December 2011

Document L124

ROI CASE STUDY
MICROSOFT OFFICE 365
D7 CONSULTING

THE BOTTOM LINE

D7 Consulting deployed Microsoft Office 365 to improve the reliability of e-mail messaging and enable employees to share and collaborate on documents more easily. Nucleus found this enabled D7 to increase employee productivity and improve customer service while reducing technology costs.

ROI: 1138%

Payback: 1 month

Average annual benefit: $64,613

THE COMPANY

For more than 20 years, D7 Consulting has provided services in building envelopes, roofing, and waterproofing to the construction and real estate industries. Based in Newport Beach, California, the company employs approximately 45 employees that provide a variety of building-related construction services to their clients including forensic investigation, quality assurance, asset management consulting, and moisture testing for buildings and building components.

THE CHALLENGE

Like many small and medium-sized firms, D7 used Microsoft Office and Microsoft Exchange on an internal server that was supported by an outside IT service firm. Individual employees were responsible for their own mobile devices. Documents were shared on a file share on the internal server. The majority of employees worked at offsite locations with clients, and would e-mail inspection notes and photographs to D7 administrative staff, who would then assemble the materials and hand them off to a senior consultant for review and final recommendations to clients.

In 2009, D7 employees began to notice a marked increase in e-mail downtime and server failures. Like many companies using outside service firms, D7 also found that its IT support team wasn't always immediately available – meaning sometimes users would have to wait for hours for the problem to be resolved so they could access e-mail and shared documents. The company had set up a Box.net account for disaster recovery and remote sharing of large documents, but started to look at other alternatives that would enable it to reduce e-mail and server downtime.

THE STRATEGY

D7's head of reprographics and design, one of D7's more computer-savvy employees, began to explore alternatives for the company's e-mail and collaboration needs. He tested a number of options including Google Apps, Zoho, and Base Camp. However, given the critical nature of e-mail and collaboration to D7's business, he was concerned that lack of familiarity with non-Office products would present a significant learning curve for some D7 employees if the company adopted products with a different user interface.

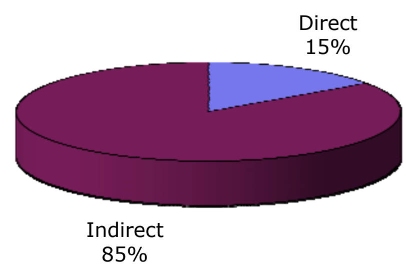
D7 became an early adopter of the Office 365 beta program in mid-2011, deploying the service to a handful of users to test it for usability, reliability, and functionality. Even the less technically-inclined users in the group found that it was easy to use because of its familiar interface, and management decided to move all users to Windows 7 and Office 365 in August 2011. The company didn't immediately move its e-mail services to Office 365 but is planning to do so in the near future.

KEY BENEFIT AREAS

Moving to Office 365 has enabled D7 to reduce downtime and accelerate collaboration and delivery of services to clients. Benefits of the project include:

- Increased productivity. With Office 365, users can communicate, collaborate, and share documents in one place – instead of having to cobble together information from different disparate systems. Access to Microsoft SharePoint Online and Microsoft Lync Online enable employees to create client-specific sites, share and co-author documents, upload and access large files, and send instant messages to colleagues when they are onsite with clients – driving an average productivity increase of almost 5 percent. This is likely to increase over time as users take fuller advantage of the capabilities of Microsoft Office Web Apps and move from their internal Exchange server to Microsoft 365 e-mail.
- Improved customer service. Rapid access to information and files from any location enables D7 consulting teams to more rapidly respond to customer requests, compile reports, and deliver documents, driving greater client satisfaction.
- Reduced technology costs. By eliminating its Box.net account and reducing fees paid to its outside IT services firm, D7 has reduced its annual net spend on IT services while improving service delivery. The company will achieve further savings when it completes its Office 365 migration and can eliminate reliance on the outside service provider for troubleshooting.

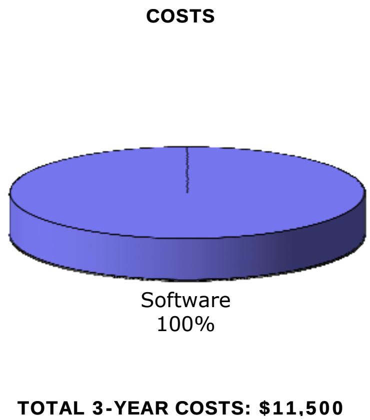
BENEFITS



TOTAL 3-YEAR BENEFITS: $193,838

KEY COST AREAS

D7's investment to move to Office 365 included the one-time cost of purchasing Windows 7 licenses to upgrade office PCs and the annual ongoing Office 365 subscription fees. Because the application is very intuitive and, in some cases, easier to use than the technology employees used to share documents before, there were no training, consulting, or additional personnel costs driven by the deployment.



BEST PRACTICES

D7 recognized that, given the business-critical nature of e-mail communication and document sharing, it needed to ensure the migration to any new system would cause as little disruption to users as possible. To that end, the company tested multiple options for usability, conducted a pilot test with a select group of users to get feedback, and chose to move file sharing capabilities first so users and management would be comfortable with the system's usability and reliability before they moved e-mail. They also adopted Office 365's instant messaging capabilities, which were an added incentive for users to adopt, as it made them even more productive.

D7 also took advantage of the flexibility and remote access capabilities of Office 365 to give specific groups of users the tools best suited to their work. Field workers, for example, don't have access to the full Office Suite because they don't need it – they use digital tablets in the field and log in to SharePoint directly to show documents to clients when they are at the work site.

CALCULATING THE ROI

Nucleus calculated the cost of software subscription services over a 3-year period as well as the one-time cost of upgrading to Windows 7 to quantify D7's investment in Office 365. No other costs were incurred.

Indirect benefits quantified included the increase in productivity of users, which was calculated using a correction factor to account for the inefficient transfer of time and based on the average annual fully loaded cost of an employee. Direct benefits quantified included elimination of other subscription document sharing licenses and reduced IT service costs. D7 expects a further reduction in IT service costs over time as the company migrates to Office 365 for e-mail.

DETAILED FINANCIAL ANALYSIS
D7 CONSULTING

SUMMARY

Project:	**Microsoft Office 365**
Annual return on investment (ROI)	**1138%**
Payback period (years)	**0.09**
Average annual benefit	**64,613**
Average annual total cost of ownership	**3,833**

ANNUAL BENEFITS	Pre-start	Year 1	Year 2	Year 3
Direct	0	9,850	9,850	9,850
Indirect	0	54,763	54,763	54,763
Total Benefits Per Period	0	64,613	64,613	64,613

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	5,500	3,000	3,000	0
Hardware	0	0	0	0
Consulting	0	0	0	0
Personnel	0	0	0	0
Training	0	0	0	0
Other	0	0	0	0
Total Per Period	5,500	3,000	3,000	0

FINANCIAL ANALYSIS	Pre-start	Year 1	Year 2	Year 3
Net cash flow before taxes	(5,500)	61,613	61,613	64,613
Net cash flow after taxes	(2,750)	30,806	30,806	32,306
Annual ROI - direct and indirect benefits				**1138%**
Annual ROI - direct benefits only				143%
Net present value (NPV)				77,832
Payback (years)				**0.09**
Average annual cost of ownership				3,833
3-year IRR				1120%

FINANCIAL ASSUMPTIONS

All government taxes	50%
Discount rate	8%