

ROI Profile: BEA WebLogic IP Communications, Dallas, Texas

ROI:	522%
Payback:	10 weeks

Bottom Line

Using a standard platform and process integration to support its entire customer provisioning process enabled IP to reduce the human intervention needed to support each new customer request — but also enabled it to gain competitive advantage with faster, more cost-effective service delivery.

The company

IP Communications was established in 1999 to address a growing need for broadband Internet access. Today, the company has grown to be a leading data networking company with the most extensive broadband network in Texas, Oklahoma, Missouri, and Kansas. IP is focused on providing both business and residential customers with rapid access to high-speed Internet access.

IP has built its own network to compete with that of the incumbent provider, Southwestern Bell Communications (SBC), but still has to work with SBC to get access to the local loop. In a rapidly-changing market with significant challenges for service providers competing against SBC, IP has grown and established its reputation by providing consistent quality service and rapid delivery of broadband solutions.

The challenge

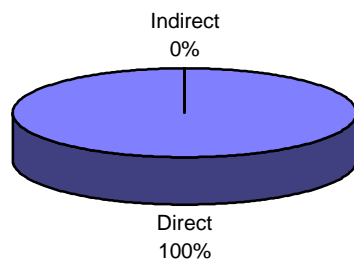
As IP Communications's business continued to grow, so did its challenges in staying ahead of the competition in terms of service quality and rapid delivery. Key to competitiveness was efficiency in IP's provisioning process: the customer signed a contract, then underwent a credit check, and then IP requested local line access from SBC. The technology the customer needed was then installed and tested, and other customer processes such as billing, trouble ticket management, and any partner communication were launched.

The entire process took IP about 45 days and involved considerable human intervention at different steps in the process, because there was no integration between the company's front office, provisioning, and billing applications. In addition to the internal steps required for billing and trouble ticket development, interaction with SBC was by EDI and took about 10 steps for each new contract. IP looked for a technology that would enable it to streamline the process through automation, reduce the need for re-keying of information along the line, and shorten the amount of time to deliver services and support to customers.

The strategy

IP was already using IBM MQSeries workflow product to try to meet the challenge, but a slow and cumbersome development process left IP concerned about its reliability and usability over the long term. The company needed strong workflow, but was also looking for a solution with J2EE compliance and full XML support. After considering a number of different solutions, IP Communications selected BEA WebLogic Server and the BEA WebLogic Process Integrator, largely because of its reliance on open standards and its ease of development and deployment.

Figure 1 - Direct and Indirect Benefits



IP Communications purchased the software from BEA in November 2000 as a foundation for its entire broadband provisioning process which would span all of its internal organizations and trading partners. The plan was to create separate workflow modules that could be assembled into one seamless application.

By January of 2001, just 60 days after purchase of the BEA software, the company launched the DSL billing application and by the end of that same month, IP had created a WebLogic-based trouble ticket application. Additional applications were created that now comprise multiple enterprise java beans running on the WebLogic server which are linked together with the process integrator to create one end-to-end provisioning and customer care process.

IP also invested in EDI and XML translation software tools to support its initial deployment, but expects that over time BEA WebLogic's enhanced capabilities will eliminate the need for those tools.

Key benefit areas

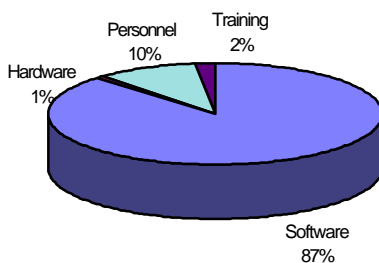
IP Communications experienced a number of benefits by automating its customer provisioning process with WebLogic, including the following:

- Reduced human intervention. Automating the process has enabled IP to reduce the personnel needed on an ongoing basis to re-enter data into different systems and applications.
- Reduced time to delivery. IP has been able to reduce the time it takes to deliver services to a customer from an av-

erage of 45 days to an average of 15 days – giving it significant competitive advantage over other providers.

- Reduced transaction errors. Automating the exchange between systems has reduced the amount of errors in data produced by redundant data entry points.
- Remove information barriers. Information is now available to provide the exact status of a customer’s request within the lifecycle.
- Notification and monitoring. IP has been able to create notifications and constraints to better manage standard and exception workflows.

Figure 2 - Costs



Key cost areas

The largest part of IP Communications’s investment for the project was in software, at more than 80 percent of the total budget; however, EDI translation tools which IP believes it will not need as the BEA software will manage that translation made up the largest percentage of the software total. Other costs included internal personnel to create each of the modules.

Lessons learned

Because IP is a fairly young company, the BEA deployment was one of its first automation projects — IP’s growth drove a need for automation of tasks that had been effectively handled by a few employees in the beginning. Adoption was rapid because the benefits were clear, and because there were no existing systems or processes to replace or re-train. Minimal training was needed to explain the new system to employees — they essentially moved from entering all information manually to reviewing information when a problem appeared.

3-year Financial Analysis

Total Benefits:	\$12.09M
Direct	100%
Indirect	0%
Total Costs:	\$883,317
Software	87%
Hardware	1%
Consulting	0%
Personnel	10%
Training	2%
Other	0%
ROI:	522%
Payback:	.20 years
TCO:	\$294,439

Calculating the ROI

IP experienced significant direct savings as a result of its BEA deployment. Specifically, the company was able to reduce the number of employees it needed to manage the process while simultaneously integrating the entire process and tripling the volume. Relatively low project costs and extremely rapid development enabled IP to quickly achieve benefits from each stage of its deployment. Nucleus did not include IP’s estimates of nearly \$2 million it saved by eliminating the need to purchase additional software to support an EDI gateway and EAI infrastructure.

IP Communications

Summary

Project:	BEA Systems
Annual Return On Investment (ROI)	522%
Payback Period (Years)	0.20
Net Present Value (NPV)	4,120,746
Average Yearly Cost of Ownership	294,439

Annual Benefits	Initial	Year 1	Year 2	Year 3
Direct	0	4,020,000	4,033,200	4,046,664
Indirect	0	0	0	0
Total Benefits Per Period	0	4,020,000	4,033,200	4,046,664

Depreciation Schedule	Initial	Year 1	Year 2	Year 3
Software	315,000	63,000	63,000	63,000
Hardware	0	0	0	0
Total Per Period	315,000	63,000	63,000	63,000

Expensed Costs	Initial	Year 1	Year 2	Year 3
Software	88,000	172,300	98,300	98,300
Hardware	5,000	750	750	750
Consulting	0	0	0	0
Personnel	33,333	54,167	0	0
Training	0	16,667	0	0
Other	0	0	0	0
Total Per Period	126,333	243,883	99,050	99,050

Financial Analysis	Results	Year 1	Year 2	Year 3
Net cash flow before taxes		3,776,117	3,934,150	3,947,614
Net cash flow after taxes		1,919,558	1,998,575	2,005,307
Annual ROI - direct and indirect benefits		508%	518%	522%
Annual ROI - direct benefits only		508%	518%	522%
Net Present Value (NPV)		1,291,014	2,802,224	4,120,746
Payback (Years)	0.20			
Average Cost of Ownership (TCO/Years)		685,217	392,133	294,439
3-Year Cumulative ROI	1190%			
3-Year IRR	509%			

Basic 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.