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ROI CASE STUDY ORACLE MDM ANONYMOUS UTILITY COMPANY

THE BOTTOM LINE

A leader in electricity transmission and distribution implemented Oracle Master Data Management (MDM) to build a central master database of customer data. The project ensured customer data quality within critical applications and supported more successful customer relationship, supply chain, and product data management.

ROI: 105%

Payback: 2.1 years

Average annual benefit: €2,561,858

THE COMPANY

The company is a leader in electricity transmission and distribution, with a dedicated sales organization serving customers in approximately 160 countries.

THE CHALLENGE

The company had a number of different legacy systems and fragmented, siloed customer data records. The market structure — with multiple distribution channels, long processes from opportunity to order, and project complexity — combined with the company's heterogeneous IT environment, made it difficult for the sales team to effectively cultivate, deliver to, bill, and ultimately receive payment from business-to-business customers.

The company needed to develop reliable tools to support its sales force and their customer interactions in order to improve the company's position in the transmission and distribution market. It needed a centralized common master data store for all data about the customer to reduce the need for custom reporting, data cleaning, and multiple versions of the truth so it could ensure performance and compliance while improving customer relationship management.

THE STRATEGY

Oracle MDM was selected because it provided the company with its specific requirements and could follow implementation stages according to the company's priorities. Oracle Customer Hub (UCH) — a component of MDM) allowed progressive integration with source and target peripheral legacy systems. This integration point was one of the key features sought by the company, given that its information system was composed of more than 40 different systems (including SAP, Salesforce.com, Siebel, BAAN, Syteline, and Prodstar). The company

TOPICS

Business Intelligence and Analytics

Customer Relationship Management

recognized its need for a central master database to emphasize programs such as customer relationship management, supply chain management, and product data management.

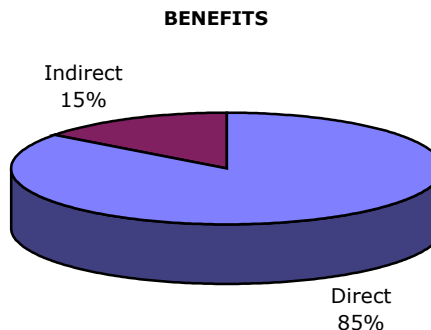
The company executed a 1-year phased deployment. Started in 2007, the company's MDM project, STOCK (which stands for Strategic and Operational Customer Knowledge), provides a single customer database shared by all applications managing customer data. After data consolidation, cleansing, standardization, and enrichment, the data is published back into the originating systems and into the company's business intelligence systems.

The project has expanded to cover the company's core models (sales, finance, supply chain) and to support its strategic business objectives such as market differentiation, continuous improvement, and compliance. As a back-office tool, its function is to provide all operational applications with a comprehensive view of its business-to-business customers located in 160 countries. The project impacts eight direct users and 3,000 indirect users.

KEY BENEFIT AREAS

Initially, the company's chief goal was to improve customer data sharing and create a more integrated and comprehensive view of its customers. However, the project's benefits have expanded even further than anticipated, because of more streamlined communication between business functions worldwide. Key benefits from the deployment include:

- Reduced data management costs. The company has reduced both the amount of time and effort spent cleaning and reporting on data and the costs associated with supporting point-to-point integration between different applications.



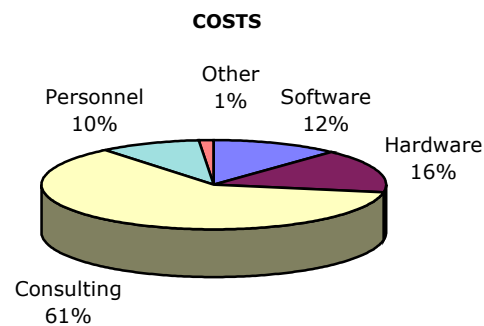
TOTAL: € 7,685,573

- Change in working capital. Better management of customer accounts has enabled the company to reduce bad debt write-offs and accelerate collection times.
- Faster project cycle times. Eliminating data silos has provided the company with a full view of its customer data across all systems worldwide, reducing the time to launch a new project by an average of five fewer days.

- Increased end user productivity. Approximately 3,000 users in sales and finance worldwide can directly access integrated applications and no longer have to search and verify complete customer information.

KEY COST AREAS

Key cost areas for the deployment projected included software, consulting, personnel, hardware, training, and other costs. The greatest cost area was for upfront and ongoing consulting, including Accenture and Steria as systems integrators. Also included in the consulting expenses are data enrichment costs for Dun & Bradstreet to obtain the unique D-U-N-S numbers of its customers in order to enhance customer knowledge according to the appropriate legal criteria. Other costs include travel and expenses, and team communication activities such as events and evangelism.



TOTAL: € 4,835,634

BEST PRACTICES

The company executed a 12-month, step-by-step approach for the Oracle implementation. Instead of freezing functional requirements at the beginning of development, it developed a progressively iterative approach with a phased convergence to the final solution. Therefore, the application design and UCM configuration were performed in parallel. This approach was a key to the project's success, as it allowed early and continuous involvement of key users in the targeted solution, with strict adherence to planning and budgeting. Executive-level support (CEO and CFO) was another key factor in the deployment's success. In addition, a data steward role was created specifically for this project using existing personnel.

CALCULATING THE ROI

Nucleus calculated the costs of software, hardware, consulting, personnel, training, and other investments over a 3-year period to quantify the company's total investment in the STOCK project. Direct benefits quantified in the analysis include reduced IT costs including cost of report generation and data integration support and a change in working capital driven by accelerated time to collect invoices. Indirect benefits quantified included reduced time spent devoted to data management, developing and launching new projects, and managing compliance issues and were quantified based on the average annual fully loaded cost of an impacted employee using a correction factor to account for the inefficient transfer of time between time saved and additional time worked.

DETAILED FINANCIAL ANALYSIS

ANONYMOUS UTILITY COMPANY

SUMMARY

Project:	Oracle MDM
Annual return on investment (ROI)	105%
Payback period (years)	2.14
Average annual benefit	2,561,858
Average annual total cost of ownership	1,611,878

ANNUAL BENEFITS	Pre-start	Year 1	Year 2	Year 3
Direct	0	0	3,040,934	3,520,574
Indirect	0	0	539,375	584,689
Total Benefits Per Period	0	0	3,580,309	4,105,264

DEPRECIATED ASSETS	Pre-start	Year 1	Year 2	Year 3
Software	147,828	87,107	78,312	57,782
Hardware	0	0	0	0
Total Per Period	147,828	87,107	78,312	57,782

DEPRECIATION SCHEDULE	Pre-start	Year 1	Year 2	Year 3
Software	0	29,566	46,987	62,649
Hardware	0	0	0	0
Total Per Period	0	29,566	46,987	62,649

EXPENSED COSTS	Pre-start	Year 1	Year 2	Year 3
Software	0	54,035	72,047	85,337
Hardware	25,763	220,117	240,093	270,300
Consulting	923,762	1,321,416	342,587	381,776
Personnel	56,453	94,126	165,532	145,900
Training	0	3,932	0	0
Other	0	27,828	13,601	20,000
Total Per Period	1,005,978	1,721,454	833,860	903,313

FINANCIAL ANALYSIS	Pre-start	Year 1	Year 2	Year 3
Net cash flow before taxes	(1,153,806)	(1,808,561)	2,668,137	3,144,169
Net cash flow after taxes	(751,415)	(1,108,153)	1,588,352	1,888,448
Annual ROI - direct and indirect benefits				105%
Annual ROI - direct benefits only				75%
Net present value (NPV)				1,027,044
Payback (years)				2.14
Average annual cost of ownership				1,611,878
3-year IRR				38%

FINANCIAL ASSUMPTIONS

All government taxes	40%
Discount rate	9%