

**NUCLEUS
RESEARCH**

RESEARCH NOTE D94

ROI ANALYSIS YOU CAN TRUST™

ROI Case Study: ePeople Teamwork Anonymous

THE BOTTOM LINE

The company used ePeople Teamwork to reduce support costs by allowing lower-tier support staff to solve customers' complex technical issues, while simultaneously increasing captured corporate knowledge.

ROI: 284%

Payback: 5 months

THE COMPANY

The company is a provider of enterprise networking equipment.

THE CHALLENGE

In 2002, the company began shifting front-line product support services and reducing staff in its U.S. centers. With increased reliance on overseas engineers, however, it began to see an increase in support case escalations, which could potentially negate the ROI of moving support centers offshore.

The company had three support center tiers: tier 1 consisted of the offshore support centers, tier 2 was staffed by the previously front-line outsourced support centers in the United States, and tier 3 was its own engineers. As questions and support cases moved up the chain, costs escalated dramatically. Ideally, the technicians in the tier 1 offshore support centers would answer the majority of questions, but more complex issues typically needed to be escalated to higher-tier support staff.

The company needed a technology that could help the tier 1 staff quickly identify and communicate with the appropriate United States-based tier 2 engineers when the tier 1 staff had questions or needed assistance with complex technical issues. The company would need to automate the process of capturing particular engineers' knowledge, skills, and experience while also recording detailed case resolution metrics and capturing institutional knowledge.

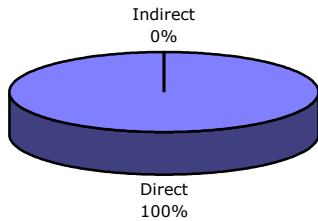
THE STRATEGY

In late 2002, managers knew that the company's current Clarify and Oracle tools were not ideally suited to the problem at hand. In November 2002, the company began a pilot test of ePeople Teamwork, a Web-based collaborative support application. To directly measure the pilot's benefits, the test was conducted at one offshore support center, with another offshore center acting as a control group.

During the pilot, the company monitored a number of key metrics, including customer satisfaction and dissatisfaction rates, average

case resolutions times, return merchandise authorization rates, and case escalations. Once the pilot was completed in January 2003, the company found that customer satisfaction/dissatisfaction rates and case resolution times for the offshore center that was using ePeople were identical to those in the control offshore center. However, what prompted the company's decision to deploy ePeople to all of its offshore support centers was a sharp reduction in the pilot center's case escalation rates. By May 2003, the company deployed ePeople Teamwork to all of its offshore and U.S. support centers as well as to a select number of internal support teams.

BENEFITS



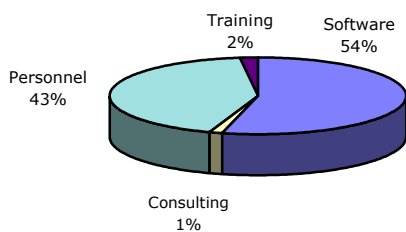
3-YEAR TOTAL: \$3.39M

KEY BENEFIT AREAS

The ePeople Teamwork application helped the company meet its goals of reduced escalation rates, increased stability at its U.S. support centers, and better information and knowledge retention from completed support cases. The company saw benefits in a number of specific areas:

- Reduced case resolution costs. Case elevations to the tier 3 support level dropped from 200 a week to nearly zero, resulting in significant cost savings.
- Reduced returns. With increased access to technical information and company experts, the tier 1 support staff can solve more problems without resorting to shipping replacement hardware to customers.
- Increased escalation efficiency. Though at first glance it seems contradictory, the company was pleased to see the gross number of escalations from tier 1 to tier 2 nearly double. This signified that information was flowing more freely between support levels because of mandated reply times and that fewer issues were backlogged.
- Skilled employee retention. The company was concerned that after the staff reductions at the tier 2 support centers in the United States, the remaining highly valued engineers would find it difficult to continue to solve a wide variety of complex escalated issues. According to the company, using the ePeople application allowed the tier 2 staff to easily identify the appropriate engineer to answer these questions, giving the remaining staff confidence that they could manage a larger workload with a smaller headcount.

COSTS



3-YEAR TOTAL: \$491,000

KEY COST AREAS

Key costs included software, personnel, consulting, and training. Software made up the largest cost category, accounting for 54 percent of total project costs. The software cost included the initial license fees for the three offshore support centers plus maintenance and support contracts. Other cost areas included personnel fees for the one-week initial installation period and 25 percent of a full-time equivalent on an ongoing basis for maintenance. Training made up only a small portion of the cost because staff members who were already using other call center and support software needed little training to begin using the Web-based ePeople application.

LESSONS LEARNED

The company's deployment of ePeople Teamwork was straightforward and without any major problems. According to the company's managers, the initial pilot test at one of the support centers was critical to the project's success. By evaluating the application in an environment that was nearly identical to that of the control group, the company was able to gain meaningful data that aided in the decision of whether to expand the software to the other support centers worldwide.

Though ePeople Teamwork helped the company meet its goals of reducing support case escalations to tier 3, the software did not have a measurable impact on other metrics. During the pilot test and after the subsequent worldwide rollout, calls per agent, customer satisfaction and dissatisfaction, and time to resolution all remained unchanged. Nucleus advises that companies looking to make improvements in these areas conduct a similar pilot test with a control group before moving forward with a large-scale deployment.

CALCULATING THE ROI

Nucleus analyzed the costs of software, consulting, personnel, training, and other investments over a 3-year period to quantify the company's total investment in the ePeople Teamwork software. Direct and indirect benefits were also quantified over a 3-year period.

Direct benefits calculated in this report include the reduced costs of resolving cases at the company's tier 2 support level instead of its tier 3 support level.

SUMMARY

Project:	ePeople
Annual return on investment (ROI)	284%
Payback period (years)	0.37
Net present value (NPV)	1,032,054
Average yearly cost of ownership	163,667

ANNUAL BENEFITS	Pre-start	Year 1	Year 2	Year 3
Direct	0	1,130,000	1,130,000	1,130,000
Indirect	0	0	0	0
Total Benefits per Period	0	1,130,000	1,130,000	1,130,000

DEPRECIATED ASSETS	Pre-start	Year 1	Year 2	Year 3
Software	150,000	0	0	0
Hardware	0	0	0	0
Total per Period	150,000	0	0	0

DEPRECIATION SCHEDULE	Pre-start	Year 1	Year 2	Year 3
Software	0	30,000	30,000	30,000
Hardware	0	0	0	0
Total per Period	0	30,000	30,000	30,000

EXPENSED COSTS	Pre-start	Year 1	Year 2	Year 3
Software	0	38,000	38,000	38,000
Hardware	0	0	0	0
Consulting	7,000	0	0	0
Personnel	60,000	90,000	30,000	30,000
Training	10,000	0	0	0
Other	0	0	0	0
Total per Period	77,000	128,000	68,000	68,000

FINANCIAL ANALYSIS	Results	Year 1	Year 2	Year 3
Net cash flow before taxes		1,002,000	1,062,000	1,062,000
Net cash flow after taxes		516,000	546,000	546,000
Annual ROI - direct and indirect benefits				284%
Annual ROI - direct benefits only				284%
Net present value (NPV)				1,032,054
Payback (years)	0.37			
Average annual cost of ownership		355,000	211,500	163,667
3-year cumulative ROI	548%			
3-year IRR	272%			

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.