

IDC ExpertROI SPOTLIGHT

The Japan Post Network Saves over \$10 Million in Infrastructure Costs and Gains a Competitive Advantage with Cloud Computing

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Project Summary

Japan Post Network Ltd. is a large (119,900 employees) postal and Financial Services provider headquartered in Tokyo. Established in 2007 as a result of the Japan Post Network Act, Japan Post Network selected Force.com as its platform for developing a wide range of custom applications to support its changing business.

Introduction

Japan Post Network provides retail postal services and is part of a larger group of companies providing banking, insurance, and other business services to over 110 million customers. As a relatively new commercial business, Japan Post Network needed to transform its postal business from being operations oriented to being revenue oriented. This meant that each post office would be transformed into a single contact point for customers' banking, insurance, brokerage, and shipping needs. At the same time, the offices would need to be customer friendly and the systems for the customer-facing operations needed to be efficient, easy to use, and reliable.

Implementation

Force.com was selected because Japan Post Network wanted to gain an early advantage in the competitive postal business by being more flexible, agile, and technology savvy without having to make additional investments in development staff and infrastructure. This was a sizable organization to tie together, with some 24,000 locations. The implementation would include the integration of data and process from 5 different companies. The applications range from claims management to advertising management. Currently, over 8 custom applications have been built with over 115 database tables, 340 integration points, and 13,000,000 records.

Business Value Snapshot

Organization: A Tokyo-based postal services provider

Operational challenge: Company needed to integrate and streamline new processes for selling financial services products in a newly privatized market.

Solution: Built multiple applications on Force.com

Benefits:

- Avoided \$10M in infrastructure hardware/software costs
- 4x faster than Java or .NET
- 2–3x less expensive than on-premise development
- Increased uptime and reliability
- Experienced 91% fewer bugs

ROI: 511% over 3 years

Challenges

The main challenge was to execute a large volume of new applications in a short period of time to gain a competitive advantage in a new business arena.

Benefits

Japan Post Network realized significant benefits in three areas: low costs to develop, deploy, and manage companywide custom applications; rapid delivery; and a high level of quality driving user satisfaction.

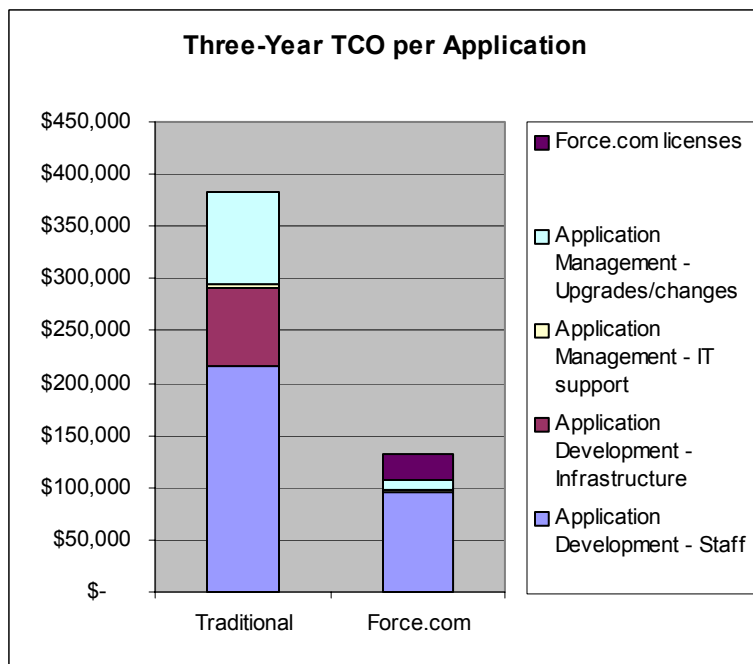
Japan Post Network recognizes benefits in all phases of application development, but if one phase stands out, it would be the test phase; much less code needs to be tested in a Force.com environment than in a custom-developed Java or .NET environment.

Cost Reduction

Cost reduction includes both staffing and infrastructure (see Figure 1). Japan Post Network estimates that the labor requirement to build the custom application to manage its operations is approximately 30 person-months, which might translate to about \$500,000 in up-front development costs. Japan Post Network estimates that had it developed its custom applications in-house using a traditional approach, it would have spent \$10 million on infrastructure alone.

Building on a cloud platform is a more efficient approach and makes it easier to add functionality and extend existing applications built on Force.com. Japan Post Network estimates that the Force.com ongoing applications management/support is only 5–10% of the development cost. If Japan Post Network had done the coding, then ongoing applications management/support cost would be approximately 30% of development costs, including support of the extra datacenter and network required by a traditional environment.

Figure 1



Source: IDC, 2009

Application Quality and Customer Satisfaction

Japan Post Network found that Force.com delivered better quality applications and higher customer satisfaction.

Its traditional custom-developed applications experienced an average of 11.7 bugs per year, while Force.com applications average one bug annually (91% fewer bugs). Availability for traditional applications averaged 99.2%, while availability for Force.com applications averages 99.8%. Higher uptime led to higher satisfaction among internal users responsible for using the information and among external users who become frustrated with delays due to downtime.

Another ease-of-use boon was the single sign-on function. In the traditional development environment, each application requires a user ID and password. Thus, users become very confused about which user ID and password corresponds to which application. This confusion leads to users avoiding those applications, defeating the purpose of the application in the first place. The single sign-on function delivers ease of use and consistency from one application to another.

Business Impact

Perhaps the most significant benefit delivered by Force.com is agility. Because Japan Post Network is moving in the direction of standardizing on Force.com, it is confident that it can rapidly implement changes in business strategy. Through such benefits as rapid prototyping parallel to development, Japan Post Network maximizes the chance of user satisfaction and fit to the business process.

Long-term development costs should drop as well. In traditional waterfall custom development environments, companies need to retain expertise specific to each application. But in a Force.com environment, they can have one group of people supporting multiple applications.

Japan Post Network is a highly competitive operation. From a competitive landscape perspective, its companies face a distinct set of challenges in their respective arenas — banking, insurance, postal services, and shipping. A spokesperson for Japan Post Network related that if the company had tried to respond or support the business with technology using traditional development strategies, it could not have responded in agile fashion to the myriad initiatives of its competitors. Today, Japan Post Network has first mover advantage and will continue to use the Force.com platform to launch new initiatives to maintain its competitive advantage.

ROI Analysis

Reducing application development costs by 65% drives three-year savings exceeding \$1 million compared with investments of \$165,000 for Salesforce and Force.com licenses. Japan Post Network has enjoyed an ROI of over 500%.

Methodology

IDC used its standard ROI methodology to value the dollar benefits derived from the Force.com deployment. All data is sourced from direct interviews with a corporate manager at the client site.

IDC performs a three-step process to calculate the ROI and payback period:

1. Measure the benefits from reduced downtime, improved time to market, improved customer service, and reduced IT costs since the deployment.
2. Ascertain the total investment made while deploying the solution (hardware, software, FTE requirements for deployment and annual maintenance, customization, training, and consulting).
3. Project the investment and benefit over three years and calculate the ROI and payback for the Force.com deployment.

The ROI is shown as the three-year net present value of the net benefit divided by the discounted three-year investment. To account for the time value of money, IDC bases the ROI and payback period calculations on a 12% discounted cash flow.

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