



August 2009

Document **J65**

ROI CASE STUDY SALESFORCE.COM STATE DEPARTMENT

THE BOTTOM LINE

The State Department's Nonproliferation and Disarmament Fund (NDF) used Salesforce.com's Force.com platform to create a custom application to provide program managers around the world with ready access to up-to-date budget information. This increased productivity while enabling NDF to better manage contractor costs.

ROI: 216%

Payback: 8 months

Average annual benefit: \$1,625,066

THE COMPANY

The State Department's Nonproliferation and Disarmament Fund (NDF), established in 1994, provides a means for the US government to respond rapidly to nonproliferation and disarmament opportunities, circumstances or conditions that are unanticipated or unusually difficult, but of high priority.

The flexibility and immediate response available from the Fund ensures that the United States will be able to respond to unforeseen proliferation issues anywhere in the world and is an important tool to take advantage of opportunities to counter proliferation. The NDF is a global operation, and directly supports the President's national strategy to combat weapons of mass destruction and other key US initiatives.

THE CHALLENGE

NDF program managers work all around the world and don't always have consistent access to government facilities and information systems. Although the NDF used the State Department's financial system of record and had also developed a custom application to provide program managers with project budget information while they were in the office, NDF program managers were still challenged to manage their program budgets: without up-to-date consistent access to information, they either had to run programs with larger budgets or risk cost overruns.

The NDF needed a means to track costs across multiple programs and geographies on a real-time basis so it could expend its capital most effectively — and they needed to be able to access the information from anywhere on almost any device.

TOPICS

Customer Relationship
Management
Software as a Service

THE STRATEGY

The NDF considered a number of different technology strategies including database development and customizing an Oracle or SAP application. Ultimately the organization decided on Force.com for two main reasons:

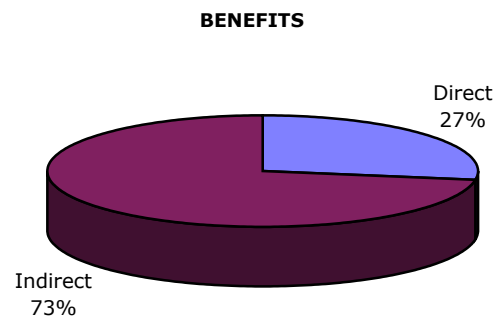
- The cloud computing model appealed to NDF from an operational perspective because its core competence was in diplomacy, not in procuring and managing databases and servers.
- After exploring the Force.com functionality and the capabilities of Acumen Solutions, a Salesforce.com implementation partner, the NDF was comfortable that a secure and reliable application that would meet its needs could be built and integrated with other existing systems in less than a year.

NDF started working with Acumen to develop the application in March 2008. A team at NDF worked closely with Acumen to define requirements and iteratively develop the application and it went live in October 2008. The system was then formally audited. Acumen continues to further enhance the application to bring new functionality to end users as needed.

KEY BENEFIT AREAS

Developing a custom application on Force.com enabled the NDF to provide program managers with accurate, up-to-date program budget information from anywhere so they can manage programs more cost-effectively. Key benefits from the solution include:

- Improved technology management. Using Force.com, the NDF was able to deliver the application at less than a quarter of the time and cost that would have been required with traditional on-premise development environments.
- Increased productivity. Ready access to information enables program managers to make decisions more quickly and plan program initiatives.
- Better contractor management. Better visibility into contract and invoice details on an ongoing basis enables program managers to run projects in a more hands-on fashion to reduce the time and cost of changes and increase overall efficiency.

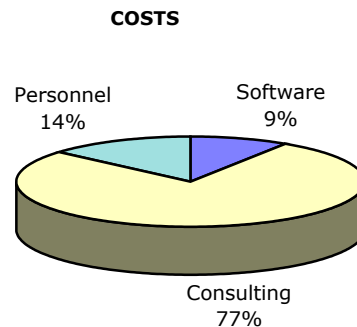


TOTAL: \$4,875,199

KEY COST AREAS

Key cost areas for the deployment included consulting, software, and personnel. Consulting made up the most significant cost area as NDF used Acumen Solutions

to develop, test, integrate, and further enhance the application iteratively based on user input.



TOTAL: \$1,426,691

BEST PRACTICES

Given the significant growth of projects and programs to manage, and the need to manage them from any location (not just a standard secured State Department network), NDF program managers were ideal candidates for use of a cloud computing application. The NDF also took advantage of the opportunity to develop the application iteratively with ongoing user input to ensure that functional requirements that weren't identified in the beginning could still be supported in the application.

CALCULATING THE ROI

Nucleus calculated the costs of software, consulting, and personnel over a 3-year period to quantify NDF's total investment in the Force.com platform. Direct benefits quantified included the number of additional hires avoided by making existing staff more productive and the value of reduced contractor overbilling, which was calculated based on the overall annual budget of the organization and the estimated potential loss from overbilling.

Nucleus Research is a global provider of investigative technology research and advisory services. Building on its unique ROI case study approach, for nearly a decade Nucleus Research has delivered insight and analysis on the true value of technology and strategies for maximizing current investments and exploiting new technology opportunities. For more information or a list of services, visit NucleusResearch.com, call +1-617-720-2000, or e-mail info@NucleusResearch.com.

DETAILED FINANCIAL ANALYSIS

STATE DEPARTMENT

SUMMARY

Project:	Salesforce.com
Annual return on investment (ROI)	216%
Payback period (years)	0.65
Average annual benefit	1,625,066
Average annual total cost of ownership	475,564

ANNUAL BENEFITS	Pre-start	Year 1	Year 2	Year 3
Direct	0	445,066	445,066	445,066
Indirect	0	1,180,000	1,180,000	1,180,000
Total Benefits Per Period	0	1,625,066	1,625,066	1,625,066

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	44,250	44,250	44,250	0
Hardware	0	0	0	0
Consulting	550,000	550,000	0	0
Personnel	35,000	55,606	51,668	51,668
Training	0	0	0	0
Other	0	0	0	0
Total Per Period	629,250	649,856	95,918	51,668

FINANCIAL ANALYSIS	Pre-start	Year 1	Year 2	Year 3
Net cash flow before taxes	(629,250)	975,210	1,529,149	1,573,399
Net cash flow after taxes	(314,625)	487,605	764,574	786,699
Annual ROI - direct and indirect benefits				216%
Annual ROI - direct benefits only				28%
Net present value (NPV)				1,204,775
Payback (years)				0.65
Average annual cost of ownership				475,564
3-year IRR				176%

FINANCIAL ASSUMPTIONS

All government taxes	50%
Discount rate	15%