult for managers to have a clear and complete view of the sales process. Equinox wanted to clearly define the sales process so it could scale its sales efforts more effectively and leverage the best practices of its most successful salespeople while providing management with greater visibility into the sales process, and looked for a CRM system to support its strategy.

THE STRATEGY

Equinox considered a number of CRM solutions including Siebel, Salesforce.com, SalesLogix, and Microsoft Dynamics CRM and selected Microsoft Dynamics CRM for a number of reasons:

- Equinox felt that the Microsoft Dynamics CRM platform would be the most flexible and the easiest to integrate with its other applications.
- From a user interface perspective, it felt that Microsoft Dynamics CRM could be easily customized to both reflect Equinox's business and be relatively intuitive for users.
- Equinox was impressed with the Microsoft business partner, Customer Effective. Through conversations with Scott Millwood, the president of

Customer Effective, the team felt comfortable that the partner understood and could support Equinox's goals.

To sell more, more easily, was the business goal of the CRM project. To set up the project for success, Equinox gathered a team that included top sales people, the national director of sales, the chief operating officers, and leading general managers from clubs across the country. The Equinox team worked with Customer Effective to define the sales process, customize the application, and build a Web front end to make the application as easy to use as possible.

KEY BENEFIT AREAS

Deploying Microsoft Dynamics CRM has enabled Equinox to streamline its sales process, automate key tasks, and ensure consistency and visibility. Key benefits from the solution include:

- Improved data capture. Because prospect information including e-mail addresses is stored electronically instead of on index cards, sales people can use that information to communicate more effectively with customers. E-mail address capture, for example, has increased 100 percent.

- Increased staff productivity. Because both sales people and managers have access and visibility into information about all prospects and their stage in the sales process, they spend less time reviewing leads and providing updates and more time talking to prospects. Nucleus estimates staff productivity increased by 8 percent while manager productivity increased by nearly 5 percent.

- Avoided mailing and promotions costs. Because Equinox is now capturing e-mail addresses and automated e-mail messages can be sent by the system based on a prospect's length of time in the sales cycle, Equinox can reduce more costly communications and promotions.

- Accelerated staff ramp up time. The standardized, simplified sales process is codified in the CRM application so it will take less time for new sales associates to learn the sales process.

BENEFITS

Direct
1%

Indirect
99%

TOTAL: $3,764,658
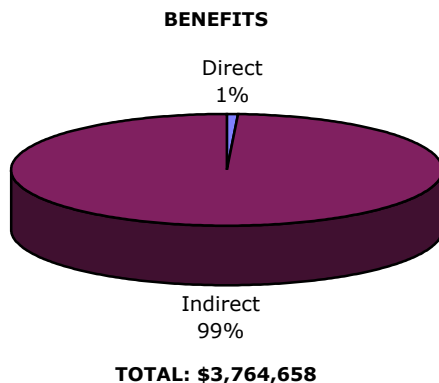
- Increased staff retention. One of Equinox's challenges is employee turnover, particularly for new employees. Flattening the learning curve for new sales people will help them to be successful faster and reduce hiring costs for Equinox, resulting in an expected 5 percent reduction in turnover.

■ Increased profits. Deploying Microsoft Dynamics CRM has enabled Equinox to standardize its sales process and begin to capture metrics to understand how to optimize close rates, which will contribute to greater profits in the future. Equinox's goal is to increase membership sales by 10 percent and increase revenues from targeting additional services to existing members.

KEY COST AREAS

Key cost areas for the deployment included consulting, software, hardware, personnel, and training. Consulting made up almost half of the total 3-year project costs, largely because Equinox used Customer Effective to develop a Web interface for the application and will continue to engage the partner to develop further enhancements to the system.

COSTS

Personnel 13% · Training 3% · Software 23% · Hardware 3% · Consulting 58%

TOTAL: $725,870
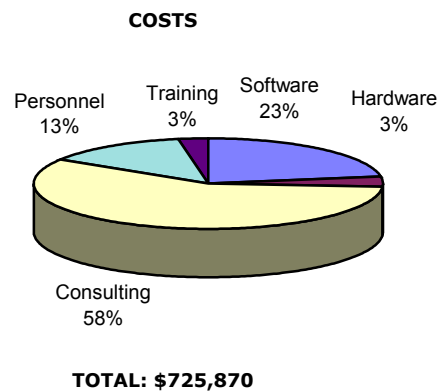
LESSONS LEARNED

Equinox's primary goal for the project was to move away from index cards and inconsistencies in the sales process, and it carefully planned its project to attack barriers to user adoption. Key tactics it employed included:

■ Including managers from both east and west coast locations on the project so there would be local project champions that felt invested in its success.

■ Piloting the application and actually taking input from users to make changes in the application that would make it easier to use — while at the same time sending a clear message that user input was important.

■ Focusing on features that directly benefit frontline sales people, like the automated e-mail to new leads and automated 3-day follow-up task, as part of the initial deployment so users would personally see benefits from the system.

Equinox also focused on making the first phase of its implementation as small as possible to make it easier for users to learn and adopt. Taking the time as the application evolves to ensure that IT understands the business needs and definitions and requirements are clear will help ensure further value is delivered as the application is expanded.

CALCULATING THE ROI

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

Direct benefits quantified included increased profits that were directly attributable to the project today, such as profits from improved lead capture, and reduced direct mail and promotional costs. Indirect benefits including sales person and manager productivity were calculated based on the time saved using a correction factor to account for the inefficient transfer of time.

Other indirect benefits, including increased staff retention, were quantified based on the expected change in operations and related savings to the organization. Not quantified were the increased incremental profits Equinox expects in future years as it leverages its customer data to improve retention and cross-selling efforts.

SUMMARY

Project:	**Microsoft Dynamics CRM**
Annual return on investment (ROI)	**184%**
Payback period (years)	**0.63**
Net present value (NPV)	**1,029,763**
Average yearly cost of ownership	**241,957**

ANNUAL BENEFITS	Pre-start	Year 1	Year 2	Year 3
Direct	0	3,000	18,840	18,840
Indirect	0	1,232,993	1,245,493	1,245,493
Total Benefits Per Period	0	1,235,993	1,264,333	1,264,333

DEPRECIATED ASSETS	Pre-start	Year 1	Year 2	Year 3
Software	83,910	80,205	0	0
Hardware	25,000	0	0	0
Total Per Period	108,910	80,205	0	0

DEPRECIATION SCHEDULE	Pre-start	Year 1	Year 2	Year 3
Software	0	16,782	32,823	32,823
Hardware	0	5,000	5,000	5,000
Total Per Period	0	21,782	37,823	37,823

EXPENSED COSTS	Pre-start	Year 1	Year 2	Year 3
Software	0	0	0	0
Hardware	0	0	0	0
Consulting	370,313	50,000	0	0
Personnel	43,750	17,500	17,500	17,500
Training	20,192	0	0	0
Other	0	0	0	0
Total Per Period	434,255	67,500	17,500	17,500

FINANCIAL ANALYSIS	Year 1	Year 2	Year 3
Net cash flow before taxes	1,088,288	1,246,833	1,246,833
Net cash flow after taxes	514,932	642,328	642,328
Annual ROI - direct and indirect benefits			**184%**
Annual ROI - direct benefits only			-6%
Net present value (NPV)			**1,029,763**
Payback (years)			**0.63**
Average annual cost of ownership			241,957
3-year IRR			162%

FINANCIAL ASSUMPTIONS

All government taxes	50%
Discount rate	15%